

AUDIT PARA

Present status of the Audit Paras (Commercial + Civil) for inclusion in
Annual Report 2011-2012 (As on 13.02.2012)

Sl.No	Para No./ Report No.	Brief Subject	Present status
1	Para No. 3.1/Report No. CA.3 of 2011-12	<p><u>Central Coalfields Limited-</u></p> <p>Para No. 3.1- Loss of revenue due to road sale of Coal instead of sale as washed coal</p> <p>Despite price advantage of washed coal over raw coal, Pundi Mines of Kuju Area resorted to road sale instead of sending raw coal to Rajrappa Washery for washing and sale thereafter, resulting in a net loss of revenue of ₹19.34 crore to the company during the period from 2006-07 to 2009-10</p>	Vetting remarks awaited from Audit
2	3.2/Report No. CA.3 of 2011-12	<p><u>Eastern Coalfields Limited-</u></p> <p>Para No. 3.2-Avoidable expenditure due to failure to follow the procedure prescribed for obtaining direct power supply from generating company.</p> <p>Failure of the company to complete formalities required for obtaining open access permission from Jharkhand State electricity Regulatory commission resulted in avoidable expenditure of ₹10.62 crore for drawing power at enhanced rate.</p>	Pending
3	3.3/Report No. CA.3 of 2011-12	<p><u>Neyveli Lignite Corporation Limited-</u></p> <p><u>Para. 3.3 Capital financing</u></p> <p>Neyveli Lignite corporation Limited got the approval from Government of India for implementing four projects comprising a mine and a power project each at Neyveli and Barsingar.. The approved cost of the projects was ₹5540.30 crore(revised to ₹6630.19 crore in 2008-09) to be financed out of borrowing of ₹3878.21 crore (revised to ₹4641.13 crore) and internal resources of ₹1622.09 crore(revised to ₹1989.06 crore) Audit examined actual financing of all the four projects undertaken by the Company between 2205-06 and 2009-10 with a view to assess whether the capital financing was done at optimum cost to the-</p>	Pending

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		<p>company and to the beneficiaries. The Audit observed non-maintenance of stipulated Debt-Equity ratio 70:30 in the interim quarters led to an opportunity loss that needs to be avoided, raising of funds through Bonds at higher rates than in ECB resulted in additional interest burden of ₹17.66 crore for 2009-10 alone, the Company did not prepare a detailed cash budget covering the entire project period and had to lose out by deploying internal funds in the interim periods and the Ministry did not consider the reduction of the overall cost to the customer.</p>	
4	Audit Report No. PA 9 of 2011-12	<p>Coal India Limited- Corporate Social Responsibility in Coal India Limited.</p> <p>Coal India Limited-(CIL) is one of the largest coal producing companies in the world with a total production of 431.32 million metric tonnes of coal in 2010-11. CIL has eight wholly owned subsidiaries. As of March 31, 2011, it is operated 470 mines in 21 major coalfields across eight states in India, including 164 open cast mines, 275 underground mines and 31 mixed mines (included both open cast and underground mines.)</p> <p>The performance audit of the CIL and its subsidiaries was conducted with a view to assess whether the companies were able to fulfill their corporate social responsibilities(CSR) in an effective and efficient manner towards environmental protection, safety requirement, occupational health of workers and community and peripheral development.</p> <p>Some of the significant audit observations are as below:</p> <p>CSR Policy Framework:</p> <p>CIL has adopted a comprehensive CSR Policy with effect from December 2009. However, to reap the benefits of the policy, the company needs to implement it effectively by ensuring adequate allocation of funds and setting up measurable targets. Allocation of funds for community and peripheral development was below the norms of ₹one per tonne of coal produced in five out of seven coal producing-</p>	Pending

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		<p>only a handful of projects had the rain water harvesting arrangements.</p> <p>Out of 239 mines in CIL, which existed prior to 1994, including 48 open cast mines, 170 underground mines and 21 combined mines were found to be working without environmental clearance</p> <p>Environmental Management System enables an organization to evaluate and continually improve its environmental performance and operating efficiency. As of March 2011 only 71 out of total 629 units in CIL has got Environment Management System certification i.e. ISO 14001 accreditation.</p> <p><u>Safety Issues</u></p> <p>Mines safety including safety in stacking of overburden is a significant safety issue. In 10 out of 18 open cast mines selected in sample, there were cases of violation of safety parameters such as excess height and gradient of overburden dumps.</p> <p>Though the number of fatal accidents, number of fatalities and number of serious accidents showing decreasing trend but it was not able to achieve the zero harm target,</p> <p>Initial and periodical medical examinations were being done for the company employees . However, only .1.58 percent to 7 per cent of contractors' employees underwent medical examination, although mandatory.</p> <p><u>Significant recommendations are:</u></p> <p>CIL and its subsidiaries should evolve a mechanism to set up measurable targets with timeline so that performance of CSR activities can be monitored effectively.</p> <p>CIL and its subsidiaries should plan and spend constructively on community and peripheral development after assessing the needs of the society.</p> <p>Topsoil should be preserved at earmarked sites without violating guidelines of Ministry of Environment and forests and proper record of its storage and use should be maintained.</p>	

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		<p>In order to arrest depletion of ground water level as a result of coal mining, subsidiaries may take up rain-water harvesting.</p> <p>Independent safety audit of every mine should invariably be conducted at a frequency of two years as suggested by the safety committee of CIL.</p> <p>All subsidiaries may maintain computerized database of medical history of employees as is being done in NCL for effective medical care.</p>	