

CHAPTER VII: FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

7.1 Overview of local and other autonomous bodies and authorities

General

7.1.1 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 the Government. The 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 intended essentially for maintenance of educational institutions, hospitals, charitable institutions, construction and maintenance of schools and hospital buildings, improvement of roads and other communication facilities under municipalities and local bodies.

During 2002-03, financial assistance of Rs. 159.03 crore was paid to various autonomous bodies and institutions broadly grouped as under:

(Rupees in crore)

Name of institutions	Amount of assistance paid
1. Universities and Educational Institutions	36.51
2. Municipal Corporation and Municipalities	13.84
3. Zilla Parishads and Panchayati Raj Institutions	48.86
4. Development Agencies	2.99
5. Other Institutions	56.83
Total	159.03

Delay in furnishing utilisation certificates

7.1.2 Financial rules of the Government require that where grants are given for specific purposes, certificates of utilisation should be obtained by the departmental officers from the grantees, and after verification, these should be forwarded to the Accountant General (Accounts and Entitlement) within one year from the date of sanction, unless specified otherwise.

Of the 752 utilisation certificates pending receipt as of August 2003 in respect of grants aggregating Rs. 287.71 crore paid during the period 2001-02 to 2002-03, only 343 utilisation certificates for Rs. 128.68 crore had been furnished by 31 August 2003 and 409 certificates for an aggregate amount of Rs. 159.03 crore were yet to be received (August 2003). Department-wise break-up of outstanding utilisation certificates for the year 2002-03 are given below:

(Rupees in crore)

Group	Sl. No.	Name of the Department	Number of certificates	Amount involved
Universities and Educational Institutions	1.	Education	45	36.51
Municipal Corporation and Municipalities	2.	Urban Development	92	13.84
Zilla Parishads and Panchayati Raj Institutions	3.	Panchayat Raj	65	48.86
Development Agencies	4.	Rural Development	32	2.99
Other Institutions	6.	Social Security and Welfare	97	3.68
	7.	Welfare of Scheduled Castes and other Backward Communities	22	49.04
	8.	Fisheries Department	36	1.59
	9.	Health and Family Welfare	20	2.52
		Total	409	159.03

Delay in submission of information/accounts

7.1.3 In order to identify the institutions which attract audit under Section 14/15 of the Comptroller and Auditor General of India's (Duties, Powers and Conditions of Service) Act, 1971, Government/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 year 2001-02 was called for from the Finance Department in August 2003. No departments/directorates have furnished their reply including information up to 2001-02 and reply is awaited from 33 departments/directorates as of August 2003. Departments/directorates who had not furnished information for a number of years are indicated against each in the following table:

Sl. No.	Name of the Department/Directorate	The period for which information had not been furnished
(1)	(2)	(3)
1.	Agriculture	1995-96 to 2001-02
2.	Animal Resource Development	1995-96 to 2001-02
3.	Co-operation	1987-88 to 2001-02
4.	Higher Education	1987-88 to 2001-02
5.	Social Welfare and Social Education	1992-93 to 2001-02
6.	Health and Family Welfare	1997-98 to 2001-02
7.	Home (Police)	1994-95 to 2001-02
8.	Horticulture, Soil and Water Conservation	1987-88 to 2001-02
9.	Information, Cultural Affairs and Tourism	1994-95 to 2001-02
10.	Panchayat	1994-95 to 2001-02
11.	Revenue	1993-94 to 2001-02
12.	Rural Development	1992-93 to 2001-02
13.	Statistics	1992-93 to 2001-02
14.	Transport	1994-95 to 2001-02
15.	Welfare of SCs, OBCs and Minorities	1992-93 to 1995-96 and 1998-99 to 2001-02

The status of submission of accounts by bodies/authorities and submission of Audit Reports thereon to the State Legislature as of November 2002 is given below:

Sl. No.	Name of bodies	Year upto which			Reasons for non-finalisation of Audit Report	Year upto which Audit Report placed before legislature
		Accounts due	Accounts submitted	Audit Report issued		
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	Tripura Khadi and Village Industries Board	2002-03	1997-98	1988-89 to 1990-91	Reply to draft audit report (1991-98) from the body is awaited (September 2003)	No information on placement of the Audit Report issued to the Government/ Board had been received (September 2003).
2.	Tripura Board of Secondary Education	2002-03	1997-98	1991-92 and 1992-93	Reply to draft audit report (1993-98) from the body is awaited (September 2003)	1990-91

Due to non-submission of accounts in proper format by the 13 Urban Local Bodies (one Municipal Council and 12 Nagar Panchayats), audit of accounts of which were entrusted to the C&AG of India on permanent basis under Section 20(1) of the C&AG's (Duties, Powers and Conditions of Service) Act, 1971, audit could not be taken up since inception of the respective bodies/authorities. Only transaction audit is being conducted. Accounts of Tripura University are audited under Section 20(1) of the Act *ibid*. Audit of accounts of the University for the period from 1992-93 to 1995-96 have been completed.

The audit of accounts of the following bodies has been entrusted to the C&AG of India for the period mentioned below:

Sl. No.	Name of bodies/authorities	Period of entrustment
1.	Tripura Khadi and Village Industries Board	1999-2000 to 2003-04
2.	Tripura Board of Secondary Education	1996-97 to 2000-01
3.	Agartala Municipal Council	1996-97 onwards on permanent basis
4.	Nagar Panchayats (12 Nos.)	1996-97 onwards on permanent basis
5.	Tripura University	1997-98 to 2001-02

Auditing arrangement

7.1.4 All the seven bodies/authorities, whose accounts were received so far (August 2003) attracted audit under Section 14 of the C&AG's (DPC) Act, 1971. Of these, five bodies/authorities were audited as detailed below:

Sl. No.	Name of bodies/ authorities	Annual accounts	
		Received	Audited
1.	District Rural Development Agency (West)	2000-01 to 2001-02	2000-01 to 2001-02
2.	District Rural Development Agency (South)	2000-01 to 2001-02	2000-01 to 2001-02
3.	District Rural Development Agency (Dhalai)	2001-02	The item is biennial, hence not due.
4.	District Rural Development Agency (North)	1999-2000 to 2002-03	1999-2000 to 2002-03
5.	Tripura State Legal Services Authority	1999-2000 to 2002-03	1999-2000 to 2002-03
6.	Tripura Sports Council	1999-2000 to 2001-02	Audit to be taken up shortly.
7.	Tripura Scheduled Tribes Development Corporation	1991-92 to 2001-02	19991-92 to 2001-02

The accounts of the Tripura Tribal Areas Autonomous District Council (TTAADC) are audited under the provision of Article 244 (2) of the Constitution read with Sixth Schedule to it. The status of submission of annual accounts by the authority to Audit and laying of Audit Reports before the Council as of August 2003 are given below:

Name of bodies	Tripura Tribal Areas Autonomous District Council	
Year up to which	Accounts due	2001-02
	Accounts submitted	1993-94 (in old format)
	Accounts Audited	1993-94
	Audit Report issued	1991-92
Reasons for non-finalisation of Audit Report	The State Government was required to seek clearance from the GOI for acceptance of accounts for 1992-93 and 1993-94 by audit in the old format as a special case. The matter has not yet been settled (September 2003).	
Year upto which Audit Report placed before Council	1991-92	

SECTION – A INDUSTRIES AND COMMERCE DEPARTMENT

7.2 Working of the Tripura Khadi and Village Industries Board

Tripura Khadi and Village Industries Board was set up in August 1966 with the objective of generating employment for the rural artisans of Khadi and Village Industries sectors through implementation of different programmes and by providing financial assistance to them. The Board failed to generate adequate employment opportunities even after 37 years of its existence due to lack of planning, non-implementation of schemes despite having sufficient funds, and poor financial management. The Board was burdened with high establishment cost due to retention of idle and surplus staff, engagement of staff without any sanctioned posts, and misappropriation of stores. There was virtually no internal control mechanism in the Board to oversee its performance both in physical and financial terms. In 2002-03, administrative expenses alone constituted the entire expenditure of the Board, which had thus lost the rationale for its existence as a development agency.

Highlights

Out of Rs. 1.58 crore received from the KVIC for development of khadi and village industries, the Board spent only Rs. 0.36 crore for the purpose during the five years ending 2002-03.

(Paragraph 7.2.7)

Of the total expenditure of Rs. 6.81 crore incurred by the Board during the period under review, 95 per cent constituted administrative expenses leaving only five per cent for development programmes.

(Paragraph 7.2.7)

An amount of Rs. 1.61 crore paid to 25,075 persons for setting up of small units of khadi and village industries became unfruitful as the units did not ultimately come up.

(Paragraph 7.2.11)

The number of artisans given work by the Board declined sharply from 348 in 1998-99 to 15 in 2002-03. Average annual income of the artisans varied from Rs. 432 to Rs. 2129 during the period under review, indicating that the Board failed to provide adequate employment to rural artisans and to raise them above the poverty level.

(Paragraph 7.2.18)

The Board spent Rs. 4.18 crore on its surplus and idle staff during 1998-99 to 2002-03. The Board also irregularly spent Rs. 1.20 crore for staff appointed without creating any post and without obtaining approval from the Finance Department for their appointment.

(Paragraphs 7.2.22 to 7.2.24)

Laxity in administrative control led to misappropriation of yarn valued at Rs. 54.05 lakh from the yarn store during 1998-99 to 2002-03.

(Paragraph 7.2.26)

Introduction

7.2.1 Tripura Khadi and Village Industries Board (TKVIB) was set up in August 1966 under the Tripura Khadi and Village Industries Board Act, 1966 (hereinafter called the Act).

The objective of the Board was to generate employment in rural areas through implementation of different programmes of khadi and village industries. The Board was also to provide financial assistance, supply improved tools and equipment, and raw materials to rural artisans, institutions, societies etc. for promotion of khadi and village industries. The Board also carried on trade and business for marketing of the finished products and executed a number of programmes sponsored by the Khadi and Village Industries Commission (KVIC).

Organisational set-up

7.2.2 The Board is headed by a Chairman, who is assisted by a Member-Secretary, an Executive Officer and a Financial Adviser-cum-Chief Accounts Officer. The Board has been functioning under the overall administrative control of the Secretary of Industries and Commerce Department. The Board has a district office at Kumarghat in North Tripura and three sales outlets at Agartala, Dharmanagar and Udaipur.

Audit coverage

7.2.3 The audit of the Board had been entrusted to the Comptroller and Auditor General of India (C&AG) under Section 19(3) of the C&AG's (Duties, Power and Conditions of Service) Act, 1971. The performance of the Board for the years 1998-99 to 2002-03 was reviewed in audit by test-check of records of the Board during October-December 2002. 65 per cent of the total expenditure (Rs. 6.37 crore) was covered in audit.

The important points noticed are discussed in the succeeding paragraphs.

Position of accounts

7.2.4 The Board compiled its accounts up to March 1997, which showed a cumulative loss of Rs. 41.80 lakh. The Board had not maintained the age-wise pendency of Rs. 30.51 lakh shown as receivable from sundry debtors and rebate of Rs. 16 lakh shown as reimbursable from the KVIC. In December 2002, Board admitted that amount receivable prior to 1986-87 had not been taken into account. The accounts were thus not reflecting a true and fair picture of the affairs of the Board.

Financial management

Funding pattern

7.2.5 The administrative expenditure (salaries, office expenses etc.) of the Board are met from the grants given by the State Government and expenditure on development of khadi and village industries are met from the funds given by the Khadi and Village Industries Commission (KVIC).

Administration of funds

7.2.6 According to the Act, the Board could maintain only two funds (Khadi Fund and Village Industries Fund). But the Board, in addition to the above two funds, maintained a Trading Fund by transferring money from the other two funds without obtaining any approval from the KVIC or the State Government.

Receipts and expenditure

7.2.7 Funds received from the KVIC and the State Government and expenditure incurred by the Board during the years 1998-99 to 2002-03 are shown below:

(Rupees in lakh)

Year	For khadi activities					For village industries activities				
	Opening balance	Received during the year	Total funds available	Expenditure	Closing balance	Opening balance	Received during the year	Total funds available	Expenditure	Closing balance
1998-99	52.05	Nil	52.05	0.80 (2)	51.25	104.98	1.00	105.98	21.17 (20)	84.81
1999-2000	51.25	Nil	51.25	Nil	51.25	84.81	Nil	84.81	Nil	84.81
2000-01	51.25	Nil	51.25	Nil	51.25	84.81	Nil	84.81	6.32 (7)	78.49
2001-02	51.25	Nil	51.25	Nil	51.25	78.49	Nil	78.49	7.67 (10)	70.82
2002-03	51.25	Nil	51.25	Nil	51.25	70.82	Nil	70.82	Nil	70.82
Total	52.05	Nil	52.05	0.80	51.25	104.98	1.00	105.98	35.16	70.82

(Rupees in lakh)

Year	For administrative expenses					
	Opening balance	Received from the State Government	Miscellaneous receipts	Total funds available	Expenditure	Closing balance
1998-99	6.01	87.60	26.77	120.38	110.46 (92)	9.92
1999-2000	9.92	119.00	0.87	129.79	109.15 (84)	20.64
2000-01	20.64	125.00	2.42	148.06	131.61 (89)	16.45
2001-02	16.45	142.00	0.13	158.58	144.12 (91)	14.46
2002-03	14.46	135.62	—	150.08	149.42 (99.56)	0.66
Total	6.01	609.22	30.19	645.42	644.76	0.66

Note: i) The Board showed expenditure of Rs. 57.67 lakh under 'Village Industries' for the year 2001-02 by including Rs. 50 lakh refunded to the KVIC in March 2002.

ii) Figures in the brackets indicate percentage of expenditure to the total funds available.

It is evident from the above table that:

- i) Out of Rs. 52.05 lakh available with it, the Board utilised Rs. 0.80 lakh only during the years 1998-99 to 2002-03 for development of khadi activities representing two *per cent* utilisation. Similarly, poor utilisation of funds (33 *per cent*) was also noticed in case of village industries. The Board also did not incur any expenditure on development of Khadi and Village Industries during 2002-03.

- ii) Poor utilisation of funds under the khadi and village industries programmes indicates the Board's apathy and inaction of the Board to develop the khadi and village industries in the State.
- iii) Of the total expenditure of Rs. 680.72 lakh (khadi: Rs. 0.80 lakh; village industries: Rs. 35.16 lakh; and administrative expenses: Rs.644.76 lakh), administrative expenses alone accounted for 95 *per cent*. High establishment cost was mainly due to retention of idle and surplus staff. In April 2000, the Government expressed its concern on high staff ratio and high percentage of Group D employees (40 *per cent* of 181 staff members). But, no remedial action was taken since then in order to improve the situation.
- iv) The opening balance shown by the Board did not include the funds kept in term deposit. On being asked, the Board failed to furnish accounts for the money kept in term deposit from time to time, thus making these funds vulnerable to misappropriation.

Investment of KVIC funds in term deposit account

7.2.8 While releasing funds, the KVIC directed the Board to utilise them for the purpose specified in the sanction orders. In case, the funds so released are invested, approval of the KVIC is necessary according to the Act.

An amount of Rs. 90 lakh received in November 1996 for implementation of Margin Money Scheme for Village Industries was kept in term deposit immediately after receipt of the amount, without obtaining approval from the KVIC. Up to March 2002, the Board earned interest of Rs. 40.61 lakh from these investments. Similarly, the Board also set aside in term deposit Rs. 21.53 lakh received as grants and loans from time to time from the KVIC for implementation of various schemes, as of December 2002. By retaining funds in term deposit accounts, the Board denied the rural artisans of their due benefits that could have flowed from implementation of such schemes.

Diversion of funds

7.2.9 During 1998-2003, the Board diverted Rs. 59.66 lakh received from time to time from the KVIC for development of khadi and village industries activities towards meeting trading expenses of the Board itself. Again in March 2002, the Board diverted another amount of Rs. 54.80 lakh by encashing term deposit for supply of blankets to the Police Department.

Reconciliation of accounts

7.2.10 The Board had not reconciled its accounts with the KVIC and the banks during the last 36 years (1966-2002). Consequently, discrepancies of Rs. 163.80 lakh (receipts: Rs. 149.84 lakh; payment: Rs. 13.96 lakh) between the Board's accounts and KVIC's records remained unsettled although the Board finalised its accounts upto March 1997. Also, no note indicating the discrepancy was found to have been appended to the accounts.

Mobilisation of loans from KVIC

7.2.11 The Board had been taking loans from the KVIC for carrying on its trading activities and for giving loans to the rural artisans of khadi and village industries.

Up to March 2002 (no advance was taken thereafter), the Board took loans of Rs. 3.21 crore from the KVIC for its trading activities (Rs. 1.60 crore) and for giving loans to prospective borrowers (Rs. 1.61 crore) and repaid Rs.49.01 lakh (12 *per cent*) against the due amount of Rs. 4.12 crore to the KVIC. Also, against the recoverable amount of Rs. 4.12 crore, the Board recovered only Rs. 22.58 lakh (principal: Rs. 1.61 crore, interest: Rs. 5.79 lakh), representing only five *per cent* of the total dues from its borrowers, as of March 2002. Due to non-maintenance of loan ledger, year-wise receipts and disbursement of loan could not be verified in audit.

In November 2001 and December 2002, the Board stated that a large number of beneficiaries deserted their areas because of ethnic disharmony and the units did not exist due to utilisation of working capital for personal use, changes in technology etc. Consequently, Rs. 1.61 crore given as loans to 25,075 beneficiaries failed to provide employment and to generate income for them.

Assistance to cooperative societies

7.2.12 The Board paid Rs. 19.43 lakh as grants (Rs. 7.33 lakh) and loans (Rs. 12.10 lakh) to 30 cooperative societies upto March 1995 (with no payment thereafter) for development of village industries. The loan carried four *per cent* annual interest and was repayable in 10 years. For default in repayment of loans, the Board was to charge five *per cent* penal interest.

As of March 2002, against recoverable amount of Rs. 12.10 lakh, the Board was able to realise only Rs. 2.48 lakh from five out of 30 societies. The Board proposed (June 1996 and November 1998) to the Sub-Divisional Officers (SDOs) concerned (Bishalgarh and Dharmanagar) to institute certificate cases against only two societies out of 30 defaulters although the Government introduced 'Public Demand Recovery Act' in September 2000, which envisages institution of certificate cases against all the defaulting borrowers. The Board stated (June 2003) that the SDOs had not yet responded.

The Board did not develop any procedure to monitor the activities of the societies for creation of employment and generation of income during the past eight years.

Physical performance

Planning

7.2.13 Ideally production is based on demand. But the Board produced goods without assessing their demand and without formulating any perspective plan for marketing. In the absence of a well-developed marketing strategy, goods worth Rs. 39.44 lakh remained unsold, as of December 2002. Moreover, goods worth Rs. 2.38 lakh were damaged because of prolonged storage. Inventory

worth Rs. 11.54 lakh was found to have remained blocked for one to three years or more (the sub-para on stores management hereinafter may be referred to in this connection). According to the Act, the Board was to prepare every year its annual programme of works and submit it to the Government for approval. But no such programme was drawn up and the Board continued its activities on *ad hoc* basis without any specific work programme during the period under review.

Khadi activities

Target and achievement

7.2.14 Targets fixed for production, sales, and generation of employment *vis-à-vis* the achievement during 1998-99 to 2002-03 are given below:

Year	Production		Target	Sales			Generation of employment	
	Target	Actual		Actual			Target	Actual
	(Rupees in lakh)		(Rupees in lakh)			(In person years)		
1998-99	23.50	11.09	69.50	4.21	19.44	23.65	875	348
1999-2000	17.50	3.54	35.00	Nil	3.88	3.88	550	199
2000-01	5.00	0.11	20.00	69.12	3.72	72.84	250	20
2001-02	7.00	3.05	37.50	84.25	3.24	87.49	220	118
2002-03	Nil	Nil	121.00	20.50	8.25	28.75	110	15
Total	53.00	17.79	283.00	178.08	38.53	216.61	2005	700

Percentage of achievement for production, sales, and generation of employment to the total targets were 34, 77 and 35 respectively. The above table shows that the targets were not related to achievement during the preceding years.

Sharp decline in production was due to under-utilisation of spinning centres. 82 *per cent* of the sales during the period under review was on account of sale of woollen blankets purchased from outside the State and supplied to the Police Department. This kind of trading was not under the purview of activities of the Board as defined in the Act. Apart from violating the provision of the Act, this had virtually no impact on the development of khadi and village industries of the State.

Under-utilisation of spinning centres

7.2.15 Performance of the spinning centres run by the Board during the aforesaid years is indicated below:

Particulars	1998-99	1999-2000	2000-01	2001-02	2002-03
Total No. of spinning centers	20	20	20	20	20
Total No. of spinning centres that had functioned during the year	10	10	2	Nil	4
Total No. of <i>charkhas</i> installed	500	500	500	500	500
Total No. of <i>charkhas</i> that had functioned during the year	182	175	11	Nil	100
Percentage of utilisation of <i>charkhas</i>	36	35	2	Nil	20
Percentage of shortfall in utilisation of <i>charkhas</i>	64	65	98	100	80
Annual spinning capacity of <i>charkhas</i> that had functioned (hanks in lakh)	3.28	3.15	0.20	Nil	1.80
Yarn actually spinned (hanks in lakh)	4.41	0.77	0.03	Nil	0.44
Percentage of yarn spinned to the annual spinning capacity	134	24	15	Nil	24
Percentage of shortfall in achievement	-	76	85	100	76

Source: Board records.

The above table shows that:

- i) Only two to 36 *per cent* of the available *charkhas* were utilised during the years 1998-2003 (excepting 2001-02 when there was no utilisation at all, reportedly due to misappropriation of yarn).
- ii) Similarly, excepting for 1998-99 and 2001-02, yarn spun as compared to the annual spinning capacity of the *charkhas* varied between 15 and 24 *per cent*.

The Board stated (December 2002) that Khadi weaving and spinning activities had been suspended temporarily in 2001-02 due to erosion of working capital on account of misappropriation of yarn.

It was also noticed during audit that, according to the Board (July 1997), physical constitution of the spinners did not permit them to run the *charkhas* continuously for more than three hours. The reason offered was not acceptable in audit as production in 1998-99 by the same spinners was 134 *per cent* of the total production capacity. (This was, however, possible due to work by the spinners for extra hours). In April 1996 and December 2000, the Board stated that, if funds were given to it, closed centres could be reopened. The contention too was not acceptable in audit as there had been unspent amount of Rs. 51.25 lakh all along during the years 1998-99 to 2002-03 for khadi activities.

The extremely poor performance of the spinning centres despite having funds in abundance as well as *charkhas* in adequate numbers indicated failure of the Board to activate the spinners and keep the centres in running condition due to lack of managerial efficiency. Misappropriation of yarn valued at Rs. 54.05 lakh from the yarn store of the Board during 1998-99 to 2002-03 also contributed to it.

Sales

7.2.16 The performance of two (Dharmanagar and Udaipur) out of three sales outlets *vis-à-vis* expenditure incurred by them during 1998-99 to 2002-03 are indicated below:

	<i>(Rupees in lakh)</i>				
	1998-99	1999-2000	2000-01	2001-02	2002-03
Expenditure	1.56	1.65	1.73	1.80	0.91
Sales	0.37	0.14	0.11	0.20	Nil

In June 2000, the Board opined that sales figures of two outlets did not justify continuation of these units. Even then, the Board did not take any action either to close the units or to boost their sales.

Village industries

7.2.17 To carry on trading activities, the Board set up several production units (exact number could not be specified by the Board) under 11 Khadi and

Village Industries sub-sectors[♥] (10 of which pertained to village industries) between 1968-1976 at a total investment of Rs. 2.03 lakh and incurred a further expenditure of Rs. 1.26 crore to run these sub-sectors upto March 1998. Of these 11 sub-sectors, units under three sub-sectors[✎] alone had been working during 1998-99 to 2002-03, as functioning of units in other sub-sectors did not prove viable. In April 1996, the Board admitted that, due to suspension of work in eight sub-sectors, a large number of staff had become surplus.

Till March 1997 (no accounts were compiled thereafter), total cumulative loss sustained by the units under 11 sub-sectors was Rs. 41.80 lakh. A joint survey of all the sick units was made by the Board and the KVIC in February 2002, when it was suggested to convert all of them into economically viable units. But, as of December 2002, nothing was done by the Board in this respect.

Employment generation

7.2.18 Employment provided to artisans in khadi and village industries and their average annual income during the years 1998-2003 are shown below:

	1998-99	1999-2000	2000-01	2001-02	2002-03
i) No. of artisans given employment	348	199	20	110	15
ii) Total amount of wages paid (<i>Rupees in lakh</i>)	7.41	3.69	0.37	0.51	0.30
iii) Average annual earning per artisan (<i>in rupees</i>)	2129	1855	1832	432	1967

It would be seen from the above that the number of artisans given work decreased sharply from 348 in 1998-99 to 15 in 2002-03 although one of the main objectives of the Board was to provide employment to rural artisans. Similarly, the average annual income of the artisans showed that none of them could be brought above the poverty line (a person having annual income not above Rs. 3370.20[•] is considered to be living below poverty line in this State).

In August 1999, the Government directed the Board to submit action plan for resource mobilisation to the extent of at least Rs. 15 lakh annually from its own activities. The Board had not taken any action to achieve the target.

Marketing

7.2.19 In November 2001, the Board observed that due to geographical bottlenecks (details not specified) its products were not able to compete with others, and there were no traditional buyers for khadi products in the State.

[♥] Khadi, Cottage Match, Village Oil, Village Pottery, Village Leather, Processing of Cereals and Pulses, Carpentry and Blacksmithy, Fibre, Bee-keeping, Cane and Bamboo, and Handmade Paper.

[✎] Khadi, Carpentry and Blacksmithy, and Fibre.

[•] Effective from April 1997.

Sharp and gradual decline in production during the period under review indicated the Board's failure to utilise its resources to attain its objectives.

Implementation of schemes

Margin Money Scheme for Village Industries

7.2.20 To provide financial assistance to rural entrepreneurs, the KVIC introduced Margin Money Scheme for Village Industries in August 1995 and paid Rs. 1.11 crore to the Board in October 1996 (Rs. 90 lakh) and November 2002 (Rs. 21 lakh). The Board failed to utilise the amount fully, and refunded Rs. 50 lakh to the KVIC in March 2002, inspite of the fact that the Board had designated staff for such scheme along with the requisite infrastructure to implement it.

Up to December 2002, the Board received 3081 applications from the prospective beneficiaries, of which 2188 cases were sponsored to the banks, and the banks paid margin money of Rs. 23.68 lakh to 74 entrepreneurs, representing an achievement of only three *per cent* compared to the number of cases sponsored.

When Rs. 50 lakh (out of Rs. 1.11 crore provided in October 1996) were returned to the KVIC in March 2002 due to inability of the Board to spend the funds under the scheme, further release of Rs. 21 lakh by the KVIC to the Board in November 2002 was injudicious. This had only raised the balance of unspent amount under the scheme to Rs. 58.32 lakh (in savings bank account) as of December 2002, leading to unnecessary blocking of funds. The Board stated (December 2002) that it did not approach and 'persuade' the KVIC to provide the additional funds under the scheme.

Such poor performance of the scheme was an indication of the apathy of the Board in utilising the funds for the welfare and economic development of the rural entrepreneurs and artisans, basically for which the body was created by the Government.

Manpower management

7.2.21 The Board had 181* staff members, of which 69 were technical personnel, 40 ministerial personnel and 72 Group D employees, which constituted 38 *per cent*, 22 *per cent* and 40 *per cent* of the total staff strength respectively. Total administrative expenses of the Board and expenditure on salaries during the years 1998-99 to 2002-03 are shown below:

*

	Ministerial	Class IV and Night guard	Contingent Class III	Contingent DRW/Class IV	Technical	Total
Sanctioned strength	34	41	7	31	74	187
Men in position	33	41	7	31	69	181
Excess	Nil	Nil	Nil	Nil	Nil	Nil
Shortage	1	Nil	Nil	Nil	5	6

(Rupees in lakh)

	1998-99	1999-2000	2000-01	2001-02	2002-03
Total amount of salaries	90.21	90.53	104.55	112.66	137.39
Total administrative expenses	110.46	109.15	131.61	144.12	149.42
Total expenditure of the Board	132.43	109.15	137.93	151.79	149.42
Percentage of salaries paid to total administrative expenses	82	83	79	78	92
Percentage of salaries paid to total expenditure	68	83	76	74	92
Percentage of administrative expenses to total expenditure	83	100	95	95	100

Note: Sudden increase in amount of salaries during 2000-2001 and 2001-02 was stated to be due to payment of arrear pay and allowances under revision of pay rules.

It would be seen that, as of 2002-03, salaries accounted for 92 *per cent* of the total administrative expenses of the Board. The situation so worsened in 2002-03 that administrative expenses alone constituted the entire expenditure of the Board. The Board thus lost the rationale for its existence as a development agency.

Salaries to surplus staff

7.2.22 In April 1996, the Board admitted that as manufacturing units in eight sub-sectors out of 11 had been closed, a large number of its staff members became surplus. Audit scrutiny revealed that, Rs. 3.21 crore paid as salaries to 57 members of the technical staff attached to the closed units during 1998-99 to 2002-03 was unproductive.

Similarly, the Board also paid Rs. 30.05 lakh as salaries during the years 1998-99 to 2002-03 to its staff members attached to the closed spinning units.

Idle establishment

7.2.23 To implement various programmes, the Board set up a district office at Kumarghat in North Tripura district in September 1987 in a rented building with five staff members (one Assistant District Development Officer, two Upper Division Clerks, one Junior Supervisor and one Peon). But no job was assigned to them for the past 16 years (1987-2003). As a result, Rs. 47.31 lakh paid as salaries (Rs. 46.06 lakh) and rent for the office building (Rs. 1.25 lakh) during September 1987 to December 2002 became unproductive.

The Board had an internal audit wing with four staff members (one Accounts Officer, one Accountant, one Auditor and one Clerk) under the supervision of a Financial Adviser-cum-Chief Accounts Officer. But no audit was conducted by this wing, although the Board paid Rs. 21.40 lakh as salaries to these four staff members during 1998-99 to 2002-03.

Engagement of staff without sanction

7.2.24 As per the Tripura Khadi and Village Industries Regulations, 1970, the Board cannot create posts and engage any staff/worker, where the monthly salary of the incumbent exceeds Rs. 300, without approval of the Finance Department.

But, the Board appointed 40 Class IV employees, between October 1975 and November 1997, each at a monthly pay of Rs. 300 *plus* allowances, without obtaining prior approval from the Finance Department, thus, incurring an unauthorised expenditure of Rs. 56.14 lakh paid as salaries to these employees from the date of their appointment (calculated upto December 2002).

Similarly, it was noticed in audit that the Board itself created 16 posts but these were not approved by the Finance Department and, in five other cases, the Board did not even create the posts but they were shown to have been filled up without taking the concurrence of the Finance Department. Consequently, expenditure of Rs. 63.64 lakh paid to 17 employees belonging to 10 categories of posts^Φ during 1998-99 to 2002-03 was irregular.

Stores management

7.2.25 The Board had three stores (a cotton store, a yarn store and a vastragar) at Agartala. No reserve stock limit was fixed for these stores and materials were being procured without taking into account the volume of sales or indents. As a result, there was a large closing stock unnecessarily inflating the inventory position at the end of each year, as shown below:

(Rupees in lakh)

Year	Opening balance	Materials received	Total stock	Materials issued	Closing stock	Materials sold
1998-1999	32.82	39.96	72.78	34.54 (47)	38.24	23.65 (33)
1999-2000	38.24	7.81	46.05	5.67 (12)	40.38	3.88 (8)
2000-2001	40.38	71.92	112.30	78.99 (70)	33.31	72.84 (65)
2001-2002	33.31	94.75	128.06	92.25 (72)	35.81	87.49 (68)
2002-2003	35.81	6.95	42.76	3.32 (8)	39.44	28.75 (67)

Note: Figures in the brackets indicate percentage of materials issued or sold to the total stock. Value of materials purchased and issued include cost of blankets purchased and delivered to the Police Department during the last three years.

Retention of large stocks every year had not only resulted in blocking up of funds (with a total loss of interest of Rs. 17.05 lakh* during 1998-99 to 2002-03) but also affected the quality of the unsold stock.

^Φ Head Clerk: 1; Accountant: 1; Stenographer: 1; Auditor: 2; Surveyor: 1; Supervisor: 1; Assistant Supervisor: 5; Junior Supervisor: 2; Master Potter: 2; and Designer-cum-Modeller: 1.

* Calculated on the unnecessary accretion of Rs. 30 lakh every year to the opening balance (the rates of interest applied were 12.15 *per cent* (1998-2000) and 10.82 *per cent* (2000-03) as were applicable for the funds borrowed by the Government during these years.

Misappropriation of stores

7.2.26 Scrutiny of the consolidated statement of receipts and issues of yarn from April 1993 to August 1999 and physical verification report for the yarn store for the period from April to August 1999 prepared by the Board showed that against the book balance of 7.96 lakh hanks of yarn, only 2.21 lakh hanks were physically available in stock. This resulted in shortage of 5.75 lakh hanks of yarn valued at Rs. 20.62 lakh.

No documentary evidence was available with the Board to show that 9.41 lakh hanks of yarn (value: Rs. 33.43 lakh) issued to the dyers and individuals during the above period had actually been received back by the Board. This indicated misappropriation of Rs. 33.43 lakh (**Appendix - XVIII**), being the value of yarn not returned. Materials were issued by the storekeeper without obtaining any order from the higher authorities of the Board. Stock Registers for the years 1998-99 to 2002-03 had also not been checked by any responsible officer of the Board. The laxity in administrative control of the Board resulting in a poor inventory management was largely responsible for facilitating the misappropriation.

Monitoring and supervision

7.2.27 In September 1997, the Board directed its technical staff to visit Weaving Centres regularly and submit performance reports in the prescribed proforma by the seventh of every month. The Board could not make available any report submitted by its technical staff during 1998-99 to 2002-03.

To revive the activities of the Board and make it self-reliant, the Government constituted a committee in April 2000 under the chairmanship of the Principal Secretary, Finance, which was to submit its report by May 2000. The committee had not submitted its report as of December 2002. Similarly, to review the performance of the Board, the Government decided (December 2000) to hold monthly meetings with the Board officials, but the Board failed to produce any minutes of such meetings when called for in audit.

This led to the audit conclusion that there was virtually no in-built control mechanism functioning in the Board to make it work efficiently and effectively in order to achieve the objectives for which it was established.

To overcome the shortcomings discussed above, the Government should take immediate action to revamp the organization by conducting periodic review of the functioning of the Board to ensure that organisational objectives are met fully. More effective internal control mechanism should be introduced as the present system is not working at all.

The matter was reported to the Government in June 2003; reply had not been received (September 2003).