

**MINUTES OF THE 29th FINANCE & AUDIT COMMITTEE (F&AC) MEETING HELD ON
27TH AUGUST, 2014 (WEDNESDAY) AT 11:00 A.M. AT ROOM NO. 141, MINISTRY OF
TEXTILES, UDYOG BHAWAN, NEW DELHI**

A. The following Members of the Committee were present:

- | | | |
|----|---|------------------|
| 1. | Sh. B.P Pandey, AS&FA, MOT | Chairperson |
| 2. | Smt. Sunaina Tomar, JS, MOT | Member |
| 4. | Shri Prem Kumar Gera, DG-NIFT | Member |
| 6. | Sh. Anand Kumar Kedia, Director (F&A), NIFT | Member Secretary |

B. The following members of the Committee were granted leave of absence:

- (i) Sh. Sunil Sethi, President FDCI
- (ii) Sh. William Bissell, Managing Director, Fabindia Overseas Pvt. Ltd.

C. Apart from Committee members, following officials were also present:

- | | | |
|------|-------------------------|--------------------------------|
| i) | Ms. Nilima Rani Singh | Dierctor Mumbai |
| ii) | Sh. Sanjay Jain | Project Engineer, NIFT HO |
| iii) | Sh. V.N. Govindan Kutty | Project Engineer, NIFT Mumbai |
| iv) | Sh. Abdul Malik | Deputy Director (F&A-II), NIFT |
| v) | M/s M.C. Jain & Co. | Internal Auditors |
| vi) | Ms. Rajni Shah | Assistant Board Secretary |
| vii) | Ms. Priya Relan | OSD Accounts |

AGENDA ITEM NO. 2901

**To confirm minutes of the 28th meeting of Finance & Audit Committee held on
17th June, 2014 at 10:00 a.m. at Room no. 141, Ministry of Textiles, Udyog Bhawan,
New Delhi**

The minutes of the meeting had been circulated to all the members of the Committee. No changes or modifications were proposed. The minutes were therefore confirmed without any modification.

AGENDA ITEM NO. 2902

Action Taken Report on last minutes of the Finance & Audit Committee Meeting

The Committee with the following directions noted the Action Taken Report on the decisions of the last meetings of the F&AC:

- (i) That action on most of the decisions of the F&AC was pending as the same could not be discussed in the 25th BOG meeting held on 26.06.2014 due to paucity of time. AS&FA was of the view that NIFT should convene a special meeting of the BOG so that the decisions of the F&AC could be placed before the Board for ratification or approval as the case may be.
- (ii) Regarding 6th CPC arrears, a self contained note consisting of NIFT's interpretation of the Cabinet note with the comments of Ministry of Textiles may be sent to IFW on file for seeking clarification of Department of Expenditure on the matter of admissibility of the claims for 6th CPC arrears.
- (iii) The Committee noted that the proposal regarding engagement of an Architect and PMC for construction of Panchkula Campus had become infructuous.

AGENDA ITEM NO. 2903

Consolidated Internal Audit Report of NIFT for the Fourth Quarter ending 31st March, 2014 and Action Taken Report on the points raised therein

Mr. Deepak Jain., Internal Auditor, M.C. Jain & Co. presented the consolidated Internal Audit Report of NIFT for the Fourth Quarter ending 31st march, 2014. The Committee desired to know the remarks, which were of major concern. The Auditor informed the following remarks to the Committee:

- (i) NIFT Raebareli Campus was showing Rs. 36.57 lakhs as opening balance of Advance Receivable from Electricity Distribution Division (EDD), Raebareli towards electricity connection, which needs to be settled.
- (ii) Delay in depositing Provident fund by one of the NIFT Campuses.
- (iii) NIFT was not publishing its tender inquiries on Central Public Procurement (CPP) portal as NIFT was not registered on this e-procurement portal.
- (vi) Mobile hand sets purchased by Delhi campus when there was no policy for purchase of mobile phones for the officers of NIFT below the rank of Joint Director.

The Committee took a serious view of the delay in depositing Provident Fund Dues and desired that Show Cause Notice may be issued to the Director of the defaulting Campus. It suggested that DG may frame a policy for purchase of handsets for mobile phone within its delegated powers. NIFT must register for placing all its tenders on approved web-portals of Govt. of India. The Director Raebareli Campus must get the details of funds required to be deposited for electrification of coming up Campus from UP Power Corporation and get the amount Rs. 36.57 lakhs adjusted against the demand.

The Committee also took note of the consolidated Internal Audit Report for the Fourth Quarter and recommended the same to the BOG for approval.

AGENDA ITEM NO. 2904

Consideration of Cost Escalation of Mumbai Campus under OBC Project

The Committee was informed that the original estimated cost of project was Rs 216.79 crores, which was approved by the F&AC and BOG in 2008. The estimated cost of the project was further revised to Rs. 119.70 crores, which was also approved by the F&AC and BoG in 2011. The project was started in August, 2010 with the stipulated date of completion as April, 2012 (for work on plot no. 15) and Oct., 2012 (for plot no. 20). The extension of time was also granted upto December, 2013. However, the project had been delayed and the work was still in progress.

The Mumbai Campus was managing and closely monitoring the project in close coordination with the PMC M/s CIDCO Ltd. (A company owned by Govt. of Maharashtra) for early completion of the project. The F&AC was informed that Project cost had been escalated due to three reasons i.e. increase in scope of the work, increase in the rates of materials and increase in statutory costs. Further due to cost escalations and deviation/variation in the scope of work additional amount to the tune of Rs. 30.30 crores was required for completion of the project.

The Committee directed that due diligence required to be done. The Committee was informed that the Project Engineer NIFT Mumbai Campus had certified the rates and quantity of the project. The F&AC noted the certification given by the Project Engineer Mumbai Campus and approved the re-revised estimated cost of Rs. 150.00 crores involving an additional expenditure of Rs.30.30 crores under OBC Quota Plan funds for completion of

buildings and other infrastructure at NIFT Mumbai Campus provided that the rates and quantity of project as per PWD Schedule. In order to be doubly sure that this was a final estimate, it may be rechecked before placing it before the Board of Governors. Further the escalation and extra work should be as per contract and due procedure should have been followed for authorizing the same.

*JS (MoT) vide her letter no. nil dt. 25.09.2014 observed as following:-

- “Responsibility to be fixed regarding the delay leading to huge cost escalation.
- Cost escalation to be certified as per CPWD rates.
- Decision regarding extension of time period can be taken once replies to the above two points are given.”

DG NIFT pointed out that vide his letter dated 26-09-14 the above issues were addressed. A copy of the letter is at Annexure 1 of the Minutes.

AGENDA ITEM NO. 2905

Status of Capital Expenditure and Revenue Income & Expenditure for three months ending June 30, 2014

Director (F&A) presented the status of Capital Expenditure and Revenue Income & Expenditure for three months ending June 30, 2014. He informed the Committee that in current financial year 2014-15, the accounting practice for recognition had been changed. Fee income would no longer be recognized on cash basis, but on accrual basis i.e. income would be recognized when it was earned irrespective of fact that it was actually received or not.

The Committee noted that the Quarter wise Capital Expenditure though higher than previous year but it was only about 10%, whereas it should have been 25%. The Committee directed that close monitoring of works so that the Capital Expenditure should be accelerated.

The Committee perused the status of Capital Expenditure and Revenue Income & Expenditure for three months ending June 30, 2014 and approved the same for placing it before the BoG.

AGENDA ITEM NO. 2906

Modification in Purchase Policy

Discussion took place on the proposal of modification in Purchase policy. The Committee felt that the agenda was not clear and also observed that a plain reading of the agenda gave an impression as if NIFT wanted to change the General Financial Rules (GFR) to suit its needs.

The Director (F&A) informed the Committee that the present agenda was not for changing the GFR. He apprised the Committee that NIFT had its own Purchase Policy duly approved by the BoG which, under sec 7 of the NIFT Act 2006, was competent to approve such a policy. NIFT's policy is based on GFR, it had adopted the GFR with some exceptions to suit NIFT's needs. This had been incorporated in its Purchase Policy.

*This para has been modified as per the directions of Chairperson of F&AC in 30th Meeting of F&AC held on 20.11.2014

He further informed that as per the Rule 181 of the GFR even for availing services of small amount say Rs. 10,000/- Limited Tender Enquiry with its publication on NIFT web-site was required and at times it became cumbersome and delayed the hiring of services. The Committee was also informed that many autonomous bodies /PSU's (e.g. GAIL) had relaxed the rule of limited tender to facilitate hiring of services of small value. Director (F&A) was of the view that NIFT Act 2006 gave its BoG all necessary powers to frame their own policies which were generally in consonance with Central Government policies.

In view of the above, the AS&FA desired that a comprehensive note could be put up in the next F&AC meeting. Accordingly, the agenda item was withdrawn.

AGENDA ITEM NO. 2907

Any other item with the permission of chair

Tabled agenda

Fee Revision for the Year 2015-16

The Committee was apprised that NIFT did not receive any grant for running the NIFT campuses from the Government. All operational expenditures including depreciation was met from the Fee collected from students and revenues earned from other sources. Students' fee formed bulk of the NIFT's revenues which fund NIFT's running expenditures. Keeping in view the inflation and to cover the rising cost of faculty and other administrative staff, and establishment expenditure, with prior approval of the F&AC and the BoG the fee charged from the students fee has been revised at regular intervals. In the 25th BOG Meeting held on 26th June 2014, the Board had approved 10% hike in fees for the Academic Year 2014-15 for all the students.

The Committee was informed that fee charged by NIFT was still less than that charged by its competitors like NID, FDDI, Pearl, Srishty etc. The Committee was further informed that certain expenses like depreciation were not provided adequately in the Accounts in the Financial Year 2013-14 because of which the Final Accounts of the Year 2013-14 indicated surplus of Rs. 18 crores. It was proposed that while calculating the cost, depreciation on replacement cost basis should be provided in the Accounts instead of historical cost basis. Further, interest earned on depreciation fund should be capitalized and depreciation should be charged after considering the inflation factor to have sufficient funds to replace the asset. The Committee was also informed that likely impact of seventh pay commission also need to be taken care of while calculating the NIFT's cost of education.

The Committee was informed that some campuses were in more demand therefore; it was proposed that a premium in terms of differential fee may be charged for different courses at different Campuses. The Committee was also informed that IITs and IIMs are charging differential fees. It was also proposed that part of surplus i.e. 1/3rd of surplus of the profitable campuses may be transferred to the newer campuses/loss making campuses.

Deliberation at length took place on the revision of fee. After detailed deliberation the Committee approved the following proposal for fees of students being admitted in 2015-16:-

- (a) 30% hike in fees for Non-NRI students of Delhi, Chennai, Mumbai, Bengaluru, Kolkata, Hyderabad and Gandhinagar in first year and thereafter 10% hike every year for remaining period of their stay at NIFT. For remaining Campuses hike could be 10% of the existing fees at NIFT.
- (b) 10% hike every year for NRI students.

For students currently pursuing their degrees the Committee recommended 10% hike of their current fees to be paid for 2015-16 session till they complete their degree from NIFT.

The Chairperson suggested that if the Government agreed to bear the expenses on account of Seventh Pay Commission, perhaps proposed increase in fee could be reviewed. The Committee also decided that a Depreciation fund needs to be created and interest earned on depreciation fund to be capitalized.

The F&AC recommended the above to the BOG for approval.

The meeting concluded with vote of thanks to the Chair.