

## CHAPTER VII : MINISTRY OF CULTURE

### North East Zone Cultural Centre, Dimapur

#### 7 Unauthorised investment of corpus fund resulting in loss of revenue

**Director, North East Zone Cultural Centre, Dimapur unauthorisedly invested Rs. 1.00 crore from the corpus fund in a Non-Banking Finance Company without the approval of the Governing Body resulting in a loss of Rs. 1.60 crore as the company closed its branch. Effective punitive action has not been taken.**

The power of investment of funds of the North East Zone Cultural Centre (NEZCC), Dimapur and the sale or alteration of such investments is vested with its Governing Body.

Audit ascertained that without obtaining the approval of the Governing Body, Director NEZCC placed Rs. 1.00 crore in the fixed deposit scheme of a non-Banking Finance Company M/s Leafin India Limited, Dimapur Branch (registered office located at Hyderabad) for the period of two years from 6 August 1999 to 30 September 2001. The rate of interest on the deposit was 15 *per cent*, payable monthly. The date of maturity of the deposit was 30 September 2001. Copies of the agreement made with M/s Leafin India Limited, Dimapur Branch, were not made available to audit.

Audit ascertained that Rs. 31.25 lakh was to be received as interest on the deposit (from August 1999 to September 2001). However, the NEZCC received only Rs. 8.75 lakh during November 1999 to September 2001 in seven installments of Rs. 1.25 lakh. At the instance of the Governing Body, the Director requested M/s Leafin India Limited to refund the amount of fixed deposit in September 2000. But the Company did not respond and their Branch Office at Dimapur was closed.

NEZCC filed a money suit in June 2001, which is pending disposal in the court of law (November 2004).

Thus, due to unauthorised investment of funds made by the Director, in contravention of the prescribed rules laid down in the Memorandum of Association, the Centre suffered a loss of Rs. 1.60 crore being the amount of

principal (Rs. 1.00 crore) and interest (Rs. 0.60 crore calculated upto March 2004).

The matter was taken up by the Centre with the Secretary, Department of Higher Education, Government of Manipur in August 2002 to initiate disciplinary proceedings against the Director in accordance with the Manipur Government Servant's Conduct, Discipline and Appeal Rules. Further developments are awaited (November 2004).

The matter was referred to the Ministry in August 2003 and again in April 2004; its reply was awaited as of December 2004.