MINUTES OF THE 22ND MEETING OF THE BOARD OF GOVERNORS OF NATIONAL INSTITUTE OF FASHION TECHNOLOGY HELD ON 3RD SEPTEMBER, 2013 (TUESDAY) AT 9:30 A.M. AT ROOM NO. 152, MINISTRY OF TEXTILES, UDHYOG BHAWAN, NEW DELHI

Present:

1. Smt. Kiran Dhingra, IAS (Retd.) – Chairperson, BOG NIFT
2. Smt. Darshana Jardosh, Hon'ble M.P Lok Sabha
3. Smt. Anita Agnihotri, AS&FA, Ministry of Textiles
4. Smt. Monika S. Garg, Joint Secretary, Ministry of Textiles
5. Smt. Veena Ish, Joint Secretary (Admn.), Ministry of Human Resource Development
6. Smt. Kavita Bhartia, M/s. Ogaan, New Delhi
7. Dr. A. Sakthivel, Chairman, M/s Poppys Knitwear Pvt. Ltd.
8. Ms. Namita R.L. Chowdhary
9. Sh. Pradyumna Vyas, Director NID
10. Sh. Prem Kumar Gera, Director General, NIFT

LEAVE OF ABSENCE

The following members were granted leave of absence:

1. Shri N.K Singh, Hon'ble M.P. Rajya Sabha
2. Smt. Priya Dutt, Hon'ble M.P Lok Sabha
3. Shri. Sunil Sethi, President, FDCI
4. Sh. William Bissell, Managing Director, Fabindia Overseas Pvt. Ltd.
5. Sh. Sabyasachi Mukherjee, Fashion Designer, Sabyasachi Couture

AGENDA ITEM NO. 2201

Correction in NIFT Annual Accounts 2012-13

The DG apprised the Board that in the last BOG meeting held on 15th July, 2013, Annual Accounts 2012-13 were approved. The approved Annual Accounts were submitted to C&AG for Statutory Audit. During the course of audit the C&AG Auditors had pointed out certain clerical and mathematical errors resulting from rounding off of figures causing differences of Rs. 0.01 lakhs in each line; grouping and regrouping of certain heads of accounts as followed in the previous years; in some cases misprinting of figures due to clerical errors etc. The Board was informed that the correction in Annual Accounts had not resulted in any significant change in earlier reported Total Income, Total Expenses, Total Assets and Total Liabilities.

Director (F&A) informed the Board that these errors as pointed out by C&AG auditors could be classified into following 3 categories:

(i) Approximation errors
(ii) Classification errors &
(iii) Other errors

These were indicated in three different colors in the Annexure IV & V of the agenda notes for ease of identification. As directed by F&AC, a schedule containing before and after position of all changes made was also provided. The corrections carried out in the Annual Accounts 2012-13 were explained through a Power Point Presentation. All the errors had been corrected and suggestions for regrouping of accounts as followed in previous years were implemented. The Board was also informed that the modified NIFT Annual Accounts for the year 2012-13 were approved by F&AC in its meeting held on 21st August 2013.

The Chairperson of F&AC Committee, Smt. Anita Agnihotri, AS&FA-MOT informed the BOG that the errors that were identified in the Accounts may appeared to be as minor errors but these reflect a state of non-accountability on the part of Finance Wing and Internal Auditors of NIFT, both of whom treated the matter with utmost casualness. She observed that if NIFT had to grow and DG-NIFT should focus on policy matters, he needed to be supported better by his staff and officers in the areas of routine. She also observed that in course of F&AC meeting, it was originally pointed out by Director (Finance)-NIFT that there were some minor rounding-off errors. When deeper probe was made, it was found that these were not only rounding-off but classification errors and other errors as well. It was finally pointed that there could be around 66 such errors. However, when the list has been put up in file, the total number of errors stands at 85. This is reflection of a situation where both the Finance Wing and Internal Auditors of NIFT had conducted themselves in an unprofessional manner displaying poor sense of Accounting. This attitude needed to be underlined while steps should be taken to improve the practice of consolidation of Accounts from the next financial year.

The internal auditors who had undertaken to finalise the accounts expressed regret at the mistakes and the embarrassment caused before the Board to the NIFT administration. He agreed that rounding off to the nearest lakh was not the standard procedure, and the grouping of heads sent in to the DG's office did not conform to the format used the previous year or desired by the CAG. He said that the internal auditors had been caught off guard by the demand of the office for the finalized accounts as they had expected the BOG meeting to be later in the year; in their hurry to submit the accounts they had not been able to subject to a final scrutiny.

The DG informed the Board that Finance & Accounts sections at HO and Campuses needed to be strengthened. In a short span of five years number of Campuses had increased from 7 to 15 which was more than double but the staff strength in Head Office had not been revised to match the work load arising due to the increase in number of Campuses. The DG further pointed out that another reason for these errors was different internal auditors working with various campuses. The Board was informed that in year 2013-14 entire NIFT would have a single Internal Auditor for all campuses. This would ensure that the mistakes that happened this year may not recur. The Director (F&A) would ensure that there was standardization of accounting entries across campuses. This would ensure timely consolidation of accounts.

The Chairperson BOG expressed her disappointment that the rigor expected by the Board of papers for which it carried accountability while being largely dependent on the management, had been missing, and hoped that the DG would take before the next presentation of accounts the steps necessary to plug the loopholes and shortcomings in the organisation's account-keeping procedures to ensure that this unhappy event did not see repetition. While agreeing that a single organization may be an improvement, she expressed her reservation that this step would be sufficient remedy by itself. She pointed out that even one organization would employ not one team but different people at each of the NIFT Centres, and the problem would remain unsolved. It seemed clear that the Accounts manual needed review and standardisation, and this should be done at the earliest to ensure uniformity of book keeping across centre. She also suggested that instead of one organization, the NIFT could consider a consortium of auditors with one lead auditor to take accountability. Such a consortium would have the same advantage as a single organization while being far more competitive.

(i) The Board members expressed their anguish and disappointment at the manner in which the Annual Accounts of the NIFT had been handled and after discussion, made the following observations:

(ii) The Accounts Manual should be reviewed and standardized so that there would be no scope for mis-classification of accounting entries by the different Campuses. With the assistance if necessary of the internal auditors, the Director (F&A) should ensure standardized formats for collation of Accounts to all NIFT Campuses on urgent basis.

(iii) Immediately, based on what went wrong with the current year's accounts, NIFT should issue necessary advisory to the various Accounts offices in of all NIFT Campuses to ensure that these errors at least did not get repeated.

(iv) Realistic deadlines may be set for finalization of Accounts to avoid last minute rush.

(v) For the tenders under process, the role & duties of the Internal Auditors should be clearly and carefully laid down.

(vi) With reference to the previous Board meeting, in which DG NIFT had been asked to put in a place a system of internal process auditing and submission of quarterly accounts for the scrutiny of the F&AC Committee, action should be taken expeditiously.

(vii) For the long term, NIFT may acquire suitable software or an Enterprise Resource Planning (ERP) Package to manage Finance and Accounts, and propose a strengthening of the Accounts Department.

The Board approved and recommended that the modified Annual Accounts for 2012-13 be sent to C&AG Auditors.

<u>AGENDA ITEM NO. 2202</u>

<u>Proposal for construction of additional buildings in Delhi Campus</u>

The Board was informed that this proposal was placed before the Board in its last meeting held on 15.07.2013 wherein it was directed that the availability of OBC quota funds for the proposed Delhi project may be re-checked. The Board was informed that the same has now been re-checked and funds are available with NIFT for expansion of Delhi Centre.

Discussion at great length took place on the proposal for construction of additional buildings in Delhi Campus. The Committee was informed that cost for expansion of Delhi Centre had been increased from Rs. 35 Crores to Rs. 62.44 Crores due to various reasons including increase in CPWD building cost index from 113 (in August 2009) to 170 (now), provision for green building for an amount of Rs. 2.97 Crores, provision of consultancy @ 3%, labour cess @1%, Consultancy charges @2%,departmental charges @5%, provision for extra items and deviations @10% and higher tendered cost by 30.33% above the estimated cost put to tender.

The Board was informed that the estimates of Rs. 62.44 crores submitted by DSIIDC was inclusive of Rs. 42.79 crores for the building cost quoted by the lowest bidder and Rs. 19.65 crores estimated on the basis of prevailing rates for extra work consisting of external services, lifts, water tanks, air conditioning, provision for green building, site developments works, contingency, labour cess, consultancy charges, departmental charges, extra items and deviations for which tendering would be done at later stage. The Board was assured that the revised estimates had been verified and as far as could be foreseen, were now all inclusive. The funds provided by the Cabinet were sufficient to cover the new estimates.

The DG NIFT explained that the increase in estimates was also because the DSIDC had rescinded the first contract awarded to M/s Roshan Real Estates Pvt. Ltd, resulting in arbitration proceedings. DSIDC's attempt would be to transfer the liability to NIFT in case it lost, but NIFT had not given approval to the placing of order or the cancellation of the contract. The Board advised that NIFT should study the MOU with DSIDC carefully and resolve this issue with DSIDC separately.

With above directions, the Board granted its approval for revised estimated cost of the project for an amount of Rs. 62.44 crores from funds available under plan scheme of grants for implementing OBC quota and allowing Delhi State Industrial and Infrastructure Development Corporation Ltd. (DSIIDC) to award the work to lowest bidder shortlisted through tenders invited towards the construction of additional buildings in Delhi Campus. The Board further directed that in case of further revision of the cost of Rs. 62.44 crores by DSIIDC, the scope of work may be reduced to fit within the funds available. However, if DSIIDC could not award the work successfully this time, NIFT should explore new options.

AGENDA ITEM NO. 2203

Enhancement of seats for residents of J&K from 35% to 50% in all course of NIFT, Srinagar

The DG briefed the Board of Governors about the progress in the Project till date, where he informed that in the 19th BOG meeting held on 13th Feb, 2013, the Board considered the request of Government of J&K for allowing reservation of 35% seats for the residents of J&K. Seats had been increased in each batch to 36 from the usual 30, and the Board had allowed 13 seats out of 36 seats to be reserved as a special case for the residents of J&K. The DG explained his recommendations given in the agenda note.

The Board discussed the demand of J&K for further increase to 50% at length. It took a note of the DG's recommendations that to agree to 50% being reserved for the applicants domiciled in J&K as NIFT would attract similar demands from other states which were providing the entire funding for setting up campuses. The seats per reservation category were analysed, and it was concluded that for reservations not to exceed 50% of the seats, it would be necessary to increase the size of the class. Considering that the maximum size already stood exceeded in order to accommodate J&K's request for 35%, the Board considered the request as being contrary to the maintenance of quality and conducive to dilution of the NIFT brand value. The Board decided that the Ministry be requested to persuade the Government of J&K not to press for 50% reservation.

AGENDA ITEM NO. 2204

Any other item with the permission of the Chair

The meeting ended with vote of thanks to the Chair.