



Report of the Comptroller and Auditor General of India

For the year ended 31 March 2019



लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

Union Government (Economic & Service Ministries-Civil)
No. 10 of 2020
(Compliance Audit Observations)

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Laid on the table of Lok Sabha and Rajya Sabha on.....

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PREFACE

1. This report of the Comptroller and Auditor General of India for the year ended March 2019 has been prepared for submission to the President under Article 151 of the Constitution of India.
2. The Report contains the results of compliance audit of the Economic & Service Ministries/ Departments of the Union Government, their attached/ subordinate offices and Central Autonomous Bodies. Bodies or Authorities, which are substantially financed by grants/ loans from the Consolidated Fund of India, are audited by the CAG under the provisions of Section 14(1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.
3. The instances mentioned in this Report are those which came to notice in the course of test audit for the period 2018-19 as well those which came to notice in earlier years but could not be reported in the previous Audit Reports. Matters relating to the period subsequent to 2018-19 have also been included, wherever necessary.
4. The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

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 five 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.	Commerce and Industry	2	1
2.	Housing and Urban Affairs	1	1
3.	Micro, Small & Medium Enterprises	1	0
4.	Petroleum and Natural Gas	2	1
5.	Shipping	6	1
6.	Textiles	1	0
7.	Tourism	1	1
Total		14	5

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

The Ministry of Micro, Small & Medium Enterprises (MSME) and Small Industries Development Bank of India (SIDBI) established (July 2000) a Trust named 'Credit Guarantee Fund Trust for Micro and Small Enterprises' (CGTMSE/ Trust) to provide guarantee in respect of the credit facilities (term loan and/ or working capital assistance), extended by the lending institutions without any collateral security and/ or third party guarantees to the new or existing Micro and Small Enterprises and to levy guarantee fee/ annual service fee/ other charges on the lending institutions. CGTMSE implemented two schemes viz. (a) Credit Guarantee Fund Scheme for Micro and Small Enterprises (CGS-I, for banks and financial institutions); and (b) Credit Guarantee Fund Scheme for Non-Banking Financial Companies (CGS-II). The scope of audit included performance of the guarantee schemes (primarily CGS-I) during the period from 2015-16 to 2018-19 (30 September 2018).

As on 31 March 2019, the Trust had issued 29.79 lakh number of guarantee covers amounting to ₹1,51,484 crore. The corpus fund of the Trust was ₹6,914.91 crore as on 31 March 2019, of which the GoI had contributed ₹6,414.91 crore (92.77 per cent) and SIDBI had contributed ₹500 crore (7.23 per cent).

CGTMSE/ Government had not fixed any norms/ benchmarks with regard to minimum liquidity requirement for the Trust vis-a-vis guarantees approved/ issued, capital adequacy, solvency requirements, exposure cap for various types of member lending institutions, disclosure norms and accounting standards to be followed, etc.

The Trust did not implement the directions (January 2017) of the Ministry and continued to provide guarantees against loans which were eligible for guarantee cover under the Credit Guarantee Fund for Micro Units (CGFMU) of National Credit Guarantee Trustee Company Limited (NCGTC). There has been overlap in the work of CGTMSE and CGFMU (MUDRA loans) as regards loans upto ₹10 lakh against same type of business projects.

The Trust measured the impact (turnover, exports and employment figures) of guarantees based on the information furnished by the Member Lending Institutions (MLIs) at the time of lodging application for seeking guarantee cover. There was no realistic data of the turnover, exports and employment generation available with the Trust. The Trust also did not call for the details or got the details uploaded from the MLIs in its portal after commencement of business by the MSEs.

The Trust had not fixed benchmark leverage on corpus fund on a rational basis to generate more confidence in the MLIs on the efficacy of guarantee instrument and to motivate them for larger front-end support to MSE sector.

The present system of approval of guarantees merely provided an assurance that the MLIs had filled only the mandatory details of the borrowers. Even the system/ portal was not adequate enough to verify the accuracy of the details filled in by the MLIs. Further, the Scheme did not encourage ratings of the proposals below ₹50 lakh to contain risks in the system.

The policy of the Trust to allow a time period upto the end of next quarter for marking NPA was not in consonance with RBI's directions to the Banks.

The inspections were not planned as no criterion was fixed for selection of MLIs, targets and achievements in respect of MLIs, and accounts to be covered and regions to be focused upon. The inspections were not commensurate with the guarantees issued, NPAs reported, claims lodged by the MLIs and shortcomings noticed in the inspection reports.

The MLIs did not fill the non-mandatory data and further the quality of data fed was very poor. Many fields were left blank by the MLIs or incorrect data was fed.

The MLIs applied for guarantee covers more than once for the same application/ credit facility and the Trust also issued guarantee cover to the MLIs as per their application. This was against the financial interests and business prudence of the Trust.

(Para 4.1)

Kolkata Port Trust (KoPT) did not have any laid down strategic dredging plan for dredging enumerating the broad guidelines to be followed for dredging and strategies to be adopted from time to time for the same. Though KoPT prepared annual plans on ad-hoc basis for dredging containing bar wise target depth and quantity to be dredged, the ad-hoc target was more than the target depth incorporated in the dredging contract with Dredging Corporation of India Limited (DCIL). Spurs constructed for establishing a stable channel of desired alignment were also not maintained properly which had resulted in adverse morphological changes and thereby caused considerable damage to other spurs in Nischintapur area where no nourishment work was envisaged earlier. There were deficiencies in execution of dredging contract with DCIL. The target depths in the dredging contracts were reduced with reference to the desired/ required depth mainly due to under performance of the DCIL dredgers. The dredgers deployed by DCIL remained underutilised during daily hire rate regime for which KoPT incurred unfruitful expenditure. In violation of direction of Ministry of Shipping, KoPT continued engaging DCIL on nomination basis and also incurred additional dredging expenditure. Unfruitful expenditure towards dredging was also incurred by KoPT due to maintaining higher depth at Jellingham with reference to that of Eden. In spite of advice of experts from time to time, shore disposal of the dredged materials was not resorted to by KoPT. Instead, the dredged materials were dumped in the river itself. This has ultimately resulted in recycling of at least 15 *per cent* of the dumped dredged materials in the river leading to deterioration of the depth of the navigation channel despite dredging and thereby, increased the dredging cost. The Turn Round Time of the vessels approaching to Haldia

Dock Complex was higher due to reduction in the navigational depth resulting in increase of the transaction cost of the vessels and the port, therefore, became unattractive to the port users.

(Para 6.1)

Government of India awarded 254 blocks during New Exploration and Licensing Policy I to IX rounds for exploration of oil & gas. As per the terms and conditions of Production Sharing Contracts (PSC), contractors are required to pay cost of unfinished minimum work programme (CoUMWP), if the block is relinquished or terminated by Government. However, contractors of 54 relinquished blocks failed to pay the CoUMWP as specified in PSCs.

An amount of US\$ 510.79 million (₹3,652.64 crore), which was 77 *per cent* of the Ministry of Petroleum and Natural Gas (MoPNG) approved amount of US\$ 664.67 million (₹4,753.03 crore) on account of CoUMWP in respect of 45 blocks still remained unrecovered (September 2019). The CoUMWP for nine blocks is yet to be worked out by DGH/ approved by MoPNG.

In case of 54 relinquished/ terminated blocks, Directorate General of Hydrocarbons (DGH) took 15 days to 4,585 days to determine/ work out the CoUMWP whereas MoPNG took 6 days to 2,174 days to approve it. The delay was not only on the part of contractors but was also on the part of MoPNG/ DGH. DGH has not been able to finalise rates of benchmarking of costs and building of databank till date (September 2019). Non-maintenance of cost data by DGH, which was required as per Government Policy of December 2007, resulted in multiple and prolonged communications for seeking/ collection of information and data from the contractors by DGH.

DGH/ MoPNG failed to keep bank guarantees valid till approval/ recovery of CoUMWP from respective contractors. Validity of bank guarantees also expired in case of four blocks. PSC provisions (Article 33.1) stipulate that cases of non-settlement of disputes would be referred to the sole expert for conciliation/ arbitration. DGH proposed for appointment of an arbitrator on behalf of GoI to MoPNG in respect of 17 NELP blocks. However, no decision on the request of DGH was found in the records till September 2019.

(Para 5.1)

Jawaharlal Nehru Port Trust (JNPT) included House Rent Allowance (HRA) in the formula for calculating Overtime Allowance (OTA) to employees (not staying in township) working beyond nine hours a day and 48 hours a week. Inclusion of HRA in the formula was not correct and excess payment of OTA due to this during 2013-14 to 2018-19 was ₹44.09 crore. The Ministry of Shipping informed JNPT (June 2019) that they have viewed the matter seriously and directed JNPT to fix responsibility for the lapse. After Ministry's reply, JNPT amended (September 2019) the overtime formula removing HRA. Audit first pointed out the irregularity in December 2015. Had prompt

corrective action been taken, excess expenditure of at least ₹27.96 crore incurred since December 2015 could have been avoided.

(Para 6.3)

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

(Para 6.4)

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

(Para 6.2)

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

(Para 2.1)

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

(Para 6.6)

Central Silk Board (CSB) is a statutory body, established in 1948, by an Act of Parliament to promote growth and development of sericulture. CSB Rules, 1955 specify various control measures regarding maintenance and operation of bank accounts which include daily closing of cash book after complete checking, verification by an authorised officer and certificate at the end of each month.

Verification of cash book entries with the day book and supporting vouchers revealed:

- Tampering with figures of cash book and day book;
- Fictitious entries with instructions to bank for payments;
- Instances of instructions for the payments were issued by an official who was responsible for maintaining the cash book.

Between May 2018 and April 2019, an amount of ₹85.13 lakh was transferred from bank account of RO, Guwahati to bank accounts of individuals having no official transactions. Amount of ₹9.61 lakh was recovered leaving a balance of ₹75.52 lakh which is still to be recovered.

(Para 7.1)

CHAPTER I: INTRODUCTION

1.1 About this Report

Compliance audit refers to examination of the transactions relating to expenditure, receipts, assets and liabilities of audited entities to ascertain whether the provisions of the Constitution of India and applicable laws, rules, regulations, orders and instructions issued by the competent authorities are being complied with and also to determine their legality, adequacy, transparency, propriety, prudence and effectiveness in terms of achievement of the intended objectives.

Audits are conducted on behalf of the Comptroller and Auditor General (CAG) as per the approved Auditing Standards. These standards prescribe the norms which the auditors are expected to follow in conduct of audit and require reporting on individual cases of non-compliance as well as on weaknesses that exist in systems of financial management and internal control of the entities audited. The audit findings/ observations are expected to enable the Executives to take corrective action(s), also to frame policies and procedures that will lead to improved financial management of the organisations, thus, contributing to better governance.

This chapter, in addition to explaining the planning and extent of audit, provides a brief analysis of the expenditure of the Economic and Service Ministries/ Departments as listed out in **Appendix-I** and their financial management. Chapters II to VIII present findings/ observations arising out of the compliance audit of the Economic and Service Ministries/ Departments and their Autonomous Bodies¹.

1.2 Authority for Audit

The authority for audit by the CAG and reporting to the Parliament is derived from Articles 149 and 151 of the Constitution of India and the CAG's (Duties, Powers and Conditions of Service) Act, 1971 (Act) respectively. CAG conducts audit of expenditure of Ministries/ Departments of the Government of India under Sections 13² and Section 17³ of the Act.

Bodies established by or under law made by the Parliament and containing specific provisions for audit by the CAG are statutorily taken up for audit under Section 19(2) of the Act. Audit of other organisations (Corporations or Societies) are entrusted to the CAG in public interest under Section 20 (1) of the Act. Besides, bodies or authorities, which

¹ As on 31.03.2019, 64 CABs were under audit purview.

² Audit of (i) all expenditure from the Consolidated Fund of India, (ii) all transactions relating to Contingency Fund and Public Accounts and (iii) all trading, manufacturing, profit & loss accounts, balance-sheets and other subsidiary accounts.

³ Audit and report on the accounts of stores and stock kept in any office or department of the Union or of a State.

are substantially financed by grants/ loans from the Consolidated Fund of India, are audited by the CAG under the provisions of Section 14(1) of the Act.

1.3 Planning and conduct of audit

Compliance audit is conducted in accordance with the principles and practices enunciated in the auditing standards promulgated by the CAG. The audit process commences with the assessment of risk of the Ministry/ Department as a whole and of each unit based on expenditure incurred, the criticality/ complexity of its activities, the level of delegated financial powers, and assessment of internal controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit is decided. An annual audit plan is thereafter formulated to conduct audit on the basis of such risk assessment. After completion of audit of selected/ planned units, Inspection Reports containing audit findings are issued to the head of the unit. The units are requested to furnish replies to the audit findings within one month of receipt of the Inspection Report. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations arising out of these Inspection Reports are issued separately as draft paras to the heads of the Administrative Ministries/ Departments for their comments and processed for inclusion in the Audit Reports which are submitted to the President of India under Article 151 of the Constitution.

1.4 Budget and Expenditure

The comparative position of budget and expenditure during reporting period 2018-19 and the preceding year in respect of 16 Economic and Service Ministries (Department-wise wherever applicable) and two departments of Ministry of Finance is given in Table 1.1 below.

Table 1.1: Budget and Expenditure of Economic and Service Ministries/ Departments

(₹ in crore)

Ministry/ Department	Budget provision	Actual expenditure	Unspent budget	% of unspent budget against budget provision	Budget provision	Actual expenditure	Unspent budget	% of unspent budget against budget provision
	2018-19				2017-18			
Ministry of Road Transport & Highways	1,59,582.53	1,42,888.03	16,694.50	10.46	1,22,898.47	1,17,152.83	5,745.64	4.68
Ministry of Finance								
Department of Financial Services	1,17,097.21	1,16,088.58	1,008.63	0.86	1,07,742.08	1,06,768.31	973.77	0.09
Department of Investment and Public Asset Management	146.15	145.15	1.00	0.68	44.00	32.19	11.81	26.84

Ministry of Chemicals and Fertilizers									
Department of Fertilizers	73,487.40	73,477.41	9.99	0.01	94,797.23	89,788.57	5,008.66	5.28	
Department of Chemicals & Petrochemical	399.65	339.86	59.79	14.96	658.28	612.11	46.17	7.01	
Department of Pharmaceuticals	579.71	523.46	56.25	9.70	266.11	252.41	13.70	5.15	
Ministry of Housing & Urban Affairs*									
Ministry of Housing & Urban Affairs*	50,254.47	40,874.26	9,380.21	18.67	47,293.79	40,606.46	6,687.33	14.14	
Ministry of Petroleum and Natural Gas	34,422.95	32,620.99	1,801.96	5.23	36,860.59	33,192.11	3,668.48	9.95	
Ministry of Power	20,233.67	19,850.10	383.57	1.90	17,966.44	15,017.90	2,948.54	16.41	
Ministry of Commerce and Industry									
Department of Commerce	6,215.32	6,159.52	55.80	0.90	5,664.01	5,586.45	77.56	1.37	
Department of Promotion of Industry and Internal Trade**	6,156.61	6,020.57	136.04	2.21	6,134.48	4,053.64	2,080.84	33.92	
Ministry of Civil Aviation									
Ministry of Civil Aviation	10,680.98	9,600.19	1,080.79	10.12	2,789.29	2,664.12	125.17	4.49	
Ministry of Textiles	8,660.82	6,695.47	1,965.35	22.69	6,272.82	5,940.18	332.64	5.30	
Ministry of Micro Small and Medium Enterprises	6,561.17	6,513.12	48.05	0.73	6,482.01	6,222.18	259.83	4.01	
Ministry of Shipping	2,729.75	2,321.63	408.12	14.95	2,116.76	1,862.53	254.23	12.01	
Ministry of Tourism	2,150.03	2,100.49	49.54	2.30	1,840.80	1,766.09	74.71	4.06	
Ministry of Mines	2,164.54	1,397.10	767.44	35.46	1,460.49	1,349.00	111.49	7.63	
Ministry of Heavy Industry and Public Enterprises									
Department of Heavy Industry	1,286.66	1,035.02	251.64	19.56	2,600.03	1,104.62	1,495.41	57.52	
Department of Public Enterprises	21.44	21.20	0.24	1.12	19.38	18.69	0.69	3.56	
Ministry of Coal									
Ministry of Coal	781.85	708.34	73.51	9.40	1,445.11	1,411.19	33.92	2.35	
Ministry of Corporate Affairs	643.98	610.41	33.57	5.21	588.85	526.42	62.43	10.60	
Ministry of Steel	154.90	154.64	0.26	0.17	44.14	43.20	0.94	2.13	
Total	5,04,411.79	4,70,145.54	34,266.25	6.79	4,65,985.16	4,35,971.20	30,013.96	6.44	

Source: Appropriation Accounts of the respective years

*Ministry of Housing and Urban Poverty Alleviation and Ministry of Urban Development were merged to form Ministry of Housing and Urban Affairs (MoHUA) during 2017-18. Thus, the figures for the year 2017-18 were clubbed under the MoHUA for the purpose of comparison.

** Erstwhile Department of Industrial Policy and Promotion (DIPP)

The total expenditure of the above Ministries/ Departments of the Government of India during 2018-19 was ₹4,70,145.54 crore as against ₹4,35,971.20 crore in 2017-18 viz. an increase of ₹34,174.34 crore (7.84 per cent). Out of the total expenditure of ₹4,70,145.54

crore incurred by these Ministries/ Departments during 2018-19, 30.39 per cent was incurred by Ministry of Road Transport & Highways followed by Department of Financial Services and Department of Fertilizers (24.69 per cent and 15.63 per cent respectively).

The actual expenditure of the above Ministries/ Departments varied (i.e. increase/decrease) in a minimum to maximum range of increase and decrease in actual expenditure by 0.66 per cent⁴ and 1.72 per cent⁵ to 350.92 per cent⁶ and 49.81 per cent⁷ respectively during 2018-19 as compared to 2017-18.

The Ministries/ Departments having significant increase in actual expenditure were the Ministry of Civil Aviation, Ministry of Steel, Department of Investment and Public Asset Management (DIPAM), and Department of Pharmaceuticals during 2018-19 over the previous year. Marked decrease in expenditure was observed in Ministry of Coal, Department of Chemicals & Petrochemicals and Department of Fertilizers during 2018-19 over the previous year.

With reference to the total budget provision of ₹5,04,411.79 crore during 2018-19, the Ministries/ Departments had an overall unspent budget of ₹34,266.25 crore which constituted 6.79 per cent of the total grant/ appropriation as against the unspent budget of 6.44 per cent during 2017-18.

1.5 Utilisation Certificates

As per the General Financial Rules, certificates of utilisation in respect of grants released to statutory bodies/ organisations are required to be furnished within 12 months from the closure of the financial year by the concerned bodies/ organisations. The Ministry/ Department-wise details indicating the position (as on March 2019) of the total number of 5,660 outstanding utilisation certificates (UCs) involving an amount of ₹18,616.49 crore in respect of grants released up to March 2018 by 15 Ministries/ Departments that remained outstanding after 12 months from the end of the financial year in which the grants were released are given in **Appendix-II**. In respect of these 5,660 UCs involving ₹18,616.49 crore, no assurance could be derived that the amount had actually been incurred for the purpose for which it was sanctioned/ authorised by the Legislature. High pendency of utilisation certificates is fraught with risk of misappropriation of funds and fraud. The age-wise position of outstanding utilisation certificate is summarised in Table 1.2 below:

⁴ Ministry of Housing and Urban Affairs: ₹(40,874.26 crore-40,606.46 crore)/ 40,606.46 crore}*100

⁵ Ministry of Petroleum and Natural Gas: ₹(33,192.11 crore -32,620.99 crore)/ 33,192.11 crore}*100

⁶ DIPAM: ₹(145.15 crore -32.19 crore) / 32.19 crore}*100

⁷ Ministry of Coal: ₹(1,411.19 crore -708.34 crore)/ 1,411.19 crore}*100

Table 1.2: Position of outstanding UCs

(₹ in crore)

Range of delay in number of years	UCs outstanding as on 31 March 2019	
	Number	Amount
0-1	1,633	10,114.49
1-5	2,942	8,118.37
Above 5	1,085	383.63
Total	5,660	18,616.49

The outstanding UCs predominantly pertain to six Ministries/ Departments. These constitute 95.62 per cent of total outstanding UCs, value of which is 99.25 per cent of the total outstanding amount. The position of the outstanding UCs with significant money value relating to the six Ministries/ Departments, as on March 2019, is given in Table 1.3 below:

Table 1.3: UCs outstanding as on 31 March 2019

(₹ in crore)

Sl. No.	Ministry/ Department	Till March 2018 ⁸	
		Number	Amount
1.	Ministry of Housing and Urban Affairs	1,374	16,974.80
2.	Ministry of Textiles	3,608	871.66
3.	Department of Heavy Industry	46	185.52
4.	Ministry of Micro Small and Medium Enterprises	328	165.26
5.	Department of Promotion of Industry and Internal Trade	32	148.10
6.	Department of Commerce	24	132.02
	Total	5,412	18,477.36

1.6 Delay in submission of accounts by Central Autonomous Bodies (CAB)

The Committee on Papers Laid on the Table of the House had recommended in its First Report (1975-76) that every Autonomous Body (AB) should finalise/ prepare its accounts within a period of three months after close of the accounting year (Financial Year) and make them available for audit. This is also stipulated in Rule 237 of the General Financial Rules, 2017.

Table 1.4 below shows delay in submission of accounts for the year 2017-18 for audit by the CABs.

Table 1.4: Delay in submission of accounts

	Period of Delay			
	Up to 1 month	1-3 months	3-6 months	Beyond 6 months
No. of CABs	11	8	7	12

The details of CABs whose accounts were delayed beyond three months as of May 2020 are given in **Appendix-III**.

⁸ For grants released till March 2018

1.7 Delay in presentation of audited accounts of CABs before both Houses of Parliament

The Committee also recommended that the audited accounts of ABs be laid before Parliament within nine months of the close of the accounting year i.e. by 31 December of the subsequent Financial Year.

Status of laying of the audited accounts before the Parliament as on May 2020 is as mentioned in Table 1.5:

Table 1.5: Status of laying of the audited accounts in the Parliament

Year of account	Number of CABs for which audited accounts were issued but not presented to Parliament	Number of audited accounts presented after due date
2012-13	1	1
2013-14	2	5
2014-15	2	4
2015-16	1	8
2016-17	1	18
2017-18	5	25

The particulars of the CABs whose audited accounts had not been laid or laid after due dates before the Parliament are given in **Appendix-IV** and **Appendix-V** respectively.

1.8 Results of certification of audit

Separate Audit Reports for CABs audited under Sections 19(2) and 20(1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, are appended to the certified final accounts that are to be tabled by respective Ministries in Parliament.

Significant observations on the Annual Accounts of CABs for the year 2018-19 are given in **Appendix-VI**. Some of the important deficiencies noticed during the audit of Annual Accounts of CABs for the year 2018-19 are as mentioned below:

- a) Internal audit was not conducted in 17 CABs (**Appendix-VII**);
- b) Physical verification of the fixed assets was not carried out in 21 CABs (**Appendix-VIII**);
- c) Physical verification of the inventories was not carried out in 10 CABs (**Appendix-IX**);
- d) Accounting for grants on realisation/ cash basis was found inconsistent with the common format of accounts as prescribed by the Ministry of Finance in three CABs (**Appendix-X**);
- e) Accounting for Gratuity and other retirement benefits was not carried out on basis of actuarial valuation in five CABs (**Appendix-XI**); and
- f) Accounts of six CABs were revised as a result of audit (**Appendix-XII**).

1.9 Status of pending ATNs

The Public Accounts Committee (PAC), in its one hundred & fifth Report (Tenth Lok Sabha – 1995-96) which was presented to the Parliament on 17 August 1995, had recommended that Action Taken Notes (ATNs) on all paragraphs of the Reports of the CAG should be furnished to the Committee through the Ministry of Finance (Department of Expenditure) within a period of four months from the date of laying of the Audit Reports on the Table of the House starting from 31 March 1996 onwards. Subsequently, a Monitoring Cell was created under the Department of Expenditure which is entrusted with the task of coordination and collection of the ATNs from all the Ministries/ Departments concerned duly vetted by Audit and sending them to PAC within the stipulated period of four months from the date of presentation of the Audit Report to the Parliament.

A review of the position of the ATNs on paragraphs included in CAG's Compliance Audit Reports Union Government (Economic & Service Ministries), for the period ended March 2018 disclosed that there were six ATNs under various stages of correspondence with the concerned Ministries/ Departments (November 2018). Out of six ATNs, four ATNs had been submitted to PAC while two ATNs are still in correspondence stage (May 2020). Details of the outstanding ATNs are indicated in **Appendix-XIII**.

1.10 Response of Ministries/ Departments to Draft Paragraphs

The Ministry of Finance (Department of Expenditure), on recommendations of PAC, issued directions to all Ministries in June 1960 to send their responses on the Draft Audit Paragraphs proposed for inclusion in the Report of the CAG within six weeks. The time frame has also been prescribed under Para 207 (1) of Regulations on Audit and Accounts, 2007, made by the CAG. The Draft Paragraphs are forwarded to the Ministries/ Departments concerned drawing their attention to the audit findings and requesting them to send their response within six weeks. This report contains 14 audit paragraphs. The replies of concerned Ministries/ Departments were received in respect of eight paragraphs. The responses received have been suitably incorporated in the Report (May 2020).

CHAPTER II: MINISTRY OF COMMERCE AND INDUSTRY

Footwear Design and Development Institute

2.1 *Non-compliance of guidelines of Central Vigilance Commission and Central Public Works Department and corrective action taken thereon at the instance of Audit*

Footwear Design and Development Institute paid interest free mobilisation advance to contractors in violation of CVC guidelines and CPWD Manual which led to avoidable loss of ₹4.62 crore.

Ministry of Commerce and Industry, the controlling Ministry of Footwear Design and Development Institute (Institute) approved the establishment of Footwear Design and Development Institute (FDDI) campuses between June 2012 and February 2014 at six locations¹ across the country with the condition that the Institute should adhere to all the relevant provisions of General Financial Rules (GFR) and any other instructions/guidelines issued by Government from time to time. The Ministry also approved the establishment of Campus Networking Centre (CNC) at existing campuses in January 2014.

Central Vigilance Commission (CVC) issued circulars² on mobilisation advance from time to time. The circulars stipulate the following:

- Decision to provide interest free mobilisation advance in the tender document should rest at the level of Board (with concurrence of finance) in the organisations.
- Payment of interest free mobilisation advance should be discouraged, and if Management feels it is necessary in specific cases, then it should be clearly stipulated in the tender document and its recovery should be time based and not linked with progress of work to ensure that misuse of such advance could be reduced.
- The bank guarantee taken towards mobilisation advance should be at least 110 *per cent* of the advance and the mobilisation advance should not be paid in less than two instalments except in special circumstances for the reasons to be recorded.

Similarly, Central Public Works Department (CPWD) Works Manual has also stipulated guidelines for payment of mobilisation advance. As per Section 32.5 of CPWD Manual, mobilisation advance limited to 10 *per cent* of tendered amount at 10 *per cent* simple interest can be sanctioned to the contractors on specific request as per terms of the contract and such advance should be released in not less than two instalments.

¹ *Hyderabad (Telangana), Patna (Bihar), Ankaleshwar (Gujarat), Chandigarh, Chindwara (Madhya Pradesh) and Guna (Madhya Pradesh)*

² *CVC Circular No. 4CC-1-CTE2 dated 10 April 2007 and 5 February 2008*

The Institute finalised its tender documents on the basis of CPWD Guidelines and Manuals of Delhi Schedule of Rate (DSR). As per the tender document, interest free mobilisation advance of 10 *per cent* on the contract value was to be paid. Accordingly, FDDI paid mobilisation advance of ₹45.13 crore during October 2012 to July 2016 to different contractors (as detailed in **Appendix XIV**) towards construction works, interior works and furniture works in single instalment.

Audit observed that the Institute did not comply with the CVC guidelines and CPWD Works Manual on mobilisation advance as detailed below:

- Interest free mobilisation advance was paid without approval of Board i.e. Governing Council of the Institute.
- Mobilisation advance was paid in single instalment against the prescribed norm of not less than two instalments.
- Recovery of mobilisation advance was made from the payments towards running bills instead of time based recovery.
- Institute accepted bank guarantee at 100 *per cent* of the mobilisation advance against the prescribed norm of 110 *per cent*.

Thus, non-compliance to CVC Guidelines and CPWD Manual led to avoidable interest loss of ₹4.62 crore to the Institute (calculated @ 10 *per cent* simple interest on the outstanding balances after adjustment from running account bills).

The Management accepted (December 2019) the Audit observations and stated that the Institute had stopped giving mobilisation advance.

Audit appreciates the action taken by the Management and this would be verified during future audits. However, the fact remained that not adhering to CVC Guidelines and CPWD Manual while granting interest free mobilisation advance led to avoidable loss of ₹4.62 crore.

The matter was referred to the Ministry in January 2020; their reply was awaited (May 2020).

Marine Products Export Development Authority

2.2 Unfruitful expenditure in mangrove crab project

Ineffective implementation and poor monitoring of mangrove crab project resulted in unfruitful expenditure of ₹1.28 crore.

The Forest Department, Government of Maharashtra (GoM) planned (December 2013) to implement a GOI-UNDP-GEF³ project (funded by UNDP) on 'Mainstreaming Coastal and Marine Biodiversity Conservation into Production Sectors in Sindhudurg Coast in

³ *Government of India-United Nations Development Programme-Global Environment Facility*

Maharashtra' through the Marine Products Export Development Authority (MPEDA) as it is the nodal agency for the holistic development of seafood industry in India. To implement such projects, MPEDA has two societies viz. Network for Fish Quality Management & Sustainable Fishing (NETFISH) and Rajiv Gandhi Centre for Aquaculture (RGCA). The role of NETFISH was to identify the beneficiaries, supervision and releasing of fund whereas RGCA was responsible for execution of the project, imparting training/ technology transfer to the beneficiaries and to evaluate the progress.

The objective of the project was to improve the livelihood of traditional fishers through stock enhancement by producing 18-20 Metric Ton (MT) of mangrove crabs from various sites of Sindhudurg. The project period was four years (December 2013 to December 2017). During project period, MPEDA received an amount of ₹1.62 crore from GoM, out of this an amount of ₹1.51 crore was released, in four phases, for various project activities. The project harvested 5.76 MT crab and earned an income of ₹0.23 crore which was distributed amongst the Self Help Groups⁴.

Audit noticed that the site selected at 22 locations had high tidal variations, which caused high mortality/ death of crabs. Moreover, stocking of varied sized crablets and non-planning of timely hide-out caused cannibalism. In addition, unscientific feeding, entry of predators and escape of crabs due to use of bigger mesh resulted in lower harvest, which was only 30 *per cent* of the targeted production. The representatives of UNDP reviewed (December 2015) the project and observed that the monitoring by the implementing agencies was inadequate. Though the project was implemented in different phases, implementing agencies failed to rectify the deficiencies noticed in earlier phases. Average survival percentage of crabs in the project sites was only 16.55 *per cent* which indicates that desired level of training and technology transfer was not imparted to fishers relating to sorting of small and big crablets; scientific, timely & adequate feeding of crabs; cleaning feed checktrays etc. As such, the project failed to achieve its intended objectives in full.

MPEDA replied (September 2019) that the project had earned revenue of ₹0.50 crore against an expenditure of ₹1.51 crore. MPEDA further stated that being a demonstration project; it was organised to motivate fishers to take up the culture of crabs for their economic benefits.

The reply of MPEDA was evasive without giving the reasons for failure to achieve the objective of producing 18-20 MT of mangrove crabs despite spending ₹1.51 crore. As per the details furnished by MPEDA, the revenue generated by the project was ₹0.23 crore only. Moreover, it was not a demonstration project as MPEDA has expertise in the crab

⁴ *Self-Help Groups are groups of local fishermen. These groups were supposed to perform day to day operations of the project as per the recommendations/ advice of Technical Experts which may include releasing of crablets to grow-out pen, feeding of crabs, prevention of entry of predators /competitors etc.*

farming and has been doing mangrove crab farming through RGCA, which has a crab hatchery & farm.

The Ministry replied (February 2020) that the poor survival/ growth and low harvest of crabs was due to non-cooperation among members of SHGs. The feeding also was not proper and according to the recommendations of the Technical Experts and there were instances of theft of crabs by the SHG members appointed as watch & ward.

The reply of the Ministry may be seen in the light of the facts that MPEDA failed to orient and promote SHGs towards the project through proper training and required monitoring. SHGs failed to perform day to day operations of the project as per the recommendations/ advice of Technical Experts which contributed to the failure of the project to achieve the envisaged objectives. Also, theft of crabs due to poor monitoring may not be cited as a justifiable reason for failure of the project.

Thus, ineffective implementation of the project and poor monitoring resulted in unfruitful expenditure of ₹1.28 crore (₹1.51 crore - ₹0.23 crore).

CHAPTER III: MINISTRY OF HOUSING AND URBAN AFFAIRS

Central Public Works Department

3.1 Loss of revenue due to failure to levy departmental charges

In violation of the provisions of the Works Manual, CPWD failed to levy departmental charges for construction of the NSIC Office Building, Kolkata, resulting in loss of revenue of ₹58.10 lakh.

Section 12 of the Central Public Works Department (CPWD) Works Manual, 2012 stipulates that the departmental charges are to be levied and recovered on work executed on behalf of Central Commercial Concerns @ seven *per cent* for works costing more than ₹five crore.

From examination of records, it was noticed that the CPWD awarded (April 2013) construction work of Office Building¹ of National Small Industries Corporation Limited (NSIC) to a contractor² at a tendered cost of ₹7.34 crore, against the estimated cost of ₹8.30 crore³. The construction work commenced in May 2013 and was completed in March 2017, after incurring expenditure of ₹9.25 crore⁴. Audit observed that the CPWD failed to levy and recover departmental charges of ₹58.10 lakh (seven *per cent* of ₹8.30 crore estimated cost) from the NSIC.

The unit, in its reply (August 2018), stated that the NSIC is an organisation fully owned by the Government of India and, hence, provision of departmental charges was not kept in the Preliminary Estimates (PEs) by the competent authority. The reply of the CPWD is not acceptable because NSIC is a commercial enterprise undertaking commercial activities. Hence, departmental charges should have been recovered from the NSIC.

Thus, in violation of the provision of the Works Manual, CPWD failed to levy departmental charges on the construction of NSIC Office Building, Kolkata, resulting in loss of revenue of ₹58.10 lakh.

The matter was referred to the Ministry in December 2019 and May 2020; their reply was awaited (May 2020).

¹ The National Small Industries Corporation Ltd Office Building (G+9), at Salt Lake, Kolkata

² M/s Tribeni Construction Ltd, Kolkata vide Agreement No. 02/CE/EE/KCD-II/2013-14

³ Civil cost ₹7.97 crore plus Electrical cost ₹0.33 crore

⁴ ₹9.25 crore = ₹8.71 crore vide 27th & Final Bill in respect of Civil work plus ₹0.54 crore vide 4th & Final Bill in respect of Electrical work

CHAPTER IV: MINISTRY OF MICRO, SMALL & MEDIUM ENTERPRISES

Credit Guarantee Fund Trust for Micro & Small Enterprises

4.1 Functioning of Credit Guarantee Fund Trust for Micro & Small Enterprises

4.1.1 Introduction

4.1.1.1 Definition of Micro, Small & Medium Enterprises

As per the Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified as shown in Table 4.1:

Table 4.1: Definition¹ of Micro, Small and Medium Enterprises

Enterprise Category	Manufacturing Sector (Investment in plant & machinery)	Service Sector (Investment in equipment)
Micro Enterprises	Does not exceed ₹25 lakh	Does not exceed ₹10 lakh
Small Enterprises	More than ₹25 lakh but does not exceed ₹5 crore	More than ₹10 lakh but does not exceed ₹2 crore
Medium Enterprises	More than ₹5 crore but does not exceed ₹10 crore	More than ₹2 crore but does not exceed ₹5 crore

4.1.1.2 Establishment of the Credit Guarantee Fund Trust

Financial inclusion, particularly for the small and medium enterprises is widely recognised as one of the key drivers of economic growth and job creation in all economies. Despite its contribution to the economic development, the small industries sector has been beset with certain handicaps especially of fund availability from formal financial sector. To facilitate fund flow, the Ministry of Small Scale Industries and Agro and Rural Industries (now Ministry of Micro, Small and Medium Enterprises), Government of India (GoI) in consultation with Small Industries Development Bank of India (SIDBI) formulated the Credit Guarantee Fund Scheme for Small Industries (2000).

The Ministry of Micro, Small and Medium Enterprises (MSME), GoI and SIDBI established (27 July 2000) a Trust named 'Credit Guarantee Fund Trust for Micro and Small Enterprises' (hereinafter called as CGTMSE/ Trust) to guarantee the loans and advances (term loan and/ or working capital assistance), sanctioned and disbursed by the lending institutions without any collateral security and/ or third party guarantees to the new or existing Micro and Small Enterprises (manufacturing units including information technology (IT) and software industries or such other industries as may be decided by the

¹ The Ministry of MSME, vide notification dated 1 June 2020, has revised the criteria for classification of micro, small and medium enterprises. However, as the notification will come into effect from 1 July 2020, while the audit period is limited upto March 2019 only, the extant (pre-revised) definition of micro, small and medium enterprises has only been considered in the audit para.

GoI and SIDBI), and to levy guarantee fee/ annual service fee/ other charges on the lending institutions as may be decided from time to time.

The objective of providing guarantee against loans extended by the financial institutions and Non-Banking Financial Companies to the Micro and Small Enterprises (MSEs) was being pursued by implementing (September 2018) following two schemes:

a) Credit Guarantee Fund Scheme for Micro and Small Enterprises (CGS-I, for banks and financial institutions)

Under CGS-I, the Trust covers credit facilities extended by the Member Lending Institutions (MLIs) to a single eligible borrower in Micro and Small Enterprises Sector for credit facility (i) not exceeding ₹50 lakh through Regional Rural Banks/ Financial Institutions/ Small Finance Banks and (ii) not exceeding ₹200 lakh through Scheduled Commercial Banks, select Financial Institutions and Non-Banking Financial Companies by way of term loan and/ or working capital facilities without any collateral security and/ or third party guarantees.

b) Credit Guarantee Fund Scheme for Non-Banking Financial Companies (CGS-II)

CGS-II was launched on 25 January 2017 (modified on 1 April 2018) to cover eligible credit facility sanctioned by the NBFCs to eligible borrowers under MSE sector on portfolio basis.

The important provisions of CGS-I are briefly explained in **Appendix-XV** and the major areas of difference between CGS-I and CGS-II are shown in **Appendix-XVI**.

As of 31 March 2019, the corpus fund of the Trust was ₹6,914.91 crore, of which the GoI had contributed ₹6,414.91 crore (92.77 per cent) while SIDBI had contributed ₹500 crore.

4.1.1.3 Audit objectives

The Audit was conducted to ascertain whether:

- CGTMSE ensured that the provisions of the guarantee schemes were duly complied with and the larger objective of funds flow to MSEs was achieved;
- the corpus fund of CGTMSE was not over-leveraged and the process of claim settlement was simpler to foster confidence among the MLIs in the guarantee instrument; and
- CGTMSE applied adequate checks on guarantee applications of MLIs before approval and issue of guarantees, and internal controls were adequate to ensure compliance of provisions of the schemes by the MLIs to minimise the business risks.

4.1.1.4 Audit criteria

The audit criteria for achieving the audit objectives consisted of:

- The Micro, Small and Medium Enterprises Development Act, 2006
- Credit Guarantee Fund Scheme for Micro and Small Enterprises (CGS-I) and Credit Guarantee Fund Scheme for NBFCs (CGS-II)
- Trust deed and modifications in trust deed made from time to time
- Agenda and Minutes of the meetings of Board of Trustees and other committees
- Circulars/ guidelines/ reports issued by the GoI, SIDBI, RBI and Trust

4.1.1.5 Scope and methodology of audit

The scope of audit included performance of the guarantee schemes (primarily CGS-I) during the period from 1 April 2015 to 30 September 2018. The data relating to previous years was also used at some places for better trend analysis. The report has been updated upto 31 March 2019, wherever data was available.

The audit methodology included Entry Conference (September 2018) with the Management of CGTMSE, review of records, collection and analysis of upfront and back-end data, analysis of data (12,10,061 applications) of live guarantees as on 30 September 2018, issue of audit queries to the Management and obtaining replies thereon, discussion with the Management at different time periods, issue of draft report to the Management (February 2019) and Ministry (May 2019), and Exit Conference (April 2019) with the Management of CGTMSE.

The Management submitted (January 2019 and March 2019) replies to the audit queries and to the draft report. The reply of the Ministry was received in September 2019. The report has been finalised after considering the replies of the Management and Ministry and discussions held with the Management during Exit Conference.

4.1.1.6 Audit limitation

The data on CGTMSE's portal is always in a variable state and does not provide chronological profile of an MSE unit *i.e.* frozen state of events on a particular date and time. As such the data generated by the system at a current date and time for some past date and events, presents the current picture including events occurred after the date for which data has been generated. Absence of frozen data led to non-availability of the correct position of an account as regards chronological details of sanction and disbursement of loans by the MLI, approval of guarantees for the enhanced loan amount, the NPA status of an account on particular date, *etc.* Further, the system counts the term loan and working capital guarantees issued to an MSE unit as two accounts. Ideally the system should count all types of guarantees issued to an MSE unit as one account in order to have complete picture of a particular unit.

4.1.1.7 Acknowledgement

Audit acknowledges the cooperation extended by the Management and the Ministry for timely completion of the audit.

4.1.2 Operational framework of the Trust

4.1.2.1 Business model of CGTMSE

The business model of CGTMSE has the following salient features:

- a) Corpus fund is contributed by GoI and SIDBI, which is also a GoI Undertaking.
- b) CGTMSE is registered as a Trust and its operations are limited to the provisions of the Trust deed executed between GoI and SIDBI. CGTMSE indirectly supports funds flow to the Micro and Small Enterprises (MSEs).
- c) The sanction and disbursement of loans to MSEs is done by the Financial Institutions (FIs). There is no relationship between CGTMSE and borrower MSEs. CGTMSE does not in any way provide supporting facilities to MSEs for availing credit from the FIs.
- d) The eligible FIs known as Member Lending Institutions (MLIs) have to register themselves for availing guarantee from CGTMSE against the credit extended to MSEs. The MLIs have to execute an agreement with CGTMSE for this purpose.
- e) The MLIs can obtain guarantee cover from CGTMSE for credit extended upto ₹2 crore only. The credit facility should be free from any collateral security or third party guarantee for availing guarantee from CGTMSE.
- f) The appraisal of loan applications or appraisal of proposed business is the sole responsibility of the MLIs. Credit rating of loans above ₹50 lakh is mandatory for the MLIs.
- g) CGTMSE approves guarantee once the scheme parameters are fulfilled. CGTMSE issues guarantee on payment of prescribed fees by the MLIs.
- h) The guarantee instrument of CGTMSE covers 50/ 75/ 80/ 85 *per cent* (as per various categories of products/ entrepreneurs/ region) of the loan amount.

4.1.2.2 Comparison of CGTMSE's guarantee instrument with other (Asian) Schemes

CGTMSE has been operating the guarantee instrument for more than 18 years. However, it has not undertaken any study to evaluate its guarantee instrument with other such schemes being operated by other countries across the globe so as to adopt their best practices to make the scheme conducive to the requirement of MSE sector in India. CGTMSE is working in a very limited manner as compared to the major schemes in guarantee segment that are being operated by Japan and South Korea.

A comparison of the guarantee instrument of CGTMSE with other Asian guarantee schemes like Korea Credit Guarantee Fund (KODIT), Japan Finance Corporation (JFC), Japan Federation of Credit Guarantee Corporations (JFG), Credit Guarantee Corporation Malaysia (CGCM) and Perusahaan Umum Jaminan Kredit Indonesia (PUJKI) on certain parameters like contribution to corpus fund, regulatory authority, type of guarantee, credit assessment, types of services provided, type of coverage, percentage of coverage, guarantee fee, fund size, *etc.* is shown in **Appendix-XVII**.

As may be seen from **Appendix-XVII**, there are no exact parallel instruments to enable comparison on best practices. The following points, however, merit attention:

a) **Fund Size:** CGTMSE's corpus fund (US\$ 1.5 billion) is much smaller than the fund size of other countries such as Japan and South Korea.

b) **Operating mechanism:** CGTMSE is indirectly supporting the lending activity of the financial institutions. It does not offer support services to the MSEs like consultancy and management services. There is no direct contact between CGTMSE and the MSE unit requiring funds. The MSEs are directly dependent upon the lenders for financial assistance.

c) **Organisation structure and limitation of Human Resources:** In contrast with the other countries, CGTMSE is operating pan India through only one office with very limited staff. All the higher management personnel (Chief Executive Officer, General Manager and Deputy General Manager) are on deputation from SIDBI while the rest are on contract basis. These factors have made the direct outreach of CGTMSE difficult for MLIs and have posed the risk of inefficient management of the scheme.

The above comparison enables insights into structural dimensions that may need to be addressed to make the credit instrument of CGTMSE effective towards supporting credit flow to MSEs.

The recommendation (June 2019) of U.K. Sinha Committee² is pertinent in the above context. The Committee recommended that CGTMSE is predominantly owned by Government with SIDBI holding a minority share. It is necessary that the top management of CGTMSE are professionalised and sourced from a wider pool. It would also be appropriate that SIDBI disengages itself from day to day management and Board of CGTMSE.

4.1.2.3 Absence of regulatory framework

CGTMSE is an important component of the country's financial architecture. It is guided by the provisions of the declaration of Trust executed (27 July 2000) between the Settlers and its subsequent amendments. The operations are based on CGS-I and CGS-II, which have been approved by the Board of Trustees and Settlers.

However, the Trust has no regulatory authority like Reserve Bank of India in case of banking sector and Securities and Exchange Board of India in case of financial and stock markets. The GoI/ Trust has not fixed any norms/ benchmarks with regard to minimum liquidity requirement for the Trust vis-a-vis guarantees approved/ issued, capital adequacy, solvency requirements, exposure cap for various types of MLIs, disclosure norms and accounting standards to be followed, etc.

² *Shri U.K. Sinha had submitted a Report of the Expert Committee on Micro, Small and Medium Enterprises to the RBI Governor in June 2019. The Committee was constituted by RBI under the chairmanship of Shri U.K. Sinha to undertake a comprehensive review of the MSME sector and to identify causes and propose long-term solutions, for their economic and financial sustainability.*

Further, there is no involvement of the Trust in facilitating credit to the unfunded MSEs as appraisal, sanction, disbursement and recovery proceedings are entirely the responsibilities of the MLIs as per the approved schemes. There are no laws to regulate many aspects of the Trust like scope of operations, governance, capital and operating requirements, as well as their access to the state-owned funds. Furthermore, the Trust has not established/ framed Audit Committee, Risk Management Committee, Human Resource Policy, *etc.* Also, there is no Chief Risk Officer for ensuring that risks relating to credit, market, operations and liquidity of the corpus fund are identified, assessed, managed, monitored and reported to the senior management and the Board.

The Board of Trustees (BoT) in its fifty second meeting (November 2015) approved a proposal for formulation of regulatory guidelines for the Trust by a consultant firm. The consultant firm in its report (May 2017) included suggestions on accounting framework for CGTMSE, fixing minimum parameters like solvency and capital adequacy, exposure norms, leverage ratio and establishment of regulatory authority for the Trust. However, the report of the consultant was not placed before the BoT.

Audit observed that regulators can improve the environment for issuing guarantees in particular by establishing minimum capital requirements, appropriate solvency ratio and transparency criteria. Such controls help improve banking sector confidence in the guarantee schemes and can help prevent any major crisis stemming from poorly issued guarantees. Further, external supervision would provide a positive effect on the guarantee system, since it will reduce the risk of fund mismanagement. Regulation contributes to the credibility of the schemes, and in case the scheme is supported by public resources, regulators can ensure the protection of those resources.

The U.K. Sinha Committee recommended recently (June 2019) that “All Credit Guarantee Schemes should be subject to the regulation and supervision of RBI. These guidelines could draw upon the well acknowledged principle for design, implementation and evaluation of Public Credit Guarantee Schemes for SMEs which has been evolved by the World Bank Group”.

The Management (March 2019) and Ministry (September 2019) stated that CGTMSE is monitored by its Board and the Settlers as regards its operations, financial position, etc. It further stated that CGTMSE had hired a consultant for carrying out the Business Process Reengineering (BPR) and Enterprise Risk Management (ERM) Framework, which was underway. The Audit suggestions had been discussed with the consultant for their consideration during BPR and ERM exercise and upon completion of the exercise, the recommendations would be put up to Board/ Settlers for their consideration.

4.1.2.4 Overlapping roles of CGTMSE and National Credit Guarantee Trustee Company Limited

National Credit Guarantee Trustee Company Limited (NCGTC) was incorporated (28 March 2014) to manage and operate various credit guarantee trust funds. As of

30 September 2018, NCGTC was managing five³ funds. Out of these five funds, Credit Guarantee Fund for Micro Units (CGFMU) provides guarantees for loans up to the specified limit (currently ₹10 lakh) sanctioned by Banks/ NBFCs/ MFIs/ other financial intermediaries engaged in providing credit facilities to eligible micro units. Overdraft loan amount of ₹5,000 sanctioned under Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts are also eligible to be covered under CGFMU. The Department of Financial Services, Ministry of Finance (GoI) notified (18 April 2016) CGFMU for providing guarantees to loans extended under Pradhan Mantri Mudra Yojana (PMMY). CGFMU covered micro loans sanctioned since 8 April 2015.

The Board in its fifty first meeting (5 August 2015) resolved that no fresh guarantees would be approved by the Trust to its MLIs for loans upto ₹10 lakh once the guarantee scheme under Pradhan Mantri Mudra Yojana (PMMY/ MUDRA) was made operational by NCGTC. The decision was taken to avoid overlapping of guarantees on loans upto ₹10 lakh to enable CGTMSE to focus on higher ticket size transactions of more than ₹10 lakh and less than ₹100 lakh, and to deleverage the corpus of CGTMSE over a period by limiting its scheme to loans above ₹10 lakh.

The Trust conveyed the decision of the Board to the Settlers (31 August 2015) and the Ministry of MSME intimated (16 November 2015) that the stoppage of guarantee covers for the loans upto ₹10 lakh may be put on hold by CGTMSE till the guarantee scheme under PMMY was notified by the Ministry of Finance.

While the decision of Government was pending, the Trust decided (August 2016) that option of choosing the guarantee scheme operated by CGTMSE and NCGTC may be left to the MLIs while applying for guarantee cover for eligible loans upto ₹10 lakh till a final call is taken on the proposal. Accordingly, the Trust introduced (October 2016) an additional field in the application form i.e. “whether the credit facility is covered under PMMY/ MUDRA: Yes/ No”. The MLIs, therefore, had choice to obtain guarantee cover from either CGTMSE or NCGTC for loans upto ₹10 lakh.

The Ministry sent (6 January 2017) the minutes of the meeting⁴ held on 5 January 2017 wherein it was mentioned that loans upto ₹10 lakh should not be covered under CGTMSE and should be covered under MUDRA. Further, loans eligible under other target specific schemes like Credit Guarantee Fund for Stand-up India (CGFSI), Credit Enhancement Guarantee Scheme for Scheduled Castes (CEGSS) should also not be covered under CGTMSE. However, loans not eligible under CGFSI and CEGSS should be covered under Credit Guarantee scheme.

³ (i) Credit Guarantee Fund for Skill Development, (ii) Credit Guarantee Fund for Education Loans, (iii) Credit Guarantee Fund for Factoring, (iv) Credit Guarantee Fund for Micro Units (CGFMU) and (v) Credit Guarantee Fund for Stand up India

⁴ The meeting was held on 5 January 2017 at New Delhi with the officials of banks, SIDBI and CGTMSE under the chairmanship of Secretary (MSME) to discuss the package for supporting Micro and Small Enterprises- Augmentation of corpus of CGTMSE, as also to get the feedback on the concerns of MSMEs being addressed through the said package.

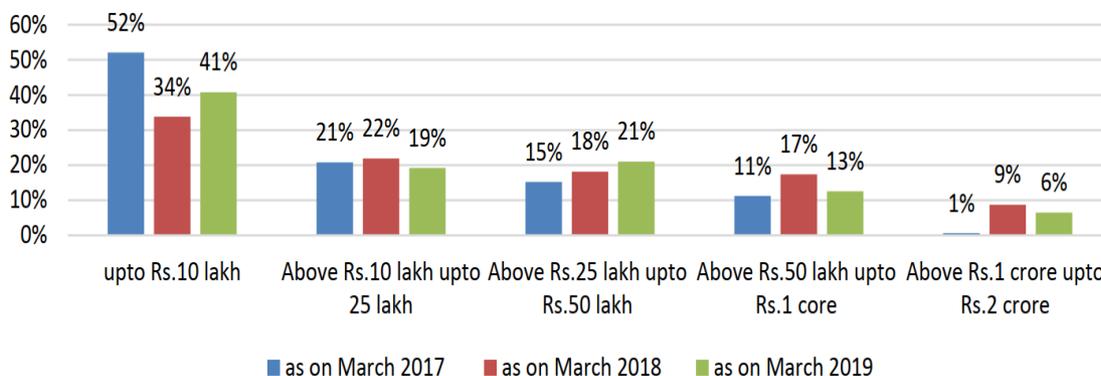
Audit noticed that the Trust did not implement the directions of the Ministry and continued to provide guarantees against loans, which were eligible for guarantee cover under the CGFMU of NCGTC. Thus, both NCGTC and CGTMSE were issuing guarantees against loans upto ₹10 lakh for same type of projects/ business.

Audit observed that facility of guarantees for same type of projects from two different Government backed institutions not only results in overlapping of functions of the institutions but also hampers the growth of both the institutions as time, manpower and other resources are invested in promoting the same product. Besides, CGTMSE also runs the risk of over-leveraging since a particular loan may be covered by the guarantee covers of both CGTMSE as well as NCGTC. Further, there was no synergy, control and co-ordination between the systems of NCGTC and CGTMSE and among different MLIs to identify and prevent cases where borrowers had obtained loans from different MLIs and the MLIs had obtained guarantee cover from both CGTMSE and NCGTC. The MLIs did not take responsibility of mutual exclusion. Thus, the loan funds could get concentrated on some of the aware entrepreneurs/ MLIs and spread of credit funds would not happen horizontally.

In this regard, the U.K. Sinha Committee observed that while both CGTMSE and NCGTC offered the credit guarantee product, the guarantee structure and features were different. Structurally, the primary difference was that the CGTMSE is an individual loan level guarantee scheme while CGFMU for MUDRA loans, run by NCGTC, is a portfolio level guarantee scheme. This means that pay-outs happen under CGTMSE when individual loans, covered under the scheme, begin to default. In contrast, pay-outs happen in CGFMU only when the threshold NPA level of the portfolio is breached.

Chart 4.1 shows the distribution of CGTMSE guarantees across various slabs of loan values. It may be noted that the largest proportion of guarantees goes to loans upto ₹10 lakh, which are mandated to be unsecured. This creates an overlap between CGTMSE and MUDRA.

Chart 4.1: Slab (year) wise guarantee outstanding - Percentage share



Source: U.K. Sinha Committee report

The Trust by not implementing the directions of the Ministry had issued 3,70,391 number of guarantees amounting to ₹10,743.65 crore against loans upto ₹10 lakh during the period from 6 January 2017 to 30 September 2018, which would otherwise have had to be issued by NCGTC.

The Management (March 2019) and the Ministry (September 2019) stated that the minutes of the Ministry were deliberated (March 2017) by the Board and it was felt that since stoppage of guarantee cover upto ₹10 lakh by CGTMSE may affect a large number of micro enterprises, the consultation with all the stakeholders was desirable before taking any decision. A number of MLIs gave feedback that they favoured guarantee cover of CGTMSE over CGFMU and wanted the CGTMSE Scheme to continue till such time the shortcomings of CGFMU scheme were addressed. During Exit Conference, the Management stated that extending of credit guarantee under both CGTMSE and NGCTC encourages competition.

The reply is not acceptable as the action taken by CGTMSE was in violation of its own resolution and the decision of Ministry of MSME. CGTMSE's view that it would affect large number of micro enterprises was not based on facts as the guarantee facility for loans upto ₹10 lakh was to be provided by NGCTC. On the other hand, if sectoral fund requirements were being met adequately with CGTMSE and expansion in the MSME segment was visible, need for NGCTC itself with overlapping role becomes questionable. As such, no approval was obtained from GoI for continuing the guarantee for loans upto ₹10 lakh. The Management did not support their reply with details on the shortcomings of CGFMU or problems faced by the MLIs in obtaining guarantee cover from NCGTC. Further, the Management's claim that MLIs favour CGTMSE's cover was not correct as the guarantees issued by NCGTC under CGFMU had increased (by 1,082.54 *per cent*) from ₹3,156.66 crore in 2016-17 to ₹37,328.66 crore in 2018-19.

4.1.2.5 Impact of CGTMSE guarantee instrument

The Trust measured the impact of CGTMSE guarantee instrument as shown in Table 4.2:

Table 4.2: Impact of CGTMSE guarantee instrument

Particulars	As on 31 March 2018	As on 31 March 2017
Cumulative Guarantees approved (in Numbers)	30,29,948	27,72,744
Cumulative Loan Amount (extended by MLIs) (₹crore)	1,46,829	1,28,787
Estimated turnover of guaranteed units (₹crore)	12,15,212	10,18,285
Estimated exports by guaranteed units (₹crore)	8,593	7,762
Estimated employment generation (Nos. lakh)	100	90.61
Schedule caste/ Schedule Tribe (<i>per cent</i> to total guarantee amount)	3.81	3.86
Women beneficiary (<i>per cent</i> to total guarantee amount)	15.92	15.66
Minority (<i>per cent</i> to total guarantee amount)	4.14	4.30
North Eastern region (<i>per cent</i>)	3.77	3.75

Audit noticed that the turnover, exports and employment figures were all estimated based on the information furnished by MLIs at the time of lodging application with the Trust for seeking guarantee cover and the data were not realistic or actual. The Trust also did not call for the details or get the details uploaded from the MLIs in its portal after commencement of business by the MSEs or close of a MSE unit after making default.

During Exit Conference, the Management accepted the fact and stated that efforts would be made to measure the realistic impact of the guarantees on a sample basis. This should be done with verifiable data and not just projected estimations.

The Ministry stated (September 2019) that data in respect of turnover, exports, employment generation, etc. are fed by MLIs after due diligence, appraisal and sanction of credit facility while applying for guarantee cover. It was also stated that CGTMSE has initiated process for pan India impact assessment study by a professional agency.

The reply is not acceptable in view of the deficiencies noticed in the quality of data fed by the MLIs, as mentioned in para 4.1.6.1 wherein the Management and Ministry have stated that CGTMSE had hired an external consultant and would endeavour to address the data gaps.

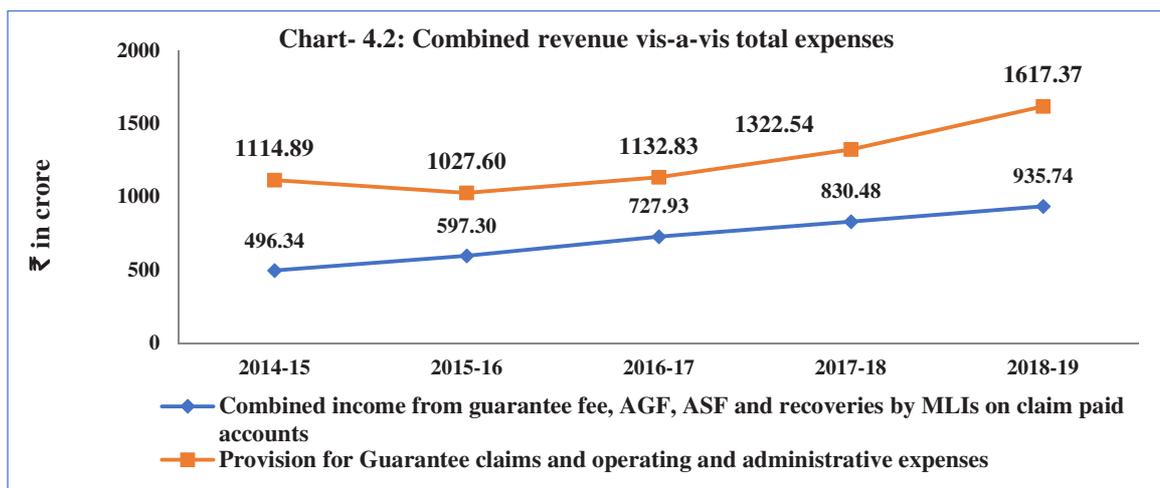
4.1.3 Performance of the Trust

4.1.3.1 Financial performance

The financial performance of the Trust during the period from 2014-15 to 2018-19 is given in **Appendix-XVIII**. The Trust has reported excess of income over expenditure as (-) ₹179.08 crore, ₹7.85 crore, ₹26.28 crore, ₹45.20 crore and ₹83.36 crore for the years ending March 2015 to March 2019 respectively. The increase in excess of income over expenditure during 2018-19 was mainly due to interest on refund of income tax of ₹62.47 crore.

However, it was seen that income from core⁵ activities during the years 2014-15 to 2018-19 was only 45 per cent, 58 per cent, 64 per cent, 63 per cent and 58 per cent of the requirement against provision for claims and operating and administrative expenses, as indicated in the chart 4.2 alongside.

⁵ *Guarantee fee, annual guarantee fee, annual service fee and recoveries by MLIs on claim paid accounts.*



The shortfall, however, did not result in default on claims as their procedure allowed spacing out disbursements against claims. Further, income from non-core activities (viz. interest earned from investments, income from mutual funds and interest on refund of income tax) supplemented the solvency of the Trust in payment of claims.

(a) Corpus fund of the Trust

The GoI (M/o MSME) and SIDBI established (27 July 2000) the Trust with an initial corpus fund of ₹1 lakh. The GoI and SIDBI contributed in the ratio of 80:20 and as per the Trust deed, further contributions to the corpus were to be made in the same proportion. The Trust deed was modified (28 June 2007 and 3 January 2017) and the corpus fund was decided to be ₹7,500 crore. The share of GoI and SIDBI was decided to be ₹7,000 crore and ₹500 crore respectively. It was also decided that SIDBI would not make any contributions to the corpus fund beyond ₹500 crore and any further contributions would have to be made by the GoI only.

As of 31 March 2019, the corpus fund of the Trust was ₹6,914.91 crore, of which the GoI had contributed ₹6,414.91 crore (92.77 per cent) while SIDBI had contributed its entire share of ₹500 crore. Of its share of ₹6,414.91 crore, the GoI had made major contribution of ₹3,699.90 crore (57.68 per cent) and ₹715 crore (11.15 per cent) to the corpus fund during the years 2017-18 and 2018-19 respectively.

(b) Leverage on corpus fund

The Board in its sixth meeting (9 July 2001) decided that CGTMSE would have a leverage of guaranteeing collateral-free credit nearly five times of its corpus fund. The leverage was temporarily increased (Thirty sixth meeting dated 24 December 2010) to 10 times. The position of corpus fund, outstanding guarantees, liability assessed against outstanding guarantees and leverage on corpus based upon liability against outstanding guarantees at the end of the year during the period from 2015-16 to 2018-19 was as shown in the Table 4.3:

Table 4.3: Leverage on Corpus Fund of CGTMSE(**₹ in crore**)

Year	Corpus fund	Outstanding guarantees as on 31 March	Liability against outstanding guarantees	Corpus leverage based on Liability against outstanding guarantees (times)
(1)	(2)	(3)	(4)	(5) = (4)/(2)
2015-16	2,431.54	62,318	45,271	18.62
2016-17	2,500.01	67,762	49,567	19.83
2017-18	6,199.91	70,310	50,660	8.17
2018-19	6,914.91	74,330	55,526	8.03

The leverage benchmark on the basis of guarantee approvals does not exhibit the correct picture as the Trust is liable to pay only the guaranteed portion (excluding proportion of risk shared by the MLIs) in the worst-case scenario. Thus, liability against outstanding guarantees is an indicative benchmark to assess the leverage on corpus fund. The reduction in leverage during 2017-18 and 2018-19 was attributed to infusion of funds by the Settlers during 2017-18 (₹3,699.90 crore) and 2018-19 (₹715 crore). The leverage of 8.03 times would, however, continue to increase with the continuous process of issue of guarantees.

Analysis, however, revealed that the Trust had not estimated outgo towards first claims rejected on technical grounds (deficient documents and others) and the second claims expected to be lodged by the MLIs. As such leveraging should not only account for the accepted claims but total commitment (including deferred cases). Further, instead of rejection, there has to be IEC⁶ to ensure correct submission by making the process simpler. That would generate more confidence in MLIs on the efficacy of guarantee instrument and provide assurance to motivate them for larger front end support to MSE sector.

The Management (March 2019) and Ministry (September 2019) stated that fixing the benchmark for leverage on a realistic basis to exhibit the correct position was noted. The reply, however, did not address the issue of adequacy of corpus, the liability against which keeps on increasing due to ongoing process of issue of guarantees and non-estimated claims (first and second claims rejected on technical grounds). However, it is also important to increase the coverage along with better recovery from MLIs on defaults to support Government fund infusion.

(c) **Participation of CGTMSE in total outstanding credit to MSEs**

The Department of Financial Services, Ministry of Finance (GoI) had set up (September 2014) the K.V Kamath Committee to examine the financial architecture of the MSME sector. In its report submitted in February 2015, the Committee recommended that the outstanding credit guaranteed under CGTMSE (for MSEs) needs to be enhanced to an acceptable level of guarantees (around 15 *per cent* of total MSME banking credit compared to around 25 *per cent* as per global experience).

⁶ *Information Education Campaign*

Table 4.4 shows the participation of CGTMSE in total outstanding credit to MSEs at the end of financial years 2016-19.

Table 4.4: Credit flows to MSE sector vis-à-vis outstanding guarantees issued by CGTMSE

Year	Amount outstanding (in ₹100 crore)	MSE credit as percentage of adjusted net bank credit	Outstanding guarantees of CGTMSE (in ₹100 crore)	Percentage of CGTMSE's outstanding guarantee to total amount outstanding to MSEs
2015-16	9,964.30	14.60	623.18	6.25
2016-17	10,701.30	14.30	677.62	6.33
2017-18	11,493.50	14.60	703.10	6.11
2018-19	13,132.30	15.05	743.30	5.66

It would be seen that CGTMSE's participation in total outstanding credit to MSE sector as at 31 March 2019 was only 5.66 *per cent* which was much below than that recommended (around 15 *per cent*) by the K.V. Kamath Committee.

Considering (i) the outstanding amount of credit flows to MSEs as per RBI's Annual Reports, (ii) Kamath Committee's recommendation of CGTMSE's participation to the extent of 15 *per cent* and (iii) CGTMSE's recommended leverage of 10 times, CGTMSE would have a corpus deficit of ₹12,514 crore, ₹13,551 crore, ₹11,040 crore and ₹12,783 crore at the end of financial years 2015-16, 2016-17, 2017-18 and 2018-19 respectively. With the available corpus fund, CGTMSE would have been leveraged to the extent of 61.46 times, 64.20 times, 27.81 times and 28.49 times at the end of each of the four financial years.

4.1.3.2 Operational performance

(a) Achievement of targets

The Trust set an internal target for issue of guarantees amounting to ₹40,387 crore (₹23,487 crore under CGS-I and ₹16,900 crore under CGS-II) for the year 2018-19. The Trust approved guarantees amounting to ₹24,204.13 crore and ₹5,964.44 crore under CGS-I and CGS-II respectively. The fund size was not a factor in fixation of targets. The actual achievement in issue of guarantees during the year 2018-19 was only ₹15,241.57 crore (1.79 lakh number of guarantees) under CGS-I and ₹5,964.44 crore (0.64 lakh number of guarantees) under CGS-II. The overall achievement⁷ of CGTMSE against the targets during 2018-19 was only 53 *per cent*.

Audit observed that CGTMSE's business model is entirely dependent upon the MLIs, which may or may not seek guarantee covers against collateral free loans issued to the MSEs. The MLIs have their own priority sector lending targets based upon the guidelines/ regulations issued by the RBI. As such the internal targets fixed by CGTMSE have no rational basis unless the same are duly linked with the targets of the registered MLIs.

⁷ The achievement against targets under CGS-I and CGS-II was 65 *per cent* and 35 *per cent* respectively.

The flow of credit depends upon market dynamics and sectoral requirement of funds, which may vary from State to State due to diversified regional availability of resources and culture in the country. CGTMSE, therefore, needs to fix realistic targets based upon its the fund size, sectoral/ industry specific requirement of funds which can be determined from industry associations, independent studies by CGTMSE or other institutions, economic census/ MSME census, other data available with various Ministries and Departments of the State and Central Governments and consultations with the State Governments. As such, CGTMSE needs to revamp its business model and to take into confidence the MLIs to achieve the targets and larger objective of flow of funds for balanced regional development of MSEs and regional generation of employment.

The Management stated (March 2019) that MLIs have their own targets for MSEs including priority sector lending and the CGS facilitates them in extending credit to MSEs. It thus helps the MLIs in meeting their targets and in turn the GoI's objectives of balanced regional and social development.

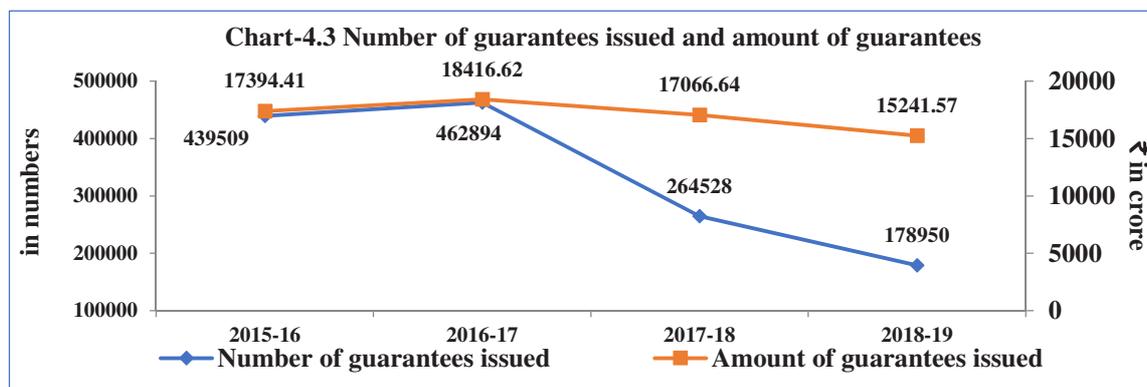
The Ministry added (September 2019) that CGTMSE is dependent on MLIs for business and it may not be in a position to execute a targeted approach of its own.

As such, the Ministry's reply supports Audit observation but a growing organisation like CGTMSE may consider fixing the targets based on rational analysis of information for sectoral performance/ expansion and proactive flow of credit to contribute to the GoI's objectives of economic growth and development.

Audit observed that as a purely Government sponsored guarantee instrument, the Trust has remained reactive to the role of MLIs. As such, MLIs assurance in the Trust can give impetus to the financial support to MSEs. Hence, the Trust may contribute to MLIs' plan for giving due impetus to fund the unfunded MSEs of the States which would also help it in expanding its own coverage.

(b) Decline in guarantee cover and money guaranteed

The Trust had approved 33.96 lakh cumulative guarantee proposals amounting to ₹1,69,948.37 crore since inception (July 2000) to 31 March 2019. Out of 33.96 lakh proposals, the Trust had issued 29.79 lakh guarantee covers amounting to ₹1,51,483.96 crore upto 31 March 2019. The trend in number and amount of guarantees issued during 2015-19 is shown in the chart 4.3:



It would be seen that the business of the Trust was on declining trend as the number of guarantee covers issued to the MLIs for collateral free credit allowed to MSE sector drastically declined (61 *per cent*) from 4.63 lakh to 1.79 lakh during 2016-19. The corresponding amount of guarantees issued declined (17 *per cent*) from ₹18,416.62 crore to ₹15,241.57 crore during this period.

The Trust did not analyse the reasons for decline in guarantee cover obtained by the MLIs. Audit observed that incorporation of NCGTC which provides guarantees for loans upto ₹10 lakh under CGFMU had led to decline in the business of the Trust as the slab-wise coverage of loans upto ₹10 lakh reduced from 4.77 lakh (₹9,994.11 crore) in 2015-16 to 2.25 lakh (₹6,450.28 crore) in 2017-18 as shown in Table 4.5:

Table 4.5: Slab-wise coverage of loan upto ₹10 lakh

Range	2015-16		2016-17		2017-18	
	No. of proposals	Amount approved (₹ in crore)	No. of proposals	Amount approved (₹ in crore)	No. of proposals	Amount approved (₹ in crore)
Upto ₹1 lakh	2,44,943	1,155.62	1,75,554	952.59	74,283	447.43
₹1 to ₹2 lakh	90,867	1,503.97	97,181	1,615.62	54,204	908.35
₹2 to ₹5 lakh	87,557	3,254.71	86,484	3,288.85	57,884	2,166.72
₹5 to ₹10 lakh	53,712	4,079.81	58,105	4,529.72	38,451	2,927.78
Total	4,77,079	9,994.11	4,17,324	10,386.78	2,24,822	6,450.28

The effect of NCGTC on the business of CGTMSE could be measured from the fact that more than 90 *per cent* of the business of CGTMSE comprises of guarantees upto ₹10 lakh. NCGTC had issued guarantees amounting to ₹3,156.66 crore (3,25,322 number) in 2016-17, ₹36,725.10 crore (26,12,777 number) in 2017-18, and ₹37,328.66 crore (17,74,036 number) in 2018-19 under CGFMU.

The Ministry and Management did not provide any reply to the Audit observation.

4.1.4 Appraisal, credit rating and issue of guarantees

The credit guarantee schemes framed by the Trust do not provide for any mechanism for appraisal of loan applications/ projects of the borrowers. The responsibility of appraisal lies with the MLIs. The lending institutions are required to evaluate credit applications by using prudent banking judgement and use their business discretion/ due diligence in selecting commercially viable proposals and handle the account(s) of the borrowers with normal banking prudence.

4.1.4.1 Inadequate system for approval of guarantees

The CGS-I requires the MLIs to upload the borrower's information in the prescribed format for obtaining guarantee cover from the Trust. Audit noticed that the Trust approves/ issues guarantees on the basis of mandatory details filled by the MLIs like type of activity, industry nature, interest rate charged by the bank and the amount of loan, type of loan, details of borrowers/ MSE unit, *etc.* The MLIs are not required to upload the

financial details of the primary security created by the borrowers after disbursement of loan. These details are uploaded at the time of marking NPA and lodgement of the first claim.

Audit observed that the present system merely verifies that the MLIs had filled the mandatory details of the borrowers. Approval/ issue of guarantees on this basis did not take into consideration the management of the borrower unit, technical feasibility of the project and financial capacity of the borrower/ promoters. Even the system/ portal is not adequate enough to verify the accuracy of the details filled by the MLIs as pointed out in para 4.1.6.1. The reasons for accounts becoming NPA as mentioned by the MLIs included low generation of income due to downtrend and mismanagement, business failure/ closure, diversion of funds, business not able to compete in market, incompetent management, etc. The reasons indicate inadequate appraisal of projects by the MLIs as well as failure of the Trust in ensuring proper assessment of applications before approving/ issuing guarantees.

The inspection reports of the MLIs disclosed major discrepancies like non-verification of Credit Information Bureau (India) Limited (CIBIL) report of the borrower, CIBIL report showing overdue but not taken into account by the MLIs, appraisal note not signed by the officials, non-availability of pre-sanction reports with the MLIs, pre-sanction due diligence not carried out properly, non-availability of credit information report of the borrowers, *etc.* Besides, the Trust had detected fraudulent loans (12 cases) during inspections of MLIs (2016-18).

The above shortcomings indicate lack of responsibility and accountability of the MLIs in appraisal of loan applications prior to sanction and disbursement of loans. As such, the Trust needs to put in place an adequate control system consisting of quantitative and qualitative criterion prior to issue of guarantees to minimise moral hazard and NPAs on account of above reasons.

Inadequate system of approval of guarantees had jeopardised the financial interests and business viability of the Trust as can be seen from the fact that income from core business activities was not adequate to meet the claims which resulted in deferment of the claims (para 4.1.3.1) and high level of NPAs. It may be seen that the Trust guarantees major portion of the amount in default (50 *per cent* to 85 *per cent* of the loan amount guaranteed) which further underlines the requirement of an adequate system to minimise NPAs and claims on account of above reasons.

The Management stated (March 2019) that CGTMSE has implemented system of basic scrutiny of guarantee applications above ₹1 crore on certain key parameters at the time of approval of guarantee. Further, the Trust has recently formulated guidelines for online capturing of financial data such as operating income, Profit After Tax (PAT), debt-equity ratio, net-worth, current ratio, CIBIL score of the chief promoters, total assets, *etc.* in guarantee application form based on the ticket size of the guarantee amount. In case of any deviations in the appraisal process before sanctioning of the loan on account of

delinquencies in the due diligence on the part of the MLI, the Trust is not liable to pay the defaulted amount in respect of such accounts.

The Ministry added (September 2019) that CGTMSE has proved its viability by successful operation over 18 years.

The guidelines as mentioned by the Management were introduced (13 November 2018) and made applicable from 1 December 2018 after being pointing out by audit. The details as mentioned by the Management were not applicable for loan size upto ₹10 lakh despite the Trust having business of around 90 *per cent* in this ticket size. Further, there were no guidelines for decision-making based upon the information collected. Also, the online module did not provide any platform for decision-making based on these details. As regards rejection of claims on account of delinquencies in appraisal by MLIs, the inspections carried out by the Trust were meagre to find out the delinquencies on the part of MLIs.

The reply of the Ministry does not hold good in the light of the deficiencies pointed out by the Trust itself during inspections of MLIs.

4.1.4.2 Gaps in process of credit rating of borrowers

Clause 9 of CGS-I provides that all proposals for sanction of guarantee approvals for credit facilities above ₹50 lakh and upto ₹200 lakh will have to be rated internally by the MLI and should be of investment grade. Further, the format prescribed by the Trust for guarantee initialisation stated that the MLIs may indicate 'NA' for loan facility upto ₹50 lakh, if rating is not available.

The Trust/ Scheme had, however, not defined the term 'Investment Grade' and therefore, allowed the MLIs to consider a proposal to be of investment grade as per their considerations.

Analysis of the live applications (as on 30 September 2018) disclosed that the column indicating internal rating was either left blank by the MLIs or the column indicated NA and characters like nil, ~, *etc.* in 10.92 lakh cases (90 *per cent*) out of total 12.10 lakh applications. This includes 4,495 cases where the guarantee amount was more than ₹50 lakh. In remaining 1.18 lakh cases, the MLIs indicated symbols like A, B, B+, B++, BB+, BBB, numerals, percentages, *etc.* In only 567 cases, the ratings were having symbols like MSME-1, MSME-II, SME-1, SME-2, indicating ratings prescribed under the Performance & Credit Rating Scheme for Micro & Small Enterprises.

Audit observed that the Scheme did not encourage ratings of the proposals, as ratings were not required for credit proposals upto ₹50 lakh. Further, no rating structure had been prescribed like that of various rating agencies. The system, therefore, allowed the MLIs to put any character/ numeral/ symbol in the internal rating column. The application was processed by the Trust without giving cognizance to the fact that the project was really rated or not by the MLI before sanction and disbursement. This is proved from the fact

that the system accepted characters like NA, *NA,, -----, etc. even in cases where the sanctioned credit facility was more than ₹50 lakh.

Audit further observed that despite the Scheme was silent on a uniform rating structure, the Trust did not put in place a mechanism to evaluate or assess the adequacy of the ratings done by the MLIs as the physical document was not required to be uploaded in the system. The inspection teams of the Trust did not comment on the accuracy and adequacy of ratings done by the MLIs in the absence of any prescribed uniform rating structure. The inspection teams only considered whether the MLI has done internal rating or not.

Audit also noticed that the MLIs were required to indicate the rating of the proposals in the online system upto 25 May 2016. The Trust weakened the existing system by allowing the MLIs to indicate only 'Yes' or 'No' in the column of internal rating and investment grade. This may allow the MLIs an opportunity to create rating report at a later stage or at the time of lodgement of claims instead of due diligence prior to sanctioning of loan as also pointed by the inspection teams of the Trust.

The Management (March 2019) and the Ministry (September 2019) stated that all MLIs were regulated by RBI and they were required to comply with the risk management guidelines stipulated by RBI. Accordingly, MLIs were having their internal credit rating tools for rating the borrower units at the time of sanction (above a certain level of exposure, as per their internal policies). Further, investment grades are defined by MLIs as per their Board approved policies. Scrutinising the rating report alone at CGTMSE would not add value. It was also stated that instead of assuming the responsibility of appraisal, due diligence, rating, verification of security creation, etc. of over one lakh borrowers during a year, it is more practical to extend guarantee to such MLIs with superior credit portfolio and track record.

The reply is not convincing as the Trust failed to obtain any assurance from the MLIs that credit rating/ appraisal of the projects/ units was done as per the RBI guidelines. Further, the Trust was required to issue guarantees only for those proposals, which were properly rated by the MLIs to avoid problems of moral hazard. The Audit observation should be seen in the context of RBI's observation in its Report⁸ (2015) which stated "on account of substantial moral hazard inherent in such schemes and in absence of a robust oversight mechanism from the CGTMSE, the present scheme has got reduced to one that incentivises lax credit processing by the banks and reduced credit discipline on the part of the borrowers. This problem has the potential to play havoc with our financial system and must be addressed by the CGTMSE on priority basis".

Hence, instead of passing on the responsibility of assurance to MLIs totally, CGTMSE should strengthen its own process to ensure reliability of end use of funds through better MLI-CGTMSE interface.

⁸ *Report on the functioning of CGTMSE and the credit guarantee system in India, submitted by a three member team formed (2015-16) by the GoI (MSME division) and RBI.*

4.1.4.3 Issue of guarantees on the basis of personal guarantees of the borrowers without creation of primary security

The Trust requires that the lender should give importance to project viability and secure the credit facility purely on the primary security of the assets financed. Clause 7(iii) of the Scheme requires the lending institution to safeguard the primary securities taken from the borrower in respect of a credit facility in good and enforceable condition. Further, the guarantee initialisation form mentions that the Scheme envisages creation of primary security out of the loan/ credit provided to the borrower.

The Board in its forty third meeting (September 2013) decided that creation of primary security for providing guarantee cover was envisaged in the scheme and hence credit facilities which do not envisage creation of assets would not be eligible under the scheme.

Audit noticed that the Trust did not implement checks in the online system to ensure that the credit facility extended by the MLIs created primary security out of the credit facility extended to a borrower. The relevant column in the online system viz. 'APP_IS_PRIMARY SECURITY' was left blank in 100 *per cent* cases by the MLIs.

Audit scrutiny disclosed that the Trust received a letter dated 8 March 2017 from Deutsche Bank AG (DBAG) regarding acceptance of personal guarantees as primary securities, based on discussion and confirmation by the Trust on acceptance of personal guarantees as primary security vide email dated 28 January 2009. The DBAG also stated that it accepted personal guarantees of promoters as primary security wherein (i) the MSE have already hypothecated all stock and book debts to their main banker and (ii) no primary security was created by the MSEs especially in the service sector and funds were needed for opening a new office wherein the main expenses like salary, rent, *etc.* were required to be paid off.

The Trust informed (12 April 2017) the DBAG that the Trust would honour the claims, if any, emanating against the guarantees to avoid inconvenience to the clients whom guarantee cover has already been committed in respect of credit facilities sanctioned based on email confirmation in January 2009. The Trust, however, clarified that, henceforth, no guarantee cover would be extended where the primary security was not available and credit facilities were extended purely based on personal guarantee of the promoter. The Trust suggested the DBAG to carry out changes in its business module to enable CGTMSE to continue to support.

The Board deliberated (19 July 2017) on the significance of unsecured loans/ subordinated debts/ risk capital extended especially by private and foreign banks which

were vital for MSEs and approved that guarantee covers for loans extended on the basis of personal guarantees may be provided subject to certain conditions⁹.

Audit observed that the Trust issued guarantees to the DBAG upto April 2017 in violation of the scheme and without any approval of the BoT, as creation of primary security was a precondition for availing guarantee cover under the scheme. Further, the decision of the Board to allow personal guarantees was also not as per the terms and conditions of the scheme approved by the Settlers.

It is pertinent to mention that the entire guarantee covers obtained by the DBAG were based on personal guarantees of the promoters which indicates that it was extending credit facilities at the terms beneficial to it. As of 31 March 2019, the Trust has issued 7,217 guarantee covers¹⁰ of ₹2,203.62 crore to DBAG based upon the personal guarantees of the promoters out of which 908 cases (₹265.10 crore) were marked as NPA. The Trust has settled 451 claims (₹47.22 crore) out of the marked NPAs.

Another foreign MLI (Standard Chartered Bank) also started (January 2018) issuing credit facilities based on the personal guarantees of the promoters after decision of the Trust to allow guarantee covers in certain cases. This MLI obtained 102 guarantee covers amounting to ₹72.13 crore from the Trust during the period from 23 January 2018 to 30 September 2018. All the guarantee covers were obtained on the personal guarantees of the promoters, which indicate that it had stopped extending credit facilities which envisaged creation of primary assets.

The Ministry did not reply to Audit observation. The Management, however, stated (March 2019) that in view of lack of clarity in the scheme, some of the MLIs covered a few cases with only personal guarantees of the borrower. The same was reported and ratified by the Board in view of satisfactory performance of the portfolio covered, NPA percentage and payouts recorded for such coverage. The Management also stated that these credit facilities complement the existing credit facilities from the regular bankers of MSEs and are significant for MSEs, such as liquidity, fund support for fulfilling orders, faster credit delivery, *etc.* Depriving MSEs of the guarantee cover due to non-availability of primary security would affect the viability of the unit and slowdown the flow of credit to MSEs.

The reply was not acceptable as clause 7 of the scheme clearly stipulated creation of primary security. The decision of the Board to extend guarantee covers on the basis of personal guarantees was not as per the scheme approved by the Settlers. The extension of guarantee by the Trust to the foreign banks in respect of credit facilities sanctioned against personal guarantees of the borrowers, in violation of the scheme guidelines, may be got investigated and responsibility thereof may be fixed.

⁹ (i) *business loans only upto ₹50 lakh (overall exposure per borrower), (ii) fixing of exposure cap per MLI on cumulative guarantees to be approved and (iii) restriction on claim payout upto maximum of three per cent of the cumulative guarantees.*

¹⁰ *The Trust has received guarantee fee of ₹2.80 crore against the issued guarantees.*

4.1.4.4 Lack of mechanism to ensure non-acceptance of collateral and third party guarantees by the member lending institutions

The primary objective of establishing the Trust by the Settlers was to provide guarantee against loans not secured by collateral or third party guarantees. Clause 4 of the Scheme also stipulates that the Trust would cover credit facilities extended by MLIs to a single eligible borrower in MSE sector for credit facilities (term loan and/ or working capital) without any collateral security and/ or third party guarantees.

The MLIs while applying for guarantee cover had to mark 'Yes' or 'No' options in the columns indicating 'Collateral Security Taken' and 'Third Party Guarantee'. The column indicating 'Collateral Security Taken' was a mandatory field while column indicating 'Third Party Guarantee Taken' was not marked as mandatory even though the Scheme did not allow acceptance of third party guarantees.

The Trust introduced (28 February 2018) a 'Hybrid Security' product wherein the MLIs were allowed to obtain collateral security for a part of the credit facility whereas the remaining part of the credit facility upto a maximum of ₹200 lakh could be covered under Scheme. Accordingly, a new field was inserted in the online portal with the name 'Application Under Hybrid Security Model'. The MLIs obtaining guarantee cover under hybrid security model have to click 'Yes' or 'No' in this column.

Review of the data of live guarantees (guarantee started prior to 28 February 2018) disclosed that the MLIs took collateral security from the borrowers in 314 cases (₹42.50 crore), third party guarantees in 391 cases (₹45.59 crore) and both collateral and third party guarantee in 28 cases (₹3.68 crore). The Trust provided three¹¹ sanction letters of HDFC Bank out of the above mentioned cases. The sanction letters mentioned 'Nil' collateral security but there was no mention of third party guarantees.

Thus, the Trust did not implement adequate checks in the system to prima facie reject those applications where the MLIs had indicated acceptance of collateral and third party guarantees from the borrowers. Further, the approver of the guarantee applications had also ignored these vital facts. This indicates that the MLIs had double secured themselves by accepting collateral or third party guarantees as CGTMSE was not required to issue guarantee cover to these MLIs where they had accepted collateral and third party guarantees from the MSEs.

The Ministry did not reply to Audit observation. The Management, however, stated (March 2019) that filling the status of 'collateral security' and 'third party guarantee' was mandatory for the MLI with 'yes' or 'no' option. The system rejects the application if the MLI clicks 'yes' for collateral security or third party guarantee taken. The fields were made optional after introduction of 'hybrid security' product.

¹¹ (i) Date of sanction 19 July 2007 for working capital facility, (ii) Date of sanction 11 May 2015 for renewal of combined credit facilities and (iii) Date of sanction 19 June 2017 for renewal and enhancement of combined credit facilities.

The reply is not correct in view of the cases highlighted above. All the cases mentioned above pertain to the period prior to introduction of 'hybrid security' product.

4.1.4.5 Issue of guarantees despite inordinate delay in submission of application by the MLIs

Clause 4 of the CGS-I required the MLIs to obtain guarantee cover in respect of credit proposals sanctioned in the quarter April-June, July-September, October-December and January-March prior to expiry of the following quarter *i.e.* July-September, October-December, January-March and April-June respectively.

The Trust issued 9.56 lakh guarantee covers against term credit facilities to various MLIs during the period from 1 April 2015 to 30 September 2018. Audit noticed that the MLIs in 39,456 cases applied for guarantee covers even after the expiry of the quarter following the quarter in which the loan was sanctioned. The delay in submitting application for guarantee covers ranged upto 3,809 days in 39,456 cases (guarantees amounting to ₹1,260.92 crore). Audit excluded the period of 180 days (which is the maximum time available to a MLI for obtaining guarantee cover) from the period between the date of sanction and date of application for guarantee cover. As such the number of cases and the period of delay would be more when calculated on case to case basis. The range of delay in 39,456 cases beyond the expiry of following quarter was as shown in Table 4.6:

Table 4.6: Range of delay in applying for guarantee cover by MLIs

Range of delay (in days)	Number of cases	Guarantee amount (₹ in crore)	Range of delay (in days)	Number of cases	Guarantee amount (₹ in crore)
181 to 270	38,164	1,230.46	601 to 700	127	1.75
271 to 300	262	9.71	701 to 1000	196	3.54
301 to 330	255	3.92	1001 to 2000	64	2.81
331 to 450	191	5.27	2001 to 3809	5	0.34
451 to 600	192	3.12			
Total				39,456	1,260.92

On the other hand, in 17 cases (guarantees amounting to ₹1.31 crore), the date of sanction was after the date of submission of application by the MLI for obtaining guarantee cover (**Appendix-XIX**). The difference between the date of sanction and date of submission of application ranged between 1 day and 3,573 days. This indicated that the MLIs provided incorrect date in the online system but the system did not validate the same due to inadequate checks and therefore a future date of sanction was allowed. Further, the approver of the application did not take into consideration the date of sanction while issuing guarantees. The system should not have allowed the MLIs to submit applications in such cases.

Out of 39,456 cases, the Trust had settled claims amounting to ₹11.93 crore towards first claim (*i.e.* 75 per cent of the total claim amount) in 703 cases. The Trust received guarantee fee of ₹0.27 crore in these 703 cases.

Audit noticed that the Delegation of Powers allowed the approving authority and the Deputy General Manager (to be reported to General Manager/ CEO) to condone delay in lodgement of application for guarantee cover upto one and three months respectively. However, the Trust provided (July 2018) a further time period of three months on the request of MLIs, provided the account was standard (not being a Special Mention Account) as on the date of application. Thus, all the MLIs were allowed an additional time period of three months for submission of applications for guarantee covers. The decision of the Management to allow a further time period of three months was in violation of the Scheme provisions and was also not approved by the Board.

The Ministry did not reply to Audit observation. The Management, however, stated (March 2019) that most of the MLIs represented to CGTMSE that applications could not be lodged due to some unavoidable circumstances viz. natural calamities, amalgamation of MLIs, technical errors *etc.* CGTMSE regularised the delay on the requests of MLIs.

The fact, however, remains that inordinate delay in submission of applications by the MLIs and subsequent approval of guarantees by the Trust was in violation of the scheme approved by the Settlers.

4.1.4.6 Issue of guarantees to units not falling under Micro/ Small category

The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 classifies the Micro and Small Enterprises (MSEs) as manufacturing and service enterprises based upon the investment in plant and machinery and investment in equipment as stated in Table 4.7:

Table 4.7: Classification of Micro and Small Enterprises

Sector	Micro Enterprises	Small Enterprises
Manufacturing	Investment in plant & machinery does not exceed ₹25 lakh	Investment in plant and machinery more than ₹25 lakh but does not exceed ₹5 crore
Service	Investment in equipment does not exceed ₹10 lakh	Investment in equipment more than ₹10 lakh but does not exceed ₹2 crore

While calculating the investment in plant and machinery, the cost of pollution control, research and development, industrial safety devices and such other items as may be specified, by notification, shall be excluded.

Review of the data of live guarantees as on 30 September 2018 disclosed that in 3,055 term credit cases (guarantees amounting to ₹1,467.88 crore), the enterprise was marked as a micro unit but the term credit extended by the MLI and guarantees issued by the Trust was more than ₹25 lakh and upto ₹2 crore. As per definition of the Act, these units could not be considered as micro enterprises as the investment in plant and machinery/ equipment has exceeded the limit of ₹25 lakh.

Further, after adding promoters contribution to the term credit sanctioned/ guarantee issued, the investment in equipment in 15 cases under service sector worked out to more than ₹2 crore (guarantees amounting to ₹25.10 crore). As the Act had fixed the limit of

investment in equipment in service sector upto ₹10 lakh (micro) and ₹2 crore (small), these 15 cases cannot be considered under MSE as the investment in equipment had exceeded the limit of ₹2 crore. The Trust was, therefore, not required to issue guarantees in these 15 cases.

Also, the Trust calculated the guaranteed fee based upon the 'flag' that unit was micro enterprise or not and hence, it short recovered guarantee fee to the extent of 0.15 per cent to 0.25 per cent¹² of the standard rate and Risk premium in 3,055 cases.

The Ministry did not reply to the Audit observation. The Management, however, stated (March 2019) that categorisation of borrowers under micro and small enterprises falls under the purview of MLIs. The Trust accepts data furnished by the MLIs and issue guarantees as per the undertaking executed with the MLIs. MLIs were regulated by RBI and periodical data was being furnished by them to Government departments.

The reply needs to be reviewed in the context that the guarantee fee recovered by the Trust was based upon categorisation (micro or small industry) and, therefore, the same should have been verified by the Trust for correct recovery of fee and related issue of guarantee cover as it may directly impact their revenue receipts.

4.1.5 Non-performing assets, claims, inspection and recoveries from MLIs

The RBI's Master Circular on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances (1 July 2015) defines an asset as non-performing when it ceases to generate income for the bank. A non-performing asset (NPA) is a loan or an advance where (i) interest and/ or instalment of principal remain overdue for a period of more than 90 days in respect of a term loan, (ii) the account remains 'out of order' in respect of an Overdraft/ Cash Credit, (iii) the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted, etc.

4.1.5.1 Classification of NPAs

The RBI's Master Circular provided that the banks should establish appropriate internal systems for proper and timely identification of NPAs, and the system should ensure that doubts in asset classification due to any reason are settled through specified internal channels within one month from the date on which the account would have been classified as NPA as per extant guidelines. Accordingly, the MLIs should mark the account as NPA in CGTMSE's portal within one month once classified as NPA in their own system. This would enable CGTMSE to assess the correct position of NPAs in its system and likely claims on this account. Audit, however, noticed that the Trust had allowed (November 2009) the MLIs to mark NPAs in a particular calendar quarter, by end of subsequent quarter, which is not as per RBI directions. Further, the MLIs did not mark NPAs even as per scheme and the delay was condoned by the Trust.

¹² As per the fee structure applicable for guarantees sanctioned on or after 1 January 2013.

The Management (March 2019) and the Ministry (September 2019) stated that MLIs were given time to mark NPA in CGTMSE portal till the end of the subsequent quarter from the NPA date as it was a subsequent activity after the account turned NPA. Many accounts remain NPA for a short period and become standard after overdue are settled. It further stated that delay in marking NPAs was condoned when huge numbers of requests were received from the MLIs. Also during the demonetisation phase, the MLIs could not mark NPA due to post-demonetisation work-load and stress.

Audit analysis of the cases which were marked as NPAs by MLIs during the period from 1 April 2015 to 30 September 2018 is shown in Table 4.8:

Table 4.8: Time taken in marking NPAs by MLIs

No. days	0-10	11-20	21 -30	31-60	61-90	91-180	181-365	Total
No. of cases becoming NPA from the date of start of guarantee	567	494	592	2,113	3,210	13,756	43,018	63,750
Amount of guarantee cover (₹ in crore)	19.29	15.17	13.91	62.50	89.33	441.8	1,718.36	2,360.36
Number of cases where first claim was paid	7	9	7	42	87	3,820	13,815	17,787
Amount of claim (₹ in crore)	0.34	0.28	0.09	0.29	1.01	72.33	317.46	391.80
Time taken in marking NPA from the actual NPA date	1 to 2,408	2 to 1,858	1 to 1,766	0 to 2,201	1 to 2,519	0 to 3,185	0 to 3,352	

It would be seen that:

- MLIs marked 1,653 cases (guarantee amounting to ₹48.37 crore) as NPA within 30 days from the guarantee start date and the Trust made payment of first claim in 23 cases amounting to ₹71 lakh. The MLIs have taken a time period of 1 day to 2,408 days in marking these cases as NPA in the CGTMSE portal.
- The MLIs marked 5,323 cases (guarantee amounting to ₹151.83 crore) as NPA within 31 days to 90 days from the guarantee start date wherein first claim was settled in 129 cases amounting to ₹1.30 crore. The MLIs took a time period of upto 2,519 days in marking these cases as NPA.

Audit also noticed that in 348 cases (guarantee amounting to ₹19.23 crore), the actual NPA date was either the date of commencement of guarantee or prior to the date of commencement of guarantee. The Trust paid claim in four such cases amounting to ₹75.36 lakh. Further, in 71 cases (guarantees amounting to ₹6.42 crore), the date of marking NPA was prior to the date of actual NPA. The trust settled first claim of ₹1.59 crore in 32 such cases.

The accounts becoming NPAs within a very short period indicates lack of appraisal by the MLIs and also lack of adequate internal control and checks within the Trust to ensure that only good and eligible cases are lodged by the MLIs for obtaining guarantee covers.

The Management (March 2019) and the Ministry (September 2019) stated that it would arrange for study of cases where accounts became NPA within 90 days of issue of guarantee and first claim was released. Necessary improvements in the system would be considered. As regards date of marking NPA prior to the date of actual NPA, it was stated that some MLIs entered wrong date of NPA erroneously.

4.1.5.2 Inspection of and recoveries from MLIs

Clauses 7(i), (ii), (vii) and 13 of the CGS-I put responsibility and accountability of the MLIs as regards sanction, monitoring and remittance of recoveries to the Trust. The clauses provided that the lending institution should evaluate credit applications by using prudent banking judgement and shall use their business discretion/ due diligence in selecting commercially viable proposals and conduct the account(s) of the borrowers with normal banking prudence.

Clause 15 (ii) of the Scheme provides that the Trust has the right to inspect or call for copies of the books of account and other records (including any book of instructions or manual or circulars covering general instructions regarding conduct of advances) of the lending institution and of any borrower from the lending institution. Every officer or other employee of the lending institution or the borrower who is in a position to do so shall make available to the officers of the Trust or SIDBI or the person appointed for the inspection as the case may be, the books of account and other records and information which are in his possession.

The Trust carried out inspections in respect of 1,749 number of accounts during 2015-16 to 2017-18, as given in Table 4.9:

Table 4.9: Inspections of MLIs carried out by CGTMSE

Year	No. of MLIs covered	No. of zones of MLIs/ areas covered	No. of accounts covered
2015-16	15	26	237
2016-17	13	44	829
2017-18	12	20	683
Total			1,749

Audit observed that the Trust did not plan the inspections as no criterion was fixed for selection of MLI, targets and achievements in respect of MLIs and accounts to be covered and regions to be focused upon. During 2016-17 and 2017-18, the Trust carried out inspections where claim settled was more than ₹10 lakh on sample basis. Further, inspections were carried out to ensure that the amount recovered by the MLIs post claim settlement is apportioned as per the guidelines of the scheme and the balance is remitted to CGTMSE. Thus, no inspection was carried out in respect of accounts where claim has not been lodged by the MLI.

Scrutiny of Inspection Reports disclosed serious shortcomings viz. i) stock statements not submitted by the borrowers timely to the MLI, ii) internal reports of the MLIs indicating the borrower as wilful defaulter but not reported to the RBI, iii) non-availability of staff accountability reports, iv) one-time settlements done by the MLIs but recoveries not remitted to the Trust, v) non-availability of end use reports of the funds, vi) legal action taken by the MLIs after lodgement of the claims, vii) recoveries post-NPA date not mentioned by the MLIs in claim form, viii) recoveries not remitted to the Trust after payment of claim by the Trust, ix) inspections not carried out by the MLIs as per norms, x) mismatch of NPA date recorded in the CGTMSE's portal with actual record, xi) serious lapses on the part of MLI staff as per staff accountability report, xii) end use of funds not found satisfactory, xiii) pre-sanction due diligence not observed by the MLIs, xiv) project financials and estimates and sales tax return not obtained from the borrowers, xv) KYC documents not signed by the borrowers at the time of sanction, xvi) sanction of loans before receipt of pre-sanction reports, xvii) forged balance sheet and profit and loss statement submitted by the borrower, etc.

Clause 10 (v) of the scheme provided that the lending institution would be liable to refund the claim released by the Trust together with penal interest at the rate of four *per cent* per annum above the prevailing bank rate, if a recall is made by the Trust in the event of serious deficiencies having existed in the matter of appraisal/ renewal/ follow-up/ conduct of the credit facility or where there existed suppression of any material information on part of the lending institutions for the settlement of claims.

Audit noticed that the inspection reports pointed out recoveries of ₹71.41 crore in 507 (29 *per cent*) out of 1,749 accounts. The MLIs deposited ₹23.76 crore in 203 cases after delays ranging between 4 days and 722 days. The Trust, however, did not charge interest on delay in remittance of the amount. As of March 2018, ₹48.96 crore was pending for recovery in 368 cases (in some cases the amount remitted was more than pointed out during inspection due to further recovery by the MLI and in some cases partial remittance was made).

It could be concluded that inspections being carried out by the Trust were not commensurate with the guarantees issued, NPAs reported, claims lodged by the MLIs and shortcomings noticed in the inspection reports. The shortcomings pointed out in the Inspection Reports clearly indicate that the MLIs were not adhering to the terms and conditions of the scheme. Non-adherence of the terms and conditions adversely impacts the financial interests of the Trust. Further, lack of due diligence in sanctioning of the credit and non-deposit of recoveries indicate sanction of fraudulent loans and retention of exchequer's money with malaise intentions. It is clear that the MLIs would not have remitted the moneys to the Trust had they been not pointed out by the Inspection teams of the Trust. Audit further observed that the Trust had not exercised the penal provision as mentioned in clause 10 (v) of the Scheme on any of the MLIs to minimise the fraudulent loans and non-remittance of Government money.

The RBI made (2015) several suggestions in this regard which inter alia included (i) to put in place suitable incentives and penalties framework to enable the MLIs to undertake the same rigorous credit discipline and post disbursement follow up in collateral free loans as in the case of collateral backed loans, (ii) mandatory internal rating of all the collateral free loans irrespective of the loan amount, (iii) to put in place a strong data analytics team and a robust oversight mechanism over the MLIs, (iv) to revamp the IT infrastructure, etc.

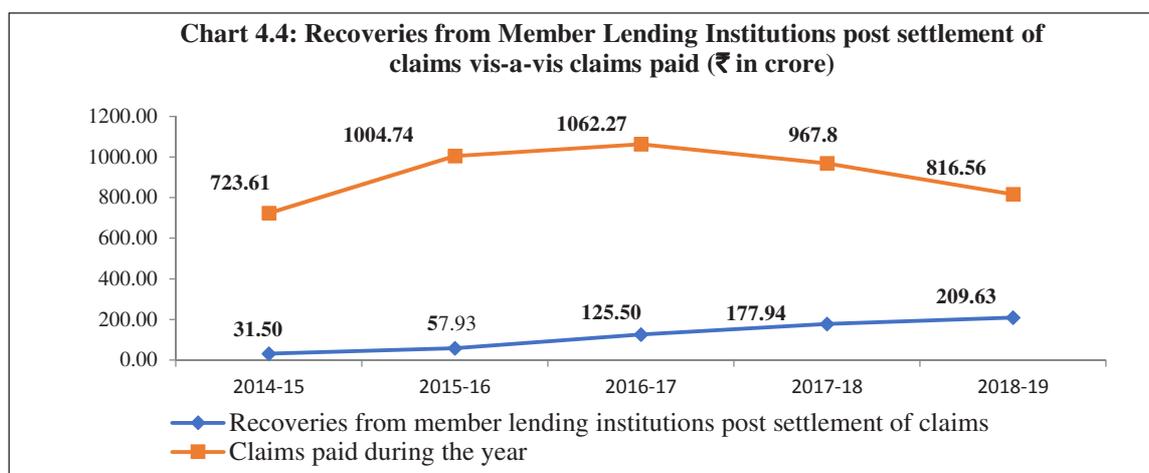
The Trust, however, had not implemented the suggestions and recommendations made by the RBI.

The Management (March 2019) and Ministry (September 2019) accepted the facts and stated that the Trust as a part of policy would put in place a systematic approach to improve the effectiveness of inspection.

4.1.5.3 Recoveries from MLIs post-settlement of claims

Clause 7(v) of the Scheme provides that the payment of guarantee claim by the Trust to the lending institution does not in any way take away the responsibility of the lending institution to recover the entire outstanding amount of the credit from the borrower. Further, Clause 13 of the Scheme requires the lending institutions to deposit the money recovered post-settlement of claims with the Trust after adjusting the legal cost of recovery incurred by the MLIs. The Trust is required to appropriate the recoveries first towards the pending annual service fee/ annual guarantee fee, penal interest, and other charge to the Trust, if any, in respect of the credit facility towards which the amount has been recovered by the lending institution and the balance, if any, shall be appropriated in such a manner so that losses on account of deficit in recovery of the credit facility between the Trust and the lending institution are in the proportion of risk shared.

The recoveries from MLIs post-settlement of claims vis-a-vis claims paid during the period from 2014-15 to 2018-19 is depicted in the chart 4.4 below:



It would be seen that the recoveries from MLIs post-settlement of claims was on increasing trend since the year 2014-15. However, there always remained a wide gap between recovery and claims paid during the year.

The Trust observed from the inspection reports that the MLIs were not remitting the recoveries made by them post-settlement of claims. As such, the Trust directed (March 2014) the MLIs to submit a certificate from the Statutory Auditors stating that recoveries made by the MLI post-settlement of claims by the CGTMSE in respect of guarantee covered under the CGS have been duly passed on to the CGTMSE as per the provisions of the CGS. The said certificate was to be submitted once in a year by the 30 September of the next financial year.

However, only few MLIs (around 10) submitted certificates of the Statutory Auditors. Further, the certificates provided by the MLIs contain ambiguous language. The Trust did not give stress on submission of certificate of the Statutory Auditors and started taking online declaration and undertaking from the MLIs before lodging of the claims.

Audit observed that certificates of the Statutory Auditors provided an adequate mechanism to safeguard the financial interests of the Trust and to ensure that all the money recovered by the MLIs post-settlement of claims have been remitted to the Trust after deduction of legal expenses. However, the Trust by allowing online declaration and undertaking again provided an opportunity to the MLIs to retain the exchequer's money as the certificates created a legal binding of fulfilment of duties on the Statutory Auditors while the MLIs even after submitting undertakings could shed their responsibility by saying that remittance was left inadvertently or the staff was not aware about it which is evident from the inspection reports. It is pertinent to mention here that the RBI in its report (2015) has mentioned in detail about the moral hazards inherent in the scheme.

The Ministry did not reply to Audit observation. The Management, however, accepted (March 2019) the facts and stated that most of the MLIs were finding it very difficult to get the Statutory Auditors certificate since it was not possible for the auditors to verify the transactions at branch level. The CGTMSE, therefore, started accepting online declaration and undertaking from the MLIs.

The reply is not acceptable as the Trust should have implemented a better control/monitoring mechanism whereby the financial interests of the Trust could be safeguarded.

4.1.6 Internal control

4.1.6.1 Quality of data fed by the MLIs

The MLIs are required to fill the data of applications for seeking guarantee cover in the prescribed format on the portal of the CGTMSE. Audit noticed that the MLIs did not fill the non-mandatory data and further the quality of data fed was very poor. Many fields (examples given in the table below) were left blank by the MLIs or incorrect data was

fed. Review of some of the important fields of the data of live applications (12.10 lakh cases) disclosed certain discrepancies as shown in Table 4.10:

Table 4.10: Discrepancies in the data fed by MLIs on CGTMSE portal

Field	Audit observation
PMR_CHIEF_LEGAL_ID and PMR_CHIEF_LEGAL_TYPE	The information about legal ID and type of the chief promoter of the MSE unit was not mentioned in 99.84 <i>per cent</i> cases.
PMR_CHIEF_DOB	The date of birth of the chief promoter was left blank in 36.13 <i>per cent</i> cases. Further, the data shows the year of birth as earlier as 1794, 1657, 1690, 1653, 1904, <i>etc.</i> in many cases.
PMR_CHIEF_SOCIAL_CATEGORY	The social category was blank in 46.81 <i>per cent</i> cases.
APP_IS_PRIMARY_SECURITY	100 <i>per cent</i> blank
TRM_AMOUNT_SANCTIONED_DT	The year of sanction of the term credit mentioned 2020, 2021, 2022, 2097, 2098, which were factually incorrect.
SSI_CITY	The city in which MSE unit was established was left blank in three cases. Further, there were numerous cases where some number was mentioned instead of the name of city.
SSI_PINCODE	The pin code of the location of MSE unit was mentioned as '000000' in 871 cases. There were cases where the pin code started with digit 9 but the same was not correct because all the pin codes starting from 90 to 99 have been earmarked for army postal service.
SSI_IT_PAN	The booklet of instructions issued by the CGTMSE provided that a borrower is required to obtain IT PAN number prior to availing of credit facility from eligible MLI. IT PAN number is to be indicated in respect of credit facility above ₹10/ ₹5 lakh as per Income Tax Act 1961. Further, CGTMSE was not insisting for IT PAN in respect of loans upto ₹10 lakh (upto 2015-16) and ₹5 lakh (2017 onwards) at the time of availing guarantee cover. The directions as regards mentioning of IT PAN number in cases of guarantees more than ₹10/ ₹5 lakh was not adhered to. The data did not contain IT PAN number of MSE unit in 10.43 lakh (86.22 <i>per cent</i>) cases. In these cases, the field was either blank or contained either '0' or some name, character, numbers, or a number which did not conform to the format of IT PAN number.
SSI_NO_OF_EMPLOYEES	The number of employees mentioned in 1,852 cases was either zero or the column was left blank.
SSI_PROJECTED_SALES_TURNOVER	The projected sales turnover in 6,007 cases was either 0 or was blank or the turnover indicated was upto ₹1000 only.
TRM_INTEREST_RATE	The rate of interest of term credit was 0, 1, 2, 3 and 4 <i>per cent</i> in 4,324 cases indicating requirement of checking of credit facility extended by the MLIs as the interest rates were much lower as compared to the prevailing rates.
WCP_INTEREST	The rate of working capital interest (fund based and non-fund based) was indicated as 0, 1, 2, 3 and 4 <i>per cent</i> in 929 cases.

Field	Audit observation
	Also, there were cases where the rate of interest was 70 and 95 <i>per cent</i> .
CHIEF_PROMOTER_MOBILE	The Chief Promoter's mobile number was either not mentioned or was incorrect in more than 94 <i>per cent</i> cases.
SSI_DISTRICT_NAME	The name of the District of the MSE unit was left blank in two cases.

The above mentioned instances are illustrative and not exhaustive indicating poor system and internal controls prevailing in the CGTMSE. The online system should not accept incorrect data or if redundant/ incorrect data was accepted by the system it should attract the attention of approver of guarantees.

The Management (March 2019) and Ministry (September 2019) accepted the facts and stated that the Trust was carrying out BPR exercise by engaging an external consultant and it would be endeavoured to address data gaps. The reply did not address concerns emanating from the quality of data fed by the MLIs, which shows poor appraisal by the MLIs. These concerns need to be addressed by the Trust prior to issue of guarantees.

4.1.6.2 Issue of guarantee cover more than once on same application

As per process in vogue, the MLIs make online application on the CGTMSE portal in the prescribed format for obtaining guarantee cover against the eligible credit facilities rendered by them to the MSEs. Online approval of guarantee applications fulfilling the eligibility criteria of the scheme is done and CGPAN¹³ is generated which is unique to the credit facility (Term Loan/ Working capital). The demand advice (CGDAN¹⁴) is generated and demanded by end of the day as per rate applicable which is visible to MLIs online for facilitating payments. The annual guarantee fee (AGF) is to be paid within 30 days of generation of demand or first disbursement of loan by the MLI whichever is later.

Audit noticed that the MLIs applied for guarantee covers more than once for the same application/ credit facility and the Trust also provided guarantee cover to the MLIs as per their application. In this process, the system generated a new CGPAN for the already covered facility. The online system was, therefore, not capable of generating alert when the same application was submitted by the MLI for guarantee cover. Further, the approver of the guarantee applications also did not verify the duplicate record and give cognizance to the alert even if some alert was generated by the system for duplicate record.

The information provided by the Trust disclosed 122 cases where the MLIs submitted the same application for guarantee cover more than once. The Trust issued guarantees amounting to ₹17.15 crore in these cases. These numbers are only indicative and do not represent the entire cases where duplicate CGPAN was generated by the system. The issue of duplicate guarantees on the same applications comes to the notice of Trust only

¹³ CGPAN represents the application identification number in respect of a guarantee application.

¹⁴ CGDAN represents the demand advice reference generated for claiming guarantee fee.

when the MLI requests for refund of fee deposited by it on the ground that the application was inadvertently lodged twice. The Trust cancelled the duplicate guarantee after verification and refunded the fee in all cases where the MLI had made such requests.

Issue of duplicate guarantee for already covered cases raises questions on the capability of the online system and indicates lack of adequate internal controls in issue of guarantees. The Trust by issuing duplicate guarantees had not only compromised with its financial interests but also showed lack of business prudence and provided an opportunity to the MLIs to lodge dummy applications. This could be highly detrimental to the interests of the Trust as all the activities including approval of claims are being done online without transfer of a single paper record.

The Management (March 2019) and Ministry (September 2019) while accepting the facts stated that the duplicate guarantees in almost all the cases were issued only due to inadvertent errors made by the MLIs. The duplicate guarantees were cancelled upon the requests of the MLIs.

The Management did not give any action plan or proposal to ensure non-recurrence of such events in the future.

4.1.7 Conclusion

- (i) The Trust continued to extend credit guarantee for the loans upto ₹10 lakh though the Ministry had directed to discontinue them, as these guarantees were covered by NCGTC.
- (ii) The Trust did not have any regulatory authority and there were no laws to regulate many aspects of the Trust like scope of its operations, governance, capital and operating requirements, as well as access to the state owned funds.
- (iii) The impact of CGTMSE in terms of turnover, exports and employment figures of MSEs were all estimated based on the information furnished by MLIs at the time of lodging application for seeking guarantee cover.
- (iv) The Trust has not fixed benchmark leverage on corpus fund on appropriate basis to generate more confidence in MLIs on the efficacy of the guarantee instrument and assurance to motivate them for larger front end support to MSE sector.
- (v) The present system of approval of guarantees merely provided an assurance that the MLIs had filled only the mandatory details of the borrowers. Even the system/ portal was not adequate enough to verify the accuracy of the details filled by the MLIs. Further, the Scheme did not encourage ratings of the proposals as ratings were not required for credit proposals upto ₹50 lakh.

- (vi) The Trust issued guarantees on the basis of personal guarantees of the borrowers without creation of primary security which was against the approved scheme guidelines.
- (vii) The MLIs applied for guarantee covers even after the expiry of the quarter following the quarter in which the loan was sanctioned.
- (viii) The enterprise was marked as a micro unit but the term credit extended by the MLI and guarantees issued by the Trust was more than ₹25 lakh and upto ₹2 crore. As per definition of the Act, these units could not be considered as micro enterprises as the investment in plant and machinery/ equipment has exceeded the limit of ₹25 lakh.
- (ix) The policy of the Trust to allow a time period upto the end of next quarter for marking NPA was not in consonance with RBI's directions to the banks.
- (x) The Trust did not plan the inspections of MLIs as no criterion was fixed for selection of MLIs, targets and achievements in respect of MLIs and accounts to be covered and regions to be focused upon. During 2016-17 and 2017-18, the Trust carried out inspections on sample basis where claim settled was more than ₹10 lakh. The inspections were not commensurate with the guarantees issued, NPAs reported, claims lodged by the MLIs and shortcomings noticed in the inspection reports.
- (xi) The MLIs were not remitting all the recoveries made by them post-settlement of claims.
- (xii) The MLIs did not fill the non-mandatory data and further the quality of data fed was very poor. Many fields were left blank by the MLIs or incorrect data was fed.
- (xiii) The MLIs applied for guarantee covers more than once for the same application/ credit facility and the Trust also issued guarantee cover to the MLIs as per their application which was against the financial interests, business prudence and indicates poor internal control.

4.1.8 Recommendations

- (i) The Government may decide the role to be played both by CGTMSE and NCGTC with regard to guaranteeing the loans upto ₹10 lakh.
- (ii) The Government may bring the functions of the Trust under an appropriate regulatory authority to enable balancing the objective of easy fund availability with financial discipline and ensuring wider coverage of low end entrepreneurial activities.
- (iii) The Trust may consider measuring the impact of CGTMSE on economic growth, based on realistic data interface with the MLIs.

- (iv) The Trust needs to adopt a suitable benchmark to reflect the correct position of leverage on the corpus fund of the Trust considering outstanding guarantees, claims rejected on technical grounds and likely to be re-lodged and estimated second claims.
- (v) The Trust needs to implement a robust appraisal model for the guarantee applications submitted by the MLIs. Further, the Trust should ensure credit rating of all the credit proposals to streamline the flow of funds to MSEs.
- (vi) The Trust needs to ensure that the approved scheme guidelines are adhered to in extending the guarantees only against primary security. The extension of guarantee by the Trust to the foreign banks in respect of credit facilities sanctioned against personal guarantees of the borrowers, in violation of the scheme guidelines, may be got investigated and responsibility thereof may be fixed.
- (vii) The Trust needs to ensure that the MLIs lodge the applications in time after sanction or disbursement of the loans.
- (viii) The Trust should ensure that guarantees are issued only to those enterprises/ units which fall under the definition of MSE prescribed in the Act.
- (ix) The Trust should ensure that the MLIs mark NPAs in CGTMSE's portal as and when the account is classified as NPA in their system.
- (x) The Trust needs to plan the inspections of MLIs based on key parameters like guarantees issued, level of NPAs, claims, etc.
- (xi) The Trust needs to put in place an appropriate system to ensure that recoveries made by the MLIs are timely remitted to the Trust.
- (xii) The Trust needs to ensure that the MLIs correctly fill-in all the required data on CGTMSE's portal.
- (xiii) The Trust needs to put in place adequate internal and validation checks in the system so that duplicate guarantees are not issued.

CHAPTER V: MINISTRY OF PETROLEUM AND NATURAL GAS

Directorate General of Hydrocarbons

5.1 Failure to recover cost of Unfinished Minimum Work Programme from various contractors in relinquished NELP blocks

The contractor(s) relinquished 54 NELP blocks in which the committed work programme remained unfinished within prescribed timelines including extensions at the end of exploration period/ on termination. An amount of US\$ 510.79 million (₹3,652.64 crore¹) against approved amount of US\$ 664.67 million (₹4,753.03 crore) on Unfinished Minimum Work Programme (UMWP) in respect of 45 blocks still remained unrecovered (September 2019). DGH took 15 days to 2,808 days to work out the cost of UMWP whereas MoPNG took 25 days to 1,837 days to approve the same. The cost of UMWP for nine relinquished blocks is yet to be worked out by DGH/ approved by MoPNG.

5.1.1 Background

The New Exploration and Licensing Policy (NELP), announced by the Government of India (GoI) in 1997 and notified in 1999, represented a landmark in hydrocarbon Exploration & Production (E&P) sector in India as the National Oil Companies viz. Oil and Natural Gas Corporation Limited (ONGC) and Oil India Limited, were to compete with private sector companies for obtaining E&P licenses through a competitive bidding, instead of getting them on nomination basis. This policy had the objective of not only attracting private capital to E&P sector but also introducing the technical expertise and efficiency of global players in this field. The basis for the contractual relationship between the GoI and the contractor(s)² is the Production Sharing Contract (PSC), which laid down the roles and responsibilities of all the parties and the detailed procedures to be followed at different stages of Exploration, Development and Production. According to the PSCs, the exploration risk i.e. the cost incurred in searching for oil and natural gas, without certainty of discovery, was to be borne by the contractors.

Accordingly, the Government had conducted nine rounds of bidding under the NELP from 1999 to 2010 and only 254 blocks (out of 360 blocks) were awarded to various contractors (both Indian as well as foreign) such as ONGC, IOC, HPCL, GSPC, GAIL, Reliance Industries Limited (RIL), Geo Global Resources, NAFTOGAZ, Welspun, NIKO etc. Position of 254 blocks as on 30 September 2019 was as shown in Table 5.1:

¹ ₹3,652.64 crore {US\$ 510.79 million @ ₹71.5096 as on 31 January 2020 as per RBI}.

² Contractor: Contractor means Company (ies) and Company is party to the Contracts (i.e. PSC) and where more than one Company is Party to the Contract, the term companies shall mean all such Companies collectively, including their respective successors and permitted assigns.

Table 5.1: Position of 254 blocks as on 30 September 2019

Sl. No.	Status	No. of blocks
1.	Relinquished with unfinished MWP	54
2.	Relinquished by completing MWP	139
3.	Operational	61
Total blocks		254

Thus, out of 254 awarded blocks, only 61 blocks were operational³ as on 30 September 2019 and the contractors failed to complete Minimum Work Programme (MWP) in respect of 54 blocks⁴, for which the contractors are bound to pay the cost of unfinished MWP as specified in PSCs.

GoI launched Hydrocarbon Exploration and Licensing Policy (HELP) in 2016, on revenue sharing model, as per which the Government will receive a share of the revenue accrued to the contractor. There is no concept of cost recovery in HELP, whereas in profit sharing model contractors were entitled for cost recovery as per agreed terms and conditions in the PSC. The PSCs signed during NELP rounds, related policies or guidelines etc. issued by the Government from time to time are still in existence.

5.1.2 PSC provision for carrying out MWP

As per Article 5 of PSC(s), the contractor(s) was required to complete the MWP and in the event of failure to fulfil the said MWP by the end of the relevant Exploration Phase or early termination of the contract by the Government for any reason whatsoever, each Company constituting the contractor would pay to the Government, within 60 days following the end of the relevant Exploration Phase or early termination of the contract, an amount equal to the amount required to complete the said MWP. For determination of this amount, available relevant information including the Budget and modern oilfield and petroleum industry practices were to be taken into account. This amount is also known as cost of Unfinished Minimum Work Programme (CoUMWP).

5.1.3 Policy for determination of CoUMWP

The GoI had framed (December 2007) a policy for determination of cost of UMWP for exploration blocks under pre-NELP and NELP contracts. The policy *inter-alia* provided that the contractors would make the balance payments (i.e. differential amount) to the Government within 15 days from the notifications of the amount.

³ Operational blocks are the blocks which have not been relinquished by the contractors as the petroleum operations under the PSC were continuing in these blocks.

⁴

NELP Round	I	II	III	IV	V	VI	VII	VIII	IX	Total
No. of Blocks	5	8	8	3	5	16	3	3	3	54

The policy also provided that the cost of UMWP relating to an exploratory well would be determined on dry well principle⁵ and the well depth committed by companies under MWP would be considered for the purpose of computing cost of unfinished well as this has been the criterion for evaluating the bids and award of the blocks. Under the policy, Directorate General of Hydrocarbons (DGH) was required to maintain the cost data for each of the exploration activities, separately for different areas/ regions based on current prevailing market conditions, which will be revised every six months with the approval of the Government. In case, the computed rates of the unfinished work programme by the contractor are lower than the cost data bank maintained by DGH, the amount towards unfinished work programme will be recovered from companies based on cost data of DGH.

The PSCs of NELP VIII and IX *inter-alia* provided for a fixed amount towards cost of UMWP at the rate of US\$ one million/ three million/ six million per well in Onshore/ Shallow water/ Deepwater blocks, respectively besides specifying the rates for 2D and 3D seismic data. This provision was not there in the PSCs of NELP I to VII.

5.1.4 Audit Findings

Out of 54 blocks relinquished/ terminated without completing MWP as per PSC, Ministry of Petroleum and Natural Gas (MoPNG) had approved cost of UMWP in respect of 45 blocks of various contractors and in respect of remaining nine blocks, the cost of UMWP is yet to be calculated by DGH and/ or approved by the MoPNG.

5.1.4.1 Non-recovery of cost of UMWP of US\$ 664.67 million in 45 blocks

MoPNG approved (November 2009 to August 2019) US\$ 664.67 million⁶ as cost of UMWP in respect of 45 relinquished/ terminated blocks of various contractors. Audit, however, observed that US\$ 510.79 million, which was 77 *per cent*, was not realised by the Government till September 2019 as discussed in the succeeding paragraphs:

(a) Non-recovery of differential cost of UMWP of US\$ 19.68 million in six blocks

MoPNG directed (April/ August 2006) DGH to compute and recover the amount of mutually agreed pre-estimated liquidated damages (i.e. cost of UMWP) in respect of 10 relinquished blocks (Operator: ONGC - 6 blocks and RIL - 4 blocks). With no policy or Government guidelines in existence, the cost of UMWP was calculated on dry well

⁵ *Dry well principle: If the well drilled is found without any hydrocarbons, it is said to be a dry well and therefore, the requirement of subsequent activities involving production testing does not exist. Hence, under the dry well principle, drilling days and expenditure incurred only upto drilling are considered for the purpose of calculating the cost of UMWP.*

⁶ *Cost of UMWP of 45 blocks: US\$ 664.67 million {US\$ 53.56 million (sub-para (a) of Para 5.1.4.1) + US\$ 565.16 million (sub-para (b) of Para 5.1.4.1) + US\$ 45.95 million (sub-para (c) of Para 5.1.4.1)}*

principle, based on well depth taken upto basement⁷ as per the PSC and drilling days calculated based on rate of penetration from the same/ similar/ neighbouring block.

The mutually agreed cost of UMWP of US\$ 33.88 million and US\$ 19.81 million in respect of six blocks of ONGC and four blocks of RIL was paid by ONGC and RIL along with other consortium partners. However, consequent upon issuance of policy of December 2007 and direction from MoPNG (April 2008), DGH revised the calculation of cost of UMWP in respect of these 10 blocks and intimated (June 2008) to MoPNG stating that benchmarking of the amount based on cost data of each exploration activity desired under the policy guidelines could be possible if sufficient time was available to collect the relevant data. The estimated cost of unfinished work programme recovered earlier and revised as per new guidelines in respect of 10 blocks of ONGC and RIL is in **Appendix-XX**.

MoPNG approved (January 2010) the revised amount⁸ and stated that pending finalisation of rates of benchmarking of costs and building of databank in accordance with the December 2007 policy, the revised amount may be treated as provisional and requested DGH to immediately recover the differential amount of US\$ 28.27 million⁹ from the consortium partners¹⁰ along with interest as per PSC provisions. Further, MoPNG also instructed DGH to submit the finalised rates of benchmarking of costs and building up data bank by 15 February 2010.

In this connection, Audit observed that:

- RIL paid (June 2011) the differential cost of US\$ 8.59 million after 532 days from the date of approval by MoPNG without any penal interest. ONGC along with consortium partners had not yet made the payment of differential cost of US\$ 19.68 million though 10 years have lapsed since February 2010.
- DGH has not been able to finalise rates of benchmarking of costs and building of databank till date (September 2019).

(b) Non-recovery of approved cost of UMWP of US\$ 448.85 million in 33 blocks

According to existing policy of 2007, DGH was required to maintain the cost data for each of the exploration activities, separately for different areas/ regions based on current prevailing market conditions, which were to be revised every six months with the approval of the Government. In case, the computed rates of the unfinished work programme by the contractor are lower than the cost data bank maintained by DGH, the amount towards unfinished work programme will be recovered from the contractors on

⁷ *Basement: Basement means any igneous or metamorphic rock in and below which the geological structure do not have the properties necessary for the accumulation of petroleum in commercial quantities and which reflects the maximum depth at which any such accumulation can be reasonably expected.*

⁸ *ONGC: US\$ 53.56 million and RIL: US\$ 28.40 million.*

⁹ *RIL: US\$ 8.59 million and ONGC: US\$ 19.68 million.*

¹⁰ *Parties to the Production Sharing Contract.*

basis of cost data of DGH. As no cost data was being maintained by DGH, it calculated costs based on actual cost incurred in the reference well¹¹ drilled by the contractors in the same block or a well drilled in a nearby block with similar geological conditions. Accordingly, MoPNG approved (November 2009 to August 2019) US\$ 565.16 million in respect of 33 blocks (pertaining to NELP round I to VII) against which, US\$ 448.85 million¹² (Government companies: US\$ 89.99 million and private companies: US\$ 358.86 million), was yet (September 2019) to be recovered from the contractors (**Appendix-XXI**). In this connection, Audit observed that:

- Despite provisions of the PSC requiring the contractors to make payment of cost of UMWP within 60 days from end of the exploration period/ termination of the contract, none of the contractors in respect of 33 blocks made the payment within the stipulated period except partial payment received in respect of four blocks operated by RIL.
- In the absence of any internal timeline, DGH took 130 days to 2,808 days to work out the cost of UMWP, whereas MoPNG took 49 days to 1,837 days to approve the cost of UMWP (**Appendix-XXII**). Thus, excessive time taken in the computation and approval of cost of UMWP has delayed realisation of the amount to the Government.
- Cost of UMWP computed by DGH and approved by MoPNG is not strictly in accordance with the policy of December 2007 as the same was worked out without maintaining cost data and its periodical revision.

The major defaulter in case of Government companies was ONGC in respect of 16 blocks with cost of UMWP of US\$ 77.40 million. In case of private companies, RIL was major defaulter in respect of 14 blocks with cost of UMWP of US\$ 206.30 million.

(c) Non-recovery of approved cost of UMWP of US\$ 42.26 million in six blocks

The PSCs of NELP VIII and IX *inter-alia* provided for a fixed amount towards cost of UMWP at the rate of US\$ one million/ three million/ six million per well in Onshore/ Shallow water/ Deepwater blocks, respectively besides specifying the rates for 2D and 3D seismic data. However, DGH took time ranging from 15 days to 762 days in determination of cost of UMWP in respect of six blocks and MoPNG took 25 days to 661 days to approve the cost (**Appendix-XXII**) although these blocks were awarded during NELP rounds VIII and IX where cost of UMWP was fixed. Further, as against the approved amount of US\$ 45.95 million, only US\$ 3.69 million (8 *per cent*) has been recovered so far. Thus, US\$ 42.26 million (from private companies) remained (September 2019) unrecovered (**Appendix-XXIII**). The inordinate time taken in working

¹¹ Reference well means a well drilled in the same block or the adjoining block and the cost parameters of this well are to be used for calculation of cost of UMWP of the undrilled well.

¹² Government companies: ONGC, IOC, OIL, GSPC, HPCL, GAIL & NTPC. Private Companies: RIL, NIKO, BPEAL, HEPI, GPI, Brownstone, CRL, GeoGlobal, Hallworthy, Nitinfire, Vasundhara Resources, BEI, Syntax Oil & Gas, PPCL & ABGEL

out/ approval of cost of UMWP defeated the very purpose of keeping the rates fixed for various items of committed work programme.

5.1.4.2 Non-determination and approval of cost of UMWP in nine blocks

Apart from 45 blocks mentioned above, there were nine relinquished/ terminated blocks with the committed work programme remaining unfinished and consequently, the contractor(s) of these blocks became liable for payment of cost of UMWP. Audit observed that:

- In case of seven blocks, MoPNG had not approved the cost of UMWP despite lapse of 6 days to 2,174 days (**Appendix-XXIV**) from the receipt of DGH recommendation. DGH itself took 264 days to 3,786 days in working out the cost of UMWP. This delay in DGH was on account of issues between DGH/ MoPNG and the concerned contractor(s) regarding (i) restructuring of exploration phase owing to excusable delays, (ii) merger of Phase I & II, (iii) force majeure due to rig repair, (iv) reference well, etc.
- In respect of two blocks, DGH had not worked out the cost of UMWP for approval of MoPNG despite lapse of 4,585 days (**Appendix-XXV**) since relinquishment/ termination of the contract(s) till 30 September 2019. There were several communications between DGH/ MoPNG and the concerned contractor(s) regarding the status of blocks, seeking information and data for working the cost of UMWP. The issues between the DGH/ MoPNG and the contractor(s) remained unresolved resulting in the cost of UMWP remaining uncalculated for 4,585 days.

5.1.4.3 Reasons for delay in determination/ approval/ payment of cost of UMWP

The main reasons for the time taken in these processes in DGH and MoPNG and delay in payment by contractor(s) were as under:

- There were multiple & prolonged communications between DGH and contractors regarding collection of data/ information for arriving at the cost of unfinished work programme and between DGH and MoPNG seeking clarification before approval by the Ministry.
- There were several instances wherein the contractors instead of making the payment, represented to the MoPNG/ DGH against the approved cost. The disposal of these representations delayed recovery efforts.
- Non-maintenance of cost data by DGH, which was required as per Government Policy of December 2007 resulted into seeking/ collection of information and data from the contractors by DGH.
- No regular follow up by DGH for realisation of the approved cost.

5.1.4.4 Inadequate/ Nil Bank Guarantee

Article 29.1 and Article 29.2 of the respective PSCs *inter-alia* states that amount in the form of Bank Guarantee (BG) equal to 35 *per cent* of the Company's participating interest share of the total estimated annual expenditure is to be deposited by the contractor towards MWP. Further, in terms of Article 29.1(d) of PSCs dealing with the bank guarantee from NELP Round I to V *inter-alia* provided exemption in submission of BG by the public sector enterprises and companies having net worth of US\$1 billion or more (deepwater blocks)/ US\$ 500 million or more (Onland/ Shallow water blocks) towards its MWP as specified in Article 5. However, this stipulation for non-submission of BG was done away with from NELP Round VI onwards. DGH informed (December 2018) that there is no provision in PSC for invoking BG. However, in case the contractor does not make payment of the approved amount towards cost of UMWP within timeline, the BG is invoked towards non-performance of the contractual obligation and thereafter demand is raised for payment of the remaining amount with interest. A detail of the BGs obtained/invoked is mentioned in Table 5.2:

Table 5.2: Detail of the BGs obtained/ invoked

Sl. No.	Particulars	No. of blocks
1.	BGs not required in terms of Article 29.1 (d) of PSCs from NELP I to V	22
2.	BGs amounting to US\$ 15.79 million invoked due to non-completion of MWP	7
3.	BGs not required to be invoked as contractors made partial payment	5
4.	Contracts terminated as BGs were not submitted by the contractors	3
5.	BGs not invoked as approval of revised cost of UMWP was in progress	3
6.	BGs not invoked as contract termination was in progress	1
7.	BGs expired before approval of cost of UMWP	4
Total blocks		45

As may be seen from the above, validity of BGs expired in case of four blocks; three blocks were operated by Reliance Industries Limited (RIL) and one block was operated by Bengal Energy International. DGH/ MoPNG failed to keep these BGs valid till approval/ recovery of cost of UMWP from respective contractors. It is pertinent to mention here that DGH/ MoPNG took 637 days to 790 days for calculation/ approval of cost of UMWP of above four blocks from the date of end of exploration phase/ termination of contract.

5.1.4.5 Other options for recovery

As per Article 33.1 of the PSCs, cases of non-settlement of disputes would be referred to sole expert for conciliation/ arbitration. Accordingly, DGH proposed for appointment of

an arbitrator on behalf of GoI to MoPNG in respect of 17 NELP blocks. However, no decision on the request of DGH was found in the records till September 2019.

5.1.5 The Ministry stated (February 2019/ January 2020) that:

- Article 5.7 of the PSC required the contractor to compute and remit the amount of Unfinished Work Programme. Hence, the primary responsibility lies with the contractor and the same is to be reviewed and validated by DGH. Further, MoPNG stated that delay was attributed due to providing incorrect or insufficient data by operator/ contractor and their representations.
- Under HELP (Hydrocarbon Exploration and Licensing Policy), there is no concept of cost recovery and even in case of PSCs under NELP Round VIII onwards cost of UMWP is a defined fixed amount, hence, a very few cases are left where cost of UMWP is not determined. Hence, maintaining cost data, which earlier also could not be maintained by DGH because of practical difficulties, may not be a viable option for determining the cost.
- Contractors have been reminded by DGH and MoPNG on periodical basis for payment. Delay in making the payment attract penal interest. Further, to expedite the recovery process, action is being taken as per DPE guidelines dated 22 May 2018 regarding ‘Settlement of commercial disputes between CPSEs inter se and CPSEs and Government Department(s)/ Organisation(s) - Administrative Mechanism for Resolution of CPSEs Disputes (AMRCD)’. In addition, the GoI constituted (December 2019) an independent and neutral Dispute Resolution Committee. Any dispute or difference arising out of a contract relating to exploration blocks/ fields in India can be referred to the Committee, if both the parties to the contract agree in writing for conciliation or mediation and further agree not to invoke arbitration proceedings thereafter.
- Policy for determination of cost of UMWP was formulated in December 2007 after observing that some contractors relinquished the blocks by depositing the money towards UMWP, which was calculated and paid based on certain assumptions about various parameters. The Policy was formulated after considering the views of DGH and DGH was required to calculate the Cost of Unfinished Minimum Work Programme (CoUMWP) by reviewing all previous cases. However, DGH could not conclude the process owing to practical difficulties faced by DGH.
- In Blocks awarded under NELP Rounds VIII and IX, the cost of UMWP is required to be calculated for 2D/ 3D surveys as per PSCs. Though PSC provides for fixed rates for working out the cost, there were various other issues, which had to be considered and sorted out before calculation of the cost of UMWP.
- BGs have been invoked in seven cases and in 12 cases however, it could not be invoked owing to various reasons. As regards remaining four blocks, in three blocks operated by RIL, operator did not renew the BG and instead, proposed for

relinquishment. Similarly, the block operated by BEIL, operator did not renew the BG and stated that they have paid the amount of MWP.

- Details such as, logs of drilled wells, International Association of Drilling Contractors (IADC) Report for drilling data and actual 2D/ 3D data for quantification has to be obtained to verify the details given by operators from time to time. Hence, all data is not available with DGH.
- Under ease of doing business, DGH has been further strengthened with delegation of powers and functions to resolve the operational issues. Under this process, DGH has issued Standard Operating Procedures (SOPs) and guidelines for various processes to avoid such disputes in future. Further, DGH is developing a web-based single window clearance system to expedite various processes. With these initiatives, it is expected that no further disputes would emerge and SOPs/ guidelines, wherever applicable, would be used to resolve the pending issues.

5.1.6 Ministry's reply needs to be viewed in light of the following:

- DGH kept calling for information in a staggered manner and information received was not processed expeditiously. Further, in blocks where MWP had been completed, all the details related to wells drilled would have been available with DGH in the form of daily and monthly progress report. Besides, the contractors apprised DGH during the quarterly/ half yearly meetings on the work done by them. Thus, DGH could have taken into account the available data instead of being fully dependent on the contractors.
- Though the proposals for approval of cost of UMWP in respect of two blocks (MN-DWN-2004/3 and MN-DWN-2004/4) from DGH were sent in November 2013, these remained unattended in MoPNG for more than one year i.e., till January 2015. The Secretary, MoPNG had proposed to fix responsibility for not initiating the action for over a year.
- Contractors made representations before and after approval of cost of UMWP, which considerably delayed the realisation of approved amount. In case of one block (AN-DWN-2003/1), the representation was finally rejected after 19 months. ONGC again made a representation (May 2018) for reconsideration which was eventually rejected in August 2018 directing DGH to realise the amount. Such representations were received in respect of 30 blocks.
- Although GoI had launched HELP in 2016, the fact remains that the PSCs signed during NELP rounds, relevant policies or guidelines etc. issued by the Government from time to time in respect of NELP blocks are still in existence for those PSCs. In respect of maintaining cost data, though there is no concept of cost recovery under the contracts signed under HELP, maintenance of cost data was required as per the policy of December 2007 by DGH. Despite DGH pointing out the practical difficulties in maintaining cost data, the subject policy was not amended/ modified. Moreover,

despite having fixed amount of cost of UMWP, DGH utilised 15 days to 762 days for working out the cost and MoPNG took 25 days to 661 days for approval in respect of six blocks awarded under NELP VIII and IX.

- PSC provisions (Article 26.3 and 26.8) emphasize timely submission of data and updates by the contractors. However, these provisions were neither adhered to by the contractors nor followed by DGH/ MoPNG.
- The PSCs of NELP VIII and IX had also provided for fixed amount towards cost of UMWP for 2D/ 3D seismic data. Further, DGH/ MoPNG should have addressed issues (viz. excusable delays, force majeure, etc.) timely, especially in the blocks, where contractors failed to execute committed minimum work programme.
- It was primary responsibility of DGH/ MoPNG to keep the Bank Guarantees (BGs) valid till approval/recovery of cost of UMWP from respective contractors. However, it failed to ensure the validity of BGs and to keep them renewed till fulfillment of the PSC provisions by the contractors.
- As DGH was having daily/ monthly progress reports apart from quarterly/half yearly meetings with the operators on regular basis in respect of the activities of the blocks, rational for obtaining IADC Report for drilling data and actual 2D and 3D data for quantification does not hold good. If there was requirement of some additional data as mentioned in the reply, the same should have been made part of the reports being provided regularly by various operators.
- There is no progress on action taken on DPE guidelines dated 22 May 2018 regarding ‘Settlement of commercial disputes between CPSEs inter se and CPSEs and Government Department(s)/ Organisation(s) – AMRCD even after elapse of almost 20 months.
- Though MoPNG/ DGH has introduced various new initiatives in addition to constitution of Dispute Resolution Committee and AMRCD, the fact remains that huge amount is yet to be recovered from various contractors along with applicable interest.

5.1.7 Conclusion

It was, thus, evident from the above that various contractor(s) failed to complete the committed work programme within prescribed timelines including extensions and accordingly, the blocks were either relinquished by the contractors or terminated by the Government. Consequently, the contractors became liable for payment of cost of UMWP amounted to US\$ 664.67 million (₹4,753.03 crore) and interest thereon in terms of the PSCs. Out of this, only US\$153.88 million (23 *per cent*) could be recovered and balance US\$ 510.79 million (₹3,652.64 crore) remained (September 2019) unrecovered from the contractors. The amount calculated by DGH and approved by MoPNG was also not in accordance with the extant policy primarily due to failure of DGH to maintain the required cost data for calculation of cost of Unfinished Minimum Work Programme. As a

consequence of inordinate delays in calculation and approval of cost of UMWP, the Government was deprived of unpaid amount of ₹3,652.64 crore and applicable interest thereon despite legally enforceable PSC provisions in this regard. Further, it was unlikely for Government to get interest on unpaid amount for the period of excessive delays on account of DGH/ MoPNG.

Oil Industry Development Board

5.2 Loss of interest due to injudicious investment of surplus funds

Oil Industry Development Board invested surplus funds at lower rate of interest in fixed deposits at nationalised banks and suffered loss of interest of ₹1.22 crore which could have been avoided by judicious investment decision.

Oil Industry Development Board (OIDB) came into existence in 1975 after the enactment of Oil Industry (Development) Act, 1974. Under the Act, the Board is mandated to provide assistance by way of making grants or advancing loans, providing guarantees on loans and deferred payments of oil industrial concerns, underwriting or subscribing to the stock, shares, bonds and debentures of oil industrial concerns. Government of India collects a cess on every tonne of crude oil produced in the country with the intention of using the amount so collected for development of oil industry in India. GoI remitted an amount of ₹902.40 crore to OIDB (till 1991-92; no remittance thereafter) out of ₹2,07,776 crore collected by Government till 31 March 2019. The revenue of the Board mainly comprises of interest on loan extended to Oil Companies and interest earned on term deposits with various banks. Rule 32 of OID Rules, 1975 empowers OIDB to decide the manner and placement of surplus funds in State Bank of India (SBI) and other nationalised banks. Accordingly, OIDB constituted an in-house investment committee for investment of surplus funds in short-term deposits. OIDB deliberated the issue and approved empanelment of all Public Sector Banks including existing bankers for investment of surplus funds to maximise return on deposits. It was also decided that the card rates of all Public Sector Banks would be obtained for investment of surplus funds. In accordance with the above guidelines/ decisions, surplus funds earmarked for investments are being deposited in various nationalised banks from time to time.

Audit observed that due to improper forecast of cash requirements, OIDB failed to invest surplus funds in better yield option and suffered loss of interest amounting to ₹1.22 crore, details of which are discussed below:

- Funds amounting to ₹397.09 crore were available on 4 April 2016 with the Board and interest rates were sought from banks for investment of funds up to ₹408 crore. In response, three Banks viz. i) SBI, ii) Corporation Bank and iii) Indian Overseas Bank submitted their interest rates. The rates quoted by Corporation Bank were highest at 7.40 per cent for 91-180 days. However, OIDB invested (5 April 2016) ₹390 crore¹³

¹³ Balance funds of ₹7.09 crore were kept in saving bank account to meet day to day expenditure.

for 30 days in Corporation Bank at six *per cent* although the funds could have been invested for more than 91 days at 7.40 *per cent* with the same bank. On maturity after 30 days, the Board invested the same funds for 91 days at 6.50 *per cent* and suffered loss of interest amounting to ₹1.03 crore¹⁴.

- OADB received ₹295.62 crore from oil PSUs towards repayment of loan on 29/ 30 April 2016. Interest rates for investment in fixed deposit in three Banks i.e. Corporation Bank, SBI and IOB were called for on 3 May 2016. In response, Corporation Bank submitted highest interest rate of 6.50 *per cent* for a period of 91-270 days. However, OADB invested (May 2016) ₹295.62 crore in SBI and Corporation Bank for 46 days at six *per cent*, although funds were available for investment for more than 90 days and could have been invested at 6.50 *per cent* in Corporation Bank. This resulted in loss of interest amounting to ₹0.19 crore¹⁵. It is pertinent to mention here that OADB re-invested these funds after maturity (after 46 days) on 17 June 2016 for 91 days.

The Management stated (October 2019) that:

- Investment of ₹390 crore for 30 days at six *per cent* instead of higher rate of interest at 7.40 *per cent* for 91-180 days was made as per approval of Expenditure Finance Committee, Ministry of Finance, for reimbursement of expenditure towards National Gas Hydrate Programme (NGHP) Expedition-2 was expected at any time in the beginning of the next financial year. While reinvesting the maturity proceeds of the said FDR on 3 May 2019, it was observed that there was inflow of funds amounting to ₹767.58 crore in June 2016 on account of repayment of loan instalments and maturity proceeds of FDR which was sufficient for payment to ONGC towards NGHP Expedition-2. Therefore, due to availability of sufficient funds, it was decided to reinvest on 3 May 2019 for 91 days, which was the best possible arrangement under the circumstances stated above.
- As regards investment of ₹295.62 crore on 3 May 2016 for 46 days, the intention was to make sufficient funds available for payments to ONGC for NGHP Expedition-2.
- The primary objective of OADB is to finance the projects/jobs pertaining to oil industry as per mandate and in case surplus/ idle funds is available, the same is parked for investment as the next best alternative for fund utilisation. OADB is not *per se* a financial institution.

The reply of the Management is not tenable in view of the following:

- OADB had not assessed the actual inflow of funds for the month of April 2016 as it was scheduled to receive funds on loan repayment from Oil & Gas PSUs. OADB received an amount of ₹352.92 crore during the period 17 April to 30 April 2016.

¹⁴ ₹1.03 crore ($₹390 \text{ crore} \times 1.4 \text{ per cent} \times 30/365 = ₹0.45 \text{ crore} + ₹390 \text{ crore} \times 0.90 \text{ per cent} \times 61/365 = ₹0.58 \text{ crore}$)

¹⁵ ₹0.19 crore ($₹295.62 \text{ crore} \times 0.5 \text{ per cent} \times 46/365$)

Thus, funds amounting to ₹390 crore should have been invested at 7.4 *per cent* for 91 days instead at 6.50 *per cent* for 30 days. The funds required for payment to ONGC could have been met out of the instalments scheduled to be received from the PSUs.

- OADB received scheduled re-payment of loans amounting to ₹220.67 crore during the period 9 May to 31 May 2016. Also, OADB was scheduled to receive an amount of ₹187.62 crore on account of maturity of FDR during the period from 1 June to 10 June 2016. Thus, OADB was having sufficient funds for payment to ONGC. It is pertinent to mention here that OADB paid ₹170 crore on 3 June 2016 and ₹138.48 crore on 18 June 2016 to ONGC towards NGHP. Thus, OADB should have invested ₹295.62 crore at 6.50 *per cent* for 91 days instead at six *per cent* for 46 days.
- Though OADB is not a financial institution *per se*, it should have judiciously invested its surplus funds especially in view of the fact that OADB is not getting funds by way of cess from the Government since 1991-92. Moreover, Rule 229 of General Financial Rules, 2017 (Rule 208 of earlier GFR 2005) inter-alia stipulated that all autonomous organisations 'should be encouraged to maximise generation of internal resources and eventually attain self-sufficiency'.

Thus, OADB invested funds amounting to ₹685.62 crore at lower rate of interest due to improper forecast of cash flow and suffered loss of interest amounting to ₹1.22 crore.

The matter was referred to the Ministry in December 2019; their reply was awaited (May 2020).

CHAPTER VI: MINISTRY OF SHIPPING

Kolkata Port Trust

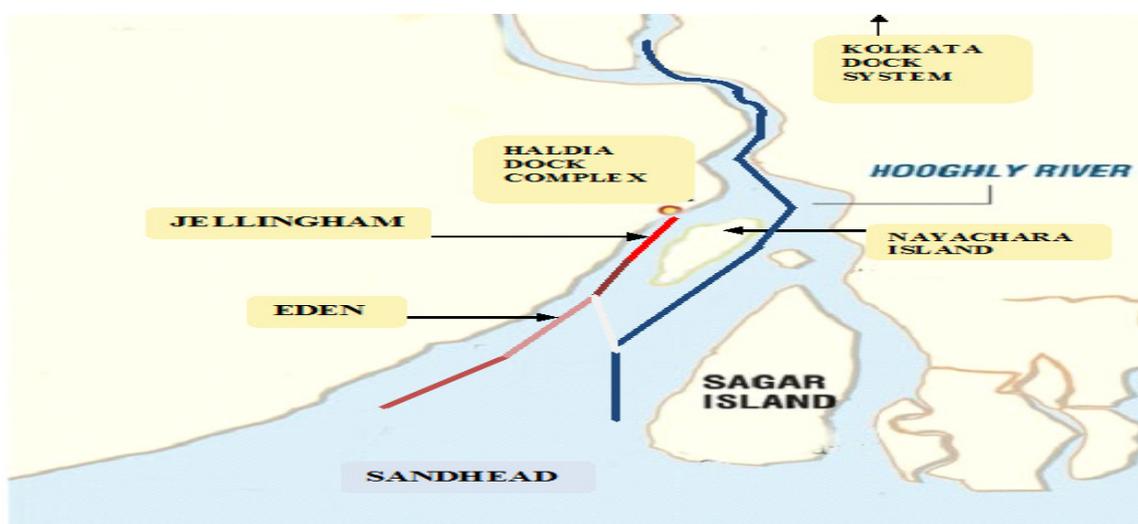
6.1 Dredging Activities in Kolkata Port Trust

6.1.1 Introduction

6.1.1.1 Profile of Kolkata Port Trust

Kolkata Port, the only riverine port of the country, comprising two docks, viz. Kolkata Dock System (KDS)¹ and Haldia Dock Complex (HDC)², is under the administrative control of the Kolkata Port Trust (KoPT) and reports to Ministry of Shipping (MoS). KoPT serves a vast hinterland comprising entire Eastern India including other states³, North Eastern States and two landlocked neighbouring countries viz. Nepal and Bhutan. There were two separate shipping channels originating from Sandheads i.e. Haldia Channel (via Lower Auckland-Upper Auckland- Jellingham-Haldia) leading to HDC and Kolkata Channel (via Maragolia crossing-Silver Tree-Diamond Harbour-Kolkata) leading to KDS. However, after opening of Eden Channel (March 2016), the shipping channel led to HDC via Eden-Upper Auckland-Jellingham-Haldia. Diagrammatic representation of the above channels is depicted below in Diagram 6.1:

Diagram 6.1: Shipping Channel of KoPT



¹ KDS, established during 1870 to 1929, situated at the left bank of the river Hooghly and at a distance of 232 Kms from Sandheads.

² HDC, came into operation in 1977, situated at the right bank of the river Hooghly and at a distance of 125 Kms from Sandheads.

³ West Bengal, Bihar and Jharkhand, Uttar Pradesh, Uttarakhand, Madhya Pradesh, Chhattisgarh, Punjab, Haryana and Rajasthan.

6.1.1.2 Dredging Activities

Kolkata Port suffers from heavy siltation which results in clogging of the navigation channel. Therefore, KoPT has been carrying out maintenance dredging activities of both the channels leading to KDS and HDC. A major portion of the dredging expenditure incurred by KoPT has been reimbursed by the Government of India (GoI). The details of dredging expenditure incurred by KoPT and reimbursed/ reimbursable by GoI for the last six years ending 2018-19 are given in the Table 6.1:

Table 6.1: Trend of dredging expenditure and reimbursement by GoI

Period	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Total operating cost of KoPT (₹ in crore)	1,297.85	1,388.89	1,398.59	1,396.74	1,532.32	1,651.11
Total Expenditure on Dredging Activities (₹ in crore)	431.39	483.79	427.27	330.20	354.22	388.82
Amount reimbursed/ reimbursable by GoI (as per annual accounts) (₹ in crore)	380.99	360.18	340.17	264.00	244.90	241.68
Percentage of dredging expenditure to total operating expenditure	33.24	34.83	30.55	23.64	23.12	23.55

6.1.1.3 Previous Audit Report

A review on 'Dredging operations of Kolkata Port Trust' was included in Audit Report No. 4 of 2002 (Civil) of Comptroller and Auditor General of India. The important issues highlighted in the above report were as follows:

- KoPT did not follow the instructions of MoS regarding engagement of dredging contractor through competitive bidding.
- The daily hire rate contracts with Dredging Corporation of India Limited (DCIL) did not have the quantum of dredged material to be lifted and number of daily dredging loads to be taken. There were functional irregularities of the dredgers engaged by DCIL and the performance of DCIL was not satisfactory and cost of engaging them was very high.
- Dumping of dredged material in the river had resulted in re-circulation of the same and depth of Jellingham had shown a deteriorating trend.
- In spite of recommendations from various experts, KoPT did not implement the shore disposal system at Nayachara Island to avoid the re-circulation of dredged material.

6.1.2 Audit Scope and Objective

The Compliance audit covered the performance of dredging activities of KoPT during the period from 2013-14 to 2018-19. However, matters relating to earlier periods, which continued subsequent to 2013-14 have also been included wherever pertinent. The objectives of the audit were to assess whether:

- there was any strategic plan for conducting dredging activities;
- dredging activities were carried out economically, efficiently and effectively;
- dredged materials were disposed off efficiently and effectively;
- there was efficient movement of marine vessels; and
- the monitoring mechanism to oversee dredging activities was robust.

6.1.2.1 Audit Criteria

The audit criteria were derived from the following sources:

- Notifications, orders, guidelines issued by Ministry of Shipping (MoS) from time to time.
- Parliamentary Standing Committee report and Inter-Ministerial Group report.
- Various survey documents prepared by KoPT.
- Agenda and Minutes of the meeting of the Board of Trustees of KoPT.
- Standard Operating Procedure for dredging activity.
- Guidelines for awarding of contracts.
- Tender documents for work relating to dredging activities.
- Daily Dredging Reports.
- Study reports of experts/ consultants.

6.1.3 Audit findings

6.1.3.1 Strategic Plan for Dredging

The navigation channel of KoPT experiences a high rate of siltation. This causes clogging of the navigation channel which requires periodic maintenance dredging. Therefore, a long term strategic plan for dredging activity by KoPT was essential to combat deterioration in the navigable depth of the channel. However, KoPT had not prepared any long term strategic dredging plan, detailing guidelines such as interval of conducting survey of spur and river, timeline for actions to be taken on the basis of above survey, alignment and re-alignment of shipping channel, steps to combat unwarranted situations like sudden fall in depth at a specific bar etc. and accordingly strategies to be adopted from time to time for the same. Neither was a long term plan flowing from the strategic

plan, for dredging, prepared by KoPT. In this connection, it is pertinent to note that dredging was commenced at HDC with a target depth of 6.4 meter. However, KoPT has been fixing the target depth based on the depth achievable by DCIL. Audit observed that there was no long term vision of KoPT to endeavour to increase the target depth equivalent to 6.4 meter.

KoPT, however, prepared annual plans on ad-hoc basis for dredging containing bar wise target depth and quantity to be dredged. Audit, however, observed that the above ad-hoc target was more than the target depth incorporated in the dredging contract with DCIL. Further, it was seen that monthly performance of port operations viz. cargo handling, turnaround time, no. of ships arrived etc. was placed before the Board of Trustee (BoT) but the BoT was not appraised on the performance of dredging.

The Management stated (September 2019) that dredging contract for Haldia Channel was awarded to DCIL on nomination as per the dredging policies circulated by MoS from time to time. It was also stated that yearly dredging performance was compiled in the Annual Administrative Report of KoPT and the same was placed before BoT every year.

The above contentions are not tenable as the Ministry of Shipping (MoS) did not at all formulate/ circulate any dredging plan/ policy. In fact, the MoS from time to time only issued instructions to KoPT regarding various modalities, like process to engage dredging contractor, payment methods to be adopted etc. for executing dredging contract with DCIL. Further, Annual Administrative Report of KoPT indicates the statistical data relating to the various port activities including dredging in a particular year. It did not contain any performance analysis against the target fixed and deviations thereof as well as the steps to be taken for remedial measures. Also, an Annual Administrative Report cannot be a substitute for periodically apprising BoT and taking their guidance about the dredging performance, on which hinged the success of other port operations.

While endorsing the views of the Management, the Ministry accepted (December 2019) that the individual ports should formulate dredging plan with advice from technical committee.

The lack of strategic planning is also evident from the absence of a structured response to spur maintenance. Spur maintenance is an important activity in establishing stable channels. However, this was not taken up till February 2020. Further, nourishment work of Moyapur spur was proposed in 2014 but the same was taken up only in 2018, when there was sudden fall of depth at Moyapur bar, located in the channel leading to KDS. This clearly indicated that KoPT was only reacting to situations as they worsened, instead of following a laid down strategy, which included both preventive and reactive actions. The importance and yet lack of maintenance of spurs is discussed in the subsequent paragraph.

6.1.3.2 Inappropriate maintenance of spurs

Spurs are constructed to deflect flowing water away from the river bank in order to reduce flow velocities in critical zones near the river bank and thereby prevent bank erosion and establish a stable channel of desired alignment. 13 major spurs and 154 numbers of short spurs at various places of upper and lower reaches respectively of Hooghly River were constructed in early 1970's. Of those short spurs, five spurs were washed away and many of them needed nourishment due to gradual deterioration of the Haldia-Balari channel.

Image 6.1 Construction of spur



KoPT, therefore, decided (October 2008) to execute nourishment/ rebuilding works of those spurs in phases for restoration of stability of the channel. Accordingly, nourishment of 22 short spurs was undertaken during December 2008 to June 2010 at Nischintapur and Ghoramara region. It was further decided (June 2012) for nourishment/ rebuilding of another 13 short spurs at Nischintapur area at a total cost of ₹16.58 crore. However, such nourishment/ rebuilding of spurs at Nischintapur area was not taken up (August 2019) which defeated the very purpose for which the spurs were constructed and also adversely affected the depth of the navigational channel. In the meantime, KoPT assessed (September 2016) that the cost of the said work would go up to ₹30 to ₹35 crore approximately. This indicated nourishment/ re-building schemes were envisaged in ad-hoc and piecemeal manner without adequate commitment of resources and without any clear targets for their completion.

In this connection, it is worth mentioning that nourishment work of Moyapur spur, located in upper reaches of river Hooghly was proposed in 2014 but the same was taken up only in 2018 when there was a sudden reduction of depth at Moyapur bar, located in the channel leading to KDS. This indicated that KoPT was compelled to take action as the situation had worsened.

The Management contended (September 2019) that the work relating to nourishment/ re-building of the above spurs was not carried out due to inadequate internal resources arising out of delay in release of dredging subsidy by GoI. This contention of the Management is not acceptable as KoPT had sufficient funds ranging from ₹397.08 crore to ₹733.40 crore during the period from 2013-14 to 2017-18 as statutory reserves for replacement, rehabilitation and modernisation of capital assets which could have been utilised for the above nourishment/ re- building work of spurs. Further, the plea of delay

in releasing dredging subsidy by GoI for not taking up the nourishment/ re-building work of spurs at Nischintapur area is not at all justified as the payment to DCIL, which is about 80 *per cent* of total dredging expenditure, is released by KoPT irrespective of release of dredging subsidy by GoI.

Though the Management stated (September 2019) that such activities would be carried out in two phases during 2019-20 and 2020-21, the same was not taken up till February 2020.

The Ministry contended (December 2019) that delay in repair/ nourishment of some of the spurs had not affected either the boundary condition or resulted in erosion of bank. The contention of the Ministry is not acceptable as the KoPT had earlier stated (March 2019) that the delay in taking up the nourishment/ re-building work of spurs had resulted in adverse morphological changes, which had caused considerable damage to other spurs (spur no. 137 and 138) in Nischintapur where no nourishment work was envisaged earlier and the same might have an impact on the stability of the shipping channel. In this connection, Technical Advisory Committee⁴ had earlier warned (October 2014) KoPT that the delay in execution of the pending nourishment/ re-building works of spurs at Nischintapur would neutralise the benefit achieved from the earlier spur maintenance works completed in June 2010. KoPT, however, did not pay heed to the same.

6.1.4 Execution of dredging work

Due to upland discharge and tidal effect, channel leading to HDC is prone to heavy siltation which results in clogging of the navigation channel. KoPT, therefore, has to carry out dredging on a continuous basis to maintain the navigability of the shipping channel. In other words, the business of KoPT depends on effective dredging, to make the shipping channel encumbrance free. KoPT engaged DCIL to carry out the dredging activities.

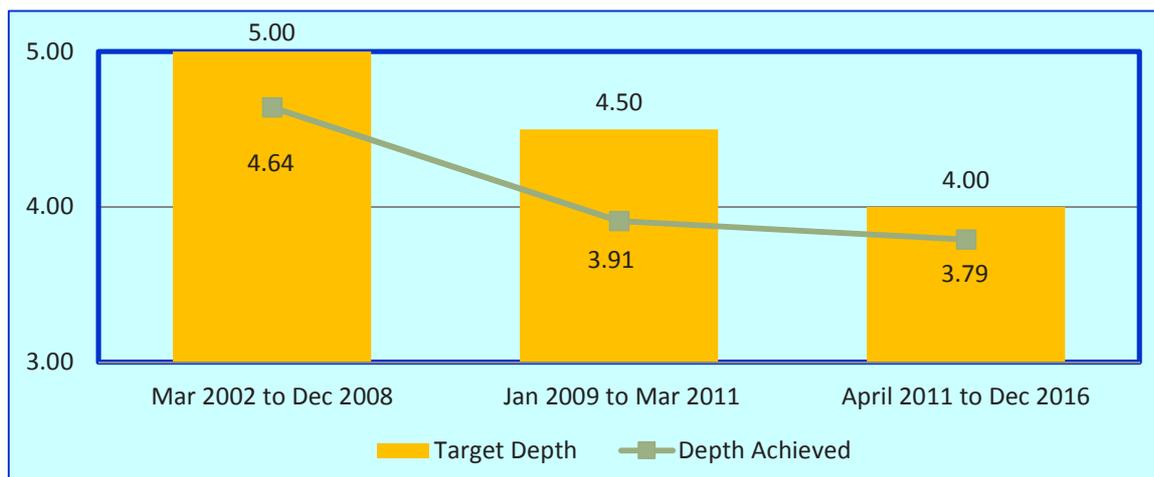
6.1.4.1 Unsatisfactory performance of DCIL

DCIL was engaged for dredging in the channel leading to Haldia with a target depth of 6.4 meter at Jellingham for its optimum utilisation since commencement of dredging in Haldia channel. The depth achieved by DCIL till March 2002 was 4.8 meter. At this depth, the utilisation of the carrying capacities of the HDC bound cargo vessels was 48.54 *per cent* of their Dead Weight Tonnage (DWT) during 2002-03. However, the Management considered depth of five meter as comfortable depth for HDC bound vessels. KoPT re-engaged DCIL on nomination basis to undertake the maintenance dredging of the Hadia channels and entered into contract with DCIL in March 2002 with an envisaged target depth of five meter at Jellingham.

⁴ TAC comprises Development Adviser (Ports), MoS, Director, Central Water & Power Research Station (CWPRS), Nautical Adviser to Ministry of Shipping, Dr. L. K. Ghosh, Ex-Addl. Director, CWPRS, Dr. S. Dey, Professor, IIT Kharagpur and officers of KoPT.

DCIL seldom maintained the target depth of five meter as per contract executed in March 2002. Thereafter, two contracts were executed in January 2009 and April 2011 with mutually agreed target depth of 4.50 meter and four meter at Jellingham respectively based on the performance or achievability of depth by DCIL in earlier contracts. DCIL, however, did not achieve the reduced target depth during the period from March 2002 to December 2016 as depicted in the Chart 6.1.

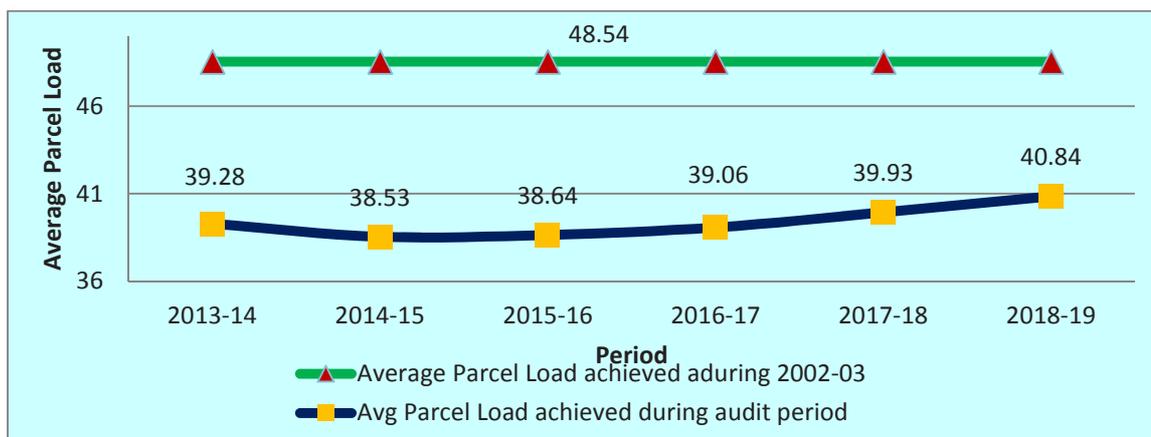
Chart 6.1: Target and achievement of depth at Jellingham



Subsequently, KoPT invited open tender three times unsuccessfully for dredging activity (Refer Para 6.1.4.3) and finally on fourth time awarded DCIL on single tender basis (January 2017) with a target depth of 4.1 meter based on the depth available at the time of handing over the site to DCIL. In the above contract, the actual depth attained gradually increased to 5.3 meter with reference to the target depth ranging from 4.1 meter to 4.3 meter. This was basically due to incorporation of new payment terms in the contract i.e. on the basis of the quantity to be dredged by the dredgers with achievement of the target depth.

However, the average target depth achieved till March 2019 was 4.80 meter which was still less than the envisaged comfortable depth of five meter and ideal target depth of 6.4 meter. As a result, the carrying capacity of vessels though marginally increased, was far less than that in 2002-03 with a target depth of five meter. The carrying capacity of the vessels during the period 2002-03 with that of the carrying capacity of the vessels during the audit period is shown in the Chart 6.2:

Chart 6.2: Comparison of carrying capacity of vessels



As shown above, the utilisation of the carrying capacities of the HDC bound cargo vessels was reduced from 48.54 *per cent* of vessels DWT during 2002-03 to 38.53 *per cent* in 2014-15 and later increased to 40.84 *per cent* in 2018-19.

Audit, therefore, estimated that KoPT lost the opportunity to increase its traffic by 45.27 million metric ton of cargo valuing ₹1,419.70 crore (**Appendix-XXVI**) during the above period due to reduction in the utilisation of the carrying capacities of cargo vessels.

The contract executed (June 2011) with DCIL on daily hire rate basis for deployment of six dredgers for the period upto March 2014 was extended upto December 2016 with the same terms and conditions.

Apart from non-achievement of target depth, scrutiny of records related to dredging activity carried out by DCIL during the period from April 2013 to December 2016 revealed the following:

- DCIL also did not engage six dredgers fleet at a time in the dredging operation as per terms of the contract.
- Further, the dredgers engaged by DCIL were having frequent breakdown.
- As per agreement (June 2011) the old dredgers with hopper capacity of 3,770 cubic meters viz., Dredge-V and VI were to be replaced with new dredgers having higher hopper capacity of 4,500 cubic meters. However, the same were replaced only in March/ April 2014 after a delay of 35 months. This had resulted in under dredging during 35 months due to continued deployment of lower hopper capacity dredgers than the required higher hopper capacity of dredgers.
- Since the payment terms of the dredging contracts upto December 2016 were not linked with the quantity dredged, the dredgers were paid irrespective of their 100 *per cent* utilisation.

The Management stated (September 2019) that compromising targeted depths set by KoPT were not based on the dredging performance of DCIL, rather it was based on the

achievability of depth considering regime depth situation around the areas with particular reference to the existing boundary and all the relevant conditions in the shipping channel. The above contention of the Management is not acceptable as the target depth was reduced mutually by KoPT and DCIL in every contract. Further, KoPT incorporated the target depth of 4.1 meter in the contract effective from January 2017 which was based on the depth achieved by DCIL in December 2016. Thus, KoPT itself negotiated with the envisaged depth of five meter as required for smooth shipping operation.

The Management further contended that in spite of best available resources, DCIL could not achieve the target depth most of the time due to other issues such as river dynamics, morphology, river training work, upland discharge etc. This contention is also not acceptable as during the period covered under audit, DCIL neither provided required number of dredgers nor the dredgers engaged performed satisfactorily. Further, after incorporation of payment terms based on quantity in contract, the same DCIL achieved target right from beginning of award of contract and achieved depth more than mutually agreed target depth by March 2019 (i.e. 4.8 m against 4.3 m). On several occasions, KoPT expressed their dissatisfaction about performance of DCIL to MoS as well as DCIL.

While endorsing the view of the Management, the Ministry contended that the low depth at Jellingham during the period between 2013 and 2015 vis-à-vis improvement afterward was attributed to a great extent to the formation of Islands above Haldia restricting ebb current, which carries more silt. This contention of the Ministry is not acceptable as the above mentioned islands above Haldia was in existence since 1997 and if formation of Islands in Haldia in 2015 was responsible for improvement of depth, the same should have been considered while fixing target depth in new contract.

6.1.4.2 Under-utilisation of Hopper Capacity of Dredgers

Material dredged is loaded in the hopper of the dredgers. Therefore, utilisation of hopper capacity indicated the performance of a dredger. Scrutiny of records related to utilisation of dredgers from April 2014 to December 2016 revealed that most of the loads were taken by DCIL dredgers with under-utilised hopper capacity. The details of under-utilisation of capacities of the dredgers deployed during the period from April 2014 to December 2016 are given in the Table 6.2:

Table 6.2: Dredger wise utilisation of hopper capacity

Name of Dredger	Hopper Capacity (in M ³)	Total no. of loads taken ⁵	Hopper Capacity to be utilised ⁶ (in M ³)	Hopper Capacity utilised (in M ³)	Hopper Capacity under-utilised (in M ³)	Average under-utilisation (percentage to the total capacity)
(A)	(B)	(C)	(D)	(E)	(F)	(G) = (F/D)x100
Dredge-XVII	7,400	825	61,05,000	45,03,050	16,01,950	26.24
Dredge-XVI	7,400	130	9,62,000	6,33,699	3,28,301	34.13
Dredge- XXI	5,500	11,108	2,75,49,500	2,44,45,129	31,04,371	11.27
Dredge- XX	5,500	3,567	1,96,18,500	1,74,99,262	21,19,238	10.80
Dredge-XIX	5,500	3,720	2,04,60,000	1,84,88,924	19,71,076	9.63
Dredge-XIV	4,500	3,612	1,62,54,000	1,56,19,588	6,34,412	3.90
Dredge -XII	4,500	3,122	72,54,000	70,37,160	2,16,840	2.99

It may be seen from the above that the dredgers were under-utilised in most of the loads taken due to under-utilisation of hopper capacity ranging from 2.99 *per cent* to 34.13 *per cent*. The hire charges for the above dredgers were paid on daily hire rate basis irrespective of their actual capacity utilisation. Audit, therefore, estimated that an amount of ₹83.82 crore (**Appendix-XXVII**) incurred by KoPT towards hiring of the above dredgers did not yield any result due to under-utilisation of the hopper capacities of the above dredgers during the above period. This indicated deficiencies in monitoring and supervision of the dredging operations conducted by DCIL.

The Management contended (September 2019) that 100 *per cent* utilisation of hopper capacity of medium/ large size dredger was always not possible due to draught constraints with particular reference to depth in the shipping channel, tidal conditions etc.

This contention of the Management is not tenable as on scrutiny of records of the DCIL dredgers it was seen that there were instances of utilisation of 100 *per cent* of hopper capacity by dredgers even with the draught constraints in the river as referred by the Management. The required depth was not maintained due to the poor performance of DCIL and as a cascading effect of the same the hopper capacity of DCIL dredgers were not utilised optimally. Further, there were also instances where the capacity utilisation of dredgers were more in unfavorable tidal condition while the same was lower during the favorable tidal conditions in a particular location.

While accepting under-utilisation of dredgers capacity, Ministry stated (December 2019) that the underperformance in dredging operation was due to non-availability of new dredgers. It was also contended that the partial load of hopper was for the safety movement of dredgers to the dumping grounds.

⁵ Total number of loads taken during the period from April 2014 to December 2016.

⁶ Maximum quantity of dredging material can be lifted in no. of loads undertaken as mentioned in column (C).

The above contentions of the Ministry are not acceptable as three new dredgers viz. Dredge-XIX, XX and XXI were engaged (March 2014 and April 2014) by DCIL for dredging operations. Further there were several occasions when under unfavorable tidal conditions and draught constraint, the capacity utilisation of dredgers was higher with dumping of dredged materials in the designated areas.

6.1.4.3 Delay in finalisation of Tender for Dredging

The MoS (June 2002) directed KoPT to go for competitive bidding for engagement of dredging contractor as the performance of DCIL on nomination basis was not satisfactory. The same was also highlighted by Comptroller and Auditor General of India in its Audit Report No. 4 of 2002 (Civil). The issue of unsatisfactory performance of DCIL and the proposal for open tender was placed (December 2003) before BoT. However, no decision was taken in this regard. In spite of unsatisfactory performance of DCIL, KoPT did not opt for open tendering for engagement of dredging contractor and continued engaging DCIL on nomination basis.

The MoS again directed (December 2013) KoPT to engage the dredging contractor through open tender process on expiry (March 2014) of the existing contract. Accordingly, KoPT floated the tender in February 2014 for maintenance dredging at Jellingham and Auckland on daily hire rate basis. However, the same was discharged as the target depth fixed in the tender was less than that of the existing contract and the quoted rate of the bidder was on the higher side.

A fresh tender was floated in August 2015 on daily hire rate basis for the above channels. The same was cancelled subsequently on technical ground. The tender was again floated in November 2015 on daily hire rate basis for maintenance dredging at Jellingham only. The tender was discharged on the advice of MoS to incorporate all the channels leading to Haldia.

Thereafter, a fresh tender covering maintenance dredging at Haldia Anchorage, Jellingham, Eden and Auckland was floated in July 2016 on quantity to be dredged basis and finally the contract was awarded to DCIL in January 2017 for the period of five years on single tender basis.

Thus, continuation of dredging contract on nomination basis in violation of direction of MoS coupled with inordinate delay in finalisation of dredging contract by 33 months (April 2014 to December 2016) not only facilitated DCIL to monopolise its business but also impeded the desired depth of channel leading to HDC due to poor performance of DCIL. Audit, therefore, estimated that had the quantity dredged through daily hire rate basis during the extension period of 33 months, been carried out through cost per ton dredged basis, KoPT could have saved an amount of ₹119.49 crore (**Appendix-XXVIII**). KoPT, therefore, incurred an avoidable extra dredging expenditure of ₹119.49 crore due to delay in finalisation of dredging contract.

The Management contended (September 2019) that the delay in finalisation of tender was unavoidable on the following grounds:

- The tender of February 2014 was not finalised due to lower benchmark of depth set therein and higher rate quoted by the bidder.
- Further, the tender of August 2015 could not also be finalised due to advice of the consultant of the MoS to change the modalities of disposal of dredged material in the scope of work of the tender.
- Similarly, the tender of November 2015 could not be finalised due to change in scope of areas to be dredged on the advice of MoS.

The above contentions are not acceptable in view of the following:

- There was lapse on the part of the Management for not defining properly the benchmark of depth in the fresh tender of February 2014.
- The Management had the experience that during daily hire rate regime, DCIL was paid full hire charges of a dredger irrespective of the actual capacity utilisation of the same. Hence, the most economical and effective way to carry out dredging activities in Haldia channel should be quantity based dredging and payment for the same. This is also corroborated with the facts that after incorporation of such payment terms in the dredging contract of 2017 with DCIL there were instances of increase in the navigational depth of the channel leading to Haldia. The Management, however, did not consider the payment terms of quantity based dredging while floating the fresh tender in February 2014.
- The Management itself was well aware about the criticality of the areas to be covered under dredging activity and the same should have been defined comprehensively in the scope of work while floating the fresh tender.

In view of the above the delay of 33 months in finalisation of dredging contract was avoidable and competitive bidding process for dredging contract could not materialise due to procedural lapse in tender document.

While endorsing the view of the Management, the Ministry further stated that it issued (March 2001) guidelines to KoPT stipulating that payment for dredging should not be either on daily wages or on the basis of bulk density but on a guaranteed minimum depth and the same was followed strictly in all contracts formulated by KoPT thereafter.

The fact however remains that there was no restriction by the Ministry for incorporation of payment term in the dredging contract on quantity to be dredged basis alongwith guaranteed minimum depth. The above payment terms proved to be beneficial after incorporation of the same in the dredging contract effective from January 2017.

6.1.4.4 Ineffective Dredging at Jellingham

A vessel approaching to HDC was required to pass through Eden Channel then Upper Auckland and finally through Jellingham. Thus, there should be parity in depths available at these areas in the shipping channel to HDC for smooth movement of vessels. KoPT planned that the depth of Jellingham should be less than that of Eden and the difference of depth in this regard should be 0.5 meter or more. It was seen that from January 2017 to March 2019, the difference between the available depths of Jellingham and Eden Channel was less than 0.5 meter which resulted into an infructuous expenditure of ₹41.19 crore (**Appendix-XXIX**) incurred by KoPT towards dredging of higher depth at Jellingham than that required during the above period as the same did not yield any benefit.

The Management/ Ministry contended (September 2019/ December 2019) that the view of Audit was based on post dredging result which could neither be envisaged nor always practicable in a dynamic scenario in unpredictable riverine conditions.

The contention of the Management/ Ministry is not acceptable as the required depth of Jellingham was fixed to achieve the effectiveness of dredging and such depth should have, therefore, been maintained by proper monitoring and supervision of dredging activity.

6.1.4.5 Increase in Turn Round Time⁷ of Vessels

Vessels destined to HDC first arrived at Sandheads and thereafter had to travel 125 km long navigational channel. The cargo vessels, capable of entering into HDC but could not enter therein due to depth constraint, were to be lighteraged⁸ at various lighterage points. Lighteraging operations required more logistical costs and time on the part of port users. It was observed that the Turn Round Time (TRT) of cargo vessels leading to HDC was more than that leading to KDS during the period from 2013-14 to 2018-19 though the length of navigational channel of HDC (125 kms) was lesser than that of KDS (232 kms). The TRT of HDC was ranging from 5.97 days to 8.48 days while the TRT of KDS was ranging from 4.34 days to 5.1 days during the above period (**Appendix-XXX**). The above TRT of HDC included time involved in lighteraging of only those cargo vessels which could otherwise enter into HDC directly without lighteraging had there been no depth constraint in the channel leading to HDC. It was further observed that the increasing trend of TRT of HDC was primarily due to increased TRT of lighterage operations of above category of cargo vessels. In this connection it is worth mentioning that during 2018-19 the TRT of HDC reduced to 6.45 days mainly due to commissioning of floating crane for lighteraging operation.

The customers of KoPT, therefore, had to absorb the demurrage charges/ extra expenditure levied by the vessel owners for the delays due to increase in TRT. The port users expressed their concern over the increasing TRT and requested KoPT for reduction of the same.

⁷ *Turn Round Time (TRT) is the total time spent by a vessel at the port from its arrival at reporting station till its departure from the reporting station.*

⁸ *It is undertaken to reduce a ship's draft in order to enter port facilities which cannot accept very large ocean-going ships.*

The Management stated (September 2019) that the dynamic and evolving Hooghly Estuary necessitated frequent shifting & re-aligning of shipping channel for maintaining bare minimum navigability. It was also stated that KoPT had been encouraging lighterage of cargo in its deeper anchorages and, therefore, there was no scope to call fully laden larger vessels to port directly.

The above contentions are not acceptable as the lighterage operations were resorted to overcome the inability of the vessels to enter directly into the docks due to depth constraints. Further, Audit considered the TRT of lighterage operations of those cargo vessels only which were capable of entering into HDC had there been no depth constraints in channel leading to HDC.

The Management's further contention that TRT of both KDS and HDC were much lower than that pointed out by Audit is also not acceptable as the Management did not consider at all the TRT arising out of lighterage operations.

While endorsing the view of the Management, the Ministry further stated (December 2019) that in spite of additional cost the operation was still cheaper and preferable by trade as compared to unloading the cargo at neighbouring ports and then transferring by road or rail.

The above contention of the Ministry is not acceptable as Audit observation was on increase in TRT in KoPT itself. TRT indicated the efficiency of the port operations and port users would ultimately have benefitted from lower TRT as it involved lower cost to them. Audit did not compare the transportation cost at KoPT with that of neighboring ports as replied by the Ministry

6.1.4.6 Additional expenditure of ₹2.71 crore in Monitoring Work of Dredging

As per direction of MoS, KoPT awarded (January 2017) a contract to DCIL for maintenance dredging in the shipping channel leading to HDC in the Hooghly Estuary for a period of five years. As per the contract the payment should be made on the basis of the quantum of dredging done by DCIL. KoPT appointed (June 2017) WAPCOS for auditing of said dredging works at a value of ₹21.76 crore for a period of 54 months. Prior to finalising the above monitoring contract, the Management realised that the scope of the same was too vast for a result oriented dredging work. However, while finalising the monitoring contract the same was not considered. Ultimately, the Management revised the scope and coverage of monitoring work in January 2019 and the contract price was reduced by 40 *per cent*.

Thus there was delay in revising the scope of monitoring work in line with that of dredging contract for which KoPT had to incur additional expenditure of ₹2.71 crore (**Appendix-XXXI**) during the period from July 2017 to December 2018.

The Management/ Ministry stated (September 2019/ December 2019) that it has gained experience over the period and implemented further trimming of some deliverables without compromising quality with further saving on cost.

The above contention is not acceptable as prior to finalising the monitoring contract it was well aware about the vastness of the scope of the same but the revision of the scope of the monitoring contract was done in January 2019 i.e. after a delay of 18 months which lacks justification.

6.1.5 Disposal of dredged material

The channel leading to HDC are prone to heavy siltation which results in clogging of the navigation channel. KoPT, therefore, has to carry out dredging on continuous basis to maintain the navigability of the shipping channel. Effective dredging depends on proper disposal of dredged material. Mainly two practices of disposal of dredged material viz. shore dumping and river disposal is followed. In the shore dumping process, dredged material is discharged to shore through pipeline or by barge. In the river dumping, dredged material is dumped in the designated area of the river itself or through side casting considering the morphology of the river. Disposal of dredged material of 10 to 20 MM³ per annum approximately becomes a major constraint for KoPT. KoPT undertook mainly river dumping of dredged material in the deep pockets of the river and very small portion of the same by side casting method. Shore disposal is preferred and most effective method which was not started by KoPT till February 2020.

6.1.5.1 River Dumping and Shore Disposal

As per Standard Operating Procedure (SOP) on dredging, the depth of dumping ground should be more than 20 meter. However, only three dumping grounds⁹ having depth ranging from 2.5 meter to 6.5 meter were in operation for dumping of material arising out of maintenance dredging. Continuous and heavy dumping of dredged material in the above dumping grounds resulted in re-circulation of considerable amount of dredged material in the shipping channel due to insufficient depth of pockets.

Various experts engaged by KoPT had also recommended to rule out dumping of dredged material in the river and implement shore disposal system as it removed the dredged materials entirely from the river system. Due to non-implementation of shore disposal facility, an average journey time of 18 hours per day to 19 hours per day of a dredger was involved in travelling to the disposal area for disposition of dredged material in the river covering an approximate distance of 22 to 50 kilometers whereas effective dredging of a dredger was limited to only five hours to six hours per day.

The Management stated that shore disposal could not be commenced due to non-availability of suitable land for which they were pursuing with the State Government.

The Management has been corresponding with Government of West Bengal (GoWB) for granting permissive possession of 1,500 acres of identified land at Nayachara Island for the purpose of disposal of dredged materials by constructing earthen dykes there. The last letter written to GoWB was in June 2019. No sincere effort has been taken by the

⁹ 1) Lower Sagar Dumping, 2) EA-II and 3) Eden Dumping

Management to get environment clearance as guided by GoWB. The above indicated that the matter was not pursued seriously.

The fact, however, remains that dumping of dredged material in the dumping grounds of lower depth was continued for which re-circulation of the same occurred in the shipping channel.

(a) Re-circulation of Dredged Material

Based on the study carried out (January 2012 to March 2012) on the movement of sediment in the Hooghly river, Bhabha Atomic Research Centre (BARC) reported that the dredged materials dumped into the river moved towards the shipping channel. BARC also concluded that the site used as dumping yard was not suitable for dumping of the dredged material. The fact was also backed by MoS indicating (May 2014) that 15 *per cent* to 20 *per cent* of dredged material was coming back to the shipping channel from dumping grounds.

It was seen that a total quantum of 81.68MM³ was dredged during the period from 2013-14 to 2018-19 involving an expenditure of ₹1,857.37 crore and the same was dumped at different dumping grounds in the river itself. Considering the rate of re-circulation of at least 15 *per cent*, a quantum of 12.25MM³ of dredged material happened to come back into the shipping channel. Thus, by adopting the shore disposal facility, there was a possibility of avoiding re-circulation of 12.25 MM³ of dredged materials into the shipping channel and thereby savings of ₹278.61 crore (**Appendix-XXXII**) by KoPT during the above period.

The Management/ Ministry contended (September 2019/ December 2019) that there was no scientific evidence that 15 *per cent* to 20 *per cent* of dredged material dumped at Sagar Dumping Buoy/ Lower Sagar Dumping Buoy had re-circulated back into the Haldia Channel.

This contention is not acceptable as Audit observation was based on the assessment of MoS regarding re-circulation of dredged material in the shipping channels due to dumping of the same in the river itself. Further, dumping operation was carried out at three dumping grounds including Lower Sagar Dumping Buoy. Dumping at Sagar Dumping Buoy was closed in 2004.

(b) Dredging at Lower Eden

Indian Institute of Technology, Madras (IITM) recommended (April 2017) to dispose of dredged material of Jellingham and Eden in the Eden dumping ground for next 12 months, within which implementation of silt trap disposal system should be completed followed by construction of Nayachara Dyke for shore disposal. As the earlier proposal for silt trap disposal system has been disposed of by IIT, Madras, KoPT has been left with the only option of shore disposal. However, KoPT continued dumping of dredged material arising out of dredging at Jellingham/ Eden at Eden Dumping ground beyond the prescribed time limit instead of setting up shore dumping facility. On the other hand, it

was seen that KoPT started dredging activity of the bars of Lower Eden Channel where dredging activity was not done earlier. Thus, continued dumping of dredged material at Eden Dumping ground resulted in additional expenditure due to dredging at Lower Eden Channel to maintain the navigability of the channel.

The Management stated (September 2019) that shore disposal facility could not be created due to non-availability of suitable land. The fact, however, remains that shore disposal is the only permanent solution for disposal of dredged materials of channel leading to HDC and the Management should actively pursue with the State Government/ concerned authorities for availability of suitable land for the same.

The Ministry contended (December 2019) that to reap full benefit of higher depths at Jellingham and Upper Eden, dredging at Lower Eden was necessary.

This contention of the Ministry is not acceptable in view of the fact that dredging at lower Eden was necessitated due to continuous dumping of dredged material of Jellingham and Eden even after prescribed period.

(c) Narrowing of Navigable width of Haldia Anchorage

BARC in its report on Radiotracer Experiment in the Hooghly river near Haldia indicated (September 1993) that the sediments were found to be deposited on the shallow face of Nayachara Island on the eastern side of the Haldia channel irrespective of whether dumping was done during tide or in ebb. KoPT also submitted (April 1996) that free dumping of dredged material at deep locations within the river had contributed to the accretion of Nayachara Island which resulted in reduction of navigable width of the channel near Haldia anchorage. Gradual development was seen since 2006 in Haldia Anchorage at the confluence with Haldi River which resulted in encroachment of sand into the channel from the western side and expansion of Nayachara Island from eastern side, creating a squeezing effect on the channel. The navigable width of the Haldia Anchorage saw a reducing trend as the same was re-aligned at 345 meter (May 2016) from nearly 900 meter as existing in 2006. It was seen that, total 4.156 MM³ was dredged during the period from 2014-15 to 2018-19 only at the Haldia Anchorage for maintaining the width of the channel which was not required earlier.

The contention of the Management/ the Ministry (September 2019/ December 2019) that the width between four meter contours as well as navigable depths of Haldia Anchorage had increased since 2016 is not acceptable as the Management considered the total width of the Haldia Anchorage without considering the navigable width of the channel. The fact, however, remains that the navigable width was 345 meter as re-aligned since May 2016 for movement of vessels and the same had not been increased.

6.1.5.2 Side Casting

There were two types of dredging activities carried out by DCIL viz. conventional dredging and side casting. In the conventional dredging, dredging material was excavated and loaded in the hopper of the dredger for discharge of the same at a designated

dumping point in the river. In side casting, dredging material was excavated and disposed of by throwing the same in slurry mode at a distant place in the river itself.

(a) Non-incorporation of the lower rate of Side Casting in the Dredging Contract

In the contract of January 2017, it was stipulated that out of total dredging quantum fixed for Haldia Anchorage and Jellingham, maximum one MM³ per annum was to be done through side casting. Despite knowing (May 2015) that rate of side casting dredging was lower than that of conventional dredging, the Management did not incorporate rate for side casting dredging in the contract. During the period from January 2017 to March 2019, a total of 1.01¹⁰ MM³ was dredged through side casting. The payment for the same was, however, made on the basis of the rate applicable for conventional dredging which resulted into avoidable payment of ₹10.19 crore (**Appendix-XXXIII**) towards cost of dredging during the above period. Further, KoPT lost the opportunity to save ₹12.74 crore (**Appendix-XXXIV**) during the remaining period of the contract (upto December 2021).

The Management *inter alia* stated (September 2019) that they were unsure about the quantum of side-casting that might become necessary at some point of time in a year and therefore separate rates could not be asked from DCIL. This contention is not acceptable as it was stipulated in the contract with DCIL that maximum quantity of side casting would be one MM³ per annum and separate rate for side casting should, therefore, have been incorporated in the dredging contract considering the lower rate of the same.

The Ministry contended that had KoPT taken separate rates for side-casting, the rate for conventional dredging could have been different.

The above apprehension of the Ministry was not acceptable as the contract with DCIL had stipulated separate quantities to be dredged for conventional dredging as well as side casting and therefore, the rates for the above should have been separately incorporated in the contract.

(b) Non-installation of Production Meter

No suitable measuring devices were fitted in the dredgers of DCIL to measure the actual quantity dredged through side casting which were required as per contract. In absence of the same KoPT did not have any instrument to measure the actual quantity of material side casted as such the payment was made on the basis of a fixed formula at the rate applicable for conventional dredging.

The Management/ Ministry did not offer any comments in this regard.

6.1.6 Conclusion

KoPT did not have any laid down strategic dredging plan for dredging approved by its BoT enumerating the broad guidelines to be followed for dredging and strategies to be

¹⁰ Based on the fixed formula prescribed by M/s WAPCOS.

adopted from time to time for the same. Although annual plans for dredging were prepared, the same were not placed before the BoT for approval. Even, the actual achievements against such plans alongwith shortfall and reasons thereof were not prepared and placed before BoT for taking remedial measures. Spurs constructed for establishing a stable channel of desired alignment were also not maintained properly. There were deficiencies in execution of dredging contract with DCIL. The target depths in the dredging contracts were reduced with reference to the desired/ required depth mainly due to under performance of the DCIL dredgers. The dredgers deployed by DCIL remained under-utilised during daily hire rate regime for which KoPT incurred unfruitful expenditure. KoPT also incurred additional dredging expenditure due to continuation of the contracts with DCIL on nomination basis and on daily hire rate. Unfruitful expenditure towards dredging was also incurred by KoPT due to maintaining higher depth at Jellingham with reference to that of Eden. Shore disposal/ dumping of the dredged materials was not resorted to by KoPT. Instead, the dredged materials were dumped in the river itself. This has ultimately resulted in recycling of at least 15 *per cent* of the dumped dredged materials in the river leading to deterioration of the depth of the navigation channel despite dredging. The TRT of the vessels approaching to HDC was higher due to reduction in the navigational depth resulting in increase of the transaction cost of the vessels and the port, therefore, became unattractive to the port users.

6.1.7 Recommendations

- i) KoPT should prepare long term strategic dredging plan, detailing guidelines of all activities relating to dredging with a vision to increase depth of the shipping channel in long term. Further, the target of achievement of depth by DCIL should be in line with the annual dredging plan prepared by KoPT.
- ii) KoPT should fix the target depth in the contract with DCIL considering the comfortable/ required depth for smooth shipping.
- iii) KoPT should efficiently oversee the dredging work of DCIL for optimum utilization of hopper capacities of dredgers deployed by DCIL.
- iv) The payment terms of the dredging contract should be framed in line with the scope of work.
- v) KoPT should focus on increase of the navigational depth of the shipping channel to reduce the Turn Round Time of the Haldia bound vessels.
- vi) KoPT should implement shore disposal facility at the earliest for dumping of dredged material.

6.2 Loss of revenue due to non-recovery of license fee

Kolkata Port Trust suffered loss of revenue of ₹5.91 crore due to non-adherence to order of Tariff Authority for Major Ports for retrospective implementation of Schedule of Rents in respect of sheds/ yards inside customs bound area in Kolkata Dock System.

Kolkata Port Trust (KoPT) allots lands and structures at Kolkata Dock System (KDS) and Haldia Dock Complex (HDC) to the port users on license/ lease rental basis at the rates specified in the SoR fixed by Tariff Authority for Major Ports (TAMP). On the expiry of the prevalent Schedule of Rents (SoR) which was effective for the period from 7 April 2011 to 6 April 2016, KoPT proposed (September 2016) to TAMP for revision of SoR for land and buildings of KoPT at KDS and HDC for the period from 7 April 2016 to 6 April 2021. TAMP approved (May 2017) the above proposal of revision of SoR valid for the above period of five years with retrospective effect from 7 April 2016. The above approved SoR comprises leases and licenses granted at KDS and HDC including license fee in respect of shed/ yard within customs bound area of KDS.

Board of Trustees (BoT) of KoPT decided (December 2017) to implement the revised SoR retrospectively with effect from 7 April 2016. However, it was decided that the revised license fee of shed/ yard within customs bound area in KDS and HDC was to be made effective from 31 May 2017 on the following grounds:

- Delay in determining the rent applicable for sheds in customs bound area in KDS due to change in the method of calculation of the same.
- It was difficult for the licensee to recover the additional rent charges from the importers/ exporters once the consignment has been delivered.
- The allotment letters for grant of license did not contain any provision for retrospective revision of license fee.
- As per the provisions of The Major Port Trusts Act, 1963 (Act), BoT was empowered to exempt either wholly or partially any goods or vessels or class of goods or vessels from the payment of any rate leviable in respect thereof to any scale in force.

The above reasons for implementation of the revised SoR prospectively from 31 May 2017 in respect of shed/ yard within customs bound area in KDS were not justified on the following grounds:

- The Management was aware of the changed methodology of calculation of rent/ license fee prescribed in Land Policy Guidelines 2014 issued (January 2014) by TAMP prior to sending of proposal for revision of SoR to TAMP.
- KoPT implemented the revised SoR for other categories of land and buildings retrospectively from 7 April 2016. Thus, relaxation towards implementing the same for sheds/ yards inside customs bound area was not in favour of the financial interest of KoPT. Further, there was ample scope to recover the additional license fee arising out of revision of SoR from the licensees as KoPT had security deposits from them for recovery of any outstanding dues.

- It was specifically mentioned in the allotment letters that any upward revision of the license fee etc. was to be payable by the licensee.
- As per section 53 of the Act, the BoT was empowered to exempt the payment of any rate/ charge leviable in respect of any goods or vessels or class thereof and not in respect of SoR for license fee/ rent of land and buildings.
- The problems in retrospective collection perceived by the Management were also applicable to HDC, but HDC implemented and collected SoR retrospectively for its customs bound area.

Thus, there was an under-recovery of license fee amounting to ₹5.91 crore in respect of sheds/ yards inside customs bound area of KDS due to non-implementation of revised SoR retrospectively from 7 April 2016.

Management contended (December 2019) that the revised SoR was implemented prospectively from 31 May 2017 in respect of customs bound areas of KDS and HDC for augmenting better trade relations and to avoid litigations.

The above contention of the Management is not acceptable as implementation of SoR in entirety as approved by TAMP was a statutory obligation on the part of the major ports and the Management implemented the revised SoR retrospectively in HDC in sheds/ yards inside customs bound area. Further, the justification of avoiding litigation was also not acceptable as the allotment letters specifically stipulated that any upward revision of the license fee etc. was to be payable by the licensee.

Thus, there was an under-recovery of license fee amounting to ₹5.91 crore in respect of sheds/ yards inside customs bound area of KDS due to non-implementation of revised SoR retrospectively from 7 April 2016. The lack of justifiable rationale for such non-implementation also led to undue benefit to the licensees of sheds/ yards within customs bound area of KDS.

The matter was referred to the Ministry in January 2020, their reply was awaited (May 2020).

Jawahar Lal Nehru Port Trust

6.3 Excess payment to employees due to inclusion of House Rent Allowance for calculation of Overtime Allowance

Jawaharlal Nehru Port Trust made excess payment of Overtime Allowance due to inclusion of House Rent Allowance in the formula for calculating Overtime Allowance and Ministry of Shipping took unduly long time in taking action in the matter.

Jawaharlal Nehru Port Trust (JNPT) has been paying overtime to its employees working beyond prescribed working hours, as per the following formula as mentioned in the Schedule of Employees (as on 1 April 1997):

with and Ministry's directive was implemented with effect from 9 September 2019. In view of this situation, the possibility of recovering previous payments is ruled out.

JNPT, however, has neither initiated action towards fixing responsibility on the erring officers/ officials nor submitted the Action Taken Report as directed by the Ministry. Audit noticed that Ministry was aware that the decision was taken by the Board of Trustees and as such the Ministry should have taken action to fix the responsibility.

Audit has been pointing out the irregular inclusion of HRA in OTA, since December 2015. However, it took nearly four years for the Ministry/ JNPT to decide on the admissibility or otherwise of inclusion of HRA in OTA. Had prompt corrective action been taken by the competent authority, expenditure of at least ₹27.96 crore incurred since December 2015 could have been avoided.

Paradip Port Trust

6.4 Loss of revenue due to lower fixation of Tippling charges

Paradip Port Trust suffered loss of ₹11.16 crore due to under-recovery of Tippling charges for handling thermal coal at Iron Ore Handling Plant during the period from June 2016 to March 2019.

Export of coal was carried out at Coal Berths through Mechanised Coal Handling System/ Plant (MCHP) in Paradip Port Trust. However, due to increase in demand of thermal coal, movements of vessels for export¹¹ of thermal coal at Paradip Port had gone up, resulting in increase in pre-berthing detention of thermal coal vessels, as both the Coal Berths were occupied continuously. Paradip Port Trust (PPT), therefore, explored the possibility of handling thermal coal at its Iron Ore Berth (IOB) with Iron Ore Handling Plant (IOHP) as the IOHP was remaining underutilised due to reduction in demand of iron ore. The power sector companies who were bringing thermal coal through Paradip Port also expressed (May 2014) their willingness to handle their vessels at IOB, to reduce the waiting time of berthing of vessels.

PPT made an estimation of the Shipment charges @ ₹54.07 per MT and Tippling charges¹² @ ₹47.05 per MT for handling of thermal coal mechanically at IOHP, as the Scale of Rates (SoR) of PPT did not include any rates for handling of thermal coal at IOHP, since no such activity was carried out by PPT earlier. The same was placed (May 2015) before the Board of Trustees (BoT) of PPT with the approval (May 2015) of the Chairman, PPT. BoT, however, decided (May 2015) to keep the Shipment charges at ₹49.50 per MT on the request of the power sector companies and approved Tippling charges as proposed.

¹¹ *Transportation of thermal coal from coal companies in India to the power stations of southern India through Paradip Port.*

¹² *Charges for mechanically tippling of dry bulk cargo from railway wagons for export of the same.*

However, PPT proposed (May 2017) a new SoR to Tariff Authority for Major Ports (TAMP) for shipment charges @ ₹49.50 per MT and Tippling charges @ ₹20.40 per MT for handling of thermal coal in IOHP. PPT also clarified to TAMP that proposed Shipment and Tippling charges were approved by BoT. This was not based on fact as BoT had never approved reduction of Tippling charges to ₹20.40 per MT for handling of thermal coal at IOHP. TAMP approved (November 2017) the SoR which inter alia included the Shipping charges and Tippling charges for handling of thermal coal at IOHP as ₹49.50 per MT and ₹20.40 per MT respectively. Thus, the SoR for Tippling charges for handling thermal coal at IOHP was fixed lower by ₹26.65¹³ per MT.

Thus, PPT suffered loss of revenue of ₹11.16 crore (**Appendix-XXXV**) during the period from June 2016 to March 2019 due to lower fixation of Tippling charges.

The Management stated (July 2019) that the Tippling charges of ₹47.05 per MT for handling of thermal coal at IOHP was not placed before BoT as thermal coal was to be unloaded manually and then to be loaded to ships mechanically at IOHP. The contention of the Management was not acceptable as Tippling charges of ₹47.05 per MT in respect of handling of thermal coal mechanically at IOHP was approved by BoT in May 2015¹⁴. Further, such tippling activity was carried out mechanically from the start, for which the above rate was approved. However, the reduction of Tippling charges for handling of thermal coal at IOHP from ₹47.05 per MT to ₹20.40 per MT was not approved by BoT.

The Management further contended that cost benefit analysis was made by considering Tippling charges of ₹20.40 per MT and the port users also agreed to the same along with a labour cess of ₹120 per MT with an overall cost of ₹140.40 per MT to the port users.

The Ministry while endorsing the above views of the Management, also stated (December 2019) that imposition of Tippling charges of more than ₹20.40 per MT would not be viable from the perspective of thermal coal exporters. The above contention of the Ministry/ the Management was also not tenable as there was no communication from thermal coal exporters that imposition of Tippling charges of ₹47.05 per MT would have been unviable for them. In fact, cost of coal handling in IOHP was only ₹274 per MT (including Tippling charges @ ₹47.05 & labour cess of ₹120 per MT) compared to MCPH where it was ₹427 per MT. Therefore, even by applying rate of ₹47.05 per MT and cess of ₹120 per MT, the exporters were being benefitted by ₹153 per MT vis-à-vis charges paid at MCPH, besides savings in time. Hence argument of ₹47.05 per MT not being viable by Ministry is totally unacceptable.

Thus, Paradip Port Trust suffered loss of ₹11.16 crore due to under-recovery of Tippling charges for handling thermal coal at Iron Ore Handling Plant during the period from June 2016 to March 2019. This would be recurring loss till such time the Tippling charges are rectified in the SoR.

¹³ (₹47.05 per MT - ₹20.40 per MT) = ₹26.65 per MT.

¹⁴ Agenda Item No. 26(01)/2015-16 of the Board Meeting No. 01/2015-16 of BoT of PPT held on 29 May 2015.

6.5 Corrective action taken at the instance of Audit

Paradip Port Trust paid excess income tax of ₹1.43 crore for the assessment years from 2014-15 and 2015-16 due to inclusion of tax free interest income in its total taxable income. After Audit pointed out excess payment of income tax, Management took up the matter with CBDT for refund.

Paradip Port Trust (PPT) invested (March 2013) ₹20 crore and ₹10 crore in tax free, secured, redeemable, non-convertible bonds issued by Ennore Port Limited (EPL) and Dredging Corporation of India Limited (DCIL) respectively carrying interest rate ranging from 6.97 per cent to 7.01 per cent per annum. The interest income from such bonds was exempted from income tax as per section 10(15)(iv)(h) of Income Tax Act 1961 and should not form part of total taxable income of the assessee.

Audit, however, observed that PPT while computing its total taxable income for the previous years 2013-14 and 2014-15 (Assessment Years 2014-15 and 2015-16 respectively) considered the interest earned of ₹4.20¹⁵ crore from the above tax free bonds of EPL and DCIL as taxable income and accordingly paid income tax.

PPT, therefore, made excess payment of income tax of ₹1.43¹⁶ crore due to inclusion of tax free interest income in its total taxable income for the Assessment Years 2014-15 and 2015-16.

After pointing out the issue of excess payment of income tax by Audit (May 2019), the Management filed (July 2019) before the Central Board of Direct Taxes (CBDT) for refund of ₹1.43 crore of excess amount of income tax paid for the Assessment Years 2014-15 and 2015-16.

Thus PPT took corrective action, after the issue was pointed out by Audit.

Cochin Port Trust

6.6 Avoidable expenditure on procurement of Reach Stacker

Cochin Port Trust incurred avoidable expenditure of ₹2.34 crore on procurement of Reach Stacker without assessing the actual requirement.

Cochin Port Trust (Port) augmented its Container Freight Station (CFS) on Willingdon Island, Kochi to support the International Container Transshipment Terminal (ICTT) operation for the Export-Import (EXIM) containers. For handling cargo containers in the CFS, Port procured one Reach Stacker¹⁷ in 2011.

Government of India formulated the Assistance to States for Development of Export Infrastructure and Allied Activities (ASIDE) scheme with an objective to create appropriate infrastructure for development and growth of exports. Under this scheme,

¹⁵ $[(₹20 \text{ crore} \times 7.01 \text{ per cent}) + (₹10 \text{ crore} \times 6.97 \text{ per cent})] \times 2 \text{ years} = ₹2.10 \text{ crore} \times 2 \text{ years} = ₹4.20 \text{ crore (approx.)}$

¹⁶ $₹4.20 \text{ crore} \times 33.99 \text{ per cent} = ₹1.43 \text{ crore}$

¹⁷ A reach stacker is a vehicle used for handling intermodal cargo containers in terminals or ports.

Port received a grant of ₹4.04 crore in two equal instalments for 'Modification of Container Freight Station'. Port decided (February 2016) to purchase a new Reach Stacker by using the grant amount and invited e-tender (March 2016) for which two bidders¹⁸ responded. After evaluation of the quote submitted, Port placed (April 2016) a purchase order on M/s TIL Ltd. for a Reach Stacker at a cost of ₹2.34 crore. The new Reach Stacker was delivered in July 2016.

Audit observed that during 2014-15 to 2018-19, the utilisation of old Reach Stacker ranged between 17.97 *per cent* to 5.27 *per cent* only of its rated capacity. Further, there was no major break down and the Reach Stacker was well within the prescribed economic life norms of eight years. Though there was further scope for adequate utilisation of the existing machine, the Port went for purchase of a new Reach Stacker without any justification. Further, the utilisation of the new Reach Stacker during 2016-17 to 2018-19, also ranged between 8.40 *per cent* to 6.84 *per cent* only.

The Management/ the Ministry replied (August/ December 2019) that at the time of procurement of new Reach Stacker, the old one had completed five years out of its normal life of eight years and was showing symptoms of breakdowns. They further stated that there may have been breakdown of major components which may have led to prolonged lay off of the operation of the CFS. New Reach Stacker was, therefore, necessary to handle specific cargo, to face competition of neighbouring CFSs and to ensure uninterrupted operations. In order to increase utility, Port took action to fix hire rates of equipment so that the Reach Stackers could be given on hire to the trade/ private users. The Port has obtained approval from Tariff Authority for Major Ports (TAMP) to give on hire the Reach Stacker which would improve the utilisation. Also, discontinuance of Ro-Ro facility¹⁹ between the Port and ICTT affected the utilisation of the stackers.

Replies of the Management and Ministry have to be viewed against the fact that the existing Reach Stacker broke down only on one occasion (March 2014) and was inoperative only for three days during its entire five years' service. Even during 2016-17 when Ro-Ro facility was available, the utilisation of old and new Reach Stackers was only 11.77 *per cent* and 8.4 *per cent* respectively. Hence, discontinuance of Ro-Ro facility cannot be attributed as a reason for underutilisation. The Port did not consider the above factors while deciding to purchase the Reach Stacker and procured the equipment merely to utilise the grant without assessing the actual requirement.

Thus, the Port had incurred an avoidable expenditure of ₹2.34 crore by procurement of Reach Stacker without proper justification.

¹⁸ *M/s TIL, Chennai and M/s Cargotech, Mumbai.*

¹⁹ *Roll-on Roll-off*

CHAPTER VII: MINISTRY OF TEXTILES

Central Silk Board

7.1 *Fraudulent withdrawal of Government money*

Fraudulent withdrawal of funds to the tune of ₹85.13 lakh from bank accounts of Guwahati Regional Office of Central Silk Board due to ineffective internal control mechanism, of which ₹75.52 lakh remained unrecovered.

Central Silk Board (CSB) is a statutory body, established in 1948, by an Act of Parliament. It functions under the administrative control of Ministry of Textiles, Government of India, with the objective of promoting growth and development of sericulture in the country.

The Guwahati Regional Office (RO) of CSB maintains close co-ordination/ liaison with department of Sericulture, North-Eastern states, Bodoland Territorial Council and other implementing agencies, arranges necessary technical support for overall development of silk industry in states, organises training and monitors various centrally sponsored schemes. It receives funds towards administrative cost from the various North-Eastern states to carry out the above activities.

Rule 35 of the CSB Rules, 1955 specifies various control measures regarding maintenance and operation of bank accounts of the Board which includes daily closing of cash book after complete checking and verification of the same by an authorised officer and also at the end of each month with a dated certificate to that effect. Further, Rule 21 of the General Financial Rules of 2017 enjoins every officer incurring or authorising expenditure from public moneys to be guided by high standards of financial propriety, financial order and strict economy duly complying with the relevant financial rules and regulations.

Test check of records maintained at RO revealed (April 2019) that between May 2018 and April 2019, an amount of ₹73.43 lakh was transferred from the bank account of RO to the bank accounts of various individuals having no official transactions with RO. Further, verification of cash book entries with the day book and supporting vouchers revealed that figures of cash book and day book were tampered and fictitious entries were inserted in the instructions issued to the bank for payments ranging from ₹10,000 to ₹7,00,000 during the period. Instances were noticed where, an official who was responsible for maintaining the cash book, issued instructions for payments to the bank. Further, the Management failed to produce monthly verification certificate for cash book as required under CSB Rules.

The Management while accepting the facts stated (October 2019) that further review of the cases revealed that as against the amount of ₹73.43 lakh as pointed out by audit, there was fraudulent withdrawal of ₹85.13 lakh, of which an amount of ₹9.61 lakh was recovered leaving a balance of ₹75.52 lakh, which was pending for recovery. It further stated that various steps had been taken for strengthening the internal control/ internal check system existing in the organisation to ensure non-occurrence of such fraudulent activity in future. Show Cause Notices were served to the officials on act of negligence/ irresponsibility of duties, FIR had been lodged and one official was placed under suspension. Further, letters were issued to banks where the amounts had been transferred for freezing the accounts.

The Ministry in its reply (February 2020), endorsed the views of the Management.

Thus, ineffective internal control mechanism resulted in fraudulent withdrawal of government money to the tune of ₹85.13 lakh, of which ₹75.52 lakh remained unrecovered.

CHAPTER VIII: MINISTRY OF TOURISM

Institute of Hotel Management Catering Technology & Applied Nutrition

8.1 Unfruitful expenditure on creation of infrastructure of Executive Development Centre

Executive Development Centre constructed by Institute of Hotel Management Catering Technology and Applied Nutrition, Gwalior, remained mostly idle since completion and failed to serve its objectives.

The Institute of Hotel Management Catering Technology and Applied Nutrition, Gwalior (IHM) had constructed an Executive Development Centre (EDC) in its premises during 2013-14 with the objective of providing training to the students of the IHM, Gwalior and to generate surplus revenue for the Institute. In this regard, the idea for EDC was mooted by National Council for Hotel Management (NCHM) in February 2005 and Ministry of Tourism (MoT) issued (30 March 2007), an administrative sanction with a Central Financial Assistance (CFA) of ₹3 crore, revised to ₹3.90 crore (November 2009), for setting up of the EDC, which was planned to have 20 rooms to provide on-hand training to the students of the Institute.

The Institute executed the construction work (April 2010 to March 2014) of EDC through Madhya Pradesh State Tourism Development Corporation (MPSTDC), and the EDC was handed over to IHM during September 2013 to March 2014. Out of grant of ₹3.60 crore received and interest earned thereon (₹0.34 crore), IHM, incurred expenditure of ₹3.65 crore towards construction cost during April 2010 to May 2013 including the departmental charges of MPSTDC, and surrendered the balance fund of ₹0.29 crore to the MoT in August 2014. Besides this, the Institute incurred further expenditure of ₹0.67¹ crore towards procurement of furniture and equipment for the EDC. Thus, a total of ₹4.32 crore was incurred by the Institute for the EDC.

Audit noticed the following deficiencies in planning and execution of the project:

¹ This expenditure was incurred to the extent of ₹2.32 lakh against a sanction (July 2012) of ₹1.09 crore made for furniture and equipment from MoT. Expenditure of ₹64.47 lakh was incurred during 2017-18 against a provisional sanction, which was reflected as loan to GoI, MoT in the books of IHM.

- The EDC was initially proposed (September 2005) to be operated by some established hotel chain on Build, Operate and Transfer (BOT) basis for 30 years. However, considering the report of the consultant (M/s Aakrti Consultancy) stating that the project may not be feasible on BOT basis, the Institute approached NCHM (October 2005) to allow the Institute to build the EDC itself which was approved by MoT (March 2007). However, no feasibility study was conducted by the Institute to assess the viability of the project on self-sustainable basis before start of the construction work. It was only in November 2012 (i.e., after 34 months of award of construction work) when the Board of Governors of the Institute instructed the Principal of the Institute to get a feasibility study done by a professional agency. The idea of feasibility study was, however, dropped later (24 August 2013) by the Board in view of exorbitant rates quoted by the bidders.
- In August 2014, the Institute, while seeking operational support (i.e., sales and marketing) for EDC from the MoT, itself accepted that sustenance of the EDC is very challenging, if not impossible, as it is located in the outskirts of the city and could not attract guests without proper marketing indicating that chances of the EDC becoming operational were remote right from the conception stage.
- EDC was yet to be fully operational as financial assistance for ₹1.33 crore sought from MoT for equipment and furniture was still pending. Further, there were recurring expenditure on security, gardening, electricity/ DG set/ housekeeping/ water charges, municipal tax etc. on the EDC. The Institute incurred an expenditure of ₹0.28 crore during April 2014 to July 2019 towards security, gardening and rest of expenditure could not be ascertained separately as the same was accounted for by the Institute as a whole.
- Audit also noticed that the trainings planned by the Institute during 2014-15 and 2015-16 were not adequate since only two batches for a total of 50 participants were planned during each of these two years. Further, no training was planned from 2016-17 onwards and the EDC remained mostly idle.

The Institute in its reply (July 2019) and subsequent clarifications (August 2019) accepted that no feasibility study to assess the viability of the project was conducted before start of the project. The Institute further stated that they had made efforts to collaborate with hotels like MPSTDC, Ginger Hoteliers, OYO, Treebo etc. and also approached Government/ Private institutes, Government Departments, Public Sector

Banks, Association for organising their functions and events. It further stated that the students are sent for housekeeping practical training to EDC as per routine.

The fact remains that EDC was constructed without conducting any feasibility study for its viability towards imparting training and generating surplus revenue for the Institute. Resultantly, the EDC, constructed at a cost of ₹4.32 crore remained mostly idle since completion and failed to serve its objectives despite the efforts made by the Institute subsequently.

The matter was referred to the Ministry in December 2019; their reply was awaited (May 2020).



(Shubha Kumar)

Deputy Comptroller and Auditor General
(Commercial) and Chairperson, Audit Board

New Delhi

Dated: 4 August 2020

Countersigned



(Rajiv Mehrishi)

Comptroller and Auditor General of India

New Delhi

Dated: 5 August 2020

APPENDICES

Appendix-I

(Referred to in Para 1.1)

Economic and Service Ministries/ Departments

Sl. No.	Economic and Service Ministries
1.	Chemicals and Fertilizers
2.	Civil Aviation
3.	Coal
4.	Commerce and Industry
5.	Corporate Affairs
6.	Heavy Industries and Public Enterprises
7.	Housing and Urban Affairs
8.	Micro, Small and Medium Enterprises
9.	Mines
10.	Petroleum and Natural Gas
11.	Power
12.	Road Transport and Highways
13.	Shipping
14.	Steel
15.	Textiles
16.	Tourism
	Departments of Ministry of Finance
1.	Department of Financial Services
2.	Department of Investment and Public Asset Management

Appendix-II
(Referred to in Para 1.5)

Outstanding UCs

Ministry/ Department	Period to which grants relate (grants released upto March 2018)	Outstanding UCs which were due by 31.03.2019 in respect of grants released upto March 2018	
		No. of pending UCs	Amount (₹ in lakh)
Ministry of Housing and Urban Affairs	1985-86 to 2012-13	223	29,180.93
	2013-14	28	6,994.82
	2014-15	119	1,49,432.17
	2015-16	110	57,757.32
	2016-17	345	4,94,909.38
	2017-18	549	9,59,205.02
	Total	1,374	16,97,479.64
Ministry of Textiles	1978-79 to 2012-13	708	1227.18
	2013-14	100	34.70
	2014-15	355	1,882.84
	2015-16	780	19,774.87
	2016-17	796	58,632.18
	2017-18	869	5,614.72
	Total	3,608	87,166.49
Department of Heavy Industry	2003-04	1	20.00
	2013-14	1	743.00
	2015-16	3	873.87
	2016-17	14	1,263.09
	2017-18	27	15,651.62
	Total	46	18,551.58
Ministry of Micro, Small and Medium Enterprises	2006-07 to 2012-13	96	1,097.68
	2013-14	36	880.92
	2014-15	43	360.54
	2015-16	53	545.94
	2016-17	1	80.00
	2017-18	99	13,561.34
	Total	328	16,526.42
Department of Promotion of Industry and Internal Trade	2014-15	01	1748.00
	2015-16	03	2306.40
	2016-17	15	1945.86
	2017-18	13	8810.15
	Total	32	14,810.41

Department of Commerce	2008-09 & 2012-13	7	5,025.33
	2015-16	1	200.00
	2016-17	3	1,961.00
	2017-18	13	6,015.50
	Total	24	13,201.83
Ministry of Tourism			
	2010-11	02	400.00
	2012-13	02	80.00
	2013-14	04	293.60
	2014-15	10	1,957.00
	2015-16	2	310.80
	2016-17	14	2,639.00
	2017-18	12	823.60
	Total	46	6,504.00
Department of Chemicals and Petrochemicals			
	2009-10 & 2011-12	4	8.00
	2014-15	2	755.00
	2015-16	3	192.00
	2016-17	11	1,623.00
	2017-18	0	0
	Total	20	2,578.00
Department of Pharmaceuticals			
	2009-10 & 2010-11	4	1,283.80
	2014-15	1	684.00
	2017-18	7	18.00
	Total	12	1,985.80
Ministry of Steel			
	2015-16	1	139.89
	2016-17	5	154.79
	2017-18	3	941.96
	Total	9	1,236.64
Department of Public Enterprises			
	2012-13	9	27.00
	2013-14	7	62.93
	2014-15	3	16.95
	2015-16	39	356.21
	2016-17	1	10.00
	2017-18	0	0
	Total	59	473.09
Ministry of Road Transport and Highways			
	2004-05 to 2008-09	23	11.72
	2017-18	3	390.00
	Total	26	401.72

Ministry of Shipping	2015-16	10	72.60
	2016-17	14	50.48
	2017-18	29	257.14
	Total	53	380.22
Ministry of Mines			
Ministry of Mines	2015-16	2	30.59
	2016-17	5	150.37
	2017-18	9	159.77
	Total	16	340.73
Ministry of Corporate Affairs			
Ministry of Corporate Affairs	2007-08 to 2010-11	6	1.33
	2015-16	1	11.53
	2017-18	0	0.00
	Total	7	12.86
Grand Total		5,660	18,61,649.43

Appendix-III

(Referred to in Para 1.6)

Autonomous Bodies which submitted accounts after delay of over three months

Sl. No.	Name of Autonomous Bodies	Date of submission of Accounts	Delay in months
1.	National Automotive Board, New Delhi	21.2.2020	20
2.	Coal Mines Provident Fund Organisation, Dhanbad	22.8.2019	14
3.	Joint Electricity Regulatory Commission (State of Goa and UTs), Gurugram	6.6.2019	11
4.	Stressed Assets Stabilisation Fund, Mumbai	13.3.2019	9
5.	National Institute of Pharmaceutical Education and Research, Guwahati	11.3.2019	8
6.	Export Inspection Council, New Delhi	20.2.2019	8
7.	Coffee Board, Hyderabad	11.1.2019	7
8.	Central Silk Board, Hyderabad	23.1.2019	7
9.	National Institute of Pharmaceutical Education and Research, Hyderabad	4.1.2019	6
10.	National Automotive Testing and R&D Infrastructure Project Implementation Society, New Delhi	28.12.2018	6
11.	Pension Fund Regulatory Authority of India, New Delhi	4.12.2018	5
12.	National Institute of Pharmaceutical Education and Research, Hajipur	6.12.2018	5
13.	Rajiv Gandhi National Aviation University, New Delhi	19.11.2018	5
14.	Rajghat Samadhi Committee, New Delhi	19.11.2018	5
15.	National Institute of Pharmaceutical Education and Research, Mohali	15.10.2018	4
16.	Footwear Design and Development Institute, Noida	5.10.2018	3
17.	National Jute Board, Kolkata	8.10.2018	3
18.	Indian Road Congress, New Delhi	Accounts not received	
19.	Textile Committee, Mumbai	Accounts not received	

Appendix-IV

(Referred to in Para 1.7)

Autonomous Bodies in respect of which Audited Accounts for the year 2012-13, 2013-14, 2014-15, 2015-16, 2016-17 and 2017-18 had not been presented before the Parliament

Sl. No.	Name of Autonomous Body	Name of Ministry
For the year 2012-13		
1.	Tariff Advisory Committee, Mumbai	Finance
For the year 2013-14		
2.	Stressed Assets Stabilisation Fund, Mumbai	Finance
3.	Tariff Advisory Committee, Mumbai	
For the year 2014-15		
4.	Stressed Assets Stabilisation Fund, Mumbai	Finance
5.	Tariff Advisory Committee, Mumbai	
For the year 2015-16		
6.	Stressed Assets Stabilisation Fund, Mumbai	Finance
For the year 2016-17		
7.	Stressed Assets Stabilisation Fund, Mumbai	Finance
For the year 2017-18		
8.	Rajiv Gandhi National Aviation University, New Delhi	Civil Aviation
9.	Coal Mines Provident Fund Organisation, Dhanbad	Coal
10.	Export Inspection Council, New Delhi	Commerce & Industry
11.	Stressed Assets Stabilisation Fund, Mumbai	Finance
12.	Joint Electricity Regulatory Commission (State of Goa and UTs), Gurugram	Power

Appendix-V

(Referred to in Para 1.7)

**Delay in presentation of Audited Accounts for the years 2012-13 to 2017-18 by
Autonomous Bodies to Parliament**

Sl. No.	Name of Autonomous Body	Name of Ministry	Delay in months
For the year 2012-13			
1.	National Institute of Pharmaceutical Education and Research, Hyderabad	Chemicals and Fertilizers	16
For the year 2013-14			
2.	National Institute of Pharmaceutical Education and Research, Hajipur, Bihar	Chemicals and Fertilizers	43
3.	Indian Road Congress, New Delhi	Commerce and Industry	39
4.	National Institute of Pharmaceutical Education and Research, Raebareli	Chemicals and Fertilizers	19
5.	Indian Maritime University, Chennai	Shipping	19
6.	National Institute of Pharmaceutical Education and Research, Hyderabad	Chemicals and Fertilizers	7
For the year 2014-15			
7.	National Institute of Pharmaceutical Education and Research, Hajipur, Bihar	Chemicals and Fertilizers	31
8.	National Institute of Pharmaceutical Education and Research, Mohali	Chemicals and Fertilizers	18
9.	National Institute of Pharmaceutical Education and Research, Hyderabad	Chemicals and Fertilizers	14
10.	DMIC Project Implementation Trust Fund, New Delhi	Commerce and Industry	11
For the year 2015-16			
11.	National Automotive Testing and R&D Infrastructure Project Implementation Society, New Delhi	Heavy Industries and Public Enterprises	31
12.	Coal Mines Provident Fund Organisation, Dhanbad	Coal	24
13.	National Institute of Pharmaceutical Education and Research, Hajipur, Bihar	Chemicals and Fertilizers	19
14.	National Institute of Pharmaceutical Education and Research, Guwahati	Chemicals and Fertilizers	15
15.	Airport Economic Regulatory Authority, New Delhi	Civil Aviation	12
16.	National Institute of Pharmaceutical Education and Research, Hyderabad	Chemicals and Fertilizers	12
17.	Agricultural and Processed Food Products Export Development Authority, New Delhi	Commerce and Industry	11
18.	Pension Fund Regulatory and Development Authority, New Delhi	Finance	3

Sl. No.	Name of Autonomous Body	Name of Ministry	Delay in months
For the year 2016-17			
19.	National Institute of Pharmaceutical Education and Research, Guwahati	Chemicals and Fertilizers	19
20.	Export Inspection Council, New Delhi	Commerce and Industry	19
21.	National Automotive Testing and R&D Infrastructure Project Implementation Society, New Delhi	Heavy Industries and Public Enterprises	19
22.	National Institute of Pharmaceutical Education and Research, Hyderabad	Chemicals and Fertilizers	12
23.	Coal Mines Provident Fund Organisation, Dhanbad	Coal	12
24.	Airport Economic Regulatory Authority of India, New Delhi	Civil Aviation	7
25.	Pension Fund Regulatory and Development Authority, New Delhi	Finance	7
26.	Joint Electricity Regulatory Commission, Gurgaon, Haryana	Power	7
27.	Indian Maritime University, Chennai	Shipping	7
28.	Textile Committee, Mumbai	Textiles	7
29.	Agricultural and Processed Food Products Export Development Authority, New Delhi	Commerce and Industry	3
30.	National Industrial Corridor Development and Implementation Trust, New Delhi	Commerce and Industry	3
31.	Petroleum and Natural Gas Regulatory Board, New Delhi	Petroleum and Natural Gas	3
32.	National Jute Board, Kolkata	Textiles	3
33.	National Institute of Pharmaceutical Education and Research, Ahmedabad	Chemicals and Fertilizers	2
34.	National Institute of Fashion Technology, New Delhi	Textiles	2
35.	National Institute of Pharmaceutical Education and Research, Mohali	Chemicals and Fertilizers	2
36.	National Institute of Pharmaceutical Education and Research, Kolkata	Chemicals and Fertilizers	2
For the year 2017-18			
37.	National Institute of Pharmaceutical Education and Research, Guwahati	Chemicals and Fertilizers	11
38.	National Institute of Pharmaceutical Education and Research, Hajipur, Bihar	Chemicals and Fertilizers	11
39.	National Institute of Pharmaceutical Education and Research, Mohali	Chemicals and Fertilizers	11
40.	National Institute of Pharmaceutical Education and Research, Hyderabad	Chemicals and Fertilizers	7

Sl. No.	Name of Autonomous Body	Name of Ministry	Delay in months
41.	Insolvency and Bankruptcy Board of India, New Delhi	Corporate Affairs	7
42.	National Automotive Testing and R&D Infrastructure Project Implementation Society, New Delhi	Heavy Industries & Public Enterprises	7
43.	National Institute of Pharmaceutical Education and Research, Ahmedabad	Chemicals and Fertilizers	6
44.	Footwear Design and Development Institute, Noida	Commerce and Industry	6
45.	Coffee Board, Hyderabad	Commerce and Industry	6
46.	Pension Fund Regulatory Authority of India, New Delhi	Finance	6
47.	Delhi Urban Art Commission, New Delhi	Housing and Urban Affairs	6
48.	Petroleum and Natural Gas Regulatory Board, New Delhi	Petroleum and Natural Gas	6
49.	Central Silk Board, Hyderabad	Textiles	6
50.	National Jute Board, Kolkata	Textiles	6
51.	Airport Economic Regulatory Authority, New Delhi	Civil Aviation	1
52.	Securities and Exchange Board of India, Mumbai	Finance	1
53.	Insurance Regulatory and Development Authority of India, Hyderabad	Finance	1
54.	Coir Board, Kochi	Micro, Small & Medium Enterprises	1
55.	Oil Industry Development Board, Noida	Petroleum and Natural Gas	1
56.	Indian Maritime University, Chennai	Shipping	1
57.	National Institute of Design, Ahmedabad	Commerce and Industry	Less than one month
58.	Rajghat Samadhi Committee, New Delhi	Housing and Urban Affairs	
59.	Delhi Development Authority, New Delhi	Housing and Urban Affairs	
60.	National Power Training Institute, Faridabad	Power	
61.	National Institute of Fashion Technology, New Delhi	Textiles	

Appendix-VI

(Referred to in Para 1.8)

Significant Observations on the Accounts of Central Autonomous Bodies

1. Rajghat Samadhi Committee, New Delhi

1.1 Fixed Assets

The civil works amounting to ₹1.30 crore completed as on 31 March 2019 at Rajghat Samadhi Committee by CPWD have not been capitalised during the year 2018-19 and booked as revenue expenditure under head Maintenance of Samadhi (Civil Works). This has resulted in understatement of Fixed Assets by ₹1.30 crore and understatement of surplus by ₹1.30 crore.

2. National Automotive Testing and R&D Infrastructure Project Implementation Society (NATIS), New Delhi

2.1 Liabilities

2.1.1 Project Grants under the head liabilities includes an amount of ₹372.00 crore received as loan from Government of India (GoI). As per uniform format of accounts approved for central autonomous bodies amount of ₹372.00 crore should have been booked as Loans and Borrowings instead of booking the same as Project Grants. This has resulted in overstatement of Project Grants and understatement of Loans and Borrowings by ₹372.00 crore.

2.1.2 Depreciation Fund on Project Assets under the head liabilities includes depreciation of ₹4.37 crore booked in excess due to wrongful capitalisation by ₹87.54 crore and resultant over-depreciation of allocable expenditure (indirect expenses) pertaining to ICAT-Manesar during 2018-19 as against the practice being followed by NATIS for its other centers where such allocable expenditure (indirect expenses) are not being capitalised. This has resulted in overstatement of Depreciation Fund on Project Assets and Excess of Expenditure over Income by ₹4.37 crore.

2.1.3 Depreciation Fund on Project Assets under the head liabilities includes depreciation of ₹1.62 crore excess booked upto 2017-18 in spite of assets not being ready for their intended purpose before 2018-19. This has resulted in overstatement of Depreciation Fund on Project Assets and Excess of Expenditure over Income (due to not giving effect of prior period error) by ₹1.62 crore.

2.2 Assets

2.2.1 Project Assets under the head Fixed assets does not include an amount of ₹18.59 crore being Goods and Services Tax liability of NATIS, upto 31 March 2019, on project undertaken by NATRAX-Indore. This has resulted in understatement of Project Assets and Current Liabilities and Provisions by ₹18.59 crore.

2.2.2 Project Assets under the head Fixed assets includes an amount of ₹18.08 crore for Project Assets which being obsolete and support for which has been discontinued by original equipment manufacturers (OEM) were replaced with technologically upgraded projects assets during 2018-19. As per the vendor, the realisable value of these project assets was negligible, hence the book value of these assets should have been provided for completely. This resulted in overstatement of Projects Assets and understatement of Excess of Expenditure over Income by ₹18.08 crore.

2.2.3 Project Assets under the head Fixed assets does not include an amount of ₹1.41 crore being work done upto 31 March 2019 at ARC-Chennai, for which bills were received during 2019-20. In view of accounts of NATIS being prepared on accrual basis ₹1.41 crore should have been accounted for during 2018-19. This has resulted in understatement of Projects Assets and Current Assets and Liabilities by ₹1.41 crore.

2.2.4 Project Assets under the head Fixed assets includes an amount of ₹24.27 crore being amount of project assets of NATRAX-Indore which have been transferred back to the State Government before 2018-19. These project assets should have been charged off through Income and Expenditure Account. This resulted in overstatement of Project Costs and understatement of Excess of Expenditure over Income (due to not giving effect of prior period error) by ₹24.27 crore.

2.3 Current Assets, Deposits and Advances

Projects Assets (Running Works) under the head Current Assets, Deposits and Advances includes ₹7.33 crore on account of creation of provision against advances to U.P. State Industrial Development Corporation. For creation of the above provision, Income and Expenditure Account should have been debited instead of debiting Project Assets (Running Works). This resulted in overstatement of Project Assets (Running Works) and understatement of Excess of Expenditure over Income by ₹7.33 crore.

3. Insolvency and Bankruptcy Board of India, New Delhi

3.1 Income and Expenditure Account

3.1.1 Interest Earned under the head Income includes ₹39.84 lakh towards interest earned on Grants in aid during the year. However, as per Rule 230(8) of General Financial Rules, 2017, all interests or other earnings against Grants in aid or advances (other than reimbursement) released to any Grantee institution should be mandatorily remitted to the Consolidated Fund of India immediately after finalisation of the accounts.

Thus, non-compliance of GFR 2017, has resulted in overstatement of income and understatement of current liabilities by ₹39.84 lakh and consequently overstatement of surplus to the same extent.

4. Competition Commission of India (CCI)

4.1 Capital Work in Progress - ₹18.58 crore

4.1.1 Capital Work in Progress under the head Assets includes an amount of ₹17.36 crore paid to M/s NBCC Service Ltd on account of interior fit-out work for the office space of CCI at Kidwai Nagar. The majority of work was completed and put to use in which the office of CCI was shifted during August 2018. The same should have been capitalised. This has resulted into overstatement of Grant-in-aid for acquiring office space by ₹10.69 crore, CWIP by ₹17.36 crore and understatement of Fixed Assets by ₹6.34 crore (Net) (₹6.67 crore - ₹0.33 crore (Depreciation)). Consequently, surplus is also overstated by ₹0.33 crore.

4.1.2 CCI entered into a Memorandum of Understanding with M/s National Informatics Centre Services Inc.(NICSI) for supply and implementation of CCI, IT Infrastructure work at new office complex, Kidwai Nagar, New Delhi at a cost of ₹2.01 crore. CCI paid an amount of ₹93.77 lakh (i.e. 40 per cent of the cost) and booked as CWIP in the books of accounts. The majority of active component for IT Infrastructure have been provided and installed during September 2018 to February 2019, which has also been verified by the Technical Evaluation Committee of CCI; but the same has not been capitalised.

This has resulted in overstatement of CWIP by ₹93.77 lakh, understatement of Current Liabilities by ₹107.26 lakh, Fixed Assets 'Computers/ Peripherals' by ₹160.82 lakh (Net) {(₹201.03 lakh – ₹40.21 lakh (Depreciation))} and Depreciation by ₹40.21 lakh and consequent overstatement of Surplus by ₹40.21 lakh.

5. Agricultural and Processed Food Products Export Development Authority (APEDA)

5.1 Income and Expenditure Account-Income-Interest Earned - ₹8.17 crore

As per the interest certificate received from Canara Bank, an interest of ₹1.84 crore (including TDS ₹0.18 crore) was received / accrued during the year 2018-19. However, instead of booking ₹1.84 crore as interest income, APEDA has booked ₹3.86 crore as interest income which has resulted in overstatement of Income for the year by ₹2.02 crore and Current assets, loans, advances etc. by ₹2.02 crore.

5.2 Receipt & Payment Account-Receipts-Grants received from Government of India – ₹129.65 crore

5.2.1 Grants received from Government of India under Receipts is overstated by ₹50 crore as the actual amount of grants received during 2018-19 is ₹79.65 crore only. Correspondingly, decrease in current liabilities (Payments side) is also overstated by the same amount.

6. Airports Economic Regulatory Authority of India, New Delhi (AERA)

6.1 Capital Fund and Liabilities-Current Liabilities and Provisions- ₹3.89 crore

Current Liabilities and Provisions does not include:

a) ₹1.53 crore payable to Airport Authority of India (AAI) towards Establishment expenses (salary, wages and other benefits) for employees/ officers borrowed by AERA from AAI for the month of March 2018 (₹0.09 crore) and for the year 2018-19 (₹1.44 crore).

b) ₹0.19 crore (₹0.18 crore – October 2009 to March 2018 and ₹0.01 crore – April 18 to March 2019) payable to M/s. Air India Ltd. towards arrears of rent. The issue was also raised in the SAR on the Accounts of AERA for the year 2017-18, however, corrective action has not been taken.

Thus, non- provision of above liabilities has resulted in understatement of Current Liabilities and Provisions by ₹1.72 crore and overstatement of surplus by the same amount.

7. National Institute of Fashion Technology, New Delhi (NIFT)

7.1 Capital Reserve: Government Grant

7.1.1 Grant capitalised during the year – ₹ 31.40 crore

The above does not include grant of ₹5 crore paid by the State Government of Jammu & Kashmir to Jammu & Kashmir State Industrial Development Corporation (J&K SIDCO) for construction of NIFT Permanent Campus at Srinagar, in February 2018 despite the fact that Utilisation Certificate submitted by J&K SIDCO to the Institute in March 2019 included the details of above grant. Hence, this amount has remained out of books of the Institute as on 31 March 2019.

This resulted in understatement of Grant capitalised during the year by ₹5 crore and consequent understatement of Capital Work-in-Progress (CWIP) to the same extent.

7.1.2 Government Grant – Unutilised Government Grant – ₹100.01 crore

The above includes ₹30.48 crore being Grant received from Ministry of Textile, Govt. of India and paid to J&K SIDCO as advance for construction of NIFT Permanent Campus at Srinagar. J&K SIDCO has submitted Utilisation Certificate for ₹35.48 crore (including State Government's share of ₹5 crore) in March 2019. However, the Institute did not adjust the advance and above government grant has still been shown in the unutilised government grant as on 31 March 2019.

This resulted in overstatement of Unutilised Government Grant by ₹30.48 crore and understatement of Grant Capitalised during the year to the same extent. Further, this has

also resulted in overstatement of Current Assets, Loans and Advances by ₹29.93 crore¹ and consequent understatement of CWIP to the same extent.

7.2 Assets-Fixed Assets-Capital Work in Progress (Building) – ₹230.77 crore

7.2.1 A reference is invited to the CAG's comment no. A.2.1.1 on the accounts of the Institute for the year 2017-18, wherein it was pointed out that the Institute did not capitalise the girls' hostel & kitchen block of Delhi Centre, which had been put to use since July 2015. The Delhi State Industrial & Infrastructure Development Corporation (DSIIDC) has handed over the entire campus of Delhi Centre in August 2018. Despite being pointed out, the Institute has not yet capitalised the same and kept the entire expenditure of ₹58.73 crore under CWIP. Further, an amount of ₹3.00 crore paid to DSIIDC in June 2018, has been shown as Advance to Contractor.

Non capitalisation of the above building has resulted in overstatement of CWIP by ₹58.73 crore and advance to contractor by ₹3.00 crore and consequent understatement of Fixed Assets (Building) by ₹60.73 crore (after providing of depreciation of ₹1.00 crore).

This also resulted in understatement of deferred revenue income and of depreciation during the year by ₹1.00 crore.

7.2.2 The above includes mobilisation advance of ₹5.97 crore as on 31 March 2019 provided to J&K SIDCO towards ongoing construction of NIFT campus in Srinagar, Jammu & Kashmir. The Srinagar campus has shown WIP of ₹35.55 crore including ₹5.97 crore mobilisation advance. Accordingly, the value of CWIP should have been ₹29.58 crore only (₹35.55 crore – ₹5.97 crore) instead of ₹35.55 crore booked by the Institute and the balance of ₹5.97 crore should have been shown as advance to Contractor. The issue was also raised vide CAG's comment No. A.2.1.1. (ii) on the Accounts of the Institute for the year 2017-18, however, no corrective action has been taken.

This has resulted in overstatement of CWIP by ₹5.97 crore and consequent understatement of Current Assets, Loans and Advances to the same extent.

7.2.3 The above includes ₹0.72 crore being value of fixed assets handed over by the Patna campus to Bihar Industrial Area Development Authority (BIADA), Patna while shifting from temporary campus to permanent campus in October 2014. In the absence of any agreement for payment towards these fixed assets and in view of no response from BIADA against the demand of Institute, these fixed assets should have been written off.

Inclusion of above assets in CWIP resulted in overstatement of Capital Work-in-Progress by ₹0.72 crore and consequent overstatement of Surplus to the same extent.

¹ *The J&K SIDCO had spent ₹0.55 crore over and above the amount provided to them as per UC submitted to the Institute for the year 2017-18. The same was adjusted by the Institute during the year 2018-19.*

7.3 Current Assets, Loans, Advances Etc.- Sundry Debtors - ₹25.06 crore

7.3.1 Above includes ₹10 crore being the amount shown as recoverable from the Ministry of Textiles (MoT) on account of additional liability towards pay and allowances due to implementation of sixth Central Pay Commission (CPC) Report. As the MoT had not released the above amount and has conveyed that no further amount would be provided on account of sixth CPC, necessary provision towards doubtful recovery should have been created as already commented upon vide Separate Audit Reports from the year 2011-12 onwards.

Despite being pointed out repeatedly, the Institute has not created provision for doubtful recovery. This has resulted in overstatement of Loans & Advances as well as Surplus by ₹10 crore.

7.3.2 The above does not include an amount of ₹0.51 crore being amount recoverable from Ministry of Textile towards work done by the Institute in respect of Visual Merchandising, Visual Enhancement of Façade and open space at Trade Facilitation Centre, Varanasi.

This resulted in understatement of sundry debtors by ₹0.51 crore and consequent understatement of Income and Surplus to the same extent.

7.4 Claims Receivable: TDS & Tax Recoverable - ₹2.83 crore

As per Income Tax Return (ITR) filed for years 2006-07 to 2018-19, TDS deducted and deposited to the Tax Department was ₹2.59 crore and against this, the Tax Department has made a refund of ₹1.16 crore till March 2019. Thus, TDS receivable should have been shown as ₹1.43 crore, however, the Institute has shown TDS receivable from Income Tax Department as ₹1.87 crore pertaining to the years 2006-07 to 2018-19.

This resulted in overstatement of Claims Receivable by ₹0.44 crore and consequent overstatement of Surplus to the same extent.

7.5 Advances and Other Amounts Recoverable in Cash or in Kind or for Value to be received- ₹61.76 crore

The above includes ₹3.10 crore paid to Rajasthan Urban Drinking Water Sewerage & Infrastructure Corporation Ltd (RUDSICO) for procurement of Furniture and Fixtures. The above assets were received by the Institute from RUDISCO in October 2017 at a total cost of ₹4.10 crore, however, the Institute has not yet capitalised the same.

This resulted in overstatement of advances and other amounts recoverable in Cash or in Kind or for value to be received by ₹3.10 crore and understatement of Fixed Assets by ₹4.10 crore and understatement of Sundry Creditors by ₹1.00 crore.

7.6 Income & Expenditure Account - Deferred Revenue Income - ₹21.78 crore

7.6.1 Prior Period Income - ₹32.37 crore

The above includes ₹51.14 crore (₹21.78 crore during current year and ₹29.36 crore on account of prior period) being deferred depreciation booked in Income & Expenditure account due to implementation of Accounting Standard (AS) 12 – Accounting of Government Grants. The Institute capitalised the Government Grant to the tune of ₹698.94 crore (net of deferred depreciation), however, the corresponding Net Assets created out of Government Grants has been shown as ₹664.23 crore which has resulted in a difference of ₹34.71 crore between the Grant capitalised and net assets created out of it in the books of accounts as on 31 March 2019.

Despite being pointed out in Separate Audit Report of the previous year the Institute has not yet reconciled the difference between assets created out of Government Grants and own Funds as on 31 March 2019.

8. National Institute of Pharmaceutical Education and Research, Mohali (NIPER)

8.1 Liabilities-Endowment/ Corpus Fund Project Account - ₹5.73 crore

The above does not include ₹64.63 lakh (₹34.71 lakh for 2017-18 and ₹29.92 lakh for 2018-19) being the amount of interest earned on fixed deposits made out of grants provided for specific Projects. Since, the funds under Project Accounts were allotted to NIPER with the condition that the interest so earned will be treated as credited to institute/ agency and shall be adjusted towards further instalment of the grant. Accordingly, the Institute should have credited the interest earned to the respective project account.

However, the Institute did not credit ₹64.63 lakh of interest earned as liability under the Project accounts, and instead booked it as Income, which led to understatement of Liability under Project Account and overstatement of Income (Interest Earned) by ₹64.63 lakh each. This also led to deficit of ₹64.63 lakh instead of Nil.

8.2 Current Liabilities & Provisions Pension Liabilities - ₹ 1.98 crore

A reference is invited to the CAG's comment no. A.3.1 on the annual accounts of NIPER for the year 2015-16 & 2016-17 and A.2.1.1 for the year 2017-18 which stated that the Institute has not carried out actuarial valuation of Pension liabilities. Despite being pointed out, Institute has not carried out actuarial valuation for Pension liabilities and made provision of ₹1.98 crore only during the year 2018-19 and built Pension Fund of ₹11.76 crore up to 31 March 2019 against Pension liabilities of ₹26.72 crore up to 31 March 2015, as per the actuarial valuation report of 2014-15. The impact of short provision for Pension liability and deficit or surplus could not be quantified in the absence of actuarial valuation as on 31 March 2019.

9. Footwear Design and Development Institute, Noida (FDDI)

9.1 Current Liabilities and Provisions -Provisions for Gratuity -₹5.61 crore

The Institute has made the payment towards liability for Gratuity up to September 2018 to Life Insurance Corporation of India (LIC) as the Trust deed for Gratuity of the employees was entered into with LIC in September 2006. The actuarial valuation of liability for the period October 2018 to March 2019 has not been provided for as the contributions are made on the basis of actuarial valuation report provided by LIC each year in September.

In the absence of actuarial valuation report as on Balance Sheet date, Audit cannot quantify the liability to be provided for Gratuity as on 31 March 2019.

Despite being pointed out in Separate Audit Report of the previous year the Institute has not yet taken any action in line with Audit observation.

9.2 Fees/ Subscriptions -₹41.89 crore

Above includes ₹0.52 crore towards fees received from students by Kolkata Campus of the Institute, for first quarter of the next financial year 2019-20 i.e. April 2019 to June 2019. The same should have been shown as fees received in advance under current liabilities and provisions.

This resulted in overstatement of fees/ subscriptions by ₹0.52 crore, understatement of liabilities and deficit to the same extent.

9.3 Significant Accounting Policies

9.3.1 Expenditure - Note No.7

As per accounting Policy on Expenditure, expenditure on Leave Encashment was being booked on cash basis.

The above policy is in deviation from the instructions contained in Uniform format of accounts for Central Autonomous Bodies as well as Accounting Standards – 15 (Employees Benefits) prescribed by ICAI, which stipulates for creation of liability for retirement benefits based on actuarial valuation.

In the absence of actuarial valuation report as on Balance Sheet date, audit could not quantify the liability to be provided for leave encashment as on 31 March 2019.

Despite being pointed out in Separate Audit Report of the previous year the Institute has not yet taken any action in line with Audit observation.

9.4 Other Comments

The Institute has not constituted a Fund as per the requirement of section 21(1) of FDDI Act, 2017, wherein, all moneys provided by the Central Government; all fees and other charges received by the Institute, all moneys received by the Institute by way of loans,

grants, gifts, donations, benefactions, bequests or transfers; and all moneys received by the Institute in any other manner or from any other source are credited. Non creation of the Fund has resulted in violation of the FDDI Act, 2017.

Despite being pointed out in Separate Audit Report of the previous year the Institute has not yet taken any action in line with Audit observation.

10. Petroleum and Natural Gas Regulatory Board, New Delhi

The annual accounts of the Board for the year 2018-19 submitted in June 2019 had not been prepared in the Uniform Format of Accounts prescribed for Central Autonomous Bodies despite being pointed out in the Separate Audit Report for the previous year. However, on issue being pointed out by Audit again during annual account audit for the year 2018-19, the Board revised its accounts and prepared the same as per Uniform Format.

11. Rajiv Gandhi Institute of Petroleum Technology, Rae Bareli

11.1 Grant in Aid

As per the information submitted by the Institute, it was having unspent balance of Capital Grant amounting to ₹170.70 crore at the end of the year 2017-18. During the year 2018-19, the Institute did not receive any Capital Grant. However, it earned interest of ₹2.28² crore on unspent balance of Capital Grant and utilised ₹16.12 crore towards addition of assets/ CWIP, during the year. Accordingly, the unspent balance of Capital Grant works out to ₹156.86 crore as on 31 March 2019. However, as per the Financial Statements, closing balance of Grant unutilised works out to ₹134.31 crore (Capital Fund ₹622.32 crore *minus* Gross Block ₹488.01 crore).

Institute stated (September 2019) that initially in the years 2008-09 and 2009-10, Revenue expenditure was also got considered while calculating Capital Grant utilisation and accordingly, reconciliation of the difference would require to be done from the year 2008-09. Further, it assured to reconcile the difference in the amount of unutilised Capital Grant during the FY 2019-20.

12. Bureau of Energy Efficiency (BEE)

12.1 Investments - from Earmarked / Endowment Funds- ₹43,370.92 lakh

The above includes ₹3,000.00 lakh held in Vijaya Bank as fixed deposits (for one year duration) and ₹35,370.92 lakh held in Vijaya Bank Savings & Swipe Accounts for various schemes i.e. Corpus Fund, PRGFEE, VCFEE, S&L Fee etc. which should have been shown under 'Bank Accounts with Scheduled Banks' under 'Current Assets, Loan, Advances etc.' separately for each scheme.

² *Institute has shown interest earned as ₹3.79 crore including ₹1.51 crore on account of Bank Guarantee invoked. However, the Institute has shown the BG invoked under Current Liabilities (Schedule – 5). Accordingly, the same has been deducted from the interest earned.*

The above has resulted in overstatement of 'Investments- from Earmarked/ Endowment Funds' and understatement of 'Current Assets, Loans, Advances etc.' by ₹38,370.92 lakh each.

13. Jawaharlal Nehru Port Trust (JNPT)

13.1 Interest accrued on Investments - ₹205.99 crore

Cash and Bank Balance (including TDR with banks) - ₹3,328.17 crore

The above includes an amount of ₹67.59 crore being the balance amount of fixed deposit (deposited in February 2014) and interest accrued thereon up to 31 March 2019 amounting to ₹49.76 crore pending receipt from Oriental Bank of Commerce. As JNPT is not in possession of Fixed Deposit Receipt for ₹67.59 Crore and the matter is under investigation by CBI Court, provision should have been created for doubtful investment and interest accrued thereon. Non-provisioning for doubtful investment has resulted in overstatement of profit by ₹117.35 crore, overstatement of Cash and Bank Balance by ₹67.59 crore and Interest Accrued on Investments by ₹49.76 crore. This issue is being raised by Audit since 2013-14.

13.2 Advances to Contractors – ₹ 329.64 crore

This includes ₹234.50 crore being the advance given to Indian Port Rail Corporation Limited (IPRCL) for construction of various projects. As the work of construction of these projects by IPRCL is in progress and the amount of ₹243.46 crore has been claimed by IPRCL towards completed works through Running Account Bills, the amount of ₹234.50 crore shown as advance to IPRCL should have been transferred to Capital Work in Progress (CWIP). Further, the difference of ₹8.96 crore (₹243.46 crore – ₹234.50 crore) should have been shown under Current Liabilities.

Non-transfer of expenditure incurred on capital work to CWIP as discussed above has resulted in understatement of CWIP by ₹243.46 core and overstatement of Current Assets, Loans and Advances by ₹234.50 crore and understatement of Current Liabilities by ₹8.96 crore.

14. Mumbai Port Trust (MbPT)

14.1 Finance and Miscellaneous Income– ₹58.63 crore

Interest earned on Earmarked Funds- ₹35.00 crore

The above includes ₹21.94 crore being the interest earned on Earmarked Funds. As per the Common Frame Work for Financial Reporting for Major Ports (November 2002), income accruing on investments which are earmarked against specific funds should be credited to the respective fund account and the expenditure relating to respective fund shall be debited to the respective fund account. The Port has accounted the Interest on earmarked funds under the head "Finance and Miscellaneous Income". This has resulted in understatement of deficit and Earmarked Funds by ₹21.94crore.

Though the above deficiency is being pointed out by Audit since 2014-15, the same is yet to be rectified by the Port Management.

15. Deendayal Port Trust (DPT)

15.1 Current Liabilities & Provisions- ₹ 3,517.55 crore

As per actuarial valuation of Pension Fund carried out by Life Insurance Corporation of India (LIC), the total liability in respect of Pension Fund as on 1 April 2019 is ₹783.76 crore. DPT has recognized a liability of only ₹391.88 crore for the year and disclosed in the Notes on Accounts (No. 31) that the remaining liability of ₹391.88 crore will be recognized in subsequent year.

However, as per AS 15 (Employee Benefits), full provision for Pension Fund should have been made in the current year. This has resulted in understatement of Current Liabilities & Provisions and overstatement of Profit by ₹391.88 crore.

15.2 Estate Rentals- ₹280.82 crore

Rent from Land- ₹258.42 crore

DPT has accounted for Facility compensation Charges on cash basis, which is not in accordance with Significant Accounting Policy (No. 2) in respect of accounting on accrual basis for preparation of financial statements. Hence, Rent from land does not include ₹19.91 crore recoverable from various parties towards Facility Compensation Charges pertaining to Pipelines division as on 31 March 2019.

This has resulted in understatement of income for the year by ₹14.29 crore, prior period income by ₹5.62 crore and Current Assets by ₹19.91 crore.

Though the above observation was pointed out by Audit through Comment No. B.1.2 (ii) of the Separate Audit Report on the accounts for 2017-18, the same is yet to be rectified by the Port Management.

16. Mormugao Port Trust (MPT)

16.1 Current Assets, Loans and Advances- ₹262.23 crore

Sundry Debtors –₹60.36 crore

This includes an amount of ₹7.26 Crore due towards Lease rent, Interest on delayed payment, encroachment charges levied on WISL from M/s Western India Shipyard Ltd. (WISL) for the years 2017-18 and 2018-19. The Hon'ble National Company Law Tribunal (NCLT) declared (12 December 2017) a moratorium under section 14 of the Insolvency & Bankruptcy Code, 2016 restricting MPT from transferring, encumbering, alienating or disposing of any WISL assets. Therefore, the recovery of ₹7.26 crore from M/s WISL is not certain and the same should have been provided for. This has resulted in over statement of Debtors and understatement of provisions to the same extent.

Though this is being pointed out by Audit since 2017-18, the same is yet to be rectified by the Port Management.

17. Khadi & Village Industries Commission (KVIC)

17.1 Corpus/ Capital fund and Liabilities

Endowment Fund- ₹513.42 crore

The above includes ₹14.20 crore being the aggregate of imprest grant advances provided by the Commission over the years from 1964 onwards to its Field Offices and Institutions financed by it and nodal banks, not adjusted in the books of accounts due to non-receipt / non-entry of recoupment bills/ vouchers. In absence of the details, Audit is unable to certify the accuracy and recoverability of the 'Endowment Fund' balances to the extent of these imprest advances of ₹14.20 crore.

Though this comment has been issued in the SAR since 2011-12, KVIC is yet to adjust/ reconcile the remaining advances despite such long pendency.

The Commission has not received Utilisation Certificates (UCs) to the extent of ₹1,453.53 crore from field offices, Programme Directorates, Khadi Institutions and Village Industries Institutions, etc. Out of ₹1,453.53 crore, ₹903.52 crore pertained to years 2000-01 to 2016-17 and balance ₹550.01 crore pertained to the year from 2017-18. Thus, the compliance of provisions of GFR 212 (1) read with 209 (6) was not ensured by the Commission. In the absence of a proper system to monitor the pending UCs, Audit is unable to verify the expenditure booked.

The comment has been issued since 2016-17.

17.2 Current Liabilities and Provisions- ₹28.54 crore

This does not include an amount of ₹245.50 crore being the unspent amount with field offices/ CO units/ Corporation Bank etc. plus interest of ₹80.63 crore (₹34.26 crore for 2017-18 + ₹51.51 crore for 2018-19 – ₹5.14 crore interest earned on Internal Resource Generation (IRG) for both the years) earned on the unspent grants refundable to Government of India. The unspent grants being refundable to Government of India (as disclosed under Sr. No. 3.1 of Significant Accounting Policies forming part of Final Accounts), should have been accounted under Current Liabilities. This has resulted in understatement of Current Liabilities and Provisions and understatement of receivables to the extent of ₹326.13 crore.

17.3 Fixed Assets- ₹18.50 crore

Capital Work in progress- ₹5.92 crore

This does not include an amount of ₹7.57 crore being the part payment made to M/s. Atos India Pvt. Ltd. during 2017-18 to 2018-19 towards Application Software Development (SAP ERP implementation and SAP License) as against the total contract value of ₹18.95 crore. The SAP ERP software development is under progress and has not been put to use as on 31st March 2019. KVIC instead of accounting ₹7.57 crore under Capital Work in Progress (Intangible Assets under Development) has booked the amount under revenue expenditure (Expenditure on Grants and Subsidies).

Thus, this has resulted in understatement of Capital Work in Progress (Intangible Assets under Development) and overstatement of revenue expenses by ₹7.57 crore

The comment has been issued in the Separate Audit Report 2017-18 and KVIC has not taken corrective action during the current year as well.

17.4 Receipt and Payment Account-

PMEGP Expenditure -₹2,142.86 crore

As per schedule 15 C the Margin Money disbursed was ₹2,100 crore. However, as per the performance status on PMEGP for the year 2018-19, Margin Money disbursed to the beneficiaries was ₹2,070 crore. Thus, there is a difference of ₹30 crores. This has resulted in overstatement of PMEGP expenditure and understatement of Endowment Fund by ₹30 crores.

17.5 Income and Expenditure Account

17.5.1 Establishment Expenditure - ₹361.31 crore

As per Schedule 14, the expenditure on Pension, Gratuity and Commutation is ₹184.54 crore. However, the actual expenditure on Pension, Gratuity and Commutation incurred by Directorate of Accounts (Pension) is of ₹169.46 crore. Hence there is overstatement of establishment expenditure by ₹15.08 crore.

17.5.2 Corpus/ Capital Fund- ₹18.50 crore

This does not include an amount of ₹31.40 crore as an excess of income over expenditure. As per the Uniform format the excess of income over expenditure is added to the Corpus/ Capital Fund. This has resulted in understatement of Corpus/ Capital Fund and overstatement of Reserve and surplus by ₹31.40 crore and non-Compliance of Uniform Format prescribed by the Government of India.

17.5.3 Current Assets, Loans & Advances etc.- ₹2,215.89 crore

This does not include an amount of ₹33.66 crore being the total amount refundable to KVIC on account of Interest and others, Interest on Village Industry capital, rebates and subsidies etc. by Trading Units. In Trading Fund account, it is shown as Liability but in Main Fund account, KVIC has not shown it as receivables. This has resulted in understatement of Current Assets of Main Fund by ₹33.66 crore.

17.5.4 Current Liabilities and Provisions- ₹28.54 crore

This does not include the provisions towards the liability of Retirement Benefits viz. Gratuity, Pension and Leave Encashment on actuarial valuation basis mandatorily required under Accounting Standard 15 and the Uniform Format of Accounts for Central Autonomous Bodies (clause 12.1 and 12.2) as well. This has resulted in understatement of Current Liabilities and Provisions to the extent provision not made and non-compliance of the provisions of Uniform Format of Accounts prescribed by the Government of India.

This comment has been issued in the SAR of 2017-18 wherein Commission replied that due to various constraints the accrual system of accounting could not be implemented in 2017-18. Further, Commission assured to take steps towards compliance, which has not yet been carried out.

18. Oil Industry Development Board (OIDB)

18.1 Investments- Others- ₹3,79,871 lakh

The above is overstated by ₹4,013 lakh due to non-provision for diminution in the value of equity investment in M/s Biecco Lawrie Limited. The permanent and continuing diminution in value of investment held by OIDB in BLL has not been recognized in the accounts as per the requirement of AS13. Consequently, 'Excess of Income over Expenditure' is overstated by the same amount.

This was also commented upon by the CAG of India in its Separate Audit Report on the annual accounts of OIDB for the year ended 31 March 2018. However, no corrective action has been taken by the Board.

18.2 Current Asset, Loans, Advances etc.- ₹7,84,639 lakh

The above is overstated by ₹8,377 lakh due to:

i) Non-provision of bridge loan of ₹1,200 lakh given to Biecco Lawrie Limited (BLL) though payment of instalments were not forthcoming. Considering the poor financial condition of BLL, there was no reasonable certainty that the above loan amounts would be recovered.

This was also commented upon by the CAG of India in its Separate Audit Report on the annual accounts of OIDB for the year ended 31 March 2018. However, no corrective action has been taken by the Board.

ii) Non-provision of loan of ₹7,177 lakh given to Biecco Lawrie Limited (BLL) for meeting out the expected expenditure on voluntary retirement scheme, cost of existing employees, outstanding salary dues of employees, secured loans from banks and contingent liabilities. Considering the poor financial condition of BLL, there was no reasonable certainty that the above loan amounts would be recovered.

As a result, 'Excess of Income over Expenditure' is also overstated by ₹8,377 lakh.

18.3 General

18.3.1 Creation and utilisation of Hydrogen Corpus Funds

Ministry of Petroleum and Natural Gas (MoP&NG) decided to create Hydrogen Corpus Fund (HCF) with contribution from OIDB and oil PSUs in June 2003. HCF was established in the year 2004 with initial corpus of ₹100 crore. OIDB contributed ₹40 crore, IOC, ONGC & GAIL contributed ₹16 crore each and BPCL and HPCL contributed ₹6 crore each towards HCF. CHT was made nodal agency for taking up

hydrogen research and related activities within oil and gas sector through various R&D institutions of participating organizations in HCF.

Audit observed that as on 31 March 2019, an amount of ₹152.36 crore had accumulated in the Corpus Fund which is being kept in various banks outside the accounts of OIBD. Accounts for the year 2018-19 of the HCF have not been finalised yet (September 2019). No formal audit and accountability mechanism exists for the fund. In view of the considerable amount involved, a formal mechanism to oversee the financials of the fund is essential. Further, as all the projects are to be carried out by CHT, OIBD should have considered transferring the funds to them for proper monitoring and better utilisation. This was also highlighted during audit on the accounts of the earlier year through Management Letter.

18.3.2 Creation of OIBD Drought Relief Trust

During the period from April to June 2000 unprecedented drought had hit some States viz., Andhra Pradesh, Rajasthan and Gujarat. In response to appeal made by the then Hon'ble Minister of P&NG, the Ministry of Petroleum & Natural Gas decided to reimburse the cost of diesel for transportation of drinking water to the drought affected villages in these States. A Charitable Trust, OIBD Drought Relief Trust (OIBD DRT), was formed on 1 June 2000. The Board of Trustees in its meeting held on 29 September 2009 decided to change the name of the Trust as OIBD Relief Trust as the specific objectives of Drought Relief Trust have already been met. OIBD Relief Trust has received ₹20.60 crore from Oil PSUs towards contribution.

Audit observed that as on 31 March 2019, an amount of ₹17.29 crore has been accumulated in the Trust which is kept in various banks, outside the accounts of OIBD. No formal audit and accountability mechanism has been created for the fund. In view of the considerable amount involved, a formal oversight mechanism over the financial of the fund is essential. This was also highlighted during audit on the accounts of the earlier year through Management Letter.

19. National Institute of Design, Ahmedabad (NID)

19.1 Fixed Assets- ₹13,679.44 lakh

Capital Work-in Progress - ₹1,190.60 lakh

The above includes ₹1,190.60 lakh being cost of construction of additional block of girls' hostel in NID campus at Ahmedabad and student mess and recreation centre at NID, Gandhi Nagar. The institute has already taken possession of both the buildings and the same were also occupied in July 2018. The handing over/ taking over procedure was also completed in November 2018. Non-capitalisation of the same has resulted in overstatement of CWIP and understatement of Fixed Assets (Building) by ₹1,190.60 lakh.

19.2 Current Asset, Loans and Advances- ₹9,463.73 lakh

This includes ₹70.85 lakh (Other Project Receipts: ₹63.20 lakh and Service Charges: ₹7.65 lakh) being income accrued up to 31 March 2013 in respect of project completed five to 19 years ago. The institute had neither recovered these old receivables nor have any policy of provision for the doubtful recovery. Non-provision has resulted in overstatement of 'Current Asset, Loans and Advances' with corresponding understatement of 'Deficit carried over to Balance Sheet' by ₹70.85 lakh. This issue was included in the SARs for the years 2016-17 and 2017-18. However, no corrective action has been taken by the Institute in the Accounts for the financial year 2018-19.

20. Kolkata Port Trust (KoPT)

20.1 Capital Reserve includes ₹323.34 crore realised by KoPT towards compensation charges from tenants for unauthorised occupation as per Schedule of Rent. The amount has directly been transferred to Capital Reserve. Thus accounting of compensation charges as capital receipts has resulted in overstatement of Capital Reserve by ₹323.34 crore and understatement of profit for the year by ₹77.57 crore and ₹245.77 crore for prior periods.

20.2 An amount of ₹115 crore pertaining to sale of land during the year 2018-19 was booked under Capital Reserve instead of income of KoPT in violation of the *Common Framework for Financial Reporting*. This has resulted in understatement of income and overstatement of Capital Reserve by ₹115 crore and consequent understatement of profit by the same amount. During scrutiny audit observed that cost of the said land was also not reduced from the balance figure of Land and thereby resulted in overstatement of Land as well as Reserve and surplus by ₹115 crore.

20.3 Capital Work in Progress of Haldia Dock Complex (HDC) includes ₹17.32 crore towards Capital Dredging over Jiggerkhali Flat which has been kept as CWIP since long. As no records/ documents regarding the nature of the expenditure were available, the amount should have been charged off to Profit & Loss Account. Non-charging of this amount has resulted in overstatement of CWIP by ₹17.32 crore and overstatement of profit by the same amount.

20.4 As per actuarial valuation dated 31 March 2019, liabilities for Pension and for Gratuity of present employees were ₹2665.19 crore and ₹374.20 crore respectively (total ₹3039.39 crore) against which total funds of ₹2171.53 crore was available. Though this aspect has been disclosed in the Notes on Accounts (Sl. No. 13), shortfall amounting to ₹867.86 crore was not provided for in the accounts. Thus, non-provision of the liability for difference between actuarial valuation and funds available has resulted in understatement of Provisions as well as overstatement of profit by ₹867.86 crore.

20.5 In violation of significant accounting policies and basic accounting principles, KoPT has accounted for the lease premium amounting to ₹110.23 crore as income for the current year in 2018-19. This has resulted in overstatement of Premium on Leased

Land (Current year) by ₹108.19 crore with corresponding overstatement of Net profit before tax to the same extent.

20.6 KoPT has profit after tax ₹31.63 crore in 2018-19 and appropriated ₹108.19 crore (transferred to deferred revenue income on account of upfront premium) instead of ₹31.63 crore. As per the Guidance Note on Terms used in Financial Statements issued by Institute of Chartered Accountants regarding Appropriation Account, only profit portion can be appropriated for dividends, reserves, share of partners, provision for tax etc. However, KoPT has appropriated more than the profit amount. This has resulted in overstatement of both deficit after appropriation and debit balance of Profit & Loss account under Balance Sheet by ₹76.56 crore. Deferred revenue income was also understated by the same amount.

21. Paradip Port Trust (PPT)

21.1 Investments include an amount of ₹30 Crore towards investment in equity shares of Setu Samudram Corporation Ltd., Chennai which has stopped working since August 2009. Valuation of investment at cost is contrary to the AS-13 regarding accounting for investments. This has resulted in overstatement of investment and corresponding overstatement of Net surplus before tax by ₹30 crore.

21.2. Investments include investment of ₹40 Crore towards equity shares in Paradip Port Road Co. Ltd. (PPRCL), a Special Purpose Vehicle with National Highways Authority of India. The net worth of PPRCL has fully eroded which stood at (-) ₹495.52 crore as on 31.03.2016. Meanwhile the Board of trustees (Paradip Port Trust) have been appraised in the meeting No 02/20018-19 held on 18 October 2019 that NHAI had proposed for winding up of the SPV. Therefore, provision should have been made for diminution in the value of long term investment as required under AS-13. Non-provisioning of the same has resulted in overstatement of investment and corresponding overstatement of Net surplus before tax by ₹40 crore.

21.3 The Ministry approved (21 March 2016) the Port Trust's proposal (13 November 2015) for implementation of the scheme for giving VRS to CF & H workers under the nomenclature 'Special Severance Package for Clearing Forwarding & Handling (CF&H) workers of PPT' and also directed that the entire financial implication would have to be borne by the Port Trust along with investments required to be made for mechanization and developing other infrastructure for increasing port profitability and efficiency. The Management Committee has disbursed ₹84.80 crore till 31 March 2019. However, the aforesaid disbursements have been booked under Current Assets Loans & Advances instead of charging the same to Profit & Loss Account. Thus there has been an overstatement of Net surplus before tax with corresponding overstatement of 'Current Assets Loans & Advances' to the extent of ₹84.80 crore.

22. Calcutta Dock Labour Board (CDLB)

The liability for Superannuation Pension of CDLB as on 31 March 2019 was shown as ₹875.52 crores while the amount as worked out by Life Insurance Corporation of India reflected ₹908.52 crores. This has resulted in understatement of Current Liabilities and Provisions as well as Excess of Expenditure over Income by ₹33.00 crores.

23. National Jute Board

Earmarked/ Endowment Fund includes ₹69.92 crore received in phases during the period from 2014-15 to 2018-19 as capital grant from Government of India for construction of 'Patsan Bhawan' which should have been shown under Earmarked/ Endowment Fund. This has resulted in understatement of Earmarked Fund and overstatement of Jute Board Fund Account by ₹69.92 crore. Further the interest accrued on investment of such unspent fund amounting to ₹0.39 crore on unspent fund should also be credited to the Earmarked Fund for 'Patsan Bhawan' instead of Jute Board Fund Account. This also led to understatement of current liabilities and over statement of income.

24. Tea Board

During the period from 1993 to 1995 Tea Board paid ₹599 lakh to Tea Trading Corporation of India Ltd. (TTCI) as interest free loan vide Ministry of Commerce & Industry sanction Letter No.48021/2/93-Plant A dated 16 August 1993, T-39012/93 Plant A dated 26 April 1994, T-39012/1/93- Plant A dated 4 July 1994, T-39012/1/93 plant A dated 30 March 1995 and Fax dated 28 April 1995 and 25 October 1995 respectively. Against this interest free loan, TTCI refunded an amount of ₹25 lakh to Tea Board on 2 June 1994. The details of payments of loan and refund thereof are enumerated below:-

Date	Cheque No.	Drawn on	Amount (₹in lakh)
01.09.1993	262896	Central Bank of India	350
12.05.1994	262930 to 262933	Central Bank of India	44
01.06.1994	262934 to 262937	Central Bank of India	12
28.07.1994	262942	Central Bank of India	109
31.03.1995	262992	Central Bank of India	55
05.05.1995	262999	Central Bank of India	14
08.11.1995	452786	State Bank of India	6
07.12.1995	084410	Bank of Baroda	9
Total			599
Less: Refunded by TTCI on 2 June 1994 by Bank transfer			25
Balance			574

Out of the above interest free loans paid to TTCI, Tea Board received grants of ₹354 lakh from Govt. of India towards payments to TTCI. Subsequently, TTCI went into liquidation as per winding up order dated 24 June 2002 and Tea Board could not recover the aforesaid loan of ₹574 lakh. During 2012-13, Tea Board adjusted balance amount of

interest free loan of ₹220 lakh (₹74 lakh – ₹354 lakh) paid to TTCI from the loan due to Government. Hence, Tea Board received/ adjusted from Government the total amount of ₹74 lakh paid to TTCI as interest free loan.

However, ₹354 lakh was disclosed in the asset side of the Balance Sheet as “Interest free Loan to TTCI”. Similarly, other liabilities also include ₹354 lakh being “Payable to Govt. on Account of TTCI”.

As TTCI is no longer in existence and Tea Board has received/ adjusted the total amount of loan paid to TTCI from Government; disclosure of ₹354 lakh in the Asset Side of the Balance Sheet as “Interest free Loan to TTCI” is incorrect and should be adjusted against liability of ₹354 lakh towards “Payable to Govt. on Account of TTCI”.

Non-adjustment of the above has resulted in overstatement of assets towards “Interest free Loan to TTCI” by ₹354 lakh and overstatement of “Other Liabilities” by the same amount.

25. Tobacco Board

Current Liabilities and Provisions- ₹210.56 crore

Payment of Gratuity, Leave Salary and Half Pay Leave Fund- ₹30.00 crore

The above is understated by ₹24.35 crore due to non-provisioning towards gratuity and group leave encashment to be paid to the officials of Tobacco Board who attained the age of superannuation as estimated by LIC of India, pending approval of Government of India. Thus, instead of a surplus of ₹16.41 crore, there will be a deficit of ₹7.94 crore during the year.

26. Coffee Board

Income -₹193.72 crore

The Board has a practice of accounting for the assets purchased out of Government grants by debiting the Asset account and crediting the Corpus Fund instead of accounting for the same as ‘Deferred income’ as required under the provisions of para 14 of Accounting Standard-12 (Accounting for Grants) and Uniform format of Accounts. This has resulted in understatement of income and Excess of income over expenditure by ₹8.27 crore. This has also resulted in understatement of Deferred income and overstatement of Corpus/ Capital Fund by ₹84.95 crore. Further, this has also resulted in non-compliance to the depreciation method in respect of assets purchased out of Government Grants in the manner as specified in the Notes to Schedule 8 of Uniform Format of Accounts/ Para 14 of Accounting Standard-12.

27. Cochin Port Trust

Current Liabilities and Provisions- ₹747.66 crore

The liability on account of pension and gratuity contribution of existing employees and pensioners as per actuarial valuation worked out to ₹2,774.26 crore as on 31 March 2019

against which the investment in the Pension and Gratuity Fund was ₹178.05 crore, leaving a shortfall of ₹2,596.21 crore. This has resulted in understatement of Current Liabilities & Provisions by ₹2,596.21 crore as well as overstatement of profit to the same extent.

28. Marine Products Export Development Authority

28.1 Current Liabilities and Provisions- ₹211.11 crore

The above is understated by ₹8.57 crore due to non-provisioning of the differential amount of statutory dues payable (Gratuity - ₹1.22 crore, leave encashment - ₹0.37 crore, commuted pension - ₹3.16 crore and pension arrears - ₹3.82 crore) to the employees on account of increase in the payables due to implementation of the seventh Pay Commission. This has resulted in understatement of Provisions and Expenditure to an extent of ₹8.57 crore.

28.2 Establishment Expenses- ₹39.14 crore

This stands understated by ₹177.03 crore being the liability for retirement benefits of employees as per actuarial valuation. The Authority has shown this liability under 'Current Liabilities and Provisions' with corresponding debit to 'Miscellaneous Expenditure' in Balance Sheet instead of routing it through Income and Expenditure Account. This had resulted in understatement of 'Establishment Expenses' by ₹177.03 crore and overstatement of 'Miscellaneous Expenditure' to that extent.

29. V.O. Chidambaranar Port Trust

Finance and Miscellaneous Expenditure - ₹209.84 crore

The above is understated by an amount of ₹46.75 crore being the shortfall in contribution towards Pension and Gratuity Funds, as per Actuarial valuation made by LIC. This has resulted in understatement of Current Liabilities & Provisions and overstatement of Profit by ₹46.75 crore.

30. New Mangalore Port Trust

Fixed assets -Net Block : ₹874.93 crore

Net Block is overstated by ₹3.03 crore in respect of work of 'Augmentation of Fire Fighting Facility at Berth No.13 to handle Very Large Gas Carriers' which was capitalised in September 2017. The depreciation on the work has been charged considering the age of the work as 75 years instead of 10 years which resulted in overstatement of Net Block by ₹3.03 crore and overstatement of Profit on account of under-charging of depreciation for two years.

31. Chennai Port Trust

Current Liabilities and Provision: ₹734.69 crore

31.1 As per Actuarial valuation done by LIC for Pension Liability as on 31 March 2019, the liabilities worked out to ₹5,539.60 crore. However, Corpus available in Pension

Fund as on 31 March 2019 was ₹3,360.09 crore. This has resulted in understatement of Current Liabilities and Provisions, and Loss by ₹2,179.51 crore.

31.2 As per Actuarial valuation done by LIC towards Leave Encashment liability as on 31 March 2019, the liabilities worked out to ₹154.44 crore. However, Corpus available in Leave Encashment Fund as on 31 March 2019 was ₹72.21 crore. This has resulted in understatement of Current Liabilities and Provisions, and Loss by ₹82.23 crore.

32. Rubber Board

Current Liabilities and Provisions - ₹14.21 crore

32.1 Contrary to the provisions of Accounting Standard-15, the Board did not carry out actuarial valuation for retirement benefits of employees as on 31 March 2019. The last actuarial valuation was carried out in June 2012 as per which the provision required was ₹448.81 crore. Against this only balance available in the pension fund was of ₹73.94 crore as on 31 March 2019. This has resulted in understatement of 'Excess of Expenditure over income' with corresponding understatement of 'Current Liabilities and Provisions' by ₹374.87 crore.

32.2 Subsidies payable to farmers under Twelfth Plan 2012-2017 amounting to ₹25.94 crore although sanctioned, were pending for payment as on 31 March 2019. The Board has not provided for the said amount in the financial statements, which has resulted in understatement of 'Excess of Expenditure over Income' and 'Current Liabilities and Provisions' by ₹25.94 crore.

33. Indian Maritime University

Fixed Assets - ₹465.63 crore

33.1 Gross Block is understated by an amount of ₹32.59 crore due to non-capitalisation of five assets which were put to use during 2017-18. This has resulted in understatement of Net Block (₹27.87 crore), prior period items (₹1.62 crore), depreciation (₹3.10 crore) and overstatement Capital Work in Progress by ₹32.59 crore.

33.2 Gross Block is understated by ₹22.77 crore due to non-capitalisation of three assets which were put to use during 2018-19. This has resulted in overstatement of Capital Work in Progress by ₹22.77 crore and understatement of Net Block by ₹21.99 crore as well as Depreciation by ₹0.78 crore.

34. Coir Board

Current Liabilities and Provisions - ₹6.35 crore

Contrary to the provisions of Accounting Standard-15, the Board did not made provision for the liabilities towards Gratuity, Pension and Leave Encashment (Earned Leave) on the plea that Actuarial Valuation Report for the year 2018-19 was not received at the time of finalisation of accounts. The Board should have on the basis of prudence, provided for the expenditure based on previous year's (2017-18) actuarial valuation

amounting to ₹165.53 crore. Non-provision for the same resulted in understatement of Current Liabilities and Provisions and overstatement of excess of Income over Expenditure.

35. Spices Board

Provisions- ₹197.54 crore

Contrary to the provisions of Accounting Standard-15, the Board did not carry out actuarial valuation for retirement benefits of employees as on 31 March 2019. The Board has conducted actuarial valuation during 2015-16 as per which the actuarial liability was valued at ₹226.23 crore as against which the provision was for only ₹197.54 crore as on 31 March 2019.

36. Pension Fund Regulatory and Development Authority

Interest Earned - ₹4.35 crore

Above includes an amount of ₹1.85 crore on account of interest earned on savings bank deposit account being operated for receiving Grants-in-Aid for Atal Pension Yojana and Swavalamban Scheme from Government. The interest earned on such account should be depicted under 'Earmarked/ Endowment Fund' separately. Thus, this has resulted in overstatement of Income and understatement of Earmarked Fund by ₹1.85 crore.

37. Delhi Development Authority (DDA)

Nazul-I

37.1 Income from Damages

A reference is invited to comment no. A.1.1 in SAR of CAG of India on the financial statements of DDA for the year 2017-18 wherein non-booking of accrued income in respect of all the damage properties was commented.

DDA has not booked income from damages for ₹34.90 crore through prior period item though pointed out by audit in SAR of CAG for the year 2017-18. Audit further noticed that DDA has not issued any notice for recovery of damage charges from the unauthorized occupants during the current year 2018-19. Resultantly, income accrued amounting to ₹38.31 crore has not been booked in the financial statements as per accrual system of accounting³.

This has resulted into understatement of income from damages for the year 2018-19 by ₹38.31 crore, understatement of prior period income by ₹34.90 crore and understatement of Sundry Debtors by ₹73.21 crore and consequently understatement of excess of income over expenditure by ₹73.21 crore.

³ *9,53,050 as area of total properties in square yard x ₹33.50 per square yard per month as the minimum damage charges in residential category.*

Nazul-II

37.2 Non-preparation of Balance Sheet and Income & Expenditure Account

Nazul-II relates to large scale acquisition, development and disposal activities of land by DDA on behalf of Government of India. In respect of Nazul-II accounts, DDA had prepared Receipt & Payment Account only, resultantly important Assets and Liabilities of Nazul-II accounts have not been depicted in the financial statements. This account was having an investment of ₹7,899.31 crore at the end of March, 2019. Audit is repeatedly commenting upon non-preparation of Balance Sheet and Income and Expenditure Account for Nazul-II so that all assets and liabilities pertaining to this account are correctly depicted.

General Development Account

37.3 EWS Houses Reserve – ₹ 389.86 Crore

A reference is invited to comment no. 4.2(b), 4.3(c), 3.1 and C.1.3.1(i) in the SAR of CAG of India for the year 2014-15, 2015-16, 2016-17 and 2017-18 respectively on financial statements of DDA. During the year 2018-19, DDA incurred an expenditure of ₹448.79 crore on account of Specified Housing Scheme – EWS Houses, out of EWS Fund created specifically for the purpose. The assets {Work in Progress (WIP) and Finished Stock of EWS houses} created by utilising EWS fund have, however, not been shown separately in the Schedule F of Balance sheet though investments against EWS Fund, which is another asset are being shown separately. EWS Houses (WIP and Finished Stock) constituted a major portion of the total WIP and Finished Stock of built-up houses. However, due to non-disclosure of EWS houses under a separate head, cumulative amount utilised for construction of EWS Houses could not be verified. Being a material fact, non-disclosure of EWS Houses under the separate head is against the principle of full disclosure.

37.4 Assets - Old Stock- ₹2245.04 crore

A reference is invited to C 1.3.1(ii) of SAR of India on financial statements of DDA for 2017-18 wherein overstatement of Inventory in case of SFS/ HIG category flats to the tune of ₹111.94 crore was commented upon.

This year also inventory includes ₹343.05 crore in respect of 1597 SFS/ HIG flats. A test check of details of 551 cases was conducted by Audit vis-à-vis list of vacant flats as submitted by respective zones and it was found that as against these 551 flats only 50 flats were shown vacant in these zonal report as on 31 March 2019. This shows that this inventory of 551 flats considered for the financial statement was overstated to the extent of 501 number of SFS/ HIG flats amounting to ₹168.72 crore (₹189.30 crore - ₹20.58 crore provisions for the cost to complete). This has also resulted in overstatement of income to the same extent.

As this test check pertains only to 551 SFS/ HIG flats; the extent of such overstatement in remaining SFS/ HIG flats as well as of other categories viz. MIG/ Janta could not be commented upon in audit.

37.5 Sundry Debtors - ₹494.85 crore

DDA has shown an amount of ₹494.85 crore as Sundry Debtors in the Balance Sheet of General Development Account as of 31 March 2019. The Authority as per Note No. 11 of the Notes to Accounts disclosed that party wise and age-wise detail of sundry debtors as on 31 March 2019, duly reconciled is not readily available. Further, the Authority is not maintaining party-wise and age-wise breakup of debtors; as such the audit is unable to draw an assurance as to the authenticity, existence and recoverability of Sundry Debtors valuing ₹494.85 crore as shown in the Balance Sheet as at 31 March 2019. Mere disclosure in Notes to Accounts that debtors have not been reconciled is not sufficient.

Appendix-VII

{Referred to in Para 1.8(a)}

Autonomous Bodies where Internal Audit was not conducted during the year 2018-19

Sl. No.	Name of Autonomous Body
1.	National Automotive Testing and R&D Infrastructure Project Implementation Society, New Delhi
2.	Airport Economic Regulatory Authority, New Delhi
3.	National Institute of Pharmaceutical Education and Research, Mohali
4.	Petroleum and Natural Gas Regulatory Board, New Delhi
5.	Central Electricity Regulatory Commission, New Delhi
6.	Bureau of Energy Efficiency, New Delhi
7.	National Power Training Institute, Faridabad
8.	Mumbai Port Trust Pension Fund Trust, Mumbai
9.	Kolkata Port Trust, Kolkata
10.	Calcutta Dock Labour Board, Kolkata
11.	National Institute of Pharmaceutical Education and Research, Kolkata
12.	Tea Board, Kolkata
13.	National Institute of Pharmaceutical Education and Research, Hyderabad
14.	Tobacco Board, Guntur
15.	Coffee Board, Bengaluru
16.	Marine Products Export Development Authority, Chennai
17.	Spices Board, Kochi

Appendix-VIII

{Referred to in Para 1.8(b)}

Autonomous Bodies where physical verification of fixed assets was not conducted during the year 2018-19

Sl. No.	Name of Autonomous Body
1.	National Automotive Testing and R&D Infrastructure Project Implementation Society, New Delhi
2.	Competition Commission of India, New Delhi
3.	Airport Economic Regulatory Authority, New Delhi
4.	National Institute of Fashion Technology, Bengaluru campus
5.	National Institute of Pharmaceutical Education and Research, Mohali
6.	Footwear Design and Development Institute, Noida
7.	Bureau of Energy Efficiency, New Delhi
8.	National Power Training Institute, Faridabad
9.	Mumbai Port Trust, Mumbai
10.	Khadi & Village Industries Commission, Mumbai
11.	Oil Industry Development Board, Noida
12.	National Institute of Design, Ahmedabad
13.	Kolkata Port Trust, Kolkata
14.	Paradip Port Trust, Paradip
15.	National Institute of Pharmaceutical Education and Research, Kolkata
16.	Tea Board, Kolkata
17.	New Mangalore Port Trust, Mangalore
18.	Chennai Port Trust, Chennai
19.	V.O. Chidambaranar Port Trust, Tuticorin
20.	Spices Board, Kochi
21.	Delhi Development Authority, New Delhi

Appendix-IX

{Referred to in Para 1.8(c)}

Autonomous Bodies where physical verification of inventories was not conducted during the year 2018-19

Sl. No.	Name of Autonomous Body
1.	National Institute of Pharmaceutical Education and Research, Mohali
2.	Bureau of Energy Efficiency, New Delhi
3.	Oil Industry Development Board, Noida
4.	National Institute of Design, Ahmedabad
5.	Kolkata Port Trust, Kolkata
6.	Paradip Port Trust, Paradip
7.	Tea Board, Kolkata
8.	V.O. Chidambaranar Port Trust, Tuticorin
9.	Spices Board, Kochi
10.	Delhi Development Authority, New Delhi

Appendix-X

{Referred to in Para 1.8(d)}

Autonomous Bodies which are accounting for the grants on realisation/ cash basis

Sl. No.	Name of Autonomous Body
1.	Bureau of Energy Efficiency, New Delhi
2.	National Power Training Institute, Faridabad
3.	Khadi and Village Industries Commission, Mumbai

Appendix-XI

{Referred to in Para 1.8(e)}

Autonomous Bodies which have not accounted for gratuity and other retirement benefits on the basis of actuarial valuation

Sl. No.	Name of Autonomous Body
1.	National Institute of Pharmaceutical Education and Research, Mohali
2.	National Power Training Institute, Faridabad
3.	Khadi and Village Industries Commission, Mumbai
4.	Kolkata Port Trust, Kolkata
5.	Calcutta Dock Labour Board, Kolkata

Appendix-XII

{Referred to in Para 1.8(f)}

Autonomous Bodies that revised their accounts as a result of audit

Sl. No.	Name of Autonomous Body
1.	Petroleum and Natural Gas Regulatory Board, New Delhi
2.	National Institute of Pharmaceutical Education and Research, Hyderabad
3.	Coffee Board, Bengaluru
4.	Visakhapatnam Port Trust, Visakhapatnam
5.	Insurance Regulatory and Development Authority of India, Hyderabad
6.	V.O. Chidambaranar Port Trust, Tuticorin

Appendix-XIII

(Referred to in Para 1.9)

Position of Outstanding Action Taken Notes as on 31 March 2020

Sl. No.	Name of the Ministry/ Department	Report for the year ended	Ministries and Autonomous Bodies		
			Due	Not Received	Under Correspondence
1.	M/o Petroleum and Natural Gas	March 2015 Report No. 11 of 2016	1	-	1
2.	M/o Commerce and Industry	March 2017 Report No. 4 of 2018	1	-	1
Total			2	-	2

Appendix-XIV

(Referred to in Para 2.1)

Details of Mobilisation Advance to different contractors towards Construction Works, Interior Works and Furniture Works

(₹ in crore)

Sl. No.	Name of the Works	Name of the Contractor	Contract Value	Mobilisation Advance
Construction Works				
1.	Hyderabad campus	Bhavya Creators Pvt. Ltd.	70.66	7.07
2.	Patna campus	Bhavya Creators Pvt. Ltd.	70.23	7.02
3.	Gujarat campus	Goldman developers Ltd.	67.02	6.7
4.	Punjab campus	Anurag Enterprises	68.97	6.9
5.	Chhindwara campus	Bhavya Creators Pvt. Ltd.	54.38	5.44
6.	Guna campus	Anurag Enterprises	69.95	6.99
7.	Noida New Building	Anurag Enterprises	15.55	1.56
Furniture Works				
8.	Hyderabad campus	Royal Safe Company	5.05	0.5
9.	Gujarat campus	JPG Engineers Pvt. Limited	4.58	0.46
10.	Guna campus	JPG Engineers Pvt. Limited	2.97	0.3
Interior Works				
11.	Hyderabad campus	JPG Engineers Pvt. Limited	5.81	0.58
12.	Gujarat campus	VastuSadan	5.75	0.58
13.	Punjab campus	Manu Lal and Sons	5.53	0.55
14.	Guna campus	JPG Engineers Pvt. Limited	4.74	0.48
Total			451.19	45.13

Appendix-XV

(Referred to in Para 4.1.1.2)

**Statement showing important provisions of Credit Guarantee Fund Scheme for
Micro and Small Enterprises**

**CREDIT GUARANTEE FUND SCHEME FOR MICRO AND SMALL
ENTERPRISES (CGS-I)**

(Updated upto August 2018)

The Scheme had come into force from 1 August 2000 and had covered eligible credit facilities extended by the lending institutions to eligible borrowers effective from 1 June 2000.

Credit facilities eligible under the Scheme

The Trust shall cover credit facilities (Fund based and/ or Non-fund based) extended by Member Lending Institution(s) (MLIs) to a single eligible borrower in the Micro and Small Enterprises sector for credit facility (i) not exceeding ₹50 lakh (Regional Rural Banks/ Financial Institutions); (ii) not exceeding ₹200 lakh (Scheduled Commercial Banks, select Financial Institutions and Non-Banking Financial Companies (NBFCs); (iii) not exceeding ₹50 lakh for Small Finance Banks (SFBs) by way of term loan and/ or working capital facilities on or after entering into an agreement with the Trust, without any collateral security and/ or third party guarantees or such amount as may be decided by the Trust from time to time.

Provided further that, as on the material date

- (i) Credit facility is standard and regular (not Special Mention Accounts - SMA) as per RBI guidelines
- (ii) The business or activity of the borrower for which the credit facility was granted has not ceased; and / or
- (iii) The credit facility has not wholly or partly been utilised for adjustment of any debt deemed bad or doubtful of recovery, without obtaining a prior consent in this regard from the Trust.

CGTMSE had included the MSE Retail Trade under its ambit for fresh credit facilities eligible for guarantee coverage by MLIs on or after 28 February 2018 for cases from ₹10 lakh to ₹100 lakh.

CGTMSE had also introduced (February 2018) a new “Hybrid Security” product where the MLIs are allowed to obtain collateral security for a part of the credit facility, whereas the remaining unsecured part of the credit facility, upto a maximum of ₹200 lakh, can be covered under CGS-I. CGTMSE, however, have pari-passu charge on the primary security as well as on the collateral security provided by the borrower for the credit

facilities extended. Under the hybrid security product, there is no requirement for MLIs to create security/ charge in favour of CGTMSE by way of legal documentation.

Credit facilities extended by more than one bank and/ or financial institution jointly and/ or separately to eligible borrower up to a maximum of ₹200 lakh per borrower subject to ceiling amount of individual MLI or such amount as may be specified by the Trust.

Annual Guarantee Fee (AGF)

AGF is charged on the guaranteed amount for the first year and on the outstanding amount for the remaining tenure of the credit facilities sanctioned/ renewed to MSEs on or after 1 April 2018 as detailed below:

Credit Facility	Annual Guarantee Fee (AGF) [per cent per annum]	
	Women, Micro enterprises and Units covered in North East Region	Others
Upto ₹5 lakh	1.00 <i>per cent</i> + Risk premium as per extant guidelines of the Trust	
Above ₹5 lakh and upto ₹50 lakh	1.35 <i>per cent</i> + Risk premium as per extant guidelines of the Trust	1.50 <i>per cent</i> + Risk premium as per extant guidelines of the Trust
Above ₹50 lakh and upto ₹200 lakh	1.80 <i>per cent</i> + Risk premium as per extant guidelines of the Trust	
Retail Trade (₹10 lakh to ₹100 lakh)	2.00 <i>per cent</i> + Risk premium as per extant guidelines of the Trust	
<i>AGF is charged on the guaranteed amount for the first year and on the outstanding amount for the remaining tenure of the credit facility</i>		

In respect of credit facilities sanctioned by the MLIs prior to 1 April 2018, the Trust charged ASF/AGF on the guaranteed amount as per details given below

Guarantees sanctioned upto 31 December 2012

Credit facility	Upfront Guarantee Fee (<i>per cent</i>)		Annual Service Fee (<i>per cent</i>)
	North East Region (including Sikkim)	Others	
Upto ₹5 lakh	0.75	1.00	0.50
Above ₹5 lakh to ₹50 lakh	0.75	1.50	0.75
Above ₹50 lakh to ₹100 lakh	1.50	1.50	0.75

Guarantees sanctioned on or after 1 January 2013

Credit facility	Annual Guarantee Fee (<i>per cent per annum</i>)	
	Women, Micro enterprises and units in North East Region (including Sikkim)	Others
Upto ₹5 lakh	0.75	1.00
Above ₹5 lakh to ₹100 lakh	0.85	1.00

Guarantees sanctioned after 1 April 2016

Credit facility	Annual Guarantee Fee (<i>per cent per annum</i>) + Risk Premium (RP)	
	Women, Micro enterprises and units in North East Region (including Sikkim)	Others
Upto ₹5 lakh	0.75 + RP	1.00 + RP
Above ₹5 lakh to ₹100 lakh	0.85 + RP	1.00 + RP

Charging of Annual Service Fee (ASF)/AGF at differential rates depending upon NPA levels/ Claim Payout ratio of MLIs

The Trust had earlier adopted non-discretionary approach in levying ASF/AGF without reference to the level of NPAs reported by the MLIs on the CGTMSE portal vis-à-vis the guarantees issued to them as also without reference to the claims paid to the MLIs vis-à-vis the fees and recoveries received from the MLIs. Considering very high level of NPAs reported by some of the MLIs as also significantly larger amount of claims settled for some of the MLIs, the Trust had introduced risk based pricing structure for cases sanctioned on or after 1 April 2016 as detailed in table below:

Risk premium on NPAs in Guaranteed portfolio		Risk premium on claim payout ratio	
NPA Percentage	Risk Premium	Claim Payout percentage	Risk Premium
0-5	Standard rate (SR)	0-5	Standard rate (SR)
>5-10	10 <i>per cent</i> of SR	>5-10	10 <i>per cent</i> of SR
>10-15	15 <i>per cent</i> of SR	>10-15	15 <i>per cent</i> of SR
>15-20	20 <i>per cent</i> of SR	>15-20	20 <i>per cent</i> of SR
>20	25 <i>per cent</i> of SR	>20	25 <i>per cent</i> of SR

Payment of AGF

The MLIs are required to pay first time Annual Guarantee fee (AGF) to the Trust within 30 days from the date of first disbursement of credit facility (not applicable for Working capital) or 30 days from the date of Demand Advice (CGDAN) of guarantee fee whichever is later or such date as specified by the Trust. The AGF for subsequent periods is charged at specified rate on pro-rata basis for the first and last year and in full for the intervening years and would be generated by 2nd week of February every year. AGF so demanded would be paid by the MLIs on or before 15th April each year or any other specified date by CGTMSE, of every year.

Extent of the Guarantee Coverage

The trust provides guarantee coverage as below:

Category	Maximum extent of Guarantee where credit facility is		
	Upto ₹5 lakh	Above ₹5 lakh & upto ₹50 lakh	Above ₹50 lakh & upto ₹200 lakh
Micro Enterprises	85 <i>per cent</i> of the amount in default subject to a maximum of ₹4.25 lakh	75 <i>per cent</i> of the amount in default subject to a maximum of ₹37.50 lakh	75 <i>per cent</i> of the amount in default subject to a maximum of ₹150 lakh
Women entrepreneurs/ Units located in North East Region (including Sikkim) (other than credit facility upto ₹5 lakh to micro enterprises)	80 <i>per cent</i> of the amount in default subject to a maximum of ₹40 lakh		
MSE Retail Trade (from ₹10 lakh upto ₹100 lakh)	50 <i>per cent</i> of the amount in default subject to a maximum of ₹50 lakh.		
All other eligible category of borrowers	75 <i>per cent</i> of the amount in default subject to a maximum of ₹150 lakh.		

All proposals for sanction of guarantee approvals for credit facilities above ₹50 lakh and upto ₹200 lakh had to be rated internally by the MLI and should be of investment grade. There is increase in the coverage of the eligible credit limit per borrower under the Scheme from ₹100 lakh to ₹200 lakh extended by Scheduled Commercial Banks and select Financial Institutions to the units in MSEs for proposals sanctioned by the MLIs on or after 1 January 2017. The enhancements in existing guarantee cover beyond ₹100 lakh in respect of working capital facilities, where such enhancements are approved on or after 1 January 2017, would also be eligible for the enhanced coverage upto ₹200 lakh provided the proposal meets the guidelines of the Scheme.

The guarantee cover will commence from the guarantee start date and shall run through the agreed tenure of the term credit in respect of term credit/composite credit. Where working capital alone is extended to the eligible borrower, the guarantee cover shall be for a period of five years or a block of five years, keeping maximum period of guarantee cover of 10 years or for such period as may be specified by the trust in this behalf.

Invocation of guarantee

The Member Lending Institutions (MLIs) are required to inform the date on which the account was classified as NPA in a particular calendar quarter, by end of subsequent quarter using the following option in the online system.

The lending institution may invoke the guarantee in respect of credit facility within a maximum period of three years from the NPA date or lock-in period whichever is later, if the NPA date is on or after 15 March 2018.

- (i) For NPAs prior to 15 March 2018, time period for claim lodgement will be one year for cases sanctioned prior to 01 January 2013 and two years for cases sanctioned after 01 January 2013, if the following conditions are satisfied:
- a) The guarantee in respect of that credit facility was in force at the time of account turning NPA.
 - b) The lock-in period of 18 months from either the date of last disbursement of the loan to the borrower or the guarantee start date in respect of credit facility to the borrower, whichever is later, has lapsed.
 - c) The amount due and payable to the lending institution in respect of the credit facility has not been paid and the dues have been classified by the lending institution as Non-performing Assets. Provided that the lending institution shall not make or be entitled to make any claim on the Trust in respect of the said credit facility if the loss in respect of the said credit facility had occurred owing to actions/ decisions taken contrary to or in contravention of the guidelines issued by the Trust.
 - d) The credit facility has been recalled and the recovery proceedings have been initiated under due process of law. Mere issuance of recall notice under SARFAESI Act 2002 cannot be construed as initiation of legal proceedings for purpose of preferment of claim under CGS. MLIs are advised to take further action as contained in Section 13 (4) of the SARFAESI Act 2002 wherein a secured creditor can take recourse to any one or more of the recovery measures out of the four measures indicated therein before submitting claims for first instalment of guaranteed amount. In case the MLI is not in a position to take any of the action indicated in Section 13(4) of the aforesaid Act, they may initiate fresh recovery proceeding under any other applicable law and seek the claim for first instalment from the Trust.
 - e) However, in case of claims lodged on or after March 14, 2018, initiation of legal proceedings as a pre-condition for invoking of guarantees shall be waived for credit facilities having aggregate outstanding up to ₹50,000/-, subject to the condition that for all such cases, where the filing of legal proceedings is waived, a Committee of the Member Lending Institution (MLI) headed by an Officer not below the rank of General Manager should examine all such accounts and take a decision for not initiating legal action, and for filing claim under the Scheme
 - f) Claims of the respective MLI will be settled to the extent of two times of the fee including recovery remitted during the previous financial year. Any claim lodged / received exceeding two times of the total fee including recovery remitted by MLI will be suspended till such time the position is remedied i.e. payout is brought within the payout cap limit.
- (ii) The claim should be preferred by the lending institution in such manner and within such time as may be specified by the Trust in this behalf.

- (iii) The Trust shall pay 75 *per cent* of the guaranteed amount on preferring of eligible claim by the lending institution, within 30 days, subject to the claim being otherwise found in order and complete in all respects. The Trust shall pay to the lending institution interest on the eligible claim amount at the prevailing Bank Rate for the period of delay beyond 30 days. The balance 25 *per cent* of the guaranteed amount will be paid on conclusion of recovery proceedings or till the decree gets time barred. As per CGTMSE circular No 62 and 135, for loans sanctioned on or after 01 January 2013, the balance 25 *per cent* of the guaranteed amount will be paid on conclusion of recovery proceedings by the lending institution or after three years of obtention of decree of recovery, whichever is earlier. On a claim being paid, the Trust shall be deemed to have been discharged from all its liabilities on account of the guarantee in force in respect of the borrower concerned. MLIs, however, should undertake to refund any amount received from the unit after payment of full guaranteed amount by CGTMSE.
- (iv) In the event of default, the lending institution shall exercise its rights, if any, to take over the assets of the borrowers and the amount realised, if any, from the sale of such assets or otherwise shall first be credited in full by the lending institutions to the Trust before it claims the remaining 25 *per cent* of the guaranteed amount.
- (v) The lending institution shall be liable to refund the claim released by the Trust together with penal interest at the rate of four *per cent* above the prevailing Bank Rate, if such a recall is made by the Trust in the event of serious deficiencies having existed in the matter of appraisal/ renewal/ follow-up/ conduct of the credit facility or where lodgement of the claim was more than once or where there existed suppression of any material information on part of the lending institutions for the settlement of claims. The lending institution shall pay such penal interest, when demanded by the Trust, from the date of the initial release of the claim by the Trust to the date of refund of the claim.
- (vi) MLIs can update the recoveries/ OTS amount received post settlement of first instalment of claim in the CGTMSE portal.
- (vii) While online lodgement of first claim, MLIs have to submit the Declaration & Undertaking (D&U) electronically along with the checklist displayed in the system.
- (viii) The Guarantee Claim received directly from the branches or offices other than respective operating-offices of MLIs will not be entertained.

Appendix-XVI

(Referred to in Para 4.1.1.2)

Statement showing major areas of difference between CGS-I and CGS-II

Sr. No	Particulars	CGS-I				CGS-II
1.	Type of Guarantee	Transaction guarantee (individual account wise)				Portfolio guarantee
2.	Ceiling on interest rate (inclusive of cost of guarantee) for eligible accounts	14 per cent per annum				No cap
3.	Extent of guarantee cover for individual accounts	Category	Loan upto ₹5 lakh	Loan above ₹5 lakh and upto ₹50 lakh	Loan above ₹50 lakh	Maximum guarantee cover of upto 75 per cent (as opted by MLI) of 'Amount in default' of individual accounts covered in the portfolio' (or such other percentage as may be specified by the Trust from time to time).
		Micro Enterprises	85 per cent of Amount in default (Max ₹4.25 lakh)	75 per cent of Amount in default (Max ₹37.50 lakh)	75 per cent of Amount in default	
		Women Entrepreneur/ units in NE/facility above ₹5 lakh to Micro	80 per cent of Amount in default (Max ₹40 lakh)			
	All other category of borrowers	75 per cent of Amount in default (Max ₹37.50 lakh)				
4.	Sanction of Exposure limit	Exposure limits are not sanctioned to banks/RRBs/FIs at the time of registration as Member Lending Institutions (MLIs)				Exposure limit to NBFC for a financial year shall be sanctioned after detailed appraisal.
5.	Pay out caps	Payout caps is fixed at 2 times of the fees paid by the MLI in last FY				Pay out caps shall be fixed for each exposure limit sanctioned to a NBFC.
6.	Submission of accounts for guarantee cover	MLI is required to apply for guarantee cover in respect of credit proposals sanctioned in the quarter April-June, July-September, October-December and January-March prior to expiry of the following quarter i.e. July-September, October-December, January-March and April-June respectively.				Quarterly submission of Batch uploads

Sr. No	Particulars	CGS-I	CGS-II
7.	Payment of Guarantee fee	First time Annual Guarantee Fee (AGF) for a credit facility (other than WC facility) is required to be paid within 30 days of first disbursement or 30 days from the date of Demand Advice of Guarantee fee (CGDAN), whichever is later. For WC facility, AGF has to be paid within 30 days from the date of CGDAN. For consequent years, AGF is required to be paid within 60 days from the date of demand by CGTMSE.	Guarantee fee at specified rate on each batch of the Portfolio shall be paid to the Trust by the institution availing of the guarantee within 30 days from the date of submission of each batch or 30 days from the date of Demand Advice (CGDAN) of guarantee fee whichever is earlier or such date as specified by the Trust. However, the guarantee cover would start from the date of realisation of such payment.
8.	Lock-in period & Lodging of claims/Invocation of guarantee	For each account, there is 18 months lock-in period under CGS. This 18 months lock-in period is from date of last disbursement under the account or date of start of guarantee cover, whichever is later. MLI can invoke guarantee in respect of an account within 2 years from the lock-in period or the date of account turning NPA, whichever is later. The claim could only be lodged after initiation of legal proceedings with DRT/ Revenue Recovery Authority / Lok Adalat / Civil Court/ SARFAESI <i>etc.</i> In case of SARFAESI, MLI has to ensure possession of the secured assets as per section 13(4) of the Securitization Act.	Each Portfolio of MLI would get crystallised at the end of each quarter in which the portfolio is built up. Claims could be lodged for NPA accounts and for which Legal action (SARFAESI Act, Section 38, Arbitration Proceedings, Repossession and Sale of Assets etc), irrevocable demand notice has been initiated after issuing a loan recall notice. In case of SARFAESI, MLI has to ensure possession of the secured assets as per section 13(4) of the Securitization Act.

Appendix-XVII

(Referred to in Para 4.1.2.2)

Statement showing Comparison of CGTMSE with guarantee institutions of other (Asian) countries

Parameter	KODIT	JFC	JFG	CGCM	PUJKI	CGTMSE
Corpus contribution	Govt. and Banks	Govt.	Central/ State Govt.	Central Bank of Malaysia	Govt.	Govt. and SIDBI
Authority	KODIT Act	JFC Act	The Credit Guarantee Corporation Law Act	Central Bank of Malaysia	Govt.	Ministry of MSME, Govt. of India
Guarantee type	Direct to enterprise/ Indirect through lenders	Indirect through vendors	Direct/ Indirect (through other Credit Guarantee Corporations (CGCs))	Direct/ Indirect	Indirect	Indirect through lenders
Credit Assessment	Yes	No	Yes	Yes	No	No
Types of Services provided	1. Credit Guarantee Service 2. Credit Insurance Service 3. Infrastructure Credit Service 4. KODIT Management Consulting to SMEs	1. Credit Insurance Service	1. Credit Guarantee Services (through other 51 CGCs)	1. Conventional Scheme 2. Islamic Schemes 3. Government Funded Schemes 4. Rebate Mechanism 5. CGC Development Programme	1. Credit Guarantee Service for SMEs (Micro Credit Program) 2. Loan For Food Security and Energy Credit of Cattle Breeding	1. CGS-I and II for banks, financial institutions, NBFCs 2. Guarantee Service under Hybrid Model 3. Scheme for Retail Traders (All through MLIs)
Type of Creditors	1. Banks 2. NBFCs 3. Government Institutions	1. Banks 2. Financial Institutions	1. Financial Institutions	1. Financial Institutions	1. Banks 2. NBFCs	1. Banks including SFBs. 2. Financial Institutions 3. NBFCs.

Parameter	KODIT	JFC	JFG	CGCM	PUJKI	CGTMSE
Percentage of coverage	Need based	80 per cent	80 per cent to 100 per cent	30 per cent to 90 per cent based on risk profile of the SMEs		75 per cent, 80 per cent, 85 per cent (based on type of borrower) for Banks 50 per cent to 75 per cent for NBFCs
Type of enterprises covered	SMEs	SMEs (including foreign SMEs)	SMEs	SMEs	SMEs	MSEs
Guarantee Fee	0.5 per cent to 3 per cent	1. Guarantee 0.45 per cent - 1.90 per cent 2. Insurance 0.25 per cent - 1.69 per cent	0.39 per cent to 2.20 per cent based on the type of guarantee provided	Different rates based on the Scheme	-	upto 1 per cent, 1.35 per cent, 1.50 per cent, 1.8 per cent, 2 per cent (based on the type of borrower / institution)
No of Offices	117	154	186	2600	56	1
No of Employees	2381	7364	6211	Information not available		45
Fund Size (US\$)	\$4.1Bn	\$16.37 Bn	\$16.69Bn			\$1.5Bn

Appendix-XVIII

(Referred to in Para 4.1.3.1)

Statement showing financial position of CGTMSE during the period from
2014-15 to 2018-19

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Sources of income					
Interest on investments	439.53	438.28	427.25	523.87	688.55
Income from mutual funds ¹	0.00	0.00	3.75	13.31	13.79
Guarantee fee	166.83	159.67	174.06	178.49	207.79
Annual Guarantee fee	84.27	228.35	344.35	441.07	508.69
Annual Service fee	213.74	151.35	84.02	32.98	9.63
Recoveries by MLIs on claim paid account	31.50	57.93	125.50	177.94	209.63
Others ²	0.09	0.13	0.38	0.30	62.88
Total Income	935.96	1,035.71	1,159.31	1,367.96	1,700.96
Expenditure					
Operating and other Administrative Expenses	6.86	6.87	6.72	7.70	9.79
Provision for Guarantee claims	1,108.03	1,020.73	1,126.11	1,314.84	1,607.58
Others ³	0.15	0.26	0.20	0.22	0.23
Total Expenditure	1,115.04	1,027.86	1,133.03	1,322.76	1,617.60
Excess of Income over Expenditure	(179.08)	7.85	26.28	45.20	83.36

Source: Annual Reports of the Trust and audited financial statements for the year 2018-19

Note:

- The guarantee fee is one-time fee payable by the MLIs for obtaining fresh guarantee cover while the Annual Service Fee (ASF) is payable by the MLIs each year for continuing the guarantee cover.
- The Trust modified (October 2012) the CGS-I and a composite all-in guarantee fee *i.e.* Annual Guarantee Fee (AGF) was payable by the MLIs for credit facilities sanctioned on or after 1 January 2013. The ASF remained applicable for credit facilities sanctioned prior to 1 January 2013.

¹ The Trust invested in debt funds with direct plan-growth through online mechanism.

² Other Income includes miscellaneous income, penal interest income and depreciation written back and interest on refund of income tax.

³ Other Expenditure includes interest on service tax, bank charges and depreciation.

Appendix-XIX

(Referred to in Para 4.1.4.5)

Statement showing delay in submission of application by the Member Lending Institutions and other discrepancies

Applications where the date of submission of application by the MLI for guarantee cover was prior to the date of sanction

CGPAN	GURAMT	APP_SANCTION_DT	APP_SUBMITTED_DT	Difference (in days)
CG20160302371TC	30,00,000	28-03-2026	14-06-2016	3,573
CG20150197462TC	1,70,000	09-07-2015	06-07-2015	2
CG20150231251TC	25,000	09-07-2018	13-08-2015	1,060
CG20160186422TC	7,50,000	04-12-2016	22-03-2016	257
CG20150068920TC	3,00,000	12-01-2020	27-02-2015	1,779
CG20160229087TC	19,00,000	25-05-2016	04-05-2016	20
CG20150167093TC	2,79,150	01-07-2015	15-06-2015	15
CG20160350126TC	3,64,000	18-07-2016	16-07-2016	1
CG20150126047TC	15,00,000	25-04-2016	05-05-2015	355
CG20150050094TC	6,00,000	28-03-2015	04-03-2015	24
CG20150223743TC	5,00,000	06-07-2022	04-08-2015	2,528
CG20150263526TC	1,78,000	17-09-2015	15-09-2015	1
CG20170072844TC	1,45,000	23-04-2017	27-03-2017	26
CG20160104496TC	2,60,000	02-12-2016	05-03-2016	271
CG20160304361TC	16,30,000	26-06-2016	22-06-2016	3
CG20170011596TC	11,44,000	29-12-2017	13-01-2017	349
CG20180077781TC	3,63,750	14-07-2018	19-05-2018	55

Delay in submission of proposal for guarantee cover by the MLIs

Sl. No.	Type of MLI	No. of proposals submitted with delay	Percentage of total delayed proposals	Amount of Guarantee cover (₹ in crore)
1.	Public Sector Banks	35,692	90.46	1,202.54
2.	Private Sector Banks	1,337	3.39	27.58
3.	Foreign Banks	7	0.02	2.60
4.	Regional Rural Banks	2,412	6.11	25.78
5.	Lending Institutions	8	0.02	2.42
Total		39,456	100	1,260.92

Statement showing MLI-wise delay in submission of proposal for guarantee cover

Public Sector Banks

Sl. No.	Name of MLI	No. of Guarantee cover	Amount of Guarantee cover (₹ in crore)	Range of delay (days)
1.	Allahabad Bank	880	34.32	181-273
2.	Andhra Bank	424	13.09	181-272
3.	Bank of Baroda	1,360	62.37	181-1871
4.	Bank of India	5,347	223.35	181-1848
5.	Bank of Maharashtra	369	29.76	181-1176
6.	Canara Bank	11,876	306.39	181-374
7.	Central Bank of India	445	18.95	181-2033
8.	Corporation Bank	705	39.43	181-3809
9.	Dena Bank	205	12.47	181-366
10.	IDBI Bank Ltd.	20	3.00	181-372
11.	Indian Bank	480	20.52	181-269
12.	Indian Overseas Bank	1,278	39.28	181-1749
13.	Oriental Bank of Commerce	143	7.95	181-258
14.	Punjab & Sind Bank	64	1.46	181-251
15.	Punjab National Bank	4,223	118.81	181-2012
16.	State Bank of Bikaner & Jaipur	1	0.03	208
17.	State Bank of Hyderabad	3	0.01	190-197
18.	State Bank of India	3,015	122.60	181-2309
19.	State Bank of Mysore	10	0.30	181-259
20.	State Bank of Patiala	1	0.65	252
21.	State Bank of Travancore	4	0.04	181-1907
22.	Syndicate Bank	1,852	73.19	181-302
23.	UCO Bank	172	4.68	181-367
24.	Union Bank of India	2,685	59.19	181-1072
25.	United Bank of India	64	5.42	181-235
26.	Vijaya Bank	66	5.25	181-300
Total		35,692	1,202.54	

Private Sector Banks

Sl. No.	Name of MLI	No. of Guarantee cover	Amount of Guarantee cover (₹ in crore)	Range of delay (days)
1.	Axis Bank Limited	21	0.71	182-266
2.	HDFC Bank Ltd.	17	3.37	184-267
3.	ICICI Bank	1	0.03	255
4.	Karnataka Bank Limited	13	1.57	183-215
5.	Kotak Mahindra Bank Ltd.	1	0.19	210
6.	Lakshmi Vilas Bank	2	0.26	196-198
7.	Tamilnad Mercantile Bank	26	1.15	182-242
8.	The Jammu & Kashmir Bank Ltd.	1,246	19.47	181-273
9.	The Nainital Bank Ltd.	1	0.02	183
10.	The South Indian Bank Ltd.	8	0.31	182-243
11.	Yes Bank Limited	1	0.50	190
Total		1,337	27.58	

Foreign Banks

Sl. No.	Name of MLI	No. of Guarantee cover	Amount of guarantee cover (₹ in crore)	Range of delay (days)
1.	Deutsche Bank	7	2.60	181-370
Total		7	2.60	-

Regional Rural Banks

Sl. No.	Name of MLI	No. of Guarantee cover	Amount of Guarantee cover (₹ in crore)	Range of delay (days)
1.	Andhra Pradesh Grameena Vikas Bank	366	2.42	181-271
2.	Andhra Pragathi Grameena Bank	111	1.82	181-272
3.	Baroda Uttar Pradesh Gramin Bank	3	0.03	182-297
4.	Chhattisgarh Rajya Gramin Bank	181	0.69	181-265
5.	Dena Gujrat Gramin Bank	5	0.11	187-253
6.	Karnataka Vikas Grameena Bank	6	0.22	194-251
7.	Kaveri Grameena Bank	2	0.06	192-212
8.	Kerala Gramin Bank	57	1.27	181-1784
9.	Langpi Dehangi Rural Bank	2	0.08	188-263
10.	Pallavan Grama Bank	14	0.09	181-229
11.	Pandyan Grama Bank	1397	15.43	181-888
12.	Pragathi Krishna Bank	81	1.51	181-246
13.	Sarva Haryana Bank	7	0.10	187-245
14.	Sarva U.P. Gramin Bank	87	1.27	181-261
15.	Sutlej Bank	3	0.01	181-270
16.	Telangana Grameena Bank	82	0.51	183-260
17.	Uttar Bihar Gramin Bank	8	0.16	182-235
Total		2,412	25.78	

Other lending institutions

Sl. No.	Name of MLI	No. of Guarantee cover	Amount of Guarantee cover (₹ in crore)	Range of delay (days)
1.	Andhra Pradesh State Financial Corporation	4	1.19	186-462
2.	Jammu & Kashmir Development Finance Corporation Ltd.	1	0.30	227
3.	Small Industries Development Bank of India	3	0.93	196-305
Total		8	2.42	

Appendix-XX

(Referred to in sub-para (a) of Para 5.1.4.1)

**Estimated cost of Unfinished Minimum Work Programme recovered earlier and
Revised cost as per new guidelines**

Sl. No.	Name of the block	Consortium Partners with Participating Interest (<i>per cent</i>)	Provisional amount recovered earlier (USD in Million)	Revised amount (Provisional) (USD in Million)	Differential amount to be paid/ paid by consortium (USD in Million)
			A	B	C=B-A
ONGC blocks					
1.	MB-DWN-2000/1	ONGC (85), IOC(15)	11.63	17.83	6.20
2.	GS-DWN-2000/1	ONGC (100)	3.93	5.46	1.53
3.	GS-DWN-2000/2	ONGC (85), GAIL(15)	7.37	10.92	3.55
4.	MB-DWN-2000/2	ONGC (50), GAIL (15), IOC (15), OIL (10), GSPC (10)	5.68	9.51	3.83
5.	KK-DWN-2000/4	ONGC (100)	2.54	6.53	4.00
6.	MB-OSN-97/4	ONGC (70), IOC(30)	2.73	3.29	0.57
Total			33.88	53.56	19.68
RIL blocks					
1.	KG-OSN-97/3	RIL(100)	7.28	10.83	3.56
2.	KG-OSN-97/4		2.65	4.38	1.74
3.	GK-OSN-97/1		2.90	5.43	2.52
4.	MB-OSN-97/3		6.98	7.76	0.77
Total			19.81	28.40	8.59

Appendix-XXI

(Referred to in sub-para (b) of Para 5.1.4.1)

Non-recovered cost of Unfinished Minimum Work Programme by Government and Private Companies in respect of 33 blocks

(NELP round I to VII)

Sl. No.	Block & Operator	Consortium Participation interest (per cent)	End of Exploration Phase/ Termination of contract	Details of payment by contractors within 60 days as per Article 5 of PSC (USD in Mn)			Working out of CoUMWP by DGH for approval of MoPNG (USD in Mn)		Details of CoUMWP as approved by MoPNG (USD in Mn)		BG Invoiced (USD in Mn)	Details of payments by Contractors (USD in Mn)			Balance (USD in Mn)	Dues Outstanding from Companies (USD in Mn)	
				Date	Date		Date		Date			CoUMWP	Interest	Date		Govt.	Pvt.
1.	CY-PR-DWN-2004/1 ONGC	ONGC-70, GSPC-10, HPCL-10, GAIL-10	14.11.2012	13.01.2013	0	28.09.2017	19.18	20.08.2018	19.82	0	0	0	-	19.82	19.82	0	
2.	GS-OSN-2001/1 ONGC	ONGC-100	11.03.2008	10.05.2008	0	25.08.2009	13.45	05.09.2014	13.45	0	0	0	-	13.45	13.45	0	
3.	MN-OSN-97/3 ONGC	ONGC-85, GAIL-15	14.09.2007	14.11.2007	0	15.04.2010	7.41	11.06.2010	7.41	0	0	0	-	7.41	7.41	0	
4.	AN-DWN-2003/1 ONGC	ONGC-100	04.12.2012	03.02.2013	0	10.09.2013	7.45	29.12.2014	7.45	0	0	0	-	7.45	7.45	0	
5.	MB-OSN-2000/1 ONGC	ONGC-75, IOC-15, GSPC-15	15.05.2008	14.07.2008	0	08.02.2010	2.18	09.11.2012	2.18	0	0.45	0	02.12.2015 and 09.02.2016	1.74	1.74	0	

Sl. No.	Block & Operator	Consortium Participation interest (per cent)	End of Exploration Phase/ Termination of contract	Details of payment by contractors within 60 days as per Article 5 of PSC (USD in Mn)			Working out of CoUMWP by DGH for approval of MoPNG (USD in Mn)		Details of CoUMWP as approved by MoPNG (USD in Mn)		BG Invoked (USD in Mn)	Details of payments by Contractors (USD in Mn)			Balance (USD in Mn)	Dues Outstanding from Companies (USD in Mn)	
				Date	Date		Date		Date			CoUMWP	Interest	Date		Govt.	Pvt.
6.	MN-OSN-2000/1 ONGC	ONGC-100	15.02.2007	14.04.2007	0	15.09.2009	2.68	03.11.2009	2.68	0	0.86	0	02.03.2015	1.82	1.82	0	
7.	CY-DWN-2004/3 ONGC	ONGC-70, GSPC-10, HPCL-10, GAIL-10	21.11.2012	20.01.2013	0	28.05.2019	19.61	08.08.2019	19.61	0	0	0	-	19.61	19.61	0	
8.	NEC-DWN-2002/2 ONGC	ONGC-100	17.09.2014	17.11.2014	0	09.10.2017	11.82	16.01.2019	11.82	0	10.52	0	14.05.2020	1.30	1.30	0	
9.	AA-ONN-2002/3 OIL	OIL-30, ONGC-70	24.09.2014	23.11.2014	0	20.03.2017	0.55	03.08.2018	0.55	0	0.43	0	04.01.2016, 08.01.2016 & 08.10.2018	0.12	0.12	0	
10.	AA-ONN-2003/3 OIL	OIL-85, HPCL-15	29.05.2010	28.07.2010	0	07.11.2013	7.85	19.02.2015	7.85	0	4.27	0	April/May 2013	3.58	3.58	0	
11.	RJ-ONN-2004/3 OIL	OIL-60, GEOG LOBAL-25, HPCL-15	21.01.2012	20.03.2012	0	07.11.2013	10.23	17.03.2015	10.23	3.51	5.07	0	24.05.2012 26.07.2020 16.02.2017	1.66	0	1.66	

Sl. No.	Block & Operator	Consortium Participation interest (per cent)	End of Exploration Phase/ Termination of contract	Details of payment by contractors within 60 days as per Article 5 of PSC (USD in Mn)			Working out of CoUMWP by DGH for approval of MoPNG (USD in Mn)		Details of CoUMWP as approved by MoPNG (USD in Mn)		BG Invo ked (USD in Mn)	Details of payments by Contractors (USD in Mn)			Balance (USD in Mn)	Dues Outstanding from Companies (USD in Mn)	
				Date	Date		Date		Date			CoUM WP	Inter est	Date		Govt.	Pvt.
12.	RJ-ONN-2005/2 OIL	OIL-60, HOEC-20, HPCL-Mittal Energy-20	24.12.2015	22.02.2016	0	10.05.2018	9.14	07.08.2019	9.14	0	4.18	0	23.03.2016	4.96	1.30	3.66	
13.	RJ-ONN-2005/3 GSPC	GSPC-60, ONGC-40	29.12.2014	27.02.2015	0	09.12.2016	9.35	22.05.2018	9.35	0	4.49	0	18.12.2015 15.03.2016	4.87	4.87	0	
14.	RJ-ONN-2004/1 GSPC & GAIL	GSPC-22.225, GAIL-22.225, HPCL-22.22, HALLWORTHY-11.11, NITINFIRE-11.11, BPCL-11.11	05.05.2013	04.06.2013	0	07.11.2013	2.24	31.10.2014	2.24	0.35	1.81	0	March 2014 -September 2019	0.08	0	0.08	
15.	SR-OSN-97/1 RIL	RIL-100	29.10.2006	28.12.2006	0	07.07.2014	15.70	10.03.2015	15.70	0	0	0	-	15.70	0	15.70	

Sl. No.	Block & Operator	Consortium Participation interest (per cent)	End of Exploration Phase/ Termination of contract	Details of payment by contractors within 60 days as per Article 5 of PSC (USD in Mn)			Working out of CoUMWP by DGH for approval of MoPNG (USD in Mn)		Details of CoUMWP as approved by MoPNG (USD in Mn)		BG Invoiced (USD in Mn)	Details of payments by Contractors (USD in Mn)			Balance (USD in Mn)	Dues Outstanding from Companies (USD in Mn)	
				Date	Date		Date		Date			CoUMWP	Interest	Date		Govt.	Pvt.
16.	KG-OSN-2001/1 RIL	RIL-100	17.03.2018	16.05.2008	0	11.12.2012	3.46	23.09.2013	3.46	0	0	0	-	3.46	0	3.46	
17.	KG-DWN-98/1 RIL	RIL-70, BPEAL-30	31.12.2010	27.02.2011	0	27.01.2015	78.75	25.05.2018	78.75	0	0	0	-	78.75	0	78.75	
18.	MN-DWN-2003/1 RIL	RIL-55, NIKO-15, BPEAL-30	04.06.2013	03.08.2013	0	07.11.2013	61.31	04.06.2015	61.31	0	18.00	11.47	20.06.2012	43.31	0	43.31	
19.	MN-DWN-2004/1 RIL	RIL-70, BPEAL-30	14.11.2012	13.01.2013	0	07.11.2013	19.83	28.08.2014	19.83	0	6.00	0	12.07.2013	13.83	0	13.83	
20.	MN-DWN-2004/2 RIL	RIL-70, BPEAL-30	14.11.2012	13.01.2013	0	07.11.2013	19.83	13.01.2015	19.83	0	6.00	0	12.07.2013	13.83	0	13.83	
21.	MN-DWN-2004/3 RIL	RIL-70, BPEAL-30	14.11.2012	13.01.2013	0	07.11.2013	19.83	05.03.2015	19.83	0	6.00	0	11.01.2013	13.83	0	13.83	
22.	KG-DWN-2004/4 RIL	RIL-70, BPEAL-30	20.11.2012	19.01.2013	0	07.11.2013	20.19	17.11.2014	20.19	0	6.00	0	18.07.2013	14.19	0	14.19	
23.	KG-DWN-2004/7 RIL	RIL-70, BPEAL-30	22.11.2012	21.01.2013	0	07.11.2013	20.19	12.11.2014	20.19	0	6.00	0	18.01.2013	14.19	0	14.19	

Sl. No.	Block & Operator	Consortium Participation interest (per cent)	End of Exploration Phase/ Termination of contract	Details of payment by contractors within 60 days as per Article 5 of PSC (USD in Mn)			Working out of CoUMWP by DGH for approval of MoPNG (USD in Mn)		Details of CoUMWP as approved by MoPNG (USD in Mn)		BG Invo ked (USD in Mn)	Details of payments by Contractors (USD in Mn)			Balance (USD in Mn)	Dues Outstanding from Companies (USD in Mn)	
				Date	Date		Date		Date			CoUM WP	Inter est	Date		Govt.	Pvt.
24.	KG-DWN-2001/1 RIL	RIL-60, BPEAL-30, HEPI-10	22.01.2012	22.03.2012	0	07.11.2013	24.50	18.02.2015	24.50	0	6.00	3.83	22.06.2012	18.50	0	18.50	
25.	MN-DWN-98/2 RIL	RIL-100	06.03.2011	05.05.2011	0	24.03.2014	44.92	27.04.2015	44.92	0	0	0	*	44.92	0	44.92	
26.	KK-DWN-2001/2 RIL	RIL-70, BPEAL-30	22.01.2012	22.03.2012	0	07.11.2013	13.43	09.03.2015	13.43	0	6.00	3.84	27.06.2012	7.43	0	7.43	
27.	KK-DWN-2001/1 RIL	RIL-70, BPEAL-30	22.01.2012	22.03.2012	0	07.11.2013	13.43	09.03.2015	13.43	0	6.00	3.84	27.06.2012	7.43	0	7.43	
28.	MN-DWN-2004/4 RIL	RIL-70, BPEAL-30	20.11.2012	19.01.2013	0	07.11.2013	19.83	05.03.2015	19.83	0	6.00	0	18.01.2013	13.83	0	13.83	
29.	AA-ONN-2003/2 Geo Petrol	GPI 30 NTPC 40, CRL 15, Brownstone 15	08.04.2010	07.06.2010	0	16.08.2010	18.79	14.01.2011	18.79	4.74	0	0	11.05.2010 and 17.05.2010	14.05	7.52	6.54	
30.	CB-ONN-2005/8 Vasundhara	Vasundhara -100	16.01.2012	18.03.2012	0	21.10.2013	0.00	08.05.2014	20.62	0.23	0	0	13.05.2014	20.40	0	20.40	

Appendix-XXII

(Referred to in sub-para (b) & (c) of Para 5.1.4.1)

Delay in calculation and approval of cost of Unfinished Minimum Work Programme

Sl. No.	Block	End of Exploration Phase/ Termination of contract	Due date of payment of CoUMWP within 60 days as per Article 5	Date of determination of CoUMWP by DGH	Time taken by DGH since end of exploration Phase or termination of contract		Date of approval of CoUMWP by MoPNG	Time taken by MoPNG in approval of CoUMWP since determination of CoUMWP by DGH	
					Days	Months		Days	Months
					D=C-A	D/30		F=E-C	F/30
NELP round I to VII									
A	B	C	D=C-A	D/30	E	F=E-C	F/30		
1.	RJ-ONN-2005/3	29-12-2014	27-02-2015	09-12-2016	711	23.70	22-05-2018	529	17.63
2.	CY-PR-DWN-2004/1	14-11-2012	13-01-2013	28-09-2017	1779	59.30	20-08-2018	326	10.87
3.	GS-OSN-2001/1	11-03-2008	12-05-2008	25-08-2009	532	17.73	05-09-2014	1837	61.23
4.	CB-ONN-2005/8	16-01-2012	18-03-2012	21-10-2013	644	21.47	08-05-2014	199	6.63
5.	MN-OSN-97/3	15-09-2007	15-11-2007	15-04-2010	943	31.43	11-06-2010	57	1.90
6.	MZ-ONN-2004/2	10-01-2013	12-03-2013	17-06-2013	158	5.27	06-01-2015	568	18.93
7.	AA-ONN-2002/3	24-09-2014	23-11-2014	20-03-2017	908	30.27	03-08-2018	501	16.70
8.	CY-ONN-2003/1	21-03-2011	20-05-2011	29-11-2012	619	20.63	11-11-2014	712	23.73
9.	AN-DWN-2003/1	04-12-2012	03-02-2013	10-09-2013	280	9.33	29-12-2014	475	15.83

Sl. No.	Block	End of Exploration Phase/ Termination of contract	Due date of payment of CoUMWP within 60 days as per Article 5	Date of determination of CoUMWP by DGH	Time taken by DGH since end of exploration Phase or termination of contract		Date of approval of CoUMWP by MoPNG	Time taken by MoPNG in approval of CoUMWP since determination of CoUMWP by DGH	
					Days	Months		Days	Months
					D=C-A	D/30		F=E-C	F/30
		A	B	C			E		
10.	SR-OSN-97/1	29-10-2006	28-12-2006	07-07-2014	2808	93.60	10-03-2015	246	8.20
11.	KG-OSN-2001/1	17-03-2008	16.05.2008	11-12-2012	1730	57.67	23-09-2013	286	9.53
12.	AA-ONN-2004/4	10-01-2013	10-03-2013	03-07-2013	174	5.80	07-01-2016	918	30.60
13.	AA-ONN-2003/3	29-05-2010	28-07-2010	07-11-2013	1258	41.93	19-02-2015	469	15.63
14.	AA-ONN-2003/2	08-04-2010	07-06-2010	16-08-2010	130	4.33	14-01-2011	151	5.03
15.	KG-DWN-98/1	31-12-2010	27-02-2011	27-01-2015	1488	49.60	25-05-2018	1214	40.47
16.	MB-OSN-2000/1	15-05-2008	14-07-2008	08-02-2010	634	21.13	09-11-2012	1005	33.50
17.	MN-DWN-2003/1	04-06-2013	03-08-2013	07-11-2013	156	5.20	04-06-2015	574	19.13
18.	MN-DWN-2004/1	14-11-2012	13-01-2013	07-11-2013	358	11.93	28-08-2014	294	9.80
19.	MN-DWN-2004/2	14-11-2012	13-01-2013	07-11-2013	358	11.93	13-01-2015	432	14.40
20.	MN-DWN-2004/3	14-11-2012	13-01-2013	07-11-2013	358	11.93	05-03-2015	483	16.10
21.	KG-DWN-2004/4	20-11-2012	19-01-2013	07-11-2013	352	11.73	17-11-2014	375	12.50

Sl. No.	Block	End of Exploration Phase/ Termination of contract	Due date of payment of CoUMWP within 60 days as per Article 5	Date of determination of CoUMWP by DGH	Time taken by DGH since end of exploration Phase or termination of contract		Date of approval of CoUMWP by MoPNG	Time taken by MoPNG in approval of CoUMWP since determination of CoUMWP by DGH	
					Days	Months		Days	Months
					D=C-A	D/30		F=E-C	F/30
		A	B	C			E		
22.	KG-DWN-2004/7	22-11-2012	21-01-2013	07-11-2013	350	11.67	12-11-2014	370	12.33
23.	MN-OSN-2000/1	15-02-2007	14-04-2007	15-09-2009	943	31.43	03-11-2009	49	1.63
24.	RJ-ONN-2004/3	21-01-2012	20-03-2012	07-11-2013	656	21.87	17-03-2015	495	16.50
25.	KG-DWN-2001/1	22-01-2012	22-03-2012	07-11-2013	655	21.83	18-02-2015	468	15.60
26.	MN-DWN-98/2	06-03-2011	05-05-2011	24-03-2014	1114	37.13	27-04-2015	399	13.30
27.	MN-DWN-2004/4	20-11-2012	19-01-2013	07-11-2013	352	11.73	05-03-2015	483	16.10
28.	KK-DWN-2001/2	22-01-2012	22-03-2012	07-11-2013	655	21.83	09-03-2015	487	16.23
29.	KK-DWN-2001/1	22-01-2012	22-03-2012	07-11-2013	655	21.83	09-03-2015	487	16.23
30.	RJ-ONN-2004/1	05-05-2013	04-06-2013	07-11-2013	186	6.20	31-10-2014	358	11.93
31.	CY-DWN-2004/3	21-11-2012	20-01-2013	28-05-2019	2379	79.3	08-08-2019	72	2.4
32.	NEC-DWN-2002/2	17-09-2014	17-11-2014	09-10-2017	1118	37.27	16-01-2019	464	15.47
33.	RJ-ONN-2005/2	24-12-2015	22-02-2016	10-05-2018	868	28.93	07-08-2019	454	15.13

Sl. No.	Block	End of Exploration Phase/ Termination of contract	Due date of payment of CoUMWP within 60 days as per Article 5	Date of determination of CoUMWP by DGH	Time taken by DGH since end of exploration Phase or termination of contract		Date of approval of CoUMWP by MoPNG	Time taken by MoPNG in approval of CoUMWP since determination of CoUMWP by DGH	
					Days D=C-A	Months D/30		Days F=E-C	Months F/30
		A	B	C			E		
NELP round VIII and IX									
34.	AA-ONN-2010/1	15-10-2013	15-12-2013	30-10-2013	15	0.50	31-12-2013	62	2.07
35.	CY-OSN-2009/1	01-08-2014	30-09-2014	08-07-2014	0	0	29-04-2016	661	22.03
36.	CB-ONN-2009/1	14-04-2015	13-06-2015	15-05-2017	762	25.40	01-09-2017	109	3.63
37.	CB-ONN-2009/2	03-07-2015	02-09-2015	13-04-2017	650	21.67	01-09-2017	141	4.70
38.	CB-ONN-2010/10	29-08-2018	28-10-2018	03-08-2017	0	0	08-11-2018	462	15.40
39.	CB-ONN-2010/4	15-10-2018	14-12-2018	15-11-2018	31	1.03	10-12-2018	25	0.83

Appendix-XXIII

(Referred to in sub-para (c) of Para 5.1.4.1)

Non-recovered cost of Unfinished Minimum Work Programme from Private Companies in respect of six blocks
(NELP round VIII & IX)

Sl. No.	Block	End of Exploration Phase/ Termination of contract	Details of payment by contractors within 60 days as per Article 5 of PSC (Amt in USD in Million)		Working out of COUWP by DGH for approval of MoPNG (Amt in USD in Million)		Details of COUMWP as approved by MoPNG (Amt in USD in Million)		BG Invoked (Amt in USD in Million)	Details of payments by Contractors (Amt in USD in Million)			Balance (Amt in USD in Million)
			Date	Date	Amount	Date	Amount	Date		Amount	Amount	CoUMWP	
									A	B	C		D=A-B-C
1.	AA-ONN-2010/1	15-10-2013	15-12-2013	0	30-10-2013	9.01	31-12-2013	9.01	0.00	0.00	0	-	9.01
2.	CY-OSN-2009/1	01-08-2014	30-09-2014	0	08-07-2014	0.43	29-04-2016	0.34	0.00	0.15	0	03.12.2014	0.19
3.	CB-ONN-2009/1	14-04-2015	13-06-2015	0	15-05-2017	11.22	01-09-2017	11.22	1.99	0.00	0	28.12.2017	9.22
4.	CB-ONN-2009/2	03-07-2015	02-09-2015	0	13-04-2017	11.18	01-09-2017	11.18	1.55	0.00	0	27.08.2019	9.63
5.	CB-ONN-2010/10	29-08-2018	28-10-2018	0	03-08-2017	8.91	08-11-2018	8.91	0.00	0.00	0	-	8.91
6.	CB-ONN-2010/4	15-10-2018	14-12-2018	0	15-11-2018	5.31	10-12-2018	5.31	0.00	0.00	0	-	5.31
									45.95	3.54	0.15		42.26

Appendix-XXIV

(Referred to in Para 5.1.4.2)

Delay in approval of cost of Unfinished Minimum Work Programme in respect of seven relinquished/ terminated blocks

SI No	Block	End of Exploration Phase/ Termination of contract	Due date of payment within 60 days as per Article 5	Working out of COUMWP by DGH for approval of MoPNG		Date of approval of COUMWP by MoPNG	Time taken by DGH in calculating the COUMWP for approval of MoPNG	Time elapsed since date of determination by DGH till 30 September 2019
				Date	Amount			
				A	B			
				Date		Date	Days	Days
				C		D	E=C-A	F=30.09.2019-C
1.	VN-ONN-2004/1	21-10-2016	20-12-2016	24-09-2019	1.30	Yet to be approved	1,068	6
2.	KG-ONN-2004/2	10-02-2013	09-04-2013	01-11-2013	2.83		264	2,159
3.	WB-OSN-2000/1	28-02-2008	27-04-2008	11-07-2018	25.63		3,786	446
4.	CB-ONN-2004/5	10-01-2013	11-03-2013	17-10-2013	10.32		280	2,174
5.	GV-ONN-2002/1	07-12-2008	05-02-2009	24-08-2018	2.35		3,547	402
6.	CY-DWN-2001/2	14-09-2014	13-09-2014	03-04-2018	23.81		1,297	545
7.	DS-ONN-2004/1	30-08-2018	29-10-2018	18-06-2019	2.54		292	104
Total					68.78			

Appendix-XXV

(Referred to in Para 5.1.4.2)

Delay in calculation of cost of Unfinished Minimum Work Programme in respect of two relinquished/ terminated blocks

Sl. No.	Block	End of Exploration Phase/ Termination of contract	Due date of payment within 60 days as per Article 5	Working out of COUMWP by DGH for approval of MoPNG		Date of approval of COUMWP by MoPNG	Time taken by DGH in calculating the COUMWP for approval of MoPNG	Time elapsed since date of end of exploration of phase or termination of contract till 30 September 2019
		Date	Date	Date	Amount	Date	Days	Days
		A	B	C		D	E=C-A	F=30.09.2019-A
1.	KK-OSN-2001/2	12-03-2007	11-05-2007	Yet to be determined	N.A.	N.A.	N.A.	4,585
2.	KK-OSN-2001/3	12-03-2007	11-05-2007	Yet to be determined	N.A.	N.A.	N.A.	4,585

Appendix-XXVI

(Referred to in Para 6.1.4.1)

Statement showing loss of revenue due to reduction in depth

Period	DWT (in Tonne)	Cargo handled (in Tonne)	Average Parcel Load (in per cent)	No. of Ships	Reduction in Average Parcel Load (in per cent) (taking 48.54 as base)	Loss of cargo handled due to reduction in Average Parcel Load (in Tonne)	Revenue Per ton (₹)	Revenue loss due to reduction in Average Parcel Load (₹ in crore)
A	B	C	$D=C/B \times 100$	E	$F=48.54 - D$	$G= B \times F/ 100$	H	$I = G \times H$
2002-03	5,85,97,050	2,84,45,508	48.54	1,659	0.00			
2013-14	6,91,27,540	2,71,50,867	39.28	1,956	9.26	64,03,641	298.70	191.28
2014-15	7,53,75,051	2,90,40,358	38.53	1,900	10.01	75,46,692	318.26	240.18
2015-16	7,84,09,129	3,02,95,504	38.64	2,026	9.90	77,64,287	298.83	232.02
2016-17	8,22,98,638	3,21,48,637	39.06	2,075	9.48	77,99,122	320.22	249.74
2017-18	9,52,02,174	3,80,12,711	39.93	2,315	8.61	81,98,424	326.18	267.42
2018-19	9,82,19,896	4,01,15,996	40.84	2,262	7.70	75,59,942	316.22	239.06
Total								1,419.70

Appendix-XXVII

(Referred to in Para 6.1.4.2)

Statement showing underutilisation of Hopper capacity

Period	Nos. of load	Capacity to be utilised	Capacity actually utilised	Capacity under-utilised	Percentage of under-utilisation	Amount paid (₹ in crore)	Amount paid became ineffective due to under-utilisation (₹ in crore)
A	B	C	D	E = C-D	F=E/C X 100	G	H= G X F
(A) Dredge XXI (Capacity 5500 cub. meter)							
2014-15	2,260	1,24,30,000	1,08,94,640	15,35,360	12.35	93.24	11.52
2015-16	3,837	86,68,000	79,99,793	6,68,207	7.71	77.52	5.97
2016-17	5,011	64,51,500	55,50,696	9,00,804	13.96	20.79	2.90
Total	11,108	2,75,49,500	2,44,45,129	31,04,371	11.27	191.55	20.39
(B) Dredge XX (Capacity 5500 cub. meter)							
2014-15	2,141	1,17,75,500	1,02,35,347	15,40,153	13.08	104.04	13.61
2015-16	794	43,67,000	41,06,419	2,60,581	5.97	51.03	3.05
2016-17	632	34,76,000	31,57,496	3,18,504	9.16	60.72	5.56
Total	3,567	1,96,18,500	1,74,99,262	21,19,238	10.80	215.79	22.22
(C) Dredge XIX (Capacity 5500 cub. meter)							
2014-15	2,180	1,19,90,000	1,04,74,754	15,15,246	12.64	104.94	13.26
2015-16	1,332	73,26,000	69,61,135	3,64,865	4.98	58.67	2.92
2016-17	208	11,44,000	10,53,035	90,965	7.95	18.04	1.44
Total	3,720	2,04,60,000	1,84,88,924	19,71,076	9.63	181.65	17.62

Period	Nos. of load	Capacity to be utilised	Capacity actually utilised	Capacity under-utilised	Percentage of under-utilisation	Amount paid (₹ in crore)	Amount paid became ineffective due to under-utilisation (₹ in crore)
A	B	C	D	E = C-D	F=E/C X 100	G	H= G X F
(D) Dredge XVII (Capacity 7400 cub. meter)							
2014-15	0	0	0	0	-	0	0
2015-16	825	61,05,000	45,03,050	16,01,950	26.24	39.58	10.39
2016-17	0	0	0		-	0	0
Total	825	61,05,000	45,03,050	16,01,950	26.24	39.58	10.39
(E) Dredge XVI (Capacity 7400 cub. meter)							
2014-15	130	9,62,000	6,33,699	3,28,301	34.13	15.94	5.44
2015-16	0	0	0	0	0	0	0
2016-17	0	0	0	0	0	0	0
Total	130	9,62,000	6,33,699	3,28,301	-	15.94	5.44
(F) Dredge XIV (Capacity 4500 cub. meter)							
2014-15	1,275	57,37,500	56,60,659	76,841	1.34	39.59	0.53
2015-16	1,787	80,41,500	77,81,360	2,60,140	3.23	59.48	1.92
2016-17	550	24,75,000	21,77,569	2,97,431	12.02	28.93	3.48
Total	3,612	1,62,54,000	1,56,19,588	6,34,412	-	128.00	5.93
(G) Dredge XII (Capacity 4500 cub. meter)							
2014-15	0	0	0	0	0	0	0
2015-16	1,195	53,77,500	53,44,212	33,288	0.62	37.94	0.23
2016-17	1,927	18,76,500	16,92,948	1,83,552	9.78	16.31	1.60
Total	3,122	72,54,000	70,37,160	2,16,840	-	54.25	1.83

Total amount paid in respect of all dredgers became ineffective due to under -utilisation (A+ B+C+D+E+F+G) = ₹83.82 crore

Appendix-XXVIII

(Referred to in Para 6.1.4.3)

Statement showing excess expenditure due to delay in finalising dredging contract

Month	Auckland			Eden			Jellingham & Haldia Anchorage		
	Quantity (Cum.)	Rate per Cum.(₹)	Amount (₹)	Quantity (Cum.)	Rate per Cum.(₹)	Amount (₹)	Quantity (Cum.)	Rate per Cum.(₹)	Amount (₹)
A	B	C	D = B X C	E	F	G = E X F	H	I	J = H X I
Apr-14	13,47,962.65	234.59	31,62,18,557.99	0.00	209.53	0.00	1,74,350.10	259.47	4,52,38,620.94
May-14	15,71,503.18	234.59	36,86,58,930.61	0.00	209.53	0.00	2,97,823.58	259.47	7,72,76,284.20
Jun-14	11,54,604.31	234.59	27,08,58,624.08	0.00	209.53	0.00	2,03,457.73	259.47	5,27,91,177.85
Jul-14	11,26,519.70	234.59	26,42,70,256.57	0.00	209.53	0.00	2,86,557.03	259.47	7,43,52,951.40
Aug-14	14,05,587.17	234.59	32,97,36,694.67	0.00	209.53	0.00	3,75,686.87	259.47	9,74,79,471.18
Sep-14	10,81,061.79	234.59	25,36,06,285.27	0.00	209.53	0.00	3,36,864.85	259.47	8,74,06,323.54
Oct-14	9,11,559.72	234.59	21,38,42,794.66	0.00	209.53	0.00	2,92,877.47	259.47	7,59,92,917.49
Nov-14	8,21,245.77	234.59	19,26,56,045.35	0.00	209.53	0.00	2,75,023.13	259.47	7,13,60,250.86
Dec-14	8,52,418.89	234.59	19,99,68,947.81	0.00	209.53	0.00	2,81,330.74	259.47	7,29,96,886.81
Jan-15	9,42,743.33	234.59	22,11,58,158.07	0.00	209.53	0.00	2,47,768.93	259.47	6,42,88,604.25
Feb-15	6,89,045.90	234.59	16,16,43,278.73	0.00	209.53	0.00	3,27,390.77	259.47	8,49,48,083.27
Mar-15	7,64,441.63	234.59	17,93,30,362.12	0.00	209.53	0.00	4,61,940.97	259.47	11,98,59,823.01
Apr-15	7,36,734.96	234.59	17,28,30,653.19	0.00	209.53	0.00	5,57,816.19	259.47	14,47,36,567.10
May-15	13,41,347.58	234.59	31,46,66,728.70	0.00	209.53	0.00	4,81,871.15	259.47	12,50,31,106.38
Jun-15	10,34,964.92	234.59	24,27,92,421.42	0.00	209.53	0.00	4,64,661.69	259.47	12,05,65,767.56
Jul-15	10,01,457.62	234.59	23,49,31,944.06	0.00	209.53	0.00	4,56,411.42	259.47	11,84,25,071.25
Aug-15	8,58,505.01	234.59	20,13,96,690.94	0.00	209.53	0.00	4,49,329.03	259.47	11,65,87,403.89
Sep-15	8,64,619.41	234.59	20,28,31,066.84	5080.50	209.53	10,64,516.50	4,76,765.97	259.47	12,37,06,467.41
Oct-15	873221.54	234.59	20,48,49,041.40	0.00	209.53	0.00	4,94,487.60	259.47	12,83,04,697.24

Month	Auckland			Eden			Jellingham & Haldia Anchorage		
	Quantity (Cum.)	Rate per Cum.(₹)	Amount (₹)	Quantity (Cum.)	Rate per Cum.(₹)	Amount (₹)	Quantity (Cum.)	Rate per Cum.(₹)	Amount (₹)
A	B	C	D = B X C	E	F	G = E X F	H	I	J = H X I
Nov-15	7,41,289.83	234.59	17,38,99,180.76	0.00	209.53	0.00	3,54,061.83	259.47	9,18,68,422.52
Dec-15	6,63,604.75	234.59	15,56,75,038.68	0.00	209.53	0.00	3,75,235.30	259.47	9,73,62,303.13
Jan-16	6,61,330.82	234.59	15,51,41,595.96	0.00	209.53	0.00	3,20,488.08	259.47	8,31,57,041.19
Feb-16	2,34,214.95	234.59	5,49,44,484.90	33306.27	209.53	69,78,663.57	2,32,049.15	259.47	6,02,09,793.69
Mar-16	0.00	234.59	0.00	210784.82	209.53	4,41,65,742.35	2,02,600.52	259.47	5,25,68,755.87
Apr-16	53,616.96	234.59	1,25,78,001.57	153855.38	209.53	3,22,37,318.23	2,49,129.18	259.47	6,46,41,549.56
May-16	1,66,558.54	234.59	3,90,72,968.23	50572.55	209.53	1,05,96,467.27	2,55,690.78	259.47	6,63,44,085.93
Jun-16	2,32,198.81	234.59	5,44,71,518.58	0.00	209.53	0.00	2,71,968.57	259.47	7,05,67,685.70
Jul-16	2,25,537.21	234.59	5,29,08,774.14	0.00	209.53	0.00	2,56,189.85	259.47	6,64,73,581.29
Aug-16	1,48,426.34	234.59	3,48,19,336.03	14610.54	209.53	30,61,346.74	2,87,899.08	259.47	7,47,01,175.01
Sep-16	1,34,280.71	234.59	3,15,00,912.55	0.00	209.53	0.00	2,36,460.38	259.47	6,13,54,373.71
Oct-16	1,85,613.29	234.59	4,35,43,022.40	0.00	209.53	0.00	3,87,458.96	259.47	10,05,33,975.16
Nov-16	4,02,251.27	234.59	9,43,64,126.34	0.00	209.53	0.00	4,38,286.06	259.47	11,37,22,084.95
Dec-16	5,17,869.30	234.59	12,14,86,958.94	0.00	209.53	0.00	4,40,191.54	259.47	11,42,16,499.25
Total	2,37,46,337.87		5,57,06,53,401.54	4,68,210.06		9,81,04,054.65	1,12,50,124.49		2,91,90,69,802.59

Total quantity dredged during April 2014 to December 2016 = (2,37,46,337.87+ 4,68,210.06 + 1,12,50,124.49) = 3,54,67,484.21 Cum.

Total dredging expenditure incurred on daily hire rate basis= ₹9,78,26,89,118

Total dredging expenditure would have been incurred on quantity rate basis = ₹ (5,57,06,53,401+9,81,04,055+2,91,90,69,803) = ₹ 8,58,78,27,259

Excess expenditure due to delay in finalising dredging contract = ₹ (9,78,26,89,118 – 8,58,78,27,259) = ₹ 1,19,48,61,859 i.e. ₹119.49 crore

Note: The dredging quantity has been recalculated with bulk density of 1.79 gm/Cum.

Appendix-XXIX

(Referred to in Para 6.1.4.4)

Statement showing excess expenditure incurred on dredging at Jellingham

Period	Actual depth achieved (meter)		Difference in depth of Eden over Jellingham (meter)	Under-utilised depth of Jellingham due to lower difference in depth between Jellingham and Eden (meter)	Excess quantity dredged for the under-utilised depth of Jellingham (MM ³)	Unit cost of dredging for Jellingham (₹)	Expenditure incurred on the excess quantity for the under-utilised depth of Jellingham (₹ in crore)
	Jellingham	Eden					
A	B	C	D=C-B	E=B-(C-0.5)	F=E x 0.15 MM ³ / 0.1	G	H=G x F
Jan-17	4.20	4.60	0.40	0.10			
Feb-17	4.40	4.60	0.20	0.30			
Mar-17	4.50	4.40	-0.10	0.60			
Apr-17	4.50	4.60	0.10	0.40			
May-17	4.50	4.60	0.10	0.40			
Jun-17	4.70	4.60	-0.10	0.60			
Jul-17	4.70	4.60	-0.10	0.60			
Aug-17	4.80	4.60	-0.20	0.70			
Sep-17	4.70	4.60	-0.10	0.60			
Oct-17	4.80	4.60	-0.20	0.70			
Nov-17	4.80	4.80	0.00	0.50			
Dec-17	4.90	5.10	0.20	0.30			
Average				0.48	0.73	259.47	18.81
Jan-18	4.90	5.10	0.20	0.30			
Feb-18	5.00	5.10	0.10	0.40			

Period	Actual depth achieved (meter)		Difference in depth of Eden over Jellingham (meter)	Under-utilised depth of Jellingham due to lower difference in depth between Jellingham and Eden (meter)	Excess quantity dredged for the under-utilised depth of Jellingham (MM ³)	Unit cost of dredging for Jellingham (₹)	Expenditure incurred on the excess quantity for the under-utilised depth of Jellingham (₹ in crore)
	Jellingham	Eden					
A	B	C	D=C-B	E=B-(C-0.5)	F=E x 0.15 MM ³ / 0.1	G	H=G x F
Mar-18	5.00	4.90	-0.10	0.60			
Apr-18	5.10	4.90	-0.20	0.70			
May-18	5.30	5.00	-0.30	0.80			
Jun-18	5.10	4.90	-0.20	0.70			
Jul-18	5.10	5.00	-0.10	0.60			
Aug-18	5.30	5.10	-0.20	0.70			
Sep-18	5.10	5.10	0.00	0.50			
Oct-18	4.90	5.10	0.20	0.30			
Nov-18	5.00	5.00	0.00	0.50			
Dec-18	5.10	5.30	0.20	0.30			
Average				0.53	0.80	259.47	20.76
Jan-19	5.10	5.30	0.20	0.30			
Feb-19	5.10	5.50	0.40	0.10			
Mar-19	5.10	5.50	0.40	0.10			
Average				0.17	0.06	259.47	1.62
						Total	41.19
Note: As per tender specification of New Dredging contract, for every subsequent 0.1 meter increase in depth, the norms for quantity shall increase by 0.15 MM³							

Appendix-XXX

(Referred to in Para No. 6.1.4.5)

Statement showing average Turn Round Time of Vessels at KoPT

Period	Kolkata Dock System		Haldia Dock Complex	
	TRT of Vessels worked at Anchorage and Dock	Total TRT of vessels	TRT of Vessels worked at Anchorage and Dock	Total TRT of vessels
	(Figures in days)			
2013-14	10.5	4.63	16.82	5.97
2014-15	10.78	4.68	21.48	8.01
2015-16	9.33	4.34	18.84	8.48
2016-17	9.82	4.83	15.93	6.4
2017-18	12.02	5.1	19.36	7.17
2018-19	6.62	4.83	13.59	6.45
Note: For calculating TRT, Audit excluded those vessels where width was bigger than the width of the Lock gate of respective dock				

Appendix-XXXI

(Referred to in Para No. 6.1.4.6)

Statement showing additional expenditure due to delay in revision of scope of contract

Year	Increase in contract price (in per cent)	Contract price (₹)	Period (months)	Annual Contract Price (₹ in crore)
2017	-	37,00,000	12	4.44
2018	5	38,85,000	6	2.33
Total Payment				6.77
Additional expenditure (40 per cent of the paid amount)				2.71

Appendix-XXXII

{Referred to in Para No. 6.1.5.1(a)}

Statement showing excess expenditure incurred on recirculated dredged material

Year	Dredged quantity (Million Cubic meter)	Dredging expenditure (₹ in crore)	Re-circulation of dredged material in channel @ 15 per cent (Million Cubic meter)	Dredging expenditure incurred on the re-circulated dredged material (₹ in crore)
A	B	C	D = B X 15 per cent	E = C x 15 per cent
2013-14	19.6	349.14	2.94	52.37
2014-15	18.11	394.16	2.72	59.12
2015-16	16.24	343.17	2.44	51.48
2016-17	7.68	244.75	1.15	36.71
2017-18	9.98	253.57	1.50	38.04
2018-19	9.21	272.58	1.38	40.89
Total	80.82	1,857.37	12.12	278.61

Appendix-XXXIII
{ Referred to in Para No. 6.1.5.2(a) }
Statement showing avoidable payment due to non-incorporation of rates for side casting in contract

Dredger	Months	Jellingham				Lower Auckland Bar (UP)			
		Quantity (M ³)	Dredging expenditure @ ₹259.47 per Cum. (₹)	Estimated cost of dredging @ ₹156 per Cum. (₹)	Excess expenditure (₹)	Quantity (M ³)	Dredging expenditure @ ₹224.59 per Cum. (₹)	Estimated cost of dredging @ ₹156 per Cum. (₹)	Excess expenditure (₹)
A	B	C	D=C X 259.47	E=C X 156	F = D – E	G	H=GX224.59	I =G X 156	J = H -I
XX	Jan-17	67,439.85	1,74,98,618	1,05,20,617	69,78,001				
XX	Feb-17	79,504	2,06,28,903	1,24,02,624	82,26,279				
XX	Mar-17	62,693.35	1,62,67,044	97,80,163	64,86,881	43,311.81	97,27,399.40	67,56,642.40	29,70,757.10
XII	Mar-17	0	0	0	0	15,782.59	35,44,611.90	24,62,084	10,82,527.90
XX	May-17	27,292.37	70,81,551	42,57,610	28,23,942	4,944.27	11,10,433.60	7,71,306.12	3,39,127.48
XX	Jun-17	25,710.21	66,71,028	40,10,793	26,60,235				
XX	Jul-17	52,804.81	1,37,01,264	82,37,550	54,63,714				
XXI	Jul-17	38,367.54	99,55,226	59,85,336	39,69,889				
XX	Aug-17	1,187	3,07,991	1,85,172	1,22,819				
XXI	Aug-17	36,588	94,93,488	57,07,728	37,85,760				
XX	Sep-17	37,774.23	98,01,279	58,92,780	39,08,500				
XXI	Sep-17	4,746.50	12,31,574	7,40,454	4,91,120				
XX	Oct-17	62,100.04	1,61,13,097	96,87,606	64,25,491				
XXI	Oct-17	4,944.27	12,82,890	7,71,306	5,11,584				
XXI	Nov-17	80,294.78	2,08,34,087	1,25,25,986	83,08,101				
XX	Dec-17	2,373.25	6,15,787	3,70,227	2,45,560				
XXI	Dec-17	52,607.04	1,36,49,949	82,06,698	54,43,250				

Dredger	Months	Jellingham				Lower Auckland Bar (UP)			
		Quantity (M ³)	Dredging expenditure @ ₹259.47 per Cum. (₹)	Estimated cost of dredging @ ₹156 per Cum. (₹)	Excess expenditure (₹)	Quantity (M ³)	Dredging expenditure @ ₹224.59 per Cum. (₹)	Estimated cost of dredging @ ₹156 per Cum. (₹)	Excess expenditure (₹)
A	B	C	D=C X 259.47	E=C X 156	F = D – E	G	H=GX224.59	I =G X 156	J = H –I
XX	Jan-18	21,359.25	55,42,085	33,32,043	22,10,042				
XXI	Jan-18	26,896.83	69,78,920	41,95,905	27,83,015				
XXI	Feb-18	695	1,80,332	1,08,420	71,912				
XXI	Mar-18	23,732.5	61,57,872	37,02,270	24,55,602				
XXI	Apr-18	18,986	49,29,297	29,61,816	19,67,481				
XXI	May-18	10,877.40	28,22,359	16,96,874	11,25,485				
XX	Jun-18	8,701.91	22,57,885	13,57,498	9,00,387				
XXI	Jun-18	2,768.79	7,18,418	4,31,931	2,86,487				
XX	Jul-18	14,437.27	37,46,038	22,52,214	14,93,824				
XXI	Jul-18	7,119.75	18,47,362	11,10,681	7,36,681				
XXI	Aug-18	34,412.13	89,28,914	53,68,292	35,60,622				
XIX	Sep-18	34,609.90	89,80,231	53,99,144	35,81,086				
XX	Oct-18	37,972	98,52,595	59,23,632	39,28,963				
XX	Nov-18	46,278.38	1,20,07,851	72,19,427	47,88,424				
XX	Dec-18	14,239.50	36,94,723	22,21,362	14,73,361				
XX	Jan-19	3,559.88	9,23,682	5,55,341	3,68,341				
Total		9,43,073.73	24,47,02,339	14,71,19,502	9,75,82,839	64,038.67	1,43,82,445	99,90,033	43,92,412
Total quantity = (9,43,073.73 + 64,038.67) Cum. = 10,07,112.4 Cum.									
Total excess expenditure = (₹9,75,82,839 + ₹43,92,412) = ₹ 10,19,75,251 or ₹ 10.19 crore									

Appendix-XXXIV

{Referred to in Para No. 6.1.5.2(a)}

Statement showing loss of opportunity to save expenditure during the remaining period of the contract

Particulars	Formula	Amount (in ₹)
Total quantity dredged through side casting in 27 months (in Cum.) (Refer Appendix -XXXIII)	A	10,07,112.40
Monthly average quantity (Cum.)	$B=A/27$ months	37,300.46
Average quantity to be dredged during the remaining period contract i.e. 33 month (April 2019 to December 2021) (in Cum.)	$C=B \times 33$ months	12,30,915.16
Rate per cubic meter at Eden (₹ per Cum.)	D	259.47
Rate estimated by KoPT (₹ per Cum.)	E	156.00
Difference in rate (₹ per Cum.)	$F=D-E$	103.47
		Total loss (₹ in crore)
	$G=(C \times F)/10^7$	12.74

Appendix-XXXV

(Referred to in Para 6.4)

Calculation of loss due to under-recovery of Tippling Charges

Period	Tippling charges levied (₹ per MT)	Tippling charges calculated (₹ per MT)	Under-recovery of Tippling charges (₹ per MT)	Quantity tipped (MT)	Loss (₹ in crore)
June 2016 to July 2018	20.40	47.05	26.65	29,52,748	7.87
August 2018 to March 2019	21.10	48.67*	27.57	11,93,502	3.29
Total				41,46,250	11.16

*Revised Annual Indexation Factor for 2018-19 was fixed at 3.45 per cent by TAMP. Accordingly, the revised Tippling charges for handling of thermal coal at IOHP w.e.f. 1 August 2018 would be (₹ 47.05 X 103.45 per cent) = ₹48.67 per MT.

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