



राष्ट्रीय सफाई कर्मचारी वित्त एवम् विकास निगम

(सामाजिक न्याय और अधिकारिता मन्त्रालय के आधीन भारत सरकार का उपक्रम)

National Safai Karamcharis Finance & Development Corporation

(A Govt. of India Undertaking, Under the Ministry of Social Justice & Empowerment)



An ISO 9001 : 2000
Certified Company

NSKFDC/Government Audit/2009-10/1049(A)

BY HAND
Date: 25th November 2009

To,

The Deputy Director (Admn.),
Office of the Principal Director of Commercial Audit
& Ex-Officio Member, Audit Board-III,
6th & 7th Floor, Annexe Building,
10, Bahadur Shah Zafar Marg,
New Delhi - 110002.

Subject: Replies to Inspection Audit Reports for the year 2008-09.

Sir,

This is in continuation to our earlier letter no.NSKFDC/Government Audit/2009-10 dated 13th November 2009 on the above cited subject.

In this connection, we are enclosing herewith para-wise replies to the Part - II of the Inspection Audit Report for the financial year 2008-09.

In view of the above, you are requested to kindly consider the management reply's to the Paras of the Inspection Audit Reports raised during the Govt. Audit for the year 2008-09.

Thanking you,

Yours faithfully

(V. K. Parwanda)

Assistant General Manager-cum-Secretary

Encl: As above

NSKFDC

PARA-WISE REPLIES TO THE PART-I(A) & PART-II OF AUDIT INSPECTION REPORT ON THE ACCOUNTS OF NATIONAL SAFAI KARAMCHARIS FINANCE & DEVELOPMENT CORPORATION (NSKFDC), NEW DELHI FOR THE PERIOD APRIL 2008 TO MARCH 2009

Para no.	Observations of Audit Inspection	Management's Reply
1.	<p>Non recovery of non -utilization charges from the SCAs Rs.15.64 crore</p> <p>As per Lending Policy and Guidelines of NSKFDC the State Channelising Agencies (SCAs) should utilize the disbursed funds within 90 days from the date of their release. Thus the time limit allowed to SCAs for further disbursement of NSKFDC loans to ultimate beneficiary is 90 days. During this 90 days period normal rate of interest is charged by NSKFDC from the SCAs. If funds are not utilised within prescribed period the unutilized portion of the funds will attract non utilisation charges @ 3% over and above the prescribed interest rate. Similarly the funds refunded by the SCAs without utilisation in favour of target group also attract non-utilisation charges @ 3% over and above the prescribed interest rate from the 1st day onwards from the date of release of funds by NSKFDC. In case of starting economic activities involving construction of cement structure building the utilization period shall be 150 days and all other provision of lending policies & Guidelines in this regard shall be reckoned from 150 days instead of 90 days. In case the SCA is not able to utilize the funds within a period of prescribed period or extended period of 180 days of its disbursement the same are required to be refunded by SCA forth within in one lump sum alongwith non-utilisation charges. Thus the maximum period allowed to the SCAs for utilisation</p>	<p>As per Lending Policy & Guidelines of NSKFDC, the further disbursement of loan is made after ensuring from the SCA that 80% of the earlier disbursements had been utilized by them. After verifying the same, NSKFDC released the loan to the SCAs for implementing the scheme. However, in some cases, the SCAs are refunding the loan as selected beneficiaries were not able to complete the documentation formalities even after given a considerable time to them. The SCAs felt that in the absence of documentation formalities, the amount drawn from NSKFDC by SCAs are refunded back to NSKFDC to save the non-utilization charges.</p> <p>The beneficiaries of the corporation belong to the most down trodden of the society & is poorest among the poor. They are unable to complete the documentation formalities easily and are taking more time to complete the same. Therefore, the SCAs are bound to give them more time which resulted delay in implementation of the schemes. Sometimes, the selected beneficiaries for which the loan had been drawn were not able to complete documentation formalities and did not turn up for availing the loan. Therefore,</p>

of funds is upto 180 days, failing which the SCAs are required to pay non-utilisation charges at the prescribed rate over and above the normal rate of interest.

The SCAs are to identify and formulate technically and financially viable schemes and submit the same to NSKFDC for financing. The SCAs are also required to identify the potential beneficiaries, their vocational training requirements and viable schemes as per felt needs of the beneficiaries. After identifying the beneficiaries the SCAs submit the proposals and requirements of funds for implementing the scheme. So responsibility of ensuring the utilization of loans within stipulated period by the beneficiary also rests with the SCAs.

During audit it was observed that the in many cases the SCAs had not utilized the funds within prescribed period and the unutilized amount had been accumulating with them. At the end of March-2009 an amount of Rs.78.08 crore was lying unutilized with the SCAs which pertained to a period of one month to five years. A sizable amount was more than six month old which had not been recalled by the NSKFDC in terms of Lending Policies. It was stated by the management that in some cases the SCAs have not utilized the funds for more than 180 days as documentation formalities have not been completed by the beneficiaries for whom the loans were drawn by the SCAs. Since the target group of NSKFDC is in the social depressed condition among weaker section therefore, they are normally not able to complete the documentation formalities.

Even if the amount could not be disbursed to the beneficiaries and the same was retained by the SCAs the non utilisation charges are required to be levied and recovered by NSKFDC from the SCAs as the concessional finance was admissible to

the SCAs are to select another beneficiaries for the same schemes which took more time for implementation of the scheme. However, NSKFDC is continuously taking up the matter with the SCAs for speedy implementation of the schemes & also advise to the SCAs that in case they are not able to utilize the unspent amount, the amount may be refunded to us immediately.

NSKFDC had sanctioned the project proposals on the receipt of list of beneficiaries from the SCAs. While disbursing the loan to the SCAs, the NSKFDC advised to them to disburse the loan amount within 90 days. NSKFDC is continuously pursuing the matter with the SCAs for timely implementation of schemes and submitting the utilization certificates.

NSKFDC is pursuing the matter with SCAs for payment of non-utilisation charges. However, SCAs are requesting for waiver of the same but NSKFDC is advising to pay the non-utilisation charges as per the terms & conditions of LPG of NSKFDC.

It is viewed that the SCAs are dealing with the most down trodden person of the society who are poorest among the poor. They are unable to implement the schemes as per the agreed terms & conditions. However, NSKFDC is pursuing for recovering the non-utilisation charges from the SCAs.

As a result NSKFDC had received Rs.12.21 Lac as Non-utilization charges from the SCAs during the year 2008-09.

the target group and not to SCAs NSKFDC had not been insisting recovery of non-utilisation charges on regular basis. These are only worked out and recorded information to the SCAs in the demand notices. These charges are accounted for in the books of account on actual receipt basis only i.e. as and when actually received. At the end of March-2008 an amount of Rs.13.96 crore an account of non utilization charges was recoverable from 24 SCAs out of which an amount of Rs.0.13 crore was recovered during the year 2008-09 from four SCAs. Further charges of Rs.1.81 crore had accrued on the unutilized amount during the year 2008-09, there by making the total charges of Rs.15.64 crore awaiting recovery at the end of March-2009. Thus recovery of non utilisation charges have been very low resulting in accumulation of Rs.15.64 crore recoverable from the SCAs at the end of March-2009.

Step taken/proposed to be taken to recover the overdue charges from these SCAs may be intimated to audit.

2. Default in payment of dues of NSKFDC and non recovery of liquidity damages from the SCAs - Rs.3.92 Crore.

NSKFDC was established with specific objective to promote economic development activities of Self Employment ventures for the benefit of Safai Karamcharis and their dependents. The corporation has been providing financial assistance at concessional rate of interest. The schemes and beneficiaries are identified by the SCAs, and the funds drawn from the Corporation are required to be utilised within prescribed period by making disbursement to the concerned beneficiaries. Further, it is responsibility of the SCAs to recover the loan from the beneficiaries and make timely repayment

NSKFDC has received a sum of Rs.0.11 Lac from the SCAs against the outstanding amount of penal interest of Rs.394.40 Lac as on 31.03.2009. Further, efforts are also being made constantly with the SCAs for remitting the Liquidity Damages (LD). However, many SCAs are requesting repeatedly for waiver of the same but NSKFDC has been advising the SCAs to pay the liquidated charges as per the terms & condition of the lending policy & guidelines of NSKFDC. In order to recover the same from the SCAs, NSKFDC is continuously sending the

to NSKFDC. The funds repaid by the SCAs can be recycled in implementation of the schemes for the benefit of target group.

As per the Lending Policy & Guidelines (LPG) of the Corporation the loan and interest thereon are required to be repaid by the SCAs as per repayment schedule within a reasonable period but not exceeding ten years including moratorium period. The repayment period is worked out on the basis of appraisal of schemes and the funds likely to be generated by the proposed project. In case of Micro Credit Finance (MCF) the loan shall be repaid within a period of three years. Any repayment received from the SCA will first be adjusted towards interest and then toward principal, any balance there of may be adjusted towards other charges. Defaults in repayment shall attract liquidity damages @2% over and above normal interest rates and other charges as applicable on dues.

During audit it was observed that the SCAs have been making defaults in repayment of the dues of the Corporation. At the end of march, 2008 an amount of Rs.62.94 Crore on account of principal was over due for recovery against 24 SCAs. Further an amount of Rs.49.25 Crore became due for recovery during the year 2008-09. NSKFDC was able to recover an amount of Rs.25.77 Crore from the SCAs including refunds, during the year 2008-09 and balance principal amount of Rs.86.84 Crore was overdue for recovery for a period of one to more than 5 years. Due to persistent default in repayment of dues by the SCAs the NSKFDC was required to levy L.D @2% over and above the normal interest. However, the Corporation has not taken concrete steps to recover the L.Ds from defaulting SCAs. At the end of the year 2006-07 an amount of Rs.1.74 Crore

letters for repayment the dues. The penal interest amount has also been shown in every demand notice being raised to the SCAs, on quarterly basis.

It is stated that most of the SCAs are requesting for waiver off the same since they are facing a lot of problems for recovery of even principal amount and normal interest from the beneficiaries and beneficiaries are reluctant to repay the LD. However, NSKFDC is requesting them to pay the LD charges as per the terms & conditions of LPG of NSKFDC which are to be adhered by them. NSKFDC has also mentioned the same clause in Letters of Intent duly signed by the SCAs for payment of LD charges in case of defaulting in repayment of installment & interest.

	<p>on account of L.D was recoverable from SCAs. The outstanding recovery of L.D. has increased to Rs.3.94 Crore at the end of March 2009. The Corporation has been only intimating the amount of L.D. recoverable from the defaulting SCAs at the time of raising demand notice for other dues. However sincere efforts were not made to recover the same and the accountal of L.D was being made on cash basis instead of accrual basis.</p> <p>Steps taken to recover the L.D. from the defaulting SCAs may be intimated to audit.</p>	
<p>3.</p>	<p>Payment of temporary advances to employees. Delay in adjustment of advance of Rs.51.95 lac.</p> <p>NSKFDC has not framed its own rules pertaining to personnel administration, establishment and financial matters BOD of Corporation had approved that the rules pertaining to these matters as prevalent in National Scheduled Casters Finance & Development Corporation (NSFDC) would be followed by NSKFDC to the extent the same are not contrary to DPE/Govt. Guidelines. In case of any contradiction DPE/Govt. rules on a specific subject shall prevail. Further in case the existing rules in the NSFDC are silent/have not been framed on a specific subject DPE/Govt. rules on the same would be followed.</p> <p>The Corporation has been allowing staff advances of temporary nature to its employees for meeting expenditure of different nature. In addition imprest has also been allowed for meeting expenses of petty nature. As per General Financial rules temporary advance to the employees can be granted to meet the expenses in connection with office work. The advances so granted shall be adjusted on completion</p>	<p>As per the instructions of the Ministry of Social Justice & Empowerment, NSKFDC is required to participate in the Exhibitions/Trade Fairs/Melas by inviting beneficiaries benefited under the schemes/programmes of NSKFDC across the country. In order to motivate them for participation in these Exhibitions/Trade Fairs/ Melas, NSKFDC reimburse the To & Fro charges, Hotel Rent, DA, Conveyance Charges etc. to the beneficiaries. To make the said payment to the beneficiaries, NSKFDC gives an advance payment to the employees of NSKFDC as per the practice also being adopted in the other Apex Corporations under the Ministry of Social Justice & Empowerment. The main events are occurring during the month of September (Dilli Haat), November (India International Trade Fair) & February (Suraj Kund Mela). The said events are occurring almost continuously besides the other Trade Fairs/Melas organized by the M/O SJE</p>

of the work for the performance of which it was granted. The advances to employees and other parties for special official purpose shall be regulated by special orders as the case may be. An employee who is granted advance from public funds shall be responsible for its timely adjustment or repayment of unspent amount. No employee should be allowed to hold the advance in their account for the period exceeding the tenure of purpose for which the temporary advances are given.

A review of temporary advance allowed to official during the year 2008-09 by the Corporation has revealed that the temporary advance were allowed to the employees to meet the expenses in awareness camps, exhibitions, trade fairs etc. These advances were not being regulated in accordance with general prudential financial rules. It was observed in audit that heavy amount of advances were allowed to the employees which were not being adjusted immediately after completion of events for which the advances were allowed. Details of such temporary advances allowed and adjustment there of in a specific account during the year 2008-09 was as under:-

(Rs. in Lacs)

Months	Opening Balance	Monthly Advances	Adjustment	Outstanding Balance
4/08	1.91	0.64	0.12	2.43
5/08	2.43	2.50	0.19	4.74
6/08	4.47	0.77	0.24	5.27
7/08	5.27	1.72	0.38	6.61
8/08	6.61	1.22	0.81	7.02
9/08	7.02	7.59	Nil	14.52
10/08	14.52	6.11	0.32	20.31
11/08	20.31	13.41	0.08	33.72
12/08	33.72	0.34	1.05	33.01
1/09	33.01	2.13	Nil	35.14
2/09	35.14	13.10	0.50	47.74
3/09	47.74	0.53	48.38	(-) 0.11

in the other places where NSKFDC has also participated with the other apex corporations and also to achieve the targets of MoU during the year 2008-09. Therefore, the adjustment of advances given to the employees takes time. Moreover the adjustment of advances requires the movements of the file to four to five persons in the different sections of the corporation for checking the bills/receipts, verification etc. of the beneficiaries and concerned parties which takes more time in passing, approving and adjustments of the bills. However, at the end of the year (31/03/2009), the balance of advance against the employees were Rs.11,000/- only.

Further, NSKFDC gives the advance in the name of the employees who are assigned the different type of jobs/work since the beneficiaries are to be paid in cash, to meet out their daily expenses incurred by them during the said melas.

Moreover as per requirement of the work during Exhibitions/ Melas various parties are to be engaged for said work who desire to do the work on cash payment basis only as we have no linked/transactions after the Melas with them. In order to cope-up the said work, NSKFDC is to make the advance to its employees by way of cheque for meeting the said expenses.

Keeping in view of the above, cheques are issued in the name of the concerned employees to enable them to draw the cash from the bank and to make payment to the concerned beneficiaries/parties on need basis and the payment by cheques to the beneficiaries/parties is not feasible

From the above details it is evident that there were heavy an adjusted monthly balance ranging from 2.43 lac to 47.74 lac on account of temporary advance allowed to the employees during the year 2008-09. There were abnormal delay ranging from six months to eleven months in adjustment of advances. Thus the system of allowing heavy temporary advance in favour of employees and abnormal delay in adjustment of advance is not as per financial rules. There is emergent need to change this system of allowing such heavy advances to have better financial control by arranging payment to the concerned parties engaged for trade fair/exhibition through cheques after following proper procedure.

Reasons for allowing such advances and abnormal delay in adjustment there of may stated and steps taken to follow proper procedure in this regard.

since in every melas, NSKFDC prefers new beneficiaries and it is not practical to open account with bank in daily for just 10 to 15 days for which the poor beneficiaries are required to keep minimum balance of Rs.1,000/- with bank.

4. Non recovery of interest on loans and advances - Rs.364.73 Lac.

NSKFDC provides funds to SCAs at concessional rates of interest however, the SCAs can charge higher rate of interest from the beneficiaries to cover up their margin. The schemes under which funds are provided to SCAs and the interest rates thereon were as under:

Sn	Name of Scheme	Sanction Limit per beneficiary (Rs. in Lac)	Rates of Interest	
			NSKFDC to SCA	SCA to beneficiary
1.	General Term Loan	5.00	3%	6%
2.	Sanitation related schemes	10.00	3%	6%
3.	Micro Credit Finance	0.25	2%	5%
4.	Mahila Samridhi Yojana	0.25	1%	4%
5.	NSLR Schemes	0.50	3%	6%

The loans provided to SCAs for disbursements to the beneficiaries are repayable within a period ranging from 3 to 5 years. However the general term loan

NSKFDC is continuously taking up the matter with the defaulting SCAs for repayment of the interest amount. Though the recovery is less from the defaulted SCAs except Andhra Pradesh, Gujarat SC/ST, Pondicherry & Manipur but we have been getting some repayment every year from the other SCAs during the year 2008-09. NSKFDC is pursuing vigorously with the defaulting SCAs for repayment of their interest amount. Moreover, the matter has also been taken up with Ministry for their intervention, which will put more pressure to the defaulting SCAs to pay the overdues to NSKFDC.

The SCA wise details of the interest due as on and interest recovered from April

