

CHAPTER VII FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

GENERAL

7.1 Assistance to autonomous bodies and others

Autonomous bodies and authorities are set up to discharge generally non-commercial functions of public utility services. These bodies/authorities, by and large, receive substantial financial assistance from Government. Government also provides substantial financial assistance to other institutions such as those registered under the respective State Co-operative Societies Act, Companies Act 1956 etc., to implement certain programmes of the state Government. The grants are sanctioned and released to such bodies and authorities for maintenance of educational institutions, industrial institutions construction and maintenance of school and hospital buildings, improvement of roads and other communication facilities under Town Committees and local bodies.

During 2002-03, financial assistance of Rs.11.91 crore was paid to various autonomous bodies and other institutions broadly grouped as under:

Table 7.1 (Rupees in crore)

Serial Number	Name of institutions	Amount of assistance paid
1.	Village Development Boards	0.43
2.	Industrial institutions	2.45
3.	Town Committees	0.15
4.	Co-operative Societies	1.25
5.	Non-Government Schools/Colleges and Institutions	1.45
6.	Other Institutions	6.18
	Total:-	11.91

Source: Detailed Appropriation Accounts

7.2 Delay in furnishing utilisation certificates

The financial rules of Government require that where grants are given for a specific purpose, certificates of utilisation should be obtained by the departmental officers from the grantees, and after verification, these should be forwarded to the Accountant General within one year from the date of sanction, unless specified otherwise.

Three thousand two hundred and fifty three utilisation certifications due in respect of grants aggregating to Rs.84.16 crore paid during the period from 1967-68 to 2002-03 had not been furnished. Department-wise break-up of outstanding utilisation certificates was as under:

Table 7.2

Serial Number	Department	Period	Number of certificates	Amount (Rupees in crore)
1.	Industries & Commerce	1986-87 to 2002-03	47	*23.57
2.	School Education	1982-83 to 2002-03	644	*27.28
3.	Co-operation	1967-68 to 2002-03	286	6.03
4.	Rural Development	1980-81 to 2002-03	2255	**20.34
5.	Agriculture	1999-00 to 2002-03	9	*6.92
6.	Social Security and Welfare	2001-02 & 2002-03	1	0.01
7.	Art and Culture	2001-02 & 2002-03	11	0.01
	Total:-		3,253	84.16

Source: Based on departmental figures

Due to non-receipt of utilisation certificate, it was not possible to ascertain whether the recipients had utilised the grants for the purpose (s) for which these were intended.

7.3 Delay in submission of accounts

In order to identify the institutions which attract audit under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, Government and Heads of departments are required to furnish to Audit every year detailed information about the financial assistance given to various institutions, the purpose for which assistance was sanctioned, and the total expenditure of the institutions. Information for the years 1995-96 to 2002-03 was awaited from the Finance department of the Government (January 2004).

7.4 Audit arrangements

Under section 14 (1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act 1971, the accounts of any body or authority which is substantially financed by Government grants or loans, are to be audited by the Comptroller and Auditor General of India. A body or authority is said to be substantially financed, if the amount of Government grant or loan is not less than Rs.25 lakh and the amount of such grant or loan is not less than 75 per cent of the total expenditure of that body or authority. The following seven authorities/bodies¹ received Rs.101.98 crore as grants/loans from the Government of India/State Government during 2001-02.

* The position of utilisation certificates outstanding was as per last year's position as the information upto (September 2003) is awaited (January 2004).

** The position of outstanding utilisation certificates was only for the grants upto 1993-94. Information for subsequent years is awaited (January 2004).

¹ Taking seven DRDAs as one unit

Table 7.3

Sl. No.	Name of Body/Authority	Accounts prepared/ submitted	Accounts audited as on 31.3.2003	Source of Funds	Amount of grant/loan
					2001-02
					(Rupees in crore)
1.	Nagaland University	2001-02	1999-00 ²	Government of India & Government of Nagaland	14.17
2.	Development Authority of Nagaland, Dimapur	2001-02	2001-02	Government of Nagaland	0.85
3.	Nagaland Board of School Education	2001-02	March 2001	Government of Nagaland	1.05
4.	Nagaland State Social Welfare Advisory Board, Kohima.	2001-02	2001-02	Government of India & Government of Nagaland	0.89
5.	North East Zone Cultural Centre, Dimapur	1999-00	1999-00 ³	Government of India & Government of Nagaland	72.69
6.	Nagaland Khadi and Village Industries Board, Kohima	1999-00	1987-88 ⁴	Government of Nagaland	1.30
7.	District Rural Development Agency, Kohima	2001-02	2000-01	Government of India & Government of Nagaland	11.03
8.	District Rural Development Agency, Mokokchung	2001-02	2001-02	Government of India & Government of Nagaland	
9.	District Rural Development Agency, Tuensang	2001-02	2001-02	Government of India & Government of Nagaland	
10.	District Rural Development Agency, Wokha	2001-02	2001-02	Government of India & Government of Nagaland	
11.	District Rural Development Agency, Mon	2001-02	2000-01	Government of India & Government of Nagaland	
12.	District Rural Development Agency, Phek	2001-02	2000-01	Government of India & Government of Nagaland	
13.	District Rural Development Agency, Zunheboto	2001-02	1994-95	Government of India & Government of Nagaland	
Total					101.98

Source: Based on departmental figures

Nagaland Khadi and Village Industries Board, Kohima is a Statutory Corporation formed under an Act passed by the State Legislature. During 2001-02, the Board received Rs.1.30 crore from the Government of Nagaland. Details of loans/grants received from the Khadi and Village Industries Commission had not been made available.

² Audit of NU for the period 2000-01 and 2001-02 has been undertaken in the first quarter of 2003-04 and the SARs under finalisation.

³ SARs on NEZCC for the periods from 1995-96 to 1999-00 are pending due to non-approval of Annual A/cs by the Governing Body.

⁴ The approval to A/cs of NKVIB for the periods from 1988-89 to 1999-00 was submitted by the Board on 20/4/03 and accordingly audit was undertaken in October-November 2003. The SARs are under finalisation.

SECTION – A – REVIEWS

PLANNING AND CO-ORDINATION DEPARTMENT

7.5 Working of Development Authority Nagaland

Highlights

A review by audit on “Working of Development Authority Nagaland” revealed that the objectives of the Authority were not achieved due to lack of proper planning, control and direction. Lack of proper execution, implementation and monitoring of scheme resulted in loss of revenue due to non-allotment of a large number of stalls/rooms and non-realisation of rent from allottees. Recruiting staff without assessing actual requirements with reference to work load and financial mismanagement created an alarming situation.

Financial management of Development Authority Nagaland was poor, and the budget was not prepared annually, which led to unplanned expenditure and breach of provisions of Act/Rules.

(Paragraph 7.5.5)

Development Authority Nagaland engaged 47 work-charged staff and incurred expenditure of Rs.68.98 lakh on their salary when it did not have works to execute during 1998-99 to 2002-03.

(Paragraphs 7.5.6)

There was no provision in the Nagaland Town and Country Planning Act, 1966 nor in the Budget for expenditure on repair/maintenance of the Naga Shopping Arcade out of revenue collected from the occupants. Development Authority Nagaland irregularly spent Rs.80.49 lakh on repair/maintenance of the market complex out of revenue collected by it from the occupants of the stalls/rooms during 1998-99 to 2002-03.

(Paragraph 7.5.8)

Due to non-realisation of rent and non-allotment of a large number of stalls/rooms, the Development Authority Nagaland sustained loss of revenue of Rs.68.69 lakh

(Paragraph 7.5.9 to 7.5.11)

Development Authority Nagaland irregularly utilised the revenue of Rs.1.34 crore for day to day expenditure instead of crediting it to the Development Fund.

(Paragraph 7.5.12)

7.5.1 Introduction

Development Authority Nagaland (DAN), Dimapur was set up in October 1976 under the Nagaland Town and Country Planning Act, 1966.

DAN is financed by grants/investments from Consolidated Fund of the State and audit was taken up under Section 14 (i) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

7.5.2 Objectives

The objectives of DAN as envisaged in Nagaland Town and Country Planning Act, 1966 include, implementation of Master Plans and social housing schemes including land development, construction of urban infrastructure, promotion and enforcement of building bye-laws, execution of works entrusted by the Government and any other function which is supplemental, incidental or consequential to any of the functions aforesaid or which may be prescribed. By an amendment in 1981, DAN was also permitted to execute projects outside the State when directed by the Government of Nagaland (hereinafter referred to as Government). Against the above objectives, DAN had undertaken the following works during 1998-99 to 2002-03:

The Mithun project, costing Rs.52.91 lakh awarded to DAN by Indian Council of Agricultural Research (ICAR), Dimapur on deposit work basis, and

Construction of DAN office building at Dimapur costing Rs.53.29 lakh only.

It was stated by DAN that due to creation of an Engineering Wing under Town Planning department, all the construction works were being executed by that department, and therefore Engineering Wing of DAN remained partially utilised.

7.5.3 Organisational set up

DAN is managed/governed by a Board of Directors consisting of a Chairman, Vice-Chairman and six other members appointed by the Government of Nagaland. The Secretary, DAN is overall responsible for the working of DAN and is assisted by a Senior Executive Officer in matters relating to administration and laws, an Accounts Officer and two Executive Engineers in monitoring the execution of construction works.

7.5.4 Audit coverage

A review on the “Working of Development Authority Nagaland” based on test check of transactions for the period from 1998-99 to 2002-03 was conducted during March-April 2003 covering an expenditure of Rs.6.13 crore (100 *per cent*). The results of the review are incorporated in the succeeding paragraphs.

7.5.5 Financial Management

Budgeting process

As provided in the Nagaland Town and Country Planning Act, DAN was to prepare on or before the 1st day of February each year annual estimate of the anticipated income and proposed expenditure during the next financial year and submit it to Government for approval. DAN had, however, not prepared any budget during the period (1998-99 to 2001-02) and only demands for grants-in-aid were sent to the State Government through the Chief Town Planner to meet the requirement of funds. This led to unplanned receipt and expenditure and breach of provision of the Act/Rules. In reply DAN (October 2003) stated that the budget for 2002-03 had been prepared and approved in the meeting of Board (July 2002).

Maintenance of accounts and other records

According to provisions of the Act, the Secretary DAN is required to maintain an account of transactions in two sections viz ordinary (Revenue) and capital expenditure, which is required to be placed before the Budget and Finance Committee for approval and audited accounts are required to be submitted to the State Government. Scrutiny of records revealed that the annual audited accounts of 2001-02 only had been approved by the Board of Directors and submitted to the Government. As a result, upto-date position of assets, liabilities and borrowings were not disclosed.

Sources of finance and expenditure

DAN’s sources of finance include grants-in-aid from State Government, investments, rent of stalls/rooms, daily market rent during the period 1998-99 to 2002-03.

Details of income, grants-in-aid/investment and expenditure incurred by DAN during 1998-99 to 2002-03 were as under:

Table 7.4

(Rupees in lakh)

Year	Opening Balance	Grants-in-aid/Investment received during the year			Other Receipts	Total Receipts (5+6)	Fund available (2+7)	Expenditure	Closing Balance (8-9)
		Plan	Non-Plan	Total	Revenue				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1998-99	1.99	70.00	50.00	120.00	26.10	146.10	148.09	100.13	47.96
1999-00	47.96	50.00	50.00	100.00	22.66	122.66	170.62	130.77	39.85
2000-01	39.85	50.00	50.00	100.00	27.54	127.54	167.39	142.52	24.87
2001-02	24.87	85.00	---	85.00	51.94*	136.94	161.81	125.33	36.48
2002-03	36.48	70.00	---	70.00	31.07	101.07	137.55	114.14	23.41
Total		325.00	150.00	475.00	159.31	634.31		612.89	

Source: Receipts and Expenditure statement of DAN

Other receipts

Other receipts for the year 2001-02 included Rs.20.00 lakh as fixed deposit. The source from which the money was obtained for keeping in fixed deposit was neither on record nor stated. In reply (October 2003) DAN stated that the source of fund was from grants-in-aid.

The percentage of revenue receipts to total expenditure ranged between 17 to 27 per cent** and as such DAN had to depend mainly on the Plan and Non-Plan grants released by the Government, which constituted 62 to 82 per cent of the total receipts.

Against revenue receipts of Rs.6.89 lakh (Rs.3.53 lakh : 1999-00, Rs.3.36 lakh : 2000-01) realised as per cash book and receipt books, Rs.2.19 lakh (Rs.0.56 : 1999-00, Rs.1.63 lakh : 2000-01) were exhibited in accounts.

Thus, receipts were understated to the extent of Rs.4.70 lakh in accounts during 1999-00 and 2000-01. Government admitted the fact (October 2003).

Government of Nagaland, Planning and Coordination department accorded sanction as Grants-in-aid/Investment for payment of salaries to the officers and staff of DAN under "Plan" expenditure during the year 1999-00 to 2002-03. This classification of expenditure was not in consonance with the Financial Rules.

* This includes a fixed deposit of Rs.20 lakh.

** Calculation of year wise percentage of income with total expenditure:

1998-99	-	$\frac{26.10}{100.13} \times 100$	= 26 per cent	2001-02	-	$\frac{31.94}{125.33} \times 100$	= 25 per cent
1999-2000	-	$\frac{22.66}{130.77} \times 100$	= 17 per cent	2002-03	-	$\frac{31.07}{114.14} \times 100$	= 27 per cent
2000-01	-	$\frac{27.54}{142.52} \times 100$	= 19 per cent				

Although DAN prepared the Annual Accounts, the accounts for the year 2001-02 only were placed before the Board for approval (July 2002) since inception. In reply (October 2003) DAN stated that the accounts for the year 2002-03 were prepared and approved in the meeting of Board (July 2002). The reply is not tenable as DAN did not indicate the reasons for non-submission of its Annual Accounts for the years prior to 2001-02 before the Board.

7.5.6 Human Resource Management

Staffing pattern

No norms were fixed for the recruitment and posting of staff by DAN vis-a-vis the work load. In the absence of prescribed norms for staffing pattern, entertainment of excess/less staff against sanctioned strength could not be ascertained in audit.

Scrutiny of records, however, revealed that the Board of Directors occasionally analysed the strength of regular and work charged staff and sanctioned the posts accordingly. While the work charged staff was required to be terminated after completion of the work/project and the deputationist posted to project site reverted to their respective department, 47 workcharged staff were not terminated/reverted, in violation of Boards decision of May 1987. The expenditure on such staff towards their wages/salaries worked out to Rs.68.98 lakh.

Scrutiny revealed that DAN was established with 22 regular staff of different categories of posts with the approval of Board meeting held on April 1977. The staff strength was increased upto 81 by the Board according to decision taken at its meetings held from time to time. Further there was nothing on record to show that the monthly returns indicating the position of staff were furnished to the higher authority/Government. This reflected lack of control in management of human resources. In reply (October 2003) DAN stated that the returns were being furnished to the employment exchange regularly which was not tenable in audit.

DAN stated that some recruitment was done on the recommendations of VIPs approved by the Board and the workcharged staff were not terminated as their services were required against maintenance of its Market Complex named Naga Shopping Arcade (NSA) and allied work. It was also stated that the matter for regularization of the services of 47 workcharged staff would be placed in the next Board meeting. The reply is not tenable in view of the Board decision taken in this regard in its meeting held in May 1987.

7.5.7 Irregular expenditure on construction of DAN office building

DAN decided in September 1998 to construct its office building on its own land at NSA, Dimapur. Estimate for Rs.28.80 lakh for ground floor (March 1999) and Rs.32.60 lakh for first floor (September 1999) were prepared by Executive Engineer, DAN which was approved by Chairman in December 1999 with a stipulation that (a) the proposal for construction of DAN office building would

require to be put up to the Board for formal approval in its next meeting and, (b) funding was to be provided from the savings of internal resources. Original estimate for construction of ground floor was, however, revised from Rs.28.80 lakh to Rs.35.26 lakh. Rule 4 to 10 of Nagaland Town and Country Planning Rules, 1979 provided for obtaining of the State Government approval/sanction to the scheme.

Test check of records revealed that no administrative approval and technical sanction, as required, were obtained for construction of DAN office building. The construction of the ground and the first floor were completed through labour contract during December 2000 and August 2002 respectively at a total cost of Rs.53.29 lakh by utilising a portion of Plan funds meant for external electrification, providing street light, office block and revenue earned which was rather to be utilised for creation of a Development Fund. DAN had neither put up the proposal for construction to the Board nor obtained any approval from the State Government. The work was awarded to the contractor through labour contract although DAN had its own technical wing with enough workcharged staff. The reason for awarding the work to contractor was neither available on record nor stated to audit. Thus, expenditure of Rs.53.29 lakh incurred towards construction of office building and that too through contractor without approval/sanction of the Board/Government was irregular.

7.5.8 Expenditure on repair and maintenance of Market Complex incurred without following codal formalities

Para 214 of the Nagaland Public Works Department Code (NPWDC) envisages that orders for execution on repair work may be given by the Executive Engineer after satisfying himself on the requisition for repair made by the concerned officer (s) subject to availability of fund for the purpose.

DAN had spent Rs.80.49 lakh on repair and maintenance of the Market Complex out of revenue collected from the occupants of the stall/rooms during 1998-99 to 2002-03. No record showing year wise list of repair works taken up for execution, survey report and allotment of funds therefor was made available to audit (October 2003). Moreover, neither the Nagaland Town and Country Planning Act, 1966 nor the budget had any provision for incurring expenditure on repair/maintenance of the NSA out of receipts/revenue collected from the occupants. In the absence of requisite records, the reasonableness of the repair work executed by incurring expenditure of Rs.80.49 lakh (January 2003) could not be verified in audit. Thus, expenditure of Rs.80.49 lakh on repair and maintenance work of Market Complex out of its revenue receipts was irregular.

DAN stated (July 2003) that no survey was conducted but repair and maintenance of NSA were carried out as and when necessity arose. The reply was not tenable as it was not in accordance with Para 214 of the NPWDC.

7.5.9 Non-realisation of rent

The construction of NSA at Dimapur consisting of 352 stalls/rooms was undertaken in 1978 to (i) create employment opportunities for educated/uneducated unemployed local youths, (ii) help create resources in the form of rent, (iii) reduce pressure on construction of buildings in a particular commercial area by way of renting out the stalls/rooms. The monthly rental value was assessed on the basis of floor area, location, category and the use of the buildings. According to the statement of dues prepared by the revenue section of DAN on the basis of demands, the arrear of rent which remained uncollected from the occupants of the stalls/rooms for the period from 1998-99 to 2002-03 amounted to Rs.22.89 lakh as detailed below:

Table 7.5

(Rupees in lakh)

Year	Amount due from occupants	Amount collected	Outstanding rent
1998-99	25.71	21.63	4.08
1999-00	25.41	22.10	3.31
2000-01	30.36	25.91	4.45
2001-02	33.36	27.65	5.71
2002-03	30.89	25.55	5.34
Total :-	145.73	122.84	22.89

Source:- Departmental figures.

Test check of records revealed that no effective steps were taken against the defaulters to realise the outstanding rent from them nor recovery proceedings were initiated against the defaulters as per law. In reply (October 2003) DAN stated that legal suit for recovery of outstanding rent was lodged (19.12.2002) with Deputy Commissioner (Judicial) Dimapur.

7.5.10 Loss due to non-allotment of stalls/rooms

Naga Shopping Arcade consisting of 352 stalls/rooms was constructed to rent out to educated/uneducated local youths. Test check of records revealed that a large number of stalls/rooms remained unallotted for years together due to defective planning and construction which resulted in loss of revenue of Rs.40.45 lakh (*Appendix – XXVII*). The basic objective of providing self employment to the educated/uneducated local youths also remained unachieved.

DAN stated (July 2003) that it sustained loss of revenue of Rs.40.45 lakh due to defective Project Report/planning of NSA, severe law and order problem and inadequate publicity for renting out of stalls/rooms.

7.5.11 Loss of revenue

DAN let out a building with plinth area of 6309 sq.ft. in NSA on lease for five years from January 1995 to December 1999 to the City Law College, Dimapur. It entered into a tenancy agreement (September 1994) with the College with the

condition to pay monthly rent and other charges within ten days following the month for which the rent was due. Scrutiny revealed that after the first seventeen months of the lease period, City Law College had defaulted in payment of monthly rent for the period from June 1996 to December 1999 amounting to Rs.4.12 lakh. DAN served a legal notice (December 2002) to City Law College for payment of outstanding dues within 15 days of receipt of notice failing which a money suit would be filed for recovery of dues with interest thereon at the rate 18 *per cent* per annum. But DAN had neither filed any money suit nor took any action to realise the outstanding dues from City Law College (June 2003) as the latter failed to respond to the legal notice.

7.5.12 Irregular utilisation of revenue

Under Section 48 of the Act and clause 24 (vi) of the amendments made in September, 1979 the rent, profit and sale proceeds of all lands, building and other property vested or vesting in or acquired by DAN should be utilised for creation of Development Fund to carry out the purpose of the Act in the matter of implementation of Master Plans and Schemes and for the running of the staff and employees of DAN. No portion of the fund should, except with the sanction of the Government, be expended for purposes not provided by this Act. But no such Development Fund was created by DAN so far.

It was seen in audit that DAN had realised Rs.1.41 crore (*Appendix-XXVIII*) being rent of stalls/rooms, daily market rent, hire charges of Road Roller and other miscellaneous receipts during the period from 1998-99 to 2002-03, out of which only Rs.7 lakh was deposited into Government account during March 2001 to September 2001 and the balance amount of Rs.1.34 crore was utilised towards day to day expenditure of DAN establishment without creating a Development fund as required under the Act *ibid*. Thus, expenditure incurred by DAN led to irregular utilisation of revenue.

7.5.13 Misutilisation of Security Deposit

According to NPWD Code, cash realised in the form of security deposit should be kept in Bank/Post Office savings account and the same should be released to the lessee at the time of completion of lease agreement/vacating the room after adjustment of dues, if any.

Scrutiny revealed that DAN had realised Rs.10.37 lakh as security deposit from the tenants before renting out the stalls/rooms during the period from 1998-99 to 2002-03 out of which Rs.2.07 lakh was released to the tenants at the time of vacation of stalls/rooms and the balance out of Rs.8.30 lakh was utilised for repair and maintenance work of Naga Shopping Arcade as detailed below:

Table 7.6

(Rupees in lakh)			
Year	Amount realised	Amount released	Balance
1998-99	0.88	0.26	0.62
1999-00	0.54	0.04	0.50
2000-01	3.98	0.25	3.73
2001-02	1.56	0.30	1.26
2002-03	3.41	1.22	2.19
Total :-	10.37	2.07	8.30

Source:- Departmental figures

DAN replied (July 2003) that the amount of Rs.8.30 lakh was utilised for repair work purportedly due to financial crunch. Reply was not tenable as the expenditure of Rs.8.30 lakh incurred towards repair/maintenance of NSA was not covered by the provision of NPWD code.

7.5.14 Extra liability due to non-payment of instalment of loan

During 1978-79, DAN had taken up phasewise construction of the NSA on its own land at Dimapur at an estimated cost of Rs.2.39 crore with the stipulation to complete the work in its totality by the year 1981.

DAN obtained (March 1981) loan of Rs.1.44 crore bearing 8.50 *per cent* interest per annum from the Life Insurance Corporation of India (LIC) on the strength of State Government guarantee fees for financing the project. The principal was repayable in fifteen years in thirteen annual instalments with a moratorium of three years for the repayment of the principal as agreed upon. The interest was due on first day of the month of May and November every year and compound interest at the same rate to be paid on instalment of interest not paid on due date.

After paying Rs.1.13 crore* towards principal and Rs.1.07 crore towards interest against the loan upto June 1993 and March 2000 payment was stopped owing to “financial crunch” of DAN, thereby creating a further liability to pay compound interest of Rs.29.59 lakh (calculated upto November 2002) as detailed in *Appendix-XXIX*. DAN admitted the fact (October 2003).

As provided in the sanction (January 1981), DAN was to pay necessary guarantee fees at the rate of 0.50 *per cent* on due date which was to be credited into the treasury under the head of account “068-Miscellaneous General Services-receipts relating to guarantee given by Government-guarantee fees”. The guarantee would be valid for fifteen years from the date of borrowings or upto the day the loan with interest thereon is fully repaid, which ever is earlier.

Test check of records revealed that DAN had not yet deposited (June 2003) any amount into the Government accounts on account of guarantee fee and thus

* April 1984 to June 1984 – Rs.111.00 lakh
March 2000 – Rs.1.73 lakh
- Rs.112.73 lakh

created further liability of Rs.15.54 lakh (*Appendix-XXX* calculated upto November 2002).

DAN stated (July 2003) that the guarantee fees, principal of loan and interest accrued thereon could not be paid/deposited into Government account due to acute financial crisis. The reply is not tenable as records pertaining to the period under review (1998-99 to 2002-03) indicated that there were huge closing balances available at the year end which could have been utilized for discharging increasing liability of repayment of loan (principal/interest). In reply, DAN stated (October 2003) that fee would be paid as soon as funds were available, which was not tenable.

7.5.15 Internal control

No record was produced to audit in support that DAN had a system of internal control. DAN had not maintained even the vital records like, advance register, asset register, register for outstanding rent affecting its functioning as a viable unit. No record was produced in support of any control exercised by the top management and Controlling department (Chief Town Planner). Only some utilisation certificates were shown to audit in support of any return or information sent to Controlling department. Further, bank reconciliation was also not carried out during the period from 1998-99 to 2002-03.

7.5.16 Monitoring and evaluation

DAN did not have any monitoring cell and no agency/department had been entrusted by the Government to evaluate the working/activities of DAN. No record relating to submission of reports/returns to Board or to the Controlling department (Chief Town Planner) was produced to audit. Thus, the working/activities of DAN had not yet been evaluated/appraised.

7.5.17 Recommendations

In view of the shortcomings discussed above, Audit recommends that :

Effective step be taken to recover the outstanding rent from the defaulters and to allot the vacant stalls/rooms to make its internal resources generation sound.

Immediate step be taken to liquidate the outstanding loans taken from Life Insurance Corporation of India in order to avoid increasing liability due to compound interest being charged on the unpaid amount of interest instalments.

The functioning of the organisation be reviewed in the light of the functions enumerated in the objectives laid down for it in the Act in order to make full use of its human and other resources.

The matter was reported to Government and the department in September 2003; replies furnished (October 2003) were incorporated in the relevant paragraphs.