

CHAPTER V : MINISTRY OF COMMERCE

Tea Board of India, Moscow

5 Deficient cash management and loss of interest

Deficient cash management by overseas Tea Board of India, Moscow resulted in retention of cash balances in excess of eight week's requirement and consequential loss of interest of Rs. 38.29 lakh.

According to the provisions of the Financial and Accounting procedure of the Tea Board of India, the headquarters office of the Tea Board had to remit funds to its overseas offices bi-monthly.

Paragraph 3.2 of Report no. 4 of the Comptroller and Auditor General of India for the year ended March 1999, Union Government (Civil) (Autonomous Bodies) had highlighted deficient cash management and loss of interest. In September 2000, Ministry in its Action Taken Note stated that all the overseas offices of the Tea Board had been advised to review the cash balance from time to time as per their promotional requirements. In September 2002 it was also reiterated by the Tea Board of India, Kolkata that the closing balance of the cash held should not exceed eight week's requirement.

Audit ascertained from the records of Tea Board of India, Moscow for April 2000 to March 2004 that the monthly cash balance varied between Rs. 96.05 lakh and Rs. 247.29 lakh as against eight¹ week's requirement ranging from Rs. 26.16 lakh to Rs.54.08 lakh. Further, the expenditure on promotion of Value Added Tea was only 24.34, 29.8 and 24.47 *per cent* of the budgeted expenditure during the year 2000-01, 2001-02 and 2003-04 while it was 141.42 *per cent* in 2002-03.

Audit also ascertained that the maximum monthly expenditure during the same period never exceeded Rs. 32.64 lakh², which was less than five weeks' requirement for the respective years, except in the month of February and March 2003 when payment was made for a special TV campaign. Hence, the cash balances were always in excess of requirement. This ranged between

¹ Eight weeks requirement have been worked out with reference to the budgeted provisions on office expenses and provisions for special promotion expenses for value added tea for the respective years.

² October 2003.

Rs. 69.89 lakh and Rs. 193.21 lakh however, the excess cash was never remitted back.

In response, Ministry stated (July 2004) that its process of approval was a time consuming process and took a few months. Therefore, it was practically not feasible for the overseas Tea Board offices to carry balances to cover eight weeks requirements only. The Ministry further explained that the excess cash balance from September 2002 to February 2003 was on account of a remittance for a specific contract. The Ministry also admitted that remittances should have been sent only after verification of actual cash balance with the overseas Tea Board.

The process of taking approval of each remittance needs to be shortened, analogous to the practice adopted by the Ministry of External Affairs. Further, as admitted by the Ministry, Tea Board Moscow should have remitted the cash to its headquarters after verifying the actual cash balance and anticipated expenditure.

Thus, the retention of cash in excess of eight weeks' requirement resulted in loss of interest³ of Rs. 38.29 lakh⁴.

³ Calculated @ 10.03 *per cent* p.a. being average borrowing rate of Government of India during the year 2002-03.

⁴ During the period from April 2000 to March 2004 excluding the period from September 2002 to February 2003 justified by the Ministry.