

**CHAPTER IX : MINISTRY OF SMALL SCALE INDUSTRIES
AND AGRO RURAL INDUSTRIES**

Khadi and Village Industries Commission

9.1 Recovery at the instance of Audit

Incorrect application of rules by Khadi & Village Industries Commission resulted in undue financial benefit to officers. At the instance of audit excess pay & allowances of Rs. 22.66 lakh has been recovered from 169 officers.

In accordance with the provisions of FR 22(I)(a)(2), the holder of post, the pay of which is revised, will be treated as if he were transferred to a new post not involving higher responsibilities and his pay in the revised scale will be fixed at a stage next above the pay drawn by him in the old scale and he will draw his next increment after completion of requisite period of one year.

The Government of India, in December 1998 approved revision of pay scales of five categories of officers of the Khadi and Village Industries Commission (KVIC) from the rank of Assistant Director and above. Audit noted that while giving effect to the order for upgradation, the date of next increment (DNI) was restored as per their DNI on the pre-revised pay and in cases where junior and senior were drawing equal pay, in order to remove anomaly, DNI of senior was advanced to DNI of junior in the pre-revised pay.

After extending the benefit to 169 officers from December 1998, KVIC referred the above issue to the Ministry in May 2000. The Ministry with the concurrence of Internal Finance wing in September 2000 clarified that since upward revision of pay scale of KVIC officer was granted without change in duties and responsibilities, the pay had to be regulated in accordance with FR 22 (1) (a) (2).

However, even after clearcut directive from the Ministry, KVIC decided to restore DNI of the upgraded officers as per their pre-revised scale in violation of the rules. This resulted in undue financial benefit of Rs. 25.91 lakhs to 169 officers from December 1998.

In response to audit observation in January 2002, KVIC had initiated (April 2004) remedial action to recover excess pay and allowance of Rs. 25.91 lakh paid to 169 officers from December 1998 to December 2002. As of October 2006, an amount of Rs. 22.66 lakh had already been recovered and balance

Rs. 3.25 lakh is being recovered from the monthly salary bills of the respective officers. The Ministry confirmed the facts in their reply (August 2006).

9.2 Non-recovery and loss of interest

Khadi and Village Industry Commission failed to recover registration fee of Rs. 1.33 crore during 2003-04 to 2005-06 from the units financed under Rural Employment Generation Programme scheme resulting in loss of interest of Rs. 12.82 lakh for the period from April 2003 to March 2006.

In accordance with the guidelines of Rural Employment Generation Programme (REGP) scheme of Khadi and Village Industries Commission (KVIC), the units desiring to avail of fiscal concession were required to register with the Commission by payment of registration fee at the rate of one *per cent* of the project cost and half *per cent* for renewal after three financial years. However, KVIC made registration mandatory for all units financed under REGP from April 2003. The financing bank on release of first installment of bank finance to the beneficiaries has to ensure submission of margin money claim to the nodal branch of the bank and application for registration along with amount of registration fee to the concerned state office of KVIC.

Scrutiny of the records of State/Regional Office of KVIC in Kerala and Maharashtra revealed that out of 2839 units financed under REGP during 2003-04 to 2005-06, only 301 units were registered and an amount of Rs. 23.51 lakh collected as registration fee. The remaining 2538 units, being 89 *per cent* of the total units, were unregistered and registration fee of Rs. 1.33 crore remained to be collected.

The Commission in reply (July 2006) stated that responsibility for ensuring registration of units was shared between KVIC and financing banks and field offices were repeatedly approaching the financing bank to ensure the registration of units. It also stated that after reviewing the situation, necessary steps would be taken for ensuring the mandatory requirement of registration of the units without fail.

Thus, the Commission failed to ensure the mandatory registration of units which resulted in non-collection of revenue of Rs. 1.33 crore and loss of interest of Rs. 12.82 lakh up to March 2006.

The matter was referred to the Ministry in August 2006, their reply was awaited as of October 2006.