

SECTION – B – AUDIT PARAGRAPHS

GEOLOGY AND MINING DEPARTMENT (Nagaland State Mineral Development Corporation Limited)

8.10 Loss of interest due to premature withdrawal/closure of Fixed Deposit Receipts

Due to premature closure/withdrawal of Fixed Deposit Receipts resulted loss of interest of Rs.27.20 lakh

8.10.1 Nagaland State Mineral Development Corporation Limited (NSMDC), received Rs.160 lakh from the Government of Nagaland as equity share for the Expansion Project of Wazeho mini cement plant and invested the money as Fixed Deposit in 3 Fixed Deposit Receipts (FDRs) with Bank of Borada (BOB) at 12 *per cent* interest for 3 years and with an overdraft facility to the extent of Rs.136 lakh. After availing overdraft to the extent admissible and refusal by BOB to extend working capital loan for mini cement plant, the company decided (November 1999) to close the FDRs and reinvest the same with the State Bank of India (SBI) for working capital loan requirement of the plant. The FDRs were closed on 23 January 2000 and deposited with SBI on 8 February 2000 (i.e., after 15 days) at 10.5 *per cent* interest per annum and overdraft facility of Rs.120 lakh. This resulted in loss of interest of Rs.27.20 lakh.

8.10.2 The company stated (July 2002) that actual loss of interest was Rs.9.06 lakh and the funds were reinvested with the main objective of getting working capital loan.

8.10.3 The reply is not tenable as the company did not furnish details/basis and the working capital loan was yet to be sanctioned (September 2002).

**INDUSTRIES AND COMMERCE DEPARTMENT
(Nagaland Handloom and Handicraft Development Corporation Limited)**

8.11 Liability of Rs.1.55 crore including extra liability of Rs.1.13 crore

The company incurred sales tax liability of Rs.1.55 crore due to non submission of 'C' form

8.11.1 Between 1982-83 and 2001-2002 the Nagaland Handloom and Handicrafts Development Corporation Ltd., supplied mining timbers to Coal

India Ltd. through commission agents and preferred claims charging 4 per cent Central Sales Tax (CST) without submitting 'C' forms. The company did not deposit the amounts of CST received from Coal India Ltd. The Commissioner of Taxes, Nagaland assessed (June 1994) the tax dues as Rs.41.87 lakh for the period 30 June 1990 to 31 March 1994 and asked the company to deposit the same by July 1994. Appeal for waiver by the company (November 1995) was refused and the company was asked to deposit the amount of tax in three instalments.

8.11.2 Due to non-submission of 'C' form the tax authorities reassessed the tax payable by the company (March 2000) pertaining to sales made during the period 1983-84 to 1993-94 which stood at Rs.1.38 crore and imposed penalty of Rs.16.73 lakh. But, the amount of tax along with penalty is yet to be deposited by the company (August 2002).

8.11.3 Thus, failure to submit 'C' forms by the company resulted in extra liability of Rs.1.13 crore (Rs.1.38 crore + Rs.16.73 lakh – Rs.41.87 lakh) out of outstanding liability of Rs.1.55 crore being the sales tax pertaining to the period 1983-84 to 1993-94 due to be deposited.

8.11.4 The total amount of sales tax due as on 31 March 2002 was not furnished to audit and no provision was made in the accounts for tax payable to the Government.

8.11.5 The matter was reported to the Government/department in March 2002. Admitting the fact, the company stated (November 2002), that the state Government had been requested to waive the tax dues and decision of the Government is awaited.

8.12 Loss of Rs.10.98 lakh

The company incurred loss of Rs.10.98 lakh due to failure of management to recover outstanding dues and property

8.12.1 Government of Nagaland had appointed (June 1998) Shri Roland Lotha (a member of Legislative Assembly) as Chairman of the Nagaland Handloom and Handicrafts Development Corporation Ltd. One car costing Rs.3.15 lakh was allotted to the newly appointed Chairman in September 1998. Between June 1998 and July 1999 loan and advances amounting to Rs.6.64 lakh (Loan:Rs.5.33 lakh, advance: Rs.1.31 lakh) was paid to the Chairman. Appointment of Shri Roland Lotha was cancelled by the Government in July 1999. The loan and advance paid to Shri Lotha was not recovered and the car allotted to him was also not returned by him after cancellation of appointment. In November 1999, the ex-chairman intimated the company that the car allotted to him was stolen in October 1999.

8.12.2 It was also noticed that advance amounting to Rs.1.19 lakh paid (1993-94) to Shri Sedem Khaming (ex-chairman) also remained unadjusted.

8.12.3 The management had not initiated effective steps either to take back the car after cancellation of appointment of Shri Lotha or recover the loan and advances paid to above mentioned persons as yet (August 2002).

8.12.4 Thus, lackadaisical attitude of the management resulted in loss of company to the tune of Rs.10.98 lakh (Rs.3.15 lakh + Rs.6.64 lakh + Rs.1.19 lakh).

8.12.5 The matter was reported to the Government/department in March 2002. Admitting the fact, the company stated (November 2002) that an FIR was lodged but the vehicle has not been recovered and action was being initiated for recovery of advances.

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