



DELHI VIDHAN SABHA

Committee on Government Undertakings

(First Report)

(Presented on _____)

LEGISLATIVE ASSEMBLY SECRETARIAT
OLD SECRETARIAT, DELHI

COMMITTEE ON GOVERNMENT UNDERTAKINGS

(FIRST REPORT)

1. Composition of the Committee

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COMPOSITION OF THE COMMITTEE

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| 1. | Dr.(Smt.) Kiran Walia | Chairperson |
| 2. | Shri Mukesh Sharma | Member |
| 3. | Dr. P C Kaushik | Member |
| 4. | Shri Tarwinder Singh Marwah | Member |
| 5. | Shri Veer Singh | Member |
| 6. | Shri Naseeb Singh | Member |
| 7. | Shri Sushil Chaudhary | Member |

SECRETARIAT

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| 1. | Shri S K Sharma | Secretary |
| 2. | Shri Siddharath Rao | Jt. Secretary |
| 3. | Shri P N Sinha | Under Secretary |

OFFICERS IN ASSOCIATION

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| 1. | Shri Ramesh Chandra | Pr.Secretary(Finance) |
| 2. | Smt. Meenakshi Misra | A.G.(Audit) Delhi |

INTRODUCTION

I, Dr.(Smt.) Kiran Walia, Chairperson of the Committee on Government Undertakings of the Delhi Vidhan Sabha, having been authorised by the Committee to present this report on their behalf, do hereby present the First Report of the Committee relating to examination of Audit Paras 6.7.3 and 6.7.4 as contained in the Comptroller and Auditor General of India's Report for the year ending 31st March, 1998, pertaining to Delhi Financial Corporation.

The Committee considered and adopted this . . . Report in its meeting held on 17.11.2000 .

The Committee wishes to place on record its appreciation of the help and guidance extended by the Officers and staff of the Assembly Secretariat and Accountant General (Audit) Delhi in the examination of the Audit Paras. The Assembly Secretariat deserves appreciation for timely preparation of this report.

Kiran Walia

(Dr.(Smt.) KIRAN WALIA)

Chairperson
Committee on Govt. Undertakings.

Delhi.
Dated the 17th Nov. 2000

FIRST REPORT OF THE COMMITTEE ON GOVT. UNDERTAKINGS.

FUNCTIONS OF THE COMMITTEE

1. The Committee on Government Undertakings, constituted under rule 196 of the Rules of Procedure and Conduct of Business of Delhi Legislative Assembly conducts examination of the working of the following Government Undertakings as specified in the Second Schedule annexed to these Rules :

- i. The Delhi Financial Corporation.
- ii. The Delhi Khadi and Village Industries Board.
- iii. The Delhi State Civil Supplies Corporation.
- iv. The Delhi Scheduled Castes Financial Development Corporation.
- v. The Delhi Tourism and Transportation Development Corporation.
- vi. The Delhi State Industrial Development Corporation.

2. The Committee in its first meeting held on 11.05.2000 decided to take up Delhi Financial Corporation for the examination of its working and Audit Paras 6.7.3 and 6.7.4 as contained in the Report of Comptroller and Auditor General of India, for the year ending 31st March, 1998.

DELHI FINANCIAL CORPORATION

3. In the first meeting held on 8th June, 2000, the CMD of the Corporation on being asked, explained in brief the working of the Delhi Financial Corporation

and informed that the D.F.C. was established in the year 1967 with the participating equity of 20 crores by Delhi Administration. Thus the Delhi Government has 50% equity in the Corporation. The Corporation, since its inception, has disbursed a total loan of 523 crores. The Committee inquired about the total loss incurred by the Corporation due to default by the investor/guarantor and was informed that a sum of Rs.4 crores was lying blocked as outstanding account. However, judicial proceedings were still in progress to recover this amount. The Committee was further informed that the Corporation refinances loans to the investors by obtaining loans from IDBI/SIDBI retaining with it 3% margin. The interest rates charged for loans upto/ below 2 lacs are @13.5% and for loans above 2 lacs @15%. The Corporation was also giving loans for commercial vehicles and was charging interest @15%. The interest being charged was on reducing basis.

4. The Committee then took up for examination and consideration the Audit Para No.6.7.3 as included in the C.& A.G. Report for the year ended 31st March, 1998. In the deliberation the Committee scrutinised the Action Taken Notes submitted by the DFC alongwith the Memorandum of Important Points prepared by the Office of Accountant General (Audit) Delhi and invited the departmental representatives to depose before it. The Committee after examining at length the replies furnished by D.F.C., made the following observations/ recommendations/ suggestions :

Para 6.7.3	Excess drawal of loan funds with reference to requirements and idle surplus funds - <u>loss of Rs.53.13 lakh.</u>
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5. From the scrutiny of audit para it revealed that though the D.F.C. had surplus funds amounting to Rs.614.33 lakh at the close of the year 1996-97, yet it had borrowed an amount of Rs.351.01 lakh (Rs.72.11 lakh @16% and Rs.278.90 @15.5%) from the IDBI and SIDBI.

during the period from 14.03.1997 to 31.03.1997. It was also observed that considerable amount of surplus funds ranging from Rs.76.73 lakhs to Rs.385.40 lakh were kept unused and funds ranging between Rs.162 lakh to Rs.621 lakh were invested in short term deposits during the period April, 1997 to June, 1998 which resulted in the loss of interest of Rs.53.13 lakh due to excessive withdrawal of loan from IDBI/SIDBI and keeping the excessive cash either idle or investing it at much lower rate of interest.

6. The Corporation apprised the Committee that the loan was taken from IDBI/SIDBI in anticipation of loan disbursement to the beneficiaries which could not be disbursed as the proposal took long time in processing. When inquired about the disposal of the funds in hands, the Committee was informed that the funds were invested on Short Term Deposits in banks on interest. The Committee observed that it was a clear case of poor cash management and expressed dissatisfaction at the manner in which the funds were managed by the D.F.C. and directed that the matter be inquired into. The D.F.C. although agreed to the lapse but contended that there was however no bearing on its financial position and that the Corporation was one of the three profit-earning Corporations in the country and its overall financial position was sound. This is evident from the fact that it had paid a dividend of 69 lakhs last year and was regularly paying the dividend to the Delhi Government.

The Committee was on whole satisfied with the replies given by the Departmental representatives and expressed the view that it was a case of poor cash management, and not of embezzlement of money.

The Committee therefore decided to drop the para.

Para 6.7.4.

Release of loan without complying with
Pre-disbursement conditions - loss of
Rs.20.95 lakh.

7. The above audit para related to M/s Waris Metals (P) Ltd. which was disbursed a sum of Rs.16.26 lakh during August, 1996 to March, 1997 for manufacturing SS Wires. The first instalment of repayment of loan fell due on 1.2.1997 but the borrower defaulted in repayment. As on 1.8.1998 a total loan amount of Rs.20.95 lakh (including interest of Rs.5.92 lakh) was in default and the plant and machinery financed by the Corporation were missing and the borrower was absconding.

8. On being questioned by the Committee, the CMD, DFC stated that the instant case was admittedly a fraud, a complaint about which has already been lodged with the Police. The Committee was not satisfied with the reply and enquired as to the basis of sanction of loan, whether a request of Chartered Account was received and whether there was any working capital raised by the firm itself before loan was released. Departmental representatives could not offer any satisfactory reply. The Committee expressed severe displeasure that the Corporation had dealt with the case in a most casual manner and no Departmental enquiry has even been instituted so far and no responsibility of erring officers fixed. The Committee also expressed apprehension as to the manner in which loans were being disbursed and directed that a thorough enquiry be instituted and responsibility fixed on the officials guilty of sanctioning the loan to M/s Waris Metals. The Committee further directed that the erring officials must be identified and a Comprehensive Report to this effect be submitted within 15 days and latest by 22nd September, 2000.

9. The D.F.C. submitted its Report within the stipulated time vide its letter dated 22/25th September, 2000. After going through the Report, the Committee expressed satisfaction that the Department had conducted thorough

investigation in the matter of disbursement of loan to M/s Waris Metals and had brought on record the names of various officials who handled and processed the case in different stages and were found guilty of various acts of omission and commission.

10. During the scrutiny of the said Report, the Committee observed that the report has rightly come to the conclusion that besides the officers/officials of D.F.C. the Chartered Accountants, Advocates and Valuers on the panel of D.F.C also failed to discharge their responsibilities.

11. With regard to the suggestion of the Corporation contained in the Report that a further detailed enquiry would have to be held to determine the varying degree of lapses on the part of the officials including collusion and criminal conspiracy, if any, the committee felt that any further enquiry would only delay things unnecessarily and, as such, the same could not be supported.

12. When the Committee asked as to what actions had been initiated/taken against the officers/officials prima - facie found to be guilty in the Report, the Departmental Representatives informed that a Show Cause Notice had been issued on 9th October, 2000, on those felt to be guilty, under the Vigilance Mannual and another FIR has also been lodged with the police against the defaulter party for cheating. The Committee was further informed that the procedure contained in the Vigilance Mannual and in connection with the disciplinary proceedings will have to be complied with before imposing any penalty on the guilty.

RECOMMENDATIONS.

After examining the audit paras No.6.7.3 and 6.7.4 taking evidences and hearing the views of the

departmental representatives, the Committee makes the following recommendations : -

- a) The lapses as pointed out in para 6.7.3 in the matter of cash management should not re-occur.
- b) The Chartered Accountant, Advocates and Valuers who failed to discharge their responsibilities honestly need not be given any other assignment by the D.F.C. They may be back-listed and action also be taken up with their respective regulatory agencies viz. Institute of Chartered Accountants, the Bar Council of India etc. for cancellation of their licences. (Para 6.7.4)
- c) Disciplinary action may be taken in an expeditious manner against the officers/officials found guilty in the matter of disbursement of loan to M/s Waris Metals. (Para 6.7.4)

DELHI
Dated the 17th November, 2000

Kiran Walia
DR. (SMT.) KIRAN WALIA
Chairperson
Committee on Govt. Undertakings