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. Inspite 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)