

CHAPTER XI : MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES

11.1 Failure in monitoring of utilisation and absence of recovery systems for unspent balances of plan funds in Khadi and Village Industries Commission, Mumbai

Khadi and Village Industries Commission did not monitor timely submission of adjustment bills for outstanding imprest advances given to its State/Divisional offices as also its associate functionaries. In view of the failure to obtain adjustment vouchers or to recover the unspent balances, possibility of misappropriation of plan funds amounting to ₹ 114.06 crore cannot be ruled out.

Khadi and Village Industries Commission (KVIC) is a statutory body established by an Act of Parliament. The Central Office (i.e. the Head Office) of KVIC situated at Mumbai operates through its field offices viz. 29 State Offices and 10 Divisional Offices.

KVIC receives 'plan grant' from Government of India under three major heads namely (i) Khadi, (ii) Village Industries and (iii) General and Miscellaneous. KVIC followed a system of disbursing advances relating to various programmes to the associated functionaries (State Boards, State/Divisional Offices of KVIC, Banks, Institutions, etc.) who were required to spend the sums as per the approved scheme framework and submit adjustment bills to KVIC Central Office. KVIC Central Office was required to square off the advances to the extent of vouchers received and ensure recovery of unspent balances. These advances were depicted as "imprest advances" under the abovementioned three heads (Presently the funds disbursed to the field Offices are shown in the books of accounts as expenditure instead of advances).

The recoverable loans and advances of KVIC as on 31 March 2013 *inter-alia* included outstanding imprest advances of ₹ 114.06 crore disbursed out of these three grants. These outstanding imprest advances represent advances provided as far back as from the year 1964 (exact years of disbursement of these advances were not available with the Management; however, these advances in any case were outstanding for more than five years) to the various functionaries

associated with the implementation of Khadi, Village Industries Programmes and for General and Miscellaneous work related to implementation of programmes in Khadi and Village Industries Sector.

The constituent-wise break-up of these outstanding advances is shown below:

(₹ in crore)

Sl. No.	Description of imprest advance and functionary to whom advance was given	Outstanding Khadi imprest	Outstanding Village Industries imprest	Outstanding General and Miscellaneous imprest	Total
1.	Central Office	-	-	0.90	0.90
2.	State/Divisional Offices	39.83	11.22	4.89	55.94
3.	Training	-	-	0.69	0.69
4.	Interest subsidy to Banks	17.43	5.14	-	22.57
5.	State boards	1.25	9.87	-	11.12
6.	Institutions	2.11	1.89	-	4.00
7.	Weaving subsidy	0.01	-	-	0.01
8.	Rebate imprest	9.01	4.26	-	13.27
9.	Departments & Others	-	5.56	-	5.56
	Total	69.64	37.94	6.48	114.06

As against the total imprest advances of ₹ 114.06 crore, the Management was not having any details in respect of advances amounting to ₹ 36.18 crore (₹ 12.38 crore out of Khadi Grant, ₹ 17.32 crore out of Village Industries Grant and ₹ 6.48 crore out of General and Miscellaneous Grant). In respect of the balance amount of ₹ 77.88 crore, the individual associate wise (banks) details were available for advances of ₹ 22.57 crore. For the remaining ₹ 55.31 crore, only the State/Divisional offices, against which these advances were outstanding, were known but no other details were available.

Under 'interest subsidy scheme' the registered institutions of KVIC and KVIB were permitted to avail working capital loans from banks/financial institutions. The borrowing institution was required to pay only four *per cent* of the interest charged by the banks and the balance of interest

was directly reimbursed to the bank by KVIC. For this purpose, KVIC Central Office kept imprest balances with 21 nodal banks. As of March 2011, the 21 nodal banks involved in implementation of this scheme have confirmed a balance of only ₹ 6 lakh whereas KVIC in its accounts was carrying ₹ 22.57 crore as the balance available with nodal banks. No verification/reconciliation has been carried out with the banks to reconcile these discrepancies.

As regards ₹ 55.31 crore of imprest advances shown as balance representing intra KVIC balances pending for adjustment/recovery, KVIC had been carrying forward these as recoverable advances for a long time and was unable to square off the same in the absence of recoupment bills.

Thus, inadequate record keeping and non-initiation of timely action for obtaining adjustment vouchers or for recovery of unspent balances, let KVIC completely lose track of its utilization/misutilization. The possibility of misappropriation / embezzlement of these funds cannot also be ruled out in the absence of basic records and complete lack of monitoring.

The matter was referred to the Ministry in March 2014; their reply was awaited (May 2014).

11.2 Blocking of funds

Blocking of funds due to non implementation of renovation and modernization of Gramshilpa, New Delhi

The Office of Khadi and Village Industries Commission (KVIC), Mumbai selected (November 2004) its departmental sales outlet Gramshilpa, New Delhi for renovation and modernisation so as to convert it into an Export/Exclusive products display window for KVI sector to attract the high-end customers, exporters, tourists, bulk buyers and branded product buyers. For this purpose, Gramshilpa, New Delhi was sanctioned ₹ 70.00 lakhs (November 2004). As per the sanction letter, the renovation work of Gram Shilpa was to be started by March 2005 and completed by June 2005. Manager of KVIC had to submit weekly progress report for the appraisal of Commissioner, KVI.

Audit scrutiny revealed that Gramshilpa had deposited the amount in fixed deposit and interest amounting to ₹ 36.79 lakhs had been earned from November 2004 to December 2013. It was not apparent from the records made available to Audit that any progress was achieved in renovating/modernizing Gramshilpa as per time bound action plan prescribed in the sanction letter. No expenditure was incurred for the purpose except for ₹ 50,000 on the hiring of an architect.

On this being pointed out by Audit (September 2013) Gramshilpa refunded an amount of ₹ 1.07 crore (₹ 0.70 crore principle plus interest ₹ 0.37 crore) to KVIC, Mumbai in January 2014.

Non-monitoring of the project resulted in blocking of funds amounting to ₹ 70 lakh for 10 years. ₹ 50,000 paid to architect also proved unfruitful in view of inaction of KVIC.

The matter was referred to the Ministry in March 2014; their reply was awaited (May 2014).