

Chapter-V : Accounting and Financial Management

5.1 Delay in preparation and submission of annual accounts of NSDF

The trust deed of NSDF stipulated the following :-

- The Trustees were required to give true and accurate accounts of all monies received and spent and matters in respect thereof in course of management of trust properties or in relation with carrying out the objectives and purpose of the trust as well as all the assets, liabilities related to the trust properties. (para 10.2)
- The account of NSDF was to be audited by a Chartered Accountant for every financial year (April to March). (para 10.1)
- A copy of the audited accounts was also required to be furnished to Government of India on or before 30 June of the year. (para 10.2)

MSDE stated (April 2015) that accounts for three years (2008 to 2011) were finalised in February 2012 and accounts for next three years (2012 to 2014) were finalised in October 2014. However, from the records provided, audit could not draw an assurance that the accounts were finalised for the years 2008-09 to 2010-11 as no document related to preparation and submission of accounts for these years was found in the records provided to audit. Further, there were major delays in finalisation of accounts in next three years also.

MSDE, while accepting the audit observation, stated (April 2015) that during the initial period, the fund movement was very limited and it took time to put things in place. The audit reports for first three years are being obtained and would be made available to the audit. However, no report was made available to audit (October 2015).

5.2 Lack of investment framework in NSDC

As mentioned earlier, NSDC was using the money made available by NSDF to provide financial assistance to the partners by way of loans, grants and investment in equity as well as to meet the administrative and establishment expenses of NSDC. The other

source of income of NSDC was interest received on secured loans, term deposits and saving account. Details of amount received from NSDF as well as interest earned are shown in table no. 2 at paragraph 3.1.2.

From the referred table, it was evident that during the period from 2008 to 2015, in each year, NSDC had a large unspent balance (varying from ₹ 112.49 crore to ₹ 1,017.66 crore), which was kept in banks as term deposits by NSDC. These deposits fetched interest rates from 3 *per cent* to 4.5 *per cent*. Audit observed that the despite having large unspent balances, NSDC had not prepared any investment policy for efficient management of surplus resources, keeping in view the parameters of security, liquidity and returns from funds.

NSDC replied (October 2015) that it had started having surpluses after becoming implementing agency for STAR¹² scheme and Pradhan Mantri Kaushal Vikas Yojana. NSDC would take up the matter of appointment of investment committee at the appropriate level. MSDE agreed (October 2015) with reply of NSDC.

¹² Scheme to encourage skill development for youth by providing monetary rewards for successful completion of approved training programs.