

## CHAPTER V : MINISTRY OF HUMAN RESOURCE DEVELOPMENT

### Department of Higher Education

#### 5.1 Corrective action at the instance of Audit

**The Ministry failed to follow the extant rules and extended a loan of ₹ 100 crore to the IIT Madras Research Park at an interest rate of three *per cent* instead of the applicable 11.5 *per cent*. At the instance of Audit, the Ministry took corrective action to change the rate of interest, thereby averting a loss of ₹ 46.75 crore.**

In terms of Rule 221(1) of the General Financial Rules, interest is charged at the rate prescribed by the Government for any particular loan or class of loans. The Ministry of Finance, Department of Economic Affairs, through its OM of October 2007, had prescribed an interest rate of 11.5 *per cent* per annum on investment loans given by the Central Government to industrial and commercial undertakings in the public sector as well as to cooperatives.

The Ministry of Human Resource Development, Department of Higher Education released a loan of ₹ 100 crore to the IIT Madras Research Park, a Company set up under Section 25 of the Companies Act, 1956. The Expenditure Finance Committee of the department, in its meeting held in July 2009, observed that the loan should bear the interest rate applicable for investment loans to the public sector/cooperative undertakings. The Committee also stipulated that all procedures prescribed in GFRs 2005 for sanction of loan should be followed.

Audit noted that the agreement executed between the department and the Company, in February 2010 provided for levying of interest at the rate of three *per cent* per annum on the balance of the loan amount, against the applicable rate of 11.5 *per cent*. The repayment of the loan was to commence from 2013-14 for a period of 10 years.

The action of the Ministry was in contravention of the GFRs and the decision of the Expenditure Finance Committee. After this was pointed out (June 2011) by Audit, the Ministry replied (June 2012) that the agreement with the Company had since been revised and the latter had agreed to pay interest at the applicable rate of 11.5 *per cent* per annum.

Thus, as a result of timely intervention by Audit, impending interest loss amounting to ₹ 46.75 crore, was averted.