

CHAPTER IV : MINISTRY OF CULTURE

National Council of Science Museums, Kolkata

4.1 Avoidable loss of interest

Absence of sound fund management, control and a well-defined investment policy led to a revenue loss of Rs. 33.42 lakh to the National Council of Science Museums.

The National Council of Science Museums, Kolkata (NCSM), invested the entire amount of Provident Fund balances of its employees in short term deposits with Public Sector Banks, without following the pattern of investments prescribed by the Government of India although repeated mention in this regard was made in earlier Audit Reports.

Audit noted that between May 2002 and May 2005, in respect of 32 cases involving Rs. 7.49 crore, the NCSM, continued the practice of investment and reinvestment of the principal along with the interest thereon in short term deposits, each with a tenure of a maximum of one year, with public sector banks. It suffered a loss of Rs. 33.42 lakh that could have been earned as interest had the same been invested in term deposits of longer duration.

This occurred because of the absence of a well defined investment policy coupled with poor fund management and control.

The NCSM, in reply (September 2004), stated that investments were made with the approval of the Director General in terms of Clause 20 of the NCSM's Bye-laws. The reply was not tenable since the tenure options of the investments/reinvestments were neither discussed in detail in the individual case files nor did the Bye-laws of NCSM prevent the organisation from investing its funds in a more profitable manner. On the other hand, the Bye-laws allowed for alteration of the investments with the authorisation of the Director General.

The Ministry in their reply (August 2005) stated that the Council had lowered the period of investments from 2000-01 onwards with the expectation of an upward trend of the interest rate in the future and admitted that the continuous fall in the rate of interest was not anticipated by NCSM.