

**PUBLIC ACCOUNTS COMMITTEE
(1968-69)**

**(FOURTH LOK SABHA)
SEVENTY-EIGHTH REPORT**

**[Action taken by Government on the recommendations of
P.A.C. contained in their 42nd and 62nd Reports (Third
Lok Sabha) relating to Children's Film Society.]**



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NEW DELHI**

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**PUBLIC ACCOUNTS COMMITTEE
(1968-69)**

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*Declared elected on 19th August, 1968 vice Shri M. M. Dharia, who resigned from the Committee.

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this 78th Report on the Action Taken by Government on the recommendations of the Public Accounts Committee contained in their 42nd & 62nd Reports (Third Lok Sabha) relating to Children's Film Society.

2. On 12th June, 1968, an "Action Taken" Sub-Committee was appointed to scrutinise the replies received from Government in pursuance of the recommendations made by the Committee in their earlier Reports. The Sub-Committee was constituted with following Members :

1. Shri D. K. Kunte.—*Convener*
2. Shri C. K. Bhattacharyya
3. Shri K. K. Nayar
4. Shri Narendra Kumar Salve
5. Shrimati Tarkeshwari Sinha
6. Shri N. R. M. Swamy.

3. The draft Report was considered and adopted by the Sub-Committee at their sitting held on 23-4-69 and finally adopted by the Public Accounts Committee on 28-4-69.

4. For facility of reference the main conclusions, recommendations of the Committee have been printed in thick type in the body of the Report. A statement showing the summary of the main recommendations/observations of the Committee is appended to the Report (Appendix).

5. The Committee place on record their appreciation of the assistance rendered to them in this matter by the Comptroller and Auditor General of India.

M. R. MASANI,
Chairman,
Public Accounts Committee.

NEW DELHI;
April 28, 1969/Vaisakha 8, 1891 (S)

CHAPTER I

REPORT

This Report of the Committee deals with action taken by Government on the recommendations contained in their 42nd and 62nd Reports (Third Lok Sabha) in so far as these relate to the grants issued by the Ministry of Information and Broadcasting to the Children's Film Society. The 42nd and 62nd Reports were presented to the Lok Sabha on 10th December, 1965 and 25th November, 1966 respectively.

1.2. The action taken notes/statements have been categorised under the following heads :

(i) *Recommendations/observations that have been accepted by the Government :*

S. Nos. 69, 70, 71 of 42nd Report.

(ii) *Recommendations/observations which the Committee do not desire to pursue in view of the replies of Government :*

S. Nos. 67, 75 and 76 of 42nd Report

S. Nos. 22 (3.44 and 3.45) and 23 of 62nd Report

(iii) *Recommendations/observations replies to which have not been accepted by the Committee and which require reiteration :*

S. Nos. 68, 72-74, 77 and 78 of 42nd Report

S. Nos. 22 (3.44 and 3.45) and 23 of 62nd Report

1.3. The Committee will now deal with action taken on some of the recommendations.

Irregularities in the working of the Children's Film Society—Paras 4.5, 4.43, 4.44 (S. Nos. 68, 77, 78) of 42nd Report (Third Lok Sabha) and paras 3.30, 3.35 and 3.36 (S. Nos. 21, 22) of 62nd Report (Third Lok Sabha).

1.4. The Children's Film Society was set up in May, 1955 under the Societies Registration Act of 1860 to produce films for children and adolescents and to arrange for their distribution and exhibition in India and abroad. A test-check of the accounts of the Society conducted by Audit in October, 1962 disclosed some shortcomings, such as high cost of production of films, non-maintenance of accounts of raw stock of films and their non-verification, non-maintenance of stock registers of final prints valued at over Rs. 1 lakh and various other financial irregularities including failure to account for a receipt of \$1,000 from the International Centre of Films for Children at Brussels. In paragraph 51 of their Twentieth Report (Third Lok Sabha) which was presented to the House on 18th February, 1964, the Committee made the following observations in the light of these disclosures :

“...The Committee...recommend that in the light of the Audit Report a thorough and impartial enquiry should be made to fix responsibility for the financial irregularities of the Children's Film Society over a number of years and to ascertain the amount of loss suffered by the Society as a result of inefficient and inept handling.”

1.5. In December, 1964, the Controller of Films Division was appointed to conduct an enquiry into all the financial irregularities which had been noticed and to submit a detailed report on each item so that definite steps could be taken not only to see that these did not recur but also to fix responsibility. The report of the Controller was submitted in July, 1965. In paragraph 4.4 of their Forty-Second Report (Third Lok Sabha), the Public Accounts Committee, after reviewing the findings of the Controller of Films Division, *inter alia*, made the following observations :

“The Committee feel perturbed to note the findings of the Controller of Films Division....It is significant that all the key persons who have been found responsible for the irregularities etc. left the Society towards the end of 1962 or beginning of 1963 by which time they must have been aware of the Audit objections.....When all this is borne in mind the delay in appointing the Enquiry Committee by 10 months.... assumes great importance, as.... the authorities have allowed the guilty (parties) to escape punishment.”

1.6. Taking note of the findings of the Controller of Films Division, in regard to the various cases of losses, shortages etc. the Committee made the following observations in paragraphs 4.43 and 4.44 of their Forty-Second Report (Third Lok Sabha) :

“The Committee desire that prompt action should be taken on the recommendations (of the Controller of Films Division) for the losses of stores.....”

(Para 4.43)

“From the Enquiry Committee's Report relating to the missing articles valued at Rs. 19,016.66 P., it is observed that apart from small articles, missing articles include cameras, watches, gramophones, sarees, almirahs, typewriters, shawls, dunlopillo mattress, Divans, book cases, steel cupboards, tea sets, etc. etc. Moreover 65% of the English books and 45% of the Hindi books are also missing. The Committee feel that such a large list of missing articles gives only an indication to the fact that there was a large scale attempt to defraud the Society. Further the only gold medal which the Society won in an international award is also missing. The Committee take a serious view of this and suggest that Government should institute criminal proceedings against persons who have been held responsible by the Enquiry Committee. The Committee also feel that this case shows that the supervision of the Ministry of Information & Broadcasting on this Society

was very lax. The Committee desire that in addition to fixing of responsibility on the persons responsible for thefts of the missing articles, responsibility for laxity in supervision by officers of the Information & Broadcasting Ministry may also be fixed."

(Para 4.44)

1.7. Reviewing the position, the Committee made the following further observations in paragraphs 3.35 and 3.36 of their Sixty-Second Report (Third Lok Sabha) :

"3.35. The Committee are surprised to learn that the Ministry could not advise the Children's Film Society to take action on their recommendation made in para 4.44 of the 42nd Report (Third Lok Sabha) and also in cases of misappropriation of funds by the Society. When the Society is depending on the grants given by the Ministry for its working and when the Government was adequately represented on its Executive Council, it becomes all the more surprising that the Society was beyond the control of the Ministry. In these circumstances, the Committee would suggest that the Ministry should either consider the taking over of the Society so that its affairs may be brought under effective control or stop giving further grants to the Society till proper action is taken on the recommendations made by the Committee."

"3.36. The Committee would also like to reiterate their recommendation made in paras 4.43, 4.44 and 4.46 of their 42nd Report (1965-66) and stress the necessity of taking prompt action in this case."

1.8. In regard to the non-accounting of a sum of \$1,000 received from the International Centre of Film for Children, Brussels, disclosed during test-audit, the Committee were informed that the amount was expended by the ex-General Secretary on entertainment and that the Indian National Centre of Films, on whose behalf the amount was received had approved this course of action by a resolution adopted on 20th March, 1963. After an examination of this point, the Committee made the following observation in paragraph 52 of their Twentieth Report (Third Lok Sabha) :

"In the opinion of the Committee, the facts disclose a very irregular way of functioning of the Indian National Centre. The manner in which the expenditure incurred sometime ago was sought to be regularised *ex-post facto* by means of a resolution circulated for signature at a much later date is also highly objectionable."

1.9. In paragraph 45 of their Forty-Second Report, the Committee, after reviewing the findings of the Controller of Films Division in this regard and in regard to other cases suggested that "the possibility of recovering these large sums from the persons concerned by legal action or otherwise may be considered." In paragraph 3.30 of their Sixty-Second Report (Third Lok Sabha), the recommendation was reiterated in the following terms :

“3.30. The Committee regret that their earlier recommendation made in para 4.5 of their 42nd Report (Third Lok Sabha) was not taken seriously by the Ministry. They fail to understand as to why legal opinion was obtained only in the case of loss of 1,000 dollars. As a matter of fact the legal opinion should have been obtained on all the cases of losses and misappropriation committed by the Society. The Committee desire that this should be done and appropriate action taken.”

1.10. Government have furnished to the Committee Action Taken notes in respect of the observations in the Forty-Second and Sixty-Second Reports (Third Lok Sabha). In regard to the delay in initiating enquiry into the working of the Society commented upon in paragraph 4.4 of the Forty-Second Report (Third Lok Sabha), Government have in their note dated 22-2-68 stated as follows :

“The 20th Report of the Public Accounts Committee was received in this Ministry on 4th March, 1964 and a copy was passed on to the Section dealing with Children's Film Society on 11th March, 1964. After detailed examination this Section put up the case to the immediate officer on 26th March, 1964. This Officer observed that the findings of the Committee should be brought to the notice of the Chairman of the Children's Film Society with the suggestion that the then Treasurer of the Society should be instructed to enquire into the irregularities pointed out by the Public Accounts Committee. This viewpoint was endorsed to which the Special Secretary, Ministry of Information and Broadcasting added that the Chairman of the Society should be further asked to take steps to set things in order. This was also approved by Deputy Minister and Minister. A reference was made to the Chairman, Children's Film Society on 29-7-64, to ask the then Honorary Treasurer of the Society to inquire into the matter and to submit a report regarding fixation of responsibility for the losses caused to the Society. This was followed up by reminders. In his letter dated the 14th December, 1964, the Secretary, Children's Films Society informed Government that the Honorary Treasurer of the Society was pre-occupied with the work relating to the Film Finance Corporation and it would take him some time to look into the report. The matter was further considered and in Government's letter dated 28-12-1964, the Controller of Films Division was appointed to make an enquiry and to submit a report to Government. The Controller of Films Division was not clear about the scope of the proposed enquiry and sought further clarification in February, 1965. The Ministry clarified the position on 16th March, 1965. He submitted his report in July, 1965. It will be appreciated that while no time was lost in taking steps to enquire into the matter and the appointment of an Enquiry Officer for going into the irregularities pointed out by the Public Accounts Committee some time did elapse in the actual

appointment of the Enquiring Officer due to administrative reasons and also due to the fact that the then Honorary Treasurer of the Society, who was asked to enquire into the matter, expressed his inability to do so after a lapse of about five months."

1.11. In regard to the action initiated on the basis of the findings of the Controller of Films, as suggested by Public Accounts Committee in paragraphs 4.43 and 4.44 of their Forty-Second Report (Third Lok Sabha) and paragraphs 3.30, 3.35 and 3.36 of the Sixty-Second Report (Third Lok Sabha), the Committee have been informed in a note dated 29th June 1968 as follows :

"In pursuance of the recommendations contained in Public Accounts Committee's Twentieth Report, the Controller of Films Division was appointed by this Ministry on 28-12-1964 to hold an enquiry into the affairs of the Society. His report was received in this Ministry in July, 1965. According to the report of Controller of Films Division, the Society suffered a loss of Rs. 1,20,482.59 P. and \$1,000 during the period from 1955-56 to 1961-62 mainly on account of shortages in stores, raw-stock, processing and prints and on account of irregular payments of Travelling Allowance/ Daily Allowance to the General Secretary.

A copy of the relevant extracts from the Controller's report was sent to Secretary, Children's Film Society on 16-8-1965 with the request that the matter should be placed before the Executive Council of the Society for necessary action, for recovery of the said amount from the persons concerned and to forward comments of the Executive Council to the Ministry.

The report of the Controller of the Films Division came up for discussion at the meeting of the Executive Council of the Society on 28-10-1965. The Council directed that :

'The Society should write off those losses, which are not recoverable, in consultation with (the Controller). Those losses which in the opinion of the Honorary Treasurer are recoverable and for which legal proceedings may be started, Secretary should consult the Society's legal advisers and start legal proceedings for recovery of the same after consultation with Honorary Treasurer'.

The report of the legal adviser of the Society was submitted by the Secretary, Children's Film Society to the Honorary Treasurer for his advice on the future course of action in accordance with the decision of the Executive Council cited above. Legal proceedings for the recovery of \$1,000 from (the) former Secretary of the Children's Film Society have been initiated. The case is proceeding in the court of a civil sub-judge in Delhi. The last hearing was in May, 1967.

As for further action, Children's Film Society has informed us that they have circulated the report of the Controller

along with the opinion of the legal adviser of the Society, as also the final recommendation of the Controller for further action, to the members of the Executive Council of the Society. This was done on the recommendation of the Controller. In his letter dated 24th June, 1966 the Secretary, Children's Film Society reported that the recommendations of the members have been received and have to be discussed by the Executive Council.

As regards institution of criminal proceedings against the persons who have been held responsible by the Controller, the matter has been considered in consultation with the Ministry of Law. The Ministry of Law advised that a complaint may be lodged with the police regarding the suspicious and irregular financial dealings by the former Secretary and Shri. That Ministry also advised that the Economic Wing of Central Bureau of Investigation should be persuaded to take up the investigation. As suggested by the Ministry of Law, Controller of Films Division was requested to have a complaint lodged under the signature of the Secretary, Children's Film Society under his directions.

Further action could not be taken because in the meantime the Executive Council of the Society had become defunct and new Executive Council was re-constituted. The Controller's findings on the affairs of the Society together with the recommendations of the legal adviser of the Society were considered at the meeting of the reconstituted Executive Council held on 9-11-1966. The Executive Council has directed the Secretary, Children's Film Society as follows :

- (a) The Secretary may consult the Advocate of the Society at Delhi and if necessary, invite him to visit Bombay and study all the relevant documents to prepare a draft complaint for Central Bureau of Investigation and also give specific advice on various items under objection as to whether legal proceedings can be successfully and fruitfully launched now.
- (b) After the Advocate's report is made available to the Society, the same will be sent to the Ministry of Information and Broadcasting for reference to the Ministry of Law for advice.

On 16th August, 1967, Secretary, Children's Film Society filed a complaint with the Central Bureau of Investigation, Ministry of Home Affairs against the former Secretary and others responsible for causing loss to the Society. The Central Bureau of Investigation, however, declined to undertake investigations of complaints against them on the ground that allegations pertained to the period 1957-61 and persons complained against were also not public servants. The Central Bureau of Investigation, however, stated that if necessary, the matter might be reported to the local police concerned. In consultation with the

Law Ministry, Secretary, Children's Film Society, was advised on 25th September 1967 to file a complaint with the Police at Bombay. Accordingly, Secretary of the Society filed a complaint with the Commissioner of Police, Bombay on 29-9-67/5-10-1967. Subsequently, this Ministry also wrote to the Commissioner on 8th October, 1967 on the subject. The Commissioner of Police has informed us that the matter is under consideration. But so far no prosecution appears to have been launched by the Police."

1.12. In a further note dated 14th March, 1969 the Committee have been apprised of the following position in regard to the progress of the civil and criminal proceedings which were launched :

- (i) *Civil Proceedings* : "The Commissioner of Police is seized of the matter. An investigation officer has already visited the Society's office at Bombay and examined some documents. Some more documents are, however, to be examined by them. Further action rests with the Commissioner of Police."
- (ii) *Civil Proceedings* : "The civil suit for recovery of \$1,000 from the former General Secretary of the Society is still before the subordinate judge. The defence lawyers are now cross-examining the present Secretary of the Society. The next hearing of the case has been fixed for 9th April, 1969.

As regards the decision on filing other civil cases it may be stated that the Ministry of Law in their note dated 15-6-68 has opined that the period of limitation for filing civil suits against the persons responsible for the loss to the Society would be 3 years from the time the cause of action arose.

Civil cases have not been filed because they have become time-barred. These cases also form part of the complaint lodged with the Commissioner of Police, Bombay, since they were found criminally involved also."

1.13. The Committee were also given a statement of cases in which action in the civil courts could not be taken up (Appendix—). They were informed that all these cases, involving in all a sum of Rs. 92,744.34 "came to the notice of Government only on receipt of the Report of the Controller of Films Division.....in July, 1965, by which time, according to the Law Ministry these cases had become time-barred." The opinion given by the Ministry of Law in this connection is given below :

"Our opinion of the 21st of July, 1965 was recorded on the assumption that the suit was to be filed on behalf of the Union of India. But we now find that the suit is to be filed by the Children's Film Society in which case the period of limitation would be three years from the time the cause of action arose. This was already time-barred when the file came to us on 21-7-65, as Shri....(the former General Secretary) had resigned from the Society in June, 1962."

1.14. The Committee, however, observe from the reply given to them by Government to paragraph 4.4 of their Forty-Second Report that "the General Secretary was sanctioned terminal leave for 180 days w.e.f. 13-6-62.... While he was actually relieved from 13-6-62, his resignation became effective w.e.f. 9-12-62".

1.15. The Committee observe that civil proceedings were not initiated for recovery of irregular excess expenditure, shortages, outstanding dues etc. amounting to Rs. 92,744 that came to notice as a result of investigation into the affairs of the Children's Film Society by the Controller of the Films Division. Government have stated that proceedings could not be initiated as the report of the Controller became available only in July, 1965, "by which time according to the Law Ministry these cases had become time-barred." The Committee, however, observe that the opinion of the Law Ministry that action had become time-barred was based on the assumption that the former General Secretary of the Society "had resigned from the Society in June, 1962", whereas the actual position as explained to the Committee by Government was that "his resignation had become effective with effect from 9th December, 1962." It would, therefore, be apparent that the proceedings time-barred only on 9th December 1965, a few months before which the findings of the Controller of Films Division on the affairs of Society had become available to Government.

1.16. The Committee, however, note that though civil proceedings have now become time-barred, the relevant cases "form part of a complaint lodged with the Commissioner of Police, Bombay" as a preliminary to the institution of criminal proceedings. The Committee would like to be apprised of the further progress made in the matter.

Evaluation of the work done by the Children's Film Society Paras 4.25, 4.27, 4.29 (S. Nos. 72 to 74) of 42nd Report (Third Lok Sabha).

1.17. In paragraphs 4.25, 4.27 and 4.29 of their 42nd Report the Committee had pointed out the need for evaluating the working of the Children's Film Society and for making improvements in production and distribution of films. The Committee made the following observations :

"72 4.25 The Committee are not sure whether the Chanda Committee
& & would specifically undertake evaluation of the working of
73 4.27 the Children's Film Society. In case they are unable to
cover this point, the Committee suggest that the Ministry
should undertake a detailed evaluation of its working,
both quantitatively and qualitatively.

The Committee are surprised to note that the Ministry have no information as regards Children's Films shown in the rural areas and these will have to be collected from the

states. It has also been stated by the Ministry that "it is not possible to state categorically that such films are being shown in the Community Development Blocks". The Committee feel that without such information the Ministry of information and Broadcasting would never know if the films produced by the Children's Film Society are serving the purpose aimed at by the Society or not.

74 4.29 In evidence the Committee were assured that some steps were taken in May, 1963 for the reorganisation of the Society. The Committee find that these steps mainly relate to the streamlining of financial and accounting procedures. No vigorous steps appear to have been taken to produce more popular and useful films by the Children's Film Society. Further, films produced so far by the Society have also not been utilized to the fullest extent due to paucity of auditoria. Number of schools which are members of the Film Library of the Society is very small. The Committee, therefore, suggest that concrete steps should be taken to ensure that the Children's Film Society is able to produce good and useful films. For this purpose, the advice of the experts already in the line may be sought. It should also be ensured that these children's films are exhibited to the largest number of children. The various schools in the country should also be encourage to become members of the Film Library of the Society."

1.18. In their reply the Ministry of Information and Broadcasting have stated :

"The Chanda Committee has not examined the working of the Children's Film Society. The Chairman of the Society has recently appointed a study team of non-officials to review the working of the Children's Film Society, in all its aspects.

The requisite information is being collected by the Children's Film Society from the State Governments which are affiliate members of the Society. Information so far received from the Society may kindly be seen in the statement attached Annexure III. Further information received from the Society will be passed on to the Lok Sabha Secretariat in due course.

Secretary, Children's Film Society has been directed on 9-12-66 to obtain periodical information from the State Governments regarding their films shown in rural areas. In addition, the films of the Children's Film Society are also supplied to different field units of the Directorate of Field Publicity of this Ministry and are shown through mobile vans in rural areas. The Director of Field Publicity has also been requested on 15-2-1967 to advise the various regional officers under his control to collect and furnish

the relevant information to the Secretary, Children's Film Society, Bombay.

It is expected that the Study Team already at work will take a note of the recommendation, which has been brought to their notice."

1.19. At the instance of the Committee, the Ministry of Information and Broadcasting have furnished copy of the Report of the Study Team. As regards action taken on the Report, the Ministry of Information and Broadcasting have stated :

"As regards the action taken thereon, it may be stated that Study Team have made recommendations of a far-reaching character which envisage making the Society a dynamic body. The Study Team have considered the Children's Film Society and the Children's Film Movement as essentially a part of the overall programme for welfare of children. The General Body and the Executive Council of the Society have already considered the recommendations of the Study Team and have unanimously approved of them. As pointed out above, many of these recommendations are very important ones and will have to be carefully considered in consultation with the Ministry of Finance and other concerned authorities and will be processed in due course."

1.20. The Committee find that the Study Team has made a comprehensive study of the organisation of the Society and production, distribution and exhibition of films and its resources. The Study Team have made a number of suggestions for improvement in these aspects. The Committee would, however, like to refer to some general observations made by the Study Group about their assessment of the working of the Children's Film Society in the recent years.

1.21. Referring to the financial irregularities which relate to the period 1955—62 dealt with in 20th and 42nd Reports of the Public Accounts Committee, the Study Team have made the following observations :

"... Unfortunately, the happenings of the past continue to shadow the Society even today and whatever good work has been done in recent years or even earlier years is being ignored and overshadowed by what happened prior to 1962. The uncertainty about the future of the Society has continued from year to year, thus creating difficulties in its working and dampening the enthusiasm of the workers. There are two different phases in the Society—one from 1955 to 1962 and the other from 1963 onwards. But even knowledgeable persons are generally unaware of it and have little idea of the progress that Society is making in spite of serious handicaps. We have noted with satisfaction that some improvements in the quality of the films, as well as, revenue receipts. This is evident from the steady growth in the revenue and from the major awards which the Society has won at the National Award Function, as well as at the International Festivals."

1.22. In regard to the production of the films by the Society, the Study Team has made the following observations :

Production of Films "Since its inception the Society has produced, compiled or adapted more than 55 films suitable for children. Some of these films have won awards at the State and National Award functions, and also, at the International Festivals. They were directed by a variety of directors including some top directors of the industry. Yet, it cannot be claimed that they are of high standard except a few which are good and have become popular."

"The Society has its own production unit which is capable of producing about 25 to 30 thousand feet of censored length every year. We are dismayed by the chaotic and haphazard way the production work of the Children's Film Society has been going on without due preparation of subjects and themes, without sufficient funds being made available in proper time, and the sword of Damocles on 31st March hanging over their heads, when the unutilised funds must lapse. In view of the self-defeating circumstances, the wonder is not that more films of better quality were not produced, the wonder is that some films were not produced at all."

"The following are some of the bottle-necks in the field of production that we have noticed or that have been brought to our attention :

1. No proper attention has been paid to the selection of themes, stores and subjects to be taken up for production. There is no library of children's stores available in the Children's Film Society's offices. There is no Story Research Officer and no Script-Writer on the staff of the Society. The post of a Story Research Officer-cum-Script Writer was advertised in 1965, applications were received, but due to paucity of funds and the cut in budget grant, the post has not been filled.
2. The Budget of a film is sometimes prepared without the script being ready, which is like shooting in the dark.
3. The budget, when prepared, is made too rigid, without provision of flexibility to meet unexpected contingencies which arise in the course of films production, and which require adjustments on the spot which have to be provided for. The rules governing the production are usually too rigid and really inapplicable to creative work.
4. The funds are not available in time when they are needed causing costly delays in the production. In some years, no funds were made available during the first six or seven months, and when they were made available, there was the fear of the unused grant lapsing on the 31st of March. So production had to be hustled through, inevitable and adversely affecting the quality of the production.

5. In some cases, independent producer-directors to whom the pictures were assigned had complained of their getting instalments of payments months and sometimes years after the period stipulated in the agreement. Paucity of funds again is responsible for postponement, from year to year, of worth-while projects for the production of children's films.
6. The Producer-Directors, or Script-Writers, have not had the benefit of proper scientific evaluation and assessment of their (and other directors') children's films. There has been no planned and scientific audience research into the reactions of the children to the films produced by the Society. The post of the Audience Research Officer, sanctioned in 1964, has also been kept pending for four years, due to paucity of funds and cut in the Government grant.
7. The same paucity of funds is responsible for the inordinate delay in starting the library of children's films from all over the world, which should be available for reference, guidance and inspiration to writers, directors and producers of children's films. This scheme was approved in 1966, but has been kept in abeyance for financial reasons.
8. We are of the opinion that rules and regulations be so framed and implemented that they do not create difficulties in the smooth flow of creative work done by the directors and artists. For instance, during shooting, there are occasions when minor purchases, even at times major purchases, have to be made on the spot to keep the shooting going without calling for quotations. We doubt whether there is any producer in the world who has not to face such situations. The breakage of fragile equipment like bulbs, for instance, create such problems. There cannot be a fool-proof budget for the production of live-action feature films, the more so in the case of children's films, where children, animals and birds may be involved. In order to ensure this, it will be necessary to have understanding cooperation of the members of the Executive Council and the Ministry of Finance.
9. The scattered premises of the Society are also a factor leading to delay, inefficiency and increasing costs. The offices are in one place, the equipment and properties are stores in another place, the editing room is in a third place, while the film vault is situated 20 miles from the city. The cars are going from one place to another, and half a dozen peons are kept running from place to place. It involves not only delay and inefficiency in the execution of work, but also increases the costs of administration and production."

We suggest that the Society should plan its production programme as follows :

- (a) The stories which are already approved by the Story Board and form part of the Story Bank, could be taken up for production as and when required.
- (b) The production programme should be drawn at least on two years' basis. The Executive Council should review the progress of the production from time to time. But the production Committee should meet at least once in a month to review the progress of production of films.
- (c) The production budget and shooting scheduled should be drawn and arrangements made, three months in advance before the beginning of the next financial year.
- (d) Funds for production should be available without any difficulty.
- (e) The production programme should contain a variety of subjects like films on science fiction, cartoon, puppets, children's magazines, travelogues, biographies, nature study, adventure, national integration, sports, dances, festivals, dramas, etc.
- (f) The production Executive Director-in-Charge will also coordinate the shooting scheduled of the various films with the various directors engaged for the shooting. He will plan in such a way that the production unit does not remain idle, and the pressure of work is equally divided and the various directors get facilities without hinderance.
- (g) During production, the Production Executive Director-in-Charge should watch technical matters like consumption of raw stock, proper use of equipment, expenses, etc. without interfering unnecessarily in the creative work of the *ad hoc* directors.
- (h) The first rough cut should be seen by the Production Committee before it is sent for censorship."

Exhibition and Distribution of Films

1.23. As regards distribution and exhibition of films, the Study Group have made the following observations :

"Unless the films produced by the Society are widely seen by the children, the very objective of making them is defeated. In the course of our study, we found that in spite of having been in existence, for 12 years and having produced more than 55 films, the Children's Film Society has not been able to make adequate arrangements for the exhibition of its films, so that larger number of children could view them. This problem, however, is so complicated, involving so many factors, that under the present conditions it seems to us that it is beyond the control of the Society which has not so far received the necessary sympathy, understanding and cooperation, from the Central and State Governments and from the films distributors and exhibitors. Yet, under the present conditions,

with its limited resources, the Society has done something fairly creditable. It is disheartening to note, however, that parents, teachers and social workers, who are so much concerned with the development and psychological growth of children, have hardly realised the potentially immense impact of this audiovisual medium of entertainment and education. It is estimated that there are 14 to 15 crores of children in the age group of 5 to 15 years in this country. Out of this, about 5 crores children attend schools, in various stages of primary to higher secondary education including rural and urban localities. According to the audience figures of 1966-67 available with the Society, more than 12 lakhs of people, mainly children but including some adults, have seen the films screened in either commercial halls or through 16 MM Films Library. In addition to this, about 20 million people, including adults attended the screenings of Society's films arranged by the Central and State Publicity organisations. Thus, the total number of audience who saw Society's films in 1966-67, was more than about 20 million people including adults. The following table gives the audience coverage through Society's direct arrangements of exhibition."

Year	No. of shows held	No. of Audience	Remarks
1963-64	1,471	6,17,322	These figures do not include the coverage of audience at the shows of Society's films held by Central and State Publicity organisations.
1964-65	2,679	10,62,292	
1965-66	2,555	11,80,682	
1966-67	2,993	12,31,919	

Grant-in-Aid

1.24. In regard to the Grant-in-Aid given by Government the Study Team have observed :

"Though the Society was reorganised in 1963, there was always an uncertainty about its future and consequently it did not get an opportunity in the last four years to implement many of its programmes effectively. We have already observed in the earlier chapters how, repeatedly the question whether to continue the Society or to close it down, has been exercising the minds of the Government, resulting in frequent inordinate delays in the release of grant. In 1965-66, the amount of grant was reduced to Rs. 5.50 lakhs only, which used to be Rs. 12.00 lakhs in previous years. For 1966-67, also, the Society was sanctioned only Rs. 5.50 lakhs, and we understand that for 1968-69, the same amount has been recommended. Considering the requirement of the Society, this is a very inadequate amount. Many essential projects will have to be given up for lack of funds. We learn that already many schemes in view have had to be abandoned. No language versions of films

have been prepared, and the production of films has been drastically reduced. Having examined the requirements of the Society in all its aspects, we have suggested that the Society should produce at least 12 programmes every year.'

"As we have already pointed out, the production of these programmes in several languages, with all possible economies would cost not less than Rs. 30 (thirty) lakhs. Of this, the Society can earn, from its own revenues, approximately Rs. 10 (ten) lakhs. (The increase in revenue will be possible if and when the Society is able to supply 12 programmes every year). That would still leave a balance of Rs. 20 (Twenty) lakhs that would have to be met from the Grant-in-Aid from the Government of India."

1.25. The Committee are happy to note from the Report of the Study Team that the Children's Film Society has "during the last few years tried to rehabilitate itself and improve its working." However, as is evident from the findings of the Study Team, there is a lot of leeway still to be made up, notably in programming the production of films, selection of appropriate themes, co-ordination of shooting schedules for films and improving the machinery for distribution of films. The Committee would like Government to consider how best improvements in these directions could be brought about on the basis of the suggestions contained in the Study Team's Report.

Representation from the Former General Secretary of the Children's Film Society

1.26. In March, 1969, the former General Secretary of the Children's Film Society submitted a note regarding the observations made by the Committee regarding his work in the Children's Film Society. In his covering letter, the former General Secretary requested that the observations made by the Committee about his work in the Society might be reconsidered. A copy of the note was forwarded to the Ministry of Information and Broadcasting for their comments. The comments of the Ministry of Information and Broadcasting have been received. The Committee would like to deal with some points referred to by the former General Secretary in his note.

Accounts for the period 1955 to 1962

1.27. In his note, the former General Secretary has stated that the accounts of the Children's Film Society were audited annually by a firm of Chartered Accountants and Auditors approved by Government. The Government issued utilisation certificates in respect of the grants for the years upto 1959-60 by 16th November, 1961 on the basis of these accounts, before he (the former General Secretary) left the Society in June, 1962. According to the General Secretary, this shows that Government were till then satisfied with the accounts. The former General Secretary also forwarded in this connection a copy of the Report on the cost structure of the Films of the Society on the accounts of the Society submitted by the Chief Accounts Officer of the Films Division in 1962. In their reply, the Ministry of Information and Broadcasting have offered the following comments in this regard:

"The Chartered Accountants were admitting a statement of receipts and payments account which they were certifying as 'checked and found correct according to books produced and information supplied'. This account did not contain the details of expenditure. The utilisation certificates were issued on the basis of the accounts submitted by the Society after certification by the Chartered Accountants of the Children's Film Society. The first Audit Inspection Report on the accounts of the Society for the period from 1955-56 to 1958-59 became available to the Government only on 22nd February, 1960. The Inspection Report for 1959-60 was received on 18th January, 1961 and for the year 1960-61 only on 13th February, 1962. These reports revealed a number of irregularities, procedural and financial, in the maintenance of the accounts of the Society as is indicated in Chapter VI of the 20th Report of the Public Accounts Committee. A test-check of the Society's accounts conducted by the Audit in October, 1962 disclosed high cost of production, non-maintenance of accounts of raw stock and their non-verification and various other financial irregularities.

The Chief Accounts Officer of the Films Division had prepared a note for the guidance of the then Controller of Films Division, in regard to the cost-structure of the films produced by the Children's Film Society. His opinion was that 'upto the period ending 31st March, 1959, the costs had been evaluated in a haphazard and unscientific manner by the then Accountant without attempting to analyse the data in a systematic manner. Many entries were made on an *ad hoc* basis for which there was no rational basis'. For the period subsequent to that date, however, he felt that there had been an improvement in the comparatively rational apportionment of expenses.

Subsequently, as recommended by the Public Accounts Committee in their 20th Report that a thorough and impartial enquiry should be made to fix the responsibility for the financial irregularities of the Children's Film Society and to ascertain the amount of loss suffered by the Society, the then Controller of Films Division was appointed as Enquiry Officer. The report of the Enquiry Officer submitted on 13th July, 1965, indicates that the Society had suffered a loss of Rs. 1,20,482.59 during the years 1955-56 to 1961-62 due to inefficient handling."

(ii) *Re: \$1000 given by the Brussels International Centre of Films for Children :*

1.28. The former General Secretary has referred to the evidence given before the Committee by the then Secretary, Ministry of Information and Broadcasting, in connection with the 20th Report of the Public Accounts Committee (Third Lok Sabha) regarding the award of \$ 1,000 given by the Brussels International Centre of Films

for Children which was collected by the former General Secretary on behalf of a separate society formed at the instance of the International Centre of Films for Children and has stated :

"The then Secretary of the Information and Broadcasting Ministry gave evidence before the Public Accounts Committee (20th Report-Third Lok Sabha) that 'the amount was received on behalf of a separate body'. He also stated that some files and records were missing from the Society. He mentioned that the General Secretary was taking approval of the President. The resolution of the Indian National Centre of Films for Children approving the expenditure was also given in the Appendix of the P.A.C. Report.

If the records were missing, the Society should have tried to trace at that time. The Public Accounts Committee's 62nd Report-Third Lok Sabha (page 42) states that the Ministry of Law and Legal officers advised 'only a law suit and even with regard to the law suit, the then Secretary of the Law Ministry was doubtful whether it would be fruitful. The criminal proceedings were not recommended by the Legal Adviser and the Ministry of Law.

A Civil Suit for Rs. 4,500 was filed by the Society in 1965. The case is still pending though the Society has spent over Rs. 10,000 on it so far."

129. The Ministry of Information and Broadcasting have offered the following comments in this regard :

"It is true that the then Secretary, Information and Broadcasting Ministry stated in his reply before the Public Accounts Committee (20th Report, Third Lok Sabha) that the former General Secretary received a sum of \$ 1,000 from the International Centre of Films for Children, Brussels on behalf of a separate Society. He was apparently referring to the Indian National Centre of Films for Children as a part of Children's Film Society, since this Centre was organised by the Society. In this connection attention is invited to the Ministry's O.M. No. 15 27/63-FC dated 14th January, 1964 as reproduced in Appendix XV of the 20th Report-Third Lok Sabha. The former General Secretary had no authority either from the Indian Centre or from the Society to spend the amount which he had received from the International Centre during his visit to Brussels in 1961, in the manner he did. There is no record to confirm that the General Secretary had taken the approval of the Chairman of the Children's Film Society for utilising the said amount in Brussels for the purpose of entertaining the Ministers and other officials as part of the publicity and propaganda campaign on the face of it. Expenditure was unauthorised.

As regards the resolution, which is stated to have been passed by the Indian Centre in 1963, as shown in Appendix XV of the 20th Report of Public Accounts Committee (Third

Lok Sabha), the Public Accounts Committee have themselves expressed the opinion that 'the manner in which the expenditure, incurred some time ago, was sought to be authorised *ex-post-facto* by means of a resolution circulated for signature at a much later date, is also highly objectionable."

A copy of Law Ministry's advice on this subject is given in Annexure I. The suit has been filed to effect the recovery on the advice of the Ministry of Law. The matter concerning \$ 1,000 is pending in a Delhi Law Court. The next date of hearing is May 14, 1969. The case is sub judice. The amount of expenditure so far incurred by the Children's Films Society on the suit is being ascertained from the Society."

1.30. In a further reply dated 18th April, 1969 the Ministry of Information and Broadcasting have stated that the Children's Film Society has incurred upto April 10, 1969, the following expenditure on the civil suit filed by it against the former General Secretary :

	RS
(i) Court fees	589 20
(ii) Lawyer's fee	2,200 00
(iii) Court expenses	171 18
(iv) Hand writing expert's fee	512 00
(v) Travelling expenses	1,868 54
TOTAL	5,340 92

(iii) *Alleged Losses :*

1.31. Referring to the losses disclosed in the report submitted by the then Controller of Films Division, who had been appointed to look into the various matters of this Society, the former General Secretary has stated :

"About the alleged losses amounting to about Rs. 1.25 lakhs, the recently retired Controller of the Films Division arrived at this figure and later himself excluded certain items to the tune of about Rs. 18,000, as stated on page 41 of the Public Accounts Committee's 62nd Report, Third Lok Sabha. On page 42, it is stated 'the opinion of the legal adviser was that there was neither mis-appropriation of funds nor of property of the Society except \$ 1,000. There was only mismanagement of the funds of the Society, so criminal proceedings for confiscation of property and mis-utilisation of property was not established.

In spite of this, the Society filed a report with the Bombay Police in November, 1967. No action has been taken on the report so far.

The former General Secretary gave charge on June 13, 1962, in presence of Attached Financial Advisor of the Information and Broadcasting Ministry and a member of the

Executive Council of the Society. A number of officers, secretaries, executive committee members, chairmen have changed before the report of the Controller of Films Division was submitted in May-June, 1965. The former General Secretary cannot be held responsible for the losses, if any."

1.32. The Ministry of Information and Broadcasting have offered the following comments :

"The then Controller, Films Division, in his report found the total losses amounting to Rs. 1,25,075. Later on, when he was the Honorary Treasurer of the Society he was requested by the Executive Council to decide with reference to the legal advice received from the Society's Legal Adviser in what manner and in what matters action should be taken. At that stage, the Controller of Films Division stated that no legal action can be taken in respect of certain items to the tune of Rs. 18,000. In para 3.30 of their 62nd Report, the Public Accounts Committee desired that legal opinion should be obtained on all the cases of losses and mis-appropriation committed by the Society and appropriate action be taken. As a result of the legal opinion (gist of which is given in Appendix II of the note submitted to the Lok Sabha Secretariat with the Ministry of Information and Broadcasting O.M. No. 15/51/66-FC Vol. II dated 29th June, 1968) favoured that a complaint be made to the Police regarding the suspicious and irregular financial dealings by the former General Secretary and one of his subordinates. The Society has lodged a complaint with the Bombay Police in November, 1967. According to the report of the Commissioner of Police, the case is under investigation.

The former General Secretary proceeded on leave on 13th June, 1962, after his resignation was accepted. He ceased to be in service of the Society after the expiry of 180 days leave. The charges contained in the complaint lodged with the Police pertain to the period during which the former General Secretary was in the service of the Society."

1.33. The Committee have nothing to add to their observations made on these cases in their earlier reports. The Committee would, however, like to point out that the Society have already spent a sum of Rs. 5,341 in their civil suit against the ex-General Secretary for recovery of \$ 1,000. The Committee hope that the Society will not overlook the need to ensure that legal proceedings do not become self-defeating by entailing expenditure out of proportion to the amount involved in the proceedings.

(COPY)

No. 15,3/66-FC

GOVERNMENT OF INDIA

MINISTRY OF INFORMATION AND BROADCASTING

New Delhi-1, the 5th/12th July, 1968

OFFICE MEMORANDUM

SUBJECT :—Public Accounts Committee-Forty Second Report (Third Lok Sabha) Appropriation Accounts (Civil), 1963-64. Audit Report (Civil), 1965, and Audit Report (Commercial), 1965 relating to *inter-alia* to Ministry of Information and Broadcasting—Children's Film Society.

The undersigned is directed to invite a reference to this Ministry's O.M. of even number dated the 22nd February, 1968, forwarding a copy of the statement indicating the action taken on the various recommendations made by the Public Accounts Committee in their 42nd Report in regard to the Children's Film Society and to say that against para 4.21 of the statement, it was stated that the question of charging depreciation was under consideration in consultation with the Audit and the Ministry of Finance and that the final decision of the Government on this issue will be intimated to the Committee in due course. The matter has since been considered further in consultation with the Comptroller and Auditor General and the Ministry of Finance. The Comptroller and Auditor General is of the view that since the Society meets its expenditure mainly out of Government grants, the question of setting off any amount in cash towards depreciation and or creating any depreciation Reserve Fund does not arise. The extent of grant payable would be based on the receipt and payment account of the Society, which is kept purely on cash basis. He also agrees that the Income and Expenditure Account being on accrual basis depreciation may continue to be shown therein but the amount of depreciation be ignored, while giving grant-in-aid to the Society.

This Ministry and the Ministry of Finance are in full agreement with the views expressed above. The Secretary, Children's Film Society has been asked to take necessary action accordingly. It is requested that the matter may kindly be brought to the notice of the Public Accounts Committee.

This has been approved by Secretary.

Sd/-

Deputy Secretary to the Government of India

The Lok Sabha Secretariat,
New Delhi.

(COPY)

NOTE : dated 15-6-1968

MINISTRY OF LAW

Our opinion of the 21st July, 1965 was recorded on the assumption that the act was to be filed on behalf of the Union of India.

But we now find that the suit is to be filed by the Children's Film Society in which case the period of limitation would be three years from the time when the cause of action arose. This suit was already time barred when the file came to us on 21-7-1965 as Shri Mahendra Nath had resigned from the Society in June, 1962.

Sd/—

Assistant Legal Adviser.

Ministry of Information & Broadcasting (Shri H. B. Kansal,
Under Secretary).

Ministry of Law U.O. No. 228010 68-Adv. (F), dated. 18-6-1968.

of Films Division was not clear about the scope of the proposed enquiry and sought further clarification in February, 1965. The Ministry clarified the position on 16th March, 1965. He submitted his report in July, 1965. It will be appreciated that while no time was lost in taking steps to enquire into the matter and the appointment of an Enquiry Officer for going into the irregularities pointed out by the Public Accounts Committee some time did lapse in the actual appointment of the Enquiry Officer due to administrative reasons and also due to the fact that the then Honorary Treasurer of the Society, who was asked to enquire into the matter, expressed his inability to do so after a lapse of about five months.

ANNEXURE I

A brief summary of the recommendations of the three Officers, appointed by the Executive Council, Children's Film Society on 30th April, 1962.

(1) **Shri S. Y. Ranade** : The Society as a whole or its Executive Council should prepare about six months in advance of a particular year its annual production programme duly categorised as so many films for entertainment, so many biographies, so many travelogues, and so many documentaries. Thereafter suggestions should be called from all members of the society and other interested parties regarding specific subjects for various categories. Then the subject should be considered by the Executive Council and final decision taken. The Executive Council should also broadly indicate the expenditure limits for each type of film.

(2) The Production Wing of the society should be headed by a person capable of directing and finalising a film. It should take up production of as many films as it can. The society should itself produce some films and some films to be assigned to the outsiders. There would be no objection to loaning of equipment or studio etc. on the basis of suitable fee when not required for productions directly undertaken by the society.

(3) The Executive Council of the society should consist of persons with knowledge of films, eminent in field of art, psychology etc. All members of the Council nominated under clause II(D) and 11(E) should constitute the production committee. The production committee should supervise and be finally responsible for the production of the picture.

Exhibition : An attempt should be made to try and secure one theatre in a town where such shows are held on fixed dates or days at fixed timings. Society could also draw on the various state government theatres for such shows.

(2) The Library movement could also be put on a sound footing by securing the assistance of well established institutions or officers. There is however clear need for the prints of the society's films to be more easily available.

(3) On the basis of productions during the six years period till the march, 1961 was roughly 12300 feet per annum. On this basis, the staff of the production unit employing 23 persons is more than adequate.

(4) On the basis of comparison of the society's cost of production with those of two feature type documentaries prepared by the Films Division. The cost of production of society's film is excessively high.

SHRI KARAM'S REPORT

(1) The entire office and the staff of the society should be located in one premises as near to each another as possible in Bombay.

- (2) It would be necessary to have small exhibition unit, at Delhi.

On the basis of the existing pattern of their Production activities, existing staff strength is sufficient. Recommendations were made for the creation of the post, scale of pay, appointing authority, punishment and appeal etc.

- (3) Formulation of leave Rules.
- (4) Special efforts seem to be called for in the matter of :
 - (1) Increase in membership of State-Governments and Union Territories.
 - (2) Exploration of exhibition facilities for the Society's films on the widest possible commercial and non-commercial circuits.
 - (3) Raising its own revenues in order to minimise dependence on government grants.
 - (4) A purchase committee may be set up.
 - (5) The Executive Council and the Standing and Production Committees should meet regularly, in which all matters should be discussed.
 - (6) Suggested proper maintenance of accounts relating to Publicity materials, Log Book etc.

SHRI CHARI'S REPORT

- (1) Suggested the appointment of a Treasurer.
- (2) Auditors should be asked to make a thorough check of the accounts and conduct actual verification of stores.
- (3) To classify the transaction, under various heads and compile, compose and arrange materials from other records. Suggested framing bye-laws for financial control.
- (4) Suggested maintenance of separate stock registers.
- (5) Pointed out the defects then prevailing in the maintenance of accounts.
- (6) Suggested making bye laws.

Dealt with the various audit objections and suggested-various remedial measures.

- (1) Defined the powers of various officers of the society.
- (2) Suggested allocation of funds for various purposes by the Executive Committee.
- (3) Suggested ways and means for making purchases.
- (4) Suggested restricting striking of number of prints.

Recommendation

The Committee desire that the Ministry may furnish a detailed note explaining the exact position of the case of avoidable

expenditure mentioned in para 4.32 of the Report duly vetted by Audit.

The following explanation has been given by the Children's Film Society :—

The chassis for Sound Recording Van was taken on 13-3-1963. On taking delivery of the chassis the Sound Engineer prepared the design in line with the requirements and latest improvement in Sound Recording technique. Various body builders were contacted and quotations were obtained. After inviting the quotations, the best quotation was approved on 13-4-1963. The formal approval of Chairman for this quotation and entrusting the work was obtained on 30-5-1963. The work on the body building was completed on 28-12-1963. After thorough examination of the body by Sound Department the payment was made on 8-1-64. The Insurance of Sound Vans was effected on 12-2-1964. After the Sound Recording Van was insured the R.T.O., was approached on 21-2-1964 for registration. Since the present Sound Truck has been an improvement on the usual Sound Trucks, commissioned in Bombay earlier, the RTO raised certain objections, thus delaying the registration. Letters were addressed to RTO on 19-3-64, 3-4-1964 and 6-4-1964 but to no avail. Then on 7-4-1964 a letter was addressed to the Assistant Secretary, Home Department, Government of Maharashtra, to grant exemption from the operation of rule 163(1) of Bombay Motor Vehicle Rules 1959; on 4-5-1964 a reminder was sent, to which the Superintendent, Home Department, Government of Maharashtra replied on 17-6-1964 that the matter was receiving attention. Even with a reminder to him on 8th July 1964 with instructions to the Sound Engineer to follow up the matter by personal contacts, the registration could be finalised only by October, 1964. The question of registration of the Vehicle was doggedly pursued by the Society. The delay was mainly due to the factors beyond the control of the Society. As such the hiring of another Sound Truck for Lucknow in February, 1964 was unavoidable.

The Sound Truck is equipped with a heavy duty camera like Mitchel Camera or Seiki Camera. The Society is in possession of a Mitchel Camera which now forms part of the Sound Truck. In February, 1964 when the production unit of the Society had gone to Lucknow for outdoor shooting, the Puppet film of the Society was also under production at Bombay. In the production of Puppet film a Camera with the arrangements for single frame animation is necessary. Only Mitchel or Seiki Camera has this arrangement. Hence Society's Mitchal Camera was engaged on this film. In case the Sound Truck of the Society could have been ready (as has been presumed by audit) the Mitchel Camera could not have been disengaged from the shooting of the Puppet Film which was in progress at that time.

Normally the hiring rate of the Mitchel Camera is Rs. 100 per day (Concessional rate for Society only) at Bombay. The rate is higher if it is taken out of Bombay. Therefore the expenditure on hiring of the second camera for the Sound Truck would have still been there. It should again be mentioned here that hiring of Sound Truck was essential and unavoidable during out-door shooting at Lucknow for the reason that Society's Sound Truck was not ready for out-door shooting during February, 1964. Therefore, expenditure on hiring Sound Truck was justified. "In the absence of records, which are at Bombay, Audit has not been able to verify the facts of the Case. The records of the Society will be examined by Audit at the time of next local inspection of the accounts of the Society at Bombay, and Audit comments if any will be submitted to the Public Accounts Committee later".

In this case the Society imported some equipment for use in the studio which the Society was going to purchase. Since the Society did not purchase the studio, this equipment became practically surplus. Thus, this expenditure on the import of the equipment was a drain on the foreign exchange reserves of the country. The Committee feel that the Society should exercise proper care to avoid such imports in future. The Committee would also like to know to what use the equipment has been put.

[Sr. Nos. 75 & 76 (Para 4.38) of the 42nd Report (Third Lok Sabha)]

Action Taken

The matter has been enquired into on the request of Ministry of Information and Broadcasting by the Controller of Films Division in his capacity as Honorary Treasurer of the Society. A copy of his report is attached (Annexure V). Further report when received will be submitted. According to his report the Society appeared to have purchased the equipment with a view to economy in expenditure which the Society was incurring in hiring the equipment from outside the parties. The Society obtained the import licences and necessary foreign exchange etc. in 1961 and the equipment was purchased in 1961 and 1962. The equipment purchased by the Society could be used for in-door as well as out-door shooting. These articles form part of the Society's sound van. Some negotiations relating to the purchase of the Studio were carried out personally by the then General Secretary but no written correspondence was available on the subject. From some of the minutes of the Society, it was observed that the question of possessing a studio for a better and quicker production of films was under the Society's consideration from 1959 but later it was dropped. While the Society was not able to indicate the extent to which economy was actually effected after the purchase of the equipment, the Society did maintain that economy in expenditure had been effected. All the equipment was put to use from the dates of purchase both in in-door and out-door shooting. Except the Mitchel Camera which remained idle from its receipt on 18-5-1961

(due to the defective lenses) till the commencement of the puppet film in September, 1963.

Recommendation

It is apparent that from the very beginning it was known to the producer that the film would be more than 900 ft. in length and that it could not be completed within a period of 7 months as stipulated in the contract. Eventually, the film was shot to a length of 1593 ft. and the expenditures came to Rs. 91,130 against the original estimated cost of Rs. 34,490. The Committee further note that the contract was revised half way through and the rates of payment were revised in favour of the producer as stated earlier.

[Sr. No. 22 (3.44) of the 62nd Report (Third Lok Sabha)]

Action Taken

It may be mentioned at the outset that the producer of the Puppet film, "As You Like It" was the Children's Film Society and not the person engaged by it to make the film on behalf of the Society. Latter was engaged as the Director of the film. The length of 900 ft. of the film was only an estimate for the purpose of a rough budget estimate on the basis of the story. This was the first puppet film of its kind in India which was a major experiment and also for the Director who had his training in Czechoslovakia. There was no one else in the field whose advice could be sought.

Recommendation

The Committee note that the producer did not disclose full facts about the length and the time to be taken in shooting this film. It is also not very clear as to how and why the provision of *ex-gratia* allowance in the first contract and of bonus allowance in the second contract was provided for. Due to intermittent suspension of work, an avoidable expenditure of Rs. 13,915 had to be incurred on pay and allowances of staff etc. The Society had placed, it appears, much reliance on what the producer had stated and never thought it necessary to get it verified by other sources.

[Sr. No. 22(3.45) of 62nd Report (Third Lok Sabha)].

Action Taken

The Executive Council of the Society in its meeting held on 20th and 21st April 1967 decided not to pay bonus to Shri Pillai in connection with the production of the film "As You Like it". The observations of the Committee have however been noted by this Ministry and the Children's Film Society for future guidance.

[Ministry of Information & Broadcasting O. M. No. 15.51/66-FC Vol. II dated 29-6-69].

Recommendation

The Committee regret to note that the following lapses took place one after the other in this case but the Ministry did not take any action in the matter :—

- (a) even though the films were despatched in October, 1962, no enquiry about its receipt was made till December, 1963.
- (b) the films were not insured.
- (c) the Children's Film Society had not taken any interest to press the claim against the shipping company with the result that the case became time-barred and the shipping company refused to entertain the claim for payment on account of the loss of films.
- (d) still more curious is the fact that the Society had decided to write off the loss and did not care to fix responsibility for such a lapse.

The Committee urge that the whole case should be re-examined with a view to fix responsibility for the various lapses that had occurred.

[Sr. No. 23 of 62nd Report (Third Lok Sabha)].

Action taken

The following four films of the Children's Film Society were taken or sent to U.K. by the then General Secretary of the Society, during the period from July, 1958 to September, 1960.

1. "Scout Camp", 2. "Haria", 3. "Ganga Ki Lahren" 4. "Guru Bhakti".

The film "Ganga Ki Lahren" was personally taken by General Secretary while the other three were sent by air. The films were sent to the High Commission in U.K., London, for the purpose of Prestige Publicity.

In April, 1961, these four films appear to have been transmitted by our High Commission in London to the Indian Embassy in Rome, under instructions from the Ministry of External Affairs, for exhibition in the International Film, T.V. and Documentary Market, Milan, held from 12th to 29th April, 1961. It appears that the External Affairs Ministry issued instructions to the High Commission in U.K. on the advice of the General Secretary.

Indian Embassy in Rome shipped these films to the address of the Society on 4-10-62 per s.s. 'Jalagovind' from Geneva to Bombay. The records of the Society do not reveal despatch of these films to either U.K. or their transmission to Rome. The Society, was, therefore, caught unaware, when they received a letter dated 25-10-1962 from the Bank of India, New Delhi, stating that a consignment had been received for the Society from Geneva and that the papers might be collected after making payment of the freight and other charges.

The letter from the Bank also did not give any particulars about the contents of the parcels nor the name of shipper. These details were obtained from the bank, and the Reserve Bank of India, New

Delhi, was approached for permission to make payment of Rs. 206/- to the Bank of India for release of the parcels. Enquiries were simultaneously made with the Scindia Steam Navigation, Co., Ltd., to furnish the name and address of the Shipper and the contents of the packages. M/s. Scindia Steam Navigation Co., Ltd., informed the name of the Shipper *vide* their letter No. FRT/DEL/2972 dated 8-11-63. The Shipper *viz.* Transporti Fiera Di Milano, and the latter were addressed to ascertain the name and the address of the sender under instruction from whom the order to ship the films was given. By that time, a letter dated 22-11-1962 from the Indian Embassy in Rome was received which threw light as to how the films had come to be despatched.

While efforts to get the required foreign exchange were being made with the Reserve Bank of India to meet the expenses, personal enquiries were made from the Ministry of External Affairs (Ex. Publicity Division) to know as to how and when the films were sent to Rome. Then it came to light that they were sent to U.K. and were transmitted to Rome for the purpose already stated.

The Reserve Bank of India, New Delhi, called for particulars of Rs. 206/- to be paid *vide* their letter No. EC. DH/24080/89-62 dated 10th December, 1962. These particulars were called for from the shipper, *viz.* M/s. Septt. S.A. I.M.A., Milan, *vide* the Society's letter No. E. 33/62/2318 dated 11th December, 1962. These details were received by the Society, *vide* the shipper's letter No. E. 33, 82 dated 18th December, 1962. In the meantime, other papers connected with the consignment were sent to the Reserve Bank of India *vide* the Society's letter No. E. 33/62/2633 dated 29/31-12-1962. When the details of expenditure were received, the Reserve Bank of India was informed of them. There was an additional claim of £ 3/- from M/s. Scindia Steam Navigation Co., Ltd., for freight charges. This was also referred to the Reserve Bank of India. The matter remained under correspondence between the Society and the Reserve Bank of India till late March, 1963, when they granted the required foreign exchange for clearing the consignment.

It will be seen that the efforts to obtain the necessary foreign exchange for making payment to the bankers took some months. Without these payments, the papers required were not released by the Bank of India Ltd. The next hurdle was to get the consignment cleared from the Customs without payment of custom duty and the demurrage charges. The duty at the normal rates and the demurrage charges would have been a huge amount. The consignment was already six months old. Since the Society had no clearing agents, the matter was discussed with one or two clearing agents, who normally handle foreign consignments.

They advised that the Society might not only have to pay duty and demurrage charges but the parcels had attracted penalty and that it would be safer to avoid written reference to the customs till all the other efforts had been exhausted. The case was further complicated as the films were shipped to U.K. but were being imported from Italy. There were also no export proof certificates which are essential for free import of films consignment. The matter was taken

up with the Customs for waiving of the wharfage and demurrage charges.

While efforts to get permission from Customs for waiving of wharfage and demurrage charges were being made, an enquiry from M/s. Scindia Steam Navigation Co., Ltd., was received quoting whether the consignment was cleared by the Society. M/s. Scindia Steam Navigation Co., Ltd., was informed that the consignment was not cleared by the Society. Meanwhile, M/s. Scindia Steam Navigation Co. was also asked to deliver the consignment, when they informed the Society that the consignment was missing or shortlanded. On receiving this information, a claim was lodged with M/s. Scindia Steam Navigation Co.. They rejected the claim saying that it was time-barred, under Article III, Clause, 6, para 3 of the Indian Carriage of Goods by Sea Act, 1925.

Since the records did not show that the consignment was insured by the despatcher, i.e., the Indian Embassy in Rome, no claim under that account could also be made. It may, however, be added that the film consignments are usually not insured by parties.

The matter was then placed before the Executive Council of the Society at its meeting held on 25th March, 1966. The history of the case was explained to the members and it was pointed out that the original cost of the films was Rs. 3,450/-. These films at the time of despatch from Rome were four years old and as such had already out-lived their lives. The Council also considered the fact that even if the efforts to salvage the prints had been successful and the customs had, as a special case, agreed to waive off wharfage and demurrage charges the penalty of Rs. 6,000/- or so for non-observance of rules would have been there which would be much more than the original price of the prints. The Council, therefore, decided to write off these prints.

The views of the Society's solicitor were also obtained and they are as follows :—

"I have gone through the case papers in the matter of the three film packages sent from Milan to Bombay per s.s. Jalgovind. The stand taken by the Scindia Steam Navigation Co., Ltd., appears to be correct and is supported by the provisions of the Carriage of goods by Sea Act. I cannot see any grounds or basis for reviving or reopening the matter or preferring the claim once again. There is no ground for taking any legal action in a Court of Law. And such action will involve only a waste of time, labour and unnecessary expenses. The legitimate claim for the films which were old would have been Small and the claim could not have been preferred earlier."

In the circumstances explained above it will be seen that the Society made every possible effort without loss of time, to take delivery of the films and that the loss of the four films was caused by circumstances beyond the control of the Society and as such the question of fixing responsibility does not arise.

According to the Secretary of the Society, it has already been decided that the budget estimates of film will be prepared only after the script of the film has been finalised and as far as possible, negotiation with the artist etc. were made. A script Committee, which approves the script has already been appointed. This consists of producers and directors with expert technical knowledge.

(Ministry of Information & Broadcasting O. M. No. 15/51/66 F.C. Vol. II dated 29-6-68).

CHAPTER IV

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

Recommendation

According to the findings of the Enquiry Report a loss of Rs. 1,02,068.11 and 1,000 dollars was caused to the Society by the General Secretary and Rs. 61,117.25 by the Director-in-Charge. The Committee suggest that the possibility of recovering these large sums from the persons concerned by legal action or otherwise may be examined.

[Sr. No. 68 of 42nd Report (3rd Lok Sabha)]

Action taken

A civil suit for the recovery of 1000 (US) dollars from the former General Secretary of the Children's Film Society is proceeding in the Court of a Civil Judge in Delhi. Without prejudice to the above, Government issued directions in August, 1966, that the Society should initiate criminal proceedings against all those concerned with the losses sustained by the Society, as pointed out in Controller of Films Division's Report. A copy of the orders is attached. The matter is under the consideration of the Executive Council of the Society in consultation with their legal advisers. The Legal Adviser of the Society has since submitted his report on the action required to be taken against the persons responsible for causing loss to the Society. The report was sent to the Ministry of Law for advice and the advice received on 30.9.1967 was communicated to the Secretary, Children's Film Society for further necessary action and the Public Accounts Committee will be informed of the final position in due course.

Recommendation

The Committee are not sure whether the Chanda Committee would specifically undertake evaluation of the working of the Children's Film Society. In case they are unable to cover this point, the Committee suggest that the Ministry should undertake a detailed evaluation of its working, both quantitatively and qualitatively.

The Committee are surprised to note that the Ministry have no information as regards Children's films shown in the rural areas and these will have to be collected from the States. It has also been stated by the Ministry that "it is not possible to state categorically that such films are being shown in the Community Development Blocks". The Committee feel that without such information the Ministry of Information and Broadcasting would never know if the

films produced by the Children's Film Society are serving the purpose aimed at by the Society or not.

[Sr. No. 72 & 73 of the 42nd Report (3rd Lok Sabha)]

Action Taken

The Chanda Committee has not examined the working of the Children's Film Society. The Chairman of the Society has recently appointed a study team of non-officials to review the working of the Children's Film Society, in all its aspects.

The requisite information is being collected by the Children's Film Society from the State Governments, which are affiliate members of the Society. Information so far received from the Society may kindly be seen in the statement attached (Annexure III). Further information received from the Society will be passed on to the Lok Sabha Secretariat in due course.

Secretary, Children's Film Society has been directed on 9-12-1966 to obtain periodical information from the State Governments regarding their films shown in rural areas. In addition, the films of the Children's Film Society are also supplied to different field units of the Directorate of Field Publicity of this Ministry and are shown through mobile vans in rural areas. The Director of Field Publicity has also been requested on 15-2-1967 to advise the various regional officers under his control to collect and furnish the relevant information to the Secretary, Children's Film Society, Bombay.

Recommendation

The Committee regret to note that even though the Children's Film Society has been in existence for over a decade and that the Government has spent approximately Rs. 65 lakhs on this Society during the above period, the results achieved are far from satisfactory. The whole project of the Society appears to the Committee, to be badly planned and inefficiently executed. The Public Accounts Committee (1963-64) in paras 48-53 of their 20th Report have already dealt with serious irregularities pointed by Audit in the Audit Report (Civil) 1963. As a result of the recommendation of the Committee, Shri Limaye was appointed to hold an enquiry for fixing responsibility for financial irregularities in the Children's Film Society for a number of years and to ascertain the amount of loss suffered by the Society. Shri Limaye's report, which was submitted in July 1965 is very revealing and shows how the entire working of the Society was mis-managed. The Committee suggest that immediate action should be taken on that report.

In evidence the Committee were assured that some steps were taken in May, 1963 for the reorganisation of the Society. The Committee find that these steps mainly relate to the streamlining of

financial and accounting procedures. No vigorous steps appear to have been taken to produce more popular and useful films by the Children's Film Society. Further, films produced so far by the Society have also not been utilized to the fullest extent due to paucity of auditoria. Number of schools which are members of the Film Library of the Society is very small. The Committee, therefore, suggest that concrete steps should be taken to ensure that the Children's Film Society is able to produce good and useful films. For this purpose, the advice of the experts already in the line may be sought. It should also be ensured that these children's films are exhibited to the largest number of children. The various schools in the country should also be encouraged to become members of the Film Library of the Society.

{Sr. No. 74 of the 42nd Report (3rd Lok Sabha)}

Action Taken

The action taken on the report of the Controller of Films Division is indicated in Annexure IV. It is expected that the Study Team already at work will take a note of the recommendation which has been brought to their notice.

ANNEXURE III

Report on the shows held on the Children's film Society's films supplied by the Society to State Government and other Agencies for the period 1st April 1966 to 31st March 1967.

(Partial Report based on Information received so far)

Shows held in Rural areas (approximate audience)				
	No. of shows held	Elders	Children	Sub- total
1. Bapu Ne Kaha Tha	120	20,160	17,320	37,480
2. Dilli Ki Kahani	60	14,345	17,225	31,570
3. Hamein Khelne Do	22	20,570	14,300	4,4870
4. Panch Puthyan	1	13,50	2200	3,550
5. Ekata	50	10,000	17,270	33,270
6. Chator Batak	53	9,475	21,325	33,800
7. Panchtantra Ki Ek Kithan	7	3,250	500	3,750
8. Sanyas	4	800	1,500	2,300
9. Bal Chitra Patika No. 2	1	2,650	32,900	61,550
10. Maha Teerth	1	7,500	1,900	3,400
11. Sarf Bisvas	1	1,100	1,900	3,400
12. Nyaya	1	1,100	1,900	3,400
13. Tod Milyarak	60	31,100	21,650	57,750
14. Kame Ki Kahani	36	8,370	11,600	19,970
15. Mistaan	36	3,300	4,700	8,000
16. Children's Magazine No. 1	16	1,100	2,200	3,300
17. Ratan	43	2,200	3,700	5,900
18. W. Kati	10	1,400	1,500	2,900
19. Do Brothers	4	1,150	1,500	3,150
20. Harwa	2	1,200	2,300	3,500
21. Ramayatri Ki Nyaya	1	400	1,000	1,400
22. Mista Ki Chitra	13	1,100	33,500	33,500
23. Ganga Ki Ushren	2	1,100	650	1,750
24. Bhai Bhai Se Sagar	20	10,250	3,200	33,450
25. Bal Ramayan	42	30,590	18,460	49,050
26. Ganga Bhakti	38	8,800	10,570	19,370
27. Veer Parosi	1	1,100	1,500	2,600
28. 26th January	37	1,500	4,400	6,200
29. Jise Ki Tara	1	1,100	1,500	2,600
30. Shikhar	1	1,100	1,500	2,600
31. Baadshah Se Baadshah	1	1,100	1,500	2,600
32. Ja'leeb	1	1,100	1,500	2,600
33. Scout Camp	32	2,400	5,900	8,300
34. Deypak	1	1,100	1,500	2,600
35. Pahadon Ki Pukat	17	1,300	2,100	3,400
36. Raja Aur Gangaram	1	1,100	1,500	2,600
37. Stamp Album	1	1,100	1,500	2,600
TOTAL	840	2,37,460	2,80,870	5,18,330

Report on the shows held on the Children's film Society's films supplied by the Society to State Government and other Agencies for the period 1st April 1966 to 31st March 1967.

(Partial Report based on Information received so far)

	No. of shows held	Well-to-do localities approximate audience		Sub-total
		Elders	Children	
1. Babu Ne Kaha Tha	99	8,390	8,390	16,780
2. Dilli Ki Khani	13	3,900	8,100	12,000
3. Hamen Khelne Do	10	8,450	5,650	14,100
4. Panch Putliyan	—	—	—	—
5. Ekata	32	12,000	17,000	29,000
6. Chatur Balak	8	5,150	6,600	11,750
7. Panchtantra Ki Ek Kahani	—	—	—	—
8. Savitri	—	—	—	—
9. Bal Chitra Patrika No. 2	—	25	40	65
10. Maha Teerath	23	18,795	15,835	34,630
11. Saral Biswas	—	—	—	—
12. Nyaya	4	1,050	4,330	5,380
13. Idd Mubarak	17	12,200	11,150	23,350
14. Kutte Ki Kahani	16	4,550	8,250	12,800
15. Masterji	5	600	1,250	1,850
16. Children's Magazine No. 1	3	230	815	1,045
17. Rahul	12	3,440	7,850	11,290
18. Wo Kata	2	200	425	625
19. Lu Brothers	14	3,500	2,300	5,800
20. Hariya	2	1,100	400	1,500
21. Ramshastri Ka Nyaya	—	—	—	—
22. Meera Ka Chitra	6	—	8,700	8,700
23. Ganga Ki Lahren	—	—	—	—
24. Boond Boond Se Sagar	30	16,850	14,600	31,450
25. Bal Ramayan	9	5,325	1,650	6,975
26. Guru Bhakti	9	3,000	6,500	9,500
27. Veer Purush	1	95	335	430
28. 26th January	—	—	—	—
29. Jaise Ko Taisa	—	—	—	—
30. Shararat	—	—	—	—
31. Jaldeep	1	45	425	470
32. Scout Camp	1	25	415	440
33. Deepak	1	130	365	495
34. Bachon Se Baten	1	45	425	470
35. Pahadon Ki Pukar	1	95	335	430
36. Raju Aur Gangaram	1	95	335	430
37. Stamp Album	1	300	1,200	1,500
TOTAL	322	1,09,585	1,33,670	2,43,255

Report on the shows held on the Children's film Society's Films supplied by the Society to State Government and other Agencies for the period 1st April 1966 to 31st March, 1967

(Partial Report based on Information Received so far)

	Shows held in Urban areas approximate audience			Sub- total
	No. of shows held	Elders	Children	
1. Babu Ne Kaha Tha	105	22,365	14,400	36,765
2. Dilli Ki Kahani	55	17,050	16,940	33,990
3. Hamen Khelne Do	20	8,530	8,050	16,580
4. Panch Putliyan	12	7,500	8,600	16,100
5. Ekata	50	25,00	22,550	47,550
6. Chatur Balak	49	19,300	16,700	3,600
7. Panchtantra Ki Ek Kahani	2	1,500	500	2,000
8. Savitri	7	4,100	2,700	6,800
9. Bal Chitra Patrika No. 2	—	—	—	—
10. Maha Teerth	45	23,950	19,400	43,350
11. Saral Biswas	11	5,000	2,600	7,500
12. Nyaya	—	—	—	—
13. Idd Mubarak	8	5,150	7,650	12,800
14. Kutte Ki Kahani	26	10,150	8,050	18,200
15. Masterji	23	13,960	9,950	23,910
16. Children's Magazine No. 1	7	620	2,550	3,170
17. Rahul	49	24,140	24,000	48,140
18. Wo Kata	2	1,600	900	2,500
19. Lu Brothers	1	400	600	1,000
20. Hariya	1	300	200	500
21. Ramshastri Ka Nyaya	1	1,000	—	1,000
22. Meera Ka Chitra	2	700	500	1,500
23. Ganga Ki Laheran	3	—	2,600	2,600
24. Boond Boond Se Sagar	24	9,250	12,050	21,300
25. Bal Ramayan	58	29,230	16,068	45,298
26. Guru Bhakti	5	400	2,600	3,000
27. Veer Purush	11	8,300	3,200	11,500
28. 26th January	—	—	—	—
29. Jaise Ko Taise	1	55	300	355
30. Shararat	1	55	300	355
31. Bachon Se Baten	—	—	—	—
32. Jakdeep	—	—	—	—
33. Scout Camp	—	—	—	—
34. Deepak	—	—	—	—
35. Pahadon Ki Pukar	—	—	—	—
36. Raju Aur Gangaram	—	—	—	—
37. Stamp Album	—	—	—	—
TOTAL	589	2,39,605	2,04,258	4,43,863

ANNEXURE IV

Action taken on Controller of Films Division's Report on Children's Film Society

In pursuance of the recommendations contained in Public Accounts Committee's Twentieth Report, Shri S. N. Limaye, Controller of Films Division was appointed by this Ministry on 28-12-1964 to hold an enquiry into the affairs of the Society. His report was received in this Ministry in July, 1965. According to the report of Controller of Films Division, the Society suffered a loss of Rs. 1,20,482.59 and \$1000 during the period from 1957-58 to 1961-62 mainly on account of shortages in stores, raw-stock, processing and prints and on account of irregular payments of Travelling Allowance Daily Allowance to the General Secretary.

2. A copy of the relevant extracts from Shri Limaye's report was sent to Secretary, Children's Film Society on 16-8-1965 with the request that the matter should be placed before the Executive Council of the Society for necessary action for recovery of the said amount from the persons concerned and to forward comments of the Executive Council to the Ministry.

3. The report of the Controller of the Films Division came up for discussion at the meeting of the Executive Council of the Society on 23-10-1965. The Council directed that :

"The Society should write off those losses, which are not recoverable, in consultation with Shri Limaye. Those losses which in the opinion of the Honorary Treasurer are recoverable and for which legal proceedings may be started, Secretary should consult the Society's legal advisers and start legal proceedings for recovery of the same after consultation with Honorary Treasurer".

The report of the legal adviser of the Society was submitted by the Secretary, Children's Film Society to the Honorary Treasurer for his advice on the future course of action in accordance with the decision of the Executive Council cited above. Legal proceedings for the recovery of \$1000 from Shri Mahendra Nath, former Secretary of the Children's Film Society have been initiated. The case is proceeding in the court of a Civil Sub Judge in Delhi. The last hearing was in May, 1967.

As for further action, Children's Film Society has informed us that they have circulated the report of Shri Limaye along with the opinion of the legal adviser of the Society, as also the final recommendation of Shri Limaye for further action, to the members of the Executive Council of the Society. This was done on the recommendation of Shri Limaye. In his letter dated 24th June 1966 the Secretary, Children's Film Society reported that the recommendations of the members have been received and have to be discussed by the Executive Council.

As regards institution of criminal proceedings against the persons who have been held responsible by Shri Limaye, the matter has been considered in consultation with the Ministry of Law. The Ministry of Law advised that a complaint may be lodged with the police regarding the suspicious and irregular financial dealings by Shri Mahendra Nath and Shri Rajendra Kumar. That Ministry also advised that the Economic Wing of C.B.I. should be persuaded to take up the investigation. As suggested by the Ministry of Law, Controller of Films Division was requested to have a complaint lodged under the signature of the Secretary, Children's Film Society under his directions.

Further action could not be taken because in the meantime the Executive Council of the Society had become defunct and new Executive Council was re-constituted. Shri Limaye's findings on the affairs of the Society together with the recommendations of the legal adviser of the Society were considered at the meeting of the reconstituted Executive Council held on 9-11-1966. The Executive Council has directed the Secretary, Children's Film Society as follows :

- (a) The Secretary may consult Shri K. C. Sharma, Advocate of the Society at Delhi and if necessary, invite him to visit Bombay and study all the relevant documents to prepare a draft complaint for C.B.I., and also give specific advice on various items under objection as to whether legal proceedings can be successfully and fruitfully launched now.
- (b) After Shri Sharma's report is made available to the Society, the same will be sent to the Ministry of Information and Broadcasting for reference to the Ministry of Law for advice.

On 16th August 1967 Secretary Children's Film Society filed a complaint with the C.B.I., Ministry of Home Affairs against Shri Mahendra Nath and others responsible for causing loss to the Society. The C.B.I., however, declined to undertake investigations to complaints against them on the ground that allegations pertained to the period 1957-61 and persons complained against were also not public servants. The C.B.I., however, stated that if necessary, the matter might be reported to the local police concerned. In consultation with the Law Ministry, Secretary, Children's Film Society, was advised on 25th September 1967 to file a complaint with the Police at Bombay. Accordingly, Secretary of the Society filed a complaint with the Commissioner of Police, Bombay on 29.9.1967 (5.10.1967). Subsequently, this Ministry also wrote to the Commissioner on 8th October 1967 on the subject. The Commissioner of Police has informed us that the matter is under action. But so far no prosecution appears to have been launched by the Police.

Recommendation

The Committee desire that prompt action should be taken on the recommendation of the Limaye Committee for the losses of stores and for recovery of a sum of Rs. 1,320 from the General Secretary.

Sl. No. 77 of the 42nd Report (Third Lok Sabha).

Action taken

Noted. Action taken on the report of the Controller of Films Division has been reported in Annexure IV.

Recommendation

From the Enquiry Committee's Report relating to the missing articles valued at Rs. 19,016.66 P., it is observed that apart from small articles, missing articles include cameras, watches, gramophones, sarees, almirahs, type-writers, shawls, dunlopillo mattress, divans, book cases, steel cupboards, tea sets, etc. etc. Moreover 65% of the English books and 45% of Hindi books are also missing. The Committee feel that such a large list of missing articles gives only an indication to the fact that there was a large scale attempt to defraud the Society. Further the only Gold Medal which the Society won in an international award is also missing. The Committee take a serious view of this and suggest the Government should institute criminal proceedings against persons who have been held responsible by the Enquiry Committee. The Committee also feel that this case shows that the supervision of the Ministry of Information and Broadcasting on this Society was very lax. The Committee desire that in addition to fixing of responsibility on the persons responsible for the thefts of the missing articles responsibility for laxity in supervision by officers of the Information and Broadcasting may also be fixed.

Sl. No. 78 of the 42nd Report (Third Lok Sabha).

Action taken

This forms part of the investigations conducted by Controller of Films Division on which a report is furnished in Annexure IV. As stated in Annexure IV the directions were issued in August, 1966, to the Children's Film Society, to initiate criminal action against those responsible for financial irregularities and causing loss to the Society. The matter has already been handed over by Children's Film Society to the Police for criminal action against all those responsible for causing financial loss to the Society.

Point No. 3 : Sl. Nos. 74, 77, 78, 79 of *Forty-second Report* and Sl. No. 21 of *Sixty-second Report* (Third Lok Sabha) :

- (i) It is stated in the note that "Secretary of the Society filed a complaint with the Commissioner of Police, Bombay on 29.9.1967/5.10.1967".

Please intimate the present position of the criminal proceedings against the persons concerned.

- (ii) It is stated in the note that "So far only a civil suit for the recovery of 1000 dollars from the former General Secretary of the Society has been filed".

The position regarding the civil suit and the decision on filing other civil cases with particulars thereof may be intimated.

- (iii) Please supply full particulars of all cases, where suits could not be filed due to limitation and the reasons for not having taken action in time.
- (iv) Please state whether the question of undertaking regular audit of accounts of the Society by the Comptroller and Auditor General has been examined.

Reply :

- (i) The Commissioner of Police, Bombay is seized of the matter. An Investigation Officer has already visited the Society's office at Bombay and examined some documents. Some more documents are, however, to be examined by them. Further action rests with the Commissioner of Police.
- (ii) The Civil Suit for the recovery of 1,000 dollars from the former General Secretary of the Society is still before the Subordinate Judge, Delhi. The defence lawyers are now cross-examining the present Secretary of the Society. The next hearing of the case has been fixed for 9th April 1969.

As regards the decision on filing other civil cases, it may be stated that the Ministry of Law in their note dated 15.6.1968 (copy enclosed) has opined that the period of limitation for filing Civil Suits against the persons responsible for the loss of the Society would be 3 years from the time when the cause of action arose.

- (iii) Civil cases have not been filed because of their being time-barred. These cases also form part of the complaint lodged with the Commissioner of Police, Bombay since they were found criminally involved also. A statement indicating the details of the cases and reasons as to why timely action for recovery of the amount involved in each case was not taken is attached herewith (Appendix D).
- (iv) At present the accounts of the Society are audited by the Chartered Accountants of the Society regularly every year. The accounts of the Society are also test checked by A.G.C.R. every year regularly. The question of regular audit of the accounts of the Society was considered by this Ministry in 1960 in consultation with the Ministry of Finance and the representatives of the Children's Film Society and it was decided that the accounts of the Society should continue to be subject to test checked by the Comptroller and Auditor General of India and the conditions prescribed in the General Financial Rules, but Government may ask for a detailed audit of the Society whenever necessary vide this Ministry's letter No. 22/9/58-F(C) dated the 24th May 1960 (copy enclosed).

(COPY)

GOVERNMENT OF INDIA
 MINISTRY OF INFORMATION AND BROADCASTING

New Delhi-2, the 24th May 1969

From

Shri D. R. Khanna.
 Under Secretary to the Government of India.

To

The Accountant General,
 Central Revenues,
 New Delhi.

SUBJECT:—Audit Inspection Report on the accounts of Ministry of Information and Broadcasting for the year 1956-57.

Sir,

With reference to para 3(b) VII of your report mentioned above relating to the audit of the accounts of the Children's Film Society I am directed to say that the matter was discussed in the meeting held in this Ministry with the Ministry of Finance and the representative of the Children's Film Society and it was decided that the accounts of the Society should continue to be subject to test check by the Comptroller and Auditor General of India and the conditions prescribed in the General Financial Rules but Government may ask for a detailed audit of the Society whenever necessary.

Yours faithfully,

Sd/-

Under Secretary to the Govt. of India.

Copy forwarded to Cash Section with reference to their endorsement No. 23 1 57-Cash dated 3rd March 1958.

Sd/-

Under Secretary to the Govt. of India.

APPENDIX I

List of the cases which could not be taken up in the Civil Courts as they were found by the Ministry of Law as time-barred.

Sl. No.	Para No. of Shri Limaye's Report	Para No. of Audit Report	Amount involved	Brief Particulars of cases	Remarks
1	2	3	4	5	6
1.	23	3 of 1959-60	Rs. 169.00	Relates to the recovery of Rs. 169 on account of Air-passage of Shri Mahendra Nath which he did not undertake.	All these cases came to the notice of Govt. only on receipt of the Report of the Controller of Films Division, which was received in July, 1965, by which time according to the Law Ministry, these cases had become time-barred.
2.	61	8 of Audit-Report (Civil) 1963	11,720.96	Outstanding dues from University Film Council in respect of films produced for them.	Do.
3.	71		276.00	Relates to the hiring of Refrigerator for the convenience of the General Secretary and the staff.	Do.
4.	74		17.00	Relates to the cost of a lunch to Film-fare Editor and Story Writer.	Do.
5.	75		13.26	Relates to excess due to drawal of actual expenditure during Shri Mahendra Nath's stay at Madras on 4th and 5th June, 1961.	Do.
6.	89		45,295.46	Relating to preparation of excess number of prints.	Do.
7.	90		11,553.49	Relates to the value of missing prints.	Do.
8.	91		19,016.66	Relates to the reported shortages of articles and books.	Do.

1	2	3	4	5	6
9.	99	—	1,320.39	Wrong payment of T.A. Non-utilisation of Air-Ticket-Dinner given to Press etc.	All these cases came to the notice of Govt. only on receipt of the Report of the Controller of Films Division, which was received in July, 1965, by which time according to the Law Ministry, these cases had become time-barred.
10.	80.1	—	225.00	Payment to Extras in excess of IMP-PA rates.	Do.
11.	50.1	Audit Report (Civil) 61-62.	2,490.00	Do.	Do.
12.	77	—	58.25	Relates to drawing of actual expenses by Shri Rajendra Kumar.	Do.
13.	78	—	14.00	Relates to cancellation charges of railway tickets.	Do.
14.	Annexure XIII	—	554.57	Various payments made without detail.	Do.

Recommendation

The Committee regret that their earlier recommendations made in para 4.5 of their 42nd Report (Third Lok Sabha) was not taken seriously by the Ministry. They fail to understand as to why legal opinion was obtained only in the case of loss of 1,000 Dollars. As a matter of fact the legal opinion should have been obtained on all the cases of losses and mis-appropriation committed by the Society. The Committee desire that this should be done and appropriate action taken.

The Committee are surprised to learn that the Ministry could not advise the Children's Film Society to take action on their recommendation made in para 4.44 of the 42nd Report (Third Lok Sabha) and also in cases of mis-appropriation of funds by the Society. When the Society was depending on the grants given by the Ministry for its working and when the Government was adequately represented on its Executive Council, it becomes all the more surprising that the Society was beyond the control of the Ministry. In these circumstances, the Committee would suggest that the Ministry should either consider the taking over of the Society so that its affairs may be brought under effective control or stop giving further grants to the Society till proper action is taken on the recommendations made by the Committee.

The Committee would also like to reiterate their recommendation made in paras 4.43, 4.44 and 4.46 of their 42nd Report (1965-66) and stress the necessity of taking prompt action in this case.

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The Committee would also like to reiterate their recommendation made in paras 4.43, 4.44 and 4.46 of their 42nd Report (1965-66) and stress the necessity of taking prompt action in this case.

[Sr. No. 21 & 22 of 62nd Report (Third Lok Sabha)].

Action taken

Public Accounts Committee's 42nd Report (Third Lok Sabha) was received in this Ministry towards the end of December, 1965, and a copy of the report was forwarded to the Secretary Children's Film Society on 2nd March, 1966, with the request that the report should be examined immediately and his comments on the various matters raised therein forwarded to this Ministry urgently. Prior to this the Controller of Films Division had been appointed in December 1964 as the Enquiry Officer to go into the various matters of the Society and to ascertain the loss caused to it. The report of the Controller of Film Division was received in this Ministry on 15-7-65, which showed that the Society had suffered a loss of Rs. 1,20,482.59 due to negligence of the then General Secretary and other officials of the Society. Relevant extracts from Controller of Films Division's report in regard to the items on which the Society had suffered a loss were forwarded to the Secretary, Children's Film Society on 16-8-65, with the request that the matter should be placed before the Executive Council of the Society immediately for further necessary action, regarding recovery of the said amounts from the persons concerned.

The Controller of Film Division's Report was considered by the Executive Council of the Society at its meeting held on the 16th September, 1965 but the matter had to be deferred because the Joint Secretary in the Ministry of Information and Broadcasting, had requested the Chairman to postpone the meeting. The Report was again brought to the Council for consideration at its subsequent meeting held on 28th October, 1965, when the Council decided that the Society should write off those losses which were not recoverable in consultation with the Controller of Films Division who was also the Honorary Treasurer of the Society and (ii) those losses, which in the opinion of the Honorary Treasurer were recoverable and for which legal proceedings might be started, Secretary should consult

the Society's legal advisers and start legal proceedings for the recovery of the same after consulting the Honorary Treasurer.

The recommendations of the Controller of Films Division along with the legal opinions were considered by the Executive Council at its meeting held on 25/26th March, 1966 and the report was circulated for further study for the members. The council at its meeting held on 9th November, 1966 decided that the Secretary should ask the Society's legal adviser, to visit Bombay and study all the relevant documents available with the Society for preparing a draft complaint for Central Bureau of Investigation and give specific advise on various items under objection whether legal action could successfully and fruitfully be launched. The Council also directed the Secretary that after obtaining the report from the legal adviser, the same should be sent to the Ministry of Information and Broadcasting for reference to the Ministry of Law for advice. After taking into consideration all the factors the Executive Council also resolved (copy of resolution enclosed—Annexure) that action shall be taken against four officials of the Society including the General Secretary and authorised the Secretary of the Society to take appropriate legal action against the persons concerned. Opinion of Legal Adviser of the Society has been obtained on all the cases of losses and misappropriations committed by the Society's officials. Further, the Law Ministry has also been consulted on the legal opinion expressed by the Legal Adviser of the Society in each case (copy enclosed—Appendix II). The Solicitors of the Society have however, expressed the following opinion.

"In dealing with this matter, it is my opinion that the best course of action that can be taken by the Society is to lodge a complaint with the Bombay Police and leave it to the Police to investigate into the matter and lodge a prosecution if they are satisfied that any offence has been committed. However, if the Police do not institute any prosecution against these persons, I would not advise the society to institute any private prosecution against the persons concerned."

The Law Ministry's advice has also been sought as to whether in view of the Solicitor's opinion prosecution can be launched "Successfully and fruitfully" against the officials concerned. Their reply dated 15th June, 1968 is as stated below :—

"Our opinion of the 21st July 1965 was recorded on the assumption that the suit was to be filed on behalf of the Union of India. But we now find that the suit is to be filed by the Children's Film Society in which case the period of limitation would be three years from the time when the cause of action arose. This was already time barred when the file came to us on 21-7-1965 as Shri Mahendra Nath had resigned from the Society in June 1962."

A copy of the above note of Law Ministry has been forwarded to Secretary, Children's Film Society, on 27-6-68, with the request that the matter may be placed before the Executive Council of the Society at its next meeting.

So far only a civil suit for the recovery of \$ 1,000 from the former General Secretary of the Society has been filed.

The Legal Adviser visited Bombay for a couple of days in November, 1966 and after making a detailed study of the various files, registers and books etc., he submitted his report on 20-7-1967. The report of the Legal Adviser was placed before the Executive Council on 25-7-67. The Council appointed a Sub-Committee consisting of the Joint Secretary, Ministry of Information and Broadcasting, the Controller of Films Division and the Deputy Secretary in the Ministry of Finance to consider the report of the Legal Adviser and recommend further action. The Sub-Committee met on 28-7-67 and recommended that the cases of civil nature may be referred to the Ministry of Law for advice. The Sub-Committee further recommended that the irregularities of a criminal nature may be referred to the Central Bureau of Investigation for further necessary action.

So far as cases of a civil nature are concerned the advice of the Ministry of Law was obtained and forwarded to the Secretary, Children's Film Society for further action. As regards cases of criminal nature, the Central Bureau of Investigation was requested to intimate whether they could undertake the investigation of those cases on behalf of the Society. The Central Bureau of Investigation, however, informed the Society on 10-9-67 that they were not prepared to investigate these cases on the ground that the employees of the Society were not public servants. The Central Bureau of Investigation, however, stated that the Society may lodge a complaint with the local police directly. In consultation with the Ministry of Law, the Secretary of the Society was advised by the Government to lodge a complaint with the Commissioner of Police, Bombay, which was actually filed on the 5th October, 1967. Government have also since sent a letter to the Commissioner of Police. The Commissioner of Police has informed this Ministry that the matter is under action. But so far no prosecution has been lodged by the police.

The final decision on the filing of civil cases will be intimated to the Committee in due course.

Net grants-in-aid amounting to Rs. 9,89,041 was paid to the Society during 1965-66 and Rs. 4,91,658 during 1966-67. As regards the control exercised by Government over the Society, it may be stated that the Deputy Secretary of this Ministry and of the Ministry of Finance are now members of the Executive Council of the Society. The Deputy Minister for Information and Broadcasting is the Chairman of the Society. The Secretary of the Society is also a Government official who is expected to understand fully the financial propriety of dealings in an office like the Society. It is expected that the affairs of the Society would now improve.

Stopping of further grants-in-aid to the Society would have been an extreme step, which Government, perhaps, wanted to avoid, because it would have meant total wastage of the grant given to the Society during the year 1955-56 to date.

The question of entrusting the work relating to production of Children's films to the Films Division was considered in the context of Public Accounts Committee's earlier recommendations contained

in their 20th Report and again in the context of Ministry of Finance not agreeing to include any provision in the Budget Estimates of the Society for 1966-67 and 1968-69, but it was not found feasible because Films Division was considered ill-equipped for taking over this specialized job. The continuance of the Society in the present form was approved by the Minister for Finance on 21-6-66 and by Minister of Revenue and Civil Expenditure on 15-1-68.

A note indicating action on the Public Accounts Committee's recommendations in paras 4.5, 4.43, 4.44 and 4.46 of their 42nd Report (Third Lok Sabha) has been submitted separately.

[Ministry of Information & Broadcasting O.M. No. F. 74 15 51/68-F.C. Vol. II dated 29-6-1969].

ANNEXURE

The Executive Council has carefully gone through the relevant audit objection and reports of the Public Accounts Committee. The report of Mr. S. N. Limaye, has also been carefully considered. After taking into consideration all the factors, the Executive Council is of the opinion that legal action should be taken against Mr. Mahendra Nath, Mr. Rajendra Kumar, Shri C. B. Patel and Shri Amarnath, Shri H. C. Srivastava. the Secretary of the Society is hereby authorised to take a appropriate legal action against the persons concerned. He should seek such legal advice as may be necessary and should have the case investigated. He is authorised to launch and prosecute on behalf of the Society, such legal action, criminal or civil, as may be found appropriate in the circumstance of such transactions. He is further authorised to sign and verify all plaints, petitions, complaints and Information Reports on behalf of the Society as may be necessary during the course of taking legal action against the persons mentioned above and against such other persons who may be found responsible for committing offences against the society. In short, the Secretary is hereby empowered to exercise all the powers of the society to launch and prosecute, proceedings, civil or criminal. He is also authorised to incur necessary expenses in this behalf.

NEW DELHI:

April 28, 1969

Vatshakha 8th, 1891 (Saka).

M. R. MASANI,
Chairman,
Public Accounts Committee.

APPENDIX

Summary of main Recommendations/Conclusions

Sl. No.	Para No.	Ministry/Department Concerned	Recommendations/Conclusions
1	2	3	4
1.	1-15 & 1-16	Ministry of Information and Broadcasting.	<p>The Committee observe that civil proceedings were not initiated for recovery of irregular excess expenditure, shortages, outstandings, dues etc. amounting to Rs. 92,744 that came to notice as a result of investigation into the affairs of the Children's Film Society by the Controller of Films Division. Government have stated that proceedings could not be initiated as the report of the Controller became available only in July, 1965 "by which time according to the Law Ministry these cases had become time-barred." The committee, however, observe that the opinion of the Law Ministry that action had become time-barred was based on the assumption that the former General Secretary of the Society "had resigned from the Society in June, 1962", whereas the actual position as explained to the Committee by Government was that "his resignation had become effective with effect from 9th December, 1962." It would, therefore, be apparent that the proceedings had not become time-barred by the time the findings of the Controller of Films Division on the affairs of Society became available in July, 1965.</p> <p>The Committee, however, note that though civil proceedings have now become time barred, the relevant cases "form part of a complaint lodged with the Commissioner of Police, Bombay" as a preliminary to the institution of criminal proceedings. The Committee would like to be apprised of the further progress made in the matter.</p>
2	1-25	Ministry of Information and Broadcasting.	<p>The Committee are happy to note from the Report of the Study Team that the Children's Film Society has "during the last few years tried to rehabilitate itself and improve its working." However, as would be evident from the findings of the Study Team, there is a lot of lee-way still to be made up, notably in programming the production of films, selection of appropriate themes, co-ordination of shooting schedules for films and improving the machinery for distribution of films. The Committee would like Government to consider how best improvement in these directions could be brought</p>

1	2	3	4
3	1-33	Ministry of Information and Broadcasting.	<p>about, on the basis of the suggestions contained in the Study Team's Report.</p> <p>The Committee have nothing to add to their observations on these cases made in their earlier reports. The Committee would, however, like to point out that the Society have so far spent a sum of Rs. 5,341 in their suit against the ex-General Secretary for recovery of S 1,000. The Committee hope that the Society would not overlook the need to ensure that legal proceedings do not become self-defeating, by entailing expenditure out of proportion to the amount involved in the proceedings.</p>

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
DELHI			31.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1.	63
24.	Jain Book Agency, Connaught Place, New Delhi.	11	34.	People's Publishing House, Rani Jhansi Road, New Delhi.	16
25.	Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi	3	35.	The United Book Agency, 48, Anrit Kaur Market, Pahar Ganj, New Delhi.	86
26.	Atma Ram & Sons, Kashmir Gate, Delhi-6.	9	36.	Hind Book House, 62, Janpath, New Delhi.	95
27.	J. M. Jaina & Brothers, Mori Gate, Delhi.	11	37.	Bookwells, 4, Sant Narakari Colony, Kingsway Camp, Delhi-9.	96
28.	The Central News Agency, 2090, Connaught Place, New Delhi.	15	MANIPUR		
29.	The English Book Store, 7-L, Connaught, Circus, New Delhi.	20	38.	Shri N. Chaoba Singh, News Agent, Ramlal Paul, High School Annexe, Imphal.	77
30.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23	AGENTS IN FOREIGN COUNTRIES		
31.	Baliree Brothers, 188 Lajpatrai Market, Delhi-6.	27	39.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W.C.-2.	89
32.	Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi.	36			

