

**PUBLIC ACCOUNTS COMMITTEE
(1978-79)**

(SIXTH LOK SABHA)

HUNDRED AND TWELFTH REPORT

**OVERPAYMENTS MADE ON FIVE YEAR RECURRING
DEPOSIT ACCOUNTS**

**MINISTRY OF COMMUNICATIONS
(P&T BOARD)**

[Paragraph 26 of the Report of the Comptroller
and Auditor General of India for the year 1976-77,
Union Government (Posts and Telegraphs)].



*Presented in Lok Sabha on
Laid in Rajya Sabha on*

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26-7-1978

27-7-1978

9-2-1979

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(1978-79)

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2. Shri D. C. Pandey — *Chief Financial Committee Officer*
3. Shri T. R. Ghai — *Senior Financial Committee Officer.*

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Hundred and Twelfth Report of the Public Accounts Committee (Sixth Lok Sabha) on paragraph 26 of the Report of the Comptroller and Auditor General of India for the year 1976-77, Union Government (Posts and Telegraphs) relating to Overpayments made on Five Year Recurring Deposit Accounts.

2. The Report of the Comptroller and Auditor General of India for the year 1976-77, Union Government (Posts and Telegraphs) was laid on the Table of the House on 4 April 1978. The Public Accounts Committee (1978-79) examined paragraph 26 of the said Audit Report at their sittings held on 26 and 27 July 1978. The Committee considered and finalised this Report at their sitting held on 9 February, 1979. The Minutes of these sittings form Part II* of the Report.

3. A statement containing conclusions and recommendations of the Committee is appended to this Report (Appendix VI). For facility of reference these have been printed in thick type in the body of the Report.

4. The Committee place on record this appreciation of the assistance rendered to them in the examination of this paragraph by the Comptroller and Auditor General of India.

5. The Committee would also like to express their thanks to the Ministries of Communications (P&T Board) and Finance (Department of Economic Affairs) for the cooperation extended by them in giving information to the Committee.

NEW DELHI;
February 22, 1979
Phalgun 3, 1900(S)

P. V. NARASIMHA RAO,
Chairman,
Public Accounts Committee.

*Not printed. One cyclostyled copy laid on the Table of the House and five copies placed in Parliament Library.

OVERPAYMENTS MADE ON FIVE YEAR RECURRING DEPOSIT ACCOUNTS

Audit Paragraph

1.1. In April 1970, the Government of India introduced the Post Office (Recurring Deposits) Scheme and also issued Post Office (Recurring Deposits) Rules, 1970. The scheme was to be operated by the Director General, Posts and Telegraphs (DGPT), through different post offices as an agency function on behalf of the Ministry of Finance.

1.2. The scheme provided for the opening of 5-year accounts in Post offices by making monthly deposits of Rs. 5 or any multiple thereof, as may be fixed at the time of opening of the account. Rule 9 of the rules referred to above, laid down the maturity values, indicating the amount repayable, inclusive of interest, at the end of 5 years. This rule was amended by the Ministry of Finance from 15th January, 1971, 1st April, 1974 and 23rd July, 1974 so as to revise the maturity values upwards on the basis of successive increases in the rates of interest. On 29th September, 1976, the maturity values was enhanced further and the maturity value for an account with monthly deposit of Rs. 10 at the end of 5 years was Rs. 760 against Rs. 700 (as per Rules of 1970), Rs. 710 (from 15th January, 1971), Rs. 720 (from 1st April 1974) and Rs. 750 (from 23rd July, 1974). This last enhancement (29th September, 1976) was made applicable to all accounts opened before 1st October, 1976 but maturing on or after that date. On 20th December, 1976, however, a further notification was issued by the Ministry of Finance, making it effective retrospectively from 1st October, 1976 but restricting the admissibility of the latest enhanced maturity values (29th September, 1976), to accounts opened on or after 23rd July, 1974 and maturing after 1st October, 1976. The accounts opened prior to 23rd July, 1974 but maturing on or after 1st April, 1975 were entitled only to the maturity values prevailing before the last enhancement (29th September, 1976).

1.3. The notification dated 20th December, 1976 of the Ministry of Finance was circulated by the DGPT to the Heads of Postal Circles on 7th January, 1977 with instructions to bring it to the notice of all the post offices, for making payments accordingly. On receipt of these instructions, the Heads of Circles intimated the revised orders to various post offices under them on different dates. In the meantime, based on the earlier notification dated 29th September, 1976 the enhanced rates of maturity values were paid by the post offices all over the country to

all the subscribers including those who had opened accounts prior to 23rd July, 1974 and whose dates of maturity fell after 1st October, 1976. While in some post offices revised orders were implemented, in others payments at the enhanced rates continued to be made even after the receipt of the revised orders. A test-check conducted by Audit revealed that the total overpayments made by the post offices amounted to Rs. 24.28 lakhs in respect of 88,981 accounts in 502 post offices falling in 16 circles. The break-up of the overpayments for the different periods was as follows :—

| | (Rs. in lakhs) |
|--|----------------|
| (i) from 1st October, 1976 to 19th December, 1976 | 4.30 |
| (ii) from 20th December, 1976 to the date of receipt of orders in different Post Offices | 15.14 |
| (iii) beyond the dates of receipt of orders in the post offices | 4.84 |
| | 24.28 |

1.4. The Posts and Telegraphs Department confirmed (January 1978) the figures as included above in respect of 6 out of 16 articles; the figures for the remaining circles were stated (January 1978) to be under verification.

1.5. In regard to overpayment made beyond the dates of receipt of orders in the post offices as indicated at (iii) above, the department stated (January 1978) that an amount of Rs. 0.36 lakh had so far been recovered in 5 circles and that information in this regard from other circles was awaited. The department added (January 1978), "wherever payments have been made by the Head Offices or authorised by Head Offices even after receipt of the Notification by them, investigations are on and the Postmasters General have agreed to fix the responsibility and recover such amounts".

1.6. The Ministry of Finance, Department of Economic Affairs, stated (January 1978) ".....it has become necessary to frame elaborate rules so as to eliminate the need for detailed interest and other calculations on the part of the post office staff. In this process, the rules have become quite voluminous and difficult to follow. The Finance Ministry intend to undertake an exercise with a view to consider how best the rules can be simplified..... The overpayments will be regularised with the sanction of the competent authority....".

[Paragraph 26 of the Report of the Comptroller and Auditor General of India for the year 1976-77, Union Government (Posts & Telegraphs)]

Issue of Notifications

1.7. The Audit para points out that in April 1970, the Government of India introduced the Post Office (Recurring Deposits) Scheme and also issued Post Office (Recurring Deposits) Rules, 1970. The scheme was to be operated by the Director General, Posts and Telegraphs (DGPT), through different Post Offices as an agency function on behalf of the Ministry of Finance.

1.8. A copy of the Post Offices (Recurring Deposits) Rules, 1970 as furnished by the Ministry of Communications, is given at Appendix I. Some of the important clauses of these rules are reproduced below:—

4. Period of Deposit

There shall be one type of account namely a five-year account and the period of the account shall count from the date of the first deposit.

5. Amount of Deposit

Deposits may be made of Rs. 5 or of any multiple thereof, provided that the amount of deposit made at the time of opening the account shall not be varied during the currency of the account.

9. Amounts repayable

The amount payable inclusive of interest at the end of 5 years on an account of Rs. 5 denomination shall be Rs. 350. Proportionate amount shall be payable on accounts in denomination of multiple of Rs. 5. In the event of accounts being discontinued before the expiry of the full period such proportionate amounts shall be payable at the end of that period as may be notified in this behalf."

1.9. The Audit Para further states that Rule 9 of the Rules mentioned above indicating the amounts repayable, inclusive of interest, at the end of 5 years was amended by the Ministry of Finance from 15 January, 1971; 1 April, 1974 and 23 July, 1974 so as to revise the maturity values upward on the basis of successive increases in the rates of interest. On 29 September, 1976, the maturity values were enhanced further and the maturity value for an account with monthly deposit of Rs. 10 at the end of 5 years was Rs. 760 against Rs. 700 (as per Rules of 1970). This last enhancement (29-9-76) was made applicable to all accounts opened before 1 October, 1976, but maturing on or after that date.

1.10. Relevant extracts from the amendments made effective from 15 January, 1971, 1 April, 1974 and 23 July, 1974 are given below:

“15-1-1971

In the Post Office (Recurring Deposits) Rules, 1970:—

- (a) rule 9 shall be renumbered as sub-rule (1) of that rule and in sub-rule (1) as so renumbered, for the letters and figures “Rs. 350”, the letters and figures “Rs. 355” shall be substituted;
- (b) after sub-rule (1) as so renumbered, the following sub-rule shall be inserted namely:—

“(2) Notwithstanding anything contained in sub-rule (1), the amount payable inclusive of interest at the end of 5 years on an account of Rs. 5 denomination opened before 15th January, 1971 shall be as specified in the table below:

T A B L E

| Unexpired complete months to maturity on 15-1-1971 | Amount payable on maturity |
|---|-------------------------------|
| | Rs. |
| 50 | 354.83 |
| 51 | 354.84 |
| 52 | 354.86 |
| 53 | 354.87 |
| 54 | 354.89 |
| 55 | 354.90 |
| 56 | 354.92 |
| 57 | 354.93 |
| 58 | 354.95 |
| 59 | 354.97” |

“1.4.1974

In the Post Office (Recurring Deposits) Rules, 1970, for the existing rule 9, the following rule shall be substituted, namely:—

“9. Amount payable—The amount payable inclusive of interest at the end of five years on an account of Rs. 5 denomination shall

be Rs. 360. Proportionate amounts shall be payable on accounts in denominations of multiples of Rs. 5. In respect of accounts discontinued before the expiry of the full period and in respect of accounts opened before 1st April, 1974 but maturing after the said date, the amount payable at the end of the period inclusive of interest shall be such as may be notified by the Government.”

“23.7.1974 (Notification issued on 29-7-1974)

In the Post Office (Recurring Deposits) Rules, 1970, for rule 9, the following rule shall be substituted, namely:

“9. Amount payable—The amount payable inclusive of interest at the end of five years on an account of Rs. 5 denomination shall be Rs. 375. Proportionate amounts shall be payable on accounts in denominations of multiples of Rs. 5. In respect of accounts discontinued before the expiry of the full period and in respect of accounts opened before the 23rd July, 1974 but maturing after the said date, the amount payable at the end of the period inclusive of interest shall be such as may be notified by the Government.”

1.11. Explaining reasons for enhancement of maturity values from time to time, the Ministry of Finance had informed* Audit as under :

“In the case of an account of Rs. 10 denomination, the maturity value was Rs. 700 (There were proportionate maturity values for other denominations). Subsequently, with reference to increase in bank interest rates, the maturity value was slightly increased to Rs. 710 with effect from 15-1-1971 and to Rs. 720 with effect from 1-4-1974. Later on, following the steep increase in bank interest rates, the maturity value was revised upward to Rs. 750 from 23-7-1974. On a comparison with similar schemes of commercial banks like State Bank of India and Syndicate Bank, the maturity value of Rs. 750 was further raised to Rs. 760, effective from 1-10-1976.”

1.12. Explaining the first three increases in the maturing value, the representative of the Ministry of Finance has stated in evidence :

“These increases were made consequent on the interest rates of deposits announced by the Reserve Bank of India. Whenever there is a change in the interest rate structure and, if that is significant, we look at the implicit or explicit rates of interest for the small savings schemes and, if it is necessary, we change

*Not vetted in Audit.

them. And, on all these three occasions, it was felt necessary to step up the maturity value. That was the reason for making the changes."

1.13. To a question as to why Government considered it "if it was felt necessary" to increase the maturity value and on what conditions, the witness clarified :

"Generally speaking, when there is a small change in the interest rates, on certain occasions as in April 1973, it was not felt to be necessary to give effect to it. This was one type of occasion when the change was very small and marginal and the benefit to the investors would be quite negligible and so, we did not consider it necessary to revise the maturity value. On other occasions, for example, from 1st March, 1978, when the Reserve Bank of India brought down the interest rates for one year, three year or four year fixed deposits and so on and so forth, we did not change that as steeply as they did for the commercial banks. Because they reduced it, we felt that a certain decrease was necessary for the small savings scheme. This is the kind of general approach we have."

1.14. To another question whether there was any relationship between the increases made by the Reserve Bank and those announced by the Ministry of Finance for the small savings schemes, the witness had the following to state:

"There is a direct relationship, if I may say so, with the changes made for the relevant maturity period in the interest rates announced by the Reserve Bank of India and the changes we make in the interest rates for the small savings."

1.15. On being pointed out that in the case of the last enhancement from Rs. 750 to Rs. 760, the basis appeared to be different in-as-much-as it was not as a result of increase of rate by the Reserve Bank but because commercial banks had increased the interest rate structure, the witness has clarified :

"I was explaining the general policy followed. What happens is when we announce a particular rate each bank tries to project its particular scheme as more advantageous. The best scheme is picked up by the investors and they mention to us about this in national savings advisory board meetings.

If our rate of interest is not attractive, people go away, if the commercial banks pay a little more. Similar things happens in the case of recurring deposits. Because some Commercial Banks after July 1974 had announced maturity value of Rs. 760 for

ten rupee account, some other banks gave similar maturity value later. But we had fixed Rs. 750 for small savings. Then there was criticism which came up and we tried to find out what had been done by some of the big public sector banks and we found that the commercial banks were then giving maturity value of Rs. 760. So, we thought that we also better fall in line and step up the maturity value from Rs. 750 to Rs. 760. And then the same thing we did almost simultaneously for the seven-year national savings certificate. We had said that "if you keep one hundred rupees for seven years, at the end of the seven year period, we will give you Rs. 198". Some of the commercial banks gave Rs. 200 at the end of the seven year period and it was suggested "you can double your money in seven years", was a better selling point and so simultaneously we increased the amount of Rs. 198 to Rs. 200. It is true, generally speaking, that the policy is to synchronise and make these changes with reference to the Reserve Bank of India rate structure."

He has added :

"We fixed the maturity value of a 5-year recurring deposit of ten rupee denomination at Rs. 750. That was based on the calculations at 9.25 per cent compound interest. But we found out in 1976 that commercial banks were giving a slightly higher maturity value of Rs. 760. This was raised in the National Savings Central Advisory Board and so on. It was urged that we should also come in line with what the commercial banks were doing. The Commercial banks were compounding 9.25 per cent every month or every quarter whereas we were compounding annually. That was how the difference arose."

1.16. According to the Audit Para on 20 December, 1976 a further notification was issued by the Ministry of Finance, making it effective retrospectively from 1 October, 1976, but restricting the admissibility of the latest enhanced maturity values (29 September, 1976) to accounts opened on or after 23 July, 1974 and maturing after 1st October, 1976. The accounts opened prior to 23rd July, 1974 but maturing on or after 1 April, 1975 were entitled only to the maturity values prevailing before the last enhancement (29 September, 1976).

1.17. The Committee wanted to know the basis for issue of various notifications particularly the Notification of 20-12-1976. The Committee also desired to be informed whether these changes were linked *ipso facto* with similar schemes of commercial banks and if so, what was the time lag between the announcement of bank rates and the issue of the Notifications

for recurring deposit accounts. In a *note furnished to the Committee in this regard, the Ministry of Finance have stated:

“In exercise of the powers conferred on it by the Banking Regulation Act 1949, Reserve Bank of India notifies from time to time changes in the interest rates for various types of deposits accepted or renewed by scheduled commercial banks. The scheduled commercial banks are obliged to follow the directives of the Reserve Bank in preparing their own schemes or amending the existing ones.

The small savings schemes are in a way complementary to Banks' schemes. After the nationalisation of the banks, the deposits mobilised by the commercial banks are also utilised in the interest of healthy growth of the economy in accordance with the policies of the Government. Moreover, a substantial proportion of the deposits mobilised by the commercial banks flows into securities issued or guaranteed by Government as the banks are obliged to invest in these securities as a statutory requirement. In this background, the purpose of the small saving schemes is not to divert deposits from banking channels but to mobilise additional savings.

Although the notifications issued by the Reserve Bank do not apply to the small saving schemes of Government, since the interest rate changes in these notifications are made as a matter of economic policy, the interest rate structure of the small saving schemes is also reviewed by Government at the time of issue of the Reserve Bank notifications and modifications are carried out in the small saving schemes wherever considered necessary. The dates of notifications of the Reserve Bank between January 1971 and July 1974 and their dates of effect and the corresponding dates of the notifications in respect of the small saving schemes are given below:

| Reserve Bank | | Small Saving Schemes | |
|----------------------|----------------|----------------------|----------------|
| Date of notification | Date of effect | Date of notification | Date of effect |
| 8-1-1971 | 11-1-1971 | 15-1-1971 | 15-1-1971 |
| 30-3-1974 | 1-4-1974 | 30-3-1974 | 1-4-1974 |
| 22-7-1974 | 23-7-1974 | 29-7-1974 | 23-7-1974 |

It may be mentioned that the interest rate structure notified by the Reserve Bank permits some differentials in the interest rates

*Not vetted in Audit.

that may be allowed on like deposits even by commercial banks, depending on the size of their deposits etc. Thus the interest rates allowed by all commercial banks are not identical. While revising the interest rate of small saving schemes, Government take into account the interest rate structure notified by the Reserve Bank though it is not adopted *in toto* and some variations are made taking into account the features of different small saving schemes.

While the small saving schemes are not linked up *ipso facto* with the schemes of commercial banks, there is a degree of correlation between the two resulting from the fact that both derive from the interest rate structure notified by the Reserve Bank, subject of course to the qualification mentioned above.

It may be added that while the Reserve Bank notified the interest rates for deposits with commercial banks from time to time, the earlier notifications of the Reserve Bank (issued between 1971 and 1977) did not specify the periodicity for purpose of compounding interest. The banks were apparently compounding the interest at more frequent intervals than annual, and some banks even monthly, with the result that the effective interest rate was somewhat higher than the nominal annual rate of interest notified by the Reserve Bank. Suggestions used to be received by Government from time to time that interest should be paid on monthly basis on small savings also for example, such a suggestion was made at the National Savings Central Advisory Board meeting held in May 1974. Government informed the Board at its next meeting in May 1975 that it was not possible to accept this proposal as apart from considerations of cost, the post offices were not equipped to handle the extra work which it would entail.

* * * *

It may also be mentioned that unlike the circulars issued by the Reserve Bank in the previous years, the notification issued by it on 28th February, 1978 prescribing interest rates effective from 1st March, 1978, contained a directive that "the interest payable on fixed deposits as also on savings deposits shall be calculated at quarter or longer rests". It will be apparent from this that the Reserve Bank also came round to the view that some discipline had to be introduced in the practice of compounding of interest by commercial banks.

In view of the commercial banks' practice of compounding the interest at more frequent intervals than annual, (and that too,

not on a uniform basis as between different banks)—a practice which Government chose not to follow in respect of small savings schemes—there have been some differences between (i) the maturity values of the Recurring Deposit Schemes operated by the commercial banks *inter se* and (ii) those values and the values of the Post Office Recurring Deposit Scheme since its introduction in April 1970, the former being slightly higher. The emphasis of Government was more on providing the necessary infra-structure so that wage earners for whom the Post Office Recurring Deposit Scheme is primarily meant, are motivated to save and they can do so conveniently. For this purpose, the Pay Roll Savings Scheme introduced in 1958 was extended to the Recurring Deposit Scheme. Under the Pay Roll Savings Scheme monthly collections are more from the wages of the employees and the collections deposited by the Pay Roll Saving Group leader in the post office. For this work the Pay Roll Saving Group leader is given a commission by the Government, which is presently 2½ per cent of the gross collections made by him. Although payment of such commission involves additional expenditure for Government, it provides a convenience to the employees without which they may not be regular savers. Moreover, effective from 1st July 1972, a scheme was introduced under which, in the case of a depositor who contributes to a Rs. 5 or Rs. 10 denomination recurring deposit account for at least 24 months without default and dies thereafter, the full maturity value for 60 months is paid to his nominee, subject to certain conditions. This is known as 'protected savings scheme'. The benefit of the scheme was extended to Rs. 15 and Rs. 20 denomination accounts in June 1975. This scheme is a special incentive to the small savers. The gross deposits under the post office recurring deposit scheme were continuously increasing over the years, and amounted to about Rs. 51 crores in 1975-76 as compared to about Rs. 6 crores in 1971-72. It was thus apparent that the post office recurring deposit was popular due to the special features of the scheme mentioned above despite marginal difference of a few rupees in its maturity value as compared to the banks' schemes.

The suggestions for increasing interest rate/maturity value of the scheme were viewed in the background mentioned above, and the values fixed from time to time by strictly applying the rate of interest on annual compounding basis were left undisturbed all along.

However, the Deputy Minister in-charge of Small Saving Schemes desired in April 1976 that the *pros and cons* of giving a slightly

higher rate of interest on Small Saving Securities as compared to bank interest rates may be examined. Pursuant to this, a detailed comparison was made between the maturity value of the Post Office Recurring Deposit Scheme and that of the schemes of six public sector banks. It was reported that some banks were allowing a maturity value of Rs. 760 for a 5 year account of Rs. 10 denomination as against Rs. 750 payable under the Post Office Recurring Deposit Scheme. An *ad hoc* decision was taken in August 1976 to increase the maturity value of the Post Office Recurring Deposite also to Rs. 760 for Rs. 10 denomination account. To give effect to this decision, a notification was issued on 29-9-76. The draft of this notification was proposed by the National Saving Commissioner and it was finalised by the Ministry of Finance in consultation with the DGP&T and the Ministry of Law, Justice and Company Affairs. Shortly, after the notification was issued, the National Savings Commissioner, in his letter dated 4/15-10-1976, proposed a comprehensive notification which covered not only the normal account kept for full maturity period like the earlier draft sent by him but also the accounts continued beyond maturity date and accounts discontinued before the expiry of maturity period. This notification was processed by the Ministry of Finance in consultation with the DGP&T, National Saving Commissioner, and the Ministry of Law, Justice and Company Affairs and was issued on 20-12-1976.

* * * *

Since the Government had already modified the interest rates for small saving schemes effective from 23rd July, 1974, taking into account the interest rate structure announced by the Reserve Bank on 22nd July, 1974 and since the notifications dated 29th September, 1976 and 20th December, 1976 regarding the increase in the maturity value from Rs. 750 to Rs. 760 were issued to give effect to the *ad hoc* decision referred in the preceding paragraph the question of a time-lag between the announcement of bank rates and the issue of these notifications is not relevant."

1.18. The Committee were informed during evidence that letters from various persons—potential investors, members of the National Saving Central Advisory Board and the National Savings Commissioner were received in the Ministry of Finance in early 1976 urging upon the Government to raise the maturity value of 5-year Recurring Deposit Accounts of 10-Rupee denomination from Rs. 750 to bring it at par with the interest rate being given by the Commercial Banks at that time on similar schemes. The Committee wanted to know whether the Ministry of

Finance had any in-built machinery to study such structures on their own to take timely action. In a *note, the Ministry of Finance, have stated:

“A Sub-Committee for Publicity, Savings Securities, and Development of Agencies was set up by the National Savings Central Advisory Board (NSCAB) in 1974. The Sub-Committee was composed of some members of the NSCAB, and the Deputy NSC worked as its Secretary. No official of the Finance Ministry was on the Sub-Committee.

The Sub-Committee, in its meeting held on 17th October, 1975 made the following recommendation:—

“While a 5-year Post Office Recurring Deposit Account with a monthly deposit of Rs. 10/- pays Rs. 750/- as maturity value, the commercial banks offer Rs. 760/- as maturity value on a R.D. Account with similar maturity period and monthly deposit. The Committee felt that the maturity value of 5-year P.O.R.D. Account should be brought up on par and recommended that a maturity bonus of Rs. 10/- be paid on 5-year Post Office Recurring Deposit account with a monthly deposit of Rs. 10/-”.

The minutes of the meeting containing *inter alia* this recommendation, were forwarded by the Dy. NSC to the concerned Under Secretary in the Ministry of Finance on 24-11-1975. According to the practice normally followed, the recommendations of the Sub-Committee were to be first considered by the NSCAB which would recommend action, if any, that may be deemed necessary at the Government level in such matters. The recommendation for increasing the maturity value from Rs. 750/- to Rs. 760/- was repeated by the Sub-Committee in its final report submitted in September 1976. However, the Sub-Committee's report could not be considered by the Board as the Chairman of the Sub-Committee was not available to present the report in the next meeting of the Board held in December 1976. The report could not also be considered in the subsequent meeting of the Board held in December 1977 as no member of the Committee was present, and it was suggested by the Board that the recommendations of the Sub-Committee be examined by the Government and appropriate decisions taken thereon. There was, thus no recommendation of the NSCAB upto December 1977 which was to be considered by Government.

It is seen from the office file of the NSC, which has now been obtained that at the instance of the Sub-Committee the Dy. NSC, who was its Secretary wrote to the Reserve Bank of India on 8-10-1975 seeking its views. The Reserve Bank of India, at the level of Dy. Chief Accountant, advised the Dy. NSC on 23-12-1975 that since the commercial banks were offering Rs. 760 as maturity value on a monthly deposit of Rs. 10 for a 60 months' account, the same may be done for the Post Office Recurring Deposit also. Copies of the letters exchanged between Dy. NSC and the RBI were not sent to the Ministry of Finance. No proposal in this regard was also received by the Ministry from NSC.

The references received from individual members of the public, non-official bodies, etc., in such matters are usually kept in 'miscellaneous' files and are weeded out after a period of one year as ephemeral records. The Ministry's files containing such references received in early 1976 have, thus, been weeded out and in view of this, it is requested that copies thereof cannot be produced at this stage.

The general approach followed by the Ministry of Finance in the past in regard to revision of interest rates/maturity values of Small Savings has been explained in reply to *Point No. 1.

As regards in-built machinery in the Finance Ministry to study the structures of the commercial banks' schemes, there is no *ipso facto* link up between such schemes and small savings schemes of Government. Moreover, for some years in the past, there was no uniformity in the schemes of the various banks and the Indian Banks' Association found it necessary to lay down ground rules and code of ethics for the banks, which it issued in October 1976, to ensure among other things that the banks reveal the true nature of benefits and facilities available to the depositors in advertisements, deposit receipts and publicity literature etc. In the circumstances prevailing earlier, it was difficult to keep track of and assess the various schemes of different banks. Now that the Indian Banks' Association has issued the ground rules for the banks and has started issuing standard tables for maturity values on certain deposits to be allowed by the banks, we have asked the Association to send us regularly copies of their standard tables etc. for our ready reference. Moreover, an Expert Group has been set up in May 1978 among other things to make a comparative study of

the Small Savings Schemes and the schemes of commercial banks for mobilisation of savings and to suggest changes that may be called for in regard to the former. The report of this Group is awaited."

In a subsequent *note dated 19-12-1978 the Ministry of Finance have stated:

"The Expert Group has since given an interim Report in which, among other things, it has stated that the present multiplicity of rules and provisions which regulate various small savings schemes is not conducive to efficient customer service and that the rules and provisions should be uniform, easy to understand and simple to operate especially in view of the need to secure wider coverage in the rural areas and unorganised sectors. The Expert Group has indicated that it will make detailed recommendations on this aspect in its final Report which it is expected to submit as early as possible."

1.19. The Committee desired to know as to when the Commercial Banks had started giving Rs. 760 on their recurring deposit accounts as also when the question of revising the rates of post-office recurring deposit accounts upwards from Rs. 750 to Rs. 760 was first initiated and at what level. The Ministry of Finance, in a *note, have stated:

"Information since obtained from the public sector banks shows that (a) 4 banks did not operate 60 months recurring deposit scheme, as they could offer a higher interest rate on 61-months or 63 months schemes which is permitted under RBI directives on deposits exceeding 5 years; (b) 6 banks gave a maturity value of Rs. 759.90 or Rs. 760 from 23-7-1974; and (c) 5 banks gave maturity value of between Rs. 750 and Rs. 760 from 23-7-1974, of which 2 banks did not raise the maturity value afterwards and 3 banks increased it to Rs. 760 on different dates ranging between 15-4-1975 and 11-1977."

At an internal meeting held by the then Deputy Minister of Finance on 14-4-1976, NSC mentioned that the interest given by the banks worked out slightly higher than the rates of return on small savings, in cases where the banks calculated the interest on monthly basis. The Deputy Minister desired that the *pros and cons* of giving a slightly higher interest rate on Small Savings Securities as compared to bank interest rates might be examined and a note put up to her. The issue raised was a

general one and neither the NSC nor the Deputy Minister referred in the meeting specifically to the Post Office Recurring Deposit Scheme. The matter was examined by the Ministry and in the course of examination, a doubt was felt whether in regard to the recurring deposit scheme, it was at all appropriate to calculate the maturity value applying the interest rate relevant for 5 year deposits as the average period for which the recurring monthly deposits would be with Government was only 30 months. It was decided to obtain data from some public sector banks for examine the issue further. After getting data from six banks, a policy note was submitted by Joint Secretary to the Deputy Minister on 4-8-1976. The relevant note which was approved by the Deputy Minister on the same day is reproduced below:

“In the meetings of the National Savings Central Advisory Board etc., comments have been made that the interest rates given by us on some of the Small Savings securities are not on par with those allowed by the nationalised banks. These complaints are not justified in all cases and seem to be based on the very attractive simple interest rates earned on the deposits with them published in the advertisements put out by some banks. While a detailed comparison of the interest rates allowed by us on various Small Savings securities with those given by the banks has been undertaken separately, it is felt that in the following two cases a slight increase in the maturity value, to bring the same on par with that allowed value, to bring would be reasonable and also have a good psychological impact.”

In the case of the 5-year Post Office Recurring Deposit account, the maturity value is Rs. 750 in the case of a Rs. 10 denomination account. The maturity value is based on 9.25 per cent interest rate compounded annually. The State Bank of India and the Syndicate Bank which have an identical scheme pay a maturity value of Rs. 760 or Rs. 10 more than us. It is proposed to increase the maturity value of the Post Office Recurring Deposits also to Rs. 760 for a Rs. 10 denomination account and correspondingly for other denomination accounts. At the present level of investment of the order of Rs. 50 crores per annum, the additional interest liability on that investment will be about Rs. 83 lakhs.

It may be mentioned that in the case of Recurring Deposit account up to Rs. 20 denomination, we have a scheme under

which, if a depositor dies at any time after having made monthly deposits for 24 months without default, the full maturity value is paid to the nominee as if the depositor had contributed for the full period of five years. The banks do not have a similar scheme. With this added advantage, our scheme should have an edge, over the schemes operated by the nationalised banks, especially for the low income groups.

In the case of National Savings Certificates V issue, against a deposit of Rs. 100 we pay Rs. 198 (after seven years), the implicit interest rate being 10.25 per cent per annum compounded annually. The State Bank of India and the Syndicate Bank pay Rs. 200.78, which is based on interest of 10 per cent per annum being compounded on half yearly basis. It is proposed to raise the maturity value of Rs. 100 National Saving Certificate V issue to Rs. 200, which will bring it more or less on par with that of the banks. It will also appeal to the depositors if we can tell them that they can double their money in seven years. The present level in investment in these securities is Rs. 40 crores per annum and the additional interest liability will be Rs. 2 crores approximately.

When in July 1974 the interest rates on small saving securities were increased consequent on the general hike in interest rates, in respect of the then existing securities also we allowed the higher rates of interest prospectively. It seems reasonable to give a similar dispensation in the present case also. It is accordingly proposed to allow *pro rata* increases in the maturity value, depending upon the number of years left for maturity. This will cost Rs. 2 crores in the case of existing Post Office recurring deposits and about Rs. 75 lakhs in the case of existing National Savings Certificates V issue. (Details given below):

** ** ** **

“Additional cost for existing accounts

Recurring Deposits:

Accounts opened after 23-7-1974 have presently a maturity value of Rs. 750, which is being stepped up to Rs. 760. Bonus may be allowed for such accounts at Rs. 2 for each year of unexpired period, *i.e.*, Rs. 8 for an account with 4 years'

unexpired period, Rs. 6 for 3 years' unexpired period, etc. While precise figures of accounts opened after 23-7-1974 are not available, there may be about 30 lakh accounts in terms of Rs. 10 denomination. Since the larger proportion of such accounts would have been opened in later years and would have longer unexpired periods, average bonus may be taken as Rs. 7 per account. The additional cost would thus be Rs. 210 lakhs or say Rs. 2 crores.

N.S.C. (V Issue):

As the Certificates were introduced on 1-1-1974, the existing certificates would have unexpired maturity periods of more than 4 years and less than 7 years. As very few certificates would have been sold during the initial months of January-July, 1974, no distinction need be made between certificates sold before 23rd July, 1974 and thereafter. Proportionate increases of Re. 1.00, Rs. 1.30 and Rs. 1.60 may be allowed for Certificates having unexpired periods respectively of more than 4, 5 and 6 years. The number of existing certificates is about 50 lakhs in terms of Rs. 100 denomination and most of these Certificates would have unexpired period of more than 5 or 6 years. Hence, average increase may be taken as Rs. 1.50 per certificate or Rs. 75 lakhs in all."

1.20. As mentioned earlier the enhancement of 29 September, 1976 was made applicable to accounts opened before 1 October, 1976 but maturing on or after that date. Relevant extract from this notification is reproduced below:

"20 September, 1976"

In the Post Office (Recurring Deposits) Rules, 1970 for sub-rule (1) of rule 9, the following sub-rule shall be substituted, namely:—

- (i) The amount payable inclusive of interest at the end of 5 years on an account of Rs. 5 denomination shall be Rs. 380 proportionate amounts shall be payable on accounts in denominations of multiples of Rs. 5. The amount payable inclusive of interest on accounts opened before the 1st October, 1976 but maturing after the said date shall be as shown in Table 'A' Annexed below. In respect of accounts discontinued before the expiry of full term, the amount payable at the end of the term inclusive of interest shall be such as may be notified by the Central Government.

TABLE A

Accounts repayable at the end of the term on 5-year Recurring Deposit accounts opened before 1st October, 1976 but maturing on or after that date:

| Unexpired term of maturity on 1st October 1976 | Maturity value of an account with a monthly deposit of Rs. 10/- |
|--|---|
| Not less than | But less than |
| | 1 year Rs. 750.00 |
| 1 year | 2 years Rs. 752.00 |
| 2 years | 3 years Rs. 754.00 |
| 3 years | 4 years Rs. 756.00 |
| 4 years | 5 years Rs. 758.00 |
| 5 years | Rs. 760.00 |

Notes : The maturity values for accounts of other denominations specified under rule 5 shall be proportionate to the maturity values set out above."

1.21. Asked whether the purpose of occasional increases in interest rates was to give more incentives to the investors, the representative of the Ministry of Finance stated that "strictly speaking any changes in the interest rate structure should be made applicable only prospectively.

He added:

"I will illustrate this. In the case of government bonds once a bond is floated and is purchased by somebody, subsequently there is no change in the value. This principle is applied to government bonds. There was only one exception in the case of gold bonds. Prior to 1970 the interest rates structure was fairly stable but after 1970 there have been frequent changes. Giving benefit to existing depositors was an evolutionary process; the practice seems to have grown of the banks giving the benefit and the Government also giving the benefit in the case of small savings. It is to create a degree of confidence; if I may say it is logical."

1.22. To another question whether there was any obligation on the part of the Ministry of Finance to increase the interest rates on the existing accounts, the witness replied in the negative and added:

"There are two considerations, legal correctness and equity. You must balance the two. If you take a rigid attitude, it will be a disincentive. Thereafter the practice has grown. Nobody

has announced a policy but it seems to have grown. In fact, earlier circulars of the Reserve Bank did not say anything about giving the benefit to investors who had already made their investments but in recent times, in 1974-75 their notifications making change in the interest rate structure specifically provided that existing investors should also be given the benefit of the higher interest prospectively. This was evolutionary if I may say so; it seems to have crystallised recently."

1.23. After drawing attention of the representative of the Ministry of Finance to the position as it prevailed in the banks and other financial institutions that if anybody deposited any money there, he would not get a higher rate of interest for the past period, the Committee asked what was the revolutionary idea in giving the benefit of increase in interest on Post Office Recurring Deposit Accounts with retrospective effect. The witness clarified:

"I am sorry, I have not made myself clear. I meant that the policy of giving benefit even to existing depositors was an evolutionary thing. Earlier no bank or financial institution did this. But as time went by, this practice was adopted by some commercial banks and later everybody fell in line. Now it has become a practice to give prospectively. I did not say that we are giving the interest retrospectively. It is only prospectively. Therefore, if I deposit some money in 1970 and if the rate of interest goes up in 1974, it will be only from 1974 and not from 1970."

1.24. The Committee have learnt from Audit that the Ministry of Finance had informed them (Audit) that "as some doubts were raised about the interpretation of the Notification dated 29 September, 1976 and to make the position abundently clear" a detailed Notification was issued on 20 December, 1976. The Committee enquired what those doubts were, when those were raised and who had raised them. The representative of the Ministry of Finance has stated in evidence:

"The position is that, almost immediately after the notification of 29 September was issued, the National Savings Commissioner, on the 4th October, 1976, came up with a more comprehensive notification which also made it clear that the 9th July notification maturity values continued to apply to pre-23rd July, 1974 accounts. He came up with a draft notification. Unfortunately of Economic Affairs, then it is sent to the P&T Directorate; he mailed it to us on the 15th October, and after that it was sent also to the P&T Directorate. The usual procedure for these notifications is that the notification is drafted by the National Saving Commissioner, then it comes to the Department their views are taken into account; and then, if it becomes necessary, it is sent back to the National Savings Commissioner.

Ultimately it is vetted by the Law Ministry before the formal notification is issued because these are to be issued under law.”

Elucidating further, he stated:

“The National Savings Commissioner had prepared a more comprehensive notification making it clear that the values notified on the 29th September, 1976, did not apply to pre-23rd July, 1974 accounts maturing after that date. He prepared this draft. But he took a little time in sending it. It came to us on 18th or 19th October. Then it was sent to the P&T Directorate, and the P&T Directorate also made this point that the position was not made clear in the draft whether the benefit of the revised maturity values increased from 1st October, 1976 would be made applicable proportionately to the accounts opened before 23rd July, 1974.

1.25. In a written *note furnished to the Committee after the evidence, the Ministry of Finance have further clarified the position as under:

“In their U.O. dated 14-10-1976, P&T Directorate raised a doubt that with the issue of notification dated 29-9-1976, which was effective from 1-10-1976, there was a vacuum in regard to accounts maturing on 29th and 30th September, 1976. They suggested that Rule 9(1) should be amended further to remove the lacuna. In U.O. dated 18-10-1976, Finance Ministry asked the DGP&T to prepare a draft of the amendment or consider whether the purpose in view could not be served by the issue of executive instructions. The note was returned by the P&T on 28-10-1976 mentioning that they had already seen and agreed to the amendment of Rule 9 proposed by the NSC in his second draft which was referred to them on 20-10-1976 and if that amendment were issued, there would be no need to take separate action on their U.O. dated 14-10-1976. Accordingly, no further action was taken on that U.O.

National Savings Commissioner in his letter dated 4/15-10-1976 proposed a comprehensive notification £ which (a) incorporated a provision re-iterating the values prescribed in the notification dated 9-7-1975 for accounts opened prior to 23-7-1974 in order to make the notification self-contained, (b) repeated the new maturity values prescribed in the notification dated 29-9-1976 for accounts opened on or after 23-7-1974 and (c) specified the amounts payable (which had by then been computed by the (NSC) on accounts opened on or after

*Not vetted in Audit

£It was in lieu of the notification the NSC had earlier proposed, which was issued finally on 29-9-1976.

1-10-1976 which might be discontinued before the expiry of the full term as well as those which might be continued beyond the maturity date, with or without further deposits.

When this comprehensive draft was referred to the P&T Directorate, they commenced in their U.O. dated 28-10-1976 that 'the position was not made clear whether the benefit of revised maturity value increased from 1-10-1976, will be made applicable proportionately to accounts opened before 23-7-1974 maturing on or after 1-10-1976'. (It is not clear why the P&T Directorate raised this doubt as the draft prepared by the NSC specified the amounts payable in respect of accounts opened before 23-7-197. The position is explained further below.

In their U.O. dated 28-10-1976, the P&T Directorate also remarked that the previous notification of 29-9-1976 was not taken into account in the draft notification proposed by NSC in his letter dated 4/15-10-1976. (The draft in question, prepared by the NSC, did not cite the notification dated 29-9-1976 as a copy thereof with its number and date was not received by him at the time of preparing the draft)."

1.26. Giving the background and the basis for the National Savings Commissioner to have felt the necessity of revising the earlier Notification of 29-9-1976 so soon on 20-10-1976, the Ministry of Finance, in another note*, have stated:

"In the draft prepared by the National Savings Commissioner leading to the notification of 29-9-1976, he had covered only the accounts kept for full maturity period and he recommended its issue immediately, stating that other matters such as (i) amounts payable on accounts continued beyond maturity date, with or without further deposits, and (ii) amounts payable on accounts discontinued before the expiry of maturity period, might be covered in a subsequent notification as it would take some time to prepare the necessary tables. The amounts payable on the two categories of accounts mentioned above were later notified on 20-12-1976, the notification dated 20-12-1976 was also made comprehensive incorporating a provision reiterating the rates specified in the notification of 9-7-1975 in respect of pre-23rd July, 1974 accounts."

1.27. The Committee wanted to know what was the ambiguity in the Notification of 29 September, 1976 which was sought to be clarified *vide* Notification dated 20 December, 1976 and if, as intimated by Audit to the

*Not vetted in Audit

Committee, the Notification of 29 September, 1976 was not self-contained and gave a wrong information whether responsibility was fixed therefor since this lapse resulted in over-payments of Rs. 28.28 lakhs. In reply, the Ministry of Finance, in a note*, have stated:

“(a) If the notification dated 29-9-1976 and the notification dated 9-7-1975, which was not withdrawn, are read together there is no scope for doubt as between them, they covered respectively the accounts opened on or after 23-7-1974, and those opened before 23-7-1974. The position is explained further below.

(b) Consequent on the revision of interest rates notified by the Reserve Bank of India effective from 23rd July 1974, a notification had been issued by Government on 9-7-1975, in pursuance of Rule 9 of the P.O. (RD) Rules, specifying revised maturity values in respect of all accounts opened prior to 23-7-1974 and having varying unexpired periods as on that date. This notification dated 9-7-1975 was not in terms withdrawn or superseded by the notification issued on 29-9-1976, and it continued even after 1-10-1976 to apply to the accounts opened prior to 23rd July 1974. The position in this regard is similar to that of certain other notifications which continue to be applicable to the categories of accounts specifically covered by them, even though Rule 9 under which the notification were issued has itself been subsequently modified. A notification was issued in pursuance of Rule 9 of the P.O. (Recurring Deposits) Rules on 10-4-1972 prescribing the amounts payable in respect of accounts which are discontinued before the expiry of full maturity period. Although Rule 9 itself has been amended a number of times subsequently, the provisions of the said notification dated 10-4-1972 are still followed and apply to accounts opened upto 31-3-1974 which would mature for payment on varying dates upto 31-3-1979. In a similar way, the notification issued on 9-7-1975 specifying the maturity values of accounts opened prior to 23-7-1974 continued to be valid even after the issue of the notification dated 29-9-1976. The notifications are implemented by postal staff who do not generally have expertise similar to that of bank employees. Having regard to this, it would have avoided all difficulties if the notification dated 29-9-1976 had also specifically clarified that the accounts opened prior to 23-7-1974 should continue to be regulated by the notification of 9-7-1975. In the same circumstances, it would also have avoided difficulties if the (five year) table inserted in the notification dated

29-9-1976 had been confined to unexpired periods relevant to the accounts covered by that notification. The following factors might however be mentioned in this connection.

- (c) The commercial banks issue their instructions in simple language which is easy to follow. On the other hand, for Government Small Savings Schemes, the notifications have to be issued formally, couched in legal language. Further, unlike the banks which manage their work with a smaller number of tables, detailed tables have had to be prescribed in respect of small savings schemes, for various categories of accounts even under the same scheme, to facilitate the work at the post office counters. There are now over 100 tables for the small savings schemes. Yet another factor which has complicated matters is the practice generally followed in the last several years of revising maturity values of existing accounts also while modifying the interest rates etc. for small savings schemes prospectively taking into account the changes in the interest rate structure announced by the Reserve Bank. Over the years, with the increasing complexity of the schemes, it has become difficult to operate them through issue of legal notifications and elaborate tables. For finding a solution to this difficulty, the scope for simplification of the rules is being examined.
- (d) The issuance of the notification dated 29-9-1976 without a clear reference therein to the continued application of the notification dated 9-7-1975, has to be viewed in the above context. However, the explanation of the officials concerned has been called for. It may also be observed that out of the over payment of Rs. 24.28 lakhs mentioned in the Audit para, over payment to the tune of Rs. 19.98 lakhs occurred even after the issued by the Finance Ministry of the comprehensive notification dated 20-12-1976."

1.23. The Committee have been further informed that with the background in which the Notification dated 29-9-1976 was issued, the Ministry of Finance in their letter dated 7-1-1978 to Audit had stated that the intention was not to enhance the maturity values of accounts opened before 23-7-1974. The Committee enquired whether that was the practice followed in this regard in the past also, when maturity values were enhanced. The Committee also pointed out that if the practice was not to allow benefit for accounts opened prior to the date of previous enhancement, why this position was not clarified in the Notification of 29 September, 1976 itself. The Ministry of Finance have drawn a distinction between increases of maturity value made at the time of revision of interest rates by the

Reserve Bank of India and ad hoc increase from Rs. 750 to Rs. 760 given with effect from 1-10-1976 and in a written reply*, have stated:

- (i) Since 1971, while revising the maturity values of Small Savings Securities upwards consequent on the changes in the interest rates for bank deposits notified by the Reserve Bank, the benefit of higher rates of interest was allowed** to existing account holders for the remaining unexpired period of maturity, the pre-revised rate being applied to the period already expired by the date of revision. Consistent with the practice generally followed by the Government, the benefit of the steep increase in interest rates effective from 23-7-1974 was also given to recurring deposit accounts opened before that date, for the unexpired period of maturity vide notification dated 9-7-1975.
- (ii) The *ad hoc* increase of maturity value from Rs. 750 to Rs. 760 was applicable only to new accounts and, on a pro rate basis, to existing accounts having a maturity value of Rs. 750 i.e. those opened on or after 23-7-1974. It was not specifically mentioned in the notification of 29-9-1976 that the revised rates notified therein are not applicable to accounts opened prior to 23-7-1974, as these accounts were to be regulated by the notification dated 9-7-1975 which was not withdrawn."

1.29. To a question posed by the Committee whether the P&T Department had clearly understood the Notification of 29 September, 1976 to mean that the last enhancement in maturity value (Rs. 760) was to apply to all accounts opened before the 1st October, 1976 but maturing on or after that date and that 23rd July, 1974 had no relevance to that notification, the Secretary, Ministry of Communications replied "that is how it was understood by us".

1.30. In this connection the representative of the Ministry of Finance stated*:

"This is the impression one might get by reading the notification by itself, and this is also the understanding apparently of the P&T, and that is why the post-offices made the payments. However, the formal position I would like to present before the Committee is somewhat different. We adopt two types of procedure in the Finance Ministry in the matter of prescribing the maturity value etc. One is to amend the basic rule itself, rule 9 or whatever it is of the Recurring Deposit Rules. The

*Not vetted in Audit.

**The benefit of $\frac{1}{4}$ to $\frac{3}{4}$ % in crease in interest rate allowed to Time Deposits opened between 1-4-1974 to 23-7-1974 was however, not given to Time Deposits opened prior to 1-4-1974.

second procedure is to issue a notification in pursuance of the rule, and some of these notifications which are issued have subsisted even though the basic rule itself may have been amended subsequently."

Elaborating his point further, the witness added:

"There are two types of notifications. One of the notifications says that the rule is amended and this shall take effect from such and such date. The second type of notification says that in pursuance of rule no such-and-such the Central Government prescribes that the maturity values of the accounts opened prior to such and such date shall be as follows."

1.31. Asked whether the Committee could take it that the notifications were issued without amending the basic rules, the witness agreed that "it amounted to that". Asked further in which category the notification of 29 September, 1976 fell, the witness stated that "it amends a sub-rule of Rule 9. It was not a notification in pursuance of Rule 9."

1.32. On being pointed out that the new sub-rule gave a clear impression that it applied to all recurring deposit accounts opened before 1.10.76 and which were to mature on or after that date, the witness had the following to state:

"By reading the notification by itself that is the conclusion one would come to. But the notification of 9th July, 1975, which was issued in pursuance of basic rule 9 was not withdrawn. And as I mentioned earlier, there was a notification issued on 10th April, 1972 which was in pursuance of rule 9 which prescribed the amount to be paid in respect of recurring deposit accounts which are discontinued before the maturity period. Although the basic rule 9 itself has been amended subsequently a number of times, this notification which was issued on 10th April, 1972, continues to be valid and it will continue to be valid till 31st March, 1979, when the last of the accounts to which it applies matures. So, notifications which are issued in pursuance of rule 9, even though the basic rule itself may have been amended, continue to have a life of their own, they are subsisting."

1.33. The relevant extract from the Notification of 9 July, 1975 referred to above is reproduced below:—

"No. F. 2(8)-NS/74/(i). In pursuance of rule 9 of the Post Office (Recurring Deposits) Rules, 1970, the Central Government hereby notifies that:

(a) the amount payable on accounts opened before the 23rd July, 1974 but maturing on or after 1st April, 1975 shall be as shown in Table A annexed to this notification.

TABLE A (See Rule 9)

For accounts opened before the 23rd July, 1974 but maturing on or after 1.4.1975).

| The specified term of maturity on 23-7-74 | | 5 year P. O. Recurring Deposit maturity value for an account with a monthly deposit of Rs. 10/- p. m. | |
|---|---------------|---|--|
| Not less than | But less than | Rs. Ps. | |
| — | 1 year | 715.00 | |
| 1 year | 2 years | 720.00 | |
| 2 years | 3 years | 726.00 | |
| 3 years | 4 years | 733.00 | |
| 4 years | 5 years | 741.00 | |
| 5 years | | 750.00" | |

1.34. When the attention of the representative of the Ministry of Finance was drawn to an earlier statement made by him that this particular notification was not in pursuance of rule 9 but it was an amendment of that rule, he clarified that the 9 July, 1975 notification was in pursuance of Rule 9 as mentioned by him earlier and added:

"The point I have made is that the notification issued on 29th September, 1976, amended the basic rule 9. This notification did not in terms specifically supersede or cancel the notification issued on 9th July, 1975 which applied to accounts opened period to 23rd July, 1974 and maturing after that date. But I can concede that this notification of 29th September, 1976 should have been clear that the order of July, 1975 continued. It should have been done."

1.35. The original rule 9 of Post Office (Recurring Deposits) Rules, 1970 was first amended on 15 January 1971 when it was renumbered as sub-rule (1) of that rule and another proviso as sub rule (2) was inserted after sub-rule (1) as so re-numbered (see extracts at para 1.10). Again on 30 March, 1974, through Ministry of Finance Notification No. F.2(6)/

NS/74(vii), in the Post Office (Recurring Deposits) Rules, 1970, for the existing rule 9, the following rule was substituted:—

* * * * *

9. Amount payable—The amount payable inclusive of interests at the end of five years on an account of Rs. 5 denomination shall be Rs. 360. Proportionate amounts shall be payable on accounts in denomination of multiples of Rs. 5. In respect of accounts discontinued before the expiry of the full period and in respect of accounts opened before 1st April, 1974 but maturing after the said date, the amount payable at the end of the period inclusive of interest shall be such as may be notified by the Government.”

1.36. Since no sub-rule of the amended rule above was there, the Committee wanted to know whether it could be concluded that it was the substituted rule of 30 March 1974, which was holding the field on that day and not the original rule of 1970. The representative of the Ministry of Finance stated in evidence:—

“If I understood the question, you had referred to rule 9(1) which was replaced subsequently. It is true. I think, there was some mix-up in the rules because on the 8th July, 1975 a notification was issued saying that after sub-rule (2), the following sub-rule shall be inserted and the result was that there was some confusion in the various sub-rules.”

He added:

“The position is somewhat ambiguous because there was still in the notification of 8th July, 1975 inserted a sub-rule (3) which continue.”

1.36. Asked how could sub-rule (3) be there when there was no sub-rule(1), the witness stated:

“As I mentioned, there was some confusion in the numbering of these Rules. It was originally in the notification of 15 January, 1971. Rule 9 was renumbered as rule 9(1). Subsequently, the notification of March, 1974 replaced the existing rule 9 by a new rule 9 and the notification of 8th July, 1975 said, “After sub-rule (2), the following sub-rule shall be inserted.”

1.38. To a specific question whether the Ministry of Finance just forgot the intervening amendment of 30 March, 1974 and overlooked the same while making further amendments to these rules, the witness conceded that “that is correct”.

1.39. Referring to the notification of 9 July, 1975, the Committee enquired which provision of that notification had relevance to the subsequent notification of 29 September, 1976. The witness stated:

“It you refer to (a) of 9 July, 1975 notification it says that ‘the amount payable on accounts opened before 23rd July 1974 but maturing on or after 1st April, 1975, shall be as shown in Table A annexed to this notification.’”

1.40. Since there appeared to be two types of notifications—one in pursuance of rule 9 and the other by amending the basic, rule 9, the Committee asked whether the notification of 29th September 1976, was an amending notification as it completely amended and replaced the earlier provisions. The witness stated:

“There has been this practice of issuing notifications in pursuance of rules and I was referring even back to the notification issued on 10th April, 1972. That notification which was issued in pursuance of rule 9—even though the original substantive rule 9 has been amended a number of times including on the 29th September—that notification issued on 10th April, 1972, subsists and regulates the payment to be made in relation to the accounts to which it applies. The other notification issued on 9th July, 1975, similarly in pursuance of rule 9, subsists after the issue of the 29th September, 1976 order. In other words, the accounts opened prior to 23rd July 1974 and maturing after that date should have been regulated with reference to 9th July, 1975 notification, because it was not withdrawn, or it subsisted just as 10th April, 1972 notification which was not withdrawn but continues to subsist. Otherwise, there is no legal basis for making payment.”

1.41. The notification of 29 September, 1976 clearly mentioned one specific date i.e. 1 October, 1976 before or after which the enhanced maturity value of Rs. 760 was made applicable and it was stated to have been understood as such by the P&T Directorate. Moreover, there was only one Table A, appended to this Notification, showing the amounts payable at the end of the term on 5-year Recurring Deposit Accounts opened before 1 October, 1976 but maturing on or after that date whereas the subsequent notification of 20 December, 1976 carried two Tables A and B—one in respect of maturity value for accounts opened before 23 July, 1974 but maturing on or after 1 April, 1975 and the other for accounts opened on or after 23 July, 1974 but maturing after 1st October, 1976. Since there seemed to be no ambiguity or doubt about the notification of 29 September, 1976, either from the phraseology of the text or from the fact of

the matter, the Committee desired to know whether the decision to restrict some depositors only to 23 July, 1974 enhancement was taken subsequently as an after thought. The representative of the Ministry of Finance stated in evidence:—

“I would submit that the basic mistake was in framing the Table including the five years. There would have been absolutely no problem at all if the table had not included periods not relevant. There was a basic mistake in that. I admit that. * * * * It was done on the presumption that actually, if you notice, the 20th December notification repeats the same table. That makes it abundantly clear that these values do not apply to the pre-23.7.74 accounts. This kind of table for five years is being repeated in a routine fashion and this is what exactly has given rise to this difficulty in this matter.”

1.42. In a written note*, subsequently furnished to the Committee in this regard, the Ministry of Finance have stated:

“It was decided to give the benefit of increase of Rs. 10 on a *pro rata* basis only to existing accounts having a maturity value of Rs. 750 i.e. those opened on or after 23.7.1974. This was so because the accounts opened before 23.7.1974 had already been given whatever benefit was intended to be given to them with reference to the increases in the interest rates announced by the Reserve Bank of India effective from 23.7.1974. As indicated earlier, it has been the practice of Government to give the benefit of increase in interest rate prospectively to existing account holders when the increase is made along with general increase in interest rates notified by the Reserve Bank of India. The *ad hoc* increase made in the maturity value effective from 1.10.1976 was not related to any revision in interest rates made by Reserve Bank of India and it could well have been restricted to new accounts opened on or after 1.10.1976, but it was decided to allow the increase *pro rata* for all accounts already opened and having a maturity value of Rs. 750 i.e. those opened on or after 23.7.1974. The accounts opened prior to 23.7.1974 and maturing on or after 1.10.1976 could have been opened as early as October 1971. The deposits in such an account between October 1971 and July 1974 were made when the interest rate was substantially lower than the interest rate after 23.7.1974. Applying the maturity value prescribed from 1.10.1976 to such an account would in effect mean that the depositor is allowed the higher post—23.7.1974 interest rate even for deposits made by him before

*Not voted in Audit.

23.7.1974. It is neither the policy of the Government nor of the commercial banks to give the benefit of the revised higher rate for the period already expired and it could not have been considered at all."

1.43. On being mentioned that it was a very costly mistake, the witness replied:

"I admit that"

1.44. Asked whether responsibility had been fixed for this lapse, the witness stated.

"We will look into that."

1.45. As already mentioned a further notification was issued on 20 December, 1976, by the Ministry of Finance, making it effective retrospectively from 1 October, 1976 but restriction the admissibility of the latest enhanced maturity value (29 September 1976), to accounts opened on or after 23 July 1974 and maturing after 1 October, 1976. The accounts opened prior to 23 July, 1974 but maturing on or after 1 April, 1975 were entitled only to the maturity value prevailing before the last enhancement (29 September, 1976). Relevant extract from this Notification is given below:

"20 December, 1976

In the Post Office (Recurring Deposits) Rules, 1970 (hereinafter called the said rules) in rule 9—

(a) For sub-rule (1) the following sub-rule shall be substituted, namely:—

- (1) *Amounts repayable*: The amount inclusive of interest at the end of five years on an account of Rs. 5 denomination shall be Rs. 380. The proportionate amount shall be payable on accounts in denomination of multiples of Rs. 5. The amounts payable inclusive of interest on accounts opened before 23 July 1974 but maturing on or after 1st April, 1975 shall be as shown in Table 'A' annexed below. The amounts payable inclusive of interest on accounts opened on or after 23rd July, 1974 but maturing after 1st October, 1976, shall be as in Table B annexed below. In respect of accounts discontinued before the expiry of the full term, the amount payable at the end of the term inclusive of interest shall be such as may be notified by the Central Government from time to time.

TABLE A

Amounts repayable at the end of the term on 5-year Recurring Deposit accounts opened before the 23rd July, 1974 but maturing on or after 1st April, 1975.

| The unexpired term of maturity on 23-7-74] | | Maturity value for an account with a monthly deposit of Rs. 10 |
|--|---------------|--|
| Not less than | But less than | Rs. |
| — | 1 year | 715.00 |
| 1 year | 2 years | 720.00 |
| 2 years | 3 years | 726.00 |
| 3 years | 4 years | 733.00 |
| 4 years | 5 years | 741.00 |
| 5 years | — | 750.00 |

TABLE B

Amount repayable at the end of the term on 5-year Recurring Deposit accounts opened on or after 23rd July, 1974, but maturing after 1st October, 1976.

| Unexpired term of maturity on 1st October 1976 | Maturity value for an account with a monthly deposit of Rs. 10 |
|--|--|
| — | 1 year 750.00 |
| 1 year | 2 years 752.00 |
| 2 years | 3 years 754.00 |
| 3 years | 4 years 756.00 |
| 4 years | 5 years 758.00 |
| 5 years | — 760.00" |

1.46. The draft of this comprehensive notification prepared by the National Savings Commissioner, Nagpur, on 4/15 October, 1976 was received in the Ministry of Finance on 18.10.1976 and the final Notification was issued by that Ministry on 20.12.1976. The Committee enquired as

to why it took almost more than two months to issue the same. The representative of the Ministry of Finance stated during evidence:

“It was sent to the P&T Directorate on 20th October. This was not the only question: unfortunately, various other matters were also included in the notification—for example, the amount repayable when a deposit is due to be repaid but continued after the date of maturity. A few other items also were put into this draft notification to make it comprehensive.”

1.47. Asked from what had been stated above, it could be inferred that when this draft notification from the National Saving Commissioner came on the 18 October 1976, the Ministry of Finance had very well discovered that the difference in understanding as to whether it would take from 1 October, 1976 or an earlier date might involve lakhs of rupees, and still no urgency seemed to have been shown on their part in issuing it promptly, the witness stated:

“Unfortunately it was dealt with at a level where the importance of it or the necessity to deal with it promptly did not seem to have been realised. I entirely agree that it should have been dealt with at the level of Under Secretary.”

1.48. At the instance of the Committee, the Ministry of Communications have furnished a statement* indicating in chronological order the action taken at various levels after issue of the Ministry of Finance Notification No. F.2(27)-NS/76/1 dated 29 September, 1976, culminating in the issue of Notification No. F. 2(33)-NS/76-(i) dated 20 December, 1976. The same is reproduced below:

| No. | Date | Stage of action |
|-----|--------------|--|
| 1. | 4/15-10-1976 | The National Savings Commissioner, Nagpur (NSC) wrote to the Ministry of Finance forwarding two draft notifications for consideration. One of the draft dealt with the maturity values of accounts kept for the full maturity period and those of accounts extended beyond the date of maturity. The second draft dealt with the amounts payable on account discontinued before the expiry of the maturity period. |
| 2. | 18-10-1976 | The above reference of National Savings Commissioner was received in the Ministry of Finance. |

*Not vetted in Audit.

| 1 | 2 | 3 |
|-----|------------|---|
| 3. | 20-10-1976 | The draft notifications proposed by National Savings Commissioner were referred to the DGP&T. |
| 4. | 28-10-1976 | The DGP&T returned the file to the Ministry, giving his comments on the first draft notification and suggesting that the corrections proposed by him may be shown to the National Savings Commissioner for his further comments. The file was received back in the Ministry of Finance on 29-10-1976. |
| 5. | 1-11-1976 | The file was sent to the National Savings Commissioner for seeing the remarks of DGP&T. |
| 6. | 5-11-1976 | National Savings Commissioner returned the file to the Ministry of Finance, stating that he agreed with the amendments suggested by the DGP & T, except for the words "on or after 23-7-74 but" which the DGP&T had deleted but which the NSC wanted to be retained. |
| 7. | 11-11-1976 | The file was received back in the Ministry of Finance |
| 8. | 19-11-1976 | The file was sent by the Ministry of Finance to the Ministry of Law & Justice for vetting the draft notifications. |
| 9. | 26-11-1976 | After discussing the case with the Under Secretary in the Ministry of Finance, the Ministry of Law and Justice returned the file with some amendments to the draft notifications. The second draft notification was split up into two separate notifications. |
| 10. | 9-12-1976 | The concerned Branch in the Ministry of Finance put up clean copies of three draft notifications as vetted by the Ministry of Law, for approval of the Director. |
| 11. | 10-12-1976 | The draft notifications were approved for issue. |
| 12. | 20-12-1976 | After getting the notifications translated into Hindi and after cutting stencils and taking out copies, the notifications were issued on 20th December, 1976. The first of these notifications bears the number F. 2 (33)-NS/76-(i). |

1.49. It will be seen from the above that after the file was received back from the National Savings Commissioner on 11.11.1976, it was sent to the Ministry of Law and Justice on 19.11.1976 and after its return by them on 26.11.1976, it remained with the Ministry of Finance till the issue of the notifications on 20.12.1976. The Ministry of Finance thus took more than three weeks to issue the notifications after the drafts had been concurred in by all concerned.

Delay in circulation of Notifications to Post Offices

1.50. The Audit Para states that the notification dated 20 December, 1976 of the Ministry of Finance was circulated by the DGP&T to the Heads

of Postal Circles on 7 January, 1977 with instructions to bring it to the notice of all the post offices, for making payments accordingly. Explaining the delay in circulating the said notification to the Heads of Postal Circles on 7.1.77 (i.e. 18 days after its issue by the Ministry of Finance) the P&T Board had intimated Audit, as under:

“It is submitted that this notification was received in the S.B. Section of the Directorate on 22.12.76 alongwith two other notifications. The English and Hindi versions, together totalled 19 pages and in order to save time in cutting stencil in Hindi and English in the P&T Directorate, it was proposed in the SB Section to get the original stencils from the Ministry of Finance (DEA) so that these could be prepared and sent to the Circles without any loss of time. A string of holidays on 25.12.76, 26.12.76, 1.1.77 and 2.1.77 intervened. The official processing the notification suddenly fell ill and remained on leave for 5 days between 27.12.76 to 31.12.76. All the factors combined and with the maximum effort the notification could be circulated to the Postmasters General on 7.1.77”.

1.51. In a written note furnished to the Committee after the evidence, the Ministry of Communications have intimated the name and designation of the official processing the Notification, the nature of his illness etc., as follows:

“The name of the official who fell ill is Shri M. L. Kaul. His designation is Assistant.

The nature of illness was not specified in the casual leave application submitted by the official. However, according to medical records in possession of the official, it is seen that the official was admitted to Safdarjang Hospital on 24.12.76 on account of peptic ulcer and discharged on 25.12.76.”

Thereafter treatment was continued upto August 1977. The application was received on 27.12.76, in which the official referred to his prolonged indisposition. It was not supported by medical certificate. The official was sanctioned casual leave by the Section Officer.”

1.52. Asked why alternate arrangement could not be made immediately on knowing that the dealing official had fallen ill, the Ministry have stated:

“This, apparently, is a lapse and necessary action will be taken against the official responsible.”

1.53. Asked what special efforts were made in the Directorate after opening of the offices on 3.1.1977 in getting the notification circulated

to the Postmasters General earlier than 7.1.1977, the Ministry of Communications, in a note, have stated:

“From 3.1.77 to 6.1.77 all necessary action was taken towards circulation of the notification to the Circles. There were, in fact, 3 notifications dated 20.12.76 issued by the Finance Ministry relating to Post Office (Recurring Deposits) Rules covering 19 pages including the Hindi version. It took time before these could be got roneoed.”

1.54. To another question as to why, with a net work of communication system under the control of the Ministry of Communications, the P&T Directorate could not inform the Heads of Circles/Postmasters General telephonically/telegraphically or through wireless message about the contents of the notification and direct them to intimate note to make any payments in respect of the five year recurring deposit accounts pending receipt of the notification in the post-offices, the Secretary, Communications stated in evidence:

“In this particular case it was not done. it was a mistake; it should have been done.”

1.55. In a subsequent note, the Ministry of Communications have, however, explained the position as under:

“The notification dated 20.12.76 was received in the Section in a routine manner. It was not addressed to any particular officer by name or designation with the result that it did not come to the notice of higher officers. Had it come to the notice of higher officers. Had it come to the notice of Higher Officers suitable action to intimate the substance of the Notification by telegraph/telephone to Heads of Circles have been considered.”

1.56. As already brought out in the preceding paragraphs, long before the receipt of the Notification of 20 December, 1976 in the DGP&T, the matter had been referred to them by the Ministry of Finance at the draft stage and their views had also been taken thereon which indicated that this Notification had not taken the DGP&T by surprise. The Committee, therefore, desired to know why it took such a long time to circulate the Notification when they were fully aware of the urgency of the matter. The witness had the following to state:

“It is not that the department was aware that this change was going to be made. P&T was consulted at the draft stage. When this draft was referred to the P&T certain points were raised and it was hoped that the Finance Ministry would be consulting the National Small Savings Commissioner. The final notification

came on the 22nd December which must have shown that the earlier point raised was not acceptable. This notification took 15 to 17 days to issue. There was a delay of about 15 to 17 days which may be justified in case of routine matters but not in respect of an item of this nature where retrospective effect was being given. The routine treatment was not justified."

1.57. The Audit Para further states that on receipt of instructions of 20.12.1976, the Heads of Circles intimated the revised orders to various post offices under them on different dates. The Ministry of Communications have furnished a comparative statement showing the date on which the Notification of 20.12.1976 was received by each Head of Postal Circle and the date on which it was circulated to various post offices under each circle. The same is reproduced below:

| Sl. No. | Name of Circle | Date of receipt of Notification dated 20.12.76 by the circle | Date on which circulated to various Post Offices under each circle |
|---------|--------------------------|--|--|
| 1. | Andhra | 10-1-77 | 24-2-77 |
| 2. | Bihar | 10-1-77 | 17-3-77 |
| 3. | Delhi | 10-1-77 | 9-2-77 |
| 4. | Gujarat | 10-1-77 | 7-3-77 |
| 5. | J & K | 10-1-77 | 27-1-77 |
| 6. | Karnataka | 10-1-77 | 9-3-77 |
| 7. | Kerala | 10-1-77 | 21-2-77 |
| 8. | Madhya Pradesh | 10-1-77 | 7-2-77 |
| 9. | Maharashtra | 10-1-77 | 14-1-77 |
| 10. | North Eastern | 10-1-77 | - |
| 11. | Orissa | 10-1-77 | 21-1-77 |
| 12. | North Western | 15-1-77 | 10-2-77 |
| 13. | Rajasthan | 11-1-77 | 25-1-77 |
| 14. | Tamil Nadu | 10-1-77 | 28-1-77 |
| 15. | Uttar Pradesh | 11-1-77 | 14-1-77 |
| 16. | West Bengal | 10-1-77 | 14-2-77 |

It will be seen from the above statement that though both Maharashtra and Karnataka Circles had received the instructions on 10.1.1977 (and this is the earliest date on which any circle had received the same), the former had circulated them to various post offices on 14.1.1977 whereas in the

case of the latter these were circulated on 9.3.1977 (the latest of all the circles). This circle in a way took full two months to accomplish this urgent task.

1.58. About the delay on the part of Head of Circles in circulating these orders to the post offices, the P&T Board had informed Audit after the finalisation of the Audit Para as follows:

“The Head of Circles have intimated that due to the then prevailing arrear of work in the typing and copying branch of their offices and due to intervening holidays, the notification could not have been issued earlier. There are more than 1,20,000 Post Offices in the country and the transit time from the circle office to the farther most post offices could be anything between 1 to 10 days. Taking into account the volume of work involved in stencilling, copying and making of sets for circulation to all post offices, the actual time consumed in the circulation of the notification by the circle offices cannot be considered to be any delay at all.”

1.59. The instructions of 20 December, 1976 alongwith other important communications for the circles were stated to have been sent to the Post Masters General of various circle offices on 7-1-1977 through a special bag but acknowledgement had not been asked for from them in this particular case. However, it was mentioned that some States after 2/3 months came up to say that they had not received those instructions at all. The Committee, therefore, desired to know what special care was taken to see that the special bag and contents thereof were actually received by the Circles in the shortest possible time. The Committee also wanted to know whether any enquiry had been conducted into the supposed loss of a few special bags containing the notification in question. The Secretary, Communications has stated in evidence:

“Our record shows that certain documents were despatched to the Post Master General of a particular Circle. In this particular we had not asked him to acknowledge the receipt. It was only sent, under a Memorandum. As I mentioned yesterday, it has been treated in a routine manner. The routine memorandum was addressed to all the Post-Masters General and it was presumed that they had received it because everybody else had received it.”

1.60. In a note, furnished to the Committee subsequently, the Ministry of Communication have clarified the position as under:

“The Notification dated 20-12-'76 was despatched on 7-1-77 with DGP&T endorsement to all Heads of Circles, in the special

bags which are sent from P&T Directorate to Heads of Circles on every working day. The communication was duly received at all Circle headquarters.

* * * *

DG's bag is closed by Issue Section of the P&T Directorate at the end of every working day separately for each Circle. Communications originating from different sections of the Directorate are included in this bag. Ordinary communications are placed in the bag without any list and registered letters are placed in an inner bag with a challan indicating the particulars of the registered letters. The DG's bag is directly sent to the RMS office located at Palam airport and despatched by air to the Circles. On receipt of the bag in the Circle Office the Office Superintendent personally opens the bag and enters the dak in a special register. In respect of registered dak, the Office Superintendent verifies the particulars of the registered dak received with the relevant entries in the challan. After perusal of the dak by the PMG and the senior officers in the Circle Office, the dak is distributed to the concerned sections under receipt."

1.61. The Secretary, Communications also stated in evidence that the post office in Karnataka and the North Eastern Region, where the problem had arisen, had not received the Notification of 20-12-1976 at all in the first instance and the Karnataka circle had then obtained it from the Directorate on 2 March, 1977. Since there was discrepancy in what had been stated in evidence and that contained in the statement of receipt of the said notification in various circles etc., reproduced above, the Committee desired to be apprised of the factual position in this regard. A clarificatory note furnished by the Ministry of Communications is reproduced below:

"(i) The information given in evidence was based on the report of the PMG Bangalore dated 28-11-1977 wherein it was stated that the Notification dated 20-12-1976 despatched by the P&T Directorate on 7-1-1977 was not received in the Circle Office. In his subsequent report dated 28-7-1978 PMG has stated that the Notification was actually received in his office on 10-1-1977. The circumstances under which further action was not taken on receipt of the Notification, as clarified by the PMG, are as follows:

The notification received in the Circle Office Bangalore on 10-1-1977 is reported to have been mislaid after it was transferred

to the concerned official. The PMG, Karnataka Circle is taking disciplinary action against the officials at fault. On receipt of a copy of the same from the Regional Director, National Saving Organisation, Bangalore on 18-2-1977, the Circle Office tried to see whether a previous communications in the same matter was earlier received from the P&T Directorate. However, since the circular received from the P&T Directorate was entered in the inward register under the case mark of the DGP&T (and not under the Finance Ministry reference), the communication received from the RD, NSO could not be connected with the earlier receipt from the Directorate. A reference was made by the Circle Office to the P&T Directorate in this regard and a copy of the Notification was obtained on 2-3-1977. In the meantime, stencils were prepared on the basis of the communication received from the RD, NSO. However, this was circulated only after a copy was received from the P&T Directorate on 2-3-1977.

It is confirmed that Coondapur H.O. received the communication on 10-3-1977 and Bangalore GPO on 12-3-1977. The reasons for delay in receipt at Bangalore GPO could not be ascertained as the envelope bearing the postmarks is not available at this stage.

- (ii) The Notification was received by Karnataka Circle Office on 10-1-1977 and at different Head Post Offices in Karnataka Circle from 9-3-1977 to 16-3-1977. The copies intended for sub post offices were despatched through the respective head post offices.

In so far as North Eastern Circle was concerned, the notification was received in the Circle Office on 10-1-1977 but it was lost sight of in the Circle Office and was not circulated to post offices. Action against the officials concerned is being taken.

In accordance with Rule 22 of P&T Manual, Vol. VIII the head and sub post offices are supplied with copies of Director General's circulars. The head and sub post offices in the North Eastern Circle received printed copies of Director General's Post Office Circular No. 3, dated 1-3-1977, in which Finance Ministry Notification dated 20-12-1976 was reprinted on different dates from 6-6-1977 to 18-6-1977.

Director General's circulars are not supplied to the branch post offices. However, matters concerning branch post offices, arising out of Director General's circulars, are required to be

communicated to branch post offices in regional language circulars issued by Heads of Circles, *vide* Rule 23(2) of P&T Manual, Vol. VIII.

This action, however, was not taken in respect of the circular in question under the impression that as branch post offices are not competent to make maturity payments independently, that is, without reference to their account offices, the instructions contained in the Notification dated 20-12-1976 need not be communicated to them."

1.62. On the Committee pointing out that for remote or farther most post offices in the desert or in hilly areas, it could take ten days to reach the dak but for rest of it, for about 90 per cent of the post offices in the country, it should reach them within a short period of one or two days whereas the position was that the maximum overpayment (Rs. 15.14 lakhs according to Audit Para) was made from 20 December, 1976 to the date of receipt of the orders in different post offices which showed that the instructions had reached them very late. The Secretary, Communications explained the position as under:

"If you are thinking of head post offices, I should think it would be possible; if you are thinking of the sub offices, which are 600 in number, it may take one or two days more. In respect of others, the position is like this. What we send from here would be in English and Hindi. We have made it incumbent on our head post offices or Circles to ensure that communications that go down to the level of the villages should also be in the regional language and that translation also has to be carried out in the circle office or head post office."

1.63. Asked how long would it take in areas where translation was necessary, the witness stated that it could not be less than two or three days; it could be upto a week, it would depend upon what instructions were given to them about the urgency of the matter.

1.64. To another question whether any instructions stressing urgency were, in fact, issued in this case, the witness admitted that these were not given and that was why he had said that all that was treated in a routine fashion.

1.65. When asked whether any responsibility on the person concerned was fixed the witness stated:

"That is being done."

1.66. The Committee enquired whether English and Hindi copies of such orders/instructions were sent to all the offices at the lower level. The Secretary, Communications stated that the DG P&T would send them to all the offices as required under the Act. The circles would cyclostyle them in their offices and send them to the post offices. He added:

“All instructions that are supposed to be sent to the branch post office are translated into regional language and distributed to the branch post offices; it could be done either at the circle office or head post office depending upon whether it has reference to a particular head post office or refers to the entire circle. Much would depend upon what the circular is meant for; if it is of general application it will be done in the circle office.”

1.67. The Committee desired to know whether the above mentioned procedure was strictly followed throughout the country and whether fool-proof arrangements for translation into regional languages existed in each Circle/Head Post Office of the area with particular reference to Andhra Pradesh, West Bengal and J&K Regions. The Ministry of Communications, in a note, have stated:

“Director General’s circulars are issued in two stages. In the first stage, cyclostyled copies of notifications are sent to Heads of Circles as advance circulars so that action may be initiated immediately. Subsequently the circulars are printed and distributed. In both the cases, the circulars are strictly biligual, that is, in Hindi and English.

In Circles where the regional language is Hindi, DG’s advance circulars are reproduced in English and Hindi and supplied to head and sub post offices. In other Circles, the English version is reproduced and supplied to Head and Sub Post Offices. This is the practice normally followed. DG’s printed circulars which follow the advance circulars and which are bilingual that is, in English and Hindi are supplied to all Head and Sub Post Offices.

In so far as Branch Post Offices are concerned, under the existing procedure circulars issued by the Director General are not supplied to them. However, arrangements are made for only such matters as concern Branch Offices to be incorporated in Branch Office Circulars issued by the Heads of Circles in the regional language. Facilities for translation from English to regional language exist in all Circle Offices. As regards ar-

rangements for translation into regional languages, the position differs from Circle to Circle. In Andhra Pradesh, Tamil Nadu, Karnataka, Orissa and Maharashtra staff capable of translating departmental communications into regional languages are available. In the case of Karnataka Circle, the assistance of the local National Savings Organisation is also taken. In Kerala Circle, the work of translation of circulars for Branch offices is got done through the State Government agency.

Postmasters General, Andhra Pradesh, West Bengal and J&K have reported that the Notification dated 20-12-1976 was not communicated by them to the branch offices in their respective circles as branch offices are not competent to make payments on matured accounts without reference to the Head Post Office. However, it is felt that suitable instructions based on the notification dated 20-12-1976 should have been issued to the branch postmasters. Such a step might have prevented cases where payments were authorised by Head Post Offices immediately before receipt of instructions but were actually paid at branch post offices after receipt of instructions in Head post offices.

Therefore, under the new procedure now introduced by the P&T Directorate, it has been stipulated that notifications will be printed and sent to Heads of Circles and Head and Sub Post Offices from the Directorate. The Heads of Circles will prepare a simple version of the notification in the regional language for the use of the branch post offices and despatch copies to all head and sub post offices who in turn will supply them to the branch post offices in account with them through the Branch Office bag, which is sent daily by the Head/Sub Post Offices, to each of the Branch Offices in account with them. Necessary instructions in this regard have been issued to all Heads of Circles (*vide* Appendix II)."

1.68. The Committee referred to an earlier statement made by a representative of the DG P&T to the effect that while circulating the Notification dated 20 December, 1976, instructions stressing urgency of the matter were not issued at any stage and the delay in receipt of orders in various post offices had thus cost the exchequer Rs. 16.85 lakhs and enquired whether the responsibility on the persons concerned in the DG P&T and the circle offices had been fixed for this costly mistake and action had been taken against them. The Ministry of Communications have replied:

"The following three officials have been held responsible in the P&T Directorate for the delay in circulation of Ministry of Finance notification dated 20-12-1976 reducing the maturity value of accounts opened before 23-7-1974 and maturing on or after 1-10-1976.

1. Shri M. L. Kaul, Assistant.
2. Shri A. N Dureja, Accounts Officer.
3. Shri C. R. Chanan, Section Officer.

Shri C. R. Chanan, Section Officer has since been transferred as Under Secretary to the Ministry of Chemicals and Fertilisers. The facts of the case have been brought to the notice of that Ministry on 24-7-1978 for taking such action as deemed fit. The Ministry of Chemicals and Fertilisers have very recently called for certain information which is being furnished to them.

It has been decided to initiate disciplinary proceedings as for a minor penalty against S/Shri M. L. Kaul, Assistant and A. N. Dureja, Accounts Officer. A charge sheet under Rule 16 of CCS (CCA) Rules 1965 has been issued to Shri Dureja on 8-8-1978. His reply has been received and is under examination. The charge sheet already approved could not be issued to Shri M. L. Kaul, Assistant, as he is seriously ill and is on medical leave at present. It would be served on him as soon as he resumes duty.

In so far as Circle Offices are concerned, PMG, Kerala, has reported that responsibility has been fixed and action against defaulting staff is being taken. In West Bengal Circle Office, the staff responsible have been severely warned. In Karnataka Circle Office, enquires have been completed by the Vigilance Officer and disciplinary action is under consideration. In other Circles the matter is under enquiry."

Asked whether any short term/permanent remedial measures have been taken to ensure that such lapses did not recur, the Ministry have stated as under:

"It has been decided in consultation with the Ministry of Finance that a revised procedure will be adopted for expeditious communication of notifications concerning small savings scheme to post office with a view to ensuring that notifications reach the post offices before the notifications take effect. The details of the revised procedure are indicated in Appendix II.

Further, orders have been issued to all officers and sections in the P&T Directorate to the effect that general orders and instructions received from other Ministries and Departments should be scrutinised and screened before circulation to the field units of the P&T for implementation. A copy of the order is enclosed. (Appendix III).

Further, orders have been issued to all officers and sections in strictly instructed that (i) important communications should be immediately brought to the notice of higher authorities at the dak stage; (ii) strict vigilance should be exercised regarding immediate communication of the orders to the field units; (iii) the implications of the orders should be spelt out in the forwarding memorandum and the urgency should be stressed; and (iv) such communications should be addressed to Heads of Circles by name so as to ensure high level attention. A copy of the instruction issued is at Appendix IV.

Instructions have also been issued that Heads of Circles should bring to the notice of Branch Postmasters notifications relating to small savings schemes having financial implications taking care to see that the language used is invariably the local language and the communication is simple enough to be understood by the branch postmasters. A copy of these instructions is at Appendix V."

Over-payments made and their recoveries

1.69. The Audit Para points out that based on the earlier notification dated 29 September, 1976 the enhanced rates of maturity values (Rs. 760 in the case of an account of Rs. 10 denomination) were paid by the post offices all over the country to all the subscribers including those who had opened accounts prior to 23 July, 1974 and whose dates of maturity fell after 1 October, 1976. While in some post offices revised orders (of 20 December, 1976) were implemented, in others payments at the enhanced rates continued to be made even after the receipt of the revised orders.

1.70. The total payments made by the Post Offices, as given by the Secretary, Communications, during evidence, amounted to Rs. 28.28 lakhs with the following break-up for the different periods:

| | Rs. in lakhs |
|---|--------------|
| (i) From 1 October, 1976 to 19 December 1976 | 5.13 |
| (ii) From 20 December 1976 to the date of receipt of orders in different post offices | 16.85 |
| (iii) Beyond the dates of receipt of orders in the post offices | 6.30 |
| TOTAL : | 28.28 |

1.71. Asked what was the explanation for the over-payments made beyond the dates of receipt of the instructions dated 20-12-76 in the post offices, the Secretary, Communications replied:

“For this amount of Rs. 6.30 lakhs, there is no explanation.”

* * * *

“The only explanation would be their inability to understand the instructions. The type of people who are dealing with this are somewhat unqualified—some of them are Matriculates and some of them are non-Matriculates and it is quite possible that the contents of communications are not understood by them. I would submit to the Committee that remedial measures we have thought of in order to obviate it.”

1.72. To another question whether he considered that particular notification to be so complicated that ordinary postal clerks could not understand it, the witness deposed :

“It is possible but this information will be available in course of time because from November last year (1977) onwards we have been asking the circle heads to fix responsibility for this delay and over-payment and let us know the results.”

1.73. On being pointed out that in this case there was not much to be followed by the post offices as two separate Tables indicating the amounts followed by the post offices as two separate Tables indicating the amounts opened before 23 July, 1974 but maturing on or after 1 April, 1975 and those opened after 23 July, 1974 but maturing after 1 October, 1976 were given in the notification itself and as such no calculations had to be made in the post offices, the representative of the Ministry of Communications stated :

“Alongwith the instructions also copies of notifications were issued. There were 19 pages which had to be cyclostyled and then given. So, it is quite possible that reading of this may have become difficult and understanding may have become a little bit of a problem. We have to find it out. Once the circles receive the explanation, we would be able to know the exact position.”

In this context, he further stated :

“All the circles have been addressed right from November onwards; we have been telling them first to verify the figures and secondly, to fix the responsibility for it. We have sent them reminders also and thereafter demi-official letters have been written from the Directorate to the Circle Heads asking them to immediately go into this and fix the responsibility.”

1.74. Since over-Payments had been revealed as a test-check of the Recurring Deposit Accounts by Audit, the Committee enquired what was the system of internal check in such matters and why the overpayments could not be detected during such internal checks. The Ministry of Communications, in a note, have stated:

“The rules provide that the amount to be re-paid to depositors as worked out by ledger clerk should be checked by the Post Master before payment is effected. There is also an SB. Control Organisation in every Head Post Office. The Control Organisation is required to check *inter alia* interest on all closed accounts on the day following the date of accounting of the payment transaction in the Head Post Office.

In so far as overpayments occurring during the period from 1st October, 1976 to 19th December, 1976 is concerned since notification dated 20th December, 1976 had retrospective effect, the question of detection of overpayments does not arise. In respect of the second period *i.e.* 20th December, 1976 to the date of receipt of orders in different Post Offices, overpayments could not be detected as the relevant orders were not available in the concerned Post Offices/SBCOs. As regards overpayments beyond the date of receipt of orders in the Post Offices, to an extent such overpayments have occurred because Sub-Post Offices had made payments after the date of receipt of orders in the Post Offices, to an extent such overpayments have occurred because Sub-Post Offices had made payments after the date of receipt of orders in the Head Offices on the basis of the authorisation already issued by the Head Offices prior to the date of receipt of orders.”

1.75. The Secretary, Communications clarified this point further during evidence as follows :

“Instead of Internal Audit, there is a special Branch organisation, the Savings Bank Control Organisation which controls the transactions in each post office. This is directly responsible to the Circle. We made some enquiries from some of the Circles whether these overpayments were detected in any one

of the Circles. Two or three circles have told us during the last two or three days that some instances were noticed in two or three States. In one particular state, Tamil Nadu, they noticed this in one area and immediately the instructions were issued in the middle of February. I would like to inform you, Sir, about the effects of these instructions in Tamil Nadu. The over-payment between 20-12-76 and 20-1-77 was Rs. 1,01,000, the next fortnight ending 31-1-77, it was Rs. 41,000, the next *i.e.* upto 15th February Rs. 20,000; but then after these instructions were issued, the next fortnight, it was Rs. 3,000, the fortnight after that Rs. 1.128 and the last fortnight ending on 31-3-77, it was only Rs. 84."

1.76. Recoveries to the tune of Rs. 2,30,000 out of the total over-payments of Rs. 6.30 lakhs made beyond the dates of receipt of orders dated 20-12-1976 in the post offices were stated to have been effected upto July 1978. The Committee enquired how the Department was able to recover this sizeable amount, the Secretary, Communications stated that the local post offices had approached the depositors and had got the extra amount repaid by them.

1.77. After pointing out that this certainly could not be a voluntary recovery, according to the will of the depositor meaning thereby that a person who refused to pay got away with it and one who was good enough to pay was made to agree to pay, the Committee wanted to know whether such a thing was legally tenable. The witness stated:

"I can only mention one thing. If there is such a thing, certainly it would have been brought to our notice."

1.78. In a note subsequently furnished to the Committee in this regard, the Ministry of Communications have stated:

"Section 15 of the Government Savings Bank Act, 1873 empowers the Central Government to make rules for carrying out the purposes of the Act. The Post Office Savings Bank Rules, 1965 have been made by the Central Government in exercise of the powers conferred by Section 15 of the said Act. Rule 19 thereof provides as follows:

'Rule 19: Recovery of amount paid in excess: (1) The Head Savings Bank shall recover any interest or any other amount paid in excess in the same manner as an arrear of land revenue.'

Thus, the Post Offices can legally recover any amount paid in excess from every depositor. So far, the concerned deposi-

tors have only been requested to refund the amount paid in excess. In cases where excess payment is not returned voluntarily on the basis of these requests the question of making recovery in the manner provided in the Post Office Savings Bank Rules is to be considered. For the time being, Heads of Circles have been asked to ensure that recoveries made from the depositors are on a voluntary basis and that no coercive attempts are made.

Recovery of overpaid amounts, on a voluntary basis, are continuing. According to reports received so far, the amount recovered is Rs. 2,63,676.00."

1.79. The Committee desired to know the outcome of the enquiries stated to have been initiated by Circle Heads into the overpayments made beyond the dates of receipt of orders in the post offices. The Ministry of Communications have replied that the Circles have already directed the SPOs/Post Masters to take action against the officials at fault. If the recoveries from the payees are not forthcoming, then the excess amounts paid will be recovered from the defaulting officials. Indicating the latest position in this regard, the Ministry have stated (September 1978) that reports received from the Heads of Circles indicated that they were pursuing the matter and enquiries had not yet been completed.

1.80. In regard to the regulation of overpayments the Audit para points out that the Ministry of Finance, Department of Economic Affairs had *inter alia* stated (January, 1978) that these would be regularised with the sanction of the competent authority. In a note furnished to the Committee in July 1978, the Ministry of Communications have stated that according to the Ministry of Finance the matter had been under correspondence and discussion between that Ministry and the P&T Department with a view to ascertaining the recoveries already made and scope for making further recoveries etc. The proposal for regularisation was under active consideration in that Ministry and was likely to be finalised shortly. When subsequently enquired whether this proposal had since been finalised, the Ministry of Communications have stated (September 1978) :

"The proposal of regularisation of the overpayments is still under consideration of the Ministry of Finance."

Simplification of Rules

1.81. The Ministry of Finance, according to the Audit Para, intended to undertake an exercise with a view to consider how best the rules could be simplified as these had become quite voluminous and difficult to follow in the process of making them elaborate. Asked whether the proposed review

of the rules had been undertaken, the Ministry of Finance in a note have indicated the following position :

“For undertaking the review of rules relating to small savings securities, the Reserve Bank of India was approached in February 1978 to recommend a suitable officer with banking expertise as the same is essential for attempting simplification and rationalisation of the rules. A suitable officer became available only towards the end of May 1978. The work was taken in hand immediately thereafter and a report indicating the general lines of simplification and rationalisation is expected to be received in about a month. Further action with regard to the detailed work of simplification of rules will be taken up after the report is received and examined.”

1.82. Intimating the progress made in this direction, the Ministry of Finance in a further note* furnished to the Committee in October 1978 have stated :

“The officer whose services have been made available by the Reserve Bank of India, has in association with an official of the Finance Ministry, made a general review of the rules and procedures of the small savings schemes in the light of the schemes operated by the commercial banks and similar schemes operated in some foreign countries. Thereafter, a draft preliminary report has been prepared by him and discussed with the officials of the Finance Ministry and it has been agreed that the report will be finalised after covering some more aspects which were not already included in the draft report. The report is expected to be submitted by him in about a month's time. On receipt of the report, the scope for simplification of the rules will need to be discussed with other concerned Ministries/Departments such as P&T, Ministry of Law etc. After completing this process, the simplified version of each of the schemes will be attempted. Government are anxious that this work should be done expeditiously. It would be possible to lay down the target date for completion of the simplification of rules only after the report of the Reserve Bank of India officer is received and the scope for simplification is determined in consultation with the concerned Ministries/Departments.”

1.83. In a subsequent note* dated 19-12-1978 the Ministry of Finance have stated:

“The Officer of the Reserve Bank of India has since submitted his report on simplification of the rules of small savings schemes.

*Not vetted in Audit.

At present there are two Acts, one governing the Savings Bank and the other the Savings Certificates, and rules have been framed under each Act. Besides, there are also separate rules governing various individual schemes. The officer of the Reserve Bank of India has, in his report referred to the multiplicity of the rules and has observed that it is not only time-consuming but also cumbersome for the post office counter-staff to refer to these rules and that there is every likelihood of mis-interpretation and misapplication of the rules in the day-to-day work. He has suggested unification and consolidation of the rules relating to general aspects which are common to the various schemes and also revision and simplification of the rules relating to the individual schemes.

The detailed work involved in revision and simplification of rules in the light of the reports of the Expert Group set up in May 1978 to make a comparative study of small savings schemes and the schemes of Commercial Banks (mentioned in Para 1.18) and of the officer of the Reserve Bank of India mentioned above will be quite voluminous and special arrangements on whole time basis will be necessary for completing the work at an early date. Action to make such arrangements is under way."

1.84. In the preceding paragraphs, the Committee have dealt with a case which is a glaring example of official apathy, inefficiency on the part of lower staff and lack of interest and direction by the supervisory officers, both in the Ministry of Finance and the Ministry of Communications (DGP&T). This case illustrates how a small lacuna and negligence at the initial stage in dealing with matters having financial implications could cause loss of more than Rs. 28 lakhs to the Exchequer.

1.85. The five-year Post Office (Recurring Deposits) Scheme was introduced by the Ministry of Finance in April 1970 to be operated by the Director General, Posts and Telegraphs through different post offices in the country under the Post Office (Recurring Deposits) Rules, 1970 for the avowed object of mobilising additional savings other than the savings generated by financial institutions like banks, by providing easy approachable infra-structure in the post offices so that the wage earner, the small and marginal saver could also be motivated to save with convenience and at remunerative terms.

1.86. Rule 9 of the Post Office (Recurring Deposits) Rules, 1970, prescribed the maturity value of these accounts, indicating the amounts payable, inclusive of interest, at the end of 5 years. As per these rules, in the case of an account of Rs. 10 denomination, the maturity value was fixed at Rs. 700. The Committee find that Rule 9 was amended from time to time and the maturity value of Rs. 10 denomination account was raised

to Rs. 710 with effect from 15-1-1971, consequent upon the general increase in bank interest rates announced by the Reserve Bank of India from 11-1-1971; to Rs. 720 from 1-4-1974 to coincide with the increase in bank rate from that very date; to Rs. 750 from 23-7-1974 as a result of further increase in bank rate effective from 23-7-1974 and finally to Rs. 760 from 1-10-1976 in order to come in line with the interest rate structure being followed by the scheduled commercial banks at that time. The Committee also note that though the notifications effecting changes in rates of interest issued by the Reserve Bank of India did not apply to small savings schemes, the general policy followed was that whenever there was a change in the general interest rate structure in the country and, if that was significant, the rates of interest for small savings schemes were also changed to synchronise with those notified by the Reserve Bank of India. The Committee further observe that while the small savings schemes are not linked up ipso facto with similar schemes of commercial banks, yet Government have admitted that there is definitely a degree of co-relation between the two resulting from the fact that both benefit from the interest rate structure notified by the Reserve Bank. The last enhancement in the maturity value of the 5-year recurring deposit account of Rs. 10 denomination from Rs. 750 to Rs. 760 in October 1976 which is a case dealt with in the Audit para was thus a direct consequence of this relationship.

1.87. The Committee, however, regret to find that whereas changes made in the rates of interest for small savings schemes generally corresponded with the notifications issued by the Reserve Bank in this regard from time to time, the same pattern had not been followed by the commercial banks, especially in the matter of the actual maturity value of the recurring deposit schemes operated by them.

1.88. The Reserve Bank of India by their notification dated 22-7-1974 had made further changes in the interest rate structure for various types of accounts accepted or renewed by scheduled commercial banks. No doubt, the Ministry of Finance followed suit and took the interest rate structure announced by the Reserve Bank Notification dated 22-7-1974, at its face value and revised the maturity value of the Post Office (Recurring Deposit) accounts raising it to Rs. 750 from 23-7-1974 by strictly applying the rate of interest on annual compounding basis as was the general intention behind the said Notification of the Reserve Bank. They, however, failed to take notice of the advantage derived by the Commercial Banks of the situation arising out of the said notification and some of the banks fixed the maturity value of their recurring deposit accounts at Rs. 759.50 or Rs. 760 from 23-7-1974 itself by compounding the interest at more frequent intervals than annual, even monthly, with the result that their effective rate of interest was higher than the nominal annual rate of interest notified by the Reserve Bank.

1.89. As the Ministry of Finance had the basis reservation in accepting the procedure of compound interest monthly or quarterly, Government chose not to follow this practice although suggestions were received from time to time by them that interest rate should be paid on monthly basis on small savings also. For example, such a suggestion was made at the National Savings Central Advisory Board meeting held in May 1974. Later at the internal meetings of the Deputy Minister in the Ministry of Finance incharge of small savings with the official of the Ministry of Finance and at the discussion with the Finance Ministers of States at Zonal Conferences held during August-September 1975, suggestions were made for giving a higher return to the investors of small savings to bring it at par with the maturity value of similar schemes of commercial banks i.e., Rs. 760. It was in the meeting of the Deputy Minister with the officials of the Ministry and the National Savings Commissioner on 14 April, 1976 that the general issue of giving a slightly higher rate of interest on small savings as compared to bank interest came up and the Deputy Minister desired that the pros and cons of this suggestion might be examined and a note put up to her. The Ministry of Finance considered this proposal and called for data from some public sector banks. After examining the issue further, they submitted a policy note to the Deputy Minister on 4-8-1976, which was approved by her the same day. Thus, the final decision to increase the maturity value of 5-year recurring deposit account of Rs. 10 denomination to Rs. 760 in order to bring it at par with the maturity values of recurring deposit schemes of commercial banks was taken at the Deputy Minister's level as late as in August 1976. A Notification was thereafter issued on 29-9-1976 making the enhanced maturity value effective from 1-10-1976. The Committee regretfully conclude that a decision which ought to have been taken in July/August 1974, took as many as 26 months to materialise. They feel that taking a lesson from this case and without linking ipso facto the small savings schemes of the Government of India with those of the commercial banks operated under the directions of the Reserve Bank, the Ministry of Finance should evolve a foolproof system a keeping a constant watch over the day to day developments in the matter of rates of interest and matter of values followed by commercial banks.

1.90. The Committee have been given to understand that the Indian Banks Association has issued the ground rules for the banks and has started issuing standard tables for maturity values on certain deposits to be allowed by the banks. The Ministry of Finance have asked the Association to send them regularly copies of their standard tables etc. They hope that this would be fully utilised by the Ministry in coming to a proper and timely decision on the changes taking place in the banking market for the benefit of their small savings schemes. They further note that an Expert Group was set up in May 1978, among other things, to make a comparative study of the small savings schemes and the schemes of the commercial

banks for mobilisation of savings and to suggest changes that might be called for in regard to the former. The Study Group is stated to have since submitted its interim report in which it has, inter alia, stated that the present multiplicity of rules and provisions which regulate various small savings is not conducive to efficient customer service and that the rules and provisions should be uniform, easy to understand and simple to operate, especially in view of the need to secure wider coverage in the rural areas and unorganised sectors. The final report of the Study Group on these aspects is expected soon. The Committee would like to know the final recommendations of the Study Group and the conclusive action taken thereon by Government.

1.91. Another disquieting aspect of the case is that there was utter confusion in the issue of various notifications, particularly the ones modifying Rule 9 of the Post Office (Recurring Deposits) Rules, 1970 pertaining to the amounts payable inclusive of interest at the end of the maturity period. The first amendment to this rule was issued on 15 January, 1971, which reads as follows :

“Rule 9 shall be renumbered as sub-rule (1) of that rule and in sub-rule (1) as so renumbered, for the letters and figures Rs. 350 the letters and figures ‘Rs. 355’ shall be substituted.”

After sub-rule (1) as so renumbered another sub-rule (2) was added indicating the amounts payable inclusive of interest at the end of 5 years on accounts opened before 15 January, 1971. However, the Committee find that the notification issued on 30-3-1974 which further enhanced the maturity value of 5-year recurring deposit account from 355 to Rs. 360, substituted the existing Rule 9 of the Post Office (Recurring Deposits) Rules, 1970. A further Notification issued on 29 July, 1974 raising the maturity value to Rs. 375 (effective from 23 July, 1975) again substituted the existing Rule 9 thus completely ignoring the amendment of 15-1-1971. The matters did not end there. The next Notification of 8 July, 1975 amending the Post Office (Recurring Deposits) Rules, 1970, purported to add another sub-rule (3) after sub-rule (2) of Rule 9 thereof. The fact that sub-rule (1) and (2) had already been replaced by the Notification dated 30 March, 1974 was completely over-looked creating unnecessary confusion. The very next day thereafter i.e. on 9 July, 1975, yet another notification was issued in pursuance of Rule 9 notifying inter alia the amounts payable on accounts opened before 23 July, 1974 but maturing on or after 1 April, 1975.

1.92. The next Notification which was also the most crucial one in the series of notifications issued from time to time from 1971 onwards, raising the maturity values of the Post Office recurring deposits accounts, was issued on 29 September, 1976. The Committee are surprised to note that although this amendment was also in the nature of maturity value raising

notification (from Rs. 750 to Rs. 760 on an account of Rs. 10 denomination like the previous ones) it was issued in substitution of sub-rule (1) of Rule 9 [inferring thereby that it had further replaced sub-rule (1) of the notification of 15-1-1971] contrary to the practice followed in both the previous maturity value raising amendments of 30 March, 1974 and 29 July, 1974 which had substituted the original Rule 9 of the Post Office (Recurring Deposits) Rules, 1970 and not sub-rule (1) of the notification of 15-1-1971.

1.93. The enhancement of 29 September, 1976, was made applicable to all accounts opened before 1 October, 1976 but maturing on or after that date and a Table showing clearly the maturity value of 5-year recurring deposit account at Rs. 760 was also a part of this notification. This notification was circulated to all the Post Offices in the country and taking it at its face value the Post Offices started making payments to all the depositors whose accounts had matured on or after 1 October, 1976. From the information furnished by the Ministry of Finance, the Committee note that it was not the intention of the Government to give the benefit of this enhanced maturity value to all the depositors but to restrict it, as per the past practice in this regard, to the accounts opened after the date of the previous enhancement, i.e. 23 July, 1974 (when the maturity value was raised to Rs. 750 on a Rs. 10 denomination account). The Committee have no doubt in their mind that the reason for the extension of this unintended benefit to the depositors was due to utter confusion in the issue of a large number of amendment to the basic rules without correlating the one with the other. The Committee are not prepared to accept the contention of the Ministry of Finance that they followed two types of procedures in the matter of prescribing the maturity value etc.—one by amending the basic rule itself i.e., Rule 9 of the Recurring Deposit Rules, 1970 and the other by issuing a notification in pursuance of that rule and that some of the notifications issued in this fashion had subsisted even though the basic rule itself might have been amended subsequently.

1.94. In justification, the Ministry of Finance have stated that since the 9 July, 1975 Notification specifying revised maturity values in respect of all accounts opened prior to 23-7-1974 was not withdrawn or superseded by the Notification of 29-9-1976 and it continued to subsist even after 1-10-1976 (the date from which the maturity value was raised to Rs. 760 on an account of Rs. 10 denomination) to apply to the accounts opened prior to 23 July, 1974, the values of accounts opened before this date continued to be valid even after the issue of the Notification dated 29-9-1976 and if read together, there was no scope for the type of mistake which had occurred in the present case. The Committee, however, find that the Ministry of Finance has itself admitted that the postal staff who are ultimately to implement these notifications do not generally have expertise similar to that of bank employees and with this background in

view it would have been better if the notification dated 29-9-1976 had also specifically clarified that the accounts opened prior to 23-7-1974 should continue to be regulated by the notification of 9-7-1975.

1.95. Apart from the confusion in the issuance of various notifications, the Committee are perturbed to note that no urgency was shown either in the Ministry of Finance or the DGP&T in rectifying the wrong done even after the deficiency had come to their notice well in time. The Committee find that after the issue of the Notification of 29-9-1976, a further notification was issued on 20 December, 1976, inter alia making it effective retrospectively from 1 October, 1976 but restricting the admissibility of the latest enhanced maturity value (of Rs. 760 on an account for Rs. 10 denomination) to accounts opened on or after 23 July, 1974 but maturing on or after 1 April, 1975. The accounts opened prior to 23 July, 1974 but maturing on or after 1 April, 1975 were entitled only to the maturity values prevailing before the last enhancement (of 29 September, 1976) i.e., Rs. 750 on an account of Rs. 10 denomination. The Notification in question was originated by the National Savings Commissioner, Nagpur, on 4/15 October, 1976 initially to give effect to the accounts kept for the full maturity period and those of accounts extended beyond the date of maturity. However, when the draft notification was referred to the DGP&T by the Ministry of Finance for comments, etc. he pointed out some shortcomings including that relating to pre 23rd July, 1974 accounts but maturing on or after 1-10-1976 and returned the draft to the Ministry of Finance on 28-10-1976 for consideration of the suggestions made by him. It was thus clear that this lacuna had come to the notice of the Ministry of Finance well in time. It is deplorable, that even at that stage the importance and urgency of the issue at hand was not at all appreciated by anyone in the Ministries of Finance and Law and Justice or by the National Savings Commissioner, Nagpur, in between whom the drafts of the Notifications had been rotating for further examination and vetting. So-much-so that when the draft was finally approved in the Ministry of Finance on 10-12-1976, it took further 10 days by that Ministry to get the notification issued on 20-12-1976. The representative of the Ministry of Finance has admitted during evidence that 'the notification in question was dealt with at a level where the importance of it or the necessity to deal with it promptly did not seem to have been realised. I entirely agree that it should have been dealt with on a priority basis. It was dealt with at the level of Under Secretary.' The Committee desire that proper procedures should be laid down so that in future such costly mistakes do not recur.

1.96. The role of the Ministry of Communications (DGP&T) in circulating the Notification of 20 December, 1976 to the Heads of Postal Circles for bringing it to the notice of the post offices under them for making payments accordingly, is all the more disconcerting and deplorable. Though

the said notification, English and Hindi versions totalling 19 pages, was received in the DGP&T on 22-12-1976, it took as many as 17 days in getting the stencils (most of which were obtained from the Ministry of Finance in original) roneoed, preparing sets and despatching it to the Circle Offices on 7-1-1977. The plea of a new holidays intervening and the official processing the said notification having fallen ill for some days, seems, in the Committee's view, to be an after-thought to cover up unconscionable and otherwise unexplainable delay and carelessness demonstrated by the Directorate in dealing with an important and urgent matter. The effort of the Directorate to explain away the delay to Audit after the finalisation of the Audit Para that "all the factors combined and with the maximum effort the notification could be circulated to the Postmasters General on 7-1-1977" is not appreciable. The Committee feel that had a sense of urgency been shown in the matter, it was possible to circulate the same in 3/4 days. Failure to make alternative arrangements either by detailing the staff on holidays or assigning the work to another official in the event of the dealing official having fallen ill confirms this viewpoint. However, it is consoling to note that the Ministry of Communications, in a subsequent note, have conceded that 'this, apparently is a lapse and necessary action will be taken against the official responsible'.

1.97. It is also interesting in this connection to note that long before the receipt of the Notification of 20-12-1976 in the DGP&T, it had been referred to them at the draft stage and in fact it were they who had pointed out some deficiencies in the draft and had also suggested some important modifications including the one relating to pre-23rd July, 1974 accounts. It, therefore, could not be claimed at this stage that this Notification had taken them 'by surprise' and hence the delay in issuing it. That Ministry should have kept themselves in readiness to receive the notification any time. That it was not done is a clear lapse on their part. The DGP&T have the net-work of communication system under their control yet no one in that Department had the initiative to think of intimating the Heads of Circles/Post Masters General, telephonically/telegraphically or through wireless message about the contents or action points in brief of the Notification. The reply of the Ministry of Communications to this argument is strange still. In a note they have stated that 'the Notification dated 20-12-1976 was received in the Section in a routine manner. It was not adressed to any particular officer by name or designation with the result that it did not come to the notice of higher officers. Had it come to the notice of higher officers suitable action to intimate the substance of the Notification by telegraph/telephone to Heads of Circles would have been considered'. This indicates that much needs to be done to effect improvement in the handling of the in-coming dak in the Department so that all important and urgent papers are sorted out at a senior level for immediate attention of the next higher officers. The Secretary, Communications,

has admitted in evidence that 'In this particular case it was not done, it was a mistake; it should have done'. He has further admitted that 'there was a delay of 15 to 17 days which may be justified in case of routine matters but not in respect of an item of this nature where retrospective effect was being given. The routine treatment was not justified.'

1.98. The above is not the end of this episode. The Heads of all the 16 Circles in the country had received this Notification between 10 and 15 January, 1977. But from the data furnished to them by the Ministry of Communications in this regard, the Committee are surprised to note that it took the Circles, in turn, 4 to 60 days to circulate this Notification to the post offices under them, the earliest having been mailed by the Maharashtra Circle on 14-1-1977 and the last of all by Karnataka Circle on 9-3-1977. Here again the Committee observe that the problem of holidays intervening, the then prevailing arrears of work in the typing and copying branches of some circles and of translation into regional language of the area in which a particular circle is located, have been made the reasons for the delay on their part in circulating it to the post offices under them for actual implementation. The Committee are unable to accept this contention. Arrangements for regional translation did exist in each circle. Other hurdles could have been easily overcome. In the Committee's view the enormous difficulties now sought to be projected by the Ministry in this particular case should have been taken care of at the proper time. The fact of the matter is that the importance and implications of this financial order were not given proper care in the DGP&T and the lower formations under them.

1.99. The Committee note that some officials in the P&T Directorate have been held responsible for the delay in circulation of the Notification of 20-12-1976 and action against them is in progress. As regards pin pointing of responsibility for further delay in sending these orders on the part of Circle Offices, the Committee find that enquiry in some circles has been completed and the action against the delinquent officers is being taken or is under consideration. In some other circles, the matter is still under enquiry. The Committee would urge that enquiry in all the circles should be completed early and the exact nature of action taken against those found responsible intimated to them.

1.100. The Committee also find that some remedial measures have been decided upon in consultation with the Ministry of Finance and a revised procedure has been adopted for expeditious communication of notifications concerning small savings schemes to post offices with a view to ensuring that notifications reach the post offices before the Notification takes effect. Instructions are also stated to have been issued to the sections dealing with small savings schemes so as to be more cautious in bringing important communications to the notice of the higher officers immediately on receipt

at the desk stage. While the Committee would like the Ministry of Finance and the DGP&T to ensure that these instructions are followed in letter and spirit at each level they would also like these Ministries to keep a periodical check through monitoring over the implementation of such financial orders so as to ensure that the instructions contained therein are being followed correctly.

1.101. The Committee would also like to be informed of the outcome of the enquiries stated to have been initiated by Circle Heads into the total overpayments made beyond the dates of receipt of orders of 20-12-1976 in the post offices and the action taken as a result thereof to recover the excess amounts from the defaulting officials in cases where recoveries from the payees would not be forthcoming.

1.102. Regarding regularisation of other overpayments the Committee find that this matter is under active consideration of the Ministry of Finance and is likely to be finalised shortly. The Committee would like to be informed of the details of the decision taken in this regard.

1.103. So far as the basic cause for loss of Rs. 28 lakh to the Exchequer is concerned, the Committee appreciate that unlike the commercial banks which issue their instructions in simple language which is easy to follow, for Small Savings Schemes the notifications have to be issued formally, couched in legal language. Further, unlike the banks which manage their work with a smaller number of tables, numerous tables (over 100) have had to be prescribed in respect of small savings schemes, for various categories of accounts even under the same scheme, to facilitate the work at the post office counters. Another factor which has complicated matters is the practice followed in the last several years of revising maturity values of existing accounts also while modifying the interest rates, etc. for Small Savings Schemes prospectively taking into account the changes in the interest rate structure announced by the Reserve Bank. Over the years, with the increasing complexity of the schemes, it has become difficult to operate them through issue of legal notifications and elaborate tables. Yet as pointed out in the instant case if sufficient care had been taken the mistakes that had occurred would have been avoided.

1.104. The Committee note that learning from the past experience, the Ministry of Finance has undertaken in coordination with the Reserve Bank of India, an extensive exercise with a view to consider how best the Post Office (Recurring Deposits) Rules could be simplified which had, indeed, become quite voluminous and difficult to follow in the process of making them elaborate, so as to eliminate need for detailed interest and other calculations on the part of post-offices. The Committee further note that the officer of the Reserve Bank of India has since submitted his report on simplification of the rules on Small Savings Schemes. He is stated to have

suggested unification and consolidation of the rules relating to general aspects which are common to the various schemes and also revision and simplification of the rules relating to the individual schemes. The Committee expect that in the light of the recommendations made in this report and the final report of the Study Group set up by the Ministry of Finance in May 1978 to make a comparative study of the Small Savings Schemes and the schemes of commercial banks (Para 1.18), discussions with the DGP&T and the Ministry of Law etc. over the scope for simplification of the rules must have been completed. Since the Government itself has shown its anxiety to complete this task expeditiously, the Committee hope that the process of actual simplification of each scheme must have been set in motion by now.

**NEW DELHI;
February 22, 1979.
Phalguna 3, 1900 (Saka).**

**P. V. NARASIMHA RAO,
Chairman,
Public Accounts Committee.**

APPENDICES

APPENDIX I

(Vide Para 1.8)

THE POST OFFICE (RECURRING DEPOSITS) RULES 1970.

No. F. 3(8)-NS/70-The President hereby makes the following rules, namely:—

1. Short Title and commencement—(1) These rules may be called the Post Office (Recurring Deposits) Rules 1970.

(2) They shall come into force on the 1st day of April, 1970.

2. General—The Scheme of Post Office (Recurring Deposits) will be operated through the Post Office Savings Bank and will be governed by the Post Office Savings Bank Rules, 1965 on matters not provided for under these rules.

(3) Persons who can open account—(1) A Post Office (Recurring Deposits) Account (hereinafter referred to as the account) may be opened by:

(a) A single adult; or

(b) Two adults jointly, payable to both jointly, or either of them;
or

(c) a guardian on behalf of a minor or a lunatic; or

(d) a minor in his own name.

(3) A depositor may have more than one account in his name or jointly with another.

4. Period of Deposit—There shall be one type of account namely a 5-year account and the period of the account shall count from the date of the first deposit.

5. Amount of Deposit—Deposits may be made of Rs. 5 or of any multiple thereof, provided that the amount of deposit made at the time of opening the account shall not be varied during the currency of the account.

6. Manner of Deposit—(1) The deposits shall be made once in every calendar month. In case of default, the date of maturity of the account shall be extended by the number of months for which default has occurred, provided the number of defaults does not exceed five. If the aggre-

gate period of defaults exceeds this limit, the account shall be treated as discontinued.

(2) (a) A depositor may deposit in one lump sum either the defaulted instalments or so many of the defaulted instalments as will reduce the actual defaults to the limit permissible under sub-rule (1) with interest of—

(i) 2 paise for each month of default in an account of Rs. 515 denomination; and

(ii) 5 paise for each month of default in every account of Rs. 10 denomination plus 2 paise for fraction of Rs. 10.

(b) Defaulted instalments, paid with interest under this sub-rule, will not operate to extend the date of maturity of the account under sub-rule (1) nor will they be counted as defaults for other purposes under the aforesaid sub-rule.

(3) Notwithstanding anything contained in sub-rule (1) deposits may also be made in advance at the option of a depositor. Rebates will be admissible on such deposits at the following rates, namely:—

(i) For 12 monthly deposits made on any one occasion Rs. 1.40 for an account of Rs. 5 denomination.

(ii) For 6 monthly deposits made on any one occasion—35 paise for an account of Rs. 5 denomination.

In the case of account of other denominations the amount of rebate in the case of 12 monthly deposits, or, as the case may be, 6 monthly deposits, made on any one occasion, shall be in such proportion to the amount of rebate specified above against each number of monthly deposits as the denomination bears to 5.

NOTE: In case of deposits by cheque, pay-order or demand draft, an entry in the pass book shall be made only when the proceeds of the instruments are realised but credit shall be afforded on the date of presentation of the cheque, pay-order or demand draft, as the case may be.

7. Limit of Deposit—subject to the provisions of rule 5, a person may deposit any amount per month in any number of accounts.

8. Procedure on the Minor attaining Majority:—A minor on whose behalf an account has been opened may, on his attaining majority:—

(a) continue the account till maturity: Provided he gives a declaration as follows:

“I hereby declare that the Post Office (Recurring Deposits) Rules 1970 have been read by to me and that I accept the

said rules and all such amendments thereto as may be issued from time to time as binding on me.”

- (b) claim proportionate amount under rule 9 on maturity, if he discontinues the account.

9. Amounts Repayable:—The amount payable inclusive of interest at the end of five years on an account of Rs. 5 denomination shall be Rs. 350. Proportionate amounts shall be payable on accounts in denominations of multiples of Rs. 5. In the event of the accounts being discontinued before the expiry of the full period such proportionate amounts shall be payable at the end of that period as may be notified in this behalf.

10. Pass Book—In respect of each account, the depositor shall be issued a pass book which shall be presented at the time of each deposit or withdrawal and on the maturity of closure of the account.

11. Procedure on the death of a depositor:—(1) On the death of a depositor in a single account or of the survivor in a joint account, the legal heir to the depositor or the survivor may—

- (a) continue the account till maturity, or
- (b) discontinue the account and claim the proportionate amount under rule 9 on maturity, or
- (c) Claim the proportionate amount as may be notified in this behalf.

(2) On the death of one of the joint depositors, the survivor shall be treated as the sole owner of the account.

12. Withdrawals (1) One withdrawal not exceeding, 50 per cent of the deposits made into the account not being an account treated as discontinued under rule 6 may be allowed, after the account has been in operation for at least one year.

(2)(a) The withdrawal may be rapid with interest in one lump sum at any time during the currency of the account or in equal monthly instalments of Rs. 5 or multiples thereof, not exceeding twenty in number, subject to the condition that the total number of instalments shall in no case exceed the number of months remaining for the maturity of the account.

(b) Where a depositor opts for repayment in instalments in the aforesaid manner, the denomination of the account shall be deemed to be the original denomination plus the amount of each instalment of repayment during the period of such payment.

(c) Where the amount withdrawn is not repaid, it shall be deducted together with interest up to the date of maturity of the account from the amount payable at the time of the closure of the account.

(3) For the purposes of sub-rule(2):—

(a) in the case of repayment in one lump sum, interest shall be simple and shall be calculated at six and one half per cent per annum for full calendar months irrespective of the date on which the amount of withdrawn or the date on which it is repaid :

Provided that if the amount withdrawn is repaid together with the interest on or before the sixth day of a month, then no interest shall be payable for the month, or

(b) in the case of repayment in instalments, simple interest at six and one half per cent per annum shall be calculated at the end of the period of repayment on the balance of amount remaining unpaid at the end of each month after the month in which the withdrawal was made, and interest shall be recovered in one instalment either along with the last instalment of the repayment or in the month next following that month in which repayment of the last instalment was made.

13. Transfer of Account—A depositor may have his account transferred on application at any time, free of charge, to any Post Office doing savings bank work.

14. Power to close account—If an account is found to have been opened in contravention of the provisions of these rules, the Head Post-masters, in relation to the Post Office in which the account has been opened, may at any time cause the account to be closed and the amounts deposited refunded without interest.

APPENDIX II

(Vide Para 1.67)

Instructions regarding Circulation of Ministry of Finance Notifications on Small Savings Schemes to all Post Offices

The question of reducing the time lag between the issue of notifications by the Ministry of Finance concerning the small savings schemes operated by the P&T Department and their circulation to all the Post Offices in India has been under consideration of the P&T Department. In consultation with the Ministry of Finance (Department of Economic Affairs), it has been decided to adopt the following procedure:—

1. The Ministry of Finance (DEA) will send a copy of the draft notification to the P&T Directorate about 5 days before the proposed date of issue of the Notification.
2. Immediately on receipt of the draft notification, the P&T Directorate will prepare a departmental circular indicating the simplified action points on which action has to be taken by the Post Offices.
3. The draft notification together with a copy of the departmental circular will be returned by the P&T Dte. to the Ministry of Finance (DEA) within 2 days of receipt of the draft notification.
4. On receipt of papers from the P&T Det., the Ministry of Finance (DEA) will arrange to print in their Budget press sufficient number of copies (about 25,000) for the use of the P&T Deptt. down to the level of sub post offices. If the printing work cannot be done in the Budget Press due to the exigencies of other urgent work, the P&T Dte. will make suitable arrangements to get the documents printed elsewhere.
5. The P&T Det. will arrange to take the printed copies from the Budget Press and despatch the same to:
 - (i) All Heads of Postal Circles.
 - (ii) All Divisional Superintendents of Post Offices and
 - (iii) All Head Post Offices in India. The number of copies required in sub offices under each Head Post Office will be sent to the Head Post Office.

6. As soon as the Head of the Circle receives a copy of the Notification and the P&T Department circular, he will take action to prepare a simple version of the notification and the departmental circular in the regional language for the use of the Branch Post Offices. Adequate number of copies of this communication will be printed by each PMG and despatched to all Head and Sub Post Offices under his control which in turn, would supply them to the Branch Post Offices in account with them through the Daily Branch Office bag. Copies of this communication will also be sent by the PMG to the Divisional Superintendents and Head Offices for their information and necessary action.
7. (a) The entire exercise will be so timed that copies of the notification together with the departmental circular reach all head and sub post offices within a fortnight of the date of issue of the notification.

(b) The date of effect of the notification will be mentioned in the notification and this will be at least fifteen days from the date of issue of the notification.
8. All important references and notifications will be sent by the Ministry of Finance by name to the concerned senior officers of the P&T Directorate.
9. The P&T Department will ensure that such important references/ notifications received from the Ministry of Finance are seen/ dealt with expeditiously by the senior officers concerned and not in a routine manner by the junior officers in the Savings Bank branch.
10. While the procedure detailed above will apply generally, there may be cases where it can not be followed due to the reason that the instructions have to be kept secret till announcement and have to be brought into effect almost immediately after announcement. For such cases, special procedure will be evolved on each occasion with a view to avoiding delay in receipt of the orders by the post offices. In such cases, instructions will be sent by the P&T Directorate to Heads of Circles and all Head Post Offices by telegram/telex.

APPENDIX III

(Vide Para 1.68)

Instructions regarding scrutiny of general orders issued by other Ministries of Government of India before their application in the P&T Department *vide* DGP&T Circular No. 40-34/78—GA dated 20 July, 1978.

In the Heads of Telecom Circles Conference held in March, 78 the question of circulation of general rules and orders issued by other Ministries of Government of India directly, for application in the P&T offices was considered and certain difficulties were expressed in their implementation without examining their suitability to the Department. The P&T Board considered this in its meeting on 22-4-78 and has decided that general orders and instructions received from other Ministries and Departments should be scrutinised and screened before circulation to the field units of the P&T for implementation.

The Director General, P&T therefore, desired that the concerned sections should scrutinise the general orders and instructions received from other Ministries of Government for their suitability and relevance to the P&T Department before they are circulated to the field units for implementation.

APPENDIX IV

(Vide Para 1.68)

INSTRUCTIONS REGARDING DISPOSAL OF IMPORTANT COMMUNICATIONS RECEIVED IN THE SECTIONS DEALING WITH SMALL SAVINGS SCHEMES IN P&T DEPARTMENT VIDE SECTION ORDER NO. 52—1/77—SB/IX DATED 27-7-78.

Ministry of Finance Notification No. F2(38)—NS/76 dated 20-12-76 was received in SB Section on 22-12-76. The effect of this notification was to reduce amounts payable on matured 5-year RD accounts opened before 23-7-74 and maturing on or after 1-4-75. It was of the utmost urgency that the notification was immediately to be communicated to Heads of Postal Circles as otherwise overpayments would occur in post offices all over the country in respect of such accounts. S.O./A.O. in SB Section who perused the dak did not take necessary steps to ensure the immediate despatch of the said notification to Heads of Postal Circles. The notification was sent to the Circles only 7-1-77. Further the notification was not submitted in dak stage to ADG/Director (SB). Since these officers were not aware of the notification, there was no higher level watch on its immediate further disposal.

2. On account of the delayed communication of the contents of the Ministry of Finance notification dated 20-12-76, overpayments of about Rs. 28 lakhs have taken place in post offices all over India. The para has been included in the report of the Comptroller and Auditor General for 1976-77. The Public Accounts Committee which had considered the audit para in its sitting of 26-7-78 has taken a very serious view of the negligence in the concerned section of the P&T Directorate leading to delayed communication of the Notification to Heads of Postal Circles. They have desired *inter alia* that the Directorate General, Posts and Telegraphs should take effective steps to ensure that such lapses do not recur.

3. The Central Secretariat Manual of Office Procedure makes it abundantly clear that the S.O. should (i) go through the receipts; (ii) separate those which are to be seen by the higher officers before they are processed and mark them to such officers, and (iii) mark receipts to the dealing hands concerned indicating the urgency and giving directions regarding line of action. Had these instructions been scrupulously followed, as they should have been, the delay in circulation of notification could have been avoided and extent of over-payments considerably reduced.

4. Another irregularity noticed in this case was that the Finance Ministry's notification was forwarded to all Heads of Circles in a routine fashion. Having regard to the fact that the risk of over-payments was involved the notification should have been sent by name to the PMGs specifically drawing their attention to the implications of the notification so that they, in their turn, would have taken immediate steps to bring the contents of the notification to the notice of the post offices under their control for necessary action.

5. The Director General is seriously concerned with the lapses revealed in this case. He has desired that the procedure adopted in the SB and SS Sections should be tightened up so as to ensure that such lapses do not occur again. With this in view the following instructions are issued for strict compliance :

- (i) All communications received from the Ministry of Finance concerning the small savings schemes should be carefully perused by the ADG/Desk Officer.
- (ii) Any receipt of important nature should be immediately brought to the notice of Director (SB) at the dak stage itself.
- (iii) Such of those receipts as are to be communicated to Heads of Circles should be so communicated without any delay.
- (iv) The forwarding letter should be addressed by name to the Heads of Circles and should clearly spell out the implications of the Orders, and contain necessary directions as to the further action to be taken by Heads of Circles in the matter.

APPENDIX V

(Vide Para 1.68)

INSTRUCTIONS REGARDING ISSUE OF B.O. CIRCULARS RELATING TO SMALL SAVINGS SCHEMES IN REGIONAL LANGUAGES VIDE P&T BOARD D.O. No. 52-1/77—SB/VIII DATED 3-8-1978.

As you may be aware, the PAC had considered in their sitting on 26-7-78 paragraph 26 of the C&AG's report 1976-77 (P&T) relating to overpayments in P.O. Recurring Deposit accounts.

2. One of the issues raised was whether the P&T Department had taken action to communicate the gist of the Finance Ministry's notification dated 20-12-76 in the regional language to the Branch Post Offices so that the rural depositors could be apprised of the modifications in the maturity value of RD accounts as contained in the said notification. A quick survey made in this regard by the P&T Directorate has shown that only North Western Circle have communicated the contents of the Finance Ministry's notification dated 20-12-76 to the Branch Post Offices but there also the communication was made in English language which most Branch Postmasters would not be in a position to understand.

In this connection, I would like to draw your attention to Rule 23 of P&T Manual Vol. VIII which stipulates that arrangements should be made by Heads of Circles to incorporate in B.O. Circulars the local Indian language, such matters out of D.G.'s circulars as concern the Branch Post Offices. Our attempt has been to popularise the small savings movements in the rural areas. It is, therefore, necessary that various notifications/circulars issued by the Ministry of Finance and P&T Directorate regarding small savings should be communicated in suitable form to the Branch Post Offices so that the rural public are not kept in the dark regarding the changes made from time to time in maturity values and other aspects of the small savings schemes. Director General has desired that the provision regarding issue of B.O. circulars in regional languages should be actively utilised by the Heads of Circles to keep the BPMxs duly informed of the various changes taking place in respect of small savings schemes. In particular, notifications relating to Small Savings Schemes having financial implications should be brought to their notice taking care to see the language used is invariably the local language and the communication is simple enough to be understood by the Branch Postmasters.

You may kindly acknowledge the receipt of this communication to Shri B. K. Chawla, Desk Officer (SB), P&T Directorate, New Delhi.

APPENDIX VI

Statement of Conclusions and Recommendations

| S. No. | Para | Ministry/Department concerned | Conclusion or Recommendation |
|--------|------|--|--|
| 1 | 2 | 3 | 4 |
| 1. | 1.84 | Ministries of Communications (P & T Board); Finance (Department of Economic Affairs) | In the preceding paragraphs, the Committee have dealt with a case which is a glaring example of official apathy, inefficiency on the part of lower staff and lack of interest and direction by the supervisory officers, both in the Ministry of Finance and the Ministry of Communications (DGP&T). This case illustrates how a small lacuna and negligence at the initial stage in dealing with matters having financial implications could cause loss of more than Rs. 28 lakhs to the Exchequer. |
| 2. | 1.85 | - 10 - | The five-year Post Office (Recurring Deposits) scheme was introduced by the Ministry of Finance in April, 1970 to be operated by the Director General, Posts and Telegraphs through different post offices in the country under the Post Office (Recurring Deposits) Rules, 1970 for the avowed object of mobilising additional savings other than the savings generated by financial institutions like banks, by providing easy approachable infrastructure in the post offices so that the wage earner, the small and marginal saver could also be motivated to save with convenience and at remunerative terms. |

3. 1.86 Ministries of Commu-
nications (P&T Board)/
Financial Deptt. of
Economic Affairs)

Rule 9 of the Post Office (Recurring Deposits) Rules, 1970, prescribed the maturity value of these accounts, indicating the amounts payable, inclusive of interest, at the end of 5 years. As per these rules, in the case of an account of Rs. 10 denomination, the maturity value was fixed at Rs. 700. The Committee find that Rule 9 was amended from time to time and the maturity value of Rs. 10 denomination account was raised to Rs. 710 with effect from 15-1-1971, consequent upon the general increase in bank interest rates announced by the Reserve Bank of India from 11-1-1971; to Rs. 720 from 1-4-1974 to coincide with the increase in bank rate from that very date; to Rs. 750 from 23-7-1974 as a result of further increase in bank rate effective from 23-7-1974 and finally to Rs. 760 from 1-10-1976 in order to come in line with the interest rate structure being followed by the scheduled commercial banks at that time. The Committee also note that though the notifications effecting changes in rates of interest issued by the Reserve Bank of India did not apply to small savings schemes, the general policy followed was that whenever there was a change in the general interest rate structure in the country and, if that was significant, the rates of interest for small savings schemes were also changed to synchronise with those notified by the Reserve Bank of India. The Committee further observe that while the small savings schemes are not linked up *ipso facto* with similar schemes of commercial banks, yet Government have admitted that there is definitely a degree of co-relation between the two resulting from the fact that both benefit from the interest rate structure notified by the Reserve Bank. The last enhancement in the maturity value of the 5-year

recurring deposit account of Rs. 10 denomination from Rs. 750 to Rs. 760 in October, 1976 which is a case dealt with in the Audit para was thus a direct consequence of this relationship.

4 1.87 -do-

The Committee, however, regret to find that whereas changes made in the rates of interest for small savings schemes generally corresponded with the notifications issued by the Reserve Bank in this regard from time to time, the same pattern had not been followed by the commercial banks, especially in the matter of the actual maturity value of the recurring deposit schemes operated by them.

5 1.88 -do-

The Reserve Bank of India by their notification dated 22-7-1974 had made further changes in the interest rate structure for various types of accounts accepted or renewed by scheduled commercial banks. No doubt, the Ministry of Finance followed suit and took the interest rate structure announced by the reserve Bank Notification dated 22-7-1974, at its face value and revised the maturity value of the Post Office (Recurring Deposit) accounts raising it to Rs. 750 from 23-7-1974 by strictly applying the rate of interest on annual compounding basis as was the general intention behind the said Notification of the Reserve Bank. They, however, failed to take notice of the advantage derived by the Commercial Banks of the situation arising out of the said notification and some of the bank fixed the maturity value of their recurring deposit accounts at Rs. 759.50 or Rs. 760 from 23-7-1974 itself by compounding the interest at more frequent intervals than annual, even monthly, with the result that their effective rate of interest was higher than the nominal annual rate of interest notified by the Reserve Bank.

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|---|------|--|--|
| 6 | 1.89 | Ministries of Communications (P&T Board)/ Finance (Deptt. of Economic Affairs) | <p>As the Ministry of Finance had the basic reservation in accepting the procedure of compound interest monthly or quarterly, Government chose not to follow this practice although suggestions were received from time to time by them that interest rate should be paid on monthly basis on small savings also. For example, such a suggestion was made at the National Savings Central Advisory Board meeting held in May, 1974. Later at the internal meetings of the Deputy Minister in the Ministry of Finance incharge of small savings with the official of the Ministry of Finance and at the discussion with the Finance Ministers of States at Zonal Conferances held during August-September, 1975, suggestions were made for giving a higher return to the investors of small savings to bring it at par with the maturity value of similar schemes of commercial banks i.e. Rs. 760. It was in the meeting of the Deputy Minister with the officials of the Ministry and the National Savings Commissioner on 14 April, 1976 that the general issue of giving a slightly higher rate of interest on small savings as compared to bank interest rates came up and the Deputy Minister desired that the pros and cons of this suggestion might be examined and a note put up to her. The Ministry of Finance considered this proposal and called for data from some public sector banks. After examining the issue further, they submitted a policy note to the Deputy Minister on 4-8-1976, which was approved by her the same day. Thus, the final decision to increase the maturity value of 5-year recurring deposit account of Rs. 10 denomination to Rs. 760 in order to bring it at par with the maturity values of recurring deposit schemes of commercial banks was taken at the Deputy Minister's level as late as in August, 1976. A Notification was thereafter issued on 29-9-1976 making</p> |

the enhanced maturity value effective from 1-10-1976. The Committee regretfully conclude that a decision which ought to have been taken in July/August, 1974, took as many as 26 months to materialise. They feel that taking a lesson from this case and without linking *ipso facto* the small savings schemes of the Government of India with those of the commercial banks operated under the directions of the Reserve Bank, the Ministry of Finance should evolve a foolproof system of keeping a constant watch over the day to day developments in the matter of rates of interest and matter of values followed by commercial banks.

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The Committee have been given to understand that the Indian Banks Association has issued the ground rules for the banks and has started issuing standard tables for maturity values on certain deposits to be allowed by the banks. The Ministry of Finance have asked the Association to send them regularly copies of their standard tables etc. They hope that this would be fully utilised by the Ministry in coming to a proper and timely decision on the changes taking place in the banking market for the benefit of their small savings schemes. They further note that an Expert Group was set up in May, 1978, among other things, to make a comparative study of the small savings schemes and the schemes of the commercial banks for mobilisation of savings and to suggest changes that might be called for in regard to the former. The Study Group is stated to have since submitted its interim report in which it has, *inter alia*, stated that the present multiplicity of rules and provisions which regulate various small savings is not conducive to efficient customer service and that the rules and provisions should be uniform, easy to understand and simple to operate, especially in view of the need to secure wider coverage in the rural areas and unorganised sectors. The final

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report of the Study Group on these aspects is expected soon. The Committee would like to know the final recommendations of the Study Group and the conclusive action taken thereon by Government.

8**1.91**

Ministries of Commu-
nications (P & T Board)
Finance (Department
of Economic Affairs)

Another disquieting aspect of the case is that there was utter confusion in the issue of various notifications, particularly the ones modifying Rule 9 of the Post Office (Recurring Deposits) Rules, 1970 pertaining to the amounts payable inclusive of interest at the end of the maturity period. The first amendment to this rule was issued on 15 January, 1971, which reads as follows:

“Rule 9 shall be renumbered as sub-rule (1) of that rule and in sub-rule (1) as so renumbered, for the letters and figures Rs. 350 the letters and figures ‘Rs. 355’ shall be substituted.”

After sub-rule (1) as so renumbered another sub-rule (2) was added indicating the amounts payable inclusive of interest at the end of 5 years on accounts opened before 15 January, 1971. However, the Committee find that the notification issued on 30-3-1974 which further enhanced the maturity value of 5-year recurring deposit account from Rs. 355 to Rs. 360, substituted the existing Rule 9 of the Post Office (Recurring Deposits) Rules, 1970. A further Notification issued on 29 July, 1974 raising the maturity value to Rs. 375 (effective from 23 July, 1975) again substituted the existing Rule 9 thus completely ignoring the amendment of 15-1-1971. The matters did not end there. The next Notification of 8 July, 1975

amending the Post Office (Recurring Deposits) Rules, 1970, purported to add another sub-rule (3) after sub-rule (2) of Rule 9 thereof. The fact that sub-rule (1) and (2) had already been replaced by the Notification dated 30th March, 1974 was completely over-looked creating unnecessary confusion. The very next day thereafter *i.e.* on 9th July, 1975 yet another notification was issued in pursuance of Rule 9 notifying *inter-alia* the amount payable on accounts opened before 23rd July, 1974 but maturing on or after 1st April, 1975.

9 1.92 -do-

The next Notification which was also the most crucial one in the series of notifications issued from time to time from 1971 onwards raising the maturity values of the Post Office recurring deposits accounts, was issued on 29th September, 1976. The Committee are surprised to note that although this amendment was also in the nature of maturity value raising notification (from Rs. 750 to Rs. 760 on an account of Rs. 10 denomination like the previous ones) it was issued in substitution of sub-rule (1) of Rule 9 [inferring thereby that it had further replaced sub-rule (1) of the notification of 15-1-1971] contrary to the practice followed in both the previous maturity value raising amendments of 30th March, 1974 and 29th July, 1974 which had substituted the original Rule 9 of the Post Office (Recurring Deposits) Rules, 1970 and not sub-rule (1) of the notification of 15-1-1971.

69

10 1.93 -do-

The enhancement of 29th September, 1976 was made applicable to all accounts opened before 1st October, 1976 but maturing on or after that date and a Table showing clearly the maturity value of 5-year recurring deposit account at Rs. 760 was also a part of this notification. This notification was circulated to all the Post Offices in the country and taking it at its face value the Post Offices started making payments to all the depositors whose

accounts had matured on or after 1st October, 1976. From the information furnished by the Ministry of Finance, the Committee note that it was not the intention of the Government to give the benefit of this enhanced maturity value to all the depositors but to restrict it, as per the past practice in this regard, to the accounts opened after the date of the previous enhancement, *i.e.* 23rd July, 1974 (when the maturity value was raised to Rs. 750 on a Rs. 10 denomination account). The Committee have no doubt in their mind that the reason for the extension of this un-intended benefit to the depositors was due to utter confusion in the issue of a large number of amendment to the basic rules without co-relating the one with the other. The Committee are not prepared to accept the contention of the Ministry of Finance that they followed two types of procedures in the matter of prescribing the maturity values etc.—one by amending the basic rule itself *i.e.* Rule 9 of the Recurring Deposit Rules, 1970 and the other by issuing a notification in pursuance of that rule and that some of the notifications issued in this fashion had subsisted even though the basic rule itself might have been amended subsequently.

II

1.94

Ministries of Commu-
nications (P&T Board)/
Finance (Department
of Economic Affairs)

In justification, the Ministry of Finance have stated that since the 9th July, 1975 Notification specifying revised maturity values in respect of all accounts opened prior to 23-7-1974 was not withdrawn or superseded by the Notification of 29-9-1976 and it continued to subsist even after 1-10-1976 (the date from which the maturity value was raised to Rs. 760 on an account of Rs. 10 denomination) to apply to the accounts opened

prior to 23 July, 1974, the values of accounts opened before this date continued to be valid even after the issue of the Notification dated 29-9-1976 and if read together, there was no scope for the type of mistake which had occurred in the present case. The Committee, however, find that the Ministry of Finance has itself admitted that the postal staff who are ultimately to implement these notifications do not generally have expertise similar to that of bank employees and with this background in view it would have been better if the notification dated 29-9-1976 had also specifically clarified that the accounts opened prior to 23-7-1974 should continue to be regulated by the notification of 9-7-1975.

12

1.95

-do-

Apart from the confusion in the issuance of various notifications, the Committee are perturbed to note that no urgency was shown either in the Ministry of Finance or the DGP&T in rectifying the wrong done even after the deficiency had come to their notice well in time. The Committee find that after the issue of the Notification of 29-9-1976, a further notification was issued on 20 December, 1976, *inter alia*, making it effective retrospectively from 1 October, 1976 but restricting the admissibility of the latest enhanced maturity value (of Rs. 760 on an account of Rs. 10 denomination) to accounts opened on or after 23 July, 1974 but maturing on or after 1 April, 1975. The accounts opened prior to 23 July, 1974 but maturing on or after 1 April, 1975 were entitled only to the maturity values prevailing before the last enhancement (of 29th September, 1976) *i.e.* Rs. 750 on an account of Rs. 10 denomination. The Notification in question was originated by the National Savings Commissioner, Nagpur, on 4/15 October, 1976 initially to give effect to the accounts kept for the full maturity period and those of accounts extended beyond the date of matu-

rity. However, when the draft notification was referred to the DGP&T by the Ministry of Finance for comments, etc. he pointed out some shortcomings including that relating to pre-23rd July, 1974 accounts but maturing on or after 1-10-1976 and returned the draft to the Ministry of Finance on 28-10-1976 for consideration of the suggestions made by him. It was thus clear that this lacuna had come to the notice of the Ministry of Finance well in time. It is deplorable that even at that stage the importance and urgency of the issue at hand was not at all appreciated by anyone in the Ministries of Finance and Law & Justice or by the National Savings Commissioner, Nagpur, in between whom the drafts of the Notifications had been rotating for further examination and vetting. So-much-so that when the draft was finally approved in the Ministry of Finance on 10-12-1976, it took further 10 days by that Ministry to get the notification issued on 20-12-1976. The representative of the Ministry of Finance has admitted during evidence that "the notification in question was dealt with at a level where the importance of it or the necessity to deal with it promptly did not seem to have been realised. I entirely agree that it should have been dealt with on a priority basis. It was dealt with at the level of Under Secretary." The Committee desire that proper procedures should be laid down so that in future such costly mistakes do not recur.

The role of the Ministry of Communications (DGP&T) in circulating the Notification of 20 December, 1976 to the Heads of Postal Circles for bringing it to the notice of the post offices under them for making payments accordingly, is all the more disenchanting and deplorable. Though

the said notification, English and Hindi versions totalling 19 pages, was received in the DGP&T on 22-12-1976, it took as many as 17 days in getting the stencils (most of which were obtained from the Ministry of Finance in original roneoed, preparing sets and despatching it to the Circle Offices on 7-1-1977. The plea of a few holidays intervening and the official processing the said notification having fallen ill for some days, seems, in the Committee's view, to be an after-thought to cover up unconscionable and otherwise unexplainable delay and carelessness demonstrated by the Directorate in dealing with an important and urgent matter. The effort of the Directorate to explain away the delay to Audit after the finalisation of the Audit Para that 'all the factors combined and with the maximum effort the notification could be circulated to the Postmasters General on 7-1-1977' is not appreciable. The Committee feel that had a sense of urgency been shown in the matter, it was possible to circulate the same in 3/4 days. Failure to make alternative arrangements either by detailing the staff on holidays or assigning the work to another official in the event of the dealing official having fallen ill confirms this viewpoint. However, it is consoling to note that the Ministry of Communications, in a subsequent note, have conceded that 'this, apparently is a lapse and necessary action will be taken against the official responsible'.

It is also interesting in this connection to note that long before the receipt of the Notification of 20-12-1976 in the DGP&T, it had been referred to them at the draft stage and in fact it were they who had pointed out some deficiencies in the draft and had also suggested some important modifications including the one relating to pre-23rd July, 1974 accounts it, therefore, could not be claimed at this stage that this Notification had

taken them 'by surprise' and hence the delay in issuing it. That Ministry should have kept themselves in readiness to receive the notification any time. That it was not done is a clear lapse on their part. The DGP&T have the net-work of communication system under their control yet no one in that Department had the initiative to think of intimating the Heads of Circles/Post Masters General, telephonically/telegraphically or through wireless message about the contents or action points in brief of the Notification. The reply of the Ministry of Communications to this argument is strange still. In a note they have stated that 'the Notification dated 20-12-1976 was received in the Section in a routine manner. It was not addressed to any particular officer by name or designation with the result that it did not come to the notice of higher officers. Had it come to the notice of higher officer suitable action to intimate the substance of the Notification by telegraph/telephone to Heads of Circles would have been considered'. This indicates that such needs to be done to effect improvement in the handling of the in-coming dak in the Department so that all important and urgent papers are sorted out at a senior level for immediate attention of the next higher officers. The Secretary, Communications, has admitted in evidence that 'In this particular case it was not done, it was a mistake; it should have been done'. He has further admitted that 'there was a delay of 15 to 17 days which may be justified in case of routine matters but not in respect of an item of this nature where retrospective effect was being given. The routine treatment was not justified.'

The above is not the end of this episode. The Heads of all the 16 Circles in the country had received this Notification between 10 and 15 January, 1977. But from the data furnished to them by the Ministry of Communications in this regard, the Committee are surprised to note that it took the Circles, in turn, 4 to 60 days to circulate to this Notification to the post offices under them, the earliest having been mailed the Maharashtra Circle on 14-1-1977 and the last of all by the Karnataka Circle on 9-3-1977. Here again the Committee observe that the problem of holidays intervening, the then prevailing arrears of work in the typing and copying branches of some circles and of translation into regional language of the area, in which a particular circle is located, have been made the reasons for the delay on their part in circulating it to the post offices under them for actual implementation. The Committee are unable to accept this contention. Arrangements for regional translation did exist in each circle. Other hurdles could have been easily overcome. In the Committee's view the enormous difficulties now sought to be projected by the Ministry in this particular case should have been taken care of at the proper time. The fact of the matter is that the importance and implications of this financial order were not given proper care in the DGP&T and the lower formations under them.

The Committee note that some officials in the P&T Directorate have been held responsible for the delay in circulation of the Notification of 20-12-1976 and action against them is in progress. As regards pin pointing of responsibility for further delay in sending these orders on the part of Circle Offices, the Committee find that enquiry in some circles has been completed and the action against the delinquent officers is being taken or

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3

4

is under consideration. In some other circles, matter is still under enquiry. The Committee would urge that enquiry in all the circles should be completed early and the exact nature of action taken against those found responsible intimate to them.

17

I.100

Ministries of Commu-
nications (P&T Board)/
Finance (Deptt. of
Economic Affairs)

The Committee also find that some remedial measures have been decided upon in consultation with the Ministry of Finance and a revised procedure has been adopted for expeditious communication of notifications concerning small savings schemes to post offices with a view to ensuring that notifications reach the post offices before the Notification takes effect. Instructions are also stated to have been issued to the sections dealing with small savings schemes so as to be more cautious in bringing important communications to the notice of the higher officers immediately on receipt at the dak stage. While the Committee would like the Ministry of Finance and the DGP&T to ensure that these instructions are followed in letter and spirit at each level they would also like these Ministries to keep a periodical check through monitoring over the implementation of such financial orders so as to ensure that the instructions contained therein are being followed correctly.

18

I.101

Ministry of Commu-
nications (P & T
Board)

The Committee would also like to be informed of the outcome of the enquiries stated to have been initiated by Circle Heads into the total overpayments made beyond the dates of receipt of orders of 20-12-1976 in the post offices and the action taken as a result thereof to recover the

excess amounts from the defaulting officials in cases where recoveries from the payees would not be forthcoming.

19 1.102 -do-

Regarding regularisation of other overpayments the Committee find that this matter is under active consideration of the Ministry of Finance and is likely to be finalised shortly. The Committee would like to be informed of the details of the decision taken in this regard.

20 1.103 -do-

So far as the basic cause for loss of Rs. 28 lakhs to the Exchequer is concerned, the Committee appreciate that unlike the commercial banks which issue their instructions in simple language which is easy to follow, for Small Savings Schemes the notifications have to be issued formally, couched in legal language. Further, unlike the banks which manage their work with a smaller number of tables, numerous tables (over 100) have had to be prescribed in respect of small savings schemes for various categories of accounts even under the same scheme, to facilitate the work at the post office counters. Another factor which has complicated matters is the practice followed in the last several years of revising maturity values of existing accounts also while modifying the interest rates, etc. for Small Savings Schemes prospectively taking into account the changes in the interest rate structure announced by the Reserve Bank. Over the years, with the increasing complexity of the schemes, it has become difficult to operate them through issue of legal notifications and elaborate tables. Yet as pointed out in the instant case if sufficient care had been taken the mistakes that had occurred would have been avoided.

| 1 | 2 | 3 | 4 |
|----|-------|--|--|
| 21 | 1.104 | Ministries of Communications (P&T Board)/ Finance (Deptt. of Economic Affairs) | <p>The Committee note that learning from the past experience, the Ministry of Finance has undertaken in coordination with the Reserve Bank of India, an extensive exercise with a view to consider how best the Post Office (Recurring Deposits) Rules could be simplified which had, indeed, become quite voluminous and difficult to follow in the process of making them elaborate, so as to eliminate need for detailed interest and other calculations on the part of post-offices. The Committee further note that the officer of the Reserve Bank of India has since submitted his report on simplification of the rules on Small Savings Schemes. He is stated to have suggested unification and consolidation of the rules relating to general aspects which are common to the various schemes and also revision and simplification of the rules relating to the individual schemes. The Committee expect that in the light of the recommendations made in this report and the final report of the Study Group set up by the Ministry of Finance in May 1978 to make a comparative study of the Small Savings Schemes and the schemes of commercial banks (Para 1.18), discussions with the DGP&T and the Ministry of Law etc. over the scope for simplification of the rules must have been completed. Since the Government itself has shown its anxiety to complete this task expeditiously, the Committee hope that the process of actual simplification of each scheme must have been set in motion by now.</p> |

88

- (iii) The 750 H. P. tug which was under construction on the main-land could not be completed during the Fourth Plan period because of lock-out declared by the firm on whom order was placed by DGS&D.
- (iv) Indents for procurement of two 100-tonne barges and two pontoons were placed on DGS&D during 1970-71. These indents were not finalised by DGS&D during the year.

Items (6) to (8).—Against the total Fourth Plan outlay of Rs. 135.13 lakhs for these schemes, the expenditure incurred was Rs. 150.92 lakhs. The excess of Rs. 15.79 lakhs was made up by savings under other hands heads.

The incomplete schemes, except item (2), have spilled-over to the Fifth Plan for implementation.

[Ministry of Shipping & Transport O.M. No. SYO(II)-23/78, dated the 19th September, 1978].

ANNEXURE

| Name of Scheme | Fourth Plan Outlay | Expenditure | Remarks |
|--|--------------------|----------------|--|
| | (Rs. in lakhs) | (Rs. in lakhs) | |
| <i>Executed by A & N Administration</i> | | | |
| 1. Scheme No. 1 : Installation of Navigational aids in A & N Islands | 30·000 | 5·53) | |
| 2. Scheme No. 2 : Procurement of additional Plant and machinery | 7·730 | 0·321 | |
| 3. Scheme No. 3 : Procurement of resthouses for transit passengers at Calcutta and Madras | 4·000 | — | |
| 4. Scheme No. 4 : Improvement of Harbour facilities | 43·100 | 26·487 | |
| 5. Scheme No. 5 : Construction of Lighters and pontoons | 13·800 | 5·939 | |
| <i>Executed by Min. of Shipping and Transport (through P. E. (Marine) under CE and A ALHW.</i> | | | |
| 6. Scheme No 6 : Extension and improvement of existing jetties and construction of additional jetty at Mus (Jetties at Malacca Rangat) also survey and investigation | 4·750 | 8·505 | *excess of Rs. 15·79 |
| 7. Scheme No. 7 : Development of Phoenix Bay (Cholunga Wharf) and slipway. | 60·000 | 57·076 | 150·92* lakhs was met by savings under other |
| 8. Scheme No. 8 : Reconstruction of Chatham jetty (deep water wharf at Chatham) | 70·380 | 85·339 | heads. |

Recommendation

The Shipping Corporation of India gets a subsidy for operating the mainland-island routes as well as the inter-island routes, but there is serious and continuing neglect. 'Yojana' has alleged that the Shipping Corporation appear to care little for the needs of the Andaman and Nicobar region, because, perhaps the routes are difficult and not particularly remunerative. The Committee agree with the observation of the Estimates Committee in regard to the question of subsidy payable to the Shipping Corporation of India, the improvement in their efficiency by better utilisation of services, revision of freight rates and passenger fares and the better management of the ports and harbours in the Andaman & Nicobar region. The Committee wish that the role of the SCI in this matter is thoroughly examined and be settled by Government once for all without delay.

[S. No. 74 Para No. 4.29 of 9th Report of the PAC (6th Lok Sabha)].

Action Taken

There are two types of vessels being operated on the mainland and the inter-island routes viz. Government vessels and SCI's vessels. As regards Government vessels, full reimbursement of losses was being made to the SCI under an agreement signed between the Govt. and the SCI for operating these vessels on both the mainland as well as inter-island services. The agreement was last extended upto 31-3-1974. According to a decision taken at that time, all the Government vessels were deemed to have been transferred to the SCI from 1-4-1974 and as such no reimbursement in respect of Government vessel have been made to the Shipping Corporation of India Limited from 1-4-1974 onwards.

2. As regards SCI's own vessels, the SCI were being paid a subsidy @ 80% of the losses incurred by it on operating these vessels on both the Mainland as well as Inter-Island routes. The payment of subsidy to the SCI was discontinued under a Govt. decision *w.e.f.* 1-4-1974.

3. The SCI had been representing to Government for revival of subsidy on the ground that it continued to incur huge losses in its operation in the Andaman Sector. The matter was reconsidered by Govt. and it has been decided that the SCI may be subsidised to the extent of 80% of the losses incurred by it on the Mainland-Andaman Service, only if and when the Company is in overall losses. This decision does not cover the Inter-Island Services.

4. As regards observations made by the Estimates Committee, it may be stated that the said Committee had not made any specific recommendation regarding grant of subsidy to the SCI for running shipping services in the A&N Islands. They had only drawn the attention of the Govt. towards this issue for their consideration keeping in view the larger interest to provide dependable means of communication between the Island and the Mainland and in between Islands in the interest of integrity of the country.

5. Government had also taken a decision that the passenger fares and freight rates in the Andaman Sector be increased by 25%. The increased rates in the Andaman Sector have been given effect to from 22nd January, 1978.

6. On the recommendations of the Home Minister's Advisory Committee it has been decided to set up a high level Committee under the Chairmanship of Joint Secretary (Shipping), Ministry of Shipping and Transport, comprising two members of the Advisory Committee, a representative each of the Ministry of Home Affairs, the Chief Commissioner, Andaman and the SCI to study the various shipping problems of Andaman and Nicobar Islands and make recommendations to Government. This Committee will *inter alia* study the question of running these services efficiently.

7. The Secretaries Team which visited A&N Islands in December, 1976 had recommended that A&N Administration should take over complete operational responsibility for all the vessels engaged in the inter-island services and the SCI be released of the task with immediate effect. It further recommended that the Ministry of Shipping and Transport should bring up a paper for the phased transfer of the Mainland Island Shipping Services from SCI to a departmental agency. Necessary action in fulfilment of the Secretaries Team is under process in this Ministry.

[Ministry of Shipping & Transport O.M. No. SYO(II)-3/78, dated 30th August, 1978].

Recommendation

Although air service between Calcutta and Port Blair is more costly, it remains absolutely essential. By air, it takes some 5 hours and 30 minutes to reach Port Blair from Calcutta, as against 4 days by a ship. The figures regarding the over-all load factor during the months April to November 1975, furnished by the Ministry of Civil Aviation, indicate that the air service is quite popular. There are however two snags in this operation. The flight has to have technical halt at Rangoon because with the type of aircraft now used, it is not possible to have a straight run from Calcutta to Port Blair. This is irksome, since a technical halt at Rangoon requires the passengers to have to collect passports, health certificates and Customs clearances which are not called for in domestic flights. Secondly, on account of the meagre air port facilities at Port Blair bigger aircraft cannot at present fly to the Andamans. Thus, during the peak season many passengers have to forgo the air journey or wait in suspense for days before they can get their booking. If bigger aircraft is deployed on this route, not only can the need for a technical halt at Rangoon be avoided but also more traffic can be served by a direct flight, with more fuel capacity, from Calcutta or Madras or even Visakhapatnam. The Committee understand that the I.A.C. has already carried out a test for different short haul jet planes that can operate on this route directly from the mainland and the I.A.C. Board is expected to take a decision shortly. The Committee are, however, constrained to observe that decision in this matter has already been long delayed. Nothing clearly is known yet about whether the existing port facilities at Port Blair could be suitably expanded or a new air port needed to be built. It is urgent that decision on this subject is expedited.

[S. No. 75 Para 4.30 of 9th Report of the Public Accounts Committee (Sixth Lok Sabha)].

Action Taken

Earlier Indian Airlines were operating bi-weekly Viscount Service capable of taking 44 passengers at a time between Calcutta and Port Blair via Rangoon. From August, 1977 Indian Airlines are operating direct service bi-weekly between Calcutta and Port Blair with Boeing 737 aircraft. The capacity made available on the flights because of loan penalty is of the order of about 100 seats per flight. The traffic generated on the route has, however, not been to the expectations as the occupancy rate is about 55/60 passengers each way.

2. The existing runway which has been recently resurfaced is suitable for limited operations with Boeing 737 aircraft with soft landing tyres i.e., capable of taking about 100 passengers. The alternatives of improving the existing airport for normal Boeing 737 operations or constructing a new airport at an alterante site already selected is under active consideration of the Ministry.

[Ministry/Department of Agriculture O.M. No. 9-29/77-F.II, dated 12-7-78].

Recommendation

The Study Group of the P.A.C. had met not only the tribal people but also the ex-servicemen settled in the islands, the refugees from the former East Pakistan rehabilitated in the area and other elements from the mainland who are now an integrated part of the population of the islands. They learnt of certain grievances, for example, of Bengal settlers who had some advances given after 1951, but were finding it difficult to repay the loans on account of inability to sell the products of their agriculture to the Government store. The Committee note that in this regard in particular there is considerable relevant information in Third Report of the West Bengal Legislative Assembly's Committee on the welfare of Scheduled Castes & Scheduled Tribes (1974-76) which required perceptive examination.

[S. No. 78 Para 4.53 of the 9th Report of the PAC (6th Lok Sabha)]

Action Taken

The restriction on movement of local products such as rice and paddy have since been lifted and the settlers settled under various schemes at various places are now free to carry their products to any places within this Union Territory and have better price for their products.

Inter-island ferry services have also improved considerably and the settlers are exporting their other products such as vegetables, fruits etc. etc. to other Islands and getting standard prices for their products. These people will be more benefited in the near future when the Inter-Islands Ferry Services will improve further.

Regarding difficulties for repayment of loans now being experienced by the settlers, it may be stated here that cases of really deserving persons are under scrutiny and consideration for writing off of portion of their loan in so far as colonisation loan is concerned.

[Ministry of Home Affairs O.M. No. U-16016/4/77-ANL dated the 3rd August, 1978].

Recommendation

The Study Group reported also some disquieting information to the effect that in some cases allottees of land did not themselves actually cultivate, but had the job done through what is known as Ranchi labour. This should be thoroughly looked into and in no case should encouragement be given to what may develop into the pernicious system of absentee land-lordism. In view of the enormous and untapped economic resources of the Andaman and Nicobar Islands it is necessary, no doubt, to utilise the presence of migrants from the mainland as well as the Indians already settled in the region, and ensure the kind of economic development which will bring benefit to the islands as well as to the entire country. The Committee urge, however, that every precaution should continue strictly to be taken to ensure that the human and the ecological angle is constantly kept in view and that in the name of so-called economic progress the uniqueness of the region is not jeopardized.

[S. No. 79 Para 4.54 of the 9th Report of the PAC (6th Lok Sabha)].

Action Taken

It is a fact that there are some cultivators who do not cultivate their land but give their lands to sub-tenants annually on share basis. But the number of such cases in this Union Territory is very negligible. There are adequate provisions in the A & N Land Revenue and Land Reforms Regulation, 1966 and Rules framed thereunder to tackle such cases. The Revenue Officers right from the level of Patwari up to the Sub-Divisional Officer are alert in this regard and they are taking action against all such cultivators under the provisions of the Regulation and the Rules. As a result of such action, the number of such cultivators who sub-let steadily declining.

[Ministry of Home Affairs O.M.No.U-16016/4/77-ANL dated the 3rd August, 1978].

Recommendation

The Estimates Committee of Lok Sabha in their 128th Report, more than 5 years ago, recommended that the dilapidated condition of the Cellular Jail should be improved and it should be maintained as a national monument. The Committee regret that progress in this direction has been far from satisfactory and the Cellular Jail building still continues even to house various offices and stores, and was partly being used as a Jail for ordinary prisoners. It is preposterous that what is virtually a national monument, cherished as a shrine of our freedom struggle should be used in such unworthy fashion. The Committee urge that the country's desire for a national memorial at the Cellular Jail should be soon fulfilled and no part of the structures where our patriots languished for years should be tampered with or utilised unimaginatively. There should also be, as often demanded by public opinion, a correct and adequately respectful display of the names of freedom fighters who had served their term in the Cellular Jail. The estimates Committee of Lok Sabha was told in 1973 that the Government had collected full information about the relevant names. It is unfortunate that it has not been possible so far for Government to display accurately that scroll of national honour in an appropriate place. The Study Group of the P.A.C. noticed inaccuracies in regard to some names

and also the States to which they belonged. The Committee trust that it would be possible for Government to make amends in this matter without delay.

[S. No. 81 Para 4.73 of the 9th Report of the PAC (6th Lok Sabha)].

Action Taken

The latest position with regard to vacation of various wings of the Cellular Jail at Port Blair is indicated in the succeeding paragraphs.

Wing No. 1. At present the District Jail is housed in this wing. In order to vacate this wing, a new jail will have to be constructed. The Andaman and Nicobar Administration have drawn up a scheme for construction of a new jail complex at an estimated cost, i.e. Rs. 70-75 lakhs which is considered to be high. The Ministry of Works and Housing have desired some more information which is being collected from the Andaman and Nicobar Administration.

Wing No. 6. This wing is presently being used as residential accommodation for bachelor or single officials. A new building for the above purpose is expected to be ready by the end of 1978 and this wing will be vacated.

Wing No. 7 and Entrance Block. This wing is occupied by the Medical Department who have kept medical stores, registers, forms, stationery etc. in it. In view of the dearth of space in the store block of the newly constructed medical complex, it has not been possible to shift the medical stores etc. from this wing. However, the Andaman and Nicobar Administration are further examining the manner in which this wing can be vacated.

Three jail warders are living with their families in the Entrance Block of the Jail. It has been decided to shift them to the Old Isolation Ward building which is presently occupied by the CRPF personnel. As soon as the Andaman and Nicobar Administration are able to find suitable accommodation for the CRPF personnel the three Jail Warders and their families would shift to the Old Isolation Ward building thereby vacating the Entrance Block.

The list of names of the Freedom Fighters has been finalised by the Andaman and Nicobar Administration in consultation with the Freedom Fighters fraternity Circle, Calcutta. The names of Freedom Fighters as finally approved have been inscribed on 30 marble plaques of size 7' in length and 3'-6" width. These will be installed in the Cellular Jail.

[Ministry of Home Affairs O.M.No. U-16016/4/77-ANL dated 3rd August, 1978].

CHAPTER IV

RECOMMENDATIONS/OBSERVATION REPLIES TO WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Recommendation

The Committee stress that care should invariably be taken not to encroach on the land traditionally occupied by the tribes nor to interfere in forest which are the source of their livelihood. There is plenty of room in the Andamans for developmental work to be undertaken without unduly disturbing the tribals in their natural habitat. It would only be by means of patient and truly sympathetic dealing with them that they can be won over to the idea of coming to terms with what we normally call 'civilization'. In this task, the Committee are of the view that Government should, by a special effort, enlist the cooperation of dedicated social worker ready to brave exacting conditions of life and work. One laudable case of such cooperation has come to the Committee's knowledge, but the task requires a team of the right type of persons who would go to the islands and live and work in a truly missionary spirit.

[S.No. 6 Para 2.55 of the 9th Report of the Public Accounts Committee (6th Lok Sabha)].

Action taken

No one is allowed encroach on and in tribal areas. The interest of the tribals in land and trade are fully protected under the A & N Islands (Protection of Aboriginal Tribes) Regulation, 1956. Whenever any plot of land in the tribal area is required for unavoidable administrative purposes, tribals are consulted, and in case of primitive tribes, the Administration takes careful decision.

There are two tribal settlements of the primitive tribes in the islands. These are known as Great Andamanese Settlement in Strait Island and Onges Settlement at Dugong Creek in Little Andaman.

At Great Andamanese Settlement in Strait Island there is only one Social Worker to look after the Great Andamanese tribe. The wife of this social worker is working as a part-time instructor in the Balwadi running in the settlement for the benefit of Andamanese children. The Social Worker belongs to Bhartiya Adim Jati Sevak Sangh. A livestock attendant is posted to the Great Andamanese Settlement to look after the rearing of pigs, cows etc.

At Onges Settlement at Dugong Creek in Little Andaman, two teams are provided. One team consists of Senior Social Executive, Social Worker-cum-Teacher and their Assistants. The team looks after Onges multi-purpose cooperative society and other works connected with the welfare of the Onge tribals. Senior Social Executive and Social Worker are not in

position now. Action is being taken to fill these posts. The other team posted to Dugong Creek is a Medical Team. It consists of a Doctor, a Staff Nurse and a Ward Attendant. Staff Nurse is no longer in service. The doctor is being assisted presently by a Senior Male Nurse of Medical Department.

[M.H.A. O.M.No. 14014/2/78-TD 15th September, 1978].

Recommendation

The Committee find that not only for the tribal population but for all who reside in the region, the communications problem is acute. The several hundred islands have perennial sea roads but very few vessels to ensure communication. A well thought out instrument on varied forms of shipping seems urgently called for. The Committee Study Group saw for instance a village where there was just one compounder and any one falling gravely ill had to be taken to Port Blair two or three days journey away, and in the case of the tribals there was the further trouble that, even if willing for transportation, they might not get accommodation in the steamers plying. In spite of the Estimates Committee in their latest report asking for an Extension Centre to be set up in the islands by the All India Institute of Medical Sciences, all that the Public Accounts Committee could elicit was that in Little Andamans there is one doctor and a compounder and that a lady medical officer has also been posted. The Rehabilitation Departments' proposal to set up a 30 bed hospital and in due course a chain of dispensaries one catering to every 200 families awaits sanction. The Committee urge that these and all possible ameliorative scheme should be implemented without delay.

[S. No. 9 Para 2.58 of the 9th Report of the P.A.C. (6th Lok Sabha)].

Action Taken

Under the Medical & Health Department of Andaman & Nicobar Administration there are at present 11 Hospitals, 62 Dispensaries (including one Homoco Dispensary) and 2 Primary Health Centres spread over different islands. Facilities for specialised treatments are available only in the G.B. Pant Hospital, Port Blair as the Andaman and Nicobar Administration have only one specialist in various branches other than surgery. The second surgeon however has been posted at Car Nicobar and is also visiting other islands to extend specialist services.

To overcome the difficulty for transportation of patients from the tribal areas and to provide better medical facilities, the proposal for a hospital-cum-banking-cum-supply ship has been agreed to by the Planning Commission. A total outlay of Rs.89.9 lakhs has been approved for the scheme for 1978—83 with provision of Rs. 12.75 lakhs for 1978-79. This would also enable frequent movement of specialists to various islands. With the acquisition of this ship medical facilities would also be extended even to those islands which have very thin population and where regular dispensaries cannot be established.

At present there are two medical dispensaries in R. K. Puram and Vivekanandapur in Little Andaman. These dispensaries cater to the needs of all the settlers settled in the villages. In addition to this there is another

dispensary managed by a Medical Officer at Hut Bay. Serious patients can be brought from the villages to this dispensary by departmental jeep or by the State Transport Bus. There is also a proposal to open a 30 bed hospital at Hut Bay (Little Andaman).

As regards setting up of an extension centre by All India Institute of Medical Sciences, the Andaman and Nicobar Administration have taken up the matter with them.

[M.H.A. O.M.No.U-16016/4/77-ANL dated the 15th September, 1978.]

Recommendation

The Committee find that not only for the tribal population but for all who reside in the region, the communications problem is acute. The several hundred islands have perennial sea roads but very few vessels to ensure communication. A well thought out instrument on varied forms of the shipping seems urgently called for. The Committee Study Group saw for instance a village where there was just one compounder and any one falling gravely ill had to be taken to Port Blair two or three days journey away, and in the case of the tribals there was the further trouble that, even if willing for transportation, they might not get accommodation in the steamers plying. In spite of the Estimates Committee in their latest report asking for an Extension Centre to be set up in the islands by the All India Institute of Medical Sciences, all that the Public Accounts Committee could elicit was that in Little Andamans there is one doctor and a compounder and that a lady medical officer has also been posted. The Rehabilitation Departments proposal to set up a 30 bed hospital and in due course a chain of dispensaries one catering to every 200 families awaits sanction. The Committee urge that these and all possible ameliorative schemes should be implemented, without delay.

[S.No. 9 Para 2.58 of 9th Report of the Public Accounts Committee (Sixth Lok Sabha)].

Action taken by the Ministry of Shipping and Transport

The Shipping problems of Andaman were also discussed in the meeting of the Home Minister's Advisory Committee held on 27-2-78. It was decided that Ministry of Shipping and Transport should set up a Committee comprising *inter-alia* of two members of the Home Minister's Advisory Committee, a representative of the Ministry of Home Affairs and a representative of the Chief Commissioner, Andaman to study the various shipping problems of Andaman and Nicobar Islands and to make up their recommendations. Necessary action to set up the Committee is being taken by this Ministry. The said Committee will take into account the requirements of this recommendation.

[Ministry/Department of Agriculture O.M. No. 9-29/77-F.II dated 12-7-78].

Recommendation

The Nicobarese are from all accounts comparatively advanced and development blocks are said to be functioning well at Car Nicobar and

Nancowary, with special stress on the improvement of agriculture and animal husbandry. Demonstrations on improved methods of raising coconut and arecanut in plantations are known to have been held. For stepping up housing facilities, building materials have been supplied to the Nicobarese at Port Blair rates. The Committee have learnt also of improved poultry practices introduced there. However, this apparently pleasant picture is disturbed by the fact of economic exploitation which has been commented upon by the Estimate Committee (para 4.85 of 87th Report, 5th Lok Sabha) and will be discussed later in this report also.

[S.No. 11 Para 2.60 of the 9th Report of the Public Accounts Committee (6th Lok Sabha)].

Action Taken

Please see Government's reply under recommendation No. 80*—para 4.61."

[M.H.A. O.M. No. 14014/2/78-TD dated the 15th September, 1978]

Action Taken by Department of Culture

It is true that in the first half of the present century, the Nicobarese were economically exploited by the traders who used to give credits to the tribals and did not press for speedy recovery. Exchanges on credit amounted to enormous indebtedness compelling many a Nicobarese to work for the traders without remuneration. Many of the Nicobarese remained in perpetual indebtedness. The position has changed since then. There are at present two co-operative societies, one in Car Nicobar Island and the other in Nicobar Island, which purchase copra and betel-nut from the tribals at approved rates. The scope of economic exploitation of the Nicobarese by traders has, therefore, been minimised. The Anthropological Survey of India has no empirical data on the economic exploitation of the present-day Nicobarese. An area study of the Nicobar Islands is, however, in progress and the information, that is being collected, is likely to throw further light on this problem.

[Department of Culture O.M. No. G.25015/2/77/1F.4 dated 19-8-78]

Recommendation

The Public Accounts Committee share the anxiety of the Estimates Committee on this score. The Committee's Study Group have also reported their unhappiness at the hierarchical authority (through the system of 'captains') reportedly exercised by certain Nicobarese leaders and the power they have over the entire tribe, power now augmented by their grip also over the amenities introduced, by the administration. The Nicobarese are a hardy, gifted people who are an asset to the entire country and must not continue to live under such undesirable constraints. The Committee are of the view that in the context of the country's present-day aspirations for rapid development, special attention should be directed towards an understanding of the socio-economic situation of the Nicobar islands and a fuller utilization of their potentialities.

[S. No. 12 Para 2.61 of the 9th Report of the Public Accounts Committee (6th Lok Sabha)].

*Pl. See Chapter II.

Action Taken

Every Nicobarese village has a headman who is called Captain of the village. Captains are traditional headmen. They are elected by their villagers. The election is tradition based. Generally sons and daughters of Captains are elected to succeed their parents. The tradition is working well. The Captain is the leader of the village community, he commands great respect from the village folk. No doubt, he consults village elders for taking any decision in respect of his village but his will may prevail upon the rest of the village community.

How long this system will continue cannot be foretold. It will change with the spread of education among the Nicobarese.

However, as indicated earlier, Government policy is that we will not interfere with the way of life of the tribal people. The headman is their institution and it will be better to allow the Nicobarese to operate upon it is as long as they wish to.

In the Andamans group of islands, elections to panchayats are held under the Andaman & Nicobar Islands Gram Panchayat Regulation, 1961. Pradhans are elected from among elected members of gram panchayat.

[M.H.A. O.M. No. 14014/2/78-TD, dated the 15th September, 1978].

Action taken by Department of Culture

In the Nicobar village organisation, headman (Captains) play very useful and important roles. It would not be desirable to curb drastically their authority or activities without first having a close look into the matter. Action can be taken only after obtaining first-hand information through field investigation in the Nicobarese villages. The Anthropological Survey of India is engaged in conducting an investigation in the Nicobar Islands which is likely to yield information that may throw light on this problem. The report is expected to be available by the end of 1978.

Recommendation

An important aspects of tribal welfare is the problem of educational and social needs. A worker of Bharatiya Adimjati Sewak Sangh is said for some years to have been living and working among the Andamanese in Strait Islands. Plans for the construction of living quarters for some 30 families, a community hall, maternity and Women's Centres, are proposed to be undertaken. A 'Balwadi' has been started for the Onge children. The Estimates Committee in their 43rd Report had recommended that social Service organisations of proven merit, and genuinely dedicated to the cause of tribals, might be persuaded to take part in welfare work in the Islands. That Committee, after observing that nothing had been done on such lines over the years, had, in their 87th Report (1975-76) urged Government to approach organisations like the Ramakrishna Mission again without delay. The Committee feel strongly the imperative necessity of getting a truly devoted band of social workers recruited from the youth of India to work among the tribals and help them to cooperate in evolving a new free life for themselves. The so-called hostile tribes should also be gradually brought within the purview of such work. The committee have every hope that given the will such noble and necessary tasks can well be undertaken by our people.

[S. No. 13 Para 2.62 of the 9th Report of the Public Accounts Committee (6th Lok Sabha)].

Action Taken

We have already commented on this in earlier paras. Dedicated Social and Medical Workers have been recruited from main land and they are posted to tribal settlements for training the tribals in settled way of life.

Applications were invited by the Andaman Adim Janjati Vikas Samiti from among eligible persons both in the mainland and in the islands for appointment as social workers, medical workers etc. Their cases were thoroughly examined and screened by the Samiti and then selected people were appointed under the Samiti to work among the Onges in Little Andaman.

While medical workers were given medical side of the work to look after the Onges, social workers were engaged on training the Onges in personal and public hygiene imparting simple lessons in games, as also in primary agriculture, stitching etc. The Senior Social Executive also looks after a co-operative meant for Onges. A Social Worker of the BAJSS Unit is working among the Great Andamanese at their settlement in Strait Island. He is looking after their cooperative, food supply etc. He is training them in kitchen gardening and plantations. He is also running a Balwadi at the Great Andamanese Settlement for the benefit of the Andamanese children.

(M.H.A. O.M. No. 14014/2/78-TD dated the 15th September, 1978)

Recommendation

An important aspect of tribale welfare is the problem of educational and social needs. A worker of Bharatiya Adimjati Sevak Sangh is said for some years to have been living and working among the Andamanese in Strait Islands. Plans for the construction of living quarters for some 30 families as community hall, maternity and Women's Centres, are proposed to be undertaken. A 'Balwadi' has been started for the Onge children. The Estimates Committee in their 43rd Report had recommended that social services organisations of proven merit and genuinal dedicated to the cause of tribals, might be persuaded to take part in welfare work in the Islands. That Co.mnittee, after observing that nothing had been done on such lines over the years, had, in their 87th Report (1975-76) urged Government to approach organisations like the Ramkrishan Mission again without delay. The Committee feel strongly the imperative necessity of getting a truly devoted band of social workers recruited from the youth of India to work among the tribal and help them to cooperate in evolving a new free life for themselves. The so-called hostile tribes should also be gradually brought within the purview of such work. The Committee have every hope that given the will such noble and necessary tasks can well be undertaken by our people.

[P.A.C. Recommendation No. 13 (Para 2.62) PAC (1977-78) Sixth Lok Sabha, Ninth Report-Ministry of Agriculture and Irrigation].

Action taken by the Department of Social Welfare

The Department of Social Welfare is implementing the following two schemes : which may help in achieving the objective underlying in the recommendation :

- (i) Welfare of Children in need of Care & Protection and Foster Care Services;

- (ii) Welfare of Women and Children and handicapped persons belonging to all communities *i.e.* Socio-economic, condense course of education for adult women, and general grant-in-aid.

2. Under scheme No. (i) the Department gives financial assistance to the State Government/Union Territories for disbursement to Voluntary organisations interested in starting services for children. The organisations have to apply for financial assistance in the prescribed proforma through the State Government/Union Territory Administrations for grant-in-aid to be given for the purpose.

3. The Andaman and Nicobar Island Admn. has been requested from time to time to forward proposals from voluntary organisation but despite these efforts only one organisation *viz.* "Seva Niketan" has come forward to implement the scheme for welfare of children in the Andaman and Nicobar Islands. This institution is receiving maintenance grant for 45 children. The Fifth plan ceiling fixed for Andaman and Nicobar Islands was 425 children, against which only 45 children have been covered till now. The Andaman and Nicobar Administration has again been addressed in June 1978 to forward proposals, duly recommended, of voluntary organisations covering not only the ceiling in terms of the number of the beneficiaries fixed for the current year but also the unfilled quota in respect of the Fifth Plan period.

4. As regards scheme No. (ii) above, 80 voluntary institutions in the Islands were given grant amounting to Rs. 5,46,950/- by the Central Social Welfare Board during 1977-78 for implementing the programme of socio-economic condensed courses of education for adult women and general grant-in-aid. These programmes have necessarily contributed to the welfare of Scheduled Tribes inhabited in Andaman and Nicobar Islands. The programmes of the Board, though meant to cover women, children and handicapped persons in all communities, cater to the needs of Scheduled Tribes also.

[Ministry of Education & Social Welfare, Department of Social Welfare O.M. No. 25015/1/77-IF dated 15 July, 1978].

Action taken by Department of Culture

The Andaman Adim Janjati Vikas Samiti took up important Welfare activities during the period from April 1976 to March 1978. The Samiti has acquired a vessel for interisland movements for tribal welfare work. Plantation-cum-orchards were raised in the Dugong Creek and South Bay areas of Little Andaman Island and also in Strait Island under the supervision of the Samiti. It has purchased a generator and has built up a shed in Dugong Creek for the generator for producing electricity. The Co-operative Society for Strait Island is functioning under the supervision of the Samiti. A Community hall has been constructed in Strait Island, and another such hall has also been built in the Onge settlement in the Dugong Creek area of Little Andaman Island. Educational programme for the tribal children has been taken up. A team of social and medical workers are engaged in tribal welfare work in Little Andaman Island

[Department of Culture O.M. No. G-25015/2/77-IF.4 dated 19-8-78].

Recommendation

It, of course, the quality of logs fed into the mills is poor the percentage of wastage is bound to increase. But the Committee cannot appreciate why measures have not been taken to improve the quality of logs in spite of precise suggestions to that effect made in 1972 by the Cost Accounts Officer. As for the outmoded nature of the equipment, the Committee would blame the Forest Department itself for not pursuing the replacement programme vigorously and in time. The Study Group of the Committee visiting the Chatham mills have gathered an unhappy but positive impression that the mill was being simply mismanaged. The Committee, would therefore re-emphasise their earlier observation in the 96th Report (Fourth Lok Sabha) that Government should take immediate steps to tone up the supervision at the operational levels and rationalise the scale of operations by installing upto-date equipment and adopting better management and other techniques.

[S. No. 31 Para 3.118 of 9th Report of Public Accounts Committee (6th Lok Sabha)].

Action Taken

The Public Accounts Committee's remarks requiring Government to take immediate steps to tone up the supervision at the operational levels and rationalise the scale of operations by installing upto-date equipment to minimise wastage would certainly be borne in mind by this Department and suitable action would be taken wherever necessary.

[Ministry/Department of Agriculture O.M. No. 9-29/77-F.II dated 12-7-78].

Recommendation

The Committee regret that the programme for conversion of circular saw at both the mills with indigenous band saws has not made any headway. It was as early as March, 1970 that the Inspector General of Forests himself suggested that Circular saws in the mills should be replaced early by indigenous band saws. In June, 1973, the Ministry informed Audit that important items like break-down units and other valuable parts were still required to be imported, and as such the implementation of the proposal would take quite some time longer. The Committee were, however, informed by the Department that though the order was placed in 1973 the supplier could not supply the machine by 31st July, 1975 and to make the position worse, the date for the supply had been further extended. As far as Betapur Mill was concerned, it was a small mill and catered mostly to the local requirements. The Committee were assured in a note that the Department was being asked to expedite replacement of these circular saws at Betapur and effect overall improvement. However, there has been already a lot of avoidable delay in completing modernisation of the Chatham Mill. In the Committee's views if these mills are to function as economically viable units, urgent steps must be taken to modernise the mills and replace the existing old and obsolete equipment. The Committee would also stress that simultaneous steps should be taken to modernise and upgrade the management of the Chatham Mill which happens to be "the

largest single industrial unit in these islands and is also one of the largest of its kind".

[S. No. 33 Para 3.120 of 9th Report of Public Accounts Committee (6th Lok Sabha)].

Action Taken

In Chatham Saw Mill, a 54" Band Saw Mill of indigenous make has been installed in February, 1977 and the Mill is working satisfactorily. Quotations for purchase of a modern and sophisticated 72-inch Band Mill from abroad have been finalised and the Ministry of Agriculture and Irrigation has been approached to release foreign exchange *vide* Administration letter No. 41/76-77/1964 dated 30-11-1977.

The Public Accounts Committee's remarks requiring Government to take steps to modernise and upgrade the management of the Chatham Saw Mill and to replace the existing old and obsolete equipment would be borne in mind by this Department and suitable action would be taken wherever and whenever necessary.

[Ministry/Department of Agriculture O.M. No. 9-29/77-F.II dated 12-7-78].

Recommendation

The Committee note that the then Ministry of Commerce and Industry decided in July 1951 to supply plylogs from the Andaman Forests to the members of the Plywood Manufacturers Association of India and the Plywood Manufacturers Association of West Bengal on the basis of quotas fixed by the Ministry of Agriculture. The supply continued to be made till 1967. No agreement in this regard, was entered into either with the Associations or the individual members, and the Ministry is unable even to find out the reasons, why it had been decided that no agreement was called for.

[S. No. 38 Para 3.189 of 9th Report of Public Accounts Committee (Sixth Lok Sabha)].

Action Taken

No comments except that the interest of Government was fully safeguarded to the extent of the security Deposit collected in the form of G.P. Notes.

(Ministry/Department of Agriculture O.M. No. 9-29/77-F.II dated 12-7-78).

Recommendation

3.190 Although the Plywood Manufacturers Association of India and the Plywood Manufacturers of West Bengal were required to deposit the sum of Rs. 20,000 and Rs. 5,000 respectively for each member as security deposit, the amount was accepted directly from the member. In one case, a sum of Rs. 15,000 instead of Rs. 20,000 was accepted. A sum of Rs. 1.54 lakhs thus was out standing from different members at the time

when the scheme of supply to the members was discontinued *i.e.* in 1968 the Department informed Audit that the possibility of adjusting the total security deposits against the amount due from some members of the Association was under consideration. In June 1973 the Ministry informed Audit in more definitive terms that the outstanding amount would be adjusted against the security amount deposited by all the members taken together. This expectation, however has been foiled. In reply to a specific query, the Committee have now been informed that as the members had furnished the security deposit in their individual names and not in the name of the Association, it was not possible to recover the dues of one member from the security deposit of another members.

3.193, The Committee are constrained to observe that they are not happy over the casual manner in which replies are given to important points raised by Audit. They would strongly recommend that the circumstances in which Audit was wrongly informed in 1973 about the adjustment of outstanding dues from the security deposits of all the members taken together (when this was not possible), should be investigated and responsibility fixed.

[S.No. 39 and 42, Paras 3.190 and 3.193 of 9th Report of the Public Accounts Committee (Sixth Lok Sabha)].

Action Taken

Though security Deposit was collected from individual members, it was considered that the entire amount could be adjusted against the amounts due from some members. Audit was informed accordingly in 1969. Before such adjustment action was taken, legal opinion was obtained in May, 1973 and it was opined that the outstanding amount could not be recovered by adjustment from the Security Deposit furnished by individual members for the dues payable by other members of the Association.

[Ministry, Department of Agriculture O.M. No. 9-29 77-F.II dated 12-7-78].

Recommendation

The Committee regret the absence of any formal agreement with the carriers, with the result that responsibility in the matter of recovery of the value of logs and sawn timber shortlanded is a point of dispute. This is yet another instance where the Andaman Forest Department entered into an arrangement with a party without formal agreement. The Committee would like Government to investigate why such lapses occurred and to remedy the situation.

[S. No. 45 Para 3.196 of 9th Report of Public Accounts Committee (Sixth Lok Sabha)].

Action Taken

By mutual arrangement between the Forest Department and Shipping Corporation of India, Port Blair Branch, timber carrying vessels are placed at the disposal of the Forest Department at periodical intervals as

agreed to, as far as practicable by them. Timber is loaded by the department against which a bill of lading is issued by the Shipping Corporation. This system is working quite satisfactorily and the timber shortages are also reduced to the minimum as a consequence of several corrective steps taken both by Forest Department and the Shipping Corporation.

As recommended by the Public Accounts Committee, action has been taken with the Shipping Corporation of India with regard to formal agreement and their comments are awaited.

(Ministry/Department of Agriculture O.M. No. 9-29/77-F.II dated 12-7-78).

Recommendation

The Committee regret that the quantity actually despatched during 1969-70 to 1972-73 has been consistently below the annual target fixed for the despatch of timber to the mainland. The shortfall has been attributed by the Forest Department to non-provisioning of special loaders by the Shipping Corporation of India.

The difficulties in achieving the targets of export of timber to the mainland were considered by the Public Accounts Committee in para 1.1—1.7 of their 74th Report (4th Lok Sabha—April, 1969). The Committee had emphasised that (i) the requirements for additional ships should be carefully assessed and the fleet for transport of timber augmented and (ii) the existing shipping space should be fully and adequately used and frequency of trips improved by minimising delays in loading and unloading operation.

In November/December 1969, the Ministry of Agriculture informed the Public Accounts Committee that while one of the existing passenger-*cum*-cargo vessels viz., "M. V. Nicobar" had been converted into a cargo vessel, a special timber carrier "M. V. Shompen" had been put to service from February, 1968 to meet the special needs of timber/log shipments from the Islands to the mainland. An additional passenger-*cum*-cargo vessel "State of Bombay" had also been introduced in the mainland island service from June 1967. Regarding the utilisation of existing shipping space, it was stated that the construction of two permanent jetties at Haddo and Chatham was expected to be completed by 1972. A wharf in Phoncix Bay was also planned to be completed by 1972-73 and with these facilities, it was expected that the harbour facilities and the utilisation of existing shipping facilities would improve. The Committee, however, regret to note from the figures of the targets of export and the quantity actually exported that there was shortfall in the quantities exported during 1969-70 to 1972-73.

As regards the failure to convert "M. V. Nicobar" into a full cargo ship due to small hatch opening and limited derrick capacity, the Committee are constrained to point out that in reply to their earlier recommendations on the subject, the Ministry had not placed the correct facts before them in 1969 in regard to "M. V. Nicobar" being used for transporting timber logs to the mainland after its conversion into a cargo ship. Audit has pointed out that the two vessels made available by the Shipping Corporation of India, in addition to "M. V. Nicobar" and "M. V. Shompen", were also not capable of carrying timber logs because of small opening and the hatch and derricking. The Committee deplore the desultory to manner in which the problem

of shipping facilities has been dealt with by the Forest Department. It is surprising that it was not before 1973 that the Ministry of Transport and Shipping made a detailed study of the problems faced in the export of timber to the mainland. Efforts, it is learnt, are still being made to procure an additional timber carrier. The Committee would like a more earnest approach of Government in the matter and better expedition in work.

The Committee stress strongly the urgent need for augmenting shipping facilities so that the entire targetted quantity of timber can be sent efficiently to the mainland. It is relevant in this connection to recall that the representative of the Forest Department had admitted before the Public Accounts Committee in 1969 that it was more remunerative selling timber in the mainland market. The Cost Accounts Officer had also clearly expressed the view that it was advantageous to sell the timber in the shape of logs rather than in the shape of sawn timber for which increase in shipping facility was essential.

[S. Nos. 47 to 51. Paras 3.198 to 3.202 of 9th Report of the Public Accounts Committee (Sixth Lok Sabha)].

Action Taken

The annual targets for the despatch of timber to the mainland and the quantity actually sent during 1971-72 to 1976-77 are shown below :

| Year | (Figures in Cubic Metres) | | |
|---------|---------------------------|---------------------|-----------|
| | Despatch Target | Quantity despatched | Shortfall |
| 1971-72 | 28,500 | 24,771 | 3,729 |
| 1972 | 31,000 | 24,468 | 6,532 |
| 1973 | 32,500 | 26,834 | 5,666 |
| 1974 | 32,500 | 28,511 | 3,989 |
| 1975-76 | 34,000 | 30,043 | 3,957 |
| 1976-77 | 47,500 | 39,508 | 7,992 |

It would be seen from the above that the total quantity shipped to mainland from the Islands rose from 24771 Cubic Metres in 1971-72 to 39,508 O.M. in 1976-77, thereby registering a percentage increase of 59.49. The targets of shipment were increased as may be seen from the above Table keeping in view the provisioning of timber carrying vessels regularly as agreed to by the Shipping Corporation. The vessel "M. V. Shompen" made only 9 trips during each of the year 1975-76 and 1976-77 against the provision of 12 trips during 1975-76 and 1976-77 respectively. No loader was made available by the Shipping Corporation of India during the period Mid-April, 1975 to Mid-August 1975. Non provisioning of vessels continue to be the main factor contributing to the shortfall in shipments of timber. The matter of augmenting Shipping facilities is always pursued vigorously with Shipping Corporation of India by the Andaman Forest Department.

The Forest Department is aware that it is remunerative to sell round logs in the mainland markets and accordingly the shipment of logs has progressively increased from year to year as can be seen from the Table below :

(Figures in Cubic Metres)

| Year | Quantity of log and Sawn timber shipped | Quantity of Round logs. | Percentage of logs shipped on the total quantity shipped |
|-----------------|---|-------------------------|--|
| 1973-74 | 26,834 | 20,951 | 78.08 |
| 1974-75 | 28,511 | 21,769 | 76.35 |
| 1975-76 | 30,043 | 25,212 | 83.92 |
| 1976-77 | 39,508 | 35,950 | 91.00 |

From the above it will be seen that the quantities of logs shipped during the years from 1973-74 to 1976-77 rose from 20,951 to 35,950.

[Ministry/Department of Agriculture O.M. No. 9-29/77-F.II dated 12-7-1978].

Action Taken by the Ministry of Shipping and Transport (Recommendation No. 50)

The observations made by the PAC in its Report is on the basis of positions capacity viz. M. V. 'Diglipur' obtained and put on this service. Thus 'Nicobar' has been scrapped (in 1974) and a new timber carrier of 5000 tons capacity viz. M.V. 'Diglipur' obtained and put on this service. Thus there are at present 2 cargo vessels viz. M.V. 'Shompen' of 3500 tons capacity and M.V. 'Diglipur' of 5000 tons capacity operating on Mainland Andaman Sector.

[Ministry of Shipping and Transport O.M. No. SYO(II)-3 78 dated the 10th August, 1978].

Action Taken by the Ministry of Shipping & Transport (Recommendation No. 51)

As already stated in reply to the earlier recommendation (No. 50), the position has since changed. M.V. 'Nicobar' was scrapped in 1974 and a new timber carrier M.V. 'Diglipur' of 5,000 tons capacity has been put on this service. After the introduction of 'Diglipur' available timber and timber products have been carried without any difficulty. Even the available shipping space on this vessel is not always fully utilised at times.

[Ministry/Department of Agriculture. O.M. No. 9-29/77-F.II dated 12-7-78].

Recommendation

It is disturbing that out of 2 tractors (against 5 purchased from the Department of Rehabilitation and declared uneconomical for further use) one tractor did not work at all since the very date of its purchase *i.e.*, from

January 1966 to July 1973 and the other tractor worked for only 958 hours and that too after major repairs. The third tractor which also did not work at all is being technically surveyed. It is strange that before transferring such old and unserviceable tractors neither the Department of Rehabilitation nor the Ministry of Finance cared to consult the Ministry of Agriculture and the misgivings reported to have been expressed by the Andaman Forest Department were ignored. What is even more surprising is the fact that the terms of this transaction were not spelt out in advance, with the result that a clear discussion was not available as to whether the Forest Department was to pay hire charges on book value. It was only in May, 1968 that a debit against the Andaman Forest Department for the book value and transport cost was raised. The Committee feel that Government should not somewhat carelessly have saddled the Forest Department with tractors which were both old and unserviceable. The Committee recommend that responsibility should be fixed for this unpleasant transaction.

[S. No. 57 Para 3.224 of 9th Report of the Public Accounts Committee
(Sixth Lok Sabha)].

Action Taken

The purchase of the two tractors from the Rehabilitation Department which have not worked at all was made pursuant to the decision of Government of India in the Ministry of Rehabilitation and the Ministry of Finance and Andaman Forest Department which objected to the transfer of the two tractors is, therefore, not responsible for the transaction.

[Ministry Department of Agriculture O.M. No. 9-29 77-F.II dated
12-7-1978].

Recommendation

The Committee regret that having entered into an agreement, Government did not take proper steps to ensure its implementation by the private firm. On Government's own admission, the said firm could not accept the timber-extraction target right from the outset, on account of their own shortcomings like financial instability and lack of adequate equipment. Government, however, never thought of any drastic action till 1961 when the defaulting firm chose to go in for arbitration. On the other hand, even supplemental agreements were entered into successively with the firm on 6-10-1953, 20-10-1956 and 23-4-1958. The agreement was not terminated till December 1968 i.e. after a period of more than 17 years, although there was provision for its termination in the event of failure on the part of the firm to pay its dues within a period of 12 months. The Committee would like Government to ascertain whether there were any tenable reasons for allowing an unduly long time to the firm to fulfil their contractual obligations in spite of their repeated failures and sorry experience of arbitration proceedings. This is necessary for not only punishing those at fault in this case but also for taking remedial measures to ensure that such default does not recur.

[S. No. 64 Para 3.269 of 9th Report of the Public Accounts Committee
(Sixth Lok Sabha)].

Action Taken

From this office records it has not been possible to ascertain whether there were any tenable reasons for allowing an unduly long time to the firm to fulfil their contractual obligations, especially in view of the fact that the agreement with the firm was entered into over two decades ago. However, remedial measures have been taken so that such default does not recur in future.

[Ministry/Department of Agriculture. O.M. No. 9—29/77-F.II dated 12-7-1978].

Recommendation

The Committee are of the view that if timely action had been taken to terminate the contract as soon as failure were noticed on the part of the private firm, huge amounts would not have accumulated against them and the possibility of the departmental working of these forests could have been considered. This delay has proved very costly in as much as Government have not been able to realise adequate revenue even on the timber actually extracted by the private firm not to speak of other benefits provided for in the agreement in the form of royalty on shortfall in extraction.

[S. No. 65 Para 3.270 of 9th Report of the Public Accounts Committee (Sixth Lok Sabha)].

Action Taken

Please see reply against item No. 3.269.

[Ministry/Department of Agriculture. O.M. No. 9—29/77-F.II dated 12-7-1978].

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

Recommendation

The Committee note that only 40 per cent of the total volume of wood in the felled trees is extracted and there is, as a result, considerable wastage and increase in the cost of extraction. The Committee also find that the cost of timber extraction has been increasing year after year. The Department, however, does not work out the cost of extraction of timber at various points of disposal and is merely content by regulation of the actual costs of different operations like felling logging, rafting, transportation, milling etc. They have also, it appears, certain practical difficulties in working out cost of extraction at different disposal points. While non-unmindful of such difficulties, the Committee feel that since price ultimately realised by the sale of extracted timber, both in the island as well as in the mainland, has to be linked with the cost of extraction, the Department should regularly work out the estimated cost of extraction at the time of preparing annual budgets.

[S. No. 26 Para 3.87 of 9th Report of Public Accounts Committee (Sixth Lok Sabha)].

Action taken

The recommendation will be implemented in consultation with Audit.

[Ministry/Department of Agriculture. O.M. No. 9—29/77-F.II dated 12-7-1978].

Recommendation

It is a matter of concern that the cost of logs upto various delivery depots and also the average ex-mill costs and ex-depot costs at Howrah and Madras have shown continuous increase since 1969-70, there having been only a slight improvement in the year 1974-75. This, as admitted by the Ministry itself, has been on account of a change in the accounting procedure. The committee stress the need of reducing the cost and making sure of the proper utilisation of forest wealth. This aspect should be thoroughly examined and suitable steps taken so that heavy losses being incurred as at present can be avoided. The figures of the cost of extraction furnished by Audit as also subsequently by the Department, based on proforma Account would indicate that the Department could, with a little effort, estimate such costs at the time of preparation of the budget itself, and then proceed in a more efficient and business like way. The Committee would also like Government to evolve some procedure in consultation with Audit whereby costing at each stage of operation could be worked out in the existing system of accounting and budgeting. This would facilitate the Government to exercise effective control on the actual cost of extraction of timber at different points of disposal of timber to obviate losses.

[S. No. 27 Para 3.88 of 9th Report of Public Accounts Committee (Sixth Lok Sabha)].

Action Taken

As recommended, attempts will be made in consultation with Audit to work out costs at each stage of operation.

[Ministry/Department of Agriculture O.M. No. 9—29/77-F.II dated 12-7-1973].

Recommendation

The Committee find that the Andaman Forest Department had to incur an additional expenditure of Rs. 90,000/- on the extraction of 6,000 cu. ms. of timber on account of a re-invitation of tenders. According to the Audit Report and the facts revealed during evidence, the department received only two tenders for this job, which were opened on 19-1-1970. The tender of Contractor 'A' was for Rs. 41/- per cubic meter for hard wood and that of Contractor 'B' for Rs. 43/- per cu. m. The tender of Contractor 'A', though lower than that of Contractor 'B' was rejected by the Department on the ground of "financial instability" and "unsatisfactory performance" against contracts awarded to him by other Government departments in the islands. The tender of Contractor 'B' was negotiated by the Department and the rate brought down to Rs. 41 - per cubic meter. In August, 1970, the Department recommended to the Ministry of Agriculture for acceptance of the negotiated tender. On 22-2-1971, the Ministry required whether financial soundness of contractor 'B' had been verified but was informed by a wireless message dated 3-3-1971 that no such verification had been done. According to a report of the Department, its interests were said to have been fully protected by the earnest money, security deposit, guarantee fees and income tax deduction provisions. The Ministry, however, was not convinced with this plea and felt that this argument could equally have applied also in the case of Contractor 'A'. On 13-4-1971, the Ministry informed the Department that fresh tenders might be invited. Three Contractors, including Contractor 'B' responded, but this time the lowest bid of Rs. 56 - for hardwood was from Contractor 'C'. This was accepted after obtaining the approval of the Ministry of Agriculture and the work completed to the satisfaction of the Department. Earlier, the Ministry had received a complaint from the father of Contractor 'A' to the effect that Contractor 'B' was a foreign national and bad character and of unsound financial stability, and had been black-listed by the Forest Department. The police enquiries, however, revealed that there was nothing of criminal import found against contractor 'B' in police records and that Government of India had already remarked that the rules relating to foreigners need not be insisted upon in view of the peculiar circumstances of the case. To a question asked by the Committee it was answered that Government was not aware of any relationship between Contractor 'A' and 'C'. A new dimension to this case, however, was added by the Forest Department having first included an additional area of 24 hectares at the time of calling for fresh tenders but subsequently excluding it on the ground that the area was "precipitous, inaccessible and extracts of timber from these would have resulted in soil erosion."

[S. No. 28 Para 3.89 of 9th Report of Public Accounts Committee (Sixth Lok Sabha)].

Action Taken

The matter is under examination and appropriate action will be taken.
[Ministry/Department of Agriculture O.M. No. 9—29/77-F.II dated
12-7-1978].

Recommendation

The Committee are not satisfied with the way of the whole case was handled. If, in such instances, the Forest Department does not verify the financial soundness of contractors, it is not clear why financial soundness was cited as one of the grounds for rejecting the tender of contractor 'A'. If the Department's interests could be sought to have been protected by the earnest money, security deposit etc., of Contractor 'B', it is not clear why the Department penalised Contractor 'A' who had also deposited the requisite earnest money and furnished the security deposit under the term of the contract. What is more surprising that even when the Ministry of Agriculture had enquired whether the Department had gone into the financial soundness of Contractor 'B' the Department contented itself with only intimating that it had not done so. The Committee are also perplexed that an area which was allegedly precipitious and inaccessible was included in the contract area only to be excluded later on. If this area had not been originally included, the Department might well have been able to attract a lower rate for the execution of this job. The Ministry of Agriculture cannot also in this case be complimented for its role in this business. When it transpired that the Department had apparently tried to favour Contractor 'B' without even verification of the financial soundness, the ministry should have given a clear direction that the tender of 'B' could only be accepted after such verification. Instead of it, the Ministry advised the Department to reinvite the tenders which again did not prove to be a sound proposition. The Committee fear that there might have been some hidden and undesirable interests behind the entire story. The matter requires to be probed thoroughly, so that responsibility for the additional expenditure of Rs. 90,000 can be fixed. The Committee would like to be assured that no malafides were involved at any level in this sorry episode.

[S. No. 29 para 3.90 of 9th Report of the Public Accounts Committee
(Sixth Lok Sabha)].

Action taken

The matter is under examination and appropriate action will be taken.
[Ministry Department of Agriculture O.M. No. 9—29/77-F.II dated
12-7-1978].

Recommendation

The Committee were at one stage informed that after examining all aspects of the matter it had been decided to write off shortlanding where fixation of responsibility was not possible. But presumably after the Committee had taken up the matter, the Ministry of Agriculture thought it fit to advise the Andaman Administration to obtain legal opinion on the issue. The Committee would like the Administration to pursue the matter further and if it is found that there was negligence on the part of the Forest Department responsibility must be fixed and all necessary remedial measures taken.

[S. No. 46 Para 3.197 of 9th Report of Public Accounts Committee
(Sixth Lok Sabha)].

Action taken

The Public Accounts Committee's remarks requiring the Administration to obtain legal opinion in the matter would be kept in mind and necessary action would be taken wherever necessary.

[Ministry/Department of Agriculture O.M. No. 9—29/77-F.II dated 12-7-1978].

APPENDIX

Conclusions and Recommendations

| Sl. No. | Para No. | Ministry/Department Concerned | Recommendations |
|---------|----------|--|---|
| 1 | 2 | 3 | 4 |
| 1. | 1.4. | <u>Home Affairs</u> <u>Agriculture</u> <u>Shipping & Transport</u> <u>Law</u> <u>Culture</u> | <p>1.4 The Committee except that final replies to those recommendations or observations in respect of which only interim replies have so far been furnished will be submitted to them, duly vetted by Audit without delay. The Committee have been informed by Audit that out of 81 recommendations contained in the 9th Report Action Taken notes on only 16 recommendations (4, 5, 7, 10-14, 50, 66-69, 73, 74 and 76) have been got vetted from them (Audit) by the concerned Ministries and Departments. Even in these cases, the consolidated notes were not furnished to Audit by the Ministry of Agriculture and Irrigation. The Committee take a serious view of the matter and would like to know the reasons why the Action Taken Notes in respect of the remaining recommendations which constitute 80% of the total recommendations were not got vetted by Audit till the date of submission of replies to the Committee in accordance with the prescribed procedure.</p> |
| 2. | 1.8. | <u>Home Affairs</u> <u>Deptt. of Agriculture</u> | <p>The Committee are happy to note that the interests of the tribals in land and trade are protected under the Andaman and Nicobar Islands (Protection of Aboriginal Tribes) Regulation, 1956. However, they would like to stress that the provisions of these regulations should be enforced in letter and spirit, so as to ensure that the tribals are least disturbed in their natural habitat.</p> <p>1.9 The Committee are however distressed to note that but for a solitary case of a social worker belonging to Adim Jati Sewak Sangh working at Great Andamanese Settlement in Strait Island, Government have failed to</p> |

solicit the cooperation of dedicated social workers who can go to the Islands and live and work there for the uplift of the tribals in a missionary spirit. In the case of Onges settlement at Dugong Creek in Little Andaman the position is also not a happy one as some of the posts provided for the welfare of Onge tribals remained vacant. The Committee urge the Government to take steps to fill up these posts urgently.

3. 1.13 Home Affairs
 Deptt. of Agriculture
 Shipping & Transport
 Department of Health

The Committee regret that the decision of the Home Minister's Advisory Committee taken on 27-2-1978, for setting up a Committee by Ministry of Shipping and Transport for looking into the shipping problems of the Island is yet to be implemented. The Committee hope that Government will give the matter serious consideration and set up the proposed Committee without loss of further time. The Committee further desire that the recommendations of the said Committee should be given urgent consideration and implemented within a stipulated period.

The Committee are happy to note that to overcome the difficulty for transportation of patients from the tribal areas and to provide better medical facilities, the Planning Commission has agreed to the proposal for a hospital-cum-banking cum-supply ship. As regards the setting up of an extension centre by the All India Institute of Medical Sciences in the Islands the Committee would like the proposal to be pursued vigorously for early implementation.

4. 1.16 Home Affairs
 Deptt. of Agriculture
 Deptt. of Culture

The Committee have been informed that during the past some years Government have taken some positive measures such as setting up of two cooperative societies which have helped in checking the economic exploitation of Nicobarese by traders. However, in the absence of any empirical data to substantiate the fact, the Committee find it difficult to subscribe to Government views that the scope of economic exploitation has been

minimised. Since an area study of Nicobar Island is in progress and the information so collected is likely to throw light on this problem, the Committee would watch with interest the findings of the area study and the remedial steps that the Government may take in this connection. The Committee would also like to know the manner in which these cooperative societies are helping in popularising the local products.

5. 1.20 Home Affairs
Deptt. of Agriculture
Deptt. of Culture

The Committee are unhappy to note that the Government do not appear to share their concern over the hierarchical authority (through the system of 'Captains') exercised by certain Nicobarese leaders and the arbitrary power they have over the tribe. While recognising, of course, some force in Government reasoning of not to curb drastically the authority or activities of such 'Captains', the Committee cannot avoid an impression of near-complacency over the issue. The fact of obtaining first-hand information through field investigation in the Nicobarese villages is not contestable, but this requirement should have been complied with much earlier. The Committee are afraid that with their powers now augmented are their grip over the amenities introduced by the Administration, the hierarchical authority would emerge stronger in the future to the detriment of citizens of Nicobar in particular and the country in general. The Committee, therefore, reiterate that special attention should be directed towards an understanding of the socio-economic situation of the Nicobarese Islands and a fuller utilisation of their potentialities keeping in view the fundamental democratic right of the citizens of these islands as envisaged by our Constitution.

6. 1.24 Home Affairs
Deptt. of Agriculture
Education,
Social Welfare and Culture

The Committee regret that in spite of the efforts made by the Andaman and Nicobar Island Administration only one voluntary organisation namely 'Seva Niketan' has come forward to implement the scheme of child welfare in Andaman and Nicobar Islands. It is distressing that only 45 children have been covered against the Fifth Plan ceiling of 425 children. The Committee feel that the observations made by the Estimate Committee in their 87th Report (1975-76) urging Government to approach organisa-

7. 1.27 Deptt. of Agriculture
Home Affairs

tions like the Rama Krishna Mission in this connection have remained unheeded. Keeping in view the magnitude of the problems involved, the Committee strongly urge the Government to make an all out effort to approach such organisations without delay and involve them in the implementation of child welfare and other tribal welfare schemes in the Islands.

The Committee wish that the Ministry of Agriculture and Irrigation had been more forthcoming with detailed information on the steps taken in pursuance of the Committee's recommendation than merely stating that these "would certainly be borne in mind." The Committee would require to be satisfied that immediate steps have been taken to tone up the supervision at the operational levels and the scale of operations has been rationalised by installing upto-date equipment and adopting better management and other techniques in the saw mills.

8. 1.30 Deptt. of Agriculture
Home Affairs

The Committee are not at all impressed by the Government's reply that Committee's remarks 'would be borne in mind by this Department and suitable action would be taken wherever and whenever necessary.' The Committee would like to know the positive steps taken by the Ministry in pursuance of its recommendation to modernise the mill.

9. 1.33 Deptt. of Agriculture
Home Affairs

The Committee are not convinced by the reasoning of the Department of Agriculture that the interest of the Government was fully safeguarded. It is strange that no agreement was entered into with the members of the Plywood Manufacturers Association of India and the Plywood Manufactures Association of West Bengal for the supply of plylogs from the Andamans forests without any valid reason for this departure from the established procedure. The Committee are inclined to believe that this was an act of negligence on the part of officials concerned. The Committee urge the Government to investigate the matter in depth and fix responsibility for this lapse to take necessary action against the delinquent officials.

10. 1.36 Deptt. of Agriculture
Home Affairs

The Committee are greatly perturbed over the casual and perfunctory manner in which the Audit was wrongly informed in June, 1973, 'that the outstanding amount would be adjusted against the security amount deposited by all the members taken together' without getting the matter examined thoroughly. The fact of furnishing wrong and misleading information to Audit cannot be taken lightly. The Committee reiterate that the circumstances in which Audit was wrongly informed in 1973 about the adjustment of outstanding dues should be investigated to fix responsibility. The Committee would like to be apprised of the action taken against the delinquent officials.

11. 1.39 Deptt. of Agriculture
Home Affairs

The Committee are happy to note that as a result of corrective steps taken by Forest Department Andaman and the Shipping Corporation timber shortages have been reduced to the minimum. The Committee, however, would reiterate that the Forest Department Andaman should take urgent steps to execute an agreement with the Shipping Corporation of India for the carriage of timber so that the losses due to short-landing of timber are further reduced and responsibility fixed therefor in future. The Committee would, however, like to be apprised of the results of investigation conducted to probe as to why such lapses occurred in the past.

12. 1.43 Deptt. of Agriculture
Home Affairs
Shipping and Transport

The Committee are unhappy to note that targets set for the despatch of timber to the mainland for the years 1971-72 to 1976-77 could not be achieved and the shortfall has risen from 3,729 cu. metres in 1971-72 to 7,992 cu. metres in 1976-77, in spite of the improvement in the availability of vessels claimed by the Ministry of Shipping and Transport. According to the Department of Agriculture, non-provisioning of vessels continues to be the main factor contributing to the shortfall in shipments of timber. The Department have contended that the vessel 'M.V. Shompen' made only 9 trips during each of the years 1975-76 and 1976-77 against the provision of 12 trips each year. In the light of these facts, the Committee find it difficult to share the views of the Ministry of Shipping and Transport that "the position has since changed" and that "after the introduction of M.V.

'Diglipur' available timber and timber products have been carried without any difficulty." The Ministry of Shipping and Transport's contention that "even the available space on this vessel is not always fully utilised at times" is contrary to the views expressed by the Department of Agriculture. The Committee are greatly concerned at the failure on the part of Ministry of Shipping and Transport to provide sufficient vessels for the carriage of timber from Islands to the mainland and would reiterate a more earnest approach in the matter.

13. 1.46 Deptt. of Agriculture
Home Affairs

The Committee are unhappy to note that sale of defective and unserviceable tractors had been thrust upon Forest Department, Andaman much against its wishes by the Ministry of Finance and Ministry of Rehabilitation. It is distressing to note that objections raised by the Forest Department, Andaman against the transfer of defective tractors had been ignored without any justification. The Committee are, therefore, constrained to reiterate that responsibility for this unwelcomed transaction may be fixed and action taken against the erring officials.

14. 1.49 Home Affairs
Deptt. of Agriculture

The Committee are distressed to note that Government have tried to circumvent the recommendations stating that "it has not been possible to ascertain whether there were any tenable reasons for allowing an unduly long time to the firm to fulfil their contractual obligations." The Committee are not at all impressed by the reasoning that the agreement "was entered into over two decades ago." While welcoming the measures taken by the Government to avoid recurrence of such defaults in future, the Committee reiterate that Government should investigate whether there was any lapses on the part of its officials in allowing an unduly long time to the firm to fulfil their contractual obligations in spite of their repeated failures and sorry experience of arbitration proceedings. The Committee would also like to know the specific remedial measures taken or are proposed to be taken by the Government to prevent recurrence of such defaults in future.

