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**Report of the
Comptroller and Auditor General of India
on**

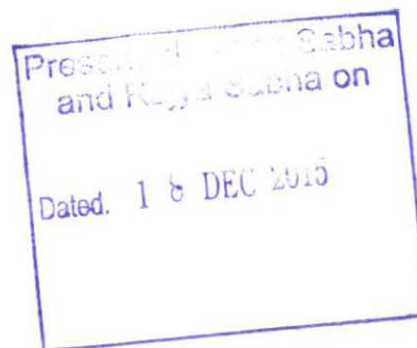
**National Skill Development Fund and
National Skill Development Corporation**



**Union Government
Ministry of Finance
and
Ministry of Skill Development and Entrepreneurship
No. 45 of 2015
(Compliance Audit)**

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Comptroller and Auditor General of India
on
National Skill Development Fund and
National Skill Development Corporation**

for the year ended March 2014



**Union Government
Ministry of Finance
and
Ministry of Skill Development and Entrepreneurship
No. 45 of 2015
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Preface

This Report of the Comptroller & Auditor General of India has been prepared for submission to the President of India under Article 151 of the Constitution of India for being laid before the Parliament.

The report covering the five years from 2008-09 to 2013-14, contains the results of the audit of the governance mechanism and activities of National Skill Development Fund and National Skill Development Corporation.

Executive Summary

Executive Summary

1. Introduction

National Skill Development Fund (NSDF) and National Skill Development Corporation (NSDC) were created after approval of the Union Cabinet to stimulate and coordinate private sector initiative in the skill development sector. NSDC was formed (31 July 2008) as a “not for profit” public company with limited liability under Section 25 of the Companies Act, 1956 with an equity capital of ₹ 10 crore, of which 51 *per cent* (₹ 5.10 crore) and 49 *per cent* (₹ 4.90 crore) were subscribed by the private sector and Government of India respectively. It was conceived as a Public Private Partnership (PPP) in the skill development sector. NSDF was incorporated (23 December 2008) as a trust, under the Indian Trusts Act, 1882, by the Department of Economic Affairs (DEA), Ministry of Finance, to act as the receptacle of funds from Government sources, bilateral/ multilateral and other agencies. NSDF received ₹ 3,300.74 crore, as on 31 March 2015, from the government sources.

NSDF was to examine the Annual Work Plan of NSDC and sanction funds against the work plan. Since inception, NSDC had received funds of ₹ 2,362.90 crore upto 31 March 2015 from NSDF for execution of schemes and programmes for skill development.

Government of India vide notification dated 31 July 2014 transferred the work of NSDF and NSDC from DEA to the Ministry of Skill Development, Entrepreneurship, Youth Affairs & Sports and subsequently to a newly created Ministry of Skill Development and Entrepreneurship (MSDE).

2. Significant Audit Findings

- NSDF was created to act as a receptacle for financial contributions by Government/Government entities, multilateral and bilateral and private sector. However, since inception, NSDF received funds from Government sources only.

(Para 2.1)

- NSDC was conceived to be “private sector led” with Government shareholding of less than 51 *per cent* to prevent it from converting into a Government company so as to dispense with CAG audit, guidelines of Department of Public Enterprises and other Government norms and guidelines. It was designed as a Public Private Partnership with funding and participation from both the Government and Private Sectors. However, NSDC had been working with taxpayer’s money only since its inception in 2008. There was 99.78 *per cent* financial stake of the Government in NSDC with 49 *per cent* equity ownership. However, Government’s ownership rights were not commensurate with the Government’s financial exposure in NSDC. NSDC was also kept out of the parliamentary oversight over its functioning.

(Para 2.1)

- Though the Government was the single largest shareholder in NSDC and was the sole contributor in NSDC’s finances, its role in decision making had been limited due to minority representation on the board of directors of NSDC.

(Para 2.2.2.1)

- Status of NSDC was changed from a public limited company to a private limited company in 2011, which further weakened the governance mechanism of NSDC.

(Para 2.2.2.3)

- Though the Cabinet approval and the trust deed of NSDF prescribed a supervisory role of NSDF over NSDC, the detailed contours and modalities of exercising this role were not clearly defined. NSDF was ineffective in its supervisory role. Further, there were several instances when NSDC also effectively denied the supervisory role to NSDF.

(Para 3.1.1)

- Annual work plan and budgetary requirements were important tools by which NSDF was to exercise its supervisory control over NSDC and funds were to be released after their due scrutiny and approval. There were delays in submission of these documents and when they were submitted, review of the projects was not undertaken properly by NSDF.

(Para 3.1.2)

- Activities of NSDC of providing loans to entities were covered under the definition of Non-Banking Financial Company (NBFC). RBI is the regulator of NBFC sector in India. DEA persuaded RBI to exempt NSDC from its regulation on the premise that this work was performed by NSDF. However, no regulatory oversight was provided by NSDF. This regulatory role was outsourced to a private agency in November 2014. Carrying out the task of micro-prudential regulation was an important regulatory function which inherently included enforcement mechanism. Appointment of a private agency for carrying out this regulatory task, on the lines of the one performed by RBI, after taking it out of RBI's domain lacked justification.

A private agency, IL&FS Trust Company Limited, was appointed (November 2014) to do micro prudential regulation of NSDC. It had an apparent conflict of interest, as it was part of a business group whose subsidiary company was sanctioned with funding of ₹ 159 crore by NSDC in 2010-11 and disbursed ₹ 89.97 crore upto March 2015. Further, the appointment process was also irregular with restrictive pre-qualification criteria and infirmities in the bid evaluation process.

(Para 3.2)

- NSDC provided financial assistance to partners for meeting their agreed training targets. It was observed that in the years 2010-11 to 2013-14, the percentage of partners, who had not achieved training targets were 57, 77, 83 and 68 respectively. Majority of them also could not achieve the placement targets for the trained persons. Audit selected a sample of 31 cases for detailed scrutiny where it was observed that 18 partners could not achieve their training targets and 16 partners could not achieve their placement targets. In addition, four partners also defaulted in repayment of loans to NSDC.

(Para 4.1 and 4.1.1)

- There were instances of lack of proper due diligence in considering the proposals for financial assistance. Training targets proposed in the financial assistance proposals were not questioned during processing the cases for approval.

(Para 4.1.1 and 4.1.2)

- The monitoring and control mechanism in NSDC over the funded partners was weak. Number of site visits carried out by the monitoring consultants was very low. NSDC itself started the site visits only in 2013-14, there too, major lacunae were noticed in the way the site visit reports were prepared. Further, the management audit reports of the funded partners brought out the issue of poor performance of partners, lack of proper internal and financial controls and issues with their functioning etc. but audit could not find evidence of effective corrective action on these findings.

(Para 4.2)

Chapter-I : Introduction

1.1 Overview

Skill is the ability to perform a productive task at a certain level of competence. With an objective of enhancing the skill training capacity in the country, Union Cabinet approved the formation of National Skill Development Corporation (NSDC) (May 2008) to stimulate and coordinate private sector initiative in the skill development sector and National Skill Development Fund (NSDF) (November 2008) for attracting contributions from various Government sources, and other donors/contributors to enhance, stimulate and develop skills by various sector specific programmes.

In pursuance of the Cabinet decision, NSDC was incorporated as a 'not for profit' company, on 31 July 2008, under Section 25 of Companies Act, 1956 as a public limited company by Department of Economic Affairs, Ministry of Finance (DEA) with equity capital of ₹ 10 crore¹. It was conceived as a *Public-Private Partnership (PPP)* in skill development sector. NSDF was incorporated on 23 December 2008, as a trust fully owned by the Government of India, under the Indian Trusts Act, 1882, by DEA to act as the receptacle of funds for NSDC from Government sources, bilateral/multilateral and other agencies with initial corpus of ₹ 995.10 crore received from the Government of India. The position of funds received by NSDF from Government sources and funds disbursed (including equity) to NSDC was as follows:

Table 1: Position of funds received by NSDF and made available to NSDC

(₹ in crore)

Year	Funds received in NSDF from Government Sources	Funds made available to NSDC
2008-09	998.10	203
2009-10	Nil	Nil
2010-11	Nil	Nil
2011-12	502.28	104.95
2012-13	Nil	290.90
2013-14	1,311.60	1,073.99
2014-15	488.76	690.06
Total	3,300.74	2,362.90 ²

¹ ₹ 5.10 crore subscribed by private sector and ₹ 4.90 crore subscribed by Government of India.

² Fund disbursement of ₹ 2,358 crore and Equity contribution of ₹ 4.90 crore.

1.1.1 Investment Management Agreement (IMA)

As per the Cabinet Approval (November 2008), NSDF was to enter into an 'Investment Management Agreement (IMA)' with NSDC, whereby NSDF was required to make available funds from its corpus for utilisation by NSDC in such schemes and programmes for skill development as per the policy framework agreed between NSDC and NSDF. The IMA was entered on 27 March 2009. The tenure of this agreement was three years, which was further extended upto March 2017.

1.1.2 Shareholding Pattern of NSDC

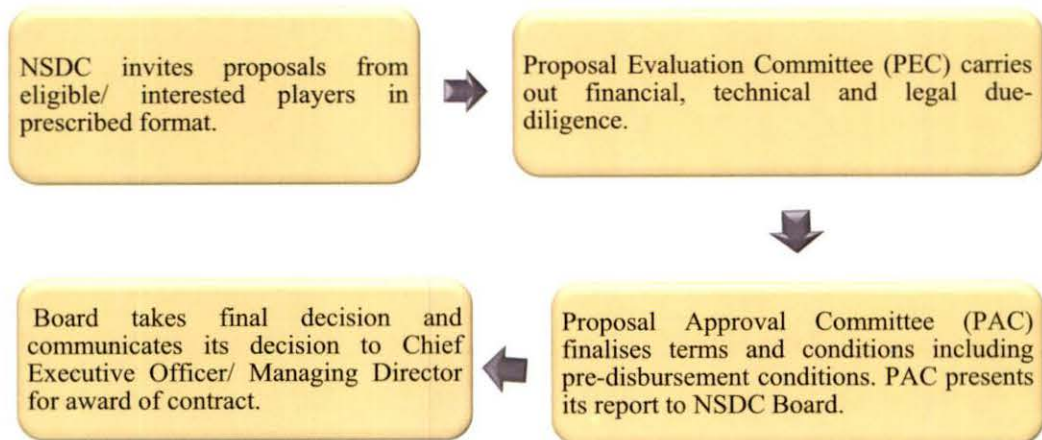
Authorised Share Capital of NSDC was ₹ 10 crore divided into one crore equity shares of ₹ 10 each. Details of shareholding position of NSDC are as follows:



Details of shareholders, as on 31 March 2015, is given in **Annexure-I**.

1.1.3 Process for disbursement of loans and grants

NSDC processed and approved proposals from eligible and interested players for equity/grant/loan support. The prescribed process of disbursement of loans and grants by NSDC is given on next page:



- PEC comprised of independent members from financial, technical and legal disciplines.
- PAC comprised of independent members from various disciplines not exceeding six and not less than three.

1.2 Audit Process

NSDC is not a government company as defined under the Companies Act, 2013, since the Government of India holds only 49 *per cent* of equity capital in it. Therefore, it is not under the CAG’s audit purview in a normal course. However, during the transaction audit of Department of Economic Affairs, Ministry of Finance for the year 2013-14, it was observed that grants to the tune of ₹ 2,811.98 crore had been disbursed by the Ministry and other Government sources to NSDF during the period 2008-09 to 2013-14. NSDF had been further disbursing grants, from time to time, to NSDC for schemes and programmes of skill development. CAG has a mandate under Section 14 of CAG’s (DPC) Act, 1971 to audit any body or authority that is substantially financed by grants or loans from the Consolidated Fund of India. Therefore, CAG conducted audit of NSDC under Section 14 of the C&AG’s (DPC) Act, 1971.

Audit for NSDF was taken up at DEA as it was managing NSDF and was the administrative department till July 2014. It was noticed that relevant records had been transferred by DEA to the newly created Ministry of Skill Development and Entrepreneurship (MSDE) along with transfer of work. Thereafter the relevant records were examined at MSDE. The period covered under audit was 2008-09 to 2013-14. The status was further updated wherever necessary.

Audit at NSDF was carried out to check the formation, functioning and supervisory and monitoring mechanism. Audit at NSDC was conducted to check the function of providing financial assistance and monitoring of the funded projects/partners.

At NSDC, it was noticed that NSDC had approved 156 proposals and signed 124 agreements for providing financial assistance by way of loan/grant/equity participation upto March 2014. Out of 124 agreements, NSDC had provided assistance in 107 cases. Out of these, 31 cases were selected for scrutiny by audit (three relating to grants, 10 relating to grant and/or equity in addition to loan, 14 relating to loans and four cases of default in repayment of loan to NSDC). Details of sample cases selected for audit scrutiny are given in **Annexure-II**.

After completion of audit, Inspection Reports (IRs) on NSDF and NSDC were issued (16 March 2015) to the Secretary, DEA with a copy to Secretary, MSDE. Inspection Report on NSDC was also issued to NSDC. DEA did not reply to audit but forwarded the report to the newly created MSDE for reply. Based on the replies received (May 2015) from MSDE and NSDC, a Draft Long Paragraph was issued to DEA and MSDE on 17 August 2015 for their final comments. DEA again sent (25 August 2015) a reply stating that the work and records had been transferred to MSDE and reply would be furnished by MSDE. The final Reply of MSDE was received on 7 October 2015 incorporating reply of NSDC. These replies have been suitably incorporated in the report.

1.3 Acknowledgment

Audit wishes to acknowledge the co-operation received from Department of Economic Affairs (Ministry of Finance), Ministry of Skill Development and Entrepreneurship (MSDE) and National Skill Development Corporation (NSDC) during the audit process.

Chapter-II : Governing Structure

2.1 Issues in Equity Structure and Funding

One of the key principles for formation of NSDC was that it should be “private sector led” and it was stated in the Cabinet note that this principle would imply that the shareholding of Government of India (GoI) in the equity capital of NSDC should be kept at less than 51 *per cent* so as to prevent NSDC from being converted into a Government Company, as defined under Section 617 of the Companies Act, 1956, with the following implications:

- Government over-sight through appointment of auditors by the Comptroller and Auditor General of India would be dispensed with.
- NSDC would also not be subject to procurement guidelines, expenditure guidelines etc. issued by the Department of Public Enterprises.
- In hiring of professionals, consultants etc. the company would not be subject to Government norms and guidelines.

Audit scrutiny of the records relating to formation of NSDC and afterwards revealed that initially, the Cabinet approval was taken in May 2008 for contribution by the Government as upfront equity of ₹ 1,000 crore, while restricting the GoI equity below 50 *per cent*, with a higher contribution from the private sector. However, later on DEA proposed that mobilisation of more than ₹ 1,000 crore from private sources was neither feasible nor practical as adequate passage of time was necessary for the Corporation to implement its programme and generate confidence in its ability to work with viable business models. Hence, the total equity capital was reduced to ₹ 10 crore in the final Cabinet approval (November 2008). Accordingly, the authorised share capital of NSDC was kept at ₹ 10 crore, of which 51 *per cent* was subscribed by private sector (₹ 5.10 crore) and 49 *per cent* (₹ 4.90 crore) by GoI. This converted NSDC as a low capital base entity.

As per the Cabinet approval of May 2008, it was planned that ₹ 15,000 crore would be obtained from Government, public and private sector, bilateral and multilateral sources for the promotion of skill development. Thereafter, though NSDF was created to act as a receptacle for financial contributions by Government/Government entities,

multilateral and bilateral and private sector, NSDF received funds from Government of India only. It received ₹ 3,300.74 crore from Government sources between 2008 and 2015. Audit observed that no contribution from private/bilateral or multilateral sources was received by NSDF even after five years since its formation. As per Audit analysis, out of ₹ 2,368 crore funds received by NSDC (₹ 10 crore as equity and ₹ 2,358 crore from NSDF) since inception, ₹ 2,362.90 crore had been provided from Government sources (₹ 4.90 crore as equity and ₹ 2,358 crore from NSDF) which amounted to 99.78 *per cent* of the resources with NSDC as on 31 March 2015.

Though, NSDC had been functioning largely with the taxpayer's money, no efforts were made by the Government for a concomitant increase in the ownership rights and representation on the board of directors of NSDC as discussed later in paragraph 2.2.2.1. In fact, with a small initial equity contribution of ₹ 5.10 crore, the private sector continued to control NSDC, which was largely a Government funded organisation. Further, this ownership structure resulted in absence of any obligation on the part of NSDC to submit Annual Reports etc. to the Parliament for legislative scrutiny, despite the fact that the Consolidated Fund of India remained the majority source of funding for NSDC through the NSDF.

It was noticed that in NSDF meeting (8 June 2012), during discussion on the issue of funding of NSDC, it was stated by one representative from DEA that NSDC had completed three years of operations and should now critically review its functioning pattern to explore alternate means of funding in order to utilise the grant funds more optimally. Audit observed that although the DEA had raised this issue, but DEA and NSDF themselves were required to take action for attracting private/bilateral or multilateral sources, as conceived by the Union Cabinet.

MSDE, in its reply (April 2015) agreed with the audit observation, that there should be contribution from non-government sectors as well towards skill development. It also stated that, since inception it had been vigorously engaged with private sector and Central Public Sector Undertakings (CPSUs) to contribute to the corpus. In January 2015, the Ministry had signed Memorandums of Understanding with Power Grid Corporation of India Limited and NTPC Limited for contribution of ₹ 13 crore to NSDF for their Skill training projects. Ministry was also in consultation with nodal

Ministries for various other measures under Income Tax Act, Corporate Social Responsibility and Foreign Contribution Regulation Act etc.

Scrutiny of MSDE reply revealed that contributions from other sources as stated by the MSDE were limited to two CPSUs for their own skill development project only and contributions from private sector, bilateral and multilateral sources were absent. Reply of the Ministry needs to be viewed in light of the fact that the design of keeping NSDC out of the Parliament's oversight was conceived for a scenario where NSDF would get contributions from all the resources. However, in the prevailing situation where a PPP, whose 49 *per cent* of equity was held by the GoI but which had been operating largely with taxpayer's money for more than five years, created for a public purpose identified as a policy priority of the Government, the need for effective parliamentary oversight over its functioning cannot be overstated.

MSDE further stated (October 2015) that the matter would be referred to NSDC for detailed deliberation and developing plan for active participation of industry in skill development activities particularly those relating to NSDC. It further stated that MSDE has also initiated dialogue with Industry to solicit their active participation in skill development.

2.2 Issues in Management Structure

2.2.1 Management Structure of NSDF

A Board of Trustees consisting of three members viz. Secretary, Department of Economic Affairs (DEA), Secretary, Planning Commission and Chairman, NSDC had been managing NSDF.

Audit scrutiny of the records pertaining to formation of NSDF and NSDC revealed that initially it was proposed (September 2008) to not to associate outside representatives, including the Chairperson of the NSDC, with the Trust. Nevertheless, the Chairman, NSDC was made (December 2008) a member of the board of trustees of NSDF.

NSDF being the monitor, supervisor and regulator of NSDC, inclusion of its Chairman in the board of trustees of NSDF resulted in absence of arm's length

relationship between the entity supervised i.e. NSDC and the supervisor i.e. NSDF. Also, since Government funds were routed through NSDF to NSDC, the inter-linkage of keeping Chairman, NSDC on the NSDF Board was avoidable.

MSDE while accepting the audit observation, stated (October 2015) that the arm's length relationship between NSDF and NSDC is under examination in the Ministry and composition of NSDF, if deemed necessary, would be reviewed with the approval of the Cabinet.

2.2.2 Management Structure of NSDC

2.2.2.1 Structure and Composition of Board of Directors

NSDC was managed by a Board of Directors. As per Articles of Association (AoA) of NSDC, the GoI could appoint upto six out of upto 15 directors on the Board. The shareholders from the private sector had to appoint not more than nine Directors. The Government appointed directors were to be, as far as possible, as under:

- Secretary, Ministry of Small and Medium Enterprise (MSME), Secretary, Ministry of Labour (MoL) and Additional Secretary (EA), Department of Economic Affairs (DEA),
- One representative of the State Government (on rotation basis),
- One representative representing acknowledged and recognised skill training institutions, and,
- One person from amongst private persons who has long experience as chairperson or chief executive of a large business organisation and is widely recognised as distinguished business leader.

Further, since inception, one Government nominee was a member of the Project Approval Committee (PAC) of NSDC comprising of independent members from various disciplines, which carried out due diligence process for the project proposals.

Analysis of the management structure and composition at NSDC revealed that:

- Though GoI was the single largest shareholder in NSDC, its role in decision-making had been limited due to minority representation on the board of directors.

- Though the private sector was already well represented as it could have upto nine directors out of fifteen directors, two of the Government nominees were also planned to be individuals from Non-Government sectors.
- Chairman, NSDC was always appointed from among the Government nominees from the private sector.
- One slot of Government Director representing the State Government was kept vacant till March 2015.
- GoI's role was further diluted in NSDC by withdrawing the only Government representative in the Project Approval Committee (PAC) in July 2013.

Thus, Government continued to have limited say in the decision-making process of the affairs of NSDC which was largely financed through its own budgetary support. Further, there were instances when important issues raised by the Government nominees on NSDC board, who were already in minority, were not given required attention (**Annexure-III**). It was also recorded in the DEA file noting (16 February 2012) that *"A perusal of the minutes indicated that Government nominees on the board are the ones who appear to be raising objections, however, these were generally overruled."*

MSDE, in its reply, stated (October 2015) that the issue would be examined by the Government and appropriate action would be initiated after taking all points into account and the desirability of Government nominee in PAC would also be decided.

2.2.2.2 Appointment of Directors in NSDC Board by the Government

Government appointed two directors from non-Government sector on NSDC board. Audit observed that no transparent procedure was prescribed for selection/nomination of the directors from the non-Government sector on the NSDC board. Further, the terms and conditions of appointment for Chairman NSDC were issued by the DEA only in April 2013 i.e. more than four years after the appointment of the first Chairman of NSDC.

MSDE in its reply (October 2015) stated that the Government would formulate the terms and conditions including procedure for selection/nominations of Government Directors/Chairman of NSDC Board.

2.2.2.3 Change of NSDC from Public to Private Limited Company

In pursuance of Cabinet decision, NSDC was established (July 2008) as a public limited company under the Companies Act, 1956. In 2010, NSDC requested that the categorisation of NSDC may be changed from a public limited company to a private limited company. It was deliberated in DEA and was brought out in a note that there were additional flexibilities available to a private limited company as compared to a public limited company:

- a) There was no restriction on payment of remuneration to managerial personnel and an increase in the said remuneration did not require any approval from Central Government and/or its agencies,
- b) Restrictions as regards inter-corporate loans and interest thereupon did not apply,
- c) Managing Directors could be appointed for tenures exceeding five years,
- d) Private company was not obliged to constitute audit committee,
- e) Private Company can issue shares to persons other than the existing shareholders without needing approval of the existing shareholders.

Audit could neither find any recorded justification for the need of these flexibilities, nor could it find any deliberations on constraints, if any, being faced by NSDC due to non-availability of these flexibilities. In addition, such conversion provided additional privileges to NSDC such as:

- no restrictions on the powers of the board of directors;
- non-applicability of prohibition against participation in board meetings by interested directors;
- no need for appointment of independent directors;
- no need for constitution of nomination and remunerations committees of the board etc.;

In Audit opinion, this change further weakened the overall governance framework at NSDC.

NSDC was converted into a private limited company in June 2011. From the records made available to Audit, it could not find any approval from the Cabinet for this change from public limited company to private company. This was

considered necessary, as the original Cabinet approval was taken to form NSDC as a public limited company.

MSDE stated (October 2015) that the whole sequence of events leading to changing the nature of NSDC from a public limited company to private limited company without approval of the Cabinet is being examined. If deemed necessary, the status of NSDC will be reverted back. MSDE also replied that it is contemplating to initiate corrective steps to strengthen the corporate governance structure of NSDC.

Chapter-III : Supervisory Role of NSDF

3.1 Supervisory role of NSDF over NSDC

As per the Cabinet approval (November 2008), Board of Trustees of NSDF was to examine and sanction proposed annual work plan submitted by NSDC together with the amount to be released to NSDC against the work plan. NSDF was also to play a supervisory role over functioning of NSDC, which was enshrined in the NSDF trust deed also. However, modalities of performance of the supervisory role were not clearly defined. On the contrary, at various instances, NSDC did not agree on the supervisory role of NSDF. Details are as follows:

3.1.1 Review of NSDC's activities

An Investment Management Agreement (IMA) was entered into between NSDF and NSDC in March 2009. IMA was the only contractual document entered into between NSDF and NSDC and it governed the release and utilisation of funds from NSDF to NSDC. However, no provision for supervisory role of NSDF over NSDC functions was included in the IMA.

It was observed that in a NSDF trust meeting held on 8 June 2012, on the issue of review of work plan of NSDC, Chairman, NSDC stated that, *“it was not the role of NSDF to review the working of NSDC, as it was only a pass-through vehicle. By proposing to undertake a review of the activities of NSDC, the NSDF was interfering in the operations of NSDC.”*

During the 31st Board meeting of NSDC (6 July 2012), following amendments to the provision of IMA was proposed by the DEA, *“Provided that trust shall review the activities of NSDC from time to time to fulfil the objectives of Trust as contained in clause 2.4 of Deed of Public Trust”*. However, all the board members from private sector were against inclusion of this provision. The Chairman, who was a Government nominee but from the private sector, also opposed its inclusion. One Government nominee stated that *“it was not the intention of Government to interfere in day to day functioning of the Company.....but as NSDC is entirely dependent on Government funds for its activities, accountability demands that there should be review by NSDF.”*

But, finally the board did not approve inclusion of this clause in IMA citing autonomy of NSDC.

These events clearly brought out that responsibility of NSDF for monitoring the activities of NSDC was not even institutionalised in the IMA and NSDC kept dictating the terms governing its relationship with NSDF.

MSDE in its reply (April 2015) stated that at present, there was no conflict on the overseeing role of NSDF and relationship between NSDF and NSDC.

Reply of MSDE about absence of conflict was not borne out by the facts as detailed in the preceding paragraphs.

3.1.2 Release of Funds by NSDF

The Board of Trustees of NSDF was supposed to examine the proposed work plan of NSDC in accordance with the IMA and sanction such amount out of its corpus as it may, find proper and justifiable. Details of fund provided by NSDF to NSDC and its status were as follows:

Table 2: Status of Funds at NSDC

(₹ in crore)							
Year	Opening Balance	Funds Received	Interest earned	Total funds available	Funds utilised ³	Closing balance	Per cent utilisation
2008-09	---	200.00	----	200.00	0.25	199.75	0.12
2009-10	199.75	----	4.40	204.15	11.53	192.62	5.65
2010-11	192.62	----	9.55	202.17	59.59	142.58	29.47
2011-12	142.58	104.95	12.57	260.10	147.61	112.49	56.75
2012-13	112.49	289.00	21.04	422.52	154.11	268.41	36.47
2013-14	268.41	1,073.99	52.16	1,394.56	376.90	1,017.66	27.03
2014-15	1,017.66	690.06	122.82	1,830.54	1,011.30	819.24	55.25
Total	--	2,358.00	222.54	--	1,761.29	--	68.25
		2,580.54					

Audit noticed from the scrutiny of NSDF board meeting minutes and correspondence with NSDC that there were delays in submission of work plan by NSDC.

³ Utilisation includes operating and admin expenses, Grants in Aid paid, Loan disbursed to Institutions, Long term investments made, Monetary awards, NSDC FLDG Funds.

Audit query for providing details of year wise budget requirements/proposals submitted by NSDC remained unanswered from NSDF. From the records made available to audit, it could not be ascertained whether the Board of Trustees examined the work plans, which were submitted. In fact, it was noticed from records of the Ministry that till February 2013, no review of any project was undertaken by NSDF due to paucity of time and requisite manpower. It was also noticed that in February 2013, for the first time the details of two projects were submitted to NSDF on a sample basis for approval of format.

NSDC utilised only 68.25 *per cent* of the total funds received from NSDF since inception upto 2014-15. As can be seen from table no. 2 above, NSDF released grants to NSDC during the year 2011-15 without adjusting the balances lying with NSDC and without analysing the future requirement of funds. In fact, release of ₹ 690.06 crore by NSDF in 2014-15 was unwarranted as NSDC already had a large unspent balance of ₹ 1,017.66 crore in the beginning of 2014-15. NSDF could have insisted on utilisation of previous balance before releasing further funds to NSDC.

MSDE stated (April 2015) that the inefficiency in funding mechanism pointed out by Audit have been noted to make systematic improvements. NSDF has appointed IL&FS Trust as Monitoring Agent appointed for monitoring NSDC's activity. MSDE stated (October 2015) that NSDC would be further directed to submit annual work plans in proper format to the Ministry/NSDF and their performance would be reviewed periodically.

Appointment of a third party monitor by NSDF does not address the need for review of work plan of NSDC and release of funds accordingly.

3.2 Regulatory oversight over NSDC

3.2.1 Applicability of NBFC Regulations

Reserve Bank of India (RBI) is the regulator of Non-Banking Financial Companies (NBFC)⁴ in India. The regulatory and supervisory objectives of regulation of NBFCs are to ensure that these companies function as a part of the financial system of the

⁴ Non-banking financial companies (NBFCs) are financial institutions that provide banking services in the nature of providing loans, accepting deposits etc but do not hold a banking license.

country within the policy framework, in such manner that their existence and functioning do not lead to systematic aberration. The regulatory framework laid down by RBI had prescribed various prudential norms to be followed by NBFCs, which dealt with systemic risks. These prudential norms provided for requirement of maintaining minimum Capital to Risk Weighted Assets Ratio, norms for classification of assets as Non-Performing Assets (NPA), provisioning requirements for assets, credit/investment concentration norms, adoption of good corporate governance practices etc. among others. The regulatory framework also prescribed various returns and disclosures tools. These were important parts of accountability mechanism in ensuring the robustness of functioning of the NBFC. These returns and disclosures tools help the regulator to check whether the prescribed prudence norms were being followed.

NSDC is covered under the definition of NBFC due to its activities relating to disbursing of loans. The legal counsel of NSDC also advised (December 2009) that the activities of disbursing funds through loans and equity participation would squarely fall within the definition of NBFC activities and therefore required registration under RBI Act before disbursement of funds. Nevertheless, NSDC requested (February 2010) DEA to facilitate in getting a provisional exemption from the appropriate authority, pending final approval of exemption from RBI from registration formalities and other compliances. DEA accepted NSDC's contention and informed (February 2010) RBI that regulatory oversight to NSDC was being provided through the Board of Trustees of NSDF, headed by Secretary, DEA and additional regulatory oversight by the RBI, therefore, did not appear necessary.

On DEA's persuasion, RBI agreed and informed (June 2010) DEA about exempting NSDC in view of the fact that NSDC had been registered as a non-profit Company under Section 25 of the Companies Act, 1956 and regulatory oversight was being provided through the Board of Trustees of NSDF. Audit was unable to find merit in DEA's decision to take NSDC out of RBI's prudential supervision. RBI is the apex regulator of NBFCs and its regulatory supervision would have instilled discipline and helped NSDC in its financing activities.

It was apparent from the conditions that the exemption was granted on the assumption that regulatory oversight would be provided through the Board of Trustees of NSDF.

3.2.2 Regulatory oversight role by NSDF

Audit noticed that though the exemption from RBI was taken for the regulatory supervision by NSDF, no corresponding system was created in NSDF to provide the regulatory oversight. Audit examination of the regulatory oversight role played by NSDF revealed the following:

- DEA requested (June/July 2013) RBI well after three years of getting exemption from RBI, to suggest the framework/guidelines for oversight by NSDF over NSDC in line with the RBI norms for non-deposit taking NBFCs.
- RBI informed (December 2013) that as on 31 March 2013 the asset size of NSDC was ₹ 548 crore and under the extant regulations, NBFCs with assets size of ₹ 100 crore and above were termed as systemically important NBFCs and were subject to regulations relating to prudential norms. RBI also emphasized upon the fact that it was important that there was data availability on the company, in terms of its size, leverage, financials and others in light of the concerns on shadow banking in the wake of 2008 economic crisis and the attempts at both national and international levels, in bringing shadow banks under surveillance.
- DEA decided (March 2014) that there was need for a regulatory entity like a trustee company to be given the mandate for independent monitoring of the projects funded by the NSDC and for appropriate micro-prudential regulatory oversight of NSDC. Accordingly, IL&FS Trust Company Limited was appointed (November 2014) for monitoring the activities of NSDC and providing micro-prudential regulation.

Analysis of these events clearly demonstrate that since its inception and especially since getting the exemption from RBI in June 2010, there had been no prudential regulatory oversight by NSDF over the functioning of NSDC despite having activities similar to an NBFC. Despite DEA's assurance to RBI that NSDF would be the regulator, DEA initiated enquiries about the details of NBFC framework/guidelines applicable to NSDC only in June 2013. Further, though pointed out by RBI in December 2013 that NSDC met the criteria of systemically important NBFCs bringing out the concerns on shadow banking in the wake of 2008 economic crisis, no concrete action over its supervision were taken till November 2014. Reply of MSDE

(April 2015) confirmed absence of this regulation over NSDC for more than five years since its inception.

3.2.3 Appointment of Monitor and Micro Prudential Regulator

Audit analysed the documents related to appointment of IL&FS Trust Company Limited as the monitor and micro-prudential regulator for NSDC. It was noticed that Expression of Interest (EoI) was called from interested parties in July 2014 by DEA. Pre-bid meeting was organised in August 2014 in which two organisations participated and sought clarifications. Only one bid, from IL&FS Trust Company Limited, was finally received till the last date (5 September 2014) for submission of bids. Technical bid was opened by the technical committee constituted for this purpose and the bid was found by the committee to be qualifying. Thereafter the financial bid was opened and negotiations was carried out with the bidder. Contract was awarded to IL&FS Trust Company Limited in November 2014 by the Department of Skill Development and Entrepreneurship. The assignment of IL&FS Trust Company Limited commenced from 1 December 2014.

Audit analysis of the appointment process revealed the following:

- i. A pre-qualification criteria *“Bidder should have experience of at least three projects involving project management/monitoring for a Central Government department or State Government or World Bank each for more than ₹ five crore”* was proposed on file. However, this criteria was revised to *“Bidder should have experience of fund administration/trusteeship involving administration of funds up to ₹ 5,000 crore with minimum number of funds being administered being 50”*. This change was not commensurate with the size of the entity to be regulated i.e. NSDC, whose total funds under disposal were ₹ 1,677.94 crore in five years since inception. Further, the criteria of *“minimum number of funds being administered being 50”* also did not correspond to the scope of work as NSDC was not engaged in fund management activities and its funds were invested in term deposits and other banks accounts. This coupled with the fact that only one bidder submitted its bid indicated that the pre-qualification criteria was made highly restrictive.
- ii. A Technical Evaluation Criteria was laid down which was a scaled formula having maximum score of 100, made of individual scores for eight different sub-criteria. It was observed that the parameters of experience of administering SEBI registered pooling funds (investment funds/venture capital funds) and existing systems and procedures for operational management of pooled funds were

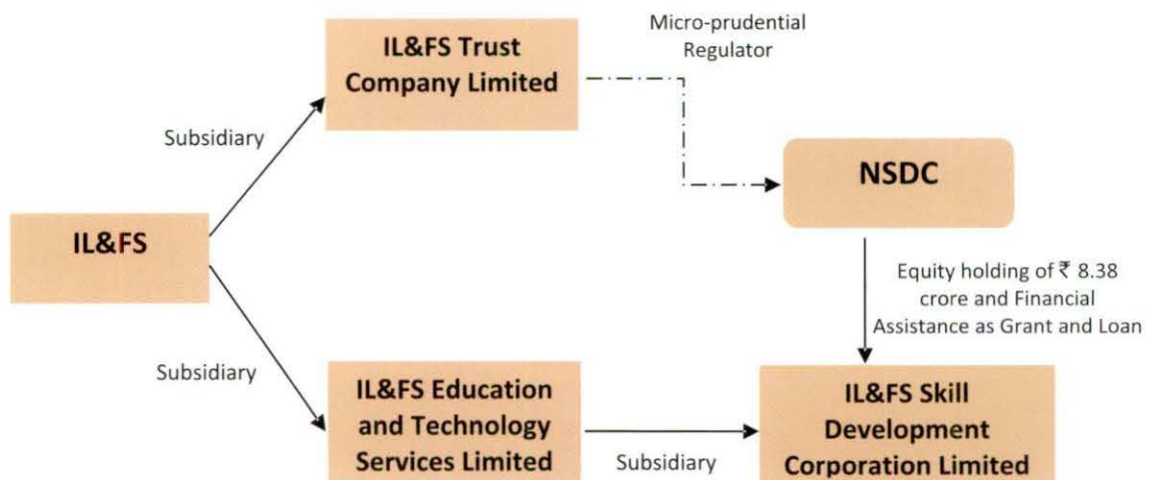
assigned individual scores of 25 each, whereas important parameters of experience in handling diversified trusteeship products in fiduciary space, enforcement of third party fiduciary space and presence of qualified team of legal and financial experts were assigned individual scores of five each only, which were very significant for the envisaged role of micro-prudential regulation.

- iii. A nominee from NSDC, which itself was going to be monitored and regulated by the agency, was appointed as a member of the technical evaluation committee, which involved conflict of interest.
- iv. Only one bid was received after EOI was invited by DEA. The technical committee initially recommended that the entire bidding process should be carried out again as only one bid was received. Thereafter the matter was deliberated in DEA and a provision of Manual of policies & procedures for purchase of goods issued by Department of Expenditure in 2006 was referred to stated, *“if after scrutiny it is found that all such aspects were fully taken care of and in spite of that the purchaser ends up with one responsive tender only, then the contract may be placed on the tenderer, provided the quoted price is reasonable”*. Thereafter, the technical committee opened the bid and carried out further steps. In audit opinion, accepting the single bid was not proper in view of the following :
 - Rule 169 of the General Financial Rules 2005 (GFR 2005), under the chapter on procurement of services, prescribed that number of short listed candidates should not be less than three.
 - Clause 11.7.4 of the manual quoted above and used in this case, first provided that *“A situation may also arise where, **after analysing the tenders, the purchase organisation ends up with one responsive tenderer. In such situations, the purchase organisation is first to check whether, while floating/issuing the tender enquiry, all necessary requirements like standard tender enquiry conditions, industry friendly specification, wide publicity, sufficient time for formulation of tenders, etc. were fulfilled. If not, the tender is to be re-issued/re-floated after rectifying the deficiencies. However, if after scrutiny it is found that all such aspects were fully taken care of and in spite of that the purchaser ends up with one responsive tender only, then contract may be placed on that tenderer provided the quoted price is reasonable.**”* In this case, DEA did not end up to the situation of one responsive tender after analysing all the tenders received and rather only one tender was received.

- Rule 167 of the GFR 2005 prescribed that Ministry proposing to engage consultants should estimate reasonable expenditure for the same by ascertaining prevalent market conditions and consulting other organisations engaged in similar activities. This was not carried out before inviting the bids.
 - NSDF carried out negotiations with the bidder and the work was finally awarded at ₹ 1.65 crore per annum whereas the initial financial bid was of ₹ 4.25 crore per annum. This reduction was achieved by excluding '*design, development and implementation*' of analytical tools and '*cost after contract period was over*', from the items of Financial Proposal. This removal of two out of three items from the financial proposal was clearly done at a later stage, during negotiations with the only bidder.
- v. Absence of conflict of interest was an important pre-qualification criteria which stated that a self-declaration was to be furnished by the bidder. In this respect, it was observed that IL&FS Trust Company Limited was part of the IL&FS group. Scrutiny of the list of NSDC funded partners revealed that another group company of the same group i.e. IL&FS Skill Development Corporation Limited (ISDC) was sanctioned with funding of ₹ 159 crore in 2010-11 and disbursed ₹ 89.97 crore upto March 2015 (₹ 8.38 crore as equity, ₹ 34.10 crore as grant and ₹ 47.49 crore as loan). ISDC was a subsidiary of IL&FS Education and Technology Services Limited (IETS) and also a joint venture between IETS, IL&FS Cluster Development Initiative Limited (ICDI) and NSDC. The possibility of conflict of interest was brought to the notice of the technical committee. Despite that, IL&FS Trust Company Limited was declared as technically qualified by the technical committee on the ground that members in the two board of directors were not same, shareholders of the two were different and IL&FS Trust Company Limited had filed a declaration that they did not have any conflict of interest due to any existing or forthcoming association with NSDC.

The contention of the technical committee needs to be viewed in light of the fact that ISDC was a subsidiary company of IETS, which itself was a subsidiary company of Infrastructure Leasing and Financial Services Limited (IL&FS). IL&FS Trust Company Limited was also a subsidiary company of IL&FS.

The organisational linkages have been indicated in the chart below:



As per Section 2 (87) of the Companies Act, 2013, subsidiary company of a subsidiary company is also termed as subsidiary company of the holding company. Therefore, relying on the submitted fact of absence of same directors and shareholders on both companies without further examination by the technical committee led to compromise with a very critical criterion of absence of conflict of interest.

In view of the above, appointment of IL&FS Trust Company Limited (November 2014) as a third party monitor and micro-prudential regulator was not regular. Further, carrying out the task of micro-prudential regulation was an important regulatory function which inherently included enforcement mechanism. Appointment of a private agency for carrying out this regulatory task, on the lines of the one performed by RBI, after taking it out of RBI's purview lacked justification.

MSDE stated (October 2015) that the Ministry has not contracted out the regulatory function but has appointed IL&FS Trust Company for professional advice since there is no in-house professional expertise within NSDF. The monitoring agencies would merely submit its report to the NSDF who in turn would provide oversight. The term of IL&FS Trust as monitoring agent of NSDF is ending in November 2015. The observations of audit would be given due consideration while initiating the process for deciding renewed/fresh appointment of monitoring agent.

Reply of the Ministry may be viewed in the light of the fact that the RFP document specifically listed various monitoring functions and the letter of award dated 28 November 2014 clearly stated that *“NSDF proposes to appoint IL&FS Trust Company Limited as an independent monitoring agency for NSDC’s activities and for performing micro-prudential oversight on its functioning”*.

Chapter-IV : Functioning of NSDC

NSDC was providing financial assistance for skill development projects/programmes/schemes/ventures. The financial assistance was provided by way of loans/grants/guarantees/sureties/investment in equity or any other hybrid financial instruments/underwriting or other risk sharing arrangements. Details of total financial assistance provided by the NSDC were as follows:

Table 3: Year-wise details of financial assistance provided by NSDC
(₹ in crore)

Year	Loan	Grant	Equity	Total
2009-10	4.99	2.16	0	7.15
2010-11	45.19	6.88	1.10	53.17
2011-12	113.65	12.94	10.25	136.84
2012-13	98.14	31.45	1.40	130.99
2013-14	234.51	63.16	7.63	305.30
2014-15	135.78	33.32	3.49	172.59
Total	632.26	149.91	23.87	806.04

The position of funded partners⁵ by disbursement of loan/grants/equity was as given below:

Table 4: Position of Funded partners/projects

Year	Training Partners	Sector skill Councils	Innovation Projects	Special Projects	Total
2009-10	2	0	0	0	2
2010-11	13	0	0	2	15
2011-12	13	4	0	0	17
2012-13	16	6	1	0	23
2013-14	38	7	4	1	50
2014-15	40	10	4	0	54
Total	122	27	9	3	161

NSDC provided financial assistance in the form of soft loans/grants to partners to meet the training targets submitted by them in their proposal. As per the Funding Guidelines of NSDC, terms for the loans could provide for principle and interest repayment moratorium of period upto three years and interest rate was six *per cent*.

⁵ To whom NSDC provided financial assistance for skill development activities.

The assistance extended by NSDC was subject to certain terms and conditions which were to be fulfilled by the partners. These terms and conditions were codified in the form of legal agreements between NSDC and the funded partners.

4.1 Non achievement of targets by funded partners

A due diligence mechanism for processing the applications of prospective funding partners was the basic requirement for a financial assistance system at NSDC. This should have been supplemented with a system for monitoring of compliance with commitments made by the partners. It would also involve monitoring of achievement of committed targets and regular and timely repayments of the loans along with the interest. However, during the scrutiny of the records provided to audit, instances of inefficiencies in these areas were noticed.

Position of training targets committed by the active⁶ partner's vis-à-vis actual targets achieved by them during the last four years ending March 2014 was as under:

Table 5: Status of achievement of training targets

Year	No. of active training partners ⁷	New Partners	No. of partners achieving training targets	No. of partners not achieving training targets	Per cent of partners not achieving targets (5/2-3*100)
1	2	3	4	5	6
2010-11	7	-	3	4	57.14
2011-12	22	-	5	17	77.27
2012-13	46	11	6	29	82.86
2013-14	81	9	23	49	68.05

It may be seen from the above table that majority of the partners did not achieve the committed training targets which were the basis for their financial assistance.

⁶ As per NSDC, active partners are those funded partners which are reporting their progress in terms of annual training and placement targets.

⁷ This shows active training partners cumulatively and include only those funded partners (shown in Table 4), who are covered under 'active category'. Year 2009-10 being the first year, the number of targets v/s achievement are not available.

4.1.1 Analysis of performance of Sample projects/partners

Audit selected a sample of 31 cases of projects/partners for detailed scrutiny as brought out at paragraph 1.2. It was noticed from scrutiny of Management Information System/Skill Development Management System of NSDC that training targets were not achieved by 18 projects/partners out of these 31 selected projects/partners upto 31 March 2014. Out of the total financial assistance of ₹ 633.45 crore given by NSDC up to 31 March 2014, these 18 projects/partners received financial assistance of ₹ 245.89 crore, which was 38.82 *per cent* of the total financial assistance. Further placement targets were not achieved by 16 of the projects/partners. Details are given in **Annexure-II**.

Review of loan disbursement documents of these partners revealed that Project Evaluation Committee as well as Project Approval Committee never raised any query on the training targets proposed by the partners in their proposal and accepted their proposals. Audit also observed that though the grant/loan agreements at the time of release of assistance clearly prescribed that the partners were to meet their training targets, NSDC could not enforce compliance of these commitments.

DEA was also aware of these infirmities. It was brought out in a file noting (February 2012) that, *“it appears that NSDC lacks a basic agenda to guide its operation and thus considers proposals without any guidelines for prioritisation or expenditure. The future road map for the organisation also appears to be amiss. In order to consider proposals in a systematic and transparent manner it is necessary for NSDC to evolve a pattern for entertaining proposals.”*

NSDC in its reply (October 2015) stated that:

- The due diligence of the proposal was carried out by independent third party agencies.
- As per the approach of the board, it was decided that NSDC would not change or modify the Business Plan of the borrower.
- The target given to NSDC was a total training target and not based on individual approved projects.
- The overall objective of the NSDC is to create training capacity in the country, fund scalability and sustainability of private enterprise, create a market

ecosystem for skill development, and meet the targets set out by the Government. NSDC has always exceeded the targets year on year since inception.

- All the manpower projections were made at a time when the economy was projected to grow at 8-9 *per cent* but the economy decelerated to 4 *per cent* growth in 2014. All industrial sectors experienced a slowdown in this period.

MSDE while accepting the audit observation, stated (July and October 2015) that NSDF had appointed IL&FS Trust Company as Monitoring Agent to monitor the functioning of NSDC. The IL&FS Trust Company had submitted its first quarterly report wherein they made certain observations to improve and strengthen the NSDC Model. The recommendations of IL&FS Trust Company as well as audit observations would be given due consideration to strengthen the system. GoI/NSDF would advise NSDC to institutionalise a system for regular monitoring of default and periodic review of end use of funds. NSDF has advised NSDC to put all data on training and placement in public domain for total transparency.

Replies of NSDC and MSDE need to be viewed in light of the following facts:

- A robust due diligence process would include identification and examination of the associated risks for achievement of projected targets, on the basis of which financial assistance is planned to be given, which was not being done properly at NSDC. Further, the Business Plan of the funded partners would have been accepted only after necessary risk mitigation action.
- Audit has commented upon non achievement of the agreed training targets by funded partners to whom financial assistance was provided by NSDC and achievement of these targets by individual funded partners was part of their agreement with NSDC. Further, numbers of training targets achieved needs to be viewed in light of the audit comment in paragraph 4.2 below regarding monitoring mechanism at NSDC.
- Reply of NSDC contains inherent contradiction as on the one hand NSDC had replied that they have exceeded their annual training targets and on the other they had quoted decrease in the GDP growth rate as a reason for non-achievement of targets.
- Reply was silent on action taken to ensure compliance of the terms of assistance by these partners, whereas necessary action as per contractual terms should have been taken against the partners who failed to abide by the contractual obligations.

4.1.2 Analysis of cases with default in repayments

Audit observed that in four cases, apart from failure to achieve training and placement targets, there was default in repayment of loans also. The details of these cases are as under:-

(i) GRAS Hospitality Services Limited, New Delhi (GRAS)

- Audit noticed that ₹ 9.50 crore was released in 2010-11 and ₹ 7.50 crore was released in 2012-13 to GRAS by NSDC as Loan. There was outstanding principal amount of ₹ 3.24 crore (as on September 2014 as reported by NSDC).
- Due diligence project consultants⁸ had expressed various concerns on areas including compliance with other Government schemes being implemented by GRAS, compliance with skill development regulations and issues relating to proposed organisation model.
- GRAS set up only 46 Skill Development Centres (SDCs) as against the targeted 160 SDCs and did not open any Skill Development Institutes (SDIs) as against the target of 40 SDIs till 2013-14.
- Management Audit⁹ report of GRAS (November 2012) brought out issues like failure of internal control mechanism in GRAS, non-periodical verification of fixed assets, poor performance in training and placements, poor fund management by GRAS were noticed. But on mere assurance of GRAS that these issues would be resolved, these points were closed.

(ii) Everonn Skill Development Limited, Chennai (Everonn)

- Equity contribution agreement and loan agreement with Everonn were signed in March 2011 and first installment of loan of ₹ 41.76 crore was disbursed in April 2011. There was outstanding principal and interest amount of ₹ 26.49 crore (as on September 2014 as reported by NSDC).
- During the review of proposal documents, the due diligence project consultants had expressed various concerns on areas including non-submission of formal agreements and training locations, no due diligence on corporate compliances, gaps in documentation and existing losses.

⁸ Due diligence project consultants were the independent consultants appointed by NSDC to evaluate the applications/ proposals submitted by the applicants/proposers, for legal, technical and financial due diligence.

⁹ Management Audit of funded partners had been conducted by CA firms, appointed by NSDC. All partners were to be audited at least once every two years.

- Actual number of training centers opened by Everonn was low as compared to the proposal. Further, set-up date of most of the training centers was prior to the date of disbursement of loan.
- No management audit was conducted in case of Everonn. It even stopped submitting monthly and quarterly progress reports from September 2012. Further, it was also observed that the company was under liquidation.¹⁰

(iii) Jobskills Solution Private Limited, Bengaluru (Jobskills)

- Loan agreement was signed on 11 April 2011. First installment of ₹ 4.07 crore was disbursed to Jobskills in May 2011. There was outstanding principal amount of ₹ 57.07 lakh (as on September 2014 as reported by NSDC).
- Due diligence project consultants had expressed various concerns on areas including lack of clear strategy, lack of clarity over student selection process, lack of clarity over tie-up details with partners, lack of experience in the sector and lack of clarity over promoter's contribution.
- Management audit report of Jobskills (October 2012) revealed that very short duration courses were held, company had achieved only about one third of its training target at that time and had almost negligible placement record in first 15 months of its operations.

(iv) Laqsh Job Skills Academy Private Limited, Bengaluru (Laqsh)

- Loan agreement was signed between NSDC and Laqsh in April 2011. Accordingly, ₹ 2 crore as first installment of loan was disbursed in July 2011. There was outstanding principal amount of ₹ 18.75 lakh (as on September 2014 as reported by NSDC).
- Due diligence project consultants had expressed various concerns on areas including lack of clarity over student selection process, lack of clarity over placement strategy, lack of supporting documents for various statements made in the proposal.

Analysis of these four cases revealed that there were inefficiencies at various stages of providing financial assistance to partners and there was inadequate action in ensuring compliance of the obligations by the partners.

¹⁰ Source : www.mca.gov.in/company/master_data

NSDC replied (October 2015) that:

- For GRAS, NSDC has taken necessary action and the proposal has been restructured. GRAS has started paying their due interest after restructuring.
- For Everonn, it has paid back ₹ 20 crore of outstanding amount and has committed to pay balance obligation. Everonn has been taken over by another company.
- For Jobskills, notice for non-compliance of provisions of agreement has been issued.
- For Laqsh, the outstanding amount has been repaid.

NSDC further replied (October 2015) that the PAC has deliberated on the issues raised in due diligence and has made recommendation after considering all factors. Their decisions have been recorded with reasons. Subsequently, NSDC has monitored the projects, taken appropriate actions including restructuring and continues to follow up vigorously on repayment of arrears, where applicable. MSDE while accepting the audit comments stated (July 2015) that audit observations would be given due consideration to strengthen the system.

Reply of NSDC needs to be viewed in the light of the fact that the due diligence consultants raised various issues while processing the proposals but rather than taking mitigating action before approval of financial assistance, the issues were dealt with by incorporating provisions in the agreements. In addition, the mechanism of ensuring fulfillment of the contractual obligations itself by NSDC was weak.

Audit also noticed that NSDC took corrective action in these four default cases after audit observations were issued in November 2014.

4.1.3 Failure in proper utilisation of Grant

Audit noticed that Sasakawa India Leprosy Foundation (SILF) sent its proposal to NSDC for grant of ₹ 73.60 lakh for skill development training of 350 youths from 100 leprosy affected colonies in five States¹¹ in three sectors i.e organised retail,

¹¹ Bihar, Odisha, Maharashtra, Madhya Pradesh and Uttar Pradesh

hospitality and Information Technology Enabled Service or Business Process Outsourcing. The project duration was of one year. It was also proposed that the training providers would assure 75 per cent placement and SILF would monitor the trained youth for initial three months of their placement. The grant agreement with SILF was signed in July 2013 and the full amount of grant ₹ 73.60 lakh was released in the same month.

NSDC Funding Guidelines *inter alia* provided that for ‘not-for-profit’ projects/proposals, the business model should be for 10 years, no. of persons trained should be minimum 50,000 over 10 years and promoter contribution should be minimum 15 per cent of the investment requirement. The proposal of SILF was for one year for training of 350 youths. Further, the condition of minimum promoter contribution was also relaxed by the NSDC board on the basis of PAC recommendations. Thereafter, NSDC extended (August 2014) the project duration by eight months i.e. till March 2015 and also expanded the scope of project from five states to nine states. Audit observed that ₹ 52.57 lakh were lying unutilised with SILF as on 31 March 2015.

NSDC vide its reply (October 2015) explained the challenges faced and reasons for delay in the project. However, the reply was silent about status of the project and non-utilisation of fund even after two years of release.

4.2 Monitoring of funded projects/partners by NSDC

As per Financial Management and Procurement Manual of NSDC, the funding partners were required to submit quarterly progress reports on activities carried out and status of the project progress. In addition, NSDC was also to appoint a Project Monitor for undertaking on-going monitoring of projects awarded by NSDC. It had also prepared a monitoring mechanism for skill development partners. Audit, while reviewing the systems and procedures established to monitor and ensure compliance by the funding partners with the contractual terms, noticed the following:

4.2.1 Site Visits

A monitoring system with component of regular site visits and verification at the training center level in order to check establishment and functioning of training centers planned and shown as functional by training partners, to check records related to enrollment of trainees, training provided, feedbacks received, records of

placements etc. was important. This was significant as many of these centers were reported to be established in far-flung areas across India. Year wise details of site visits by project monitor consultant and NSDC team are as follows:

Table 6: Summary of site visits done by Project Monitor Consultants and NSDC

Year	Total no. of Funded Partners	Project Monitor Consultant		NSDC team	
		No. of Funded Partners	Visits	No. of Funded Partners	Visits
2011-12	22	5	5	-	-
2012-13	46	14	22	-	-
2013-14	81	13	19	22	55

Analysis of these details revealed that regular site visits were conducted by NSDC only in 2013-14. Coverage of centers in site visits by Project Monitors was also low i.e. site visits covered 16 *per cent* to 30 *per cent* of the funded partners from 2011 to 2014. Further review of the site visit reports submitted by Project Monitor Consultant and NSDC revealed the following:

- Format of site visit reports provided the information for the assessment of infrastructure, training content and methodology of providing training etc. for the training center visited. However, the format did not include the information relating to the verification of data in respect of the people trained and placed.
- Assessment of the centers visited was absent in some site visit reports submitted by the consultant.
- From the reports submitted by NSDC team after site visits, it was observed that:

Table 7: Summary of analysis of site visits reports

No. of Cases	Observation	Implication
10	Non site visits shown as Site Visits	Cannot be treated as Site Visit
10	Reports submitted were minutes of meetings without information/assessment of Centres	No Assurance for their correctness
6	Reports not provided to Audit	
25	Date of Site Visit not indicated	
Majority of Reports did not have any verification in form of signature of person visiting or else		

NSDC replied (October 2015) that based on the fact that random sampling is an established norm of monitoring and data gathering by NSSO, the Board of NSDC had approved the scientific methodology of monitoring sampling based on recommendations of internationally reputed consultants and executed by a third party. In addition site visits were also made by NSDC staff.

Reply needs to be viewed in light of the fact that number of site visits carried out by the monitoring consultants were low, NSDC itself started the site visits only in 2013-14, there too, major lacunae were noticed in the way the site visit reports were submitted and an important element of verification of the claims of the partners regarding training and placement was not indicated in the site visit reports.

4.2.2 Management Audit of Projects/Partners

As per Management Audit programme of NSDC, all partners were to be audited at least once every two years and no more than once every six months who had completed one year of operation. Management Audit was conducted by Chartered Accountant firms, appointed by NSDC. Analysis of the table revealed that in two cases (BABLE and IIGJ), management audit was conducted very late i.e. after more than three years of operation. In one case i.e. Everonn, no management audit was conducted, Audit analysis of the management audit reports of the selected cases (details in **Annexure-IV**), revealed the following:

Table 8: Summary of analysis of Management Audit reports

Major Issues Noticed	Funded Partners
Number of people trained and placed were much below the target	IIGJ, I-SKILL, CREDAI, Future sharp
Non conducting of Internal Audits, Weakness in Internal Controls and Non verification of fixed assets	IIGJ, Gram Tarang, I-SKILL, Future sharp
Non-maintenance of separate bank account for NSDC funds	BABLE
Non booking of funds released by NSDC in their accounts	IIGJ

Scrutiny of these observations reflected that important issues regarding performance of partners, internal and financial controls etc were raised in the management audit reports. However, majority of these reports were closed on mere assurance given by the funded partners. Further, some of the reports brought out the risks pertaining to non-availability of charge in favour of NSDC for assets created out of funds received from NSDC and absence of easy exit clause for equity participation by NSDC. However, as brought out in the paragraphs 4.1.1 and 4.1.2, required action on the part of NSDC to enforce the contractual obligations was inadequate.

NSDC replied (October 2015) that learning from the shortcomings of the system and the observations of the audit would be incorporated in the monitoring process.

4.3 Remuneration of the CEO of NSDC

In the sixth Board meeting (April 2009), a remuneration committee for fixing remuneration for staff of NSDC in terms of Schedule XIII of the Companies Act, 1956 was formed. In the 13th Board meeting (March 2010), Managing Director and the Chief Executive Officer (CEO) of NSDC was appointed with fixed salary of ₹ 1.07 crore per annum and an yearly variable bonus as performance incentive of ₹ 26.80 lakh.

It was noticed that NSDC was a not for profit company in PPP mode with significant Government shareholding and was functioning from the taxpayer's money only for a public purpose. Therefore, parallel could be drawn with the remunerations being paid by public sector entities. An analysis was carried out of the remuneration fixed for the CEO of NSDC with remuneration being paid to the Managing Director (MD) of ONGC, a Maharatna company having scale of operations and responsibilities much larger than NSDC. It was observed that the remuneration of MD of ONGC was ₹ 45.50 lakh in 2010-11. Compared to this, the remuneration package for CEO at NSDC was much higher and needed justification.

MSDE stated (October 2015) that NSDC would be advised to take up the matter relating to remuneration to the Board of NSDC for further deliberation taking into account the observations of audit and comments of Government of India and take appropriate action.

Chapter-V : Accounting and Financial Management

5.1 Delay in preparation and submission of annual accounts of NSDF

The trust deed of NSDF stipulated the following :-

- The Trustees were required to give true and accurate accounts of all monies received and spent and matters in respect thereof in course of management of trust properties or in relation with carrying out the objectives and purpose of the trust as well as all the assets, liabilities related to the trust properties. (para 10.2)
- The account of NSDF was to be audited by a Chartered Accountant for every financial year (April to March). (para 10.1)
- A copy of the audited accounts was also required to be furnished to Government of India on or before 30 June of the year. (para 10.2)

MSDE stated (April 2015) that accounts for three years (2008 to 2011) were finalised in February 2012 and accounts for next three years (2012 to 2014) were finalised in October 2014. However, from the records provided, audit could not draw an assurance that the accounts were finalised for the years 2008-09 to 2010-11 as no document related to preparation and submission of accounts for these years was found in the records provided to audit. Further, there were major delays in finalisation of accounts in next three years also.

MSDE, while accepting the audit observation, stated (April 2015) that during the initial period, the fund movement was very limited and it took time to put things in place. The audit reports for first three years are being obtained and would be made available to the audit. However, no report was made available to audit (October 2015).

5.2 Lack of investment framework in NSDC

As mentioned earlier, NSDC was using the money made available by NSDF to provide financial assistance to the partners by way of loans, grants and investment in equity as well as to meet the administrative and establishment expenses of NSDC. The other

source of income of NSDC was interest received on secured loans, term deposits and saving account. Details of amount received from NSDF as well as interest earned are shown in table no. 2 at paragraph 3.1.2.

From the referred table, it was evident that during the period from 2008 to 2015, in each year, NSDC had a large unspent balance (varying from ₹ 112.49 crore to ₹ 1,017.66 crore), which was kept in banks as term deposits by NSDC. These deposits fetched interest rates from 3 *per cent* to 4.5 *per cent*. Audit observed that the despite having large unspent balances, NSDC had not prepared any investment policy for efficient management of surplus resources, keeping in view the parameters of security, liquidity and returns from funds.

NSDC replied (October 2015) that it had started having surpluses after becoming implementing agency for STAR¹² scheme and Pradhan Mantri Kaushal Vikas Yojana. NSDC would take up the matter of appointment of investment committee at the appropriate level. MSDE agreed (October 2015) with reply of NSDC.

¹² Scheme to encourage skill development for youth by providing monetary rewards for successful completion of approved training programs.

Chapter-VI : Conclusion

Skill is one of the most important driving forces for economic growth of the country. Importance of filling the skill gap and equipping the human resources through a robust skill development ecosystem cannot be overstated. NSDF and NSDC were planned as the institutional mechanism to drive this momentum. Audit observed that there were serious issues in the governance and accountability mechanisms at NSDF and NSDC and the implementation of the identified roles by these bodies.

NSDF was envisaged to act as a receptacle for financial contributions (by Government/Government entities, multilateral and bilateral and private sector) and to play the supervisory and monitoring role over NSDC's activities. However, no contribution from private/bilateral or multilateral resources was received in NSDF. Modalities for implementation of the supervisory role of NSDF were not put in place. There was absence of arm's length relationship between NSDF and NSDC at the organisation design itself.

NSDC provided financial assistance in the form of soft loans/grants/equity to entities to meet the training targets submitted by them in their proposal. NSDC was consistently provided with relaxations starting from the conceptualisation stage. Thereafter, for the sake of autonomy and flexibility, NSDC was converted from a public company to a private company. Exemption was taken from micro-prudential regulation by RBI on the pretext of NSDF playing this role. However, no structure for such prudential regulation was created for a long period of time. In November 2014, this regulatory work was contracted out through an irregular process to a private company with apparent conflict of interest.

NSDF received ₹ 3,301 crore from government sources during the period 2008-2015. It released ₹ 2,363 crore to NSDC during this period. NSDC utilised ₹ 1,761 crore and it had an unspent balance of ₹ 819 crore as on 31 March 2015.


There was 99.78 *per cent* financial stake of the Government in NSDC with 49 *per cent* equity ownership. However, Government's ownership rights were not commensurate with the Government's financial exposure in NSDC. It was also kept out of the parliamentary oversight over its functioning.

The percentage of funded partners not achieving their training targets ranged from 57 per cent to 83 per cent during 2010-11 to 2013-14. Audit selected a sample of 31 cases of projects/partners for detailed scrutiny. It was noticed that training targets were not achieved by 18 projects/partners and placement targets were not achieved by 16 out of these 31 selected projects/partners upto 31 March 2014. There were cases of failures in repayments of loan amount also.

There were instances of lack of proper due diligence in considering the proposals for financial assistance. Training targets proposed in the financial assistance proposals were not questioned during processing the cases for approval. Similarly the monitoring and control systems put in place at NSDC were weak and their implementation was also inadequate. Number of site visits carried out by the monitoring consultants were low and NSDC itself started site visits only in 2013-14, there too, lacunae were noticed in the way the site visit reports were submitted. Important issues relating to functioning and performance of partners were raised in the management audit reports. However, most of these reports were closed on mere assurance given by the funded partners.


All these issues are significant due to the fact that taxpayer's money was the major source of funding of NSDC since its inception. Government needs to relook at the design and operation of NSDF and NSDC in order to ensure achievement of the skill development goals.

Dated: 13 November 2015
Place: New Delhi


(ANAND MOHAN BAJAJ)
Director General of Audit
(Economic and Service Ministries)

Countersigned

Dated: 13 November 2015
Place: New Delhi


(SHASHI KANT SHARMA)
Comptroller and Auditor General of India

Annexures

Annexure-I**Details of Shareholders of NSDC as on 31 March 2015**

(As referred to in Para No. 1.1.2)

Sl. No.	Sector	Name of the Shareholders	No. of Shares	Percentage of shares
1.	Government	Government of India (GoI)	49,00,000	49.00
2.	Private Sector Shareholders	Confederation of Indian Industry (CII)	5,10,000	5.10
3.		Federation of Indian Chambers of Commerce and Industry (FICCI)	5,10,000	5.10
4.		The Associated Chambers of Commerce and Industry of India (ASSOCHAM)	5,10,000	5.10
5.		Society of Indian Automobile Manufacturers (SIAM)	5,10,000	5.10
6.		Council for Leather Exports (CLE)	5,10,000	5.10
7.		Confederation of Indian Textile Industry (CITI)	5,10,000	5.10
8.		The Gem & Jewellery Export Promotion Council (GJEPC)	5,10,000	5.10
9.		Retailers Association of India (RAI)	5,10,000	5.10
10.		Confederation of Real Estate Developers' Associations of India (CREDAI)	5,10,000	5.10
11.		National Association of Software & Service Companies (NASSCOM)	5,10,000	5.10
		Total	1,00,00,000	100.00

Annexure-II

List of sample cases selected for audit and status of achievement of training and placement targets

(As referred to in Para Nos. 1.2 and 4.1.1)

Sl. No.	Name of the Project /Partner	Date of approval of project by NSDC Board	Date of first disbursement	Disbursement upto 2013-14 (₹ in crore)	Type of assistance	Percentage achievement of training targets				Placement Targets	Percentage achievement of placement targets			
						2010-11	2011-12	2012-13	2013-14		2010-11	2011-12	2012-13	2013-14
1	AISECT Skill Mission Society	30.09.2011	13.04.2012	10.13	Loan	-----	-----	176	128	70	-----	-----	2	54
2	Anudip Foundation for Social Welfare	09.12.2011	09.01.2014	0.2	Grant	-----	-----	----	580	70	-----	-----	-----	70
3	BASIX Academy for Building Lifelong Employability Limited	22.02.2010	23.02.2010	23.51	Loan	101	102	78	35	50	79	50	59	70
4	Centum Workskills India Limited	05.07.2010	17.02.2011	13.18	Loan + Equity	339	330	138	94	90	100	100	87	91

Sl. No.	Name of the Project /Partner	Date of approval of project by NSDC Board	Date of first disbursement	Disbursement upto 2013-14 (₹ in crore)	Type of assistance	Percentage achievement of training targets				Placement Targets	Percentage achievement of placement targets			
						2010-11	2011-12	2012-13	2013-14		2010-11	2011-12	2012-13	2013-14
5	Construction Industry Development Council	27.11.2013	12.02.2014	10	Loan	-----	-----	-----	-----	70	-----	-----	-----	-----
6	CREDAI Pune	02.12.2010	02.07.2011	11.12	Grant	-----	69	72	71	70	-----	100	97	98
7	Don Bosco Tech Society	21.08.2012	01.03.2013	12.36	Loan	-----	-----	-----	54	75	-----	-----	-----	50
8	Emerge Vocational Skill	27.06.2013	23.10.2013	3.12	Loan	-----	-----	-----	-----	70	-----	-----	-----	1
9	Everonn Skill Development Corporation	13.01.2011	30.04.2011	41.76	Loan*	-----	4	1	Progress not reported	70	-----	13	66	Progress not reported
10	Future Sharp Skill Limited	13.05.2011	02.02.2012	16.6	Loan+ Equity	-----	-----	6	18	70	-----	-----	65	60

Sl. No.	Name of the Project /Partner	Date of approval of project by NSDC Board	Date of first disbursement	Disbursement upto 2013-14 (₹ in crore)	Type of assistance	Percentage achievement of training targets				Placement Targets	Percentage achievement of placement targets			
						2010-11	2011-12	2012-13	2013-14		2010-11	2011-12	2012-13	2013-14
11	Globsyn Skill Development Private Limited	02.12.2010	31.03.2011	7.63	Loan + Equity	-----	27	45	21	85	-----	38	14	12
12	Gram Tarang Employability Training Services Private Limited	22.02.2010	03.05.2010	10.00	Loan	53	150	104	63	75	64	82	81	72
13	Gram Tarang Employability Training Services Private Limited-2	29.03.2012	12.02.2014	10.80	Loan	-----	-----	-----	-----	75	-----	-----	-----	-----
14	Gras Education and Training Services Private Limited	14.09.2010	20.12.2010	17	Loan*	-----	8	16	277	70	-----	41	47	35
15	IL&FS Skills Development Corporation Limited	14.09.2010	17.02.2011	85.89	Loan+ Grant+ Equity	-----	60	70	126	70	-----	76	87	89

Sl. No.	Name of the Project /Partner	Date of approval of project by NSDC Board	Date of first disbursement	Disbursement upto 2013-14 (₹ in crore)	Type of assistance	Percentage achievement of training targets				Placement Targets	Percentage achievement of placement targets			
						2010-11	2011-12	2012-13	2013-14		2010-11	2011-12	2012-13	2013-14
16	The Gems and Jewellery Export Promotion Council - Indian Institute of Gems and Jewellery (IIGJ)	22.02.2010	24.02.2010	3.68	Loan + Grant	21	25	25	6	70	0	16	155	95
17	Indigram Skill and Knowledge Initiatives Private Limited (I-SKILL)	04.08.2010	20.09.2010	7.7	Loan	----	3	46	69	56	----	76	98	99
18	Institute of Advance Security Training (ASTM)	09.12.2011	22.03.2012	12	Loan	----	----	24	23	70	----	----	98	75
19	Job Skill Solution Private Limited (Fides Global)	13.01.2011	24.05.2011	4.07	Loan *	----	47	10	0	70	----	0	3	21

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Sl. No.	Name of the Project /Partner	Date of approval of project by NSDC Board	Date of first disbursement	Disbursement upto 2013-14 (₹ in crore)	Type of assistance	Percentage achievement of training targets				Placement Targets	Percentage achievement of placement targets			
						2010-11	2011-12	2012-13	2013-14		2010-11	2011-12	2012-13	2013-14
20	Kalyani Skills Private Limited	25.03.2013	16.11.2013	0.5	Loan	----	----	----	----	70	----	----	----	----
21	Labournet Services India Private Limited	29.03.2012	14.12.2012	6.34	Loan	----	----	102	156	70	----	----	56	41
22	Laqsh Job Skill Development Corporation	16.02.2011	13.07.2011	2	Loan*	----	11	13	2	70	----	55	74	47
23	Laurus Edutech Life Skills Private Limited	16.02.2011	01.10.2011	15.48	Loan+ Equity	----	70	67	97	75	----	4	23	65
24	NIIT Yuva Jyoti Limited	13.05.2011	08.12.2011	33.27	Loan+ Grant+ Equity	----	----	19	29	70	----	----	98	94
25	Orion Edutech Private Limited	20.02.2012	20.03.2013	11.52	Loan	----	----	----	67	85	----	----	----	62

Sl. No.	Name of the Project /Partner	Date of approval of project by NSDC Board	Date of first disbursement	Disbursement upto 2013-14 (₹ in crore)	Type of assistance	Percentage achievement of training targets				Placement Targets	Percentage achievement of placement targets			
						2010-11	2011-12	2012-13	2013-14		2010-11	2011-12	2012-13	2013-14
26	Pan IIT Alumni Reach for India Foundation	26.09.2012	02.07.2013	18.62	Loan+ Grant	-----	-----	-----	136	70	-----	-----	-----	89
27	Rural Shores Skill Academy Private Limited	20.02.2013	30.07.2013	3	Loan	-----	-----	-----	111	70	-----	-----	-----	74
28	Sasakawa India Leprosy Foundation	06.05.2013	30.07.2013	0.73	Grant	-----	-----	-----	Progress not reported	75	-----	-----	-----	Progress not reported
29	Skillsomics India Private Limited	14.12.2012	13.09.2013	4.5	Loan+ Equity	-----	-----	-----	500	70	-----	-----	-----	100
30	Talent Sprint Education Services Private Limited	13.01.2011	28.03.2011	10	Loan+ Equity	-----	157	220	238	70	-----	56	19	5
31	TMI Input & Services Private Limited	02.12.2010	23.03.2011	19.28	Loan	-----	4	29	58	85	-----	568	93	44

Annexure-III

Instance of cases where issue raised by the Government Director

(As referred to in Para No.2.2.2.1)

No.	Name of the Project/ Issue	Issue raised by the Government Director	Response of NSDC
1	GRAS Project	Government Director mentioned (March 2012) major shortfall in performance compared to the targets set and stated "NSDC did not appear to be taking necessary precautions in safeguarding its exposure in various projects and it was very difficult for the Board to assess the overall risk of NSDC exposure." Government Director further reiterated that NSDC was using public money and unjustified risk taken by NSDC, could be questioned in future.	Chairman, NSDC had stated that very rationale for setting up of NSDC, as a private entity was to take risk because without taking requisite risk no initiative could be successful.
2.	O&M Campaign	On marketing campaign, in Board Meeting Government Director (March 2012) had suggested that NSDC may reinitiate the bidding process for selection of advertising agency for pilot phase. NSDC is only one of the initiatives of GoI for skill development, hence transparent procedure should be adopted.	The suggestion of GoI director was not supported by the Board including Chairman.
3	Gram Tarang	Government Director observed (May 2012) that "as per minutes of the 29 th Board Meeting; it was clarified to the Board members that the maximum repayment period is 10 years. However, had been given a period of 11 years. The cost per trainee in case of Gram Tarang was abnormally high approx. ₹ 3,000 per trainee, while others had cost ranging from ₹ 140 to ₹ 500 per trainee. The principal moratorium period was also 14 quarters, which was beyond the permissible limit of 3 years. Moreover, the interest moratorium period was 12 quarters, whereas in other cases no interest moratorium period was given. The guidelines were not followed in this case. NSDC should provide justifications for so much variation".	MD & CEO, NSDC stated that the deviation was brought to the attention of Board and was approved.

Annexure-IV

Analysis of management audit reports and action taken

(As referred to in Para No.4.2.2)

Sl. No.	Name of the Project/Partner	Major Issues raised by Management Auditor	Action Taken by NSDC on audit reports
1.	BASIX Academy for Building Lifelong Employability Ltd.	<ul style="list-style-type: none"> • Company unable to generate revenue as per agreement • Non maintenance of separate banks for NSDC funds • Non fulfilling of all statutory obligations like PF registration, non deduction of TDS etc. 	<ul style="list-style-type: none"> • Closure report was submitted on assurance of partners that the targets for next year have been revised and company is trying hard to meet the targets. • Action taken by NSDC was not found in the records.
2	Indian Institute of Gems and Jewellery (IIGJ)	<ul style="list-style-type: none"> • Less students trained compared to the numbers estimated. • No proper system of analyzing and improving the weaker controls • Non verification of fixed assets acquired out of NSDC funds by Management • Non booking of funds released by NSDC in books of accounts. 	<ul style="list-style-type: none"> • Closure report was submitted informing NSDC that a lot of observations had been unattended. Observations specifically related to mis-statement of financial statements were leading to non compliance of Companies Act, 1956. • Action taken by NSDC was not found in the records.
3	Gram Tarang Employability Training Service Limited	<ul style="list-style-type: none"> • Non conductance of internal audit by partner. • Charge created for securing loan of NSDC was not registered with ROC. 	<ul style="list-style-type: none"> • On assurance of partner that company has a good statutory audit system and no requirement of internal audit, Closure report was submitted. • Action taken by NSDC was not found in the records.

Sl. No.	Name of the Project/Partner	Major Issues raised by Management Auditor	Action Taken by NSDC on audit reports
4	Indigram Skill and Knowledge Initiatives Private Limited	<ul style="list-style-type: none"> • No internal audit system in place. • No periodic verification of fixed assets. • Low performance in terms of number of people trained, number of people placed, centers opened, revenue collected etc. 	<ul style="list-style-type: none"> • Audit points were closed and closure report was submitted by Management Auditors after reply of partner. • Action taken by NSDC was not found in the records.
5	CREDAI Pune	<ul style="list-style-type: none"> • Number of people trained was much below the target. 	<ul style="list-style-type: none"> • Audit points were closed and closure report was submitted by Management Auditors after reply of partner. • Action taken by NSDC was not found in the records.
6	Future Sharp Skill Limited	<ul style="list-style-type: none"> • Number of people trained and placed were much below the target. • Physical verification of assets was not conducted. 	<ul style="list-style-type: none"> • Audit points were closed and closure report was submitted by Management Auditors after review of action taken by the partner and even noticing that the performance was not satisfactory. • Action taken by NSDC was not found in the records.

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