

**PUBLIC ACCOUNTS COMMITTEE
1954-55**

FIFTEENTH REPORT

APPROPRIATION ACCOUNTS (CIVIL), 1954-55

Vol. II-- Appendices



सत्यमेव जयते

**LOK SABHA SECRETARIAT
NEW DELHI
*August, 1955.***

CORRIGENDA

Fifteenth Report of the Public Accounts Committee on the Appropriation Accounts (Civil), 1950-51 and Audit Report (Civil), 1952 -- Vol. ~~II~~ - Appendices.

Page (i), S.No. XII, Col.3 for '50-5' read '50-51'

Page (ii), S.No. XVIII, Col. 2, line 2, for 'Par I' read 'Part I'

Page (iii), S.No. XXXVI, Col. 2, line 2, for 'scheduled of rates' read 'schedule of rates'

S.No. L, Col. 3, for '147-18' read '147-148'

Page (iv), S.No. LIII, Col. 2, line 2 for 'setting' read 'setting'

S.No. LXVII, Col. 3, for '191' read '194'

Page (vi), S.No. CIV, Col. 2, line 1, Before 'Ministry of Finance' for 'he' read 'the'

S.No. CV, Col. 3, for '263-27' read '263-276'

Page (vii), S.No. CXXXV, Col. 3, for '334-325' read '334-335'

Page (viii), S.No. CXLV, Col. 3, for '373' read '372'

S.No. CXLVI, Col. 3, for '373-37' read '373-374'

P.T.O.

Page 4, S.No. 59, Col. 3, for '2,04,15,000' read '2,04,75,000'

Col. 5, ~~sign~~ for 'Rs.13,91,257' read '-Rs.13,91,257'

S.No. 64, Col 6, for '+4,23,52,190' read '+23,52,190'

S.No. 74, Col. 4, for '13,73,25,80' read '13,73,25,810'

Page 5, S.No. 91, Col. 6, for '-16,4,549' read '-16,42,549'

Page 6, Col. 4, against Total (voted) for '1,91,24,93,120*' read
'1,91,24,93,124*'

Page 11, Para (a), line 2, for 'vice' read 'service'

Page 33, para 2, line 10, for 'cent from 1st March, 1951. The
cost of sugar, therefore, varied' read 'maund was
levied on imports received between that date and'

Page 35, line 10, for 'excess' read 'excesses'

Page 41, last line, for 'or' read 'it'

Page 42, first line, for 'oecame' read 'became'

Page 47, line 1, for S.No. 90 - T.1 read S No.90 - THE'
para 1, sub-para (4), last line, for 'anti piracy' read
'anti piracy'

Para 1, sub-para (3) line 1, for 'anti-pirarcy' read
'anti-piracy'.

Page 55, para 2, line 4, for '1954' read '1945'.

Line 4.

Page 60, para 4, for '\$15,070:00 and \$565:00' read '\$15,070.00 and \$565.00'

Page 68, Col. 4, para (i) line 6, for 'minimise' read 'minimises'

para (ii) line 5, for, 'par' read 'part'

Page 69, Col. 4, lines 1 and 2, for 'osition' read 'position'

Page 74, line 3, for 'Public Accounts Committee consideration' read 'Public Accounts Committee - Consideration'

Col. 1, lines 5 and 6, for 'suppliers as' read 'suppliers as'

Page 75, Table, Col. 1, for 'yea' read 'year' and above '1951-52' read '1949-50 and 1950-51'

Page 80, point 3(v), line 4, for 'Exchangeges' read 'Exchanges'

Page 92, para 3, line 1, delete 'full stop' after 'above'

Page 97, line 3, insert '(i)' after 'para 5(a)'

Page 99, para 8, line 13, for 'specification' read 'specifications'

para 9, line 7, for 'vigilence' read 'vigilance'

Page 101, last line for 'production' read 'Production'

Page 104, para 3, line 9, for '108-44' read '108-144'

Page 115, line 3, add 'A General Report touching the various aspects of the Execution of'

Para 1, line 10, for 'rice' read 'rule'

Page 116, para 1, lines 2 and 3 for 'Memoreandum' read 'Memorandum'

Para 2, sub-papra 6, line 4, for 'discharged' read 'discharge'

Page 118, Table 2, Col.2, against 'Hazaribagh' for '2.25' read '2.5'

Col.2, total: for '1132' read '113.2'

Foot note line 1, for '+1315' read '+131.5'

Page 124, lines 2 and 3 from bottom, for 'commercila' read 'commercial'

Page 135, Table, Col. 1, below '18-12-1951' read '13-2-1952'

Page 143, Table, Col. 2, last item, for '1,0000' read '1,00,000'

Page 145, line 2, for 'No.F. 2(34)FIII/53' read 'No. F.2(34).FIII/55'

Page 172, line 1, for 'borrow' read 'burrow'

Page 183, line 6, for 'individuuls' read 'individual'

Page 189, line 4, add 'As' and for 'increas' read 'increase'

Page 197, Heading, Col. 5 for 'Betar Jaga' read 'Betar Jagat'

Page 202, line 3, for 'recommendation' read 'recommendation'

Page 214 Table, Col. 1, line 1, for 'Ayanca' read 'Advance'

Page 216, para 2, line 10, for 'carries' read 'carriers'

Page 217, para 7, line 7, for 'plaintings' read 'plaintiffs'

line 2 from bottom, insert 'to' after 'relates'

Page 219, para 4, line 5, for 'much' read 'such'

Page 240, para 2(a), line 3, for 'upspent' read 'unspent'

Page 259, para 2, line 8, for 'as for as' read 'as far as'

Page 266, line 2, for 'Superientendent' read 'Superintendent'

para 8, line 2, for 'complied' read 'compiled'

Page 267, line 15, for 'Uppre' read 'Upper'

Page 271, Col. 2, S.No.14, for 'Agriments' read 'Agreements'

Col. 3, line 2 from bottom, *delete* one 'are'

Page 272, Col. 3, S.No. 20, lines 3 and 4 for 'It is aso seen, that issues have been correctl' read 'It is also seen that issues have been correctly'.

Page 280, Recommendation (i) line 2, for 'desirability' read 'desirability'

Recommendation (iii), line 2, *insert* 'of' before 'Public'

Page 281, para 1, line 4 from bottom, for 'Departmental' read 'Departmental'

Page 292, table 1, Col. 2, item 2, for 'Rs. 6,8,703/-' read 'Rs.6,80,703/-'

Page 296, line 7, for 'Stool' read 'Steel'

last line for 'I on and Steel controller' read 'Iron and Steel Controller'

Page 299, S.No. (xi), last line, for 'Rs,10,00' read 'Rs.10,00'

Page 310, para 1, line 4, for 'lack fo workshop' read 'lack of workshop'

Page 312, para 1, line 1, for 'Report for' read 'Report on'

Page 317, para 1, sub-para (2), line 2, for 'become' read 'became'

Page 318, para 1, last line, for 'culated was Rs. 43,174' read 'were the S.E.'s recommendations'

Page 319, last para, lines 2 and 3, for 'preferred' read 'referred'

Page 329, para 1, line 2, for 'involing' read 'involving'

Page 367, Col. 5, delete 'I' against 'Bihar'

against Orissa for '00' read '2,00'

against East Punjab for '000' read '1,000'

Page 374, para 3, line 3, for 'should be authorised unless the antecedents and the financial stabe -' read 'also be put on the black list or otherwise penalised as is the case'

add 'Item No.124 D' after para 3.

Page 376, for 'APPENDIX CILVIII' read 'APPENDIX CXLVIII'

Page 377, against the entry '8-2-1955' under Col. 1 of the Statement insert 'of the' after the word 'Accounts' under Col. 1 of the Statement.

Page 379, against the entry "28-6-1955" under Col. 1 of the Statement, for '2hrs. 30 mts.' under Col. 3 read '2hrs. 50mts'

against the entry '29-6-1955' under Col. 1 for '31' in Col. 4 read '11'

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*See Appendix I—Volume I—Report.

APPENDIX I
Statement comparing Expenditure with Grants (Civil) for 1950-51

No. and Name of Grant or Appropriation	Original Grant or Appropriation	Final Grant or Appropriation	Expenditure	Expenditure compared with Original grant or Appropriation More + Less—	Expenditure compared with Final Grant or Appropriation More + Less—
1	2	3	4	5	6
	Rs.	Rs.	Rs.	Rs.	Rs.
1. Customs Voted	2,05,50,000	2,05,50,000	1,79,95,320	—25,54,680	—25,54,680
2. Union Excise Duties Voted	4,90,94,000	5,40,94,000	4,10,96,523	—79,97,477	—1,29,97,477
3. Taxes on Income including Corporation Tax Voted	2,68,48,000	2,68,48,000	2,43,84,442	—24,63,558	—24,63,558
4. Opium Voted	1,21,02,000	1,21,02,000	90,24,637	—30,77,363	—30,77,363
5. Stamps	5,33,000	5,33,000	5,19,317	—13,683	—13,683
	1,12,40,000	1,20,40,000	1,13,05,025	+ 65,025	—7,34,975
6. Forest Voted	31,42,000	31,42,000	24,20,810	—7,21,190	—7,21,190
7. Irrigation (including Working Expenses) Navigation, Embankment and Drainage Works met from Revenue	91,000	91,000	89,872	—1,128	—1,128
	25,50,000	26,82,000	22,41,746	—3,08,254	—4,40,254
8. Cabinet Voted	22,84,000	24,66,000	22,34,858	—49,142	—2,31,142
9. Parliament	50,000	50,000	43,309	—6,691	—6,691
	28,33,000	28,33,000	28,08,874	—24,126	—24,126
11. Ministry of Home Affairs Voted	67,37,000	69,97,000	67,96,860	+ 59,860	—2,00,140
12. Ministry of Information and Broadcasting Voted	1,03,01,000	1,03,01,000	82,03,227	—20,97,773	—20,97,773

	1	2	3	4	5	6
		Rs.	Rs.	Rs.	Rs.	Rs.
13. Ministry of Law	Voted	1,45,69,000	1,77,15,000	1,02,91,539	—42,77,461	—74,23,461
14. Ministry of Education	Voted	34,87,000	34,87,000	30,08,646	—4,78,354	—4,78,354
15. Ministry of Agriculture	Voted	27,08,000	27,83,000	26,54,471	—53,529	—1,28,529
16. Ministry of Health	Voted	6,25,000	6,25,000	6,14,867	—10,133	—10,133
17. Ministry of External Affairs	Voted	51,68,000	54,29,000	50,67,185	—1,00,815	—3,61,815
18. Ministry of Finance	Voted	1,18,88,000	1,18,88,000	1,01,17,192	—17,70,808	—17,70,808
19. Ministry of Commerce	Voted	58,23,000	61,89,000	60,64,388	+2,41,388	—1,24,612
20. Ministry of Labour	Voted	23,22,000	24,48,000	23,43,365	+21,365	—1,04,635
21. Ministry of Works, Mines and Power	Voted	13,00,000	13,00,000	12,53,801	—46,199	—46,199
22. Ministry of Communications	Voted	5,28,000	6,71,000	6,55,421	+1,27,421	—15,579
23. Ministry of Transport	Voted	24,29,000	24,29,000	20,42,212	—3,86,788	—3,86,788
24. Ministry of Food	Voted	42,23,000	42,24,000	41,00,284	—1,22,716	—1,23,716
25. Ministry of States	Voted	12,84,000	13,46,000	12,43,762	—40,238	—1,02,238
26. Ministry of Defence	Voted	31,85,000	31,85,000	31,02,366	—82,634	—82,634
27. Ministry of Industry and Supply	Voted	22,16,000	22,16,000	20,55,845	—1,60,155	—1,60,155
28. Ministry of Rehabilitation	Voted	14,88,000	19,18,000	18,36,852	+3,48,852	—81,148
28-A. Ministry Without Portfolio	Voted . . . . .	..	20,000	21,097	+21,097	+1,097
29. Payments to other Governments, Departments, etc. on account of the Administration of Agency subject and Management of Treasuries.	Voted	16,62,000	16,79,000	15,93,704	—68,296	—85,296
30. Audit	{ Charged	12,30,000	12,30,000	11,23,166	—1,06,834	—1,06,834
	{ Voted	3,74,54,000	3,74,54,000	3,38,62,685	—35,91,315	—35,91,315
31. Administration of Justice	{ Charged	9,12,000	9,12,000	8,03,291	—1,08,709	—1,08,709
	{ Voted	2,71,000	3,36,000	2,30,882	—40,118	—1,05,118
32. Jails and Convict Settlement	Voted	5,000	5,000	1,273	—3,727	—3,727

33. Police	Voted	48,57,000	53,37,000	42,82,362	-5,74,638	-10,54,638
34. Ports and Pilotage	Voted	44,89,000	44,89,000	34,58,548	-10,30,452	-10,30,452
35. Lighthouses and Lightships	Voted	11,22,000	11,78,000	11,70,347	+48,347	-7,653
36. Ecclesiastical	Voted	1,000	3,000	-1,72,363	-1,73,363	-1,75,363
37. Tribal Areas	Voted	1,20,41,000	1,49,98,000	1,43,21,993	+22,80,993	-6,76,007
38. External Affairs	Voted	3,39,99,000	3,92,77,000	3,64,96,173	+24,97,173	-27,80,827
39. Survey of India	Voted	75,99,000	76,00,000	60,74,789	-15,24,211	-15,25,211
40. Botanical Survey	Voted	92,000	92,000	98,384	+6,384	+6,384
41. Zoological Survey	Voted	2,93,000	2,93,000	2,75,466	-17,534	-17,534
42. Geological Survey	Voted	36,29,000	36,29,000	32,28,634	-4,00,366	-4,00,366
43. Mines	Voted	17,04,000	17,04,000	13,58,895	-3,45,105	-3,45,105
44. Archaeology	Voted	35,10,000	35,10,000	27,89,340	-7,20,660	-7,20,660
45. Meteorology	Voted	80,80,000	80,81,000	76,38,741	-4,41,259	-4,42,259
46. Department of Scientific Research	Voted	1,42,35,000	1,42,35,000	1,15,33,563	-27,01,437	-27,01,437
47. Other Scientific Departments	Voted	1,25,43,000	1,25,43,000	1,02,78,463	-22,64,537	-22,64,537
48. Education	Voted	1,02,37,000	1,04,17,000	1,00,04,494	-2,32,506	-4,12,506
49. Medical Services	Voted	38,78,000	38,78,000	33,28,907	-5,49,093	-5,49,093
50. Public Health	Voted	68,65,000	68,65,000	52,17,020	-16,47,980	-16,47,980
51. Agriculture	Voted	1,30,97,000	1,61,64,000	1,89,94,744	+58,97,744	+28,30,744
52. Civil Veterinary Services	Voted	26,52,000	26,53,000	22,90,697	-3,61,303	-3,62,303
53. Industries and Supplies	Voted	4,33,15,000	4,33,16,000	4,05,82,235	-27,32,765	-27,33,765
54. Salt	{ Charged	2,19,000	2,19,000	2,01,741	-17,259	-17,259
	{ Voted	1,28,94,000	1,28,94,000	1,57,82,199	+28,88,199	+28,88,199
55. Overseas Communication Service	{ Charged	2,50,000	2,50,000	2,30,510	-19,490	-19,490
	{ Voted	65,97,000	65,97,000	65,60,412	-36,588	-36,588
56. Delhi Transport Service	{ Charged	1,82,000	1,82,000	..	-1,82,000	-1,82,000
	{ Voted	67,78,000	67,78,000	..	-67,78,000	-67,78,000
57. Telephone Factory	{ Charged	3,36,000	3,36,000	..	-3,36,000	-3,36,000
	{ Voted	21,57,000	21,57,000	..	-21,57,000	-21,57,000
58. Aviation	Voted	3,20,03,000	3,20,03,000	2,69,53,420	-5,49,580	-5,49,580

		1	2	3	4	5	6
			Rs.	Rs.	Rs.	Rs.	Rs.
59. Broadcasting	Voted		2,04,75,000	2,04,75,000	1,90,83,743	13,91,257	-13,91,257
60. Commercial Intelligence and Statistics	Voted		55,69,000	55,69,000	51,27,646	-4,41,354	-4,41,354
61. Census	Voted		18,01,000	40,71,000	36,32,533	+18,31,533	-4,38,467
62. Joint Stock Companies	Voted		4,80,000	5,47,000	5,21,462	+41,462	-25,538
63. Indian Dairy Department	Voted		7,11,000	7,37,000	7,27,607	+16,607	-9,393
64. Miscellaneous Department	Voted		1,73,40,000	2,01,05,000	2,24,57,190	+51,17,190	+4,23,52,190
65. Currency	{ Charged		2,40,000	2,40,000	2,43,158	+3,158	+3,158
	{ Voted		85,68,000	1,75,68,000	1,73,74,959	+88,06,959	-1,93,041
66. Mint	Voted		87,80,000	87,80,000	79,34,971	-8,45,029	-8,45,029
67. Central Road Fund	Voted		2,90,00,000	2,90,00,000	2,90,00,000	..	..
68. Communications (including National Highways)	Voted		3,62,50,000	4,39,89,000	4,04,56,214	+42,06,214	-35,32,786
69. Other Civil Works	{ Charged		15,54,000	15,61,000	16,03,729	+49,729	+42,729
	{ Voted		3,28,37,000	3,44,92,000	3,33,07,359	+4,70,359	-11,84,641
70. Territorial and Political Pensions	{ Charged		4,46,26,000	4,46,26,000	3,72,46,491	-73,79,509	-73,79,509
	{ Voted		28,43,000	35,09,000	34,01,742	+5,58,742	-1,07,258
71. Superannuation Allowances and Pensions	{ Charged		5,04,000	5,04,000	4,73,963	-30,037	-30,037
	{ Voted		2,65,40,000	2,84,67,000	2,76,90,958	+11,50,958	-7,76,042
72. Stationery and Printing	Voted		1,73,83,000	2,18,65,000	1,54,61,847	-19,21,153	-64,03,153
73. Miscellaneous	{ Charged		16,000	16,000	11,615	-4,385	-4,385
	{ Voted		22,88,39,000	37,60,67,000	34,93,57,976	+12,05,18,976	-2,67,09,024
74. Expenditure on Displaced Persons	Voted		6,00,00,000	13,57,00,000	13,73,25,810	+7,73,25,810	+6,25,810
79. Grants-in-aid to State	{ Charged		3,84,00,000	3,84,00,000	3,70,75,500	-13,24,500	-13,24,500
	{ Voted		11,56,00,000	11,86,71,000	11,86,71,000	+30,71,000	..
80. Miscellaneous Adjustments between the Union and State Governments	Voted		1,01,000	1,01,000	1,48,864	+47,864	+47,864

80-A. Extraordinary Payments	Voted			10,00,000	6,86,066	+6,86,066	[-3,13,934
81. Resettlement and Development	Voted	3,31,68,000	3,59,37,000	2,79,85,209	-51,82,791	-79,51,791	
82. Civil Defence	Voted	1,37,000	1,37,000	1,45,287	+8,287	+8,287	
83. Pre-partition Payments	{ Charged		75,000	33,64,050	+33,64,050	+32,89,050	
	{ Voted	2,00,00,000	4,63,25,000	5,21,87,358	+3,21,87,358	+58,62,358	
84. Delhi	Voted	1,95,65,000	2,73,18,000	2,67,84,842	+72,19,842	-5,33,158	
85. Ajmer	Voted	8,11,000	1,01,35,000	95,17,564	+15,06,564	-6,17,436	
86. Kutch	Voted	41,55,000	47,78,000	44,38,152	+2,83,152	-3,39,848	
87. Himachal Pradesh	Voted	1,38,72,000	1,42,81,000	1,28,82,026	-9,89,974	-13,98,974	
88. Bilaspur	Voted	7,23,000	8,04,000	7,87,832	+64,832	-16,168	
89. Bhopal	Voted	83,96,000	97,89,000	81,77,970	-2,18,030	-16,11,030	
89-A. Vindhya Pradesh	Voted		1,79,85,000	1,82,68,049	+1,82,68,049	+2,83,049	
90. Manipur	Voted	28,21,000	28,21,000	26,11,887	-2,09,113	-2,09,113	
91. Tripura	Voted	42,18,000	63,42,000	46,99,451	+4,81,451	-16,4,549	
92. Andaman and Nicobar Islands	Voted	1,25,76,000	1,27,80,000	1,18,79,102	-6,96,898	-9,00,898	
93. Relations with State	Voted	47,24,000	48,33,000	46,30,570	-93,430	-2,02,430	
Charged-Interest on Debt and other Obligations and Reduction or Avoidance of Debt	Charged	36,50,07,000	36,50,07,000	27,54,47,054	+1,04,40,054	+1,04,40,054	
Staff, Household and Allowances of the President	Charged	15,76,000	15,83,000	15,20,998	-55,002	-62,002	
Union Public Service Commission	Charged	16,53,000	16,86,000	17,29,012	+76,012	+43,012	
94 Capital Outlay on Forest	Voted	20,00,000	28,70,000	14,93,349	-5,06,651	-13,76,651	
95 Capital Outlay on India Security Press	Voted	12,56,000	19,86,000	13,14,821	+58,821	-6,71,179	
98 Capital Outlay on Industrial Development	Voted	9,63,00,000	10,26,09,000	8,87,72,653	-75,27,347	-1,38,36,347	
99 Capital Outlay on Civil Aviation	Voted	1,49,98,000	2,04,98,000	1,68,81,584	+18,83,584	-36,16,416	
100 Capital Outlay on Broadcasting	Voted	60,00,000	60,00,000	16,48,486	-43,51,514	-43,51,514	

1		2	3	4	5	6
		Rs	Rs	Rs	Rs.	Rs.
101 Capital Outlay on Currency	Voted	1,84,000	2,65,34,000	2,64,71,446	-2,62,87,446	-62,554
102 Capital Outlay on Mints	Voted	49,60,000	61,60,000	47,63,692	-1,96,308	-13,96,308
103 Delhi Capital Outlay	Voted	1,75,70,000	1,75,70,000	1,42,62,019	-33,07,981	-33,07,981
104 Capital Outlay on Civil Works	Voted	2,97,01,000	5,81,88,000	4,84,72,715	+1,87,71,715	-97,15,285
105 Commuted Value of Pensions	Voted	42,75,000	80,75,000	80,48,750	+37,73,750	-26,250
106 Payments to Retrenched Personnel	Voted	1,000	4,58,000	92,241	+91,341	-3,65,659
108 Capital Outlay on Schemes of State Trading	Voted	7,37,22,000	7,37,24,000	-7,27,08,720	-14,64,30,720	-14,64,32,720
109 Capital Outlay on Development	Voted	16,90,18,000	17,95,18,000	8,58,96,718	-8,31,21,282	-9,36,21,282
109-A Transfer to the Contingency Fund of India	Voted	..	15,00,00,000	15,00,00,000	15,00,00,000	..
110 Interest Free and Interest bearing Advances	{ Charged	34,80,75,000	66,68,05,000	61,46,24,594	26,65,49,594	-5,21,80,406
	{ Voted	8,39,08,000	11,22,41,000	6,64,98,402	1,74,09,598	-4,57,42,598
Repayment of Debt	Charged	14,50,47,03,000	14,52,36,94,000	14,51,70,19,581	+1,23,16,581	-66,74,419
TOTAL	{ Charged	15,31,01,57,000	15,64,80,00,000	15,59,33,70,951	+28,32,13,951	-5,46,29,049
	{ Voted	1,74,83,59,000	2,35,45,02,000	1,91,24,93,120*	+16,41,34,124	-44,20,08,876
Expenditure met from Revenue	{ Charged	45,73,79,000	45,75,01,000	46,17,26,776	+43,47,776	+42,25,776
	{ Voted	1,24,44,66,000	1,58,80,71,000	1,47,05,84,868	+22,61,18,868	-11,74,86,132
Expenditure met from Capital	Voted	41,99,85,000	65,41,90,000	37,54,09,854*	-4,45,75,146	-27,87,80,146
Disbursements of Loans and Advances	{ Charged (a)	14,85,27,78,000	15,19,04,99,000	15,13,16,44,175	+27,88,66,175	-5,88,54,825
	{ Voted	8,39,08,000	11,22,41,000	6,64,98,402	-1,74,09,598	-4,57,42,598

*Excesses Rs.—7,36,58,160 in respect of "Capital Outlay on Sterling Pensions",

(a) Includes figures under "Repayment of Debt".

APPENDIX IA

I.—Statement showing the Excesses over Voted Grants (Civil) for 1950-51

Item No.	Name of Grant	Final Grant	Actual expenditure	Excess
		Rs.	Rs.	Rs.
1	28-A—Ministry without Portfolio	20,000	21,097	1,097
2	40—Botanical Survey	92,000	98,384	6,384
3	51—Agriculture	1,61,64,000	1,89,94,744	28,30,744
4	54—Salt	1,28,94,000	1,57,82,199	28,88,199
5	64—Miscellaneous Departments	2,01,05,000	2,24,57,190	23,52,190
6	74—Expenditure on Displaced Persons	13,67,00,000	13,73,25,810	6,25,810
7	80—Miscellaneous Adjustments between Union and State Governments	1,01,000	1,48,864	47,864
8	82—Civil Defence	1,37,000	1,45,287	8,287
9	83—Pre-partition Payments	4,63,25,000	5,21,87,358	58,62,358
10	89-A—Vindhya Pradesh	1,79,85,000	1,82,68,049	2,83,049

STATEMENT G

II.—Statement showing Excesses over Charged Appropriations (Civil) for 1950-51

Item No.	Name of Appropriation	Final Appropriation	Actual expenditure	Excess
		Rs.	Rs.	Rs.
1	65—Currency	2,40,000	2,43,158	3,158
2	69—Other Civil Works	15,61,000	16,03,729	42,729
3	83—Pre-partition Payments	75,000	33,64,050	32,89,050
4	Interest on Debt, etc.	36,50,07,000	37,54,47,054	1,04,40,054
5	Union Public Service Commission	16,86,000	17,29,012	43,012

APPENDIX II
MINISTRY OF FINANCE

(DEPARTMENT OF ECONOMIC AFFAIRS)

New Delhi, dated the 14th July, 1954.

Memorandum regarding items 1, 2, and 7 of the List of Outstanding Recommendations of the Public Accounts Committee.

The question of having a system of exchequer issues and internal control over grants making it impossible to exceed the grant without proper authority of Parliament or a provisional allotment from the Contingency Fund would involve drastic changes in the present treasury and accounting system, which will take some time to formulate and enforce in consultation with the Comptroller and Auditor-General of India. The Comptroller and Auditor-General of India has deputed two of his officers to study this and connected problems in detail. A scheme for the necessary changes and the phasing of the changes will be drawn up as soon as the results of the study are available.

2. In the meantime, steps have been taken and continue to be taken to ensure as far as possible effective control over expenditure within the existing rules. The more important instructions issued from time to time in this connection are mentioned below:

- (i) In Office Memorandum No. F.2(16)-B/49, dated 29th April, 1949 (See Annexure I), it was made clear that expenditure should not be incurred in anticipation of the approval of Parliament. Ministries were reminded that the original budget estimates should be framed carefully and should include all foreseeable expenditure. They were also told that no new proposals involving additional expenditure during the year should be sponsored unless the expenditure was urgent and essential and could not be postponed to the following year and that where additional expenditure over the budget grant become unavoidable, the approval of Parliament should be obtained through supplementary demands at the earliest possible opportunity and normally before the expenditure is incurred.
- (ii) Further instructions were issued in this Ministry O.M. No. F.2(5)-B/50, dated 29th May, 1950 (See Annexure II), laying down the procedure to be followed in cases where it becomes necessary during the year to incur additional expenditure on some service in excess of the provision voted by or authorised by Parliament. In such exceptional cases, the Ministries were asked to see

that the grant as a whole is not exceeded and that steps are taken to obtain the supplementary grant as early as possible. With the framing of the Rules for the Contingency Fund of India which have recently been published (See Annexures III and IV), it is expected that cases of expenditure without proper authorisation of funds will be minimised.

- (iii) In connection with the presentation of the supplementary demands to Parliament, it was again pointed out to all the Secretaries in a D.O. No. D.176-B.II/51, dated 4th January, 1951 (See Annexure V) that under the Constitution expenditure in excess of the sanctioned grant is not permissible without the specific prior vote of Parliament and the Ministries were also asked to finalise their supplementary demands in time to enable their being taken up very early in the Parliamentary Session.
- (iv) Instructions have been issued for the regular and periodical reconciliation of the departmental figures with those booked in the Accounts to ensure a proper watch and control over the progress of expenditure against the sanctioned grant. In para 4 of D.O. No. F.2(11)-Co/51, dated 7th December, 1951 to all Secretaries (See Annexure VI) periodical meetings of officers of the administrative Ministries and the Ministry of Finance have also been enjoined for this purpose. Copies of Ministry of Finance Office Memoranda No. D.6039-B.II/49, dated 7th October, 1949, 11399-B.I/51, dated 8th December, 1951 and 12122-B.II/51, dated 18th December, 1951 in this connection are also enclosed for reference (See Annexures VI to VIII).

(Sd): M. V. RANGACHARI,

Joint Secretary.

ANNEXURE I

Copy of Office Memorandum No. F. 2(16)-B 49, dated the 29th April, 1949, from the Government of India, Ministry of Finance, New Delhi, to all Ministries of Government of India.

SUBJECT:—*Proposals for supplementary grants.*

During the debate in the Constituent Assembly (Legislative) on the supplementary demands on the 31st March, 1949, objection was taken by certain members to the postponement of the presentation of the supplementary demands to the Legislature till the last day of the financial year, after the expenditure covered by the supplementary demands had already been incurred. The view was strongly expressed that the supplementary demands should be presented to the Legislature in advance, i.e. as soon as possible after it is known that the expenditure will have to be incurred, and that expenditure should not be incurred in anticipation of the Legislature's approval of the supplementary demand.

2. It is the essence of Parliamentary Government that the Legislature should vote the supplies before expenditure is incurred. It is therefore important that steps should be taken to secure that the budget estimates are prepared carefully, and that all foreseeable expenditure should be included in it. Once the budget has been passed by the Legislature the expenditure during the year should be restricted to the amount voted for that year. No proposals involving additional expenditure during the course of the year over the amount provided in the Budget should therefore be sponsored by the administrative Ministries unless the expenditure is revenue yielding or the scheme is so urgent that it is considered undesirable to postpone it till the following year. After the Legislature has voted the Budget for the year, new proposals will normally be accepted by the Finance Ministry only for inclusion in the following year's budget.

3. The existing procedure for the preparation of the supplementary demands and their presentation to the Standing Finance Committee and to the Legislature has been reconsidered in the light of the constitutional changes and the criticisms in the Legislature and it has been decided with the approval of the Standing Finance Committee, to adopt the following procedure for the future.

(a) If, during the course of the year, it is proposed to incur expenditure on new schemes for which no provision has been included in the budget or only a lump provision has been included, the proposals should be placed before the Standing Finance Committee at the earliest possible moment so that the approval of the Committee and of the Legislature may be obtained before the expenditure is actually incurred. If, in any case, it becomes necessary in the public interest to incur the expenditure before this approval is obtained, the reasons for doing so will be explained to the Committee and to the Legislature when the schemes, or the connected supplementary demands, as the case may be, are placed before them.

(b) Proposals for additional expenditure likely to involve excesses over grants will be placed before the Standing Finance Committee as soon as they are ready. If the additional expenditure is on a new Service or cannot be wholly met from savings within the grant, a supplementary demand will be presented at the earliest meeting of the Legislature, after taking into account such savings as may be foreseen at that stage. The position of the grants as a whole will be reviewed later in the year when the revised and budget estimates are prepared. Supplementary demands to be placed before the Legislature after the presentation of the budget will take into account the results of this review.

(c) In addition to expenditure on new schemes increases in ordinary expenditure may also result from unforeseen developments during the year such as increases in Defence or police expenditure necessitated by security considerations, expansion of staff to cope with increase of work, particularly in the revenue, earning departments, quicker progress on works, included in the budget than was foreseen when the budget was prepared, carry over of liabilities from the previous year. In such cases it may not be possible to frame accurate forecasts of additional requirements during the course of the year before the revised estimates are prepared. Supplementary

demands for meeting such requirements will be placed before the Assembly in March after the presentation of the budget. These supplementary demands will be placed before the Standing Finance Committee early in March and presented to the Legislature about the third week of that month. Administrative Ministries should arrange to inform the Standing Finance Committee of these increases as soon as they are known even though it may not be possible at that stage to give more than a rough estimate of the excess. In framing the supplementary estimates at this stage the entire position will be reviewed and the supplementary grants, if any, already voted into account.

(d) In the notes to the Supplementary Demands fuller information than at present will be given.

4. The revised procedure set out in paragraph 3 above will apply *mutatis mutandis* to charged expenditure.

(Sd.) K. R. K. MENON.

ANNEXURE II

Copy of Office Memorandum No. F.2(5)-B/50 dated the 29th May, 1950 from Ministry of Finance to All Ministries of the Government of India, etc.

SUBJECT:—Incurring of expenditure not provided for in the Budget.

The Government of India have had under consideration for some time the procedure to be followed if during the course of the year it becomes necessary to incur expenditure on a new service not provided in the budget or to incur additional expenditure on some service in excess of the provision voted by or authorised by Parliament. The Constitution provides for the setting up of Contingency Fund to meet this contingency advances being made from the Fund to cover such expenditure pending its authorisation in due course by Parliament. But until such a fund is set up some transitional arrangements will be necessary and it has been decided that the following procedure should be adopted:—

(a) Ordinarily, no expenditure should be incurred on a 'new service' in anticipation of the approval of Parliament and the authorisation by it of the necessary funds. This restriction will apply even if this expenditure could be met by re-appropriation.

(b) Similarly, no expenditure which is likely to involve an excess over the grant authorised by Parliament should be incurred in anticipation of Parliament's approval. But in urgent cases such expenditure may be sanctioned provided it is not on a 'new service' but steps should be taken to see that the grant as a whole is not exceeded before the necessary supplementary funds are provided by Parliament. Steps should be taken to obtain the supplementary grant as early as possible. The effect of the supply being refused will be to compel the executive to curtail the expenditure in the remaining months of the year so as to keep the total expenditure within the amount authorised.

(c) When the new expenditure is to be incurred which will be specifically met from savings within the grant or appropriation the re-appropriation of savings to cover the expenditure should be made before the expenditure is actually incurred. It will be sufficient if it is made any time before the close of the financial year.

(Sd.) M. V. RANGACHARI,

Joint Secy.

ANNEXURE III
[No. F1(62)-B/52]
GOVERNMENT OF INDIA
MINISTRY OF FINANCE

New Delhi, the 30th July, 1952.

MEMORANDUM

SUBJECT:—Contingency Fund of India—Rules for the—.

The undersigned is directed to forward herewith a copy of the Contingency Fund of India Rules framed under Section 4 of the Contingency Fund of India Act, 1950 (XLIX of 1950) for the guidance of the Ministry of Home Affairs, etc. -

The rules are being published in the *Gazette of India*, Part II, Section 3 of Saturday, the 9th August, 1952.

(Sd.) H. S. NEGI,

Deputy Secy.

To

All Ministries of Government of India; the Cabinet Secretariat; the Prime Minister's Secretariat; the Partition Secretariat; the Secretariat of the House of the People; the Secretariat of the Council of States; Secretary to the President.

N. F.1(62)-B/52

Copy with copies of enclosures forwarded to:—

The Financial Secretaries of all State Governments including Part 'C' States; the Supreme Court; the Union Public Service Commission; the Financial Commissioner of Railways; the Chief Accounting officer to the High Commissioner for India in the United Kingdom, London; the Financial Adviser and Chief Accounts Officer, Hirakud Project, Sambalpur, Orissa; the Controller General of Defence Accounts.

Copy with copies of enclosure also forwarded to the Comptroller and Auditor-General of India and to all offices under his control.

Copy with copies of enclosure also to all *Divisions and Branches in the two Departments of the Ministry of Finance.

By order, etc.,

(Sd.) H. S. NEGI.

Deputy Secy.

*with 100 spare copies for Budget Division.

*Enclosure to Annexure III***MINISTRY OF FINANCE****(DEPARTMENT OF ECONOMIC AFFAIRS)****NOTIFICATION***New Delhi, the 30th July, 1952*

S.R.O. 1358.—In exercise of the powers conferred by section 4 of the Contingency Fund of India Act, 1950 (XLIX of 1950), the Central Government hereby makes the following rules:—

CONTINGENCY FUND OF INDIA RULES

1. These Rules may be called the Contingency Fund of India Rules.
2. The Contingency Fund of India shall be held on behalf of the President by the Secretary to the Government of India, Ministry of Finance, Department of Economic Affairs.
3. From out of the balance in the Fund, such amounts as may be agreed upon from time to time shall be placed at the disposal of the Financial Commissioner of Railways for the purpose of meeting the unforeseen expenditure of the railways.
4. Subject to the provisions of rule 5 below, all applications for advances from the Fund shall be made to the Secretary to the Government of India, Ministry of Finance, Department of Economic Affairs. The applications shall give:—
 - (i) brief particulars of the additional expenditure involved,
 - (ii) the circumstances in which provision could not be included in the budget,
 - (iii) why its postponement is not possible,
 - (iv) the amount required to be advanced from the Fund with full cost of the proposal for the year or part of the year, as the case may be, and
 - (v) the grant or appropriation under which supplementary provision will eventually have to be obtained.
5. Applications for advances required by railways shall be made to the Financial Commissioner of Railways in the manner provided for in rule 4.
6. Advances from the Fund shall be made for the purposes of meeting unforeseen expenditure.
7. A copy of the order sanctioning the Advance, which shall specify the amount, the grant or appropriation to which it relates and give brief particulars by sub-heads and units of appropriation of the expenditure for meeting which it is made, shall be forwarded by the Ministry

of Finance or the Financial Commissioner of Railways, as the case may be, to the Audit and Accounts Officers concerned. In addition, the Ministry of Finance and Financial Commissioner of Railways, shall forward copies of such orders to the Accountant General, Central Revenues and the Director of Railway Audit respectively.

8. Supplementary estimates for all expenditure so financed shall be presented to Parliament at the first session meeting immediately after the advance is sanctioned. As soon as Parliament has authorised the additional expenditure by including it in any Supplementary Appropriation Act, the advances made from the Fund shall be resumed to the Fund.

Note.—While presenting to Parliament estimates for all expenditure financed from the Contingency Fund, a note to the following effect will be appended to such estimates:—

“A sum of Rs.....has been advanced from the Contingency Fund in...and an equivalent amount is required to enable repayment to be made to that Fund.”

9. A copy of the order resuming the advance, which shall give a reference to the number and date of the order in which the original advance was made and to the Supplementary Appropriation Act referred to in rule 8, shall be forwarded by the Ministry of Finance and the Financial Commissioner of Railways, as the case may be to the Audit and Accounts officers concerned. In addition, the Ministry of Finance and the Financial Commissioner of Railways, shall forward copies of such order to the Accountant General, Central Revenues, and the Director of Railway Audit respectively.

10. An account of the transactions of the Fund shall be maintained by the Ministry of Finance in Form-A annexed to these rules.

Note.—The Financial Commissioner of Railways shall maintain in the same form an account of the sum placed at his disposal under rule 3 above.

11. Actual expenditure incurred against advances from the Contingency Fund shall be recorded in the account relating to the Contingency Fund in the same detail as it would have been shown if it had been paid out of the Consolidated Fund.

FORM A

CONTINGENCY FUND OF INDIA

Amount of the Fund
 Amount placed at the disposal of the Financial Commissioner of Railways.

Rs

Rs

Sl. No.	Date of transaction	Number and name of grant or appropriation	Number and date of the application for advance	Number and date of the order making the advance	Amount advanced	Supplementary Appropriation Act providing for the additional expenditure	Amount of advance resumed	Balance after each transaction	Initials of officer-in-charge	Remarks
	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1							(8)	(9)	(10)	(11)

Note 1 — The balance should be struck after each transaction.

Note 2 — The amount of the advances should be entered in black ink when made and in red ink when resumed.

[No. F.1(62)-B/52]

K. G. AMBEGAOKAR, Secy.

ANNEXURE IV

Copy of the Notification No. I(113)B/53, dated 23rd September, 1953, from the Government of India, Ministry of Finance, to the Manager, Government of India Press, New Delhi.

In exercise of the powers conferred by section 4 of the Contingency Fund of India Act 1950 (XLIX of 1950), the Central Government hereby directs that the following amendments shall be made in the Contingency Fund of India Rules, namely:—

In the said Rules—

1. In rule 6, after the word "expenditure" the words "including expenditure on a new service not contemplated in the annual financial statement" shall be inserted.

2. In rule 8—

(a) The note under rule 8 shall be re-numbered as 'Note 1' and in this note as so re-numbered the word "all" shall be omitted and for the word "will" the word "shall" shall be substituted.

(b) after "Note 1" as so re-numbered the following note shall be inserted, namely:—

"Note 2—If the expenditure on a new service not contemplated in the annual financial statement can be met, wholly or partly, from savings available within the authorised appropriation, the note appended to the estimate submitted shall be in the following form:—

The expenditure is on a new service. A sum of Rs.....has been advanced from the Contingency Fund in.....and an equivalent amount is required to enable repayment to be made to that Fund.

The amount viz. Rs.

A part of that amount viz. Rs. can be found by re-appropriation of savings within the grant and a token vote only is now required viz. Rs.only."
a vote is required for the balance

3. After rule 8, the following rules shall be inserted, namely:—

"8-A. If, in any case, after the order sanctioning an advance from the Contingency Fund has been issued in accordance with rule 7 and before action is taken in accordance with rule 8, it is found that the advance sanctioned will remain wholly or partly unutilised, an application shall be made to the sanctioning authority for cancelling or modifying the sanction, as the case may be.

8-B. All advances sanctioned from the Contingency Fund to meet expenditure in excess of the provision for the service included in an Appropriation (Vote on Account) Act shall be resumed to the Contingency Fund as soon as the Appropriation Act in respect of the expenditure on the service for the whole year, including the excess met from the advances from the Contingency Fund has been passed."

ANNEXURE V

Copy of a D.O. No. D. 176-BII/51, dated the 4th January, 1951, from Shri K. G. Ambegaokar, Secretary, Ministry of Finance, (Department of Economic Affairs), Government of India, New Delhi.

During the last session of Parliament, there was considerable criticism that in spite of repeated requests in the past-supplementary demands were still being placed at the end of the session without adequate notice for study of papers and without allowing sufficient time for their consideration. Similar criticism about the inadequacy of time for studying papers relating to the supplementary demands was made in the Standing Finance Committee also. The delay in submission of supplementary demands, first to the Standing Finance Committee and then to the Parliament, is primarily due to the non-observance of dates by the Ministries. Thus, although supplementary demands statements for the recent session had to reach this Ministry by the 7th November some Ministries were not able to finalise their proposals until the last week of November and in some cases, even failed to apply for supplementary demands although they definitely anticipated excesses.

2. It must be realised that under the Constitution expenditure in excess of the sanctioned grant is not permissible without the specific prior vote of Parliament and that the mere voting of supplementary demands does not authorise the drawal of funds which has to await the passing of the Appropriation Bill which can be introduced only after the supplementary demands are voted and which has to go through the usual procedure relating to legislation. It is thus evident that supplementary demands must in future be passed very early in the Parliamentary session and the time table has to be arranged accordingly. As the Standing Finance Committee usually requires a fortnight's notice for consideration of proposals and as the printed proceedings of the Standing Finance Committee and the printed book of Supplementary Demands have to be circulated to Members of Parliament in sufficient time before the date due for their consideration, this in effect means that the supplementary demands in future have to be finalised well before the commencement of a Parliamentary Session.

3. For the ensuing Budget Session it is accordingly requested that Ministries should finalise their supplementary demands in consultation with the associated finance by the 15th January, 1951 and that fair copies of the memoranda to the Standing Finance Committee and of the supplementary demands statements should reach this Ministry (in the Standing Finance Committee and Budget Branches respectively) by the 31st January, 1951. These dates will be observed strictly and it will not be possible to accept requests received after this date.

4. As the Ministries are aware, Standing Finance Committee approval is required to:—

- (a) all proposals involving expenditure on a new service;
- (b) all proposals for expansion of existing services involving an expenditure of over Rs. 5 lakhs non-recurring and/or over Rs. 1 lakh recurring per annum; and

- (c) all proposals for supplementary grants including not only schemes already approved by the Standing Finance Committee but also increases anticipated in normal expenditure.

Proposals at (a) and (b) are referred to the Committee as and when the schemes come up and at the earliest convenience of the Committee. Proposals at (c) used formerly to be presented in the form of supplementary demands statements and explained, where necessary by representatives of Ministries orally before the Standing Finance Committee. During the recent session, however, the Standing Finance Committee desired that the demands should be justified through separate self-contained memoranda and this procedure will have to be followed in future. The memoranda should be comprehensive and new items [including those which have not previously been referred to the Committee under (a) and (b)] should be mentioned specifically.

5. During the discussion on the supplementary demands and the Appropriation Bill on the 22nd and 23rd December, 1950, H.M. (Finance) also gave an undertaking that the foot notes in supplementary demands would be made more elaborate and intelligent and would indicate clearly additional expenditure on new items and items that merely represent excesses in ordinary normal expenditure. Ministries are requested to ensure that care is taken in preparing the explanations accordingly.

Sd./- K. G. AMBEGOAKAR.

ANNEXURE VI

Copy of D.O. letter No. F.2(11)Co/51, dated the 7th December, 1951, from the Government of India, Ministry of Finance, New Delhi.

In July last the Public Accounts Committee drew the attention of this Ministry to the criticism made by the Comptroller and Auditor-General that Ministries do not take adequate steps to ensure that the expenditure figures as recorded in the Departmental registers etc., are reconciled with those compiled by the Accounts Offices. It is obvious that without such reconciliation it is not possible for the Ministries or for the Heads of Departments subordinate to them to control expenditure against grants voted by Parliament as ultimately it is the figures compiled by the Accounts Offices (and not the Departmental figures) that are incorporated in the Appropriation Accounts. The procedure for the control of expenditure and reconciliation between the Departmental and Accounts figures is laid down in General Financial Rules Vol. I, Rules 88—92 and Annexure B to Chapter 5. Instructions have also been issued from time to time, in the past emphasising the need and importance of such a reconciliation, the latest 'being Finance Ministry's Office Memorandum No. D.6039-BII/49, dated the 7th October, 1949, a copy of which is enclosed for ready reference. Further instructions laying down the procedure to ensure that such reconciliation is effected by the various budgetting authorities from time to time are being issued separately, and it is hoped that this matter will receive careful attention at the hands of all concerned officers under the control of your Ministry.

2. Apart from the periodical reconciliation of the departmental with the Accounts figures it is also necessary for the each Ministry to have currently reported to it the departmental figures of expenditure to enable it to watch the flow of expenditure against the sanctioned grant for which it is accountable to Parliament. Under the existing orders, the Heads of Departments outside the headquarters of the Government of India have to prepare returns of the monthly progress of expenditure in Form G.F.R.7 as indicated in para 89 (4) (vi) of the Central Government Compilation of the General Financial Rules. A similar return in Form G.F.R.11 has to be prepared by the Controlling officers in the Ministries of the Central Government and their attached and subordinate offices at the headquarters of the Government of India, *vide* Annexure B referred to in para 90 of the General Financial Rules. In both cases though expenditure figures are available either with the Heads of Departments or the controlling officer no procedure has been prescribed for making these figures available to the Ministries to facilitate the latter's control over the expenditure against the grant as a whole. In the absence of this information most Ministries are not in a position to know at any given time the progress of expenditure in respect of the various grants controlled by them. It is accordingly necessary that the returns in Form G.F.R. 7 or 11 as the case may be, referred to above, should be forwarded in future to the administrative Ministry by the Headquarters of the Departments in offices outside the headquarters of the Government of India, and by the concerned officers in the attached and subordinate offices of the Ministry at the headquarters. These should be obtained by the 15th of the month following the month to which the return relate. The information so obtained should be suitably posted by each Ministry in the Register or Registers kept for the purpose with a view to enable the sanctioned grant and the progressive total of expenditure incurred from month to month being ascertained at a glance. Heads of Departments and Controlling Officers should be instructed that if the departmental figures submitted to the Ministry require correction in a subsequent month, such correction should be made by making *plus* or *minus* entries in the progressive totals. It should however be understood, that if in any case the accounts office figures which subsequently become available are higher than the departmental figures, the former should be assumed to be the correct figures as appropriation accounts are prepared on the basis of the figures booked in the accounts. Formal orders in the above sense will be issued separately. If there are any practical difficulties in giving effect to these suggestions or figures do not become available for any sector of expenditure, the matter should be reported to the Ministry of Finance.

3. I need hardly emphasize that the responsibility for the control of expenditure against the sanctioned grant is *entirely* that of the administrative Ministry concerned, and all that the Finance Ministry can do is to arrange for assistance being made available to the Secretary of the administrative Ministry to apprise him of any defect in the system and machinery of control that comes to our notice. H. M. Finance has had under consideration the question of the nature and extent of the assistance that the Finance Ministry might render in this connection and I am directed to make the

following suggestion which it is hoped will be acceptable to your Ministry.

4. The Joint Secretary of the Finance Ministry accredited to each Ministry will hold periodical (say, quarterly) meetings at which his own Deputy and Under Secretaries and also the concerned officers of the administrative Ministry will be present. At these meetings officers of the administrative Ministry will explain if the expenditure returns are coming in regularly and are consolidated regularly by the Ministry, and they will also indicate the grant in respect of which they expect an excess or saving on the trend of actuals or other information available with them. The joint Secretary, Finance will offer his advice on any points that might arise from the statements made by the administrative Ministry's representatives. He will also go through the Registers and if he feels that the action proposed is not adequate or any further action is necessary, he will indicate this at the meeting and if his advice is not taken he will informally bring the matter to the notice of the Secretary of the administrative Ministry concerned so that the final decision on the points of difference is taken at the highest level.

5. It is hoped that you will now take such action as is considered necessary to improve the machinery for the control of expenditure in your Ministry in the light of what I have said above and also impress on the officers of your Ministry and the departmental heads under your control the Public Accounts Committee's insistence on the need for exercising the greatest possible vigilance in this matter.

Sd./- K. R. K. MENON.

ANNEXURE VII

Copy of Office Memorandum No. D. 6039-BII/49, dated the 7th October, 1949, from Government of India, Ministry of Finance, to all Ministries of the Government of India, etc.

The Accountant General, Central Revenues, has brought to the notice of this Ministry that the procedure prescribed for the reconciliation of departmental figures booked in the Accounts Office is not being followed by the various Ministries, Departments, etc. In some cases, this reconciliation is in arrears from April, 1948 onwards with the result that the compilation of the Appropriation Accounts for the year 1948-49 is being unnecessarily held up. The delay is mainly due to the failure on the part of the various Ministries, Departments, etc. to depute their assistants regularly and in time in spite of repeated reminders from the Accounts Office. In some cases, the results of reconciliation with the observations of the Departmental authorities are not reported to the Accountant-General in time to enable him to carry out necessary adjustments.

2. Owing to the rapid expansion of Governmental activities during the war and to the diversion of experienced staff that followed, the procedure prescribed for the reconciliation of departmental expenditure with those booked in the Accounts Offices has in most cases not been followed. Without this reconciliation it is not possible for the Executive to control the expenditure against the grant

obtained from the Legislature. There has been a growing volume of criticism that there is in effect, no real control of expenditure now. It is therefore extremely important to secure that there is a prompt and systematic reconciliation between the departmental figures and the accounts. The importance of this work can therefore hardly be over-emphasised; for this is the only means whereby the controlling authorities can accurately estimate from month to month the ultimate savings and excesses in grants placed at their disposal to enable them to apply for additional funds where required before the expenditure is actually incurred and to surrender unnecessary funds before the close of the year.

3. The undersigned is accordingly directed to request that effective steps may be taken immediately to observe the procedure laid down in the late Finance Department Resolution No. 13-Ex/25, dated the 2nd August, 1926, and in its OFFICE MEMORANDUM No. D 2839-B., dated the 8th July, 1933, for reconciling departmental figures of expenditure with those booked in the Accounts Offices.

Sd./- M. V. RANGACHARI.

Deputy Secy.

ANNEXURE VIII

Copy of Office Memorandum No. 11399-B.I/51, dated the 18th December, 1951, from Government of India, Ministry of Finance (Department of Economic Affairs) to all Ministries etc.

SUBJECT.—*Reconciliation of departmental figures of expenditure with account figures.*

The undersigned is directed to invite a reference to Finance Ministry Office Memorandum No. D.6039-B.II/49, dated the 7th October, 1949, in which the importance of prompt and systematic reconciliation between the departmental and accounts office figures was emphasised. To ensure this, Ministries were requested to take steps to follow strictly the procedure prescribed in this regard in the late Finance Department Resolution No. 13-Ex-25, dated the 22nd August, 1926, and its Office Memorandum No. D. 2839-B, dated the 8th July, 1933 (The orders have since been incorporated in Rules 88—92 and Annexure B to Chapter 5 of the Central Government Compilation of Financial Rules).

2. Under the existing procedure the Administrative Ministry/Department has no ready means of knowing whether the monthly reconciliation as prescribed is being regularly carried out by the various heads of the Departments under it. This can be achieved if the Heads of Departments send monthly returns showing the progress of reconciliation in respect of expenditure relating to each of the grants placed at their disposal to the Ministry/Department concerned. Such returns should be accompanied by a statement showing the departmental figures, the reconciled figures, the prescribed date of reconciliation, the date on which the reconciliation was completed and arrears, if any, with remarks indicating steps taken to clear the arrears and should reach the Ministry not later than the

end of the second month following the month to which the expenditure pertains. The Ministry in its turn should watch that the returns are received by it regularly by maintaining a Broadsheet in the form attached for each Head of Department, *vide* Annexure A, and take necessary measures promptly to complete reconciliation where delays occur.

Sd./- (H. S. NEGI),

Deputy Secy.

ANNEXURE IX

Copy of Office Memorandum No. 12122-B.II/51, dated the 18th December, 1951, from Government of India, Ministry of Finance to all Ministries of the Government of India, etc.

The undersigned is directed to invite a reference to this Ministry's Office Memorandum No. 11399-B.I/51 of even date on the subject of the reconciliation of departmental and accounts figures (See Annexure VIII).

Apart from the periodical reconciliation of the departmental with the accounts figures it is also necessary for each Ministry to have currently reported to it the departmental figures of expenditure to enable it to watch the flow of expenditure against the sanctioned grant for which it is accountable to Parliament. Under the existing orders, the Heads of departments outside the headquarters of the Government of India have to prepare returns of the monthly progress of expenditure in Form G.F.R. 7 as indicated in para 89 (4) (vi) of the Central Government Compilation of the General Financial Rules. A similar return in Form G.F.R. 11 has to be prepared by the controlling officers in the Ministries of the Central Government and their attached and subordinate offices at the headquarters of the Government of India, *vide* Annexure B referred to in para. 90 of the General Financial Rules. In both cases though expenditure figures are available either with the Heads of Departments or the controlling officers no procedure has been prescribed for making these figures available to the Ministries to facilitate the latter's control over the expenditure against the grant as a whole. In the absence of this information most Ministries are not in a position to know at any given time the progress of expenditure in respect of the various grants controlled by them. It is accordingly necessary that the returns in Form General Financial Rules 7 or 11, as the case may be, referred to above, should be forwarded in future to the administrative Ministry by the Heads of Departments in offices outside the headquarters of the Government of India, and by the concerned officers in the attached and subordinate offices of the Ministry at headquarters. These should be obtained by the 15th of the month following the month to which the returns relate. The information so obtained should be suitably posted by each Ministry in the Register or Registers kept for the purpose with a view to enable the sanctioned grant and the progressive total of expenditure incurred from month to month being ascertained at a glance. Heads of

Departments and Controlling Officers should be instructed that if the departmental figures submitted to the Ministry require correction in a subsequent month such correction should be made by making *plus* or *minus* entries in the progressive totals. It should, however, be understood, that if in any case the accounts office figures which subsequently become available are higher than the departmental figures, the former should be assumed to be the correct figures as appropriation accounts are prepared on the basis of the figures booked in the accounts.

If any practical difficulties arise in giving effect to the procedure prescribed in the preceding paragraph, or the expenditure figures do not become available for any sector of expenditure controlled by a Ministry/Department, the matter may be reported to the Ministry of Finance.

Sd./- (H. S. NEGI),
Deputy Secy.

Enclosure to Annexure IX

Broadsheet for watching receipt of the Returns from the Heads of Departments under a Ministry.

S. No.	Grant No.	Date of receipt of returns				
		April	May	June	July.....	March.

- N.B. 1. Dates of receipt should be noted in monthly columns. Reminders should be sent if returns are not received by the prescribed date.
2. Returns relating to the Secretariat proper should also be maintained in the above form.

APPENDIX IIA

Memorandum submitted by the Ministry of Finance (Department of Revenue & Expenditure), in regard to the Public Accounts Committee's recommendations at Serial Nos. 4, 5 and 8 of the Statement.

Items 4 and 5.—In the matter of proper budgetting and effective control over expenditure, the Ministry of Finance have issued specific instructions in their Office Memoranda No. 6039-BII/49, dated 7th October, 1949; No. 11399-BI/51, dated 18th December, 1951; No. 12122-BII/51, dated 18th December, 1951 and D.O. No. F.2(11)-Co/51, dated 7th December, 1951 (See Annexures I to IV). Instructions have also been issued for the regular reconciliation of departmental figures with those booked in the accounts prescribing therein special reports to ensure proper compliance which will facilitate better control over expenditure.

Item 8.—The suggestions made by the Public Accounts Committee have been accepted and necessary instructions have been issued *vide* D.O. No. F.2(11)-Co/51, dated the 7th December, 1951 (See Annexure I).

Sd/- (J. DAYAL).

Joint Secy.

 ANNEXURE I

D.O. No. F.2(11)-CO/51.

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

New Delhi, dated the 7th December, 1951.

My dear,

In July last the Public Accounts Committee drew the attention of this Ministry to the criticism made by the Comptroller and Auditor-General that Ministries do not take adequate steps to ensure that the expenditure figures as recorded in the Departmental registers, etc., are reconciled with those compiled by the Accounts offices. It is obvious that without such reconciliation it is not possible for the Ministries or for the Heads of Departments subordinate to them to control expenditure against grants voted by Parliament as ultimately it is the figures compiled by the Accounts offices (and not the Departmental figures) that are incorporated in the Appropriation Accounts. The procedure for the control of expenditure and reconciliation between the Departmental and Accounts figures is laid down in General Financial Rules Vol. I, Rules 88—92 and Annexure B to Chapter 5. Instructions have also been issued from time to time in the past emphasising the need and importance of such a reconciliation, the latest being Finance Ministry's O.M. No. D.6039-BII/49 dated the 7th October, 1949, a copy of which is enclosed for ready reference. Further instructions laying down the

procedure to ensure that such reconciliation is effected by the various budgetting authorities from time to time are being issued separately, and it is hoped that this matter will receive careful attention at the hands of all concerned officers under the control of your Ministry.

2. Apart from the periodical reconciliation of the departmental with the accounts figures it is also necessary for each Ministry to have currently reported to it the departmental figures of expenditure to enable it to watch the flow of expenditure against the sanctioned grant for which it is accountable to Parliament. Under the existing orders, the Heads of Departments outside the headquarters of the Government of India have to prepare returns of the monthly progress of expenditure in Form G.F.R.7 as indicated in para 89(4) (vi) of the Central Government Compilation of the General Financial Rules. A similar return in Form G.F.R. 11 has to be prepared by the controlling officers in the Ministries of the Central Government and their attached and subordinate offices at the headquarters of the Government of India, *vide* Annexure B referred to in para. 90 of the General Financial Rules. In both cases though expenditure figures are available either with the Heads of Departments or the controlling officers no procedure has been prescribed for making these figures available to the Ministries to facilitate the latter's control over the expenditure against the grant as a whole. In the absence of this information most Ministries are not in a position to know at any given time the progress of expenditure in respect of the various grants controlled by them. It is accordingly necessary that the returns in Form G.F.R. 7 or 11, as the case may be, referred to above, should be forwarded in future to the administrative Ministry by the Heads of Departments in offices outside the headquarters of the Government of India, and by the concerned officers in the attached and subordinate offices of the Ministry at the headquarters. These should be obtained by the 15th of the month following the month to which the returns relate. The information so obtained should be suitably posted by each Ministry in the Register or Registers kept for the purpose with a view to enable the sanctioned grant and the progressive total of expenditure incurred from month to month being ascertained at a glance. Heads of Departments and Controlling Officers should be instructed that if the departmental figures submitted to the Ministry required correction in a subsequent month, such correction should be made by making *plus* or *minus* entries in the progressive totals. It should however be understood, that if in any case the accounts office figures which subsequently become available are higher than the departmental figures, the former should be assumed to be the correct figures as appropriation accounts are prepared on the basis of the figures booked in the accounts. Formal orders in the above sense will be issued separately. If there are any practical difficulties in giving effect to these suggestions or figures do not become available for any sector of expenditure, the matter should be reported to the Ministry of Finance.

3. I need hardly emphasize that the responsibility for the control of expenditure against the sanctioned grant is *entirely* that of the administrative Ministry concerned, and all that the Finance Ministry can do is to arrange for assistance being made available to the

Secretary of the administrative Ministry to apprise him of any defect in the system and machinery of control that comes to our notice. H. M. Finance has had under consideration the question of the nature and extent of the assistance that the Finance Ministry might render in this connection and I am directed to make the following suggestion which it is hoped will be acceptable to your Ministry.

4. The Joint Secretary of the Finance Ministry accredited to each Ministry will hold periodical (say, quarterly) meetings at which his own Deputy and Under Secretaries and also the concerned officers of the administrative Ministry will be present. At these meetings officers of the administrative Ministry will explain if the expenditure returns are coming in regularly and are consolidated regularly by the Ministry, and they will also indicate the grant in respect of which they expect an excess or saving on the trend of actuals or other information available with them. The Joint Secretary, Finance will offer his advice on any points that might arise from the statements made by the administrative Ministry's representatives. He will also go through the Registers and if he feels that the action proposed is not adequate or any further action is necessary, he will indicate this at the meeting and if his advice is not taken he will informally bring the matter to the notice of the Secretary of the administrative Ministry concerned so that the final decision on the points of difference is taken at the highest level.

5. It is hoped that you will now take such action as is considered necessary to improve the machinery for the control of expenditure in your Ministry in the light of what I have said above and also impress on the officers of your Ministry and the departmental heads under your control the Public Accounts Committee's insistence on the need for exercising the greatest possible vigilance in this matter.

Yours sincerely,
Sd/- K. R. K. MENON.

To

All Secretaries.

ANNEXURE II

Copy of Office Memorandum No. 6039-BII/49, dated the 7th October, 1949, from the Ministry of Finance, Government of India, New Delhi, to all Ministries, etc.

The Accountant General, Central Revenues, has brought to the notice of this Ministry that, the procedure prescribed for the reconciliation of departmental figures booked in the Accounts Office is not being followed by the various Ministries, Departments, etc. In some cases, this reconciliation is in arrears from April, 1948 onwards with the results that the compilation of the Appropriation Accounts for the year 1948-49 is being unnecessarily held up. The delay is mainly due to the failure on the part of the various Ministries, Departments etc., to depute their assistants regularly and in time in spite of repeated reminders from the Accounts Office. In some

cases, the results of reconciliation with the observations of the Departmental authorities are not reported to the Accountant General in time to enable him to carry out necessary adjustments.

2. Owing to the rapid expansion of Governmental activities during the war and to the diversion of experienced staff that followed, the procedure prescribed for the reconciliation of departmental expenditure with those booked in the Accounts Offices has in most cases not been followed. Without this reconciliation it is not possible for the Executive to control the expenditure against the grant obtained from the Legislature. There has been a growing volume of criticism that there is in effect, no real control of expenditure now. It is therefore extremely important to secure that there is a prompt and systematic reconciliation between the departmental figures and the accounts. The importance of this work can therefore hardly be over-emphasised; for this is the only means whereby the controlling authorities can accurately estimate from month to month the ultimate savings and excesses in the Grants placed at their disposal to enable them to apply for additional funds where required before the expenditure is actually incurred and to surrender unnecessary funds before the close of the year.

3. The undersigned is accordingly directed to request that effective steps may be taken immediately to observe the procedure laid down in the late Finance Department Resolution No. 13-Ex/25, dated the 2nd August, 1926, and in its Office Memorandum No. D.2839-B, dated the 8th July, 1953, for reconciling departmental figures of expenditure with those booked in the Accounts Offices.

ANNEXURE III

Copy of Office Memorandum No. 11399-B.I/51, dated the 18th December, 1951 from the Government of India, Ministry of Finance (Department of Economic Affairs), New Delhi to all Ministries of the Government of India, etc.

SUBJECT:—Reconciliation of departmental figures of expenditure with account figures

The undersigned is directed to invite a reference to Finance Ministry Office Memorandum No. D. 6039-B.II/49, dated the 7th October, 1949 in which the importance of prompt and systematic reconciliation between the departmental and accounts office figures was emphasised. To ensure this, Ministries were requested to take steps to follow strictly the procedure prescribed in this regard in the late Finance Department Resolution No. 13-Ex/25, dated the 22nd August, 1926 and its Office Memorandum No. D.2839-B, dated the 8th July, 1933. (The orders have since been incorporated in Rules 88—92 and Annexure B to Chapter 5 of the Central Government Compilation of Financial Rules).

2. Under the existing procedure the Administrative Ministry/Department has no ready means of knowing whether the monthly reconciliation as prescribed is being regularly carried out by the various Heads of the Departments under it. This can be achieved

if the Heads of Departments send monthly returns showing the progress of reconciliation in respect of expenditure relating to each of the grants placed at their disposal to the Ministry/Department concerned. Such returns should be accompanied by a statement showing the departmental figures, the reconciled figures, the prescribed date of reconciliation, the date on which the reconciliation was completed and arrears, if any, with remarks indicating steps taken to clear the arrears and should reach the Ministry not later than the end of the second month following the month to which the expenditure pertains. The Ministry in its turn should watch that the returns are received by it regularly by maintaining a Broad-sheet in the form attached for each Head of Department, *vide* Annexure A, and take necessary measures promptly to complete reconciliation where delays occur.

Sd./- (H. S. NEGI),
Deputy Secy.

Encolasure To Annexure III

Broadsheet for watching receipt of the Returns from the Heads of Departments under a Ministry.

S. No.	Grant No.	Date of receipt of returns				
		April	May	June	July	March

- N.B. 1. Dates of receipt should be noted in monthly columns. Reminders should be sent if returns are not received by the prescribed date.
2. Returns relating to the Secretariat proper should also be maintained in the above form.

ANNEXURE IV

Copy of Office Memorandum No. 12122-B.II/51, dated the 18th December, 1951 from the Government of India, Ministry of Finance (Department of Economic Affairs) to All Ministries of the Government of India, etc.

The undersigned is directed to invite a reference to this Ministry's Office Memorandum No. 11399-B.I/51 of even date on the subject of the reconciliation of departmental and accounts figures.

2. Apart from the periodical reconciliation of the departmental with the accounts figures it is also necessary for each Ministry to have currently reported to it the departmental figures of expenditure to enable it to watch the flow of expenditure against the sanctioned grant for which it is accountable to Parliament. Under the

existing orders, the Heads of Departments outside the headquarters of the Government of India have to prepare returns of the monthly progress of expenditure in Form G.F.R. 7 as indicated in para. 89(4)(vi) of the Central Government Compilation of the General Financial Rules. A similar return in Form G.F.R. 11 has to be prepared by the controlling officers in the Ministries of the Central Government and their attached and subordinate offices at the headquarters of the Government of India, *vide* Annexure B referred to in para. 90 of the General Financial Rules. In both cases though expenditure figures are available either with the Heads of Departments or the controlling officers no procedure has been prescribed for making these figures available to the Ministries to facilitate the latter's control over the expenditure against the grant as a whole. In the absence of this information most Ministries are not in a position to know at any given time the progress of expenditure in respect of the various grants controlled by them. It is accordingly necessary that the returns in Form General Financial Rules 7 or 11, as the case may be, referred to above, should be forwarded in future to the administrative Ministry by the Heads of Departments in offices outside the headquarters of the Government of India, and by the concerned officers in the attached and subordinate offices of the Ministry at the headquarters. These should be obtained by the 15th of the month following the month to which the returns relate. The information so obtained should be suitably posted by each Ministry in the Register or Registers kept for the purpose with a view to enable the sanctioned grant and the progressive total of expenditure incurred from month to month being ascertained at a glance. Heads of Departments and Controlling Officers should be instructed that if the departmental figures submitted to the Ministry require correction in a subsequent month, such correction should be made by making *plus* or *minus* entries in the progressive totals. It should, however, be understood, that if in any case the accounts office figures which subsequently become available are higher than the departmental figures, the former should be assumed to be the correct figures as appropriation accounts are prepared on the basis of the figures booked in the accounts.

3. If any practical difficulties arise in giving effect to the procedure prescribed in the preceding paragraph, or the expenditure figures do not become available for any sector of expenditure controlled by a Ministry/Department, the matter may be reported to the Ministry of Finance.

Sd./- (H. S. NEGI),
Deputy Secy.

APPENDIX III

MINISTRY OF WORKS, HOUSING AND SUPPLY

Note relating to item 5 of the list of points on which the P.A.C. desired to be furnished with further information—Appropriation Accounts (Civil), 1950-51—Non-surrender of savings.

The circumstances, under which the relevant savings were not surrendered in time, are explained below:—

(1) Page 350, Sub-head L-Deduct Recoveries-L-1-Posts & Telegraphs.—Rs. 45,29,964—Against the original budget grant of Rs. 48,70,000, the revised estimate was calculated at Rs. 61,50,000. A re-appropriation order dated 21-3-51 for the excess recovery of Rs. 12,80,000, (that is, for the difference between the original budget provision of Rs. 48,70,000 and the revised estimate of Rs. 61,50,000) was issued by the Controller of Printing and Stationery, which was declared null and void by the Accountant General, Central Revenues, on 30-3-51 on the ground that no savings under 'Deduct' items could be re-appropriated without the prior approval of the Ministry of Finance. There was no time left to obtain this approval before the expiry of the financial year. The question of surrendering this amount (*viz.* Rs. 12,80,000) does not, therefore, arise.

According to the agreement reached with the P. & T. Department, the debits pertaining to arrears of past years were to be raised in April, 1951, and the Manager, Government of India Forms Store, Calcutta, wrote back the debits amounting to Rs. 36,01,180 in February, 1951 by affording credit to P. & T. and *per contra* debit to sub-head L-1. The Accountant General, Central Revenues declined to carry out the re-adjustment. The accounts for 1950-51 had by this time been closed and the Controller, Printing and Stationery, had no other alternative but to ask the Manager, Government of India Forms Store, Calcutta, to cancel the entry in his books. This accounted for further excess recovery of Rs. 36,01,180 in 1950-51 which was counter-balanced by non-materialisation of full supplies to the extent of Rs. 3,51,216. Thus the excess recovery of Rs. 32.5 lakhs could not be surrendered.

(2) Page 346, Sub-head C.1—Rs. 35,00,984.—The saving was due to:—

(i) failure of Mills to meet in time the demands for supplies for which budget provision (Rs. 5 lakhs) existed. These supplies were being expected up to the last moment and, as such, the provision of Rs. 5 lakhs was not surrendered. In this connection, it may be mentioned that the mills take their own time in complying with the indents of Controller of Printing and Stationery for paper and sometimes their failure is due to causes beyond their control *e.g.*, strikes,

break-down of machinery etc. The Controller on his part endeavours to place the indents on the mills early enough to give them reasonable time to effect the supply within time. The only step that can be taken to ensure supply within time is to impose penalty in cases of delay in supply as provided in the contract. The Penalty clause has not been invoked so far, as invariably the circumstances, which led to the delay in supplies, have been beyond the control of supplying mills. It may also be added that, considering the limited sources of availability, the co-operation from the supplying mills has been satisfactory.

(ii) inability of the Inspection Branch of the Stationery Office to complete and release the Inspection Notes in respect of certain supplies made by the Mills before the end of the year 1950-51 amounting to Rs. 30 lakhs. This was mainly due to the introduction of a revised system of inspection by the Director General, Supplies & Disposals and the heavy amount of work entailed in it which led to accumulation of arrears. This came to notice towards the end of April, 1951 when it was not possible to surrender the funds. The Controller, Printing and Stationery, has taken remedial measures to prevent such a recurrence in future.

(3) Page 605, Sub-head A.1.—Rs. 27,22,631.—The provision made under this sub-head for 1950-51 was reviewed in March, 1951 on the basis of the revised estimates and it was found that no savings were likely to accrue. Subsequently on 14-3-51, the Superintending Engineer, Rehabilitation Circle, reported that a saving of Rs. 27·67 lakhs was anticipated due to slow progress of works. The amount was, however, not surrendered as it was expected that a sum of Rs. 15 to 20 lakhs would be required for payment to the Ministry of Home Affairs on account of the cost of barracks of the Premnagar Camp. As the amount was in dispute, the adjustment could not be made in the accounts of 1950-51 before they were closed. Similarly, a sum of Rs. 10 lakhs due to the Delhi Improvement Trust, could not be paid owing to some dispute regarding certain credit which was to be received from the Trust. The saving of Rs. 27·23 lakhs in the accounts of 1950-51 was, therefore, mainly due to the non-adjustment of these two amounts in the accounts of 1950-51.

(4) Page 605, Sub-head A-2—Rs. 39,88,737.—This saving is made up of the savings on various works-counter-balanced by petty excesses on some other works. The following are the main items of savings:—

	Rs.
(1) Acquisition of plots of land in Calcutta for the construction of residential accommodation for Central Government Officers.	32,11,600
(2) Income Tax Office at Ahmedabad.	1,35,000
(3) Construction of 1,000 clerks' quarters at Timarpur.	1,43,410
(4) Purchase of buildings in Malaya, Cairo, Pakistan, New York, Canada and Berne.	1,77,829

(5) Building for Nursing College.	63,210
(6) Construction of new Hospital Building at Rewa.	47,786

The reasons for these savings are briefly stated below:—

Item 1: Rs. 32,11,600.—A provision for this amount was made in the budget as it was expected that the payment on account of cost of land would be made by the State Land Acquisition Authorities, but actually this was not done by them with the result that this amount could not be utilised. Intimation of the fact that the payment could not be made during that year was received after the close of the financial year when it was too late to surrender the amount.

Item 2: Rs. 1,35,000.—The saving is due to unanticipated delay in the acquisition of land.

Item 3: Rs. 1,43,410.—The saving is due to non-receipt of debits for the supply of doors and windows during 1950-51. To avoid such recurrence in future, the Divisional Officers have again been instructed to see that debits for purchases made are raised by the parties concerned through the Accounts Officers before the close of the financial year to which the transactions pertain.

Item 4: Rs. 1,77,829.—The saving is due to mis-classification (Rs. 81,207), delay in adjustment (Rs. 68,817), non-purchase of a building in Rangoon (Rs. 45,000), less expenditure than was anticipated (Rs. 7,805) and non-construction of a hut in Karachi (Rs. 7,000); partly offset by late receipt of a credit (Rs. 32,000).

Item 5: Rs. 63,210.—The saving is due to non-receipt of debits from the Government Housing Factory. In this connection the second sentence appearing against item 3 above may please be seen.

Item 6: Rs. 47,786.—The saving is due to non-execution of electric work due to non-availability of suitable contractor.

(5) *Page 678. Sub-head E.1(1).*—Rs. 23,87,002.—The main savings accrued on the following works:—

	Rs.
1. Payment of compensation to the ex-private owners of lands and buildings acquired for Medical College and Hospital, Calcutta.	18,19,000
2. Transfer of certain Military lands and buildings from the Ministry of Defence to the Ministry of Education for use of Delhi University.	2,38,700
3. Poultry Farm, Delhi Cantt.	94,035

The saving in item 1 (Rs. 18,19,000) is due to compensation for land acquired for Lake Medical College being less than what was anticipated. In regard to item 2, the saving (Rs. 2,38,700) is due to un-anticipated adjustment of the debit in 1949-50. The saving in item 3 (Rs. 94,035) is due to non-receipt of debit of cost of building from the Military authorities.

M. R. SACHDEV,
Secretary to the Government of India.

APPENDIX IV

MINISTRY OF FOOD AND AGRICULTURE

(SUGAR AND VANASPATI SECTION) *

Appropriation Accounts (Civil) 1950-51 and Audit Report 1952—PART II.

GRANT NO. 108—SUB-HEAD HH IMPORT OF SUGAR

		Final Grant	Actuals	Excess Saving	+
HH. 1—Gross Expenditure					—
S.	6,00,01,000	6,15,00,000	4,89,78,639	1,25,21,361	
R.	14,99,000				
HH. 2—Deduct—recoveries.					
S.	— 6,00,00,000	—6,15,00,000	—5,73,46,420	41,53,574	
R.	—15,00,000				

Owing to short fall in internal production during 1949-50 season, the Government decided in June, 1950 to import 1 lakh tons of sugar from abroad during the shipping period July, 1950 to June, 1951. A quantity of 60,050 tons was purchased through the High Commissioner for India in U.K. (60,000 tons) and the Indian Consul General in New York (50 tons). The imported sugar was allotted to maritime States of Bombay, Saurashtra, Madras and West Bengal on 'no profit no loss' basis. Imports received before 12th January, 1951 were exempted from import duty but an import duty of Rs. 9/4/- per cent. from 1st March, 1951. The cost of sugar, therefore, varied the 28th February, 1951. The rate of import duty was raised by 5 per cent. from 1st March, 1951. The cost of sugar, therefore varied with the changes in the import duty and for this reason it was later decided to pool the price of all imported sugar for recovery of an average price from the State Governments.

Expenditure

The total expenditure for the year 1950-51 was estimated at Rs. 6.15 crores on the assumption that all debits on account of cost, freight, import duty etc. would be received during the year. Debits were, however, received late on account of delayed shipments due to difficult shipping position. Some of the consignments scheduled to arrive by 28th February, 1951 were received in March and April, 1951. Bills for clearance charges were not submitted and paid in time. Debits for import duty levied from 12th January, 1951, were also delayed. As the position was uncertain all the time, the unutilised saving of Rs. 1,25,21,361 could not be surrendered before the close of the financial year.

Recoveries

As explained above the cost of sugar imported on Government account was to be recovered in full from the States to whom allotments were made on "no profit no loss" basis. A sum of Rs. 6.15 crores was, therefore, provided under recoveries to balance expenditure of an equal amount. In the absence of the receipt of all debits for purchases, recoveries from States had to be based on rough estimates. The estimates for recoveries had to be revised later in consequence of the decision to charge a pool price. An amount of Rs. 5,73,46,426/- was in all recovered from States on account of quantities supplied to them during the year 1950-51. The balance of Rs. 41,53,574/- could not be recovered before the close of the year because as explained previously some shipments were delayed. Even for shipments received upto 28th February, 1951, figures of actual expenditure on clearance etc. were not available on account of late receipt of certain debits.

(Verified in audit by A.G.F.R. & S. New Delhi,
vide his U.O. No. App. 9(17)/54-55/2659, dated
8.2.55).

(Sd.) P. A. GOPALKRISHNAN, Joint Secy.

APPENDIX V

MINISTRY OF FOOD AND AGRICULTURE

SUBJECT:—*Public Accounts Committee—Consideration of the Appropriation Accounts (Civil), 1950-51, and Audit Report (Civil), 1952, Part II.*

RECOMMENDATION OR QUERY BY THE P.A.C.

PAGES 620, 624, 627 & 630 GRANT No. 108

GROUP HEADS E.L.M.J. & HH.

SUB-HEAD 'M'—"PURCHASE OF FERTILISERS."

The reasons for not utilising the savings to cover the excess and surrendering the remaining savings

Although provision was made for Rs. 13,19,00,000 under sub-head 'M' —"87—Capital Outlay Scheme of Government Trading—Purchase of Fertilisers," the expenditure actually booked by the Accountant General Central Revenues, amounted to Rs. 9,55,84,978 only. This is due to the following reasons:

(i) The payments for overseas purchases were made by the High Commission of India in London and the I.S.M. Washington. But debit vouchers amounting to Rs. 1,53,50,022/- were not received in time for adjustment in the accounts for 1950-51.

(ii) At the close of the year, contractors' bills amounting to Rs. 41,30,000 remained to be settled as shown in the Balance Sheet under "Sundry Creditors."

(iii) Stores valued at Rs. 1,68,35,000 were received in 1950-51 in which year necessary provision was also made. But the contract for this purchase was placed early in 1950 and a letter of credit was opened by the High Commissioner in London with a Bank for the aforesaid amount on the understanding that the suppliers would get the value of the quantity supplied on production of proof of despatch i.e. Bill of Lading) to the bankers. The material was however actually received and payment made in 1950-51 and accounted for in the Pool Accounts for that year. But the Audit Officer, the Accountant General, Central Revenues, booked this amount in 1949-50 on receipt of intimation re: opening of the letter of credit from the "High Commissioner in London". Therefore, the actual expenditure booked by the A.G.C.R., in the Accounts of 1950-51 was less to the extent of the amount adjusted in the previous year's account. This had already been explained in the Appropriation Accounts for 1949-50 which were passed by the P.A.C.

2. As the above-mentioned savings could not be anticipated at the time of the surrender of funds the question of their utilisation to cover excesses in other sub-heads does not arise.

(Sd.) P. N. THAPAR, Secy.

Dt. 21-4-'55

APPENDIX VI

MINISTRY OF FOOD AND AGRICULTURE

Appropriation Accounts (Civil) 1950-51 & Audit Report 1952 Pt. II

DEMAND No. 81-RESETTLEMENT AND DEVELOPMENT.

SUB-HEAD E.2(6) JUTE DEVELOPMENT SCHEME.

According to the final appropriation accounts for 1950-51 there were savings to the extent of Rs. 9,98,022 under the sub-head E.2(6) (2) Pay of Establishments and Rs. 5,95,662 under the sub-head E.2(6) (4) Other Charges. The savings to the extent of Rs. 13,37,400 had been anticipated at the close of the financial year 1950-51 and these were duly surrendered to the Ministry of Finance. That Ministry accepted the savings reported by this Ministry partly by sanctioning re-appropriations to meet excesses under other sub-heads and partly as surrenders under their Audit Order No. D. 3792-BII/51, dated 31st March, 1951. It appears, however, that for some technical reasons the Accountant General, Central Revenues treated both the re-appropriations and the surrenders sanctioned in the Ministry of Finance Audit Order referred to above, as null and void for purposes of appropriation accounts. A copy of the Ministry of Finance letter on the subject is enclosed (See Annexure).

It had been expected that some of the staff would be appointed and the bills on account of the purchase of plant protection materials and jute seeds would be settled within the financial year. Hence the balance of the savings of Rs. 2,56,284 was not offered for surrender. Unfortunately this expectation did not materialize.

(Sd.) R. S. KRISHNASWAMY,

Additional Secretary.

Dt. 14-2-55.

ANNEXURE

Copy of Ministry of Finance letter No. 9015-BI/51, dated the 27th October, 1951 to all the Accountants-General and Comptrollers of Part A States and A.G.F.R. & S.

SUBJECT:—Regularisation of Grant No. 81-Resettlement and Development for the year 1950-51.

I am directed to invite a reference to this Ministry Audit Order No. 3792-BII/51, dated the 31st March, 1951, regarding regularisation of Grant No. 81-Resettlement & Development for the year 1950-51, and to state that while for some technical reasons the Accountant General, Central Revenues, has proposed to treat both the re-appropriations and the surrenders sanctioned in this Audit

Order as null and void for purposes of appropriation accounts, he has suggested that in order to facilitate the expeditious compilation of appropriation accounts (including explanations for variations etc.), you may furnish the appropriation accounts to him showing only (a) the provision in your circle of account (ignoring the re-appropriation and surrenders sanctioned in this Ministry's Audit Order referred to above and in the Ministry of Labour, D.G.R. & E. Memorandum No. R.B./95/13, dated the 31st March, 1951) and (b) the expenditure booked in your circle of account, without any explanation for the local variations in Col. 4. The consolidated appropriation accounts prepared by the Accountant General, Central Revenue will be referred by him to the controlling Ministries concerned for furnishing explanations where necessary.

APPENDIX VII

MINISTRY OF FINANCE

(DEPARTMENT OF ECONOMIC AFFAIRS)

New Delhi, dated the 14th July, 1954.

Memorandum regarding item 13 of the List of Outstanding Recommendations of the Public Accounts Committee.*

On the 12th November, 1953, in this Ministry's report to the Public Accounts Committee, it was indicated that the net claims against Pakistan on account of payments (mainly pensions, leave salary etc.) made by the High Commissioner for India in London on behalf of the High Commissioner for Pakistan in London, stood at £ 546,246/7/11. The report received from the High Commissioner in December, 1953 indicates that these claims stood at £ 579,909/17/11 as shown below:—

Claims by India	...	£ 1,158,800	4	1
Claims by Pakistan	...	£ 278,890	6	2
Balance due to India	...	£ 879,909	17	11
Payment received from Pakistan	...	£ 300,000	0	0
Net due from Pakistan	...	£ 579,909	17	11

2. The clearance of this outstanding is under continuous discussion between the authorities of the two countries in United Kingdom and such of them as are not settled will be taken up with the Pakistan Government at Government level.

(Sd.) M. V. RANGACHARI,
Joint Secretary.

*See Appendix I (Vol. I—Report).

APPENDIX VIII

MINISTRY OF WORKS, HOUSING AND SUPPLY

Para 6 (r) of the Audit Report (Civil), 1952 (Part I) regarding (i) loss of audit notes in the Estate Office in respect of arrears of rent; and (ii) write-off of rent dues.

(a) Statement showing the break-up of the amount of rent outstanding on 1. 10.54.	
(i) Rent recoverable from Govt. servants	Rs. 9,37,973/-
(ii) Rent recoverable from private persons (i. e. Non-Govt. servants):	
(a) Displaced persons.	Rs. 91,451/-
(b) Others.	Rs. 85,274/-
	} Rs. 1,76,725/-
(iii) Amount outstanding against various Ministries & Departments of the Government of India.	
	Rs. 1,90,465/-
Total outstanding on 1. 10. 54.	Rs. 13, 5,163/-

Note 1.—Although the amount of Rs. 9,37,973/- stands as arrears on the books of the Estate Office against Government Servants most of this amount has been recovered and the Estate Office is merely awaiting intimations from various Heads of Departments and the Treasuries. As soon as the intimations are received, these arrears will be cleared from the books of the Estate Office. The arrear cell in the Estate Office is pursuing these cases vigorously.

Note 2.—The break-up of arrears of rent outstanding against the displaced persons (legally known as damages) is given below. The break-up of other categories is not available:—

Year of assessment.	Amount assessed.	Amount recovered.	Balance on 1. 10. 54.
(a) up to 31. 1. 1951.	5,81,593/-	5,35,554/-	46,039/-
(b) From 1. 2. 51 to 31. 3. 52.	2,37,816/-	2,23,835/-	13,981/-
(c) From 1. 4. 52 to 31. 3. 53.	50,272/-	26,636/-	23,636/-
(d) From 1. 4. 53 to 31. 3. 54.	33,318/-	27,378/-	5,940/-
(e) From 1. 4. 54 to 30. 9. 54.	7,133/-	5,278/-	1,855/-
	9,10,132/-	8,18,681/-	91,451/-

Note 3.—The total amount of damages assessed against the displaced persons from 1.8.48 to 30.9.54. was Rs. 9,10,132 against which a sum of Rs. 91,451/- is outstanding as on 1.10.1954.

Note 4.—The amount of outstanding dues as on 1.10.54 in respect of rent (excluding damages) for all categories except for the displaced persons is as below:—

(i) for assessments made up to March 1950	Rs. 4,35,712/-
(ii) for assessments made from 1950-51 to 1953-54	„ 7,83,000/-
	<hr/>
	Rs. 12,13,712/-
 (b) The total amount of rent written off during the period from 1-4-51 to 30-9-54 is Rs. 18,971/15/- (including Rs. 1,688/- on account of damages due from displaced private persons). The break up of the amount is	
Due from Government Servants	Rs. 13,906/2/-
Due from Private Persons	
(i) Displaced Rs. 1,688/-	}
(ii) Others Rs. 3,226/13/-	
Due from Departments for Office accommodation	Rs. 9/1/-
Due from Departments for bulk accommodation	Rs. 141/15/-
	<hr/>
	Rs. 18,971/15/-

Note:—

In addition a sum of Rs. 1,859 representing damages recoverable from displaced private persons has since been waived after 30th September, 1954.

M. R. SACHDEV, Secy

Dt. 22-11-54.

APPENDIX IX

MINISTRY OF WORKS, HOUSING AND SUPPLY

Note for the Public Accounts Committee—Paragraph 6(f) of the Audit Report (Civil) 1952 (Part I) on the Appropriation Accounts for 1950-51.

Under the Indo-U.S. Agreement of May, 1946 the Government of India acquired U.S. owned surpluses lying in India. The military-store-holding Organization was expanded to take charge of U.S. Army surpluses. As regards U.S. Air Force surpluses, the Air Force Authorities in India were unable to take charge of the Depots on account of shortage of manpower. The Government, therefore, had to look for an alternative agency and finally invited M/s. Tata Aircraft Ltd., a firm of considerable experience in aero-stores to undertake the agency. The firm was appointed as selling agents to Government of India. M/s. Tata Aircraft Ltd., took over the depots in May, 1946, but the formal Agreement between the Company and Government was executed in May 1947. In accordance with Clause 12(a) and (b) of the said Agreement, the Company were free to sell and dispose of all surplus stores at such time or times and in such manner as they considered best in the interests of Government provided that—

- “(a) The general lines of sales policy to be adopted in the disposal of the various main classes and categories shall be settled in consultation with Government. For this purpose and for settling questions under this clause a small consultative Committee consisting of representatives of the Government and the Company to be appointed. Such Committee shall as expeditiously as possible fix minimum selling prices and any special terms of sale in respect of the various machines and categories of the said stores.
- “(b) Where minimum selling prices are fixed for individual classes and categories the Company shall be at liberty to sell at 5 per cent. below such minimum prices in cases of large block sales or in special circumstances.”
(Copy of clause 12 is enclosed as annexure I.)

A Sales Consultative Committee was constituted under the above Clause and it consisted of Director General of Disposals, Deputy Secretary (Finance), Regional Commissioner (Disposals), Calcutta, Director (United States Transfers) and General Manager of the Company. The Sales Consultative Committee met twice in 1946 and a third time in 1947. They laid down certain formulae and policy for pricing of surplus stores of which custody and sale was entrusted to M/s. Tata Aircraft Ltd. Prices were fixed for all classes of stores in the first two meetings held in May and October 1946. At that time there was a pent up demand for all types of stores. The third meeting was held on the 28th May 1947 by which time or

became evident that the more attractive items had been sold and the capacity of the market for absorbing aircraft and aircraft stores had been exhausted. Apart from this the frequent disturbances in the country and the fact that similar stores were available at lower prices in other countries had retarded the flow of sale. It was considered that a final drive should be attempted to dispose of the goods before imports from abroad came more freely and that in order to make this drive successful, formula price should be made more attractive. At this meeting it was pointed out by the Representative of Finance that the formula price which had been laid down was intended to serve only as a guide and it was not the intention that they should be followed rigidly under all circumstances. What was really intended was that an endeavour should be made to secure the best obtainable prices having regard to the market conditions prevailing from time to time. It was decided *inter alia* that Tatas should follow the principles adopted by the Government in the matter of sale of surplus stores, i.e. tenders should be invited by advertisement indicating the minimum price acceptable. After sale of some stores by this method prices obtained should be treated as fixed prices for the sale of the balance on the basis of 'first come, first served'. Auctioning of stores should be resorted to freely. Copy of the minutes of the meeting is enclosed as annexure 2.

2. During the course of test check carried out by the Deputy Accountant General, Industry and Supply, Calcutta, on behalf of the Deputy Accountant General, Industry and Supply, New Delhi, it was found that in a certain number of sales, prices actually charged by M/s. Tata Aircraft Ltd., were lower than the prices which should have been charged for such stores in accordance with the pricing formulae laid down by the Committee. It was also discovered that in a number of cases, the Company had effected sales at prices more than 5 per cent. below the minimum prices based on the relevant formulae. Audit contended that in accordance with the Agreement, such sales at prices lower than the formulae prices should have been effected with the prior approval of the Sales Consultative Committee.

3. With regard to these sales, a meeting was held with Accountant General, on the 16th October, 1950. The then Accountant General in the first instance pointed out that D.G. should either revise the terms of the agreement or obtain *ex-post-facto* sanction of such sales effected by Tatas. If each and every case were to be taken up individually, it would become a very big job and therefore the then Accountant General accepted that the cases pointed out by Audit might be listed and Sales Consultative Committee consisting of Representatives of Government and Tatas should give *ex-post-facto* sanction. Copy of extracts of the Minutes of the meeting held in the office of Accountant General, Food, Rehabilitation and Supply, New Delhi on 16th October, 1950 is enclosed as annexure 3. It was pointed out that most of these sales were under the terms agreed to by the same representatives of Government and Tatas who were the members of the Sales Consultative Committee, and that except that a formal meeting was not called, there was no irregularity. The Accountant General, however, insisted that a formal meeting should be held and the committee should consider

these cases and if they deemed fit grant *ex-post-facto* sanction before audit objections could be withdrawn. A consolidated statement of all the cases brought out by audit was prepared and the list included sale of stores which fall under the following broad categories.

Air Force special type vehicles.—Large number of vehicles were disposed of by M/s. Tata Aircraft in 1949 which included sales to Priority Indentors. The vehicles were priced by M/s. Tatas in accordance with market price keeping in view the condition of stores to be sold. The Sales Consultative Committee at their meeting held on 1st October, 1946 had given the following directions with regard to vehicles :—

“Tatas stated that a test auction had been held for both special and Ordnance type vehicles. The highest bid had, in almost every case, been far lower than the reserved bid fixed by Tatas which again was a specially reduced price. Tatas, therefore, suggested that both types of vehicles should be sold by them at the best price obtainable. Government agreed in principle but suggested that Tatas sales prices should not as far as possible be substantially lower than prices for similar type of vehicles in similar conditions sold by other parties handling surplus U.S. vehicles.”

It was noted at the time of *ex-post-facto* sanction that the prices obtained by M/s. Tata Aircraft were not lower than the prices obtained by other agencies dealing with the disposal of such vehicles of American origin.

Tractor Cranes.—The Cranes were operated on petrol. In view of the difficulty to obtain petrol in those days there was no demand for these cranes in the market. The prices obtained by Tatas were not lower than the prices obtained by other agencies.

Aircraft Tools.—The following pricing formula was fixed at the Sales Consultative Committee meeting held on 1st October, 1946.

“Tatas enquired of Government whether any policy had been laid down for the disposal of small tools and also if any prices had been fixed. Government Representatives stated that no policy had been laid down and offers received by Government for *ex-Indian Army Hand Tools* were only 25 per cent. of the Book Value. Government therefore agreed that Tatas should sell their stocks at the best prices obtainable.”

Tatas effected sale of this item in the beginning at Surplus Property Board price plus 95 per cent. As all attractive saleable items at this price had been sold, the formula was reduced by 33½% overall. Certain sales were made at this reduced price. Later as a result of devaluation, the amount of reduction was changed from 33½% to 20% and all further sales were effected at this price. The bulk of the sale was effected in favour of M/s. Hindustan Aircraft Ltd., a Government-owned concern, who normally would be entitled to sale at concessional rate.

For detailed ratifications of sales by the Consultative Committee, please see Annexure 4, containing minutes of its meeting held on 29th January, 1951.

The sales were effected by M/s. Tata Aircraft, agents to the Government of India, and the Directorate General of Supplies and Disposals was informed of the sales when as a result of test check, audit had raised objections. At that stage the matter was discussed with Accountant General, Food, Rehabilitation and Supply, and on examination of the sales *ex-post-facto* sanction was given by the Sales Consultative Committee. This was, it may be added, in accordance with the advice of Accountant General, Food, Rehabilitation and Supply. It was a question of examination and satisfaction by the D.G. whether the sales had been properly effected and not of securing returns. Anyway this examination secured that sales were equitably effected in the circumstances which then prevailed and were examined by the Consultative Committee.

Tata's contention, that the prices laid down by the Consultative Committee were mere guides and did not circumscribe their discretion in any way to regulate them in consonance with the market rates, was held correct by the then Director General. (Please see Annexure 5 and also Annexure 2.)

(Sd.) M. R. SACHDEV, Secy.

7-4-1955

ANNEXURE I

EXTRACTS FROM AN AGREEMENT MADE ON THE 29TH DAY OF MAY 1947
BETWEEN THE GOVERNMENT AND THE TATA AIRCRAFT LIMITED.

Sales Policy—

12. The Company to be free to sell and dispose of all the said stores at such time or times and in such manner as the Company shall consider in the interest of Government subject to the following conditions :—

(a) The general lines of sales policy to be adopted in the disposal of the various main classes and categories shall be settled in consultation with Government. For this purpose and for settling questions under this clause a small Consultative Committee consisting of representatives of the Government and the Company to be appointed. Such Committee shall as expeditiously as possible fix minimum selling prices and any special terms of sale in respect of the various machines and categories of the said stores.

(b) Where minimum selling prices are fixed for individual classes and categories the Company to be at liberty to sell at 5 per cent. below such minimum price in cases of large block sales or in special circumstances.

(c) All sales and disposals to the Company or to any Company under the managing agency or control (as a subsidiary) of Tata Sons Ltd. or Tata Industries Ltd., shall be subject to the express sanction of the Government.

(d) The Company to assume all risks in connection with the sale and disposal of the said stores but any claims made by purchasers for defects in goods, short deliveries, etc. shall be on Government account and shall be covered by the indemnity provided by clause 19 below.

(e) Except in urgent or special cases the Company shall not be obliged to sell or issue any of the said stores on, or before the 29th day of June, 1946.

(f) The following provisions will apply to aircraft and aircraft spare parts :—

Aircraft and Aircraft Spare Parts Sales.—(i) The Government to indicate (through the office of the Director General of Civil Aviation) within one month from the date of the expiry of the transition period mentioned in 4(b) the number and types of aircraft forming part of the said stores which Government require to be reserved for purchase either by Government for sale to any Provincial Government. Such reservation shall remain in force for a period of six months. Thereafter the Company to be at liberty to dispose of the aircraft not taken up by Government under the said reservation subject however to the conditions of this clause.

(ii) The Government (through the office of the Director General of Civil Aviation) also to be entitled within the aforesaid period of one month to allocate any of the aircraft and aircraft spares forming part of the said stores for purchase by any Government, Indian State or by any airline, air transport operator or flying club within India and the Company shall sell and dispose of aircraft and aircraft spare parts in accordance with the terms of such allocation: provided that in the event of any Government, State or party aforesaid declining or failing within a further period of one month to take up or to agree to take up any aircraft or spare parts allocated to it as aforesaid the Company shall be at liberty to dispose of all such aircraft and spare parts to such parties and in such manner as the Company think fit subject to such minimum prices as may be fixed under or by virtue of this clause provided any sale of aircraft shall be notified to the Director General of Civil Aviation.

(iii) The Government (action through the Director General of Civil Aviation) and the company to work out a mutually accepted programme for carrying out the provisions of this clause in respect of aircraft and aircraft spare parts.

APPENDIX X

MINISTRY OF INFORMATION AND BROADCASTING

A note stating the positive measures taken by the Ministry for effecting Economy in the All India Radio should be furnished.

I.S. No. 89 OF THE OUTSTANDING RECOMMENDATIONS.

1951-52—

An economy cut of Rs. 19,47,000 was imposed by the Ministry of Finance on the sanctioned grant of Rs. 2,13,76,000 of All India Radio. This economy was effected by holding several posts including a number of class I posts in abeyance, continuing the reduction in transmission hours at each station except Trivandrum by one hour and the Continued linking of the following stations by non-exchange lines for joint relay of programmes:

Lucknow — Allahabad — Patna

Baroda—Ahmedabad—Trivandrum—Kozhikode

Madras — Vijayawada.

1952-53—

The budget grant for this year was Rs. 2,08,86,000 against the estimate of Rs. 2,33,18,400 of Directorate General, All India Radio. To be able to work within the grant most of the measures of economy taken in 1951-52 had to be continued. Besides, economy of Rs. 61,600 was achieved by reducing expenditure on radio journals in an effort to make them self-sufficient as far as possible, and expenditure on several items for which no budget provision existed was met out of the sanctioned grant. Some of the items of this nature were the following:—

- (i) Record Processing Plant.
- (ii) Revival of the Central Project Circle with effect from February 16th, 1953 (The Central Project Circle had been closed with effect from 1st November, 1951).
- (iii) Expansion of educational programmes at Bombay, Patna and Lucknow.
- (iv) Introduction of French Services with effect from 1st January, 1953.
- (v) Music Audition Committees appointed for grading of classical and light classical music artists of All India Radio with a view to eliminate inferior artists and thus raise the standard of music programmes.

Further with a view to effect every possible economy, an *ad hoc* Committee was appointed in 1952 to suggest reorganisation and rationalisation of All India Radio.

II. S. N^o. 90.—T:1 COMMITTEE SHOULD BE INFORMED OF THE GAP THAT HAS YET TO BE COVERED TO REACH THE TARGET FIGURE OF ONE MILLION LICENCES.

The number of domestic licences on the 31st December, 1953 was 7,69,505 which is short of our target figure of one million licences by about 2·3 lakhs. To reach the target several steps have been taken and some of the more important measures taken are given below :—

(1) An All India Radio Liaison Committee, consisting of representatives of Directorate General, All India Radio, Directorate General, Posts & Telegraphs, trade and industry, was constituted in 1951 to explore ways and means of increasing the number of licences. This Committee has so far held 9 meetings. Among other subjects the Committee made useful suggestions for enlisting the cooperation of the traders, simplifying the licensing procedure, producing cheaper sets and intensifying anti-piracy measures.

(2) On the recommendations of All India Radio Liaison Committee, a general amnesty to radio pirates was given during June—August, 1952. As a result of this, 27,000 new licences were taken and as many old licences renewed. This step has thus helped to increase the licences by about 54,000.

(3) An intensive anti-piracy campaign followed the amnesty. All offenders caught after this date were prosecuted in courts. This drive, it is reported, has gone a long way in checking wireless piracy.

(4) Since the growth of licences is directly related to the number of domestic electricity consumers, the Listener Research Section undertook a study of the number of licences, number of electricity consumers, and the population in the various towns of India to demarcate the areas with low density. This information was passed on to the trade so as to enable them to concentrate in areas which afforded the largest scope for expansion.

(5) The problem of unelectrified places has been sought to be solved by releasing suitable standard specifications for dry batteries and for dry battery sets. Data is being collected of the supply and demand, price, quality, and the number of dry battery sets in the country.

(6) In order to direct the drive for one million licences along fruitful channels, a Listener Research Survey was undertaken to analyse the distribution of radio owners, their mother tongue, their occupation, their preferences regarding the type and make of radio sets.

(7) All India Radio participated in Mysore Dusserah Exhibition in 1953 with a view to popularise radio in that region.

(8) To make the people more radio-minded and to step up the sale of radio sets and thus increase the number of licences in force, a "Radio Month" has been organised with the active cooperation of the members of the trade. The Radio Month is being observed with effect from the 2nd October, 1954. During the Radio Month, special programmes are being broadcast from all the stations of All India

Radio at most of which the transmission hours have been extended. The Radio trade have offered attractive concessions to the public to induce purchases of receivers during the month. Among other activities organised during this period, mention may be made of a Sangeet Sammelan being organised by All India Radio, in which a number of distinguished artists will be taking part. The celebration of the Radio Month is expected to result in a substantial rise in the number of licences.

(9) Steps are being taken, in association with the Ministry of Commerce and Industry, to increase the production of cheap radio sets within the purchasing capacity of the common man.

(10) The Research Department of All India Radio have evolved prototypes of both community and domestic receiving sets. The specifications have been circulated to various State Governments. A conference is now proposed to be held with the Industry who have informally agreed to manufacture community receiving sets at cost ranging between Rs. 120-150 per set or even lower provided a bulk pleased order is placed on them.

P. M. LAD,
Secretary.

Dated 21st October, 1954.

APPENDIX XI

Statement showing income and expenditure of All India Radio Journals during 1951-52, 1952-53 and 1953-54

	1951-52	1952-53	1953-54
	s.	Rs.	Rs.
		(Unaudited)	
Indian Listener—			
(English)			
Income	2,42,919	2,11,351	1,68,107
Expenditure	3,49,562	2,85,668	2,44,955
Loss	1,06,643	74,317	76,848
Awaz—			
(Urdu)			
Income	30,287	28,041	16,046
Expenditure	54,728	46,580	34,782
Loss	24,441	18,539	18,736
Sarang—			
(Hindi)			
Income	71,018	59,865	41,892
Expenditure	1,35,873	1,14,697	86,729
Loss	64,855	54,832	44,837
Betar Jagat—			
(Bengali)			
Income	2,33,288	2,15,142	2,18,690
Expenditure	3,17,897	2,12,840	2,91,133
	84,609	2,302	72,443
	(Loss)	(Profit)	(Loss)
Vanoli—			
(Tamil)			
Income	3,01,981	2,21,784	1,89,524
Expenditure	3,27,197	2,45,282	2,15,647
Loss	25,216	23,498	26,123
Vani			
(Telugu)			
Income	59,799	51,033	42,033
Expenditure	96,673	86,391	74,500
Loss	36,874	35,358	32,467
Nat hooani—			
(Gujerati)			
Income	12,812	8,814	4,642
Expenditure	22,413	18,953	16,043
Loss	9,601	10,139	11,401

APPENDIX XII

MINISTRY OF EDUCATION

Appropriation Accounts, 1950-51 and Audit Report (Civil), 1952 Part I.

Para 12(i)—Working of Hostels

(a) At the time of closing down the Blackford Mount Hostel on 31st July, 1948 it was in view that a suitable hostel would be provided at a more central and convenient position. As the sale of the second hand furniture of the Blackford Mount Hostel would have naturally fetched a low price, it was considered desirable from the financial point of view to store the furniture in question till the acquisition of the new hostel. The expectation regarding the new hostel did not, however, materialise and when it was definitely known that the old furniture would not be utilized in this manner, the High Commission for India in London approached the Government of India for orders regarding its disposal in November, 1950. The Government of India, Ministry of External Affairs then suggested that the furniture could be utilized with advantage for a building to be used by the Indian Officers on Deputation in the U.K. for which that Ministry had already sanctioned £5750 for the purchase of new furniture. This suggestion again was made from the financial point of view, but the High Commission reported that the furniture in question was not fit to be utilised. Accordingly, it was decided to dispose of the furniture in the usual way and it was auctioned on 8th August, 1952. As the intention underlying the storing of the furniture was all along to effect saving to Government by proper utilisation of the old furniture—although unfortunately the expectation did not materialise—it was not considered necessary to take action regarding fixing of responsibility for the delay in the disposal of the furniture. The High Commission has, however, been requested to see that in future expeditious action is taken in such matters to ensure that avoidable expenditure on storage is not incurred for a long time on mere expectation.

(b) The hostel was actually closed on 31st July, 1948, as decided by the Government. There was thus no delay in the implementation of the decision. The 10 months mentioned in sub-para 5 of para 12(i) of the Audit Report (Civil) refer to the period 1st October, 1947 to 31st July, 1948.

(c) In fact, the intention of the High Commission in not selling out the furniture in 1948 was that it would not have fetched a high price for the reason of its being second hand. On the other side, it was expected that its utilisation for the other hostel in a more central and convenient position which was then in view, would fetch a much better value in the shape of saving to Government of the cost of new furniture for the other hostel. Although the expectation could not materialise, yet the High Commission had surely acted with an idea of ultimate economy to Government.

(d) The exact details of £312 are not available in the Ministry and will be called for from the H.C., if the Committee so desires. The amount presumably relates to the usual registration charges, stamp duty, etc., on the occasion of acquisition of the premises for the hostel.

Para 12(ii)

(a) The purchase was made on behalf of the Government of India by Mr. M. K. Vellodi, the then Deputy High Commissioner for India, in London, in consultation with Mr. Price who was deputed by the then Finance Department to look into accommodation arrangements in London. The work regarding repairs and redecoration of the premises was entrusted to the Ministry of Works of the British Government in London.

(b) The payment of £1536-2s-0 has not yet been regularised. The full details are awaited from the High Commission on receipt of which necessary investigations will be made.

(c) A reference has been made to the High Commission in London requesting them to examine whether reimbursement to the Government of India of the charges paid on account of rates, is due from the Ministry of Works (U. K. Government) according to the Law then obtaining in the U.K., and if so, to prefer immediately a claim for reimbursement on behalf of the Government of India. No reference regarding the possibility of such a reimbursement was made to the Ministry of Education by the High Commission.

APPENDIX XIII

MINISTRY OF EDUCATION

Appropriation Accounts, 1950-51 and Audit Report (Civil), 1952 Part I.

**NOTE ON THE SUGGESTION OF THE MINISTRY OF EDUCATION REGARDING
PAYMENT OF GRANTS IN CERTAIN CASES IN ADVANCE OF ACTUAL RE-
QUIREMENTS.**

The General Financial Rules lay down that the amount of the grant to be paid in a financial year should be restricted to the actual requirements for that financial year only and that the payment should not be made in advance of actual requirements. Although in most of the cases regarding grants to private bodies the procedure laid down in the General Financial Rules works satisfactorily and is actually observed, yet there are a few exceptions where the observance of this procedure threatens to defeat the very purpose of the grant. In such cases, if the purpose of the grant is essentially in the interest of public service, a deviation from the prescribed procedure becomes necessary, exactly in the same manner and spirit in which relaxation of other standing rules and orders is made in exceptional cases. Such deviations and relaxations are of course required to be made with the sanction of the rule-making authority.

In the course of working of some Educational Development Schemes, the Ministry of Education came across a few cases of grants in which a deviation from the general procedure of the Financial Rules had to be made and the grant paid in advance of actual requirements and also in excess of the amount likely to be spent during the financial year. In all these few cases (which can be regarded only as exceptions) the deviation was invariably made with the concurrence of the rule-making authority, namely, the Ministry of Finance in the case of the procedure prescribed in the General Financial Rules.

The peculiar features of such exceptional cases of grants which necessitated the deviation, were as follows :—

- (i) The primary condition of the grants from Government was that the private bodies concerned should find an equivalent sum from their own funds to complete the work for which the grants were sanctioned.
- (ii) The purpose of the grant was development of educational facilities for which Government was more anxious than the private bodies receiving the grant.
- (iii) It was after considerable difficulty and adjustments that the private bodies could declare themselves capable of satisfying the primary condition mentioned at (i) above and this was done towards the close of the financial year. Now, if the Government grants had been postponed or

partly paid in accordance with the prescribed procedure, there was every chance of the private bodies concerned backing out, with the result that the purpose of public service in view could never have been achieved.

In view of the above this Ministry would suggest that in genuine and exceptional cases of the category mentioned in the preceding paragraphs, a deviation from the prescribed procedure of the General Financial Rules may not be considered an irregularity, provided always that the necessity of such a deviation has been carefully examined and concurred in by the rule-making authority.

H. KABIR,
Secretary to the Government of India.

APPENDIX XIV
Ministry of Education

Section A.I.

NOTE RE. ITEM NO. 79 OF THE STATEMENT OF OUTSTANDING RECOMMENDATIONS.

In this Ministry's letter No. F.43-2/52-G.3, dated 11th November, 1952 the Public Accounts Committee were informed of the facts regarding the audit of the accounts of the Central Universities. It was pointed out that provision exists in the Acts of Banaras, Delhi and Aligarh Universities for the audit of their accounts by the Comptroller, and Auditor-General of India. In case of Visva-Bharati the Act provides that the accounts of the University are to be audited, "according to the directions of the Central Government". The P.A.C. wanted to know the reasons for placing the Visva-Bharati University on a different footing from the other Central Universities in respect of provision for Audit of its accounts.

2. It may be noted that the idea that the accounts of the Visva-Bharati should statutorily be audited by the Comptroller and Auditor General of India did not occur to Government (in the Ministry of Education) at the time the Visva-Bharati Bill was drafted. The Acts of the other Central Universities viz. Aligarh Muslim University, Banaras Hindu University and Delhi University, were amended later and it was then decided to entrust the audit of the accounts of these Universities to the Comptroller and Auditor-General.

3. There is however no difference in fact, for the accounts of all the four Central Universities are being actually audited under the directions of the Comptroller and Auditor-General of India.

4. The Comptroller and Auditor-General has, however, pointed out that in the case of the case of the Visva-Bharati University his audit responsibilities ought not to be based on an executive arrangement and that in the case of all the four Central Universities there should be statutory provision for submitting the audit reports to Parliament in order to enable Parliament to be satisfied that the grants-in-aid have been properly utilised.

5. The views of the Comptroller and Auditor-General of India have been noted. Effect will be given to them when the University Acts are next amended.

HUMAYUN KABIR,
Secretary.

APPENDIX XV

CABINET SECRETARIAT

Shri———, a permanent Superintendent in the Cabinet Secretariat attained the age of 55 on 28th December, 1947. A ministerial Government servant is ordinarily entitled to be retained in service till the age of 60 provided he continues to be efficient and physically fit for service. The post of Superintendent held by Shri———substantively being a ministerial post, he could continue in that post till his 60th year. With effect from the 4th October, 1948, Shri———was however, appointed to officiate as Assistant Secretary to the Cabinet with the approval of the Union Public Service Commission. The post of Assistant Secretary being a non-ministerial post, he was granted extensions of service till the 31st December, 1950 under the provision of F.R. 56(a). The concurrence of the Ministry of Home Affairs to his retention in service till the 31st December, 1950 was also obtained and he retired from service with effect from the 31st December, 1950. Owing to the shortage of officers at that time in the Cabinet Secretariat and there being no other officer of a rank below that of Joint Secretary, Shri———was re-employed for a period of six months with effect from the 1st January, 1951 with the approval of the Ministry of Home Affairs.

2. Shri———was in occupation of a Government quarter but, it appears that owing to the non-receipt of demand statements from the Estate Officer no rent was recovered from him for the period November, 1954 to March, 1951. The omission was detected by the Estate Officer for the first time in March, 1951 and he took immediate action to get a bill amounting to Rs. 2,913/11/- for the arrears due for this period sent to Shri———who immediately paid the whole amount by a cheque. While bringing it to the notice of the higher authorities in the Cabinet Secretariat confidentially on the 28th March, 1951, the then Ministry of Works, Production & Supply stated that the matter was being enquired into and that this Secretariat would be informed of the findings and to what extent, if at all, the allottee was responsible. Pending the completion of the enquiry the issue of formal order sanctioning pension to Shri———who had retired with effect from 31st December, 1950, was held up.

3. It was about this time that the objection raised by the A.G.C.R. to the drawal of a motor car advance by Shri———was also brought to the notice of higher authorities in the Cabinet Secretariat. Upto this time the case had been dealt with at the level of Assistant Secretary (Shri———himself and/or the Under Secretary also since retired) who took up the stand that there was nothing in the relevant Article and Orders (Article 156, clauses (i) and (ii) of the C.A.C., Vol. I and Finance Ministry's order No. 7845-EGI/48, dated 7th February, 1948) to indicate that no advance should be granted in respect of a car which had already been purchased and paid for fully by a Government servant and that the Finance Ministry's fresh orders in which they had clarified the position that

it was not the intention that advance should be sanctioned after the officer applying for it had already purchased the conveyance and paid for it, were issued on the 7th December, 1949 i.e. after the drawal of the advance by Shri———). The A.G.C.R. did not accept this position and suggested that a reference might be made to the Ministry of Finance. The Finance Ministry expressed the opinion that the drawal of advance in respect of a car which had already been purchased years back was not in order but in view of the fact that only 4 instalments were left to be recovered they agreed, as a special case, to the outstanding amount of the advance being recovered as originally stipulated. It also appeared from the Ministry of Finance Office Memorandum of the 7th December, 1949 that such cases, where officers had drawn the advance in respect of cars already purchased and paid for, had occurred in other Ministries also and this necessitated the issue of general orders clarifying the position by the Ministry of Finance. It was at this stage, after the matter had been settled in consultation with the Ministry of Finance and the advance had been paid back fully, that the A.G.C.R. brought the fact to the notice of higher authorities in this Secretariat confidentially by a D.O. letter and suggested that suitable action might be taken against the officer concerned.

4. On the 28th May, 1951, the Ministry of Works, Production & Supply were requested by this Secretariat to expedite the enquiry as the pension papers of Shri———were held up. This Secretariat was informed of the result of the enquiry by the Estate Officer on the 4th June, 1951, wherein it was stated that there was nothing to show that Shri———was responsible for the non-payment of the rent for as long as six years. This, however, did not satisfactorily explain why Shri———, knowing full well that rent was payable by him, did not try to find out the cause of the failure of the Estate Office to present him the rent bills for such a long period.

5. After the receipt of the note from the Ministry of Works, Production & Supply and in the light of the facts pointed out by the A.G.C.R. regarding the grant of motor car advance, the question of grant of pension to Shri———was considered. Although it was felt that the action of Shri——— in drawing the advance in the circumstances was not quite regular, in view of his uniformly good record of service and in view of the fact that he had paid up the arrears of rent and the advance drawn by him and no financial loss had been caused to the Government, it was considered that withholding of his pension would be too severe a punishment. Accordingly his pension was sanctioned on the 14th June, 1951 and the pension papers were forwarded to the A.G.C.R. on the 15th June, 1951. Shri———finally relinquished charge of the office on the 30th June, 1951, and died in November, 1951.

6. It may be added here that, since then, this Secretariat has taken the following steps to remedy the defects, which, it is felt, might have contributed, to some extent, to these irregularities being committed, so far as the Cabinet Secretariat is concerned :—

- (i) The Administration Branch which is responsible for the preparation of pay bills, has been instructed to ensure that all deductions for house-rents, etc., are made,

before the bills are passed. If it is discovered that no demand statement for rent was received from the Estate Officer, it is their duty to take it up immediately with the Estate Office.

- (ii) All audit objections relating to irregularities of serious nature, such as, defalcations, culpable negligence, etc., should be *ab initio* brought to the notice of Secretary for immediate action.
- (iii) Audit objection relating to the officers of and above the rank of Under Secretary should immediately be reported to the Deputy Secretary/Secretary.
- (iv) All concerned in the Administration Branch have been instructed not to deal with their personal cases.
- (v) Whenever an officer is granted an advance for the purchase of a car, the fact that the usual formalities prescribed in the rules have been complied with has to be reported to Secretary within the specified time.

Y. N. SUKTHANKAR,
Secretary to the Cabinet.

Dated the 6th December, 1954.

APPENDIX XVI

[No. 6-06(13)/53]

GOVERNMENT OF INDIA

MINISTRY OF COMMUNICATIONS

New Delhi, the 30th September, 1954

SUBJECT:—*Recommendations of the Public Accounts Committee on the Appropriation Accounts 1949-50 regarding the appointment of an internal Accounts Officer in the Overseas Communications Service.—(Item 121A of the Statement of Outstanding Recommendations*).*

The Public Accounts Committee recommended, *vide* item 121-A of the Statement relating to the recommendations of the Public Accounts Committee on the appropriation Accounts (Civil) 1949-50 and unfinished Accounts (Civil) 1948-49, that the Government should consider the appointment of an internal Accounts Officer who understood the business control methods in order to ensure better accounting arrangements of the Overseas Organisation.

2. The matter is under consideration in consultation with the Ministry of Finance.

B. N. JHA,
Secretary.

*See Appendix I (Vol. I—Report).

APPENDIX XVII

MINISTRY OF COMMUNICATIONS

SUBJECT:—*Note showing the progress of action on paragraph 17 Chapter V of the seventh Report of the Public Accounts Committee regarding recovery of Pakistan's share of contribution to the International Civil Aviation Organisation paid by India for the period 15th August 1947 to 30th June 1948. (Item No. 123 of the Statement of Outstanding Recommendations*).*

A note† was submitted to the P.A.C. through the Parliament Secretariat in August 1952 in which action taken on para. 52 of the first Report of the P.A.C. regarding recovery of Pakistan's share of combined contribution to the International Civil Aviation Organisation, was intimated. As reported in that note, the Secretary General of the International Civil Aviation Organisation was informed in June 1952 that the contribution made by undivided India to the working Capital Fund and the Joint Support Emergency Fund of the International Civil Aviation Organisation upto 15th August 1947 stood solely to the credit of India by virtue of the Indian Independence (International Agreements) order 1947 and the Pakistan Government had no claim to any share in these contributions and hence the Organisation should arrange for the refund of an amount of \$ 15,635 paid by India as Pakistan's share of contribution to the Organisation (including an amount of \$ 565.00 paid for the working capital and Joint Support Emergency Funds) from 15th August, 1947 to 30th June, 1948.

2. The Secretary General of the Organisation in his reply stated that what he proposed in regard to the sharing of the Working Capital Fund and the Joint Support Emergency Fund between the two countries was based on equity and not a strict legal interpretation. He also pointed out that if a strictly legal view of the matter were taken, India may not be entitled to any reduction in her contribution for the period 15th August, 1947 to 30th June, 1948 and Pakistan could claim to pay her contribution only from 1st January, 1948.

3. The Ministry of Law, to whom a reference was made advised that India was entitled to a refund of the contribution paid by her on behalf of Pakistan in the light of a Resolution adopted by the International Civil Aviation Organisation Assembly in 1948 and by virtue of the Indian Independence (International Arrangements) Order 1947 the whole of the amount standing in the working Capital Fund and the Joint Support Emergency Fund to the credit of undivided India should be transferred to the credit of India. It has, however, been decided on the basis of another precedent, that

* See Appendix I (Vol. I—Report)

† See Appendix XXI to the Seventh Report.

irrespective of the legal position in the matter, we should offer Pakistan her share of the two Funds at 17½ per cent. through the Final Debt Settlement in due course.

4. The Secretary General of the International Civil Aviation Organisation has now been informed of our decision as in para. 3 above and requested to refund the sum of \$ 15,635·00 paid by India (\$ 15,070:00 and \$ 565:00 paid as Pakistan's share of the General Fund and the Joint Support Emergency and Working Capital Funds respectively) or to adjust it against India's future contribution to the Organisation.

5. Further progress in the matter will be communicated to the Public Accounts Committee in due course.

B. N. JHA,
Secretary

NEW DELHI;

Dated 4th September, 1954.

APPENDIX XVIII

MINISTRY OF FINANCE

(DEPARTMENT OF REVENUE AND EXPENDITURE)

In 1948 condensed milk was purchased by the Ministry of Food on an indent from the Ministry of Rehabilitation for consumption at various refugee Camps in the country. The milk turned out to be bad and had to be destroyed. It resulted in a loss of about rupees one lakh to the Government. The Public Accounts Committee considered this matter in its meeting on the 28th October, 1954. Since there was no agreed decision between the Ministries concerned, i.e. the Ministries of Food, Rehabilitation and Health, the Public Accounts Committee directed that the matter should be examined by the Ministry of Finance and a note sent to the Committee "apportioning responsibility for the loss on the Ministries concerned".

The necessary papers have been obtained from the Ministries concerned and the factual position is as follows:—

The Directorate General of Health Services who were in-charge of the medical relief at the refugee camps after assessing the requirements of condensed milk at the various refugee camps in the country, intimated in February, 1948, the same to the M.O.R. A meeting was held on 22nd February, 1948 in the Ministry of Rehabilitation under the Chairmanship of the Minister in charge to consider the question. The D.G.H.S. stated that they would *inter alia* need about 40 tons of milk for the Kurukshetra Camp to be consumed within six months. In the note submitted to the meeting, it was stated that the milk should be supplied in two instalments, the first instalment of 20 tons being arranged immediately at weekly instalments of 5 tons each. Orders were accordingly placed by the Rehabilitation Ministry with the Food Ministry. But unfortunately it was not stated that this supply was required for a period of six months. It was also stated that the Khadi Pratishtan was one of the sources of supply which could be contacted.

The then Food Minister had made the following observations on the 20th March, 1948, on a letter of Messrs. Khadi Pratishtan in connection with the purchase of milk powder for Defence Services:—

"The only indigenous concern which has any centre of Production within the Indian Dominion is the Khadi Pratishtan. The army has to depend entirely on foreign sources for its needs of condensed milk. This is not a prudent manner of developing the national self-sufficiency and Army's needs. It is vital that the indigenous condensed milk industry should be encouraged particularly when there is no profit motive in this particular concern, i.e., the Khadi Pratishtan..... The situation needs a more constructive way of handling under the new political set up of last year and this should be reflected in each decision of Government".

The action of the Food Ministry has to be viewed in the light of these orders. The normal action at the purchase Officer's level in the Ministry would have been to call for open tenders accompanied by samples etc. when the demand of the Rehabilitation Ministry was received. The tender samples would have been tested, especially for keeping qualities, and those that did not come upto requirements would be rejected. But in view of the need for developing an indigenous source, certain relaxations in the strict application of the purchase procedure seem to have been made.

The Ministry of Food were already in correspondence with the Khadi Pratishthan for the supply of milk to the Defence Services. An order for 10 tons was being negotiated on the condition that the Khadi Pratishthan gave a warranty of one year. But they were unable to give that warranty and wanted it to be reduced to three months which the Defence Services were unable to accept. When the demand from the Rehabilitation Ministry went for immediate supply, the Food Ministry decided to take advantage of the offer of the Khadi Pratishthan to supply 10 tons. Before actually placing orders, Shri Bhargava, the then Chief Director of Purchase, suggested two alternatives:

"(i) that we should first purchase only 10 tons and then Judge the quality of the product;

or

(ii) we might order 10 tons and said that we would take 31 tons more on the condition that the 31 tons balance will be procured only if the first batch of 10 tons was found acceptable."

Then there seem to have been some personal discussions—which are not on record. Orders were issued by the Food Ministry to the Khadi Pratishthan on 24th May, 1948. Instructions were to despatch the 10 tons by fast goods train together with any quantity within the limit of 41 tons that may be lying ready with them. It was also made clear that if the first lot of 10 tons was found unsuitable, the entire contract of 41 tons would stand cancelled without any appeal. Unfortunately no mention was made of the period of warranty—not even three months. The formal contract was drawn up on 11th June, 1948. The contract did not specify the requirement of the D.G.H.S. that the supply of milk should be in weekly instalments of 5 tons each ostensibly because the placement of the order itself had already been delayed by about three months.

The milk was received at the Subzimandi Depot in the beginning of July and it was stored in a stuffy and hot godown. Intimation regarding the receipt of the stores was received in the Office of the D.G.H.S. on 5th July, 1948. Samples from the first 10 tons were examined and it was found that 5½ tons out of this had already deteriorated and was unfit for human consumption. The representative of the Khadi Pratishthan was called and he agreed to remove the condemned stock. The balance of 31 tons was also received but there is no indication that this was tested immediately on receipt though testing seems to have been done at supplier's premises before despatch. There is, however, no indication as to whether the tests were complete in regard to keeping qualities in the packed condition, etc. The D.G.H.S. received intimation of the receipt of stores on

5th July, 1948 and since the huge stocks had come in one lot—for which they were not prepared—immediate action was started to distribute the stock to the camps. Various camp authorities were addressed for their requirements and on receipt of the intimation 14 tons of milk was distributed in the last week of July. Immediately reports started coming in from all camps about the bad quality. Necessary report was sent by the D.G.H.S. to the Rehabilitation Ministry and the Food Ministry on 1st September, 1948 and then an unsuccessful attempt was made to turn the milk into *khoa*.

Shri Bhargava, the then Chief Director of Purchase, put up a note to the Food Secretary and Minister about the bad quality of the milk and suggested that the damages should be recovered from the Khadi Pratisthan. It is not clear what came out of that note. The file is silent on that point. Again the Rehabilitation Ministry wrote to the Food Ministry for action being taken against the firm so that the loss could be recovered from them. The view of the Food Ministry was that since there was no warranty in the contract, their case for recovering any damages from the firm was weak. This means that the absence of the warranty clause was the major cause for our not being able to bring the firm to book. The Rehabilitation Ministry pointed out that the firm had given in a separate letter a warranty of three months. A letter was written by the Food Ministry to the Khadi Pratisthan asking them to show cause why they should not be made to bear the loss, but their reply was that the Food Ministry, while placing orders for the milk stated that the stores would be accepted if found in good condition on examination on arrival at destination. Having not examined the second lot immediately on arrival, the Food Ministry was not in a position to take advantage of the firm's responsibility for delivering the stuff at consignee's and in good condition. If an examination on arrival had been done it is probable that, as in the case of the first lot, the Khadi Pratisthan would have agreed to take back the damaged portions of the second lot also.

S. RATNAM,

Jt. Secy. to the Govt. of India.

APPENDIX XIX

MINISTRY OF FOOD AND AGRICULTURE

Revised notes on the recommendations of the Public Accounts Committee

Sl. No.	Year of Report	Paragraph of the Report	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	2	3	4	5	6
6.	1949-50(VII)	15	All Ministries except Ministry of W. H. & S.	Each Ministry should organise a cell within their framework for exercising control over expenditure in accordance with the budgetary grants as well as for prompt and satisfactory disposal of audit objections and the implementation of the recommendations of the Public Accounts Committee.	The work of control over expenditure is at present being exercised in the Budget & Accounts Section of this Ministry. It is, however, now proposed to appoint a Director of Accounts who will devote his entire attention to exercising control over the progress of expenditure, prompt and satisfactory disposal of audit objections, implementation of the recommendations of the Public Accounts Committee, etc.
7.	1948-49(I)	18	Finance All other Ministries	In order to check the tendency of the spending authorities to incur expenditure in excess of the sanctioned grants or appropriations, it is essential that the Ministries in general, and the Ministry of Finance in particular, should devise measures urgently whereby expenditure under each grant and sub-head under that grant is booked immediately after it is incurred. The progress of expenditure should be watched by the authority administering the grant so that before incurring further expenditure, it should	This Ministry is obtaining monthly statements of progressive expenditure from the budgeting authorities under it with a view to watching the flow of expenditure and ensuring that the sanctioned allotments or appropriations are not exceeded. A quarterly review of the expenditure is also undertaken by a Committee—consisting of officers of the Associated Division of the Ministry of Finance and this Ministry to see that the expenditure is evenly incurred throughout the year as far as possible

ensure that the fresh expenditure is within the limit of sanctioned allotment. This is, of course, without prejudice to the legitimate use of the Contingency Fund.

8. 1948-49(D)

19 Finance

 All other Ministries

The reconciliation of the figures of expenditure booked by the spending Departments concerned with those booked by the respective Accounts Officers is one of the 'potent methods' by which the flow of expenditure can be regulated and the tendency to over-spend curbed. To achieve this end, the spending departments should maintain their accounts properly. The Financial Advisers attached to the Ministries, etc. should guide the Administrative authorities in regard to the maintenance of accounts and for watching the progress of expenditure. They should also look into the accounts of Ministries/Departments periodically in order to see that these are being maintained properly. In the U. K., the responsibility for keeping the entire accounts rests with the Ministries/Departments concerned. Steps should be taken to introduce changes in this respect gradually but effectively.

Submission of reconciliation statements by all the budgeting authorities has already been introduced. The Committee referred to in item 7 also reviews the work of reconciliation of departmental figures of expenditure with those maintained by the Accounts Officers.

65 1945-50(VII)

22 Transport

 Finance

 All other Ministries

(1) In order to eradicate loss of public moneys as a result of embezzlement of revenue by Cashiers, only those persons who can pledge adequate securities both in the form of cash and property should be entrusted with the duties of handling the cash

It is not always possible to find persons who can pledge adequate securities both in the form of cash and property. In cases, therefore, where the right type of persons for cash work cannot pledge securities in the form of cash or property, security in the form of fidelity bonds is obtained.

(ii) In accordance with the established procedure laid down in the Accounts & Financial Codes, the Receipts should be remitted daily to the bank immediately after these are collected. The higher authorities should carry out the verifications of all remittances of public moneys with a full sense of responsibility.

(ii) So far as the Ministry proper and attached & subordinate offices which are located in stations where there are branches of the Reserve Bank, Imperial Bank and Treasuries are concerned, all efforts are made to see that the receipts are remitted daily to Bank/Treasury. In case, however, the money is received just before the close of the banking hours or thereafter, the amount is remitted to the Bank on the following day. The offices which are located away from Banks/Treasury remit the amounts at suitable intervals. The higher authorities, however, carry out the verification of all remittances of public money with a full sense of responsibility.

Sl. No.	Paragraph of Report	Recommendations/Suggestions	Action taken/proposed to be taken
71	31	Government should fix some target date by which such of the non-tractor parts as are not required for use in the C. T. O. should be disposed of as any delay in this direction is likely to result not only in the deterioration of the stores but also their forced sale at a much depreciated value.	A complete physical verification of the non-tractor parts has been made. They have also been segregated to facilitate their disposal. C. T. O. have completed preparation of final lists of spare parts which is under submission to Government for formal approval regarding their disposal. Government's experience has seen that the disposal of C. T. O. stores through D. G. S. & D., has neither been quick nor resulting in adequate return. Therefore, the decision has now been taken to authorise the C. T. O. to dispose of their surpluses. These orders were issued on 27th September, 1954. In view of the above, it has not yet been possible to fix a target date for the disposal of such parts. Apart from this, the C.T.O. is anxious to have maximum return on the disposal of their stores, in order to avoid any losses and, therefore, is making efforts to find out prospective buyers of their surpluses. This is likely to take some time. In any case, attempts are, however, being made to expedite disposal of these stores. Some progress has already been made.
72	32	Government should take early decision in the findings contained in the Report of the Enquiry into the purchase and utilization of agricultural implements from M/s Pashabhai Patel & Co. by Shri H. V. Divatia.	As a result of Government's negotiations action on the enquiry by Shri H. V. Divatia in the case of P. P. C. implements has been completed. Messrs. Pashabhai Patel & Co. have agreed to pay Rs. 3,35,650/- for rehabilitation of the implements. As a sum of Rs. 1,88,842.3 - is due to the firm against their contract, this has been set off against the Rs. 3,35,650.- and the sum now due is Rs. 1,46,807.13/-. This was approved by the Cabinet. As directed by the Cabinet, all Government departments have been asked to exercise special cares in dealing with the firm in connection with indigenous implements. The question of taking action against the Officers concerned was also considered but since most of them had retired, no action could be taken. Anyhow, the Home Ministry has been asked to consider revision of the general rules where the pension etc. of the retired Government servants could be affected in case the officer concerned was considered to have been negligent in the course of his duties.
73	33	Government should consider the desirability of examining reduction in	Necessary steps have already been taken to control and reduce idle hours of tractors in units. This will be evident from

the idle time in the tractor units by proper planning for the working of land reclamation schemes by means of mechanical ploughing, eliminating thereby considerable waste of expenditure

the fact that the hours lost due to tractor breakdown in the operational season 1953-54 amounted to 6.4% of the total number of hours worked, as against 7.4% during 1952-53 and 12.3% during 1951-52. The methods of planning and procurements of spare-parts have also been put on a proper footing. A separate planning section working directly under the Chief Engineer has also been set up. But certain break downs, due to unforeseen abnormal conditions are always likely to take place. Apart from this, following steps are being taken to achieve satisfactory results —

- (i) Effective measures have been taken to ensure proper and timely servicing and maintenance of all types of implements in the units by introducing log books and service schedules. This minimise the breakdown resulting due to lack of proper maintenance and lubrication.
- (ii) Measures have been taken to ensure that immediate action is taken on all breakdown cases in the units to make the officials concerned realise that any shortcoming on their part resulting in the breakdown of an equipment will be viewed seriously by holding prompt and immediate enquiries. This is having the desired effect.
- (iii) Steps are also being taken to fix the maximum and minimum limits for the various makes of spare parts and stores to assure regular and timely supply of the spares to the units. It will, thus, be seen that with more experience and better planning and effective supervision, idle time is being reduced.

34 An overall maximum limit of all categories of stores, i.e., general stores, petrol, oil and lubricants etc., (not spare parts only) to be held by the C. T. O. at any one time should be fixed as required under the rules.

The Planning Section working under the Chief Engineer has collected data for fixing ceiling limits for stock holding of different items of spare parts and stores at any time. C. T. O.'s proposals in respect of overall maximum limit of all categories of stores are expected by the end of October 1954. The collection of this data was found to be a much heavier and a more technical job than was expected earlier. The maximum limits in respect of stores are being worked out and are expected to be completed by the end of October.

2	3	4								
79 To enable the Committee to examine the financial implications of the utilisation of the old tractors, a note setting forth the information on the following lines should be furnished:—	The statement below shows the latest position regarding the recovery in respect of work done by old units of the Central Tractor Organisation.	<table border="1"> <thead> <tr> <th data-bbox="602 402 688 458">State for whom work was done</th> <th data-bbox="695 402 821 458">Total amount of debit raised</th> <th data-bbox="828 402 953 458">Amount of debits accepted and adjusted</th> <th data-bbox="960 402 1040 458">Balance amount outstanding</th> </tr> <tr> <th></th> <th data-bbox="751 476 775 495">Rs.</th> <th data-bbox="888 476 912 495">Rs.</th> <th data-bbox="972 476 996 495">Rs.</th> </tr> </thead> </table>	State for whom work was done	Total amount of debit raised	Amount of debits accepted and adjusted	Balance amount outstanding		Rs.	Rs.	Rs.
State for whom work was done		Total amount of debit raised	Amount of debits accepted and adjusted	Balance amount outstanding						
	Rs.	Rs.	Rs.							
(i) the number of hours the tractors worked,	Madhya Pradesh	30,52,443-1	30,52,443-1 ..							
(ii) the number of hours the tractors remained idle during the year 1951-52 state-wise;	Uttar Pradesh	26,60,915-7	22,51,424-11 4,09,490-12							
(iii) the amount recovered from each of the State Governments in respect of heavy tractors; and	Madhya Bharat	4,01,104-0	80,000-0 3,21,104-0							
(iv) to what use the tractors that remained idle were put to.	Bhopal	1,71,608-0	.. 1,71,608-0							
	Punjab	5,93,208-0	4,45,300-8 1,47,907-8							

M. R. BHIDE,

Joint Secretary to the Government of India.

APPENDIX XX

MINISTRY OF FOOD AND AGRICULTURE

Commercial Appendix to the Appropriation Accounts (Civil)
1950-51

Para. 188 Workshop overheads

The problem of high overheads was fully known to the Managers of the C.T.O. workshops, but it was a matter beyond their power, because the workshops did not have enough load as the nature of work was seasonal and the workshops were meant more for maintenance than for manufacture. On account of the fact that the percentages have been going up in recent years, an Expert Committee consisting of a representative of the Ministry of Finance and the T.C.M. Expert has been set up to study the problem, and their recommendations will be implemented as soon as they are received.

The Expert Committee has since submitted their interim recommendation in respect of accounting in units on repairs. The Committee is expected to submit their final recommendations in the course of this month.

The recommendations of the Estimates Committee made in Para. 10 of their Seventh Report about the maintenance of the workshop are under consideration.

APPENDIX XXI
MINISTRY OF FOOD AND AGRICULTURE
Para. 192(a)—Foundry equipment

In the middle of June, 1949, after some initial discussion with the International Bank authorities regarding land reclamation scheme proposed to be undertaken by the Government of India, Shri— prepared 4 copies of indents for 180 tractors and allied equipment in connection with the execution of the scheme. One of the indents related to workshop equipment at a cost of Rs. 10,18,600 which included foundry equipment. Shri— appears to have worked out the requirements of foundry equipment with a view to set up a foundry in a self-sufficient workshop for the Central Tractor Organisation in consultation with Shri— acting Chief Engineer and other engineers of C.T.O. They, no doubt, tried to plan the foundry according to what appeared to them to be on the correct lines. It has to be remembered that this was the first venture of the kind under-taken by C.T.O. The requirements indicated in the indent were subsequently in March, 1950, pointed out to be unbalanced by the firm which was to supply the foundry equipment. The firm advised that exact out-put of the foundry should be worked out and additional items ordered, in order to complete the unit for the foundry. The firm's recommendations were examined in a meeting held in D.G.S. and D. in July, 1950. Director of Stores and Chief Engineer attended the meeting on behalf of the C.T.O. and the meeting decided that additional equipment be ordered in order to complete the unit. Towards the end of 1950, C.T.O. approached the Government of India for additional sanction for the purchase of some additional items for foundry taking the total cost of foundry as Rs. 1,88,223. Most of the foundry equipments had been actually received in August-September, 1950. It was in 1951 that the idea of installation of the foundry was dropped as in the changed circumstances it was found to be uneconomical. Items amounting to Rs. 45,145 were cancelled by C.T.O. It may be clarified here that the decision for not installing the foundry was taken not only because of the number of tractors was reduced from 375 to 240 but also because it was considered that it would be more economical not to have the foundry. Central Tractor Organisation then took steps to dispose of equipment and has been successful in disposing of equipment worth Rs. 54,827 (equipment worth Rs. 10,320 were sold in January, 1952 and further sales for Rs. 44,507 were made in December 1952). For the remaining equipment worth Rs. 89,745, the C.T.O. are making attempts for disposal.

APPENDIX XXII

MINISTRY OF FOOD AND AGRICULTURE

Para. 193—Balance of Stores

The value of bulk order placed for spare parts for new reclamation tractors year-wise is as follows:—

	Rs.	
1950-51	10,99,473	
1951-52	17,92,861	
		(Dollar conversion effected at Rs. 7 per dollar).
1952-53	40,05,532	
1953-54	13,69,703	

The above figures show that though closing balances are not being reduced appreciably, but effective steps are being taken to restrict new purchases of spares to the very minimum and we hope that the present stock will cover, to a great extent, our requirements for the coming two years and our future purchases will be still lighter and confined to fast wearing parts only.

The figures for 'Receipts' and 'Balance' of such stores and spares as shown in the accounts of the C.T.O. for the years 1949-50 to 1953-54 are as follows:—

	Receipts (Rs.)	Balance (Rs.)
1949-50	30,14,712	44,46,564
1950-51	44,52,929	79,93,771
1951-52	38,14,710	1,02,83,278
1952-53	54,97,703	1,30,82,331
1953-54	46,60,865	1,49,37,578

The closing balance of stores as on 31st March, 1954 is about Rs. 1.49 crores. The following factors contribute to a large degree towards the accumulation of these balances:—

- (i) Parts worth about Rs. 26 lakhs taken over from American Army Disposal turned out mostly to be slow moving and non-tractors.
- (ii) Parts worth Rs. 9 lakhs purchased for operation of old tractors became surplus with abandonment of the use of the old tractors of operation.
- (iii) Purchases made in 1951-52 and 1952-53 were above the annual requirements.

- (iv) The initial purchases of spare parts for the new tractors to the extent of 25 per cent. of the capital cost was based on the recommendations of the manufacturers but were ultimately found to cover slow moving parts mostly.

The comments by the Estimates Committee in para. 24 of their Seventh Report about the indiscriminate purchases of stores and equipment are being examined in the Ministry.

These papers have been shown to the Audit for verification of facts and figures.

M. R. BHIDE,

2nd May, 1955.

*Joint Secretary to the Government of India,
Ministry of Food and Agriculture.*

APPENDIX XXIII

MINISTRY OF FOOD AND AGRICULTURE

SUBJECT:—*Public Accounts Committee consideration of the Appropriation Accounts (Civil), 1950-51 and Audit Report (Civil), 1952, parts I and II and Commercial Appendix thereto.*

Sl. No.	Recommendation or query by the P.A.C.	Action taken or proposed to be taken
8.	Para 202 (VII) of Part II. The extent to which claim has been lodged against the suppliers as regards the shortages of Rs. 5,00,950 and with what results.	Claims were lodged for the entire shortage against which recoveries so far adjusted in accounts amounted to Rs. 64,153. A further sum of Rs. 48,015 has been withheld from the contractors' bills for adjustment against shortage. Claims to the extent of Rs. 2,71,583 are still under correspondence with various parties concerned. The balance of the claims amounting to Rs. 1,17,199 has been treated as irrecoverable.

P. N. THAPPAR.

Secretary.

11-4-55

APPENDIX XXIV

MINISTRY OF LABOUR

SUBJECT:—*Meeting of the Public Accounts Committee on the 2nd November, 1954—points on which the Committee desires further information.*

The various points* raised by the Public Accounts Committee at its meeting on Tuesday, the 2nd November, 1954, and in respect of which further information is required, are dealt with, *seriatim*, below:—

“A Statement showing the number of placements and the expenditure incurred on the same by the Employment Exchanges from 1949-50 to 1953-54 and the reduction that has been effected in expenditure per placement from year to year.”

A statement showing the number of placements and the expenditure incurred on them is given below:—

Year April-March	Placing	Expenditure in lakhs	Cost per placing
		Rs.	Rs.
	2,51,175	53.40	21.3
1	3,72,439	52.16	14.0
1951-52	4,05,623	46.84	11.5
1952-53	3,19,377	49.23	15.4
1953-54	1,69,370	49.59	28.9

It will be seen from the figures above, that in view of the paucity of employment opportunities the cost per placing in 1953-54 has steeply increased since 1951-52 and is much higher than the cost in 1949-50, even though expenditure on the organisation in that year was nearly Rs. 4,40,000 higher than in 1953-54. In 1951-52 when the cost per placing was the lowest, employment opportunities were frequent and the average number of vacancies notified to the Service was about 40,000 per month. During that favourable period, our statistics also show that the Live Register remained practically static at about 3,50,000, frequent placings being able to off-set normal intake into the Live Register.

The number of placements effected and the cost is not entirely within the control of the Employment Service, and is directly related to the volume of employment which is being created in the country in the public and the private sector. Any attempt, therefore,

* See also Appendices XXV to XXIX

to evaluate the activity of the Service by the number of placements in relation to expenditure is likely to lead to false conclusions both now, when the placings are low and later, when the placings become high.

One object of the Service is to ensure that suitable applicants have equal chances to appear in reasonable numbers before employers and to compete among themselves for the vacancies which occur. On an average, 4 or 5 applicants are submitted for every vacancy, and during the last three years an average of about 70,000 applicants have been submitted every month. It is this opportunity for appearing before employers which is so welcome to employment-seekers, because many know that under a system of recruitment by patronage very few of them will even be seen by employers. The number of submissions made (involving as they do, call letters and pre-submission interviews of twice the number submitted) is also a useful yard-stick of activity and may, with reason, be a standard for evaluation.

APPENDIX XXV
MINISTRY OF LABOUR

POINT 2:

“A note giving the total number of members in the Central Advisory Committee and the number of members therein from the trade unions. The break up of the number of members from the trade unions may please be shown trade unionwise.”

The required information is given below:—

Total number of Members of C.E.C.A.	Number of members of Trade Unions on the Committee	
40 including Chairman and Secretary	5	{ I.N.T.U.C. 2 Hind Mazdoor Sabha 2 A.I.T.U.C. 1

APPENDIX XXVI
MINISTRY OF LABOUR

“A note stating the views of the Ministry on the principal recommendations of the Shiva Rao Committee indicating *inter alia*

POINT 3: (i) *steps taken to develop and strengthen the Employment Exchanges,*”

The steps which are proposed to develop and strengthen the Employment Exchanges are—

- (a) the establishment of the Service on a permanent basis;
- (b) the decentralisation of the day-to-day administration to the States to ensure more active participation in the work by State Governments;
- (c) the retention in Service of only those members of staff who have a good record of service;
- (d) the introduction of staffing Surveys so that the staff employed is scientifically related to the work-load;
- (e) greater concentration on trade and aptitude testing with a view to improving the quality of submissions to employers and more exact classification of degrees of skill;
- (f) co-ordination of effort with Vocational Guidance Bureaux set up by the Central Ministry of Education and State Educational Departments and the gradual introduction of Adult Counselling with a view to ensuring that, as far as possible, applicants are submitted against vacancies most suitable to their aptitudes;
- (g) the collection of employment market information including statistical and other data related to both employment and unemployment. This will be done in co-operation with other established agencies and with a view to building up an all-India picture of employment and unemployment;
- (h) the development of closer relations with other Central Government Ministries and Departments of the State Governments; with workers' associations and the representatives of employers, with a view to greater co-operation; and
- (i) the introduction of sample and other Surveys to determine the employment and unemployment position in co-operation with such other bodies as are already carrying out such Surveys.

POINT 3: (ii) *“the possibility of further legislation making it absolutely compulsory upon organised industry to recruit its labour force and filling the vacancies through the Employment Exchanges;”*

Neither the Shiva Rao Committee nor the Ministry of Labour consider it desirable, for the present, to introduce legislation making:

it absolutely compulsory upon organised industry (outside the Government sector) to recruit its labour force and fill its vacancies through the Employment Exchanges. The Ministry, however, agrees with the Shiva Rao Committee that compulsion should exist in regard to all Central and State Government establishments, quasi-Government establishments, Local Bodies, etc., Nevertheless, it has been proposed that a schedule of private employers should be drawn up, (after consultation between the Ministry and the State Governments) of those private employers on whom it would be obligatory to notify to the Exchanges such vacancies as occur. This, it is hoped, will, in the course of time, encourage the private sector to utilise the Exchanges more and more and at the same time attract to the Registers of Exchanges such unemployed skilled persons as are available and who are suitable for submission against all the vacancies which are notified. As and when the Service becomes more and more capable of filling such vacancies, the question of compulsory filling up of vacancies by the private sector can be re-considered.

POINT 3: (iii) *“the ways and means to make P. & T. resort to the Employment Exchanges for recruitment of their employees,”*

When Staff Strength Returns received from P. & T. establishments reveal deviation from current instructions, appropriate action is taken at all levels. In general, our statistics show that in all Central Government establishments, (including P. & T. but excluding the Railways) only about 10 per cent. of the vacancies, which should be filled through the Exchanges, are now being filled “otherwise”. In 1950, the number filled “otherwise” was over 45 per cent. The overall position can, therefore, be said to have improved.

POINT 3: (iv) *“the proportion of expenditure on administration to the other expenditure.”*

The annual cost of the Employment Service (based on the budget for 1953-54) is as follows:—

	Rs.
(i) 50 per cent. of the expenditure on the Headquarters of D.G.R. & E.	5,06,800
(ii) 90 per cent. of the cost of the Regional Directorates (10 per cent. on Training)	10,38,100
(iii) Cost of the Employment Exchanges	36,24,700
TOTAL:	51,69,600

If, for the purpose of this question, it is assumed that “administrative expenditure” is equal to 50 per cent. of the cost of maintaining the National Headquarters. (The other 50 per cent. being debited to Training) and 90 per cent. of the cost of the Regional Directorates, it will be seen that the total cost of administration is—

Rs. 15,44,900 out of a total cost of Rs. 51,69,600 i.e., approximately 30 per cent. This figure at first sight seems inordinately high.

One or two observations are, however, pertinent in this connection.

- (a) The overall standard of work at Exchanges is sustained by both Central and State Inspectorates. These Inspectorates, which are paid for out of the allocations to the National Headquarters and the Regional Directorates, can hardly be counted as "administrative" costs. The approximate cost of maintaining these Inspectorates, in which 12 Assistant Directors are engaged, is approximately Rs. 1,50,000 per annum. This cost may be deducted from the cost of administration.
- (b) Similarly, during the budget year 1953-54, Public Relations Officers were, for convenience, attached to Regional Directorates for work primarily in connection with the Employment Service. These Public Relations Officers, who were 8 in number, together with an Assistant Director of Public Relations at the Headquarters cost about Rs. 1,10,000 per annum. The cost can hardly be considered as part of the "administration". Their cost may be deducted.

POINT 3: *"(v) reasonableness of the per capita expenditure test prescribed to decide the efficiency of the Employment Exchanges. Are there some other tests also to check the efficiency of the Exchanges?"*

This question has been dealt with under Point 1 above.

POINT 3: *"(vi) whether the activity of the Employment Exchanges with regard to placements made for casual labour is worth pursuing;"*

While the Ministry is in full agreement with the Shiva Rao Committee that activity on behalf of casual and unskilled labour should not degenerate into the mere recording of lists of workers who have come in touch with vacancies without any active assistance on the part of the Employment Service, we are of the view that wherever and whenever more equitable methods of recruitment and more just conditions of employment can be secured for workers and whenever the applicants and the employers *themselves* desire the intervention of the Service, it should be prepared to play its part. For instance, employees not infrequently prefer to be submitted through an Employment Exchange because they consider it more likely that the employer will honour the terms and conditions offered to them through the Employment Exchange. Similarly, employers have, not infrequently, expressed the view that applicants who come through Exchanges, and in respect of whom particulars as to place of residence, parentage etc., have been recorded, in a Government institution are less likely to be fraudulent. Employers have further indicated again and again that the screening process carried out at Exchanges saves them considerable expense and time. Casual and unskilled workers, are those most in need of help, both because of the casual nature of their work (involving, as it does, frequent loss of employment) and also because many persons belonging to this group are illiterate and far more helpless than the wage earners. Nevertheless, the Ministry is of the view that the documentation of work

in respect of unskilled workers should be simplified as much as possible and that the methods used in making submissions should be as speedy and inexpensive as possible.

POINT 3: "*(vii) the desirability of addition of a clause in the contracts of the P.W.D. etc. that all labour employed by the contractors should be obtained through the Employment Exchanges,*"

The Shiva Rao Committee has recommended that the obligation on Government employers to notify vacancies should apply equally to firms engaged on Government contracts, to undertakings in respect of which Government hold part of the stock and to establishments which have received aid/subsidy from Government. Although this recommendation will not oblige P.W.D. and other contractors to actually *recruit* workers through the Exchanges, it is felt that the obligation to notify their vacancies will encourage contractors to utilise the services of the Exchanges to a greater measure. This, in turn, it is hoped, will lead to the loosening of the grip of jobbers on such labour and will also make it possible for Government to observe the degree of compliance with the Minimum Wages Act in this field of work. A proposal to put in a mandatory clause in P.W.D. contractors asking the contractors to notify vacancies is under consideration.

POINT 3: "*(viii) whether, in view of the various shortcomings of the Employment Exchanges, there is any need for them?*"

It is suggested that, despite the various shortcomings of the Employment Service the positive contribution it makes or can make is very substantial. Some of the contributions which the Service has made are listed below:—

- (a) In the Central Government sector they have made all Central Government vacancies, (other than those filled through the Public Service Commission) accessible to all persons on the basis of merits and seniority of registration. During the last five years, since the system of compulsory notification of Central Government vacancies was introduced, only very rare instances of mishandling or abuse of this responsibility have come to light, despite the fact that on an average between 7000 and 8000 such vacancies have been filled every month through the Service. Incidentally large sums of money which would have been spent by Government on public advertisements and competitive examinations have been saved.
- (b) It has been possible through the Service to protect the constitutional rights of Scheduled Castes, Scheduled Tribes and Anglo-Indian applicants, by giving them special priority for submission against vacancies as laid down by the Ministry of Home Affairs. Such applicants are separately 'tabbed' in the Live Register and they are submitted in numbers in excess of the actual reservations reported by establishments. The result is that, as far as Scheduled Caste applicants are concerned, they are the largest single group in respect of which placings have been effected.

During the last two years, an average of over 2,000 Scheduled Caste applicants have been placed every month. When the employment situation was favourable in 1951 and 1952, the number was over 4,000 per month. Similarly, ex-Servicemen who, for various reasons, had not been particularly favoured by employers, but who, by reason of their service in the Army, have been given a high place of priority, have been assured of a fair percentage of the vacancies which occurred. During the last two years, an average of about 1,000 ex-Servicemen have been placed in employment every month. Priority assistance has also been given to discharged Central and State Government employees. Since 1950, the Live Register of Central and State Government employees has been reduced from 17,500 to 10,000 and at one time it was reduced to 8,000 despite an average monthly intake of 2,000 and the cessation of rationing.

- (c) The Service has provided special assistance to women. On an average over 600 women per month have been enabled to obtain employment through the Service; a far higher percentage of women find jobs than men.
- (d) Limited though the statistical information obtainable through the Employment Service may be, it is the only information available in the country which, in any way, indicates the magnitude of the unemployment problem. Outside its orbit, all other information is guess work, except in certain very limited sectors where Surveys have been conducted.
- (e) However restricted the operation of the Service may be at present, it does stand for an orderly and equitable system of recruitment in contrast to the filling of vacancies by patronage and as employment opportunities expand, there will be more and more for an employment Service to do. Much dissatisfaction will be avoided if the unemployed applicants have somewhere to go for registration, even though only a small proportion may eventually succeed in getting jobs.

For the reasons given above, this Ministry is of the view that despite the various shortcomings of the Employment Service at present, the maintenance of Employment Exchanges and their development is necessary.

APPENDIX XXVII

MINISTRY OF LABOUR

POINT 4: (i) "*The steps taken or proposed to be taken to institute a system of apprentice training for Government Undertakings.*"

Apprenticeship training schemes have already been introduced in a number of Government undertakings. In 1947, a Scheme was launched by which apprenticeship training was given to ex-Servicemen who had reached a certain prescribed grade of technical proficiency or who had received training at one of the D. G. R. & E. Training Centres. The duration of the apprenticeship course in this particular instance was 12 months, the purpose of the course being to put ex-trainees on production work under factory conditions. Allowances ranging between Rs. 30 and Rs. 35 p.m. were paid. This Scheme came to an end in July 1950, after 1,657 ex-Servicemen had completed their apprenticeship.

In 1951, a Scheme for providing apprenticeship training to displaced persons was introduced in U.P. and West Bengal. The Scheme provided for a total of 900 seats, 400 in U.P. and 500 in West Bengal. The scheme is still in operation.

One of the short-comings of past apprenticeship training has been the lack of arrangements for the supervision of trainees while they are working under factory conditions and of follow-up after completion of training. Furthermore, no arrangements exist at present for assessing the amount of skill acquired during the apprenticeship training. The Shiva Rao Committee has recommended that a regular apprenticeship scheme should be organised in collaboration with industrialists, and this recommendation is being considered in collaboration with the Ministries of Production, Commerce and Industry and Education. Meanwhile, a survey of the availability of training facilities in various industrial undertakings is being carried out with a view, *inter alia*, to arranging for a more orderly system of apprenticeship training. It is also proposed to utilise more fully opportunities for apprenticeship training in Government institutions, e.g., in the proposed Steel Plant at Rourkella in Orissa, in workshops at major project sites, in Ordnance Factories, Railway Workshops and at the Integral Coach Building Factory, Madras.

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MINISTRY OF LABOUR

POINT 4: (ii) "Steps taken to see that Training Institutes keep track of the ex-trainees."

So far no effective steps have been possible for Training Institutes to keep track of ex-trainees. It was hoped that by advising such trainees to register themselves at the nearest Employment Exchange whenever they became unemployed, it would be possible to keep track of trainees after they had passed out. This arrangement did not prove satisfactory because a large number of ex-trainees failed to register at the Exchanges. Training Institutes were, therefore, asked to collect some information in respect of ex-trainees. Upto December 1953, the information received indicated that—

- (1) the number of persons trained under the Adult Civilian Training Scheme after 1950 was 16,835
- (2) the number of persons who were engaged prior to the completion of their training was 496
- (3) the number of persons known to have been employed immediately after completion of training was 6,078.

Information in respect of other trainees was not available. It is now proposed to evolve a scheme for better follow up of trainees immediately after their discharge from Training Centres. One proposal is to give each passed out trainee a set of postcards on which he will be asked to report the position in regard to his employment. It has also been suggested that a sample house-to-house survey in respect of ex-trainees might be conducted to ascertain more accurately the correct position. The importance of follow-up in respect of trainees is fully recognised by the Ministry.

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MINISTRY OF LABOUR

POINT 5: *“Estimate of the amount of irrecoverable training-charges to be written off as a result of absconding trainees.”*

Upto the end of June, 1953, a sum of Rs. 6,30,845 was due from trainees who had absconded. Of this sum, Rs. 39,760 has been recovered and a sum of Rs. 37,119 has been written off. Under the terms and conditions which trainees are expected to agree to prior to their entry into a Training Centre, such trainees as leave the Training Centres prematurely are liable to pay the amount representing the cost of training incurred by Government on their account. Many of the trainees who left the Training Institutes were too poor to pay the amounts demanded. Others were untraceable. The net result is that it is expected that most of the outstanding amount will have to be written off. Nevertheless the position is being constantly reviewed on the basis of reports received from the District Magistrates, who have been asked to locate trainees wherever possible and to indicate their capacity to pay back the amount which is owed. Each case is being dealt with on its merits and if the report of the District Magistrates justifies such action, amounts are being written off.

VISHNU SAHAY.

Secretary to the Govt. of India.

APPENDIX XXX

MINISTRY OF COMMERCE AND INDUSTRY

Statement laid before the House of People in connection with the Fourth Report of the Public Accounts Committee on the Import and Sale of Japanese Cloth.

The idea of purchase of the Japanese cloth originated some time late in 1946. The circumstances prevailing in the country then were such that the cloth available for internal consumption was in short supply. The indigenous production in the year 1946 (of what was then undivided India) was only 4003 million yards and was even lower in 1947. While the prices of cloth produced in Indian mills were controlled, the free market prices were considerably higher than the controlled prices. Black marketing was rampant.

It must also be realised that the Government then functioning (what was called the Interim Government) was composed partly of Congress members and partly of Muslim Leaguers. The concentration that was necessary for carrying on the work of the Government was somewhat hampered by the pronounced differences on policy matters between the two sections of Government. The division of portfolios amongst the Congress and the Muslim League was such that even the economic departments were divided amongst them and as such on economic matters each section of the economic department had its own views. While the Industry and Supply Department was under an Executive Councillor belonging to the Congress Party, the allied departments of Commerce and Finance were administered by members of the Muslim League party.

It has also to be recognised that the Secretariat was manned, by and large, by persons who are no longer in service, namely members of the Indian Civil Service, who left in August 1947. The Secretary of I. & S. Department was Sir Arthur Waugh. The Deputy Secretary who was mostly concerned in this transaction: was Mr. O'Neill who was also Private Secretary to the then Member in charge of the I. & S. Department.

As mentioned earlier, the production of Textile goods by the Indian Mills in 1946 was low. While the controlled prices were reasonable, the black-market prices were very high. It is clear from the records that the object of Government in importing cloth was to break the black market. It was realised that the prices of imported cloth would certainly be higher than the controlled prices of indigenous cloth. Equally, the prices of the cloth to be imported would be lower than the black-market prices of the indigenous cloth that prevailed at that time.

The proposal was initiated when the then Commerce Department communicated the offer of Japanese Cloth. The comments on this note are indicative of the eagerness of Government to obtain

supplies. The Additional Financial Adviser to the I. & S. Department for instance writes as follows:—

“I suggest that we refer to the Cotton quota given to Japan as an additional point in favour of our claim. (for this cloth) I presume that this deal will be an inter-governmental transaction and we shall have to make arrangement at this end to market the yarn and/or cloth.”

In this and other notings by the officers concerned, their anxiety that the opportunity for the import of Japanese cloth should not be lost is evident. This is also emphasised by the fact that our representatives in Washington were insisting that if the Indian Government needed the Japanese cloth, the transaction must be put through before the end of March 1947. That is the background for this transaction.

The Public Accounts Committee, after examination of certain issues has recommended a judicial enquiry. The first question is whether the Textile Commissioner had failed in his duty, by not advising Government against the transaction on the ground that the prices were higher than the controlled prices. Basically, such criticism does not take into account certain facts that must have been within the knowledge of the I. & S. Department. The controlled price in India in respect of the major part of the cloth that was intended to be imported, namely grey sheeting, must have been known to the Ministry as the price fixing by the Textile Commissioner is done with the sanction of the I. & S. Department. If this is conceded, it must then be recognised that the officials of the Ministry must have been aware of the fact that disparity in price between the Japanese Grey Sheeting and similar cloth made in India did exist. The question really should be whether the disparity was so great as would make it difficult to market the Japanese cloth in India, having regard also to the fact that price control did not operate on imported cloth.

On receipt of the offer of cloth from Japan, a message was sent by the I. & S. Department to the Textile Commissioner as follows:—

“Details of prices and detailed specifications with samples forwarded to you. If you consider revision of prices (necessary), please communicate at once so that we can take it up with the Indian Embassy at Washington”.

The reply to this is as follows:—

“Quantities and numbers of grey cloth acceptable to us are as follows:—

* * * * *

Kindly indicate whether the imports are being arranged as a Government transaction or whether these imports would be through trade channels”.

No mention of prices is made in the reply. The explanation for this omission given by Mr. Dharma Vira who was the Textile Commissioner then in his letter dated the 21st May, 1953 is as follows:—

“The prices of imported cloth were bound to be higher than the prices of the similar types of the Indian cloth. The question, therefore, to be considered was whether compared to

the world prices of cloth the prices of Japanese cloth offered were reasonable and in his view the Japanese prices were reasonable as compared to the world prices. There was a very great demand for cloth in the country at that time and people were prepared to pay fantastically high prices. The fact that the prices of the imported cloth would have been even double the prices of the indigenous cloth would not have come in its way of disposal through trade.

But he wished first to know whether import would be through trade channels or on Government account. If the import was on trade account and the trade was to be permitted to sell it in the market in addition to the normal ration, at the import prices plus a percentage to cover profits etc. the disposal of the cloth is not likely to be difficult. Further by imports through trade the Government would not have to invest money in a complicated trading enterprise. The manner in which the import was to take place was very relevant to enable a well considered reply being given on the price factor. His reply was, therefore, only an interim one pending clarification on this point."

The further points to be noted in this connection are that the Textile Commissioner had marked the communication for discussion with the Chairman of the Textile Control Board. The Chairman's note on the proposal which reads as follows, deals essentially with the quantities to be imported, having regard to the prevailing disparity in prices, rather than with the merits of the proposal to import.

"This is with reference to the discussions on the subject of import of Japanese cotton textiles which we have had yesterday. I leave it to the Government of India to decide how much quantities of Japanese Cotton Textiles may be imported into India in view of the very great disparity in prices. I suggest that the qualities given under the following number may be imported:—

2002, 2042, 2003, 2004, 2022, 2023 and 2024.

The above qualities may be imported in both bleached and grey conditions. I am of opinion that no dyed or printed material should be imported in view of the severe restrictions imposed on mills in India for production of dyed and printed cloth."

All this would lead to the justifiable presumption that some importation was considered desirable and the higher prices to be paid for such cloth as might be imported were recognised, but what was sought to be determined was whether the importation of a considerable quantity at these high prices was desirable. The controlled prices for grey sheeting at that time were 0-6-1 to 0-6-7 per yard and the market prices were 0-12-0 to 0-14-0 per yard.

It must also be added that along with the letter to the Textile Commissioner from the I. & S. Department a note from Mr. P. A. Menon of the India Supply Mission, Washington, was sent, which read:

"I forward herewith details of cotton cloth currently manufactured in Japan, together with a specimen copy of a blank contract form and representative samples of several

of the items mentioned in the list. You will notice that the contract contains several stringent and rather unusual provisions. Mr. Gardner, Vice-President of the United States Commercial Corporation has told me that his company would not be willing to discuss modifications of the terms of the contract in any manner and that other Governments like the U.K., China and the Phillipines had already signed similar contracts". Along with the same letter the Under Secretary of the I. & S. Department had enclosed a copy of telegram from the Ambassador at Washington which concludes:

"If you consider revision of these prices necessary please indicate at once so that negotiations may be opened with the United States Commercial Corporation. We understand from U.S.C.C. that prices are rather on the low side and it may not be possible to reduce them".

It appears that in the face of these facts, the Textile Commissioner did not feel called upon to advise against the importation of Japanese cloth as the need for importation was a matter of policy on which decision vested in Government. What the Textile Commissioner indicated was that he was keen on the transaction being put through the trade. It is possible that in view of the high level of the ruling prices in the market and the avowed deficit of about 75 million yards of cloth a month in the demand, the market might take up these goods provided the quantities offered were not large. In this connection it might be appropriate to quote from the explanation given by the then Textile Commissioner:

"These inquiries were made after a prolonged correspondence with India's Ambassador in Washington, in the course of which the Government of India had already accepted, in principle, the purchase of certain quantities of Japanese cloth and yarn, subject to prices being reasonable. The idea underlying the purchase was to relieve scarcity of cloth in India. It was not to be a trading venture and was not to be viewed or examined from the ordinary commercial angles of profit or loss, though the chances of loss were, of course, to be minimised to the extent possible. There was nothing new in this policy because earlier, in 1944 and 1945, the Government of India, in the late Department of Industry and Civil Supplies, had imported considerable quantities of woollen goods, consumer goods and drugs to relieve shortages in the country. Some of these transactions, so far as I can recollect, resulted in financial loss, but they were borne by the Government of India as necessary and valid expenditure by a Government to relieve distress in time of scarcity."

If all these facts are taken into consideration the Textile Commissioner's plea that his reply to the Department on 5th March, 1947 was an interim reply cannot altogether be rejected. The enquiry whether import was to be on Government account or on private account does not therefore appear to be irrelevant. If the trade were to import these goods on which price control would not operate, the goods could be disposed of at prices higher than the controlled prices,

the free market prices being not only higher than the controlled prices, but also higher than the imported prices.

The next point raised by the Public Accounts Committee's report is the alleged failure on the part of the officials of the Department to compare the prices before ordering the goods. The circumstances detailed above in assessing the responsibility of the Textile Commissioner also operate in regard to the responsibility of the officials of the Department. That the officials concerned felt it desirable to import cloth in order to remedy the acute shortage of cloth then prevailing in the country is proved beyond doubt. Although the records do not contain any specific orders on this matter, it seems clear that the policy had the general approval of the Member-in-charge of the I. & S. Department. Since papers were called for by the then Secretary of the Department, Sir Arthur Waugh at the instance of the Member, it can be presumed that it was done so with a view to obtaining the approval of the political head of the Department. It must also be recognised that the Deputy Secretary dealing with this matter, Mr. O'Neill, was also the Private Secretary to the Member. Further, there is a reference to this point in a note put up by the then Jt. Secretary of the I. & S. Ministry to Dr. Shyama Prasad Mookerjee in 1948 in connection with a question to be answered in the Constituent Assembly."

"The cloth and yarn were purchased under the instructions of Shri C. Rajagopalachari in view of the prospective decontrol on cloth and yarn in March 1947."

In his telegram dated 21st February, 1947, our Ambassador at Washington in communicating the offer says "We understand from the U.S. Commercial Corporation that the prices are rather on the low side and it will not be possible to reduce it." It was therefore a question of a decision either to import the goods at the prices quoted or not to import it and the need for the goods seems to have decided the issue.

A further argument that the emphasis on prices was relatively less in the circumstances in which the order was placed could be found by the fact that 47 million yards out of this quantity of Japanese cloth that was sold before 1949 was sold at a profit of 10 per cent. If the entire cloth had been disposed of at that time, the issue would not have come before the Public Accounts Committee at all as there would have been no loss. But apparently the sale of the balance of the cloth was held up for some time because it was intended to be utilised in the barter agreements for foodgrains that were in progress with Argentina and Indo China. The negotiations to include cloth in these agreements failed and by that time the prices of Japanese cloth had receded further.

The Public Accounts Committee has paid special attention to the consequences of the failure on the part of a firm M/s. Banwari Lal & Co. to take up the entire quantity of goods allotted to them. The facts are as follows:—

8.75 million yards of cloth was allotted to Banwari Lal & Co., in April/May, 1948. The value was estimated at £ 552,000. Banwari Lal took delivery of the cloth in a very dilatory manner and extension of time had to be granted to them from time to time. They

finally took delivery of only 3.6 million yards. In April 1949, the allocation to them was cancelled and the goods were sold by Government at a reduced price resulting in a shortfall of about Rs. 15 lakhs over the entire transaction.

The Public Accounts Committee has recommended that an enquiry should be made whether the financial position of the firm was properly ascertained before the cloth was sold and on what reference or guarantee the transaction was entered into; and that steps should be taken without further loss of time to recover the sum and the expediency of taking legal proceedings against the firm should be considered.

On the first point, the position is that no verification of financial standing was made regarding any of the firms to whom cloth was allotted at that time or any security deposit called for. The case of Banwari Lal was not therefore a case apart. It was not a case of a supply contract where it had to be made sure that supply would be ensured. Nor was it a case of the goods being delivered on credit to the parties, and ordinarily there was no risk. The circumstances of this case were that there was a steep fall in prices of textiles in overseas markets after the allotment was made to Banwari Lal. It might be suggested that this risk should have been covered but it cannot be denied that the risk was ordinarily remote.

Besides, the general impression was that the firm having had an established export quota of 1.7 million yards on their previous performance were reliable enough for the purpose on hand.

The final allotment letter to Banwari Lal was dated 7th June, 1948. In para. 7 of that letter it was stated that payment will have to be made under an irrevocable letter of credit on a scheduled bank in India for £ 552,000 in favour of the Textile Commissioner. Owing to delay in opening a letter of credit, the allocation was cancelled by the Textile Commissioner on 1st November, 1948. Thereafter, representations were made by Banwari Lal for restoring the allocation. In view of the fact that Japan was selling at prices lower than what was paid by us, it was considered worthwhile allowing Banwari Lal to take up the goods at prices which were 10 per cent. above what was paid by us. The allocation was therefore restored.

The question is whether if the contract had been cancelled at that time loss could have been avoided. The contract actually became operative only from September 1948. The allocation had stipulated that full delivery should be taken and the payment made within three months. Their failure to comply with this condition would have provided justification to cancel the contract earlier.

As against this, there was the consideration that SCAP in Japan was already selling textiles at lower prices and the Textile Commissioner was advised by his Financial Adviser that as long as we are able to sell at the prices fixed for all these transactions, i.e., at a 10 per cent. profit, we should try to hold on and get as much quantity as possible taken by this firm. It seems to be a fact that by the beginning of 1949 prices were falling in Japan, and in fact, in May 1949 prices we had to reduce our own prices. It is also a fact that at that time we were engaged in the barter negotiations with

Argentina and we had about 31 million yards still unsold which had been held up pending the finalisation of these barter negotiations. It was only at the end of January that sales were resumed and then there were only two sales covering only 1.4 million yards at the old price of 10 per cent. profit. All the remaining cloth had to be sold at reduced prices. With this large quantity on our hands, there was reason for the doubts expressed whether we will be able to get purchasers at the old price for the balance 5 million yards still to be lifted by Messrs. Banwari Lal & Co. The weakness in this decision was perhaps that the fears entertained in respect of Government being unable to sell at cost price owing to fall in prices in Japan, would also affect private parties. But it is a fact that the firm none the less lifted another 1.64 million yards in January 1949, for the old price. On the balance therefore there seem to have been justification for extending the contract in the hope of making the firm lift as much cloth as possible.

After the final cancellation of the contract and the sale of the cloth, the question of the best method of recovering the money from the firm was considered. Necessary enquiries were made and advantages and disadvantages of various alternatives including legal action have been considered. Government have come to the conclusion that taking all circumstances into account, arbitration affords the best chances of speedy settlement and proceedings have already commenced.

In the light of all the facts stated above. Government have decided that there is no need for a judicial enquiry into the transaction as they are fully convinced that such an enquiry is not likely to bring out any fresh facts.

APPENDIX XXXI

MINISTRY OF PRODUCTION

(i) SINDRI FERTILISERS, LTD.

Was the approval of Parliament obtained to the conversion of this concern into a limited Company? If so, in what manner?

In the 1951-52 budget, Parliament's vote was obtained for appropriation of certain monies for purposes of expenditure on the Fertilizer Factory which at the time such vote was obtained was a Government undertaking. The expenditure authorised by such appropriation was incurred for the purpose it was meant. During the course of the year, the Factory with all its assets was handed over to the Sindri Fertilizers and Chemicals Ltd. of which the Central Government is the sole shareholder, and the total outlay till the date of the transfer was treated partly as share capital held by Government and partly as a loan to the Company from the Central Government. After such transfer, any cash required by the Company from the Government has been given only in the form of loans. During 1951-52 itself a loan of Rs. 1.89 crores was given to the Company and this money was found by reappropriation of funds.

2. The transfer of assets to the Company was really in the nature of disposal of Government properties which is within the power of the executive and does not require prior authority of Parliament. Nor was the loan of rupees one crore made to the company during 1951-52 a case of a "new service", since the grant of loan to industrial concerns has been a normal and recognised service. In any case, the transfer of the assets to the Company did not constitute "expenditure" out of the Consolidated Fund of India, either on a new service or otherwise, and the question of obtaining Parliament's approval through a specific demand for grant did not arise.

3. The contemplated conversion of the Sindri undertaking into a limited concern was, however, mentioned in the Explanatory Memorandum of 1951-52 and the actual transfer was also mentioned in the Explanatory Memorandum of the following year. Thus para 6 of the note on Fertilisers Factory, Sindri, in section III of the Explanatory Memorandum for 1951-52 reads as follows:—

"It has been decided to place the management of the factory under a State-owned private limited company. Action to implement the decision has been initiated."

The decision was in pursuance of a Government decision on the best form of management for State enterprises.

4. Similarly paras 4 and 5 of the note relating to Factory in Section III of the Memorandum for 1952-53 read as follows:—

"4. In accordance with Government's policy of placing State industrial enterprises under limited companies with boards of Directors, this factory has been placed under a private limited company called 'Sindri Fertilizers and

Chemicals Ltd' with an authorised capital of Rs. 30 crores. Out of the sum spent by the Government of India on this factory a sum of Rs. 17 crores will represent the issued, subscribed and paid up capital of the Company. The balance of the sum will be secured by redeemable debenture bonds issued by the Company. Six directors have been appointed for the new company of whom three are officials and three non-officials.

5. The budget for next year provides a sum of Rs. 3 crores as a loan to the new company”.

In 1952-53 it was made clear by providing under the Capital Head 'Capital Major Head 72 (Demand 132) other Capital Outlay-Ministry of Works, Production and Supply' that different sub-major heads were being introduced (A) capital expenditure on factories and (C) investment in Government commercial undertakings with further sub-heads thereunder to make provision for the inclusion of sums for voting in the case of companies that already existed and for undertakings expected to be formed in the period.

6. In the 1952-53 budget, specific provision was made for a loan of Rs. 3 crores to the company in the Demand for Loans and Advances by the Central Government which was voted by Parliament.

(ii) FORMATION OF PRIVATE LIMITED COMPANIES FOR THE MANAGEMENT OF STATE UNDERTAKINGS.

Note stating action taken by the Ministry of Finance under recommendations made by the Public Accounts Committee in para 5 of their Third Report on the exchequer control over public expenditure with a special reference to the opinion recorded by the Attorney-General on the legality of the formation of such companies.

The Public Accounts Committee in para 5 of their Third Report on the exchequer control over public expenditure made the following recommendations:—

“Corporations for the management of Government Industrial undertakings should be set up under the authority of Acts passed by Parliament”.

2. The Comptroller and Auditor-General of India expressed doubt about the propriety of the Union Government spending money out of the Consolidated Fund of India on an industry until Parliament by law declared the control of such an industry by the Union Government to be expedient in the public interest—vide item 52 of List I of Seventh Schedule of the Constitution. The Comptroller and Auditor General raised the second major point, namely that he derives his authority from Art. 149 of the Constitution and he would be prepared to accept the responsibility for auditing the accounts of companies of this type if specifically asked to do so by Parliament but not otherwise. A Statement of the Case was first placed before the Attorney-General in June 1951. The two constitutional issues raised in the statement for opinion were, (1) can the Central Government establish or run an industry such as

the Sindri fertilizer project or spend money out of the Consolidated Fund of India on such industry unless and until Parliament by law has declared the control of such industry by the Union Government to be expedient in the public interest (item 52, List I of Seventh Schedule)? and (2) can the Comptroller and Auditor-General who derives his authority from Art. 149 of the Constitution accept responsibility for the audit of industrial and commercial undertakings unless specifically required to do so by Parliament? On this, the opinion of the Attorney-General dated 4th July, 1951* was as follows: In regard to the first issue, the reply was in the negative in the absence of a declaration by Parliament by law, and this could not be overcome by a resolution of Parliament which has not the efficacy of law. On the second point also, the answer was in the negative namely that the requisite statutory powers for the audit by Comptroller & Auditor General could not be conferred simply by the articles of association of a limited Company.

3. In the meantime in October 1951, the Industries (Development and Regulation) Act, 1951 (Act LXV of 1951) had been enacted. In a meeting with him, the Comptroller and Auditor General still held the view that this Act did not confer on Government absolute powers in respect of fertilizers and other industries mentioned in the 1st schedule and the function of the Centre operating through Development Councils were limited—*vide* section 6(4) of the Act. On the second issue, the Comptroller and Auditor-General also expressed the view that the Company may request him to be auditor if necessary by incorporating suitable provisions in the Articles of Association; but this would be neither proper nor binding as his duties and functions are prescribed by Parliament.

4. A Statement of the Case was again presented to the Attorney-General on the 16th January 1952 (copy enclosed marked Annexure II) where it was asked "Whether the declaration contained in section 2 of the Act cited is sufficient from the constitutional point of view to give the Central Government necessary executive power to hold shares in and to manage and control Sindri Fertilizers & Chemicals Ltd. or whether further and more specific legislation is necessary for the purpose". On this, the opinion of the Attorney-General furnished on 16th February 1952 was final and affirmative, namely that further and more specific legislation is not necessary for the purposes mentioned.

5. While the Comptroller and Auditor-General had pointed out that additional functions could not be imposed on him through the Articles of Association of Companies he expressed the definite view that, in any case, his audit jurisdiction could not be ousted from Central Government undertakings and he would continue to exercise his right to audit the accounts of such undertakings. In consultation with the Comptroller and Auditor-General, a suitable provision has been made in the Articles of Association of each company providing for the right of the Comptroller and Auditor-General to audit the accounts of such undertakings in addition to the audit requirements of the Company Law.

6. In July 1952, the advice of the Comptroller and Auditor-General was sought as to the lines on which he would suggest that legislation should be undertaken by Government. The question regarding the form in which the legislation for the institution and management of State owned undertakings should be continued to remain under the examination of Government in the light of the experience gained in the working of the enterprises. In view of the position that had been sustained in regard to Sindri, other undertakings under the Ministry of Production with the company form of working had been started. In each of these cases there is a provision in the Articles of Association for audit by the Comptroller and Auditor-General and this was made in consultation with him and he has been arranging for audit on this basis although reserving his inherent right to have this regulated by legislation. The matter came up for discussion in Parliament in December 1953 when the Finance Minister clarified the attitude of the Government. He explained that the company form of management was considered suitable for certain types of undertakings and Government had been experimenting with various types. While he demurred to the Auditor General's statement that this type was 'a fraud on the Constitution or the Company Law' he stated that it was Government's intention to consider in what way the whole position could be placed on a more satisfactory basis by legislation, either by special enactment or by incorporation in the Company Law Bill which is still pending.

After a discussion with the Ministries concerned, a decision has been taken to introduce a special chapter in the Companies Bill, introduced in Parliament in September 1953 and now pending before a Joint Select Committee of the two Houses. To provide for the establishment and regulation of companies in which Government has a predominant interest, it is proposed to include within the scope of the special chapter all companies in which the Central and/or the State Governments have, individually or jointly, a shareholding of fifty-one or more per cent. of the total shareholding of the companies. If Parliament approves the provisions contained in the special chapter, statutory authority will have been conferred on the executive Government to organise Government undertakings with a majority of Government capital in them, in the form of Joint Stock Companies. Whether a specific provision should be made in this chapter for Parliamentary authorisation for the establishment of such a company, in each individual case where such a company is proposed to be set up by Government, by an appropriate Parliamentary resolution or otherwise, is a matter which is now under the consideration of Government. As soon as a decision is taken on this issue, a suitable provision will be made in the special chapter in the Companies Bill.

S. JAYASANKAR,
Joint Secretary
31-8-54

APPENDIX XXXII

MINISTRY OF PRODUCTION

Para 5(a) of the Audit Report (Civil) 1952—Part I

SUB:—Power Station Piping Contract—Messrs. Stewarts & Lloyds Ltd.

In connection with the implementation of the Fertilizer Project the late Sir James Pitkeathly was appointed Chairman of the Indian Technical Mission with headquarters in India House, London, for the purpose of inviting tenders and other allied matters in U.K. and U.S.A.

2. The tenders were scrutinised by the Indian Technical Mission (which ultimately consisted of Sir James Pitkeathly alone) and recommendations were made by it to the Government of India in respect of each tender in consultation with the Chemical Construction Corporation and the Power-Gas Corporation who were respectively the technical consultants of the Government of India and the erectors of the Plant.

• 3. In regard to the Power Station Piping Contract, Sir James Pitkeathly sent a cable on 22nd April 1947 to the Government of India informing them that tenders had been received from only two firms—Stewarts & Lloyds Ltd. (Registered office at Glasgow Scotland) and Aiton & Co., Derby, for the Power Station Piping. Aiton's tender was £10,719 higher than Stewarts & Lloyds' and their delivery was more extended. The Government of India authorised the acceptance of Stewarts & Lloyds' offer if after further investigation it was found to be most favourable of price and delivery. They also pressed for better deliveries which were later arranged with the assistance of the British Government.

4. Messrs. Stewarts & Lloyds wrote on the 12th June 1947, a letter to the Power-Gas Corporation Ltd. giving price schedule for the supply, delivery and erection at Sindri and also a schedule of total dead weight showing a total of 669.5 tons of steel.

5. The Power-Gas Corporation Ltd., (Agency Department) in their capacity as Agents to the Government of India advised the D.G.I.S.D. London as follows in their letter of 27th November 1950 When the pipework was nearing completion.

“You will notice on referring to the contract documents for the above that Messrs. Stewarts and Lloyds submitted a schedule of the estimated tonnages for the piping involved in their contract. Stewarts and Lloyds are now nearing the completion of the erection of the Power Station Pipework at Sindri and we have been able to assess, from the shipping documents and information received from India with respect to the piping, supports etc., that the total weight of material in this installation is approximately 538 tons.

Stewarts and Lloyds quoted a lump sum price to carry out complete fabrication and installation of the Power Plant system in accordance with the flow diagrams and information supplied by the Engineers. Being a lump sum price, it is not subject to variation should the weight of material installed be less than that which they originally estimated and included in the contract documents.

In the minutes of the meeting held at our offices in Stockton on 25th April 1947, it was agreed that for any increase in the extent of pipework beyond that shown on the Engineers' flow diagrams, the increase in cost should be calculated on a tonnage basis. As far as we are aware, there has been no such increase in the extent of supply beyond those shown on Engineers' flow diagrams and therefore this suggested method has not operated.

Since the estimated tonnage of piping, supports, etc., for this installation exceeds the tonnage actually supplied, we have given the matter considerable thought and held discussion both with our legal Adviser and Stewarts and Lloyds. We have satisfied ourselves that the contract is a lump sum contract and that the difference between the tonnage estimated and supplied has no significance and does not affect the contract.

When our Engineers and Chemicals Construction Corporation Engineers at the site are satisfied that all the piping as shown on Chemical Construction Corporation's flow Diagrams has been installed and the piping so installed is satisfactory and a first class engineering job, then the contract will have been completed and payments will be due.

We have considered it advisable to bring this matter to your attention and to give reasons why, in our opinion and that of our Legal Adviser, a claim cannot be made on Stewarts and Lloyds because the weight of material they have supplied against this contract is less than the estimated weight."

6. The question was referred to the Law Ministry of the Government of India for examination of the legal position. The Special Solicitor to the Government of India who examined the contract agreed with the view of the P.G.C.'s legal advisers that the contract being a lump sum contract the difference between the tonnage estimated and supplied had no significance and it did not affect the contract and that in short we cannot ask for a reduction in price proportionate to the matter "less consumed". The Solicitor to the Government of India also agreed with the view expressed by the Special Solicitor (Appendix I)*. In the circumstances there had been no excess payment in terms of the contract and no legal action could be taken against the firm in the terms of the contract and in view of the legal advice.

*Not printed.

7. As regards the criticism that the estimate of steel was apparently not properly scrutinised, it is pointed out that it was not a case of sanctioning a contract on the basis of an estimate of quantities and rates per ton submitted by the contractor for scrutiny.

8. The preparation of the flow diagrams and the specifications for the piping was in itself specialised work done by the Consultants (the Chemical Construction Corporation of U.S.A.), who themselves furnished no estimates of the tonnage of steel. Tenders were invited for the carrying out of the specific amount of pipe work shown in the flow diagrams and in accordance with the specifications. This was the criterion. The test was whether the work shown on the diagrams was carried out satisfactorily. It was only if an additional extent of pipe work, beyond that shown on the Engineers flow diagrams was asked for, that extra payment would be made. Correspondingly it is only if the scope of the work to be done was reduced that a claim for reduction in the payment could be asked for. Specifications were prescribed but the weight of the metal used was not a consideration and there was thus no provision in the contract for a greater or lesser sum to be paid if the tonnage of steel was higher or lower than the estimated tonnage.

9. The work of putting up the Sindri Factory—which has ultimately cost nearly Rs. 25 crores—was an immense task and the Government of India had the following arrangements. There were the Consultants who prescribed what was required to be procured and erected—the Chemical Construction Corporation of U.S.A. The Power Gas Corporation of the United Kingdom functioned as the Agents of the Government of India, and it is their vigilance which ultimately even brought to light the fact that the quantity of steel finally used was less than that mentioned in the letters and schedules, although along with this finding they mentioned the fact of their careful investigation and their final conclusion that no difference would be made to the lump sum payable under the contract whether the steel used was more or less. Sir James Pitkeathly, the former head of the Indian Stores Department, was the person experienced in the procurement of stores and machinery who headed the Indian Technical Mission in London. Invitations for tender were no doubt widespread, but this was in April 1947, not long after the end of the war. Tenders were received from only two firms who were willing and able to undertake the manufacture of piping required. The then circumstances will also be clear from the attached copies of cable received from Sir James Pitkeathly and the reply sent (Appendix II)*. The recommendation of Sir James Pitkeathly was scrutinised by the Government of India in consultation with their technical officer, Brigadier Cox and duly sanctioned. There was really no occasion then for scrutinising any estimate of tonnage. The arrangements made by the Government of India for ensuring the construction of the factory at a minimum cost, with skilled assistance as they had to take from outside have already been indicated above.

10. Sir James Pitkeathly was not a powerhouse and piping expert and, apart from the fact that there was no occasion for scrutinising the tonnage figures given by the firm—the estimates could have only been scrutinised by the specialist Engineers and Contractors who

*Not printed.

had done piping work for power stations of this kind and magnitude. At the time of offer of Messrs. Stewarts & Lloyds was received in April 1947, Brigadier Cox pointed out that the progress of work at Sindri was controlled by deliveries obtainable from at least 100 of such sub-contractors. There was no occasion for the Government of India for enlisting the assistance of specialists in each of many fields in order to check the lowest offers received, even when the offer was of a lump sum contract not related to quantities, and the times were such that quotations could in any case have been obtained only from a very limited number of firms able and willing to take the work and only on certain bases acceptable to them.

11. The question of taking any action against the firm did not arise as payment made was based on a specific conclusion of the Government of India that the contract was a lump sum contract given to the lowest tenderer with the best delivery and the contractor was entitled to the payment claimed.

S. JAGANNATHAN,
Joint Secretary
29-9-54.

Enclosure B/Audit

MINISTRY OF PRODUCTION

Receipt is acknowledged of the AGCR's U. O. No. WM. 5-12/36/51-52/1042 dated the 28th September, 1954 forwarding the comments of Audit on our original Note on (i) Power Station Piping and (ii) Ammonium Sulphate Storage Silo.

Power Station Piping.—All the changes suggested with reference to paras 3, 7, 8, 9 and 12 have been carried out. As regards para 4, a suggestion was made (which is reproduced below*) for a certain amplification. This amplification has not been incorporated because the factual position has been brought out in the letter of the Power Gas Corporation which is quoted in para 5 of the Production Ministry's Note and the legal position is set out in the legal opinion which is attached to the Production Ministry's Note:

* "This may be amplified as follows:

After further discussion Messrs. Stewart & Lloyds wrote on 12th June 1947 a letter to the Power Gas Corporation Ltd. giving their final price supported with the necessary detailed schedules showing the dead weight as 669.5 tons. This formed the basis of their agreement. On completion of the work it came to notice that only 538 tons of steel was actually consumed against the estimate of 669.5 tons. This over-estimation did not come to notice at the time of the scrutiny (referred to in para 2 above) and acceptance of the tender."

Ammonium Sulphate Storage Silo.—The Audit comments refer to our paras 1, 2, 3, 9, 10 and 11. Paras 1 and 9 have been modified in the light of Audit comments. para 10 has been omitted and para 11 altered as suggested by Audit. This leaves only paras 2 and 3 containing Audit views on the case, in its essence, which are being

forwarded by us as Audit's comments along with our Note, for the consideration of the P.A.C. While these paragraphs state again the views of the Audit on the case, the whole matter is governed by the legal opinion which has been taken and which has formed the basis of our Note to the P.A.C. on the circumstances in which action could not be taken against the Company.

D. S. BENEGAL, Under Secy.

Accountant General, Central Revenues (Shri X. B. Lal).

Ministry of production U.O. No. Fy-6(100)/53 dated 29-9-1954.

APPENDIX XXXIII

DAMODAR VALLEY CORPORATION

Note on the Excess Payment made to Konar Contractors

It is necessary to state in the first instance that the figures furnished by the D.V.C. Enquiry Committee were based on the quantities of work as estimated at the time. Based on actual payments made upto date and further liabilities on this account and on the Enquiry Committee's method of calculation, the amount comes to a little over Rs. 91,00,000 against Rs. 1,19,00,000/- shown in the Report.

2. The old Corporation presided over by Shri S. N. Mazumdar have already submitted their views in this regard, *vide* Appendix IV of the Booklet entitled

"1. Chapter V of the D.V.C. Enquiry Committee Report;

2. Government's decisions on recommendations of the D.V.C. Enquiry Committee together with the comments of the Governments of Bihar and West Bengal and of the D.V.C. on the Report. etc. etc."

The present Corporation, however, have at the instance of the Government of India in the Ministry of Irrigation and Power, reviewed the whole situation and have come to the conclusion that the findings of the Rau Committee are substantially correct. In view of the varying estimates of overpayment arrived at by different authorities at different times, it is difficult for the Corporation at this stage to give a correct estimate of the volume of overpayment made.

G. D. KSHETRAPAL, Secy,
Damodar Valley Corporation, Camp:
New Delhi—4-4-55.

Authenticated

R. R. BAHL,

Joint Secretary.

APPENDIX XXXIV

DAMODAR VALLEY CORPORATION

Comments made by Shri Banerjee, Financial Adviser, D.V.C. on the overpayment made to Messrs. Hind Patel & Company and the amount of the loss calculated by him

CHAPTER V—Konar

Award of Contracts.

Para 30, page 48 —While I do not go so far as the Committee goes, I share their views that the schedule of basic prices and engineering estimates need not have been supplied to Messrs. Hind Patel.

Para 38, page 50—I agree with the Committee that the unit rates of Messrs. Hind Patel must normally be deemed to include the items necessary for construction of the dam in accordance with the S.C.B. method of construction as outlined in the specification. It has however to be appreciated that Messrs. Hind Patel had rightly or wrongly specifically indicated in their letter that their unit rates did not include the items mentioned in that letter. As the Corporation accepted this contention they claim to be legally entitled to separate payment for them. There is no question that the Corporation would have been on strong ground if they had declined to admit liability to pay for some of the extra claims urged by Messrs. Hind Patel.

Para 41, pages 50-51—I agree with the Committee that where the quantities of main item of work such as mass concrete, rock fill, excavation etc. have increased by more than 20%, the rates should be scaled down in terms of provision in para 4 at p. 17 of the original contract. This is being examined by the Corporation.

Rates.

Para 42, page 52—While I have nothing to comment on the suggestion that Messrs. Gruner Bros., might have failed to discharge their responsibilities adequately and while the Corporation may take a note thereof for action if any in settlement of the future and final claims of Messrs. Gruner Bros., I am not sure whether we can legally enforce any such disallowance which is bound to be contested in an arbitration.

Paras 46—48, page 53. Disposal of unsuitable quarry materials.

Higher rate of Rs. 8/- per cyd. for disposal of unsuitable quarry materials is stated to be due to extra cost in sorting them. If however the suitable rocks had been quarried the cost of transport involved would have been, it is stated, higher due to larger haulage as there was no quarry within 4 miles radius. This explanation has

not been discussed by the Committee. In this connection the notes of Chairman and Chief Engineer may please be seen with which I am generally inclined to agree.

Paras 49-50. pages 53-54—Hand Placing rockfill in the dam, drain, and transition Section of the dam between concrete gravity section and earth embankment section.....Rs. 7/12/- per cyd.

Clause 19 at pp. 42-43 of the original agreement of Messrs. Hind Patel specifically mentions that for rock-filling 'the materials need not be hand placed'. The rate of Rs. 1/13/- per cyd. for item 17 of the original agreement must therefore have been for placing rip-rap by means other than hand placing. An increase in rate under item 17(a) of the Supplementary Agreement therefore appears to be justified. The increased quantity referred to by the Committee in the report was due to inability on the part of the Corporation to provide machines such as dumpers and shovels in time as stated by the Ex-Chairman. I am therefore inclined to agree with the explanation given by the Corporation. The case should however be examined to see whether a reduction in rate in terms of para 4 at p. 17 of the original agreement may be effected due to increase in quantity and whether an increase upto Rs. 7/12/- is not high.

*Paras 51—60. Pages 55—57 Mass Concrete in Gravity Dam.
Rs. 65/12/- per cyd.*

It would appear that an analysis and comparative statement have already been submitted in this connection in support of the rate. I also note that there is difference of opinion between the Committee and the Consultants in respect of depth of the layer and its rate *viz.* Committee considers the length of the layer should be 0—36', 36—146', 146—180' with rate of Rs. 48/8/- for 0—36' and with addition of Rs.6/8/- for subsequent layers of 36', whereas the consultants have taken —5'—0 (foundation) 0—36', 36—72', 72—108', 108—44', 144—180' *i.e.* in block of 36' layer with rate of Rs. 40/- (foundation) Rs. 48/8/- for 0—36' with addition of Rs. 8/8/- for subsequent layers. Regarding haulage also there is difference of opinion as the Committee does not consider it justifiable that there should be extra haulage for sand and concrete whereas the consultants and Chief Engineer consider it to be necessary. These are questions of engineering facts and it would be difficult to hazard any opinion. The Corporation have taken Rs. 8/8/- per cyd. for each slab of 36' lift. The Committee have on the other hand based their rate of Rs. 52/8/- on the basis of rates of 5½ bags in the original agreement. They have taken Rs. 6/8/- for each slab of 36' lift. As regards the additional charges on account of extra haulage and scaffolding in the rates for mass concrete the rate for scaffolding does not appear to be high. The Committee have not advanced any detailed reasons for not accepting this rate.

I however agree with the Committee that haulage at the rate of Rs. 3/2/- per cyd. is somewhat on the high side and that for less quantity of cement required for use in batching plant a suitable recovery should be made from the contractors or the rate should be reduced proportionately. It is understood that recovery has been

made for cement less required in the batching plant. I have discussed these rates with the Chief Auditor and he generally agrees with my views.

Para. 61, page 57.

I agree with the Committee that reasonable recovery should be made from the contractors for element of cost of washing of sand included in the rate if the sand is not washed as per specification unless the cost of transport thereof from the tidal source does not counter-balance.

Paras 63-66 pages 57-58. Flat shuttering for mass and reinforced concrete for visible faces, etc. Rs. 105/- per % sq. ft.

The higher rate is stated to be due to heavier structure of the shuttering as required for mass concrete than for light structure and I am inclined to agree with the note of Corporation in this connection.

Para 67. page 58. Excavation for gravity dam foundation in ordinary soil and disposal upto $\frac{1}{2}$ mile Rs. 3/9/6.

The rate for mass excavation for foundation of earth dam, it is stated by the Chief Engineer, was for excavation in shorter depth, whereas the work involved in excavation for Gravity dam foundation has been for depth varying from 25' to 75'. This is in effect the same rate as provided for in the original agreement under item 3+12 i.e. Rs. 3/9/6 per cyd. for excavation in trench under upstream and down stream to wall and Diversion tunnel. The rate therefore would appear to be in order.

Authenticated,

R. R. BAHL,

Jt. Secy. to Govt., Ministry of I & P.

APPENDIX XXXV

MINISTRY OF IRRIGATION AND POWER

Statement showing rates for jungle clearance prevailing in various projects

Sl. No.	Type of Jungle	Unit	Rate					Remarks
			Konar	Bhakra Nangal	Tunga-bhadra	Lower Bhawani	Kakrapar	
1	Cutting & removing trees	Each	..	3 ¹ / ₂ to 4 ¹ / ₂	..	..	2 ¹ / ₂	
2	Uprooting stump 2' to 5'	"	..	2 ¹ / ₂	..	..	..
3	Heavy jungle clearance including removal of trees.	% Sft.	8 ¹ / ₂	..	..	..	..
4	Light Jungle	"	..	..	-16 ¹ / ₂	..	..
5	Shrub jungle	"	..	..	-3 ¹ / ₂	..	..
6	Jungle clearance heavy growth excluding removal of trees.	"	6 ¹ / ₂	..	-12 ¹ / ₂	-11 ¹ / ₃ *	-2 ¹ / ₂	*Work done by bull-dozer and engaging departmental labour.
7	Removal top soil from dam and borrow areas and disposal upto 1 mile.	Cyd.	2 ⁸ / ₆	1/10 ¹ / ₂	..	..	..

Authenticated.

R. R. Bahl, (8-4-55)

Jt. Secy. to the Govt., Ministry of I & P.

APPENDIX XXXVI

DAMODAR VALLEY CORPORATION

Notes on the compilation of a "Schedule of Rates" by the DVC and the comments of the Comptroller and Auditor General thereon.

The statement of the Finance Ministry's representative before the Public Accounts Committee on 18th October 1954 appears to have created an impression that the Corporation moved in this matter only after this question was raised by him at Patna in December, 1950 at a meeting of the Advisory Committee. When the position was explained to the Advisory Committee, they did not issue any instructions or pass any resolution on the subject.

2. The question of compiling a Schedule of Rates was taken up by the Corporation as early as November, 1948. In September, 1948 the Corporation acting on the advice of Mr. Mattson ordered that all estimates should be prepared in accordance with the PWD schedule rates currently in force at the respective localities. In case tenders quoted above the PWD Rates, efforts should first be made to lower the bid by negotiation with the tenderers, failing which a decision should be made in each case as to whether the lowest tender should be accepted or the job should be done departmentally. The E.E., Konar Investigation Division reported that the prevailing rates of the PWD were out of date and that they were receiving tenders varying between 25 to 50% over their schedule of rates with 25% enhancement taken. Further investigations carried out indicated that the prevailing PWD schedule rates were completely out of date and that it became extremely difficult for the PWD Engineers to accept any tender within the limit allowed by the Provincial Government, with the result that they were obliged to approach Government, for revised administrative approval in almost every case and then by the time the revised administrative approval was received, rates again jumped up. It was, therefore, held that a schedule of rates based on the prevailing labour and market conditions should be prepared with all convenient speed and instructions in that regard were issued to the S. E., in February, 1949.

3. It may be observed that the activities of the Corporation were scattered over a large area and the labour and other conditions varied from place to place with consequential effect on the rates. The E.E.s' at the various locations were, therefore, required to collect the rates of labour and materials prevailing in their respective jurisdiction from all possible sources and then prepare the schedule in accordance with PWD's analysis. Schedules of rates for the Headquarters Division, Konar Division, Tilaiya Division and Maithon and Panchet Hill Divisions were finalised by the Supervising Engineer and submitted to the Corporation in November, 1949. In forwarding these schedules, the S.E., mentioned that rates were worked out on the basis of current rates of labour and materials

and it would be desirable to watch the tendered rates of contractors as more and more works are taken up and subject the schedule to scrutiny and revision, if necessary, after reviewing the position at the end of the next financial year. These schedules were placed before the Corporation and the Chairman observed as follows:

“We may consult Mr. Devajda. I am not in favour of having an official schedule at this stage. So far we have done very little departmental work or even work through contractors. Large works have only now started at Tilaiya. We should therefore wait for a while and see the effect of large works on the rates before we finalise certain rates on our limited experience on small works. Even amongst our own engineers there is a sharp difference of opinion on rates and some consider Mr. Fergusson's estimates too low”.

4. Mr. Devajda agreed with the views expressed by the Chairman and suggested that it was too early to have an official schedule of rates. He advised that all technical departments should forward their departmental rates for major items with analysis and comments to the Corporation at the end of the working season and the schedule of rates should then be worked out by a Committee or a Board of Engineers during the monsoon of 1950. This was in January 1950. Instructions were accordingly issued to the Engineer in charge of constructions. The schedules prepared by Mr. Fergusson were, however, retained at the headquarters for reference.

5. It has to be recognised that the compilation of a useful schedule of rates is not so easy as one would think. It involves collection of data on the following lines:

- (i) Collection of schedules of rates pertaining to various zones in which the works are situated and in general from the PWD, Public Health Department, Sindri,—Collieries, etc.
- (ii) Enquiries as to the general tender level of tenders accepted by PWD and compilation of rates as available from tenders accepted by the DVC.
- (iii) Collection of data relating to general price level and particular handicaps affecting works.
- (iv) Collection of actual rates of labour and materials in the various areas.
- (v) Collection of standard market rates for all types of steel and other materials as well as the more important building materials and the relation of these rates to local market rates.

Nevertheless, the Engineers continued collecting materials despite their other preoccupations in connection with construction work. Meanwhile this question was raised at the meeting of the Board of Consultants in December, 1950 and the Chairman explained the position. Instructions were issued again in January, 1951 to the Engineers of the Corporation to draw up the schedule of rates on the basis of such data as they had been able to collect. They were

also advised to refer to the rates of the Hirakud Dam Project in addition to the rates in force in the nearest PWD. The duty of finalising this work was entrusted in March, 1951 to the Superintending Engineer, Hd. qrs., and P.A. to the Chief Engineer.

6. The schedules received from the field engineers from time to time were scrutinised and finalised in Chief Engineer's office and submitted to the Corporation in September, 1951. These schedules were approved by the Corporation in January, 1952 and supplied to all concerned.

7. It is understood that the schedule of the Bengal PWD was last revised in 1948 but given effect to recently. Meanwhile, they adopted the earlier schedule with a percentage addition to allow for increase in cost of labour and materials.

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APPENDIX XXXVII

DAMODAR VALLEY CORPORATION

Copy of the D.O. letter No. WD-24/54-7504 dated the 6th September, 1955 addressed by Shri P. S. Rau, Chairman, DVC., to Shri Malkani, Member of the Rajya Sabha about the delay in the execution of the Project and the utilisation of electric energy produced by the Tilaiya and Bokaro Plants.

Dear

Thank you for your letter of the 4th August, I am sorry for the delay that has occurred in answering it. But it took some time to collect all the information required to deal adequately with the points you have raised.

2. It is not quite correct to say that in the DVC power received more attention than irrigation or flood control more than navigation. The Damodar Project is conceived as a multi-purpose one, the purposes being (1) flood control (2) irrigation and (3) power, and navigation being the fourth. All these objects are equally important and are, as they ought to be, given equal attention. There is a general impression that we paid more attention to power than to irrigation. Although it appears to be so because power is ready for distribution before water is ready for irrigating the fields, yet you will be surprised to know that it is not what was intended. This is the result of a pure accident. The object of the authors of the project was that all these objectives should be pursued *pari passu*, and plans were laid to this end before the DVC was created. Unfortunately, however, the irrigation scheme failed to mature in time purely owing to an accident. I do not like to descend to personalities but we must face the facts. The officer selected for doing the barrage and canals did little or nothing for nearly three years, and that is the reason why we are backward in irrigation. The generation of power itself is certainly about a year behind schedule. And that again is not due to any fault of the DVC's own. It was due to difficulties in procuring equipment from abroad. The manufacturers did not keep up to the schedule, and when equipment arrived a valuable portion of it was found to be damaged *en route*, and specialised engineers had to be flown out from America to put it right. All this took time.

3. In order to make up as far as possible the leeway in the irrigation programme a great deal of labour and thought were spent during the last 15 months to speed up the work with the result that the barrage proper is practically complete and the construction of canals is making good progress. Here the difficulty is one of land acquisition which, as you know, is a very lengthy and tedious process and we have to abide by the procedure in the land acquisition office, over which we have no control.

4. With these introductory remarks I proceed to answer the points you have raised specifically.

5. The Corporation has not attached any lower priority to irrigation. But a number of factors combined to retard the execution of the irrigation projects, as has been stated earlier.

6. Irrigation was to be mainly in West Bengal. But upto 1948, when the Corporation was formed, no detailed survey had been done. The scheme now consists of a barrage 2,271' long across the Damodar at Durgapur, an 83 mile long irrigation-*dum*-navigation canal on the left bank, a 40 mile long irrigation canal on the right bank, and about 1,430 miles of other canals, branches, distributaries and drainage channels with canal structures of various types. The complexity of a work of this magnitude will be obvious. It took the best part of three years to complete the survey and designs and collect the necessary trained personnel and equipment. The execution of the barrage and Irrigation part of the Damodar Valley Project could not be started before 1952. The officer responsible for this slackness has been sent away and a younger and more energetic officer appointed in his place. Since then the work has been going on with speed though procedural delays in land acquisition are still a major bottleneck.

7. The barrage and a part of the main canal system are expected to be ready by June 1955 by which time the construction of the Maithon dam will be complete. It is hoped to irrigate 1,00,000 acres in 1955, and irrigation will progressively increase year after year, as shown in the attached statement.

8. The Tilaiya dam was completed in February 1953; but since before this date the Corporation had been investigating the possibilities of utilising this water for irrigation in the upper valley (Bihar). A scheme for irrigating about 12,000 acres of land from the tailrace channel of the dam was drawn up by DVC; but as the cost of irrigation was estimated at Rs. 1,000/- per acre, it had to be dropped. Another scheme which will provide khariff irrigation to an area of 10,000 acres and rabi irrigation to an area of 7,500 acres at a cost of Rs. 400/- per acre approximately is under preparation. The Tilaiya reservoir will not give any khariff irrigation to West Bengal, but will give rabi irrigation which can be started only after completion of the Durgapur barrage.

9. There are no possibilities of irrigation in the upper valley from Konar. West Bengal will get some rabi irrigation from it in 1955-1956 or a year later.

10. As regards your comments on power utilisation, it would certainly be desirable if we could get the power stations loaded up fully as soon as they are completed; but it is hardly practicable. In the past, power stations used, to be started in a small way and a large number of small units added from time to time to keep pace with the actual load growth with the consumer very often having to wait for some time before he could get a supply. The present day practice, especially in the case of large stations, is to instal as few a number of large units as possible in the interest of economy of initial cost and overall efficiency of operation. This necessarily implies that the station should have sufficient capacity to last a fair length of time before additions become necessary.

11. A generating station is only one of the units of work required for using the power it generates. There are other important items of work which are needed before power from these stations is utilised. High voltage transmission lines are required to transmit the power from the generating stations to various central points in the region; at these points substations have to be built for stepping down the voltage for distribution to various consumers. The consumer on his part has again to convert this power to suit his requirement and instal machinery and equipment for utilising the same. The role that the consumer has got to play for the utilisation of power is, if anything, more important than that of the producer of power. While a generating station could be built, say, at a cost of Rs. 1,000/- for producing 1 kilowatt (K.W.) the cost of equipment needed by the consumer industry to use 1 K.W. of power is on the average Rs. 3,500/-. Utilisation of all the power from a large station like Bokaro would involve an investment of the order of Rs. 50 crores. In addition, there is the problem of gathering and training up nearly 2 lakh skilled and semi-skilled workers. Before embarking on such a large scale investment the consumer industry is naturally cautious and hesitant. The work in its part does not as a general rule start before electricity, water and other amenities are actually laid on, that is, till the work of the producer is nearly complete. Businessmen do not believe in locking up capital prematurely. When it is remembered that it took 4 to 5 years for the completion of a single project like Bokaro costing Rs. 15 crores, the time required for obtaining a variety of equipment to the value of Rs. 50 crores would certainly be longer, and a period of 7 to 10 years indicated as the time required for full development does not appear unreasonable. Experience in other projects, like Joginder Nagar, also confirms this view.

12. In the case of Bhakra-Nangal, which you have mentioned, the initial installation, according to my information, consists of two 24,000 KW sets against a total installation of six 24,000 KW sets. Their present firm capacity is, therefore, only 24 Megawatts (Megawatt = MW = 1,000 KW) (the second set being used as a stand by), that is, about one-fifth of the full capacity planned. I quite believe that this amount of initial power could be easily used in a short time, especially with Delhi waiting to absorb most of the power as soon as it is ready, but the full capacity of Nangal Power Houses, which is programmed to be available in 1958-59 is 125 MW, and according to the load forecast they do not expect to reach a load of 125 MW before 1965-66. In other words, in this case also the estimated period for loading the power station fully is seven years from the date of complete installation and ten years from the date of initial supply.

13. I agree with you that the work of installation of a power station and erection of transmission lines, as also work on the consumers installations, should be planned to be completed simultaneously. Our programme has been to complete the transmission system at the same time as our power station. The equipment for transmission lines and the substations was ordered in 1949 and delivery was promised in 1951-52. This fitted in with our construction schedule of the power station, and the transmission system would have been ready in time if the promise was kept. But foreign manufacturers did

not supply the major part of the equipment for substations till 1954-55. The experience of our consumers were not any better. For instance, one of our biggest consumers, the Tata Iron and Steel Co. Ltd., did not receive in time the equipment they had ordered from foreign countries, and therefore have not been able to utilise DVC power according to schedule. This dependence on foreign countries for supply of heavy electrical plant and other capital equipment required for industrial development is a major factor which adversely affects all programmes of utilisation of power. It is clear that the manufacture of heavy equipment should be started in this country without further delay as a part of co-ordinated programme of industrial development.

14. However, we are catching up with the back log, and both the work on consumers' installations and our substations are now proceeding rapidly, and we expect substantial increase in our load within a few months.

15. Regarding rural electrification, may I draw your attention to the fact that the DVC by the Act is precluded from selling power except at a voltage of 30,000 volts and above. This, in effect, means that the DVC is authorised to supply only in bulk, since it would be uneconomical to distribute power in small quantities at such a high voltage. The State Governments and distributing licensees receive supply in bulk from us and arrange to distribute it to small industries and in rural areas. Considerable work has been done in this regard by the Government of Bihar who have undertaken the work of distribution, and they have planned to spend no less than about a crore rupees for extending the supply to the remote parts of the country. It is only a question of time before the distribution of energy to the villages and rural areas materialises on a large scale. In allocating our power to various consumers we have not offered any supply to town and industrial areas at the cost of rural areas. Adequate quantity of power will be made available also for distribution in rural areas. However, in a large system like ours, rural areas can absorb only a small proportion of the total capacity of the system—it will be of the order of 10 per cent. only. The rest of the power will go towards industrial development which in turn is bound to have beneficial influence on the economy of the whole region. Incidentally, in terms of the DVC Act, no individual is permitted to instal a power station of 10,000 KW and above without the permission of the DVC. The monopoly of large scale generation granted to the DVC at the same time imposes on the Corporation the responsibility of providing all the power required by large industries. It also explains to a certain extent our apparent anxiety to meet requirements of the industries.

16. I fully realise the responsibility of the DVC for helping in the development of rural areas. We have secured the services of a TCM expert for drawing up schemes for the development of small scale and cottage industries in the Valley. Some schemes prepared by him have been approved and a sum of five lac rupees allotted for the purpose.

ANNEXURE**Consolidated Statement of the Growth of Irrigation, in Barrage and Irrigation Scheme Under the First Phase of Damodar Valley Corporation**

Year	Area in Acres	
	Khariff	Rabi
1955-56	1,00,000	10,000
1956-57	2,00,000	20,000
1957-58	4,00,000	50,000
1958-59	6,00,000	70,000
1959-60	8,00,000	1,00,000
1960-61	8,40,762	1,30,000
1961-62	8,40,762	1,65,000
1962-63	8,40,762	2,00,000
1963-64	8,40,762	2,50,000
1964-65	8,40,762	3,00,000
1965-66	8,40,762	3,00,000
1966-67	8,40,762	3,00,000
1967-68	8,40,762	3,00,000
1968-69	8,40,762	3,00,000
1969-70	8,40,762	3,00,000
1970-71	8,40,762	3,00,000
1971-72	8,40,762	3,00,000

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The total additional irrigable area has thus gone up in successive stages from 575,000 acres as estimated in the Preliminary Memorandum, to 840,762 acres, exclusive of the area serviced by the existing canal system. In other words, there has been a net increase of 46 per cent. in the total irrigable area, involving a proportionate increase in the total expenditure required for irrigation and drainage works.

2. Flood Control

The project provides for the full control of a 'design' flood of 1,000,000 cusecs at Rhondia, resulting from a rainstorm in the upper catchment of 20 inches. The controlled flood is to be limited to the channel capacity of 250,000 cusecs at Rhondia.

For this purpose, all the dams provide for a total flood reserve of 2.8 million acre-ft.

At the dams completed or under construction in the First Phase (Tilaiya, Konar, Maithon and Panchet Hill), the flood reserve, to be most effective, has been provided at the last two dams as under:—

	Flood Reserve
	1,000 Ac. Ft.
Maithon (El. 480-500)	440
Panchet Hill (El. 410-445)	881
Total	1,321
	(1.3 million ac. ft.)

Thus the flood reserve being provided at present is barely half that required for the control of the 'design' flood.

Flood routing studies show that the flood reserve provided at Maithon and Panchet Hill will only be effective for controlling the maximum observed flood of 650,000 cusecs at Rhondia resulting from a rainstorm of 11.9 inches in the valley; the corresponding controlled flood will be 250,000 cusecs.

If however the 'design' flood occurs, the flood reserve provided at Maithon and Panchet Hill dams will enable a reduction in the flood peak from 1,000,000 cusecs to 550,000 cusecs at Rhondia. This controlled discharge will be more than twice the channel capacity of 250,000 cusecs.

The dams in the First Phase may not guarantee full protection from floods to the great industrial development now in progress in the Valley as a result of cheap power and water made available by the dams. But the extent of flood protection has been fixed by the Participating Governments after taking into consideration all the technical opinion.

3. Power Utilisation

Supply of power by DVC commenced as early as 1950 when the surplus power available from construction power plant was distributed to nurse the load.

Kodarma was given a limited supply, upto 450 KW, from the Tilaiya Diesel Station to prepare the area for large scale electrification as soon as the Tilaiya Hydro Station was commissioned. From

the same station 250 KW was supplied to Hazaribagh. Similarly, surplus power amounting to 1,000 KW from the Kumardhubi Power Station installed primarily for the supply of construction power to Maithon and Panchet Hill Projects was utilised to meet the requirements of Chittaranjan Locomotive Works during the early stages of the Factory.

Large-scale operation, however, can be said to have begun from the beginning of 1952 with the distribution of power from the Sindri Factory power system where 2—15,000 KW. sets had been installed at the request of the DVC for the specific purpose of providing power for interim relief of power famine in the coalfield area. The distribution was through a temporary system operating at 66KV. Although the voltage of our permanent system is 132 KV the lower voltage had to be adopted as equipment for this voltage only was speedily available and the supply had to commence as quickly as possible.

The maximum capacity of the 66 KV system is 22,500 KW. The load has now exceeded this capacity and the present load is 36,000 KW after commissioning of the Bokaro Thermal Power Station. This has been possible because a part of the 66 KV system has been converted into 132 KV.

There has been delay in the delivery of the 132 KV substation equipment, and this has delayed commissioning, according to programme, of our 132 KV transmission system. Similar delays have been experienced by consumers in obtaining their own equipment.

The process of changing over to the 132 KV permanent supply, while maintaining the 66 KV also at the same time, necessitates temporary arrangements as interim measure, thereby adding to the time taken for commissioning of these substations. Meantime our important consumers like the Indian Iron and Steel Co. Ltd., the Indian Copper Corporation, etc. who have placed orders long ago for equipment required at the receiving and also expect to get their part of the work completed shortly. The distributing licensees as well as the State Government Electricity Departments also are going ahead with extensions to their distributing systems to utilise the supply from the DVC as soon as it becomes available in larger quantities.

The first 50,000 KW set at Bokaro Power Station was commissioned on 21st February, 1953; the second in July and the third in October last year. At present only one out of the three sets is running at the Bokaro Station. Early next year we shall have to run two sets continuously with the third set as standby.

Our firm commitments for power, as on this date, are shown in the attached statement. The total commitments so far amount to 316,000 KW and allowing for a diversity of 1.2 would represent a system load of about 260,000 KW. The growth of this load will be as follows:—

	1954-55	55-56	56-57	57-58	58-59	59-60	60-61
Anticipated load							
KW.	50,000	80,000	106,000	136,000	192,000	222,000	249,000

Normally a Power Station takes 4 to 5 years to build and it is usual to allow 6 to 7 years from the completion of the station for the load to build up to the full station capacity. In our case, however, the last set at the Bokaro Power Station was commissioned on 18th October, 1953 and we expect to load the station to its full capacity of 1,00,000 KW within two years from now.

For meeting additional loads of the system our programme is to instal 50,000 KW Hydro Station at Maithon, a 40,000 KW Station at Panchet Hill, a 40,000 KW Hydro Station at Konar and a forth set at Bokaro. Even these would not be enough and extensions to the other stations and intercommunications are under active consideration.

4. Completion of various projects.—

Sl. No.	Projects	Approximate completion date
1	Konar	Dam completed—Gates expected to be completed about June, 1955.
2	Maithon	June, 1955.
3	Panchet Hill	End of 1956.
4	Barrage (Durgapur)	End of 1955.
5	Irrigation Canals	June 1958.

DVC POWER SYSTEM

Consumers with whom agreement have been signed			Prospective Consumers	
Consumers	Present contract MVA	Additional Notified Request MVA	Consumers	Firm Commitments MVA
Dishergarh	4.0	3.0	IISCO—Hirapur	15.0
Kumardhubi	5.0	1.0		
Seebpur	4.5	1.0	West Bengal Govt.	
Luchipur	2.5	2.5		
Kulti	3.8	6.2	Rupnarainpur	1.5
Badjna	0.4	..	Kharagpur	5.0
C. L. W.	2.5	2.0	Jhargram	1.0 ^{1/2}
Loyabad	12.0	3.0	Burdwan	3.0
Ganeshpur	0.3	8.7	Rly. Workshop	
			Kharagpur	5.0
Hindustan Cables	0.1	..		
Ass. Cement Co.	3.6	..		
TISCO Jamshedpur	20.0	20.0	Bihar Government	
Pandaveswar	0.2	3.8		
Hazaribagh }	2.25	1.5	Karanpura (N)	2.5
Kodarma }			Karanpura (S)	3.5
Indian Copper Corporation Ltd.	5.0	..	Bokaro	5.0
Calcutta Electric Supply Corporation	45.0	55.0	Gaya-Patna etc.	40.0
Digwadih	0.8	2.2	Sub Rly. Electrification	
Ramgarh	1.0	3.0		50.0
	113.2	112.9		131.5

TOTAL Firm Commitments : 113.2 + 112.9 + 131.5 = 357.6 MVA.

NOTE.—The above does not include a number of prospective demands that have not yet reached firm commitment stage, such as, Aluminium Corporation, Sindri Factory Exten., Atomic Energy Commission, Ghatsila.

Authenticated,

Jt. Secy. to Govt., Ministry of I. & P

APPENDIX XXXIX

MINISTRY OF FINANCE

(Rehabilitation Finance Administration)

Note setting out the various stages in the processing of loan applications from their receipt in the Administration's office till the actual payment of the loan with special reference to the element of time involved in each stage.

1st stage.—An application for loan in the prescribed form is received from the applicant either at one of the Branch Offices within whose jurisdiction the party resides or directly at the Head Office. Applications received at the Branch Offices are forwarded to the Head Office. Applications received at the Head Office directly or from the Branches are first registered, which in simple words means giving them a serial No. and noting down the particulars of each application in the Register. Each applicant is advised of this serial No., which he is asked to quote in all correspondence with the Administration.

2nd stage.—After this has been done, applications are sent to the various Branches, according to the place of residence of the applicant, for being enquired into. The Branch Offices on receipt of these applications allot them to the field staff whose duty it is to contact the applicants and enquire into their antecedents, their predisplacement business, investment therein, income therefrom, their predisplacement financial position in general, their losses in Pakistan, their present business, if any, investment therein, income therefrom, their requirements for further finance and the security they can offer etc.

3rd stage.—The field staff submit their report to the Branch Office where the report is scrutinized and summarised and the Branch Incharge then forwards the application along with the enquiry report and also his own recommendations for either sanction of a loan or rejection of the application to the Head Office. If it is an industrial application, the Branch Incharge before making any recommendation also obtains the report of the Director of Industries of the State concerned about the scope of the industry and the requirements for finance.

4th stage.—When the Branch Office's recommendations are received at the Head Office, those applications where a loan has been recommended, are indexed and searched. This is, in a way, a technical process by which we try to find out if a particular applicant has not applied before either as an individual or as a member of Joint Hindu Family or as a partner in some other application. This is done to avoid a single applicant receiving more than one loan.

5th stage.—After the application has been duly indexed and searched, the Branch Office's reports and recommendations are examined at the Head Office by the Asstt. Chief Administrator, Deputy Chief Administrator and the Chief Administrator, according

to the amount of loan recommended by the Branch Office. Sometimes the papers are returned for further clarification or filling up of omissions and commissions.

6th stage.—The applications with the recommendations of the Officers at the Head Office are then put up to the Administration for final decision. The Administration normally meets once every month. After the Administration has taken decision, letters of sanction, incorporating the terms and conditions on which a loan has been sanctioned, are issued to the applicants and their copies are endorsed to the Branch Offices. In these letters of sanction the applicants are also advised to take early steps for compliance of terms and conditions of letter of sanction and get in touch with the Branch Offices for the execution of necessary security documents.

7th stage.—When the applicants have complied with the terms and conditions on which a loan has been sanctioned and have executed the necessary security documents, these documents are then forwarded to the Head Office by the Branch Offices along with their recommendations for the release of money. On receipt of the security documents at Head Office, they are scrutinised by the Legal Section and if they are found in order, payment authorities are issued.

2. After the application is taken up for disposal and sent to the Branch for enquiry and report, it usually takes in normal or straightforward cases about three months for the application to get back to the Head Office with the report of the field staff and the recommendations of the Branch Office. It would take longer in the case of those applicants, who are either reluctant to part with the information required by the field staff or are not very willing to show necessary documents establishing their antecedents etc., and also in those cases where the applicants are residing in out of the way places. In the case of industrial loan applications, it may take a Branch about six months, and in some cases even little more, to send their recommendations to the Head Office, since in such cases they have, of necessity to first obtain the recommendations of the Director of Industries of the State concerned.

Indexing and searching at Head Office, scrutiny of the Branch Office's recommendations by senior officers at H.O. and final disposal by the Administration and issue of letters of sanction to the applicants may take another three months or so. In the case of most of the ordinary business loans (which range between 6 to 10,000), where the applicants have already secured business premises and have already started running the business, it would usually take about three to four months for the applicants to comply with the conditions, execute the documents and get the loan. The most important factor that delays disbursement of sanctioned loan to such applicants, is their inability to readily put up acceptable guarantors.

3. In cases where comparatively bigger loans have been sanctioned, specially for industrial purposes, it usually takes a little longer (leaving aside those cases where the industry is already in existence) for the applicants to comply with the conditions like securing of suitable business or industrial premises, power connection, quotas of controlled raw material etc., and get the money released. Putting

up of acceptable guarantors is also a contributory factor in these cases. On an average, in such cases, it has taken the applicants about 6 months to comply with the conditions and avail of the sanctioned loan. There are some cases however, where this period has gone upto a year or even a little more. After the issue of the letter of sanction it may be pointed out, the initiative primarily rests with the applicant himself. It is for him to take active and effective steps to comply with the terms of sanction and create conditions for the release of the sanctioned amount.

4. In the above paragraphs Nos. 2 & 3 we have given an approximate idea of the time that an application may normally take for its final disposal *after it has been taken up for disposal*. When exactly a particular application is taken up for disposal, would obviously depend on the total number of applications available awaiting disposal. For example, if on a particular day there are 50,000 applications lying with us for disposal and the rate of disposal is 2,000 per month, the last application would come up for disposal roughly about two years after the date on which it was received.

5. There has been a suggestion that the Organisation of the Claims Commissioner could have been utilised by R.F.A. to verify the antecedents of the applicants. It may be explained that the practical utility of this suggestion is not much. For one thing, the Ministry of Rehabilitation set up their Organisation to verify the claims of displaced persons from Western Pakistan in 1950, when the R.F.A. had been in existence for over two years and had already set up its machinery to dispose of the applications received by them. Moreover, verification of claims by that Organisation was restricted to assessment of value of urban immovable property alone. It did not give any indication of the displaced persons' business activities before partition. Finally there was no verification, whatsoever, of the losses of displaced persons from Eastern Pakistan.

25-11-1954

Authenticated.
S. G. BARVE,
Joint Secretary.

APPENDIX XL

MINISTRY OF FINANCE

(REHABILITATION FINANCE ADMINISTRATION)

Note stating the basis for the provision of 'bad and doubtful debts in the balance sheet of the R.F.A. for the period under review (31st December 1953) and Government' views thereon specially in regard to the policy followed in this behalf.

In terms of Section 19 of the R.F.A. Act, the Government on 31st May, 1952, issued a directive laying down the following formula for the purpose of making provision for bad and doubtful debts in the accounts of the Administration.

"(i) 50% of the total loan plus interest accrued to the end of the year should be provided in the case of loans which are recalled during the year. The question whether the Collector have been advised or not to recover such loans as arrears of land revenue should not make any difference.

(ii) In those cases where the Collector has been addressed during the year for the realisation of instalments due, 50% of such instalments together with interest should be provided.

(iii) No provision need be made in respect of those loans where repayment of instalments have become overdue but the Administration has not yet found it necessary to take any penal steps towards recovery of its dues.

So far as items (i) and (ii) are concerned no further provision should be made in subsequent years in respect of recalled loans after 50% of the total amount has been provided for in the year in which a loan is recalled.

The above arrangements should continue for the next 5 years whereafter the percentages fixed in paragraph 1 above will be reviewed in the light of experience gained."

Provision for bad and doubtful debts made in our accounts since the issue of the above directive, has been based on the above formula.

Before arriving at the above formula, the entire position was examined in detail by the Government in consultation with the then Controller of Commercial Audit. The following are the main considerations which led to the adoption of the above formula:—

- (a) The R.F.A. loans are repayable in instalments extending over a number of years. The number of cases where the parties pay instalments on due dates is extremely small. Repeated remainders have to be issued and pressure brought to bear on them before they pay up and then also, in the vast majority of cases, payments are made in dribblets and not in one lump sum. It is only when despite constant pressure for some length

of time, it is found there is hardly any prospect of appreciable recovery, that the Collector is approached to recover the overdue instalments as arrears of land revenue.

- (b) Secondly if during periodical inspection of a loan account any disturbing facts emerge the party is advised to rectify the position. Where the position continues to deteriorate and it becomes obvious that deterioration is the result, if not of positive *mala fides* on the part of the loanee, at least of gross mis-management or over-spending or the like, we feel compelled to recall the entire loan, and write to the collector for recovery of our dues. By and large our writing to the collector has been of use more by way of a threat than in terms of actual realisation. The result of our approaching the Collector more often is that the party comes forward with some sort of proposal to clear off the dues—may be in convenient small instalment.
- (c) Thirdly, in a commercial bank, a client will think twice before he makes a default in the repayment because once confidence in him is shaken, he is not likely to get any credit in the market whereas our clients (borrowers) are displaced persons from Pakistan, mostly without resources of their own, who are making a fresh start in life in India. In most of these cases, size of their business and or their industry is such that they do not generally find it convenient to take out funds from their business for the repayment of our dues on due dates. We have, therefore, of necessity to give them sufficient latitude, in terms of time and also to allow them to clear the dues in small convenient instalments.
- (d) Lastly, there are the guarantors. Ordinarily no action is taken against the guarantors so long as there is the least chance of recovering the loan from the principal borrowers. A loan can be declared as irrecoverable only when all measures to realise the same from the borrowers or their guarantors have completely failed. Though there are a number of loans which have been recalled or collectors referred to for recovery of overdue instalments as arrears of land revenue, yet there are no cases where we can say definitely that our advance has become totally irrecoverable.

In these circumstances there can be no definite ascertainment of bad or doubtful debts in the early years of the Administration's working. However, it would be unwise to postpone making any provision for this till loans actually started proving bad in the later years and hence it was necessary to devise some reasonable formula for making such a provision.

25-11-1954

Authenticated.

S. G. BARVE,
Joint Secretary.

APPENDIX XLI

MINISTRY OF FINANCE

(REHABILITATION FINANCE ADMINISTRATION)

Note setting forth the explanations for the following:—

- (a) Why was Rs. 2 crores drawn on 24-3-50 when it was not required by the Administration?
- (b) Why was it not refunded to Government instead of investing it in Government Securities?
- (c) Why was the Resolution of R.F.A. dated 1st to 3rd May, 1951, not implemented by refunding at least 50 lakhs to Government when the balance with R.F.A. was about Rs. one crore?

(a) According to the original R.F.A. Act, the ceiling of Government advances to the R.F.A. was fixed at Rs. 7 crores. The R.F.A. came into existence on the 1st July, 1948 and during the year 1948-49 it drew a sum of Rs. 70 lakhs from Government. The balance of Rs. 6.3 crores was provided in the budget for 1949-50 in the expectation that the Administration would be in a position to utilize the entire amount provided for in the Act. In pursuance, however, of a Cabinet decision to reduce expenditure in view of the financial stringency then obtaining in the country, the then Deputy Prime Minister subsequently (October, 1949) decided that the allotment for the R.F.A. for the year 1949-50 should be reduced to Rs. 4 crores and the balance of Rs. 2.3 crores would be provided for in the following year 1950-51. Subsequently again (December, 1949) as the R.F.A. reported that they would not require Rs. 4 crores during the year, the provision for 1949-50 was further reduced to Rs. 3 crores and the allotment for 1950-51 was proposed to be raised to Rs. 3.3 crores.

2. The R.F.A. examined thoroughly the question of allotment of funds for the year 1949-50 at its meeting held on the 23rd December, 1949. It felt sanguine that by the close of the financial year, total loans sanctioned by the Administration would exceed Rs. 5 crores and that it would be risky to reduce the budget provision for the year 1949-50 further. It further felt that by the end of the next year (1950-51) the entire sum of Rs. 7 crores was likely to be disbursed. Allotments for the year 1950-51 having already been fixed there were difficulties of raising the allotments for 1950-51 simply because of the possibility of non-utilisation of the allotments for 1949-50. There was a move at the time to co-ordinate the activities of the R.F.A. with those of the State Governments who were to allot business premises, quotas of raw material, electric power etc., and it was felt that money would flow out to the borrowers more quickly than it did in the past. The Administration had also decided to give priority for disposal of industrial applications which normally required larger loans than commercial applications. Besides the Administration followed the calendar year (and not the financial year followed by Government)

and it was expected that the drawal of the full revised allotments for 1949-50 would allow the Administration to have adequate provision for the early part of the following financial year.

3. The R.F.A. was a separate autonomous institution with statutory provision about the funds to be placed at its disposal. Besides, Government was to receive interest from the R.F.A. for all amounts advanced to the R.F.A. There was, therefore, not the same budgetary objection to allowing the R.F.A. to draw money exceeding its immediate requirements nor any question of lapse of budgetary provision as in case of departmental expenditure. As indicated above, even at the end of December, 1949, the administration had estimated that it would require at least 3 crores during the financial year. In view of these considerations the R.F.A. was allowed to draw Rs. 2 crores before the end of the financial year 1949-50 as it had drawn Rs. 1 crore earlier against the revised budget provision of Rs. 3 crores.

(b) & (c). The ceiling of Government advances to the R.F.A. has been statutorily fixed and the legal advice was that against that ceiling the Government advances would be counted in 'gross' and not 'net' and that any amount refunded by R.F.A. would, so to say, be completely lost to the R.F.A. It was, therefore, not practicable to refund the money and accordingly it was decided to utilize the idle money in the best possible manner by investing it in Government Securities. The resolution of the R.F.A. referred to was not acted upon as R.F.A. did not want to suffer a permanent diminution in the ceiling upto which it could draw. The letter of the Ministry of Finance intimating the legal difficulty involved in such return was placed before the Administration at its meeting held on 4-6-1951 and recorded by the Administration.

25-11 1954

Authenticated.

S. G. BARVE,
Joint Secretary.

APPENDIX XLII

MINISTRY OF FINANCE

(REHABILITATION FINANCE ADMINISTRATION)

Note stating the steps taken by the R.F.A. and the Government to cut down expenditure especially the Establishment Charges.

The main factor which contributed to the rise in the Establishment expenditure during the years 1951-53 was the unprecedentedly large number of loan applications (over 44,000) that we received from displaced persons consequent upon the re-opening of application list in the year 1951. To cope with this extra-ordinary situation *ad hoc* measures had to be taken and strength of staff in almost all cadres particularly in the field, was required to be greatly increased so as to dispose of these applications as expeditiously as possible. There was, in fact, persistent demand from all quarters, particularly the Advisory Board, for disposing of these applications at the rate of something like 2,000 per month. Even then, whenever there was any scope to reduce the expenditure, the Administration did not miss the opportunity. Thus in 1951 when the post of D.C.A. fell vacant consequent on the retirement of the former D.C.A. who was drawing Rs. 2,100 p.m., a revised scale of pay of Rs. 1600—100—1800 for the post was sanctioned. Similarly the scale of pay for the post of the Asstt. Chief Administrator was reduced from Rs. 1200—100—1400 to Rs. 850—50—1150. Again the three posts of Managers carrying a scale of pay of Rs. 1100—75—1250 were abolished and in their place Inspectors with a pay scale of Rs. 650—50—850 were posted with a special pay of Rs. 150. Besides, to keep staff requirement as low as possible, some procedural changes were also introduced, as for instance instead of indexing and searching of all loan applications, only those of them were got indexed wherein a loan had been recommended for sanction.

In the last quarter of 1953 when the enquiry work, more or less, came to an end, it was possible for the Administration to initiate a detailed investigation into the organisational set-up and work out the actual staff requirements both at the headquarters and at the Branches with a view to keep administrative cost as low as possible. Duties and responsibilities attached to the various posts have been thoroughly examined to ensure that the same type of work is not **done by employees of different cadres** and that each employee is given a full day's work. As a result a number of posts in all the cadres have been abolished and wherever possible senior posts have been down-graded to junior posts. As a consequence of this process of rationalization, considerable economy in establishment costs has been effected, as will be evident from the following comparative figures:—

Class of posts	No. of posts as on 1-8-53	No. of posts as on 1-10-54
A	21	12
B	141	99
C	321	265
D	150	108
TOTAL	633	484

Est. Expenses: 1,43,900/- (Aug. 53) 1,14,800 (Aug. 54)

In terms of money, an economy of about Rs. 29,000 p.m. has thus been effected. Regarding other items of expenditure (stationery, printing, postage, etc.) as well, persistent efforts have been made to reduce them to the minimum by making budget estimates and also by enforcing strict control. There has so far been a saving of about Rs. 5,000 p.m. on this account.

It may, however, be mentioned here that application lists from displaced persons from Eastern Pakistan have now been reopened. It is very likely that to dispose of the applications that are now being received, additional staff at Calcutta and Gauhati Branches may have to be employed resulting in some increase in the establishment costs in the future.

APPENDIX—ONE

ANNEXURE

Statement showing the establishment costs and staff strength for the last four years are given hereunder—

I. Year	Total Est. cost
	Rs. (lacs)
1951	14.83
1952	16.49
1953	17.31
Upto Aug. 1954	9.33

Approximate Establishment expenditure for 1954 would be about Rs. 14 lacs.
(Rs. 9.33 lacs plus Rs. 4.66 lacs i.e. half of expenditure for the first 8 months).

II.	Number of posts				
	A class	B class	C class	D class	Total
as on 30-11-51	18	150	251	142	561
" 30-11-52	21	154	295	147	617*
" 30-11-53	20	138	309	130	597
August, 1954	12	99	265	108	484

*It may be pointed out that although the number of posts in 1952 was higher than 1953 the establishment costs in 1953 were more than 1952 since the full effect of increased staff strength in term of cost in 1952 was felt in 1953.

25th November, 1954.

Authenticated.

S. G. BARVE,
Joint Secretary.

APPENDIX XL III

MINISTRY OF FINANCE

(INDUSTRIAL FINANCE CORPORATION)

SUBJECT:—*Non-use of Government's rule making power under Section 42 of the I.F.C. Act, 1948.*

Under Section 42 of the Industrial Finance Corporation Act, the Central Government may make rules to give effect to the provisions of the Act. The Board of the Corporation can also make regulations after consultation with the Reserve Bank and with the previous sanction of the Central Government under Section 43. Section 42 specifically indicates that the rules made by the Central Government under Section 42 shall prevail over the regulations made by the Board under Section 43 if there be any inconsistency. The fact that Government has not framed any rules as envisaged in Section 42 of the Act has also been referred to by the I.F.C. Enquiry Committee at Para. 25 (7).

2. It has been suggested that by not framing rules Government had failed to exercise control which the Act intended it to exercise over the Corporation. Whether Government should exercise such permissive powers really depends on the practical needs of the situation. The power vested in the Central Government to make rules under Section 42 and the power vested in the Board to make regulations under Section 43 cover practically the same field. In Section 42 it is laid down that the Central Government may make rules "not inconsistent with the provisions of this Act, to give effect to the provisions of this Act"; in Section 43, it is laid down that the Board may, after consultation with the Reserve Bank and with previous sanction of the Central Government, make regulations "not inconsistent with this Act and the rules made thereunder and to provide for all matters for which provision is necessary or expedient for the purpose of giving effect to the provisions of this Act." Section 43 goes on to enumerate the various items for which regulations may provide without prejudice to the generality of this power. In view of the fact that the Corporation, after consultation, with the Reserve Bank and the Government, had made regulations for all matters for which it was so necessary to provide, it was not considered necessary to make any other rules in exercise of the rule-making power of the Central Government. The rule-making power has been vested in Government as a "reserve power" and is meant to be used in case the Corporation defaulted in initiating proposals for regulations to provide for any of the matters for which such provision is necessary or expedient for the purpose of giving effect to the provisions of the Act. The Corporation represented a new experiment in the field of Industrial Finance and Government wished that the Corporation should be left free as far as possible to evolve a suitable practice and procedure for the carrying out of its duties. There

were Government Directors on the Board of the Corporation and in fact the Secretary of the Administrative Ministry concerned was himself a nominated Director on the Board during the first five years of its existence.

3. A specific suggestion was made that Government for instance, might have used the rule-making power to assume for themselves authority in matters like the rate of interest to be charged on loans. It might be pointed out that it has been the policy of the Government all along not to impair in any way the responsibility of the Corporation which had been, by Statute, set up as an autonomous body.

4. It might be mentioned that Government has also been vested with the power to issue specific directives to the Corporation on matters of policy under Section 6(3) of the Act as and when necessary. This power has been exercised in the past and also more recently, after consideration of the recommendations of the I.F.C. Enquiry Committee, a further directive was issued on the 3rd April 1954. (This is reprinted as Appendix 'G' to the Sixth Annual Report of the I.F.C.).

Authenticated.

S. G. BARVE,
Joint Secretary.

25th November, 1954.

APPENDIX XLIV

MINISTRY OF FINANCE

(INDUSTRIAL FINANCE CORPORATION)

A Statement showing the cases:

- (i) where loans were sanctioned by the Corporation on the recommendation of the Ministry of Commerce and Industry; and
- (ii) where the recommendations were not accepted and the loans were advanced.

We enclose a statement* showing the applications sanctioned, which were referred to the various Ministries, Special Advisory Committees and the other experts. Only in three cases were the loans sanctioned by the Corporation after considering the adverse remarks of the Ministry of Commerce & Industry.

There were, however, two cases where the Corporation felt that there was no need to refer to the Ministry or to experts and that it could depend on its own investigations.

Authenticated.

S. G. BARVE.

Joint Secretary.

*Not Printed.

APPENDIX XLV

MINISTRY OF FINANCE

Note regarding the disclosure of interest by the Directors of the Industrial Finance Corporation in the loanee' companies.

The instruction of the Government of India is as under:

“Directors of the Corporation must invariably disclose whatever interest they may have in applications for loans (including shareholding in the loanee company or its managing agency) pending with the Corporation and the Director concerned should withdraw from the meeting when the application for loan in which he is interested is under discussion. A register similar to that prescribed under Section 91A(3) of the Indian Companies Act should be maintained by the Corporation.”

Certain practical difficulties have been pointed out by the Corporation about the implementation of the directive. These are under discussion at present between the Corporation and the Government. Meantime, however, no Director with any shareholding with a loanee company takes part in the consideration of an application for loan by that company.

APPENDIX XLVI

MINISTRY OF FINANCE

Note in regard to the questions by the Public Accounts Committee relating to the Sodepore Glass Works case

QUESTION No. 1—*Payment in driblets which was objected to by the General Manager also.*

ANSWER:

A loan of Rs. 40 lakhs was sanctioned in favour of Sodepore Glass Works in December 1948. It is customary for the Corporation to investigate the title of the properties to be mortgaged to the Corporation as security for the loan subsequent to such formal sanction. It is after verification of such title that the disbursement of the loan actually commences.

In this case, after the sanction of the loan, it was discovered while investigating the title that the land on which the factory was sited, besides having been obtained from a minor, was in the name of Shri Gurusharan Lal and not the loanee Company. In view of this, certain terms and conditions were imposed in respect of the disbursement of the sanctioned loan. These were as under:

Rs. 20 lakhs to be disbursed on the execution of the Mortgage Deed.

Rs. 10 lakhs on the completion of the Deed of Transfer of the lands in favour of the Company and mortgage thereof to the Corporation.

Rs. 5 lakhs on 1-10-1949.

Rs. 5 lakhs on 1-11-1949.

Subject to the condition that the last two instalments of Rs. 5 lakhs each will not be paid to the Company until the execution of the Mortgage by the Company in favour of the Corporation of the lands is completed.

To overcome the defect in the title, at the instance of the Corporation, the Company moved the Bihar Government for notifying the lands in question for acquisition under the Land Acquisition Act so as to obtain a valid title to them. After such notification and on execution of mortgage deed, the first instalment of Rs. 20 lakhs was paid on 13-9-1949.

The next instalment of Rs. 10 lakhs was to be paid on the completion of the deed of transfer, that is to say, the conveyance of the land after acquisition by the Bihar Government in favour of the Company. This deed of transfer was not in fact completed until June 1951. Nevertheless, the entire balance of the loan amount except for a sum of Rs. 1½ lakhs had been disbursed to the Company well before such completion.

By 19-3-51, the entire loan except for a sum of Rs. 1½ lakhs had been disbursed to the Company. This sum of Rs. 1½ lakhs had been specifically held back to meet urgent commitments on behalf of the Company in respect of wages of labour, obligatory purchase of food grains for labour and such other payments which it was by now found the Company was not in a position to meet as they arose. Sums were made available out of this remainder of Rs. 1½ lakhs to meet such urgent requirements by the Company as and when necessary between 16-5-1951 and 11-9-1951. These payments had necessarily to be made according to requirements as they arose and since it transpires that they were small and numerous, an impression might be derived that the amount was furnished to the Company in dribbles.

Reference is made to the objections raised by the General Manager appointed by the Corporation, Shri Krishnaswamy, to the delays in granting payments (para. 73 of the Enquiry Committee's Report). Mr. Krishnaswamy joined as General Manager in February 1951. His letter to which reference is made is dated 12th May 1951. It would be seen from the above statement that by May 1951 barring the amount of Rs. 1½ lakhs, which had been withheld for good reasons and in the interest of the Company itself, there was no balance of the loan left for disbursing to the Company.

A view could be taken that the Corporation should have enforced the original conditions of disbursement and refused to release further sums of money until the deed of transfer of land in favour of the Company had been completed which happened only in June 1951. On the other hand, it is possible to take the view that having condoned the fulfilment of the stipulated condition by the Company, the Corporation should have been less hesitant in releasing the balance of the loan. It has not, however, been possible for Government to undertake the necessary full enquiry to come to a definite view regarding this matter.

QUESTION No. 2.—*Whether the Managing Director ever suggested to Shri Gurusharan Lal that he should go in partnership with some other people?*

ANSWER:

The Managing Director, who has been asked about this, denies that his attitude at any time to Shri Gurusharan Lal was anything other than what was called for by the objective circumstances of the loan proceedings. The Managing Director denies that he ever suggested to Shri Gurusharan Lal that he should go in partnership with some other people.

QUESTION No. 3.—*Appointment of Mr. Trasy.*

QUESTION No. 7.—*Is it correct that the company were made to pay Mr. Trasy retrospectively after forcing him as General Manager on them?*

ANSWER:

When the Sodepore Glass Works Limited were paid the first instalment of Rs. 3½ lakhs (18-12-51) out of the second loan of Rs. 7 lakhs, they had produced a balance-sheet as on the 30th June 1951

and an affidavit had been sworn that there were no outstanding liabilities beyond those disclosed in the said balance-sheet. Subsequently, however, it was found that this statement was not correct. The sum of Rs. 3½ lakhs paid to the company was attached against income-tax dues payable by the company. Although subsequently, the attachment was got vacated, it seemed from these proceedings that the company had suppressed vital information from the Corporation. It was, therefore considered necessary to call for an accurate and reliable balance-sheet so as to ascertain the true liabilities of the company. It was also considered that such a balance-sheet should be got prepared by the Corporation appointing an officer for the purpose. It was proposed at the same time to entrust the officer with the work of prescribing a system of 'checks and balances' that is to say a system under which the requisite registers would be maintained to ensure proper accounting of the receipt disbursements and utilisation of various materials received at the factory and a proper check and control would be maintained at every stage.

Mr. Trasy who had recently retired as Deputy General Manager of the Bharat Bank and worked as internal auditor and Branch Manager of the Central Bank of India, was considered suitable for this purpose and he was appointed to prepare the balance-sheet. He was also paid a lump sum of Rs. 2000 plus travelling expenses.

As the books of the company were hopelessly incomplete, the balance-sheet took Mr. Trasy much longer than the period of one month which had originally been estimated. Mr. Trasy joined on the 12th January 1952; the balance-sheet was produced by him on the 6th March 1952 and his report on 'checks and balances' was received on the 21st March 1952. Mr. Trasy's appointment was reported to the Executive Committee on the 2nd February 1952 and noted by them.

Mr. Vaidyanatha Iyer, who was one of the auditors of the Corporation, was to examine the balance-sheet prepared by Mr. Trasy and to check up and report whether he considered the system of checks and balances evolved by him satisfactory. Before Mr. Vaidyanatha Iyer had finished these discussions with Mr. Trasy, the third loan was sanctioned to the company by the Board on the 14th April 1952. In sanctioning the loan, the Board desired that "the Managing Director should lay down a system of checks and balances and for an efficient supervision over the monies coming in and going out in order to ensure that the company's resources were not frittered away or misapplied." It was considered that the most suitable person for carrying out this instruction of the Board would be Mr. Trasy who was already on the spot and had familiarised himself with the accounts of the company. On 17-5-52, the Managing Director reported to the Executive Committee about the appointment of an internal auditor (Mr. Trasy) and a stores supervisor. In July 1952, the Executive Committee noted that Mr. Trasy had been appointed on a salary of Rs. 1200 per month.

Mr. Trasy had been originally appointed for a specific job of work against an *ad hoc* payment which work he had completed by 6-3-1952. Thereafter he had been engaged in other work and subsequently in the work of internal audit for which no remuneration

subsequent to 6th March had been fixed. As Mr. Trasy had been doing work for the company from the 6th March 1952 onwards, his salary was made effective from that date.

As regards Mr. Trasy being *forced* as General Manager on the company, it may be pointed out that this is not correct. When the Corporation took over the management of the company from the 1st November 1952 with the consent and co-operation of the Managing Agents, Mr. Trasy was appointed temporary General Manager *at the written request of the Managing Agents*. Thereafter, as no suitable candidate was available in spite of advertisement and other efforts, Mr. Trasy was continued in his appointment as General Manager. Mr. Trasy relinquished charge as General Manager on 1st July 1953 after the Board of the company had appointed another General Manager with the approval of the Corporation. (Reference is invited in this connection to the note from the Industrial Finance Corporation on this already submitted to the P.A.C. on 27-11-54).

QUESTION No. 4:—*Second loan was also given in driblets.*

ANSWER:

The Second loan for Rs. 7 lakhs was sanctioned in July 1951. No instalments were fixed for this loan. It was however understood that money would be disbursed out of the sanctioned loan amount as and when necessary for payment of the materials for which the loan was sanctioned.

The amounts were paid as under:

18-12-1951	Rs. 3,50,000
17-2-1952	Rs. 67,500
31-3-1952	Rs. 55,000
18-4-1952	Rs. 2,27,000

It would, therefore, be seen that there can be no justifiable complaint that the amount of this loan was disbursed in "driblets" or not disbursed expeditiously enough.

QUESTION No. 5:—*Rs. 5 lakhs recommended to be advanced to the company by the Committee under Sir Shri Ram, but not made available in lump sum.*

ANSWER:

Presumably the reference is to paragraph 99 of the Enquiry Committee's report in which it is stated that Sir B. N. Mookerjee and Lala Shri Ram were asked to report in August 1952 by the Corporation the reasons for the failure of the factory to run satisfactorily. A recommendation was received from Sir B. N. Mookerjee and Lala Shri Ram dated the 13th September 1952 that the Corporation should immediately release to the company necessary funds from the balance of the loan still payable to the company out of the third loan for the purpose of defraying certain expenses.

By this time, practically the entire amount of the third loan of Rs. 3 lakhs had already been disbursed to the company and the only amount of Rs. 20,000 which was remaining, was paid on the 23rd September.

QUESTION No. 6:—*Whether the factory was closed twice due to lack of funds.*

ANSWER:

It is not understood to what particular closure reference is made. In para 97 of the Enquiry Committee's Report, there is a mention that the furnace was got ready and fired in July 1952 but that owing to unsuitability of coal as well as insufficiency of raw materials available at the factory etc., the furnace had to be cooled down. The third loan of 3 lakhs for working capital was sanctioned on 14th April 1952. It was disbursed as and when asked for and it will therefore be observed that this closure had nothing to do with any alleged delay in disbursement of funds by the Corporation.

QUESTION No. 8: *Did the Managing Director want Shri Gurusharan Lal to close the factory and give notice to labour?*

ANSWER:

Presumably, the reference is to the contents of paras. 113 and 114 of the Enquiry Committee's Report. During a visit to the factory early in February 1953, the Managing Director saw for himself that even the current expenses of the factory were not being met by its production. On his return to Delhi, he had consultations with the local Directors of the Corporation and with their concurrence and on their advice, it was decided that the factory should be asked to be closed down. The Managing Director accordingly conveyed the decision to Lala Gurusharan Lal at a meeting held in Calcutta on the 24th February 1953. The action taken by the Managing Director in consultation with the local Directors was subsequently reported at the next meeting of the Executive Committee on the 13th March 1953. The action was ratified at this meeting. In the minutes of the meeting of the Executive Committee there is a record of the above consultations by the Managing Director with the local Directors of the Corporation.

QUESTION No. 9: *Appointment of Mr. Joshi—whether he was getting a few hundreds a month previously and was appointed on a salary of Rs. 2,500 a month.*

ANSWER:

A Board of Directors was appointed in March 1953 to be in charge of the Sodepore Glass Works, after the Corporation had taken over formally the management of the concern. Mr. S. L. Kirloskar, a well-known industrialist, was the Chairman of this Board of Directors. Mr. Kirloskar was commissioned by the Executive Committee of the Corporation to stay there for a short while and to report "after finding out what actually was keeping the factory from going into full production upto its rated capacity and, if possible, to get it going efficiently". Mr. Kirloskar submitted a report to the Corporation on the 11th April 1953. The Executive Committee, after consideration of the Report resolved that in place of Mr. Trasy, Mr. A. D. Joshi should be appointed to be "in complete control of the factory, technical as well as administrative," until a permanent General Manager is appointed by the Corporation. Mr. A. D. Joshi is a person with a long experience in ceramic and glass and had worked for nearly 30 years in various pottery and glass works at Morvi and other places. Mr. Joshi was a partner in the Managing Agency of

Ceramic Products, and not an employee. It may also be added that Mr. Joshi was very reluctant to take this job and, in fact, made certain conditions such as being permitted to visit his own works at least six times a year.

QUESTION No. 10: *Whether it would not be morally right to do something for the original owners; whether they should not be rehabilitated and assisted?*

ANSWER:

As the Chairman of the Industrial Finance Corporation explained to the Public Accounts Committee on the 8th inst. the possibility of reorganising the company on a line which would make allowance for the interests of the present share-holders while fully safeguarding the financial stake of the Corporation had been investigated, but no acceptable arrangement could be arrived at. It is obviously not possible to assist or rehabilitate the "original owners" at the sacrifice of the financial interests of the Corporation; nor is any such moral right apparent.

QUESTION No. 11: *That the capital requirements of the Sodepore Glass Works had been grossly underestimated and that no loan in fact should have been given.*

ANSWER:

The scheme as originally presented by the Company envisaged a capital cost of Rs. 61 lakhs. The Company when it applied to the Corporation for a loan originally of Rs. 30 lakhs stated that it had already spent its own funds to the extent of Rs. 31 lakhs and that with a loan of Rs. 30 lakhs from the Corporation, it would be able to meet its capital expenses. (Subsequently, since the granting of a loan by the Corporation would entail the repayment of the debentures of Rs. 10 lakhs raised by the Company, which the Company had not originally allowed for the loan to be granted was raised from Rs. 30 lakhs to Rs. 40 lakhs.) The Managing Agents of the Company had undertaken to bring a further Rs. 5 (Five lakhs) into the enterprise. This undertaking was fulfilled only in part.

It has not been possible for the Government to examine this issue in the detail in which it is necessary for reaching a definite conclusion as to whether in the light of the information then available to the Corporation it was an error to have granted the loan initially at all. Certain circumstances however might be mentioned in this connection. The Expert Committee appointed to investigate the loan application had itself reported that a project like this if satisfactorily completed would be a valuable national asset more especially as there was not another such unit with this capacity and with such an upto-date equipment. When the said experts were further interrogated by the Chairman before the loan was sanctioned, they assured him that the plant and machinery purchased was of the best make and design and with proper technical assistance the factory could run efficiently. It is correct that the Expert Committee had observed that "the loan of Rs. 30 lakhs asked for from the Corporation would not be sufficient for putting the factory into operation. This amount would be required only for the purchase of equipment

and for completing the buildings of the factory." They had also made a remark that no provision had been made for the working capital of the company and that the company should have ample funds to meet the expenses of running the factory. In the conditions imposed by the Corporation while granting the loan, this was taken care of by imposing a condition about a sum of Rs. 5 lakhs being invested by the Managing Agents as working capital.

Although Government would not be able to reach a definite conclusion until a fuller examination has been possible, it would seem that even if a risk was involved it was a justifiable risk and it would be difficult to conclude that the Corporation was not justified in sponsoring such a concern having regard to all the circumstances. This was one of the first applications for a new undertaking submitted to the Corporation which had just been established. In fact, it is conceivable that if the Corporation had declined to sponsor this venture it might have exposed itself to a charge that it had failed to promote a valuable undertaking which would be a national asset when completed.

It would seem that for a just appraisal of the failure of the Bhurkunda factory we must also look to other causes. From such examination as it has been possible to make so far, it appears to Government that the failures of the management of the company were undoubtedly one of the significant contributory factors to the difficulties of the undertaking. This is evidenced by numerous instances e.g. failure in organising such elementary matters as building up adequate supplies of raw materials and fuel, before a valuable furnace is fired, failure to use loan disbursements for the purposes for which they were sanctioned, failure to carry out undertaking given and to fulfil conditions in which disbursement funds were to be obtained; suppression of material facts from the Corporation, making unauthorised and technically objectionable alterations and designs furnished by the suppliers etc.

QUESTION NO. 12: *Page 46 of the Report—Item (v). The factory obtained its raw materials other than Soda Ash which were available in Calcutta from different places.*

ANSWER:

It may be noted that this is a comment with reference to the Sodepur Factory and not with reference to the Burkunda Factory. The Sodepore factory which is a much smaller undertaking was already in being when the Corporation was approached for a loan by this Company.

On page 47 under item (vii) of the Enquiry Committee's Report comments are made about the location of the site of the Burkunda Factory. In this connection it may be pointed out that it would be difficult to hit upon a place wherein all or most of the requirements of a glass factory would be locally available or would be even near at hand. It may be mentioned that at Seraikala which is only 50 miles away from Burkunda, there is already a large and successful glass works.

APPENDIX XLVII
MINISTRY OF FINANCE

**Comments in the Audit Report about the Sodepore Glass Works
and remarks thereon.**

COMMENTS.—*In the case of Sodepore Glass Works when an additional loan of Rs. 7 lakhs was sanctioned by the Executive Committee on 21st July 1951, the Managing Director while conveying the Corporation's sanction to the Company imposed a number of conditions and terms on his own responsibility. These were not placed before the Executive Committee until a year later on 26th July 1952.*

REMARKS:

The additional terms laid down were under the authority of the Executive Committee which had asked the Managing Director to take all precautions to safeguard the Corporation's money. In this connection, it may be stated that the I.F.C. Enquiry Committee also raised the same point to which the Board gave a reply as above.

COMMENTS.—*S. G. W. and C. I. S. C. were sanctioned loans of Rs. 40 lacs and Rs. 3 lacs on the 29th December 1948 and 14th January 1949 respectively and the rate of interest was fixed at 6 per cent less $\frac{1}{2}$ per cent rebate. But in the case of K.M.A. Ltd. who were sanctioned a loan of Rs. 30 lacs on the 29th December 1948, interest at the rate of $5\frac{1}{2}$ per cent with a rebate of $\frac{1}{2}$ per cent was charged.*

The S. G. W. and the A. C. Ltd., were sanctioned a loan of Rs. 7,00,000 and Rs. 50,000 on 21st July 1951 and 5th January 1952 respectively. The rate of interest was charged at 6 per cent with a rebate of $\frac{1}{2}$ per cent instead of the prevalent rate of $5\frac{1}{2}$ per cent with a rebate of $\frac{1}{2}$ per cent.

REMARKS:

As regards the variation in the rate of interest by the Managing Director in respect of contemporaneous transactions, this was done in exercise of the specific authority vested in the Managing Director in this behalf so far as the second loan of Rs. 7 lakhs is concerned. So far as the first loan of Rs. 40 lakhs is concerned, the rate of interest was fixed by the Executive Committee itself. In the case of the second loan to the S.G.W. the same rate was fixed by the Executive Committee as in the case of first loan of Rs. 40 lakhs.

During the formative period, the Executive Committee themselves laid down the varying rates having regard to the credit-worthiness of the parties as is customary in banking institutions. The principle was subsequently reiterated in a Resolution passed

by the Executive Committee on 20th July 1951 in which the discretion was also given to the Managing Director to vary the rate of interest within certain definite limits.

COMMENTS: *Payment of Law Charges.—An Advocate of Bombay High Court was paid Rs. 2000 for drafting a reply to Chapter VIII of the Enquiry Committee's Report dealing with the loan of S. G. W. No written prior approval of the Board was available (See para., 15).*

REMARKS:

Particulars have been furnished as follows by the IFC on this.—

"This point was discussed by the Board at its meeting held on 2-7-53 and the Managing Director was authorised to engage counsel for the purpose and also to select the particular counsel. There is unfortunately no record of this discussion in the minutes of this meeting. Subsequently, however, when this point was raised, the Executive Committee in its meeting held on 30th October 1954 confirmed that counsel was entrusted with drafting a reply under the authority of the Board. The payment of Rs. 2,000 to him was noted in the same meeting. As regards fixing the amount of the fees in advance, it may be pointed out that this was not possible as the amount of the fees depended upon the time that the counsel would have to expend on the particular job."

It is conceivable that a different view may be taken as to the propriety of such engagement. It would, however, be seen that the action was taken with the knowledge and approval of the Board.

REMARKS BY THE I.F.C. ON THE REVIEW OF LOAN ACCOUNTS OF 'A' COMPANY IN APPENDIX 'A' OF THE AUDIT REPORT.

(b) The point as to whether charges such as those instanced in these paragraphs would be debitable to the borrowers is being examined with the Law Officer of the Corporation. Thereafter, suitable action will be taken on this point.

(c) (ii) The raw materials consist mainly of sand, borax, soda ash, felspar, dolomite and lime stone. The stores are mainly of hardware material. The finished goods consist of sheet glass only. The bulk of the raw materials and finished goods is stored in godowns. The possibility of depreciation is negligible.

(c) (iii) The reference about guarantee here is in respect of the loan amount of Rs. 13 lakhs in excess of Rs. 50 lakhs advanced by the Corporation up to the date of its taking over the management in March 1953. The Corporation was constrained to give the additional loan of Rs. 13 lakhs in order to safeguard the earlier loans totalling Rs. 50 lakhs already advanced. A guarantee as usual could therefore not be insisted upon in this case. Moreover, the original guarantors were not considered guarantee-worthy for a further amount beyond Rs. 50 lakhs to which they were already committed.

(d) The Corporation was constrained to take over the management of the factory as the only recourse open to it for the best

possible safeguarding of the loan. It would therefore be clear that it was not possible to do any previous planning about the running of the project before taking it over as suggested as the Corporation had no other option. In a case like this, it was not possible to fix any particular target of expenditure. The state of the enterprise has been continuously under the consideration of the Board/Executive Committee. Expert advice was sought by the Board/Executive Committee whenever necessary. The Corporation initially tried to get the factory into production as the best means of salvaging the enterprise; when this was not found practicable, it was decided to dispose of the assets after carrying out the reconstruction of the furnace which the Corporation had been advised had in the meantime become necessary to make the assets market-worthy. After this decision, a Negotiating Committee was appointed to negotiate for the disposal of the assets.

(e) It is considered that in the interest of the Corporation it would be best to proceed against the guarantors after the assets are disposed of.

(f) (ii) This should have been done by the General Manager of S.G.W. appointed by the Corporation. Enquiries are being made as regards this default.

(f) (iii) As regards the net shortage of the value of Rs. 1,17,565 mentioned in the Audit Report, further enquiries which were made in consultation with the auditors of the company have disclosed that there is no real shortage and that the shortage shown in the books has been due to failure to make proper adjustments in the past as regards the consumption and other minor discrepancies. Thus, for instance, in the case of refractories alone, it is found that if proper adjustment had been made in the past as regards their consumption etc., the total amount of the difference of Rs. 80,000 odd under this head would have been reduced to a figure of Rs. 267 only. A final report is yet to be received from the auditors but from the interim report just received, it seems that the difference as the auditors said would have been a "nominal figure" if stock taking had been regularly undertaken in the past and necessary adjustments made.

(g) As suggested by Audit, the point is being taken up and is being pursued.

(h) (i) The reference quoted from the Managing Director's memorandum relates to a period when the factory was not taken over by the Corporation. The context of this reference is that the company needed funds for the Bihar factory and the Managing Director had suggested in this memo quoted that the company may obtain some of these requirements by disposing of their factory at S.

So far as the action on the *ad hoc* Committee's Report considered by the Board on 14th February 1954 is concerned, it may be pointed out that the Board has since decided to consider disposal of the entire assets of the company including the factory at S.

(h) (ii) It is hoped that a final decision about the disposal of the assets would be reached very soon.

APPENDIX XLVIII
MINISTRY OF FINANCE

Point on which Public Accounts Committee desire to be furnished with further information.

Audit Report on the Accounts of the Industrial Finance Corporation, 1953-54 and Report of the Enquiry Committee.

QUESTION.—What was the time lag between the issue of the Notification regarding the acquisition of land by the Bihar Government, the actual execution of the Mortgage Deed and the grant and payment of the loan to the Sodepore Glass Works Ltd?

ANSWER.—The Bihar Government issued a preliminary notification dated 5-3-1949 under Section 4 of the Land Acquisition Act (1 of 1894) calling for objections from interested persons under Section 5-A of the Act before 8-4-59. The notification covered 32.56 acres of land in the village of Lappange and was published in the Bihar Gazette dated 16-3-49 (page 325) Part II. A copy of the Gazette Notification was received from the Company on 25-3-49.

(According to the advice received from the Solicitor to the Central Government at Calcutta, a notification under Section 4 of the Land Acquisition Act is a mere notice stating that certain lands are likely to be needed for public purpose and inviting objections. Such notification does not create any legal right to the land in favour of any one).

On 9-4-1949, the Company produced a letter from the Land Acquisition Officer, Hazaribagh stating that no objection had been received from any party against the proposed acquisition of land by the Bihar Government during the prescribed period. The Corporation wrote to the Solicitor on 31-5-49 *inter alia* to proceed with the execution of the Mortgage Deed inserting the necessary Covenants and warranties binding the Company to produce the title Deeds within a prescribed period.

On 3-6-49 the Company produced a copy of the letter from the Land Acquisition Officer, Hazaribagh dated 1/2-6-49 stating that the land was now being acquired for the Sodepore Glass Works and that in due course the possession would be handed over to the Company and also an agreement would be executed between the Company and the Government. On 7-6-49 the Corporation again wrote to the Solicitor and requested him to consider whether the Corporation would be justified in proceeding with the execution of the Mortgage Deed in view of the letter from the Land Acquisition Officer and if he considered that the Corporation could do so without prejudice to its security, he might proceed with the mortgage transaction. The Government Solicitor *vide* his reply dated 11-6-49 stated as follows:—

“Section 16 of the Land Acquisition Act provides that when the Collector takes possession of a land under the said Act

it vests absolutely in the Crown free of all encumbrances. A Deed of Transfer from the Provincial Government is, therefore, essential to pass the title from the Crown to the Company."

"Section 41(2) of the said Act provides for transfer of land to the Company on payment of the costs of acquisition. Under the law in Bengal (the law in Bihar and Orissa being the same) such transfer has to be effected by a registered document."

"Other things being satisfactory I propose to have the Mortgage completed immediately; the form of agreement is accepted by the Government of Bihar. Rupees 20 lacs will be paid on execution and registration of the mortgage; the balance of Rs. 20 lacs not being payable until the Bhurkunda land is transferred to the Company by the Government of Bihar by a registered Deed of Transfer."

During July and August 1949, correspondence took place between the Company, the Corporation and the Corporation's Solicitor in regard to the finalisation of the draft Mortgage Deed. Final instructions were given to the Corporation's Solicitor on 27-8-49 requesting him to complete the mortgage. As the Company had not yet obtained a Deed of Conveyance from the Bihar Government in respect of the land under acquisition, the manner in which Rs. 40,00,000 which had been sanctioned to the Company by the Corporation on 29th December 1948 was to be advanced was agreed to and the necessary provision made in the Mortgage Deed as follows:—

Rs. 20,00,000/- on the execution of the Mortgage Deed.

Rs. 10,00,000/- on the completion of the Deed of Transfer of the land in favour of the Company and Mortgage thereof to the Corporation.

Rs. 5,00,000/- on 1-10-1949.

Rs. 5,00,000/- on 1-11-1949.

Subject to the condition that the last two instalments of Rs. 5 lakhs each will not be paid to the Company until the execution of the mortgage by the Company in favour of the Corporation of the land is completed.

The Mortgage Deed was executed by the Company on 13-9-1949 and a sum of Rs. 20 lacs was advanced to the Company on that date.

The actual dates on which the balance of Rs. 20 lacs was paid to the Company are as follows:—

Date	Amount Rs.
6th April, 1950	2,50,000
20th June, 1950	2,50,000
7th August, 1950	1,50,000
17th August, 1950	2,50,000
4th October, 1950	3,00,000
26th December, 1950	1,00,000
4th January, 1951	2,00,000
3rd February, 1951	2,00,000
29th March, 1951	1,00,000

Note: Shri—who was the first Mahaging Director of the Corporation upto the middle of June, 1951 had recorded a note

on 25-1-1951 that the Government Solicitor had suggested that the sum of Rs. 2 lakhs should be kept in hand for the time being pending the completion of the Mortgage document (relating to the land under acquisition.) The sum of Rs. 2 lakhs reserved was, however, released as and when required for meeting urgent payment for salaries and wages, travelling expenses of the American Expert etc. in the following instalments:—

	Rs,
22nd March, 1951	50,000
16th May, 1951	25,000
4th June, 1951	25,000
27th June, 1951	20,000
28th June, 1951	25,000
11th July, 1951	5,000
12th July, 1951	6,000
21st July, 1951	25,000
3rd August, 1951	3,000
7th August, 1951	8,000
21st August, 1951	6,000
11th September, 1951	2,000

The agreement between the Company and the Bihar Government pursuant to the provisions of Section 41 of the Land Acquisition Act was entered into on 24-3-1950 and the said Agreement was published in the Bihar Gazette, Part II dated 10-5-1950 (pages 588 to 590).

The Bihar Government executed the Deed of Conveyance of the land in favour of the Company on 15th June, 1951. In the meantime the Company had applied for a further loan and it was decided that the Deed of Conveyance obtained from the Bihar Government should be included in the Mortgage Deed relating to the further loan. This was done accordingly when the Mortgage Deed for the second loan was executed by the Company on 18th December, 1951.

The Government Solicitor has confirmed that, in this case, the legal title in the land passed to the Sodepore Glass Works Ltd., when the Bihar Government executed the Deed of Transfer (Conveyance) in favour of the Company on 5-6-1951 and the security of the Corporation in respect of the acquired land became effective when the Deed of Further Charge was executed by the Company in favour of the Corporation, i.e. 18-12-1951.

Authenticated.

Dated 26-5-1955

S. G. BARVE,
Joint Secretary

APPENDIX XLIX

No. F.2(34). F111/53.

GOVERNMENT OF INDIA,

MINISTRY OF FINANCE,

Department of Economic Affairs.

New Delhi, dated the 4th June, 1955.

RESOLUTION

Government passed a Resolution on the 23rd December 1953 on all other recommendations in the Report of the Industrial Finance Corporation Enquiry Committee, 1953, except those relating to the Sodepure Glass Works Ltd. It was stated in the Resolution that "the case of Sodepure Glass Works is still under Government's consideration and final decision of the Government will be announced in due course."

The further examination of the detailed proceedings relating to this loan transaction that was necessary before Government could reach its conclusions has since been made in the Ministry of Finance. Government's conclusions thereon are recorded hereunder.

2. Government agrees with the view of the Enquiry Committee that the capital requirements of the project were not properly assessed either originally or on the subsequent occasions when a reappraisal might have been made, and that this was a major contributory cause for the difficulties met with by the Company. In the opinion of Government, though the primary responsibility for this failure must rest with the Company, the Corporation, having become involved in the fortunes of the undertaking by the grant of the loan and in default by the Company, must also bear a measure of responsibility for such failure. Corporation should have made a correct appraisal of the Company's needs before sanctioning the loan.

3. Government also agrees that one of the main reasons for the failure of the undertaking was its deficiencies of technical and supervisory organisation. The Company appears to have failed throughout to establish a technical direction of the requisite competence and this factor together with the financial difficulties caused by the persistent under-estimation of capital requirements decisively confounded all its estimates and calculations and resulted in the failure of the undertaking.

4. Government has also examined whether, and if so how far, undue delay occurred or unreasonable conditions were imposed in the disbursement of funds from loans sanctioned in favour of

the Company. Government is satisfied that generally speaking the further conditions imposed have been provoked by new circumstances that came to light from time to time affecting the security of the Corporation and have not been unreasonable. After a close and careful examination of the underlying proceedings Government has also come to the conclusion that while there have been some instances of delay and while these delays must have caused some inconvenience and difficulties to the management, for the failure of the undertaking one must look to other causes.

5 In the Report of the Enquiry Committee, the view was expressed that the Committee was opposed to the Corporation making any attempt to sell this factory just for the purpose of recovering its own dues oblivious of the interests of the shareholders and others. Elsewhere in the Report (Paragraph 40, Sl. No. 23 of the Summary of Recommendations) the view was expressed that when an industrial concern has to be taken over by the Industrial Finance Corporation, the sale of such a concern should not be made except under very special circumstances and without prior reference to Government. In the Government Resolution under para. 5B(vii) with reference to this recommendation, it was resolved as under:—

“As regards the sale of such a concern, Government consider that it would not be desirable to prejudge a matter in a general way as suggested and that the Corporation must be left to judge each case on its own merits. Government also considered it important that the responsibility of safeguarding its own interest and recovering its own monies of a statutory Corporation like this should not in any way to be qualified.”

In April last year, the Industrial Finance Corporation having come to the view that the Corporation should not try to run the factory but should arrange to sell or otherwise dispose it of at the earliest, appointed a negotiating committee for the purpose. Government consider that the Corporation is fully justified in taking the action that it contemplates.

6. The full results of the investigation undertaken by Government are being communicated to the Corporation for its information and future guidance.

ORDER

Ordered that a copy of the Resolution be communicated to all concerned.

Ordered also that it be published in the Gazette of India.

D. L. MAZUMDAR,

Secretary.

APPENDIX L

MINISTRY OF FINANCE

Note in regard to the questions by the Public Accounts Committee on the loans, sanctioned by the Industrial Finance Corporation to the Jay Engineering Works Ltd.

QUESTION—*Ref. Jay Engineering Works Ltd. (page 14, Observation 4 of the Report) I. F. C. Enquiry Committee had suggested that in view of the Managing Agents being allowed to recoup their advances to the company, the Corporation might reconsider their sanction of the second loan.*

The loan in question had been sanctioned on the 21st June, 1952 by the Executive Committee. Out of the amount of Rs. 16 lakhs sanctioned, a sum of Rs. 12 lakhs had already been drawn. As there had been no breach of any condition of the sanction, there would have been obvious legal difficulties in reconsidering the sanction of the loan as suggested by the Committee. Apart from this, the inexpediency of cancelling a sanction so long after it was accorded would be apparent. The loanee would have had a legitimate objection to any such action which would have upset commitments entered into by the loanee company in consideration of the sanction.

It may also be pointed out that in fact although the Managing Agents had been permitted by the Corporation to reduce their outstanding loan to the company from Rs. 20,60,900 to Rs. 10 lakhs, the loan still stood at a figure of Rs. 18,87,000 as on the 31st March, 1953 according to the company's latest balance-sheet available at the time the Report of the I.F.C. Enquiry Committee was received.

QUESTION.—*Jay Engineering Works Limited.—The company were sanctioned an additional loan of Rs. 16 lakhs without awaiting the report of the Ministry of Commerce and Industry.*

The position in regard to this loan is as follows:

The company's application was referred to the Ministry of Commerce and Industry on the 2nd May 1952, but no reply was received from them, in spite of two reminders dated the 20th May 1952, and 4th June 1952. In the meantime, the Corporation wrote to Dr. B. D. Kalelkar (who has subsequently been appointed as Industrial Adviser to the Government of India) on the 4th June 1952, requesting him to submit a detailed technical report on the company's scheme. His report was received on the 20th June 1952,

and the company's application was considered by the Executive Committee on the 21st June 1952. A loan of Rs. 16 lakhs was sanctioned at that meeting. This decision was approved by the Board at its meeting on 26th July 1952 when the representative of the Commerce and Industry Ministry was also present. It was only after this that the loan was actually made available. Copies of the report of the expert were sent to the Ministry of Commerce and Industry for their information on 28-6-52. Nothing has been heard from the Commerce and Industry Ministry further. As the Commerce and Industry Ministry's report was not received in spite of two reminders it would seem that the Corporation was justified in its action.

APPENDIX LI

Memorandum furnished by the Comptroller and Auditor General of India

Latest position of the salient points dealt with in the statement of Minister of Irrigation and Power dated 26-12-1953 on Sixth Report of the Public Accounts Committee on Hirakud Dam Project and the Memorandum of the Comptroller and Auditor General dated 23-12-1953.

Unsanctioned Estimates—

On 1-11-1954, there were 14 works remaining unsanctioned amounting to Rs. 3,54,77,892.

I—STORES—POSITION ON 1-11-1954.

(i) Opening of ledgers.

Stores priced ledgers have been opened in respect of all the 76,652 items in stock.

(ii) Verification of stores.

Stock verification of the stores brought on to the Bin Cards completed in respect of 54,898 items out of 76,652.

The following posts have been sanctioned by Government of India from 15-11-1953 to 31-3-1955 for doing stock verification:—

Supervisors	18
Sub-Divisional clerks	2
Lower Division clerks	2
and Peon	1

In para 4 of his Memorandum dated 23-12-1953 (*vide* Appendix I to the Central Civil Audit Report 1952, Part I), the Comptroller and Auditor General suggested that ground balances which had been brought on to Bin Cards should be checked completely and without delay by the Stock verification officials. This recommendation also implied that future accounts should be properly maintained while arrears are cleared up. So far, no attempt has been made to reconstruct the accounts of the past to check the accuracy of the ground balance of 1-11-1952 with which the newly opened Bin Cards started. Government orders on the following points are necessary—

(a) For the adoption of the Bin Card balances as the opening balance on the ledgers as on 1-11-1952, without verifying that the actual balance on 1-11-1952 was the correct balance.

(b) For adjusting in the accounts of the project the difference between the value of the opening balances of the ledgers as on 1-11-1952 and the stores balance appearing in the Central accounts

as on 1-11-1952. (The latter will be the same as the total value of the reconstructed register of stock as on 1-11-1952).

(c) For adjusting from time to time in the ledgers and accounts, the difference in quantities and values resulting from stock verification.

(iii) *Pricing of stores.*

Out of 76,652 items of stores in stock, proper pricing has been done for 24,869 items. In respect of 1726 items received from the 'Disposals', pricing remains to be done for want of debit vouchers. In respect of the rest of the items, the actual price paid to the suppliers has been indicated in the priced ledgers.

(iv) *Preparation of lists of surplus stores and their disposal.*

Lists of surplus stores were prepared and forwarded to the Director General, Supplies and Disposals, who returned the lists with some specimen forms to be filled in. The lists are being re-typed in these forms and for the sake of pricing enquiries are being sent to the various firms, Director-General, Supplies and Disposals and to other organisations.

The Administration state that about 20,000 items worth about Rupees one crore are expected to be declared surplus. The Financial Adviser and Chief Accounts Officer seems to be of the opinion that the amount may be more. List of surplus stores is being checked by him.

(v) *Reserve limit for stock.*

No reserve limit for stock has as yet been fixed by the Government of India, though reminded from time to time.

II. QUANTITIES OF STORES ISSUED TO WORKS BUT KEPT UNDER SUSPENSE.

At the end of October, 1954, the position was that the value of stores issued to works but not allocated against the works amounted to Rs. 174.25 lakhs while the value of returned Stores for which credit has yet to be given to individual Works stood at Rs. 177.01 lakhs.

III.—ISSUE OF STORES TO CONTRACTORS.

It was noticed that the value of the materials issued to the contractors was not immediately debited to their ledger accounts, as required under the rules. The Chief Engineer of the Project has stated that to avoid any omission of recovery every possible precaution was taken and a certificate obtained from the supervisor before finally settling up the Contractors' accounts to ensure that nothing was outstanding against them. It is not clear how the Supervisor gave no demand certificates if his records were incomplete. It has not been possible for audit to satisfy itself that all debits on account of issue of stock materials have been raised against the Contractors and recovered. The total difference between the account book balance and the value of the stock that was actually found in hand on 1-11-1952, which it is proposed to

write off, (*vide* item I (ii) (b) above) would include the value of Stores if any that were issued to Contractors without recovery of value.

IV.—PARA. 10 OF COMPTROLLER AND AUDITOR GENERAL'S MEMO—CENTRAL STORES.

(a) The system of issue of stores direct to the works instead of for the stock of the Divisions has been given effect to from 19-6-1954. It would be noted that this requirement of the Stores Rules was being insisted on from 1949, but has taken five years to implement.

(b) The Comptroller and Auditor General's recommendation that adjustment through exchange accounts should all be done by the Central Stores Division only and even in regard to supply of stock on cash payment the purchases should be canalised through Stores Division is being followed in all the Divisions excepting one (Delta Investigation Division) located at a distant place.

All purchases are now made by a purchase section formed in the office of the Chief Engineer, Hirakud Dam Project from 1-11-1953.

V.—PARA. 11 OF COMPTROLLER & AUDITOR GENERAL'S MEMO—WORKSHOP DEBITS.

The Financial Adviser and Chief Accounts Officer has reported that at present debits are advised to the Divisions concerned on the basis of work orders given by the Divisions concerned in which the name of the estimate chargeable is mentioned, with the result that the disputes in regard to the acceptances have been minimised. The balance under workshop suspense was Rs. 76.14 lakhs at the end of March 1952 and Rs. 23.69 lakhs at the end of October 54.

VI.—PARA. 13 OF COMPTROLLER & AUDITOR GENERAL'S MEMO—DELAY IN SANCTION TO PROJECT ESTIMATES.

The revised estimate of the Hirakud Dam Project (Stage I) amounting to Rs. 70.78 crores has been approved by the Government of India and Government of Orissa and expenditure sanction to the works portion of the Project (Stage I) amounting to Rs. 65,49,22,000 accorded by the Government of India.

APPENDIX LI.

MINISTRY OF FINANCE (REVENUE DIVISION)

Note regarding para. 22 of Audit Report (Civil) 1952 for Public Accounts Committee.

Para. 22 of Audit Report (Civil) 1952, refers to the grant by this Ministry of two concessions by executive orders in anticipation of legislation which were extra-legal in violation of the provisions of section 60(3) of the Indian Income-tax Act, 1922, reproduced below—

“(3) After the commencement of the Indian Income-tax (Amendment) Act, 1939, the power conferred by subsection relating to grant of exemption or reduction (1) shall not be exercisable except for the purpose of rescinding an exemption, reduction or modification already made.”

2. The two impugned concessions are (1) Non-deduction of tax at source (and round wherever deducted) from death-cum-retirement gratuity payable under the revised Pension Rules issued by the Central Government on 17th April 1950 and (2) exemption from total income of the interest on 3½ per cent. Ten-Year Treasury Savings Deposit Certificates issued by the Central Government.

3. As regards (1), it may be pointed out that the question of liability to tax was not considered when the scheme was sanctioned. As the lump sum payment was chargeable to tax under the law as it then stood, this would have considerably reduced the benefits of the scheme, the Cabinet decided in August 1950 that the lump sum payments should be exempted from tax. A provision to this effect was included in the Income-tax (Amendment) Bill of 1951 which was introduced in the Provisional Parliament in June, 1951, and which subsequently lapsed. This provision was again included in the Income-tax (Amendment) Bill of 1952 which has since been passed by Parliament and has become law with retrospective effect from 1st April 1952. Pending the enactment of the relevant provisions in the Income-tax Act it was considered necessary to mitigate any hardship which would be caused during the intervening period to retired officials. Towards this end, this Ministry issued two executive orders, one to Accountants General and Comptroller and the other to Commissioners of Income-tax. The former order said that pending final outcome of the proposed legislation no tax should be deducted at source from such gratuities payable that *if it become necessary to levy tax, it would be charged later by direct assessment after taking into account the relief under section 60(2) of the Income-tax Act.* The other order said that tax deducted on such gratuities (before receipt of the order) if any, may be refunded and that *if necessary it would similarly be recovered by direct assessment later.*

Section 60(2) of the Income-tax Act permits the Central Government to grant in salary cases such relief as it thinks appropriate.

Having regard to this provision and all the circumstances, this Ministry was of the view that in postponing the recovery of tax till the appropriate relief due under section 60(2) in each case was settled (even assuming that the proposed legislation would not have been passed), there was no contravention of the provisions of section 60(3), and that in so doing Government was acting within the powers conferred on it by section 60(2). The Ministry of Law also are of the view that for such provisional non-recovery of tax on the gratuity section 60(2) can fairly be said to provide necessary legal authority and that at all events in view of the stipulation for direct assessment later (in case the contemplated legislation did not materialise), the action taken by this Ministry cannot be said *per se* to amount to the conferment of an exemption in contravention of section 60(3).

4. As regards the second concession, the Central Government's power of borrowing is derived from Article 292 of the Constitution and presumably within the limits of borrowing, it can, by virtue of its inherent executive power issue securities on such terms as it thinks fit. Also proviso 2 to section 8 of the Income-tax Act envisages the Central Government issuing any security declared to be free from income-tax. If the interest on the 3½% Ten-Year Treasury Savings Deposits, had been issued free from income-tax only, there would have been no need for amendment of the Income-tax Act and the second proviso to section 8 would have applied. But as this security was issued free from both income-tax and super-tax and as the interest thereon was also not to be included in the total income of the recipient, an appropriate amendment of the Income-tax Act became necessary. In issuing securities free of income-tax and super-tax the Government did not contravene any provision of section 60(3) of the Income tax Act, which related to a different matter.

The Ministry of Law have agreed with our views. The exemption of the interest from total income was to become operative in future when the interest accrued due and became payable. By the time therefore, the liability to tax would have arisen in the ordinary course, the amending law had been passed to provide the legal sanction for the exemption.

A. K. ROY,
Joint Secretary.

APPENDIX LIII

MINISTRY OF PRODUCTION

Audit Report (Civil) Part I—1952 Page 9, para. 5 (a).

- (1) *The constitutional position in regard to the setting up of State-owned industries as private limited companies.*

On a paper submitted to the Cabinet by the Ministry of Industry and Supply in which the specific organisational needs of State Industrial Enterprises were stated, the Government took a decision on the 12th November, 1950, to form private limited companies for the management of State Industrial Enterprises and in particular for the Fertilizer Factory at Sindri, the Dry Core Cable Factory, the Penicillin Factory and the Machine Tool Factory.

2. From the files it would appear that the view of the Comptroller and Auditor General, that it is not desirable for Government to embark on trading schemes of industrial projects unless Parliament pass a general or special law authorising the Government to undertake them, was first brought to the notice of the Government in a D.O. letter from the Accountant-General, F.R. & S. dated 20th March 1951. Apparently about the same time the subject was being discussed by the C.A.G. with the P.A.C. The then W.M.P. Secretary arranged a full-fledged discussion with the C.A.G. and the Law Ministry on the subject. In these discussions the Auditor General had objected to Government transferring valuable property to a joint stock company registered under the Companies Act without the specific authority of Parliament. He was also doubtful about the propriety of the Union Government spending money out of the Consolidated Fund of India on an industry (fertilisers) until Parliament by law declared the control of such an industry by the Union Government to be expedient in the public interest—*vide* item 52 of List 1 of Seventh Schedule of the Constitution. The C.A.G. raised the second major point, namely that he derives his authority from Art. 149 of the Constitution and he would be prepared to accept the responsibility for auditing the accounts of companies of this type if specifically asked to do so by Parliament but not otherwise.

3. A statement of the case* was first placed before the Attorney-General in June 1951 for his opinion. Simultaneously a copy of the case was forwarded to the C. & A.G. for his opinion. (The latter did not send any comments and apparently agreed with the statement of the case as drafted for the opinion of the Attorney-General). The two constitutional issues raised in the statement for opinion were, (1) can the Central Government establish or run an industry such as the Sindri fertiliser project or spend money out of the Consolidated Fund of India on such industry unless and until Parliament by Law has declared the control of such industry by the Union Government to be expedient in the public interest (item 52, List 1 of

*Not printed.

Seventh Schedule), and (2) can the Comptroller and Auditor General who derives his authority from Art. 149 of the Constitution accept responsibility for the audit of industrial and commercial undertakings unless specifically required to do so by Parliament? On this the opinion of the Attorney-General dated 4th July 1951 was as follows: In regard to the first issue the reply was in the negative in the absence of a declaration by Parliament by law and this could not be overcome by a resolution of Parliament which has not the efficacy of law. On the second point also the answer was in the negative, namely that the requisite statutory powers for the audit by the C.A.G. could not be conferred merely by the Articles of Associations of a limited company. About this time the decision to form Sindri as a private limited company (in accordance with the policy decision of Government of November 1950 to choose the company form of management for such undertakings) was due to be implemented. The then Minister for W.P. & S. (Shri Gadgil) wrote to the Auditor General (on 11th December 1951) stating Government had taken note of his views in the matter and would be considering steps to act on the advice but suggested as an immediate measure that the administrative view regarding the formation of private limited companies may be accepted and seeking his cooperation to see the factories administered properly.

4. In the meantime, in October 1951 the Industries (Development and Regulation) Act 1951 (Act LXV of 1951) had been enacted. In a meeting held with him by officers of the Ministry on 10th December 1951 the C.A.G. still held the view that this Act did not confer on Government absolute powers in respect of fertilisers and other industries mentioned in the 1st schedule and the functions of the Centre operating through Development Councils were limited—vide section 6 (4) of the schedule. Further as the production of fertilisers by Government by setting up a factory by them did not fall within the Central sphere, the withdrawal of moneys from the consolidated funds would not be constitutional. He however expressed the hope that the difficulties would be removed by further legislation. On the second issue the C.A.G. also expressed the view that the company may request him to be auditor if necessary by incorporating suitable provisions in the articles of association but this would be neither proper nor binding as his duties and functions are prescribed by Parliament. His general observations were that the formation of private companies for the management of Government industrial undertakings whittles away Parliamentary control over public money, as Parliament cannot watch through the P.A.C. and the audit report, the legality of operations and financial results of such companies. After these discussions the matter was again considered at an inter-ministerial meeting on 12th January 1952 where the Law Secretary and representatives of the C.A.G. were present. The opinion of the Law Secretary was that it was not necessary to undertake fresh legislation in view of the declaration in section 2 of the Industries (Development and Regulation) Act that it is expedient in the public interest that the Union should take under its control industries specified in the schedule and that the executive power of the Union was co-extensive with legislative power thus attracting entry 52 to List 1.

5. A statement of the case was again presented to the Attorney General on 16th January 1952 where this issue was placed before him: "whether the declaration contained in section 2 of the Act cited is sufficient from the constitutional point of view to give the Central Government necessary executive power to hold shares in and to manage and control Sindri Fertilisers & Chemicals Limited or whether further and more specific legislation is necessary for the purpose". On this the opinion of the Attorney General furnished on 16th February 1952 was final and affirmative, namely that further and more specific legislation is not necessary for the purposes mentioned, the point being further elaborated by him. Heavy chemicals including fertilisers is item 15 in the 1st schedule to the Industries (Development and Regulation) Act, 1951. The Attorney-General also expressed the view that Art. 266(3) provided that moneys from the consolidated funds shall be appropriated in accordance with law and for the purpose and in the manner provided in the Constitution, and if the necessary appropriation of moneys needed for the shares of a private limited company has been made in accordance with Art. 110(1) the disbursement of these moneys will be in compliance with the provisions of sub-clause (3) of Art. 266 and therefore constitutional. This opinion was received on the 23rd February 1952 and was immediately communicated to the Comptroller and Auditor General.

It should be mentioned at this stage that there was a Parliamentary vote in 1951-52 for the provision of funds for Sindri which was then a departmental undertaking and in the explanatory memorandum it had been brought to notice that Government were proposing the implementation of the decision to transfer the ownership and control to a private limited company, formed by Government. The mere transfer of assets does not require a vote of Parliament (unless it be part of the territory of India). The expenditure by the company from funds allotted to it does not therefore become unconstitutional in the absence of a detailed vote as for service heads of expenditure.

6. In view of the clear expression of opinion by the Attorney General as the legality of the action already taken by Government was no longer in dispute the question of taking appropriate measures in accordance with the advice of the C.A.G. still remained under consideration of Government. Since the beginning of 1952 therefore, the question was being considered as to what legislation should be brought before Parliament regarding authorising of Government owned and managed industrial undertakings and authorising the C.A.G. to conduct the audit of these commercial enterprises. The Law Ministry had advised that no validating legislation was necessary and if the general law contained in the Companies Act was not suitable the general aspects of the case could be considered further in due course. The Minister for W. P. & S. felt that discussion on this matter should follow the report of the Company Law Amendment Committee.

7. During this period the Minister for Production and the Production Secretary have written to the C.A.G. seeking his advice and specific suggestions on the lines on which legislation should be undertaken to meet the points raised by him. The first detailed

letter of the Secretary of the Production Ministry to the Auditor-General was written on 30th July 1952 giving a resume of the discussions held previously with regard to the question of specific legislation for State Undertakings and seeking advice, in the course of which letter he stated as follows:

"We are conscious of your objection to the formation of Companies under the Indian Companies Act in the case of these Industrial Enterprises and we are anxious to meet your view point. You were good enough to say at one time that you would let us know the lines along which legislation should be undertaken to put this matter on a sound footing. We would be grateful if you would find a little time in the midst of your multifarious duties and give us a memorandum indicating the line on which such legislation should be undertaken by Government. I promise you to give utmost priority to this matter and to see that the matter is not slept over or unnecessarily delayed. We would, however, appreciate guidance from you and I hope it would be possible for you to spare a little time and give us your ideas."

The Production Minister followed up the above communication with a letter to the C. & A. G. on the 18th August, 1952 (Annexure II-B). A further letter issued to the Controller of Commercial Audit elicited the following interim reply on the 22nd November, 1952:—

"Please refer to your D.O. No. Fy.I-4(286)/51 dated the 11th October, 1952 regarding legislation in regard to State Industrial Enterprises. The matter is under our active consideration and the proposal when finalised will be communicated to Government."

On the 12th January, 1953, the Secretary of the Production Ministry (the present C. & A. G.) also addressed a D.O. letter to the Auditor General himself.

The Production Ministry has since then also kept in touch with the C. & A. G. by writing other letters.

8. The question regarding the form in which the legislation for institution of management of State-owned undertakings should take, continued to remain under examination of Government in the light of experience gained in the working of the enterprises. In view of the position that had been sustained in regard to Sindri, other undertakings under the Ministry of Production with the company form of working had been started. In each of these cases there is a provision in the Articles of Association for audit by the Comptroller and Auditor General and this was made in consultation with the C. & A.G. and he has been arranging for audit on this basis although insisting on his inherent right to have this regulated by legislation.

9. The matter came up for discussion in Parliament on the 10th and 11th December 1953. The reply of the Finance Minister explained broadly the position of Government as referred to earlier. The Government did not consider that there had been any unconstitutional action by them but it was their intention to bring before Parliament proposals for legislation for placing the whole matter in a more satisfactory position (either as a special Bill or as

● special Chapter in the Company Law Bill) which would cover Industrial Undertakings of Government and specifically provide for C. & A.G.'s audit. It was since then that a decision was taken to introduce a special chapter in the Company Law Bill to provide for more effective financial and Parliamentary control over Government Undertakings. As mentioned at the meeting of the P. A. C. by Production Secretary the introduction of such a chapter in the Company Law Bill is the present stage of the proposal: but as the Bill is in the Select Committee stage, the further progressing of the measure will depend on that Committee.

10. At the meeting of the Public Accounts Committee held on the 19th August 1954, a specific enquiry was made as to the action that was taken by the Production Ministry on the objection raised by the C. & A.G. The above recountal would explain how with the passing of the Industries (Development & Regulation) Act shortly after Sindri was formed into a private limited company, the constitutional and legal objections raised originally by the C.A.G. became no longer tenable (as per opinion of the Attorney-General) and that nevertheless steps have been under discussion for meeting the points of view expressed by the C.A.G. As there was no question of validation of earlier action taken by Government and satisfactory legislative provision could be made through amendments to the Company Law Bill already pending enactment, the matter was not progressed by any other special measures. The following were the specific steps taken by the Government.

(i) Through the Industrial (Development and Regulation) Act 1951, legal provision was made enabling the Central Government to participate in the manufacture of fertilisers.

(ii) In consultation with the Attorney General the Government satisfied themselves that there was no infringement of the law or of the Constitution in the Central Government setting up a fertiliser factory and in appropriating funds for it, with the vote of Parliament, in the manner in which it has been done.

(iii) While the C. & A.G. had pointed out that additional functions could not be imposed on him through the Articles of Association of any companies he expressed the definite view that in any case his audit jurisdiction could not be ousted from Central Government undertakings and he would continue to exercise his right to audit the accounts of such undertakings. In consultation with the C. & A.G. a suitable provision was made in the Articles of Association of each company providing for the right of the C. & A.G. to audit the accounts of such undertakings in addition to the audit requirements of the Company Law.

(iv) In July 1952 the advice of the C. & A.G. was sought as to the lines on which he would suggest that legislation should be undertaken by Government. The Ministry of Production has been keeping in touch with the C. & A.G. to obtain his advice on this matter.

(v) In the course of replying to a debate on Parliamentary control over public undertakings the Finance Minister clarified the attitude of the Government. He explained that the Company form of management was considered suitable for certain types of

undertakings and Government had been experimenting with various types. While he demurred to the Auditor General's statement that this type was 'a fraud on the Constitution or the Company Law' he stated that it was Government's intention to consider in what way the whole position could be placed on a more satisfactory basis by legislation, either by enactment or by incorporation in the Company Law Bill which is still pending.

(vi) Amendments to be introduced to the Company Law Bill in the Select Committee to cover the case of Government undertakings under the company form of management have been prepared by Economic Affairs Department, Ministry of Finance, in consultation with the Ministries concerned.

ANNEXURE-I-D

OPINION

4. The position is somewhat different in regard to entries 54 and 56 of List I. The difference arises by reason of the phraseology used in entries 54 and 56. These entries empower Parliament to declare *the extent* to which the regulation and development therein referred to under the control of the Union to be expedient in the public interest. Once Parliament has declared by law *the extent* to which such regulation and development under the control of the Union to be expedient in the public interest the legislative as well as the executive power of the Union will be exercisable in respect to such regulation and development *only to the extent* declared by law by Parliament to be expedient in the public interest.

5. Under entries 7 and 52 once the necessary declaration is made the industries as a whole and in all their aspects become subject to the legislative and executive power of the Union. Under entries 54 and 56 the regulation and development of mines, inter-State rivers and river valleys become subject to the legislative and executive power of the Union only to the extent to which Parliament has by law declared such regulation and development to be expedient in the public interest.

6. Parliament has by section 2 of Act LXV of 1951 declared that it is expedient in the public interest that the Union should take under its control the industries specified in the First Schedule to the Act. Among the industries specified are "heavy chemicals including fertilizers", item 15 in the Schedule. This declaration having been made the legislative power of the Union extends to making all legislation whatsoever with respect to the industries mentioned in the First Schedule to the Act; and the executive power of the Union with respect to these industries is co-extensive with the legislative power of the Union in relation to these industries.

7. No doubt Parliament has by the same Act created various bodies for the regulation and development of the scheduled industries. But the fact that they have so legislated has not the effect of cutting down or limiting the executive power of the Union with respect to these industries save in so far as the legislation made by Parliament expressly or by necessary implication limits it. There would appear to be nothing in the Act which, for example, either

by enactment or necessary implication prevents the executive of the Union from subscribing and holding shares in the private limited company or managing and controlling that company.

8. Article 266(3) provides that moneys out of the Consolidated Fund of India shall be appropriated in accordance with law and for the purpose and in the manner provided in the Constitution. If the necessary appropriation of the moneys needed for the shares of the private limited company has been made in accordance with article 110(1) the disbursement of these moneys will be in compliance with the provisions of sub-clause (3) of article 266 and, therefore, constitutional.

9. I have dealt only with the point raised in paragraph (3) of the Memorandum of the Comptroller and Auditor-General of India as that alone has relevance to the question raised in the statement of the case. I do not deal with the point as to the whittling away of Parliamentary control over public moneys which has been raised in paragraph (4) of the Memorandum.

NEW DELHI,
16th February, 1952.

M. C. SETALVAD,
Attorney-General of India.

APPENDIX LIV

MINISTRY OF FINANCE

Memorandum submitted by the Ministry of Finance (Department of Revenue & Expenditure) in regard to the Public Accounts Committee's recommendations at Serial Nos. 10 & 12 of the Statement of Outstanding Recommendations.*

SUBJECT.—*Prompt action against officers found guilty of misuse of Public money; reckless disregard of financial rules, extravagance and losses.*

Detailed instructions regulating the enforcement of responsibility for losses etc. have been laid down in Appendix 2 to the General Financial Rules, Volume II. The importance of avoiding delay in the investigation of any loss of Government money due to fraud negligence, financial irregularity, etc. on the part of Government servants has also been emphasised in Finance Secretary's D.O. letter to the Secretaries of all the Ministries of Government of India No. 118-SF/53, dated the 12th January, 1953 (See Annexure I). The Ministry of Home Affairs also, in their Office Memorandum to all the Ministries of the Government of India No. 39/40/52-Ests., dated the 4th October, 1952 (See Annexure II) issued instructions regarding steps to be taken for expeditious disposal of departmental proceedings against Government servants.

2. A copy of Defence Secretary's D.O. No. 111/Secy/53, dated the 13th March, 1953, in reply to Finance Secretary's D.O. of the 12th January, 1953, referred to in paragraph 1 above is also enclosed (See Annexure III) for the information of the Public Accounts Committee. The reactions of the Secretary, Finance Ministry, to the Defence Secretary's reply to the former's D.O. are given in the enclosure to this note. (Annexure IV).

J. DAYAL,

Joint Secretary.

18-12-1953

ANNEXURE I

D.O. No. 118-SF/53

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

New Delhi, January 12, 1953.

My dear

I should like to invite your attention to the Report of the Public Accounts Committee on the Appropriation Accounts for the year 1948-49 wherein they have made the following recommendation at para. 20:

“Ministries should ensure that action against the delinquent officials is taken promptly and the Ministry of Finance should see that the Ministries initiate necessary proceedings in each and every case in time. Remedial

*See Appendix I (Vol. I—Report)

measures should also be devised against any defects that may have come to notice of that Ministry in the course of investigations”.

2. A number of cases have gone up before the Committee in which it was stated that action could not be taken against the delinquent officials because of the delay in making necessary enquiries in the matter and by the time their guilt was established they had either retired, died or left the country. The P.A.C. have, therefore, been extremely critical of the inadequacy of administrative action, particularly as clear procedural instructions exist enjoining on every Government officer to realise fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part, and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence (*vide* Rule 23 of the General Financial Rules Vol. I), Detailed instructions regulating enforcement of such responsibility are embodied in Appendix 2 to Vol. II of these rules.

3. I would, therefore, like to emphasize the importance of avoiding delay in the investigation of any loss of Government money due to fraud, negligence, financial irregularity, etc. Such cases should be reported immediately to the Audit Officer concerned so that his assistance can also be obtained in regard to the technical investigation of any case of losses. The Administrative Ministry and the Ministry of Finance should also be informed at the earliest moment so that effective remedial action may be taken in rectifying defective procedure etc. quite apart from the punitive action against those at fault. In any case in which it appears that recourse to judicial proceedings is likely to be involved, competent legal advice should be taken as soon as the possibility emerges. In all cases departmental proceedings should also be instituted at the earliest possible moment and concluded expeditiously in strict accordance with the prescribed rules. The question of enforcing pecuniary liability should always be considered as well as the question of other forms of disciplinary action. In particular, if the loss has occurred through fraud, every endeavour should be made to recover the whole amount lost from the guilty persons, and if laxity of supervision has facilitated the fraud, the supervising officer at fault should be penalised either directly by requiring him to make good in money an adequate proportion of the loss, or indirectly by reduction or stoppage of his increments of pay. Steps should also be taken to ensure that a Government servant concerned in any loss or irregularity, which is subject to any enquiry is not inadvertently allowed to retire on pension, while the enquiry is in progress; and accordingly, when a pensionable Government servant is concerned in any irregularity or loss the authority investigating the case should immediately inform the Audit Officer responsible for reporting on his title to pension and the authority competent to sanction pension. In all important cases which might figure in the Audit Report if a convention should be followed of consulting the Finance Ministry also before awarding punishment to the delinquent officer some of the criticisms of the P.A.C. about inadequacy of departmental action

may be obviated. The supplementary instructions contained in para. 8 of Appendix 2 to the General Financial Rules. Vol. II referred to above should be followed by departmental officers wherever prosecutions in the criminal courts are or are likely to be necessary.

4. Even under rule 49 of the Civil Services (Classification Control and Appeal) Rules, one of the penalties which may be imposed upon a Government servant is the recovery from pay of the whole or part of any pecuniary loss caused to Government by negligence or breach of orders.

5. As will be realised, suitable action against the delinquent officials can only be taken if the matter is pursued promptly. I, therefore, request that you will kindly take suitable steps to ensure that action against the delinquent officials is taken promptly and that Audit and the Ministry of Finance are brought into the picture without any delay.

6. I should be glad to have an acknowledgement of this letter. A copy of this letter is also being forwarded to the P.A.C. and the Comptroller and Auditor General.

Yours sincerely,
Sd. K. R. K. MENON.

ANNEXURE II

No. 39/40/53-Ests.

GOVERNMENT OF INDIA

MINISTRY OF HOME AFFAIRS

New Delhi, the 24th October, 1953.

OFFICE MEMORANDUM

SUBJECT.—*Departmental Proceedings against Government Servants—Steps for expeditious and better disposal of—nomination of specified officers in the Ministries/Departments to be in charge of all disciplinary inquiries in the Ministry/Department.*

There have been repeated references in Parliament and in Parliamentary committees to the delays in the disposal of departmental proceedings against delinquent Government Servants, and to cases in which, on technical and procedural grounds, the accused persons ultimately escape the punishments they deserve. The general impression is that the prescribed procedure is too elaborate and requires to be replaced by something more simple and summary.

2. After careful consideration the Ministry of Home Affairs have come to the conclusion that this impression is not wholly justified. The procedure prescribed in Rule 55 of the Civil Services (Classification, Control and Appeal) Rules is applicable only to cases in which the charges are so serious as to call for one of the major punishments, i.e. Dismissal, Removal, or Reduction in Rank etc. (A more summary procedure is already available for less serious cases). The provisions of Rule 55 are merely designed to ensure compliance with a salutary principle of justice and public policy which has

measures should also be devised against any defects that may have come to notice of that Ministry in the course of investigations".

2. A number of cases have gone up before the Committee in which it was stated that action could not be taken against the delinquent officials because of the delay in making necessary enquiries in the matter and by the time their guilt was established they had either retired, died or left the country. The P.A.C. have, therefore, been extremely critical of the inadequacy of administrative action, particularly as clear procedural instructions exist enjoining on every Government officer to realise fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part, and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence (*vide* Rule 23 of the General Financial Rules Vol. I), Detailed instructions regulating enforcement of such responsibility are embodied in Appendix 2 to Vol. II of these rules.

3. I would, therefore, like to emphasize the importance of avoiding delay in the investigation of any loss of Government money due to fraud, negligence, financial irregularity, etc. Such cases should be reported immediately to the Audit Officer concerned so that his assistance can also be obtained in regard to the technical investigation of any case of losses. The Administrative Ministry and the Ministry of Finance should also be informed at the earliest moment so that effective remedial action may be taken in rectifying defective procedure etc. quite apart from the punitive action against those at fault. In any case in which it appears that recourse to judicial proceedings is likely to be involved, competent legal advice should be taken as soon as the possibility emerges. In all cases departmental proceedings should also be instituted at the earliest possible moment and concluded expeditiously in strict accordance with the prescribed rules. The question of enforcing pecuniary liability should always be considered as well as the question of other forms of disciplinary action. In particular, if the loss has occurred through fraud, every endeavour should be made to recover the whole amount lost from the guilty persons, and if laxity of supervision has facilitated the fraud, the supervising officer at fault should be penalised either directly by requiring him to make good in money an adequate proportion of the loss, or indirectly by reduction or stoppage of his increments of pay. Steps should also be taken to ensure that a Government servant concerned in any loss or irregularity, which is subject to any enquiry is not inadvertently allowed to retire on pension, while the enquiry is in progress; and accordingly, when a pensionable Government servant is concerned in any irregularity or loss the authority investigating the case should immediately inform the Audit Officer responsible for reporting on his title to pension and the authority competent to sanction pension. In all important cases which might figure in the Audit Report if a convention should be followed of consulting the Finance Ministry also before awarding punishment to the delinquent officer some of the criticisms of the P.A.C. about inadequacy of departmental action

may be obviated. The supplementary instructions contained in para. 8 of Appendix 2 to the General Financial Rules. Vol. II referred to above should be followed by departmental officers wherever prosecutions in the criminal courts are or are likely to be necessary.

4. Even under rule 49 of the Civil Services (Classification Control and Appeal) Rules, one of the penalties which may be imposed upon a Government servant is the recovery from pay of the whole or part of any pecuniary loss caused to Government by negligence or breach of orders.

5. As will be realised, suitable action against the delinquent officials can only be taken if the matter is pursued promptly. I, therefore, request that you will kindly take suitable steps to ensure that action against the delinquent officials is taken promptly and that Audit and the Ministry of Finance are brought into the picture without any delay.

6. I should be glad to have an acknowledgement of this letter. A copy of this letter is also being forwarded to the P.A.C. and the Comptroller and Auditor General.

Yours sincerely,
Sd. K. R. K. MENON.

ANNEXURE II

No. 39/40/53-Ests.

GOVERNMENT OF INDIA

MINISTRY OF HOME AFFAIRS

New Delhi, the 24th October, 1953.

OFFICE MEMORANDUM

SUBJECT.—*Departmental Proceedings against Government Servants—Steps for expeditious and better disposal of—nomination of specified officers in the Ministries/Departments to be in charge of all disciplinary inquiries in the Ministry/Department.*

There have been repeated references in Parliament and in Parliamentary committees to the delays in the disposal of departmental proceedings against delinquent Government Servants, and to cases in which, on technical and procedural grounds, the accused persons ultimately escape the punishments they deserve. The general impression is that the prescribed procedure is too elaborate and requires to be replaced by something more simple and summary.

2. After careful consideration the Ministry of Home Affairs have come to the conclusion that this impression is not wholly justified. The procedure prescribed in Rule 55 of the Civil Services (Classification, Control and Appeal) Rules is applicable only to cases in which the charges are so serious as to call for one of the major punishments, i.e. Dismissal, Removal, or Reduction in Rank etc. (A more summary procedure is already available for less serious cases). The provisions of Rule 55 are merely designed to ensure compliance with a salutary principle of justice and public policy which has

also been incorporated in article 311 of the Constitution of India, viz. that no man should be condemned and punished without a reasonable opportunity to defend himself. The prescribed procedure therefore requires that the accused officers should be told in the form of written charges exactly what he is alleged to have done and on what evidence oral or documentary the allegations are based; that he should have an opportunity to inspect the documentary evidences, to test the oral evidence by cross examination and to furnish such evidence as he wish to adduce in his own defence. If, as a result of the enquiry, it is decided that the officer should be dismissed, removed or reduced in rank, he has to be given a further opportunity to show cause, if any, against the actual punishment proposed. Anything less than this would amount to a denial of the 'reasonable opportunity' which is guaranteed by article 311.

3. There is, however, nothing in these minimum requirements which must necessarily lead to unduly protracted proceedings or to a failure to secure just punishment to the guilty. The officer conducting a departmental inquiry has to hold the balance even between the interests of the State and the avoidance of injustice to the accused. He is free to take a responsible, reasonable and prudent view of the facts and circumstances of the case and is not bound by the rigid limitations regarding the admissibility of evidence and the degree of proof applicable to prosecutions before Criminal Courts. Provided the inquiry officer gives the necessary time and efforts, confines his attention to the main points at issue and firmly resist any attempt by the accused officer to introduce irrelevancies or to adopt deliberate dilatory tactics—there is no reason why satisfactory expedition in disposal should not be achieved in all cases without departing from prescribed procedure.

4. The various factors which may contribute to undue delays and faulty disposal are:—

- (i) Officers conducting the departmental enquiries may be so pre-occupied with other duties that they can only spare a few hours at a time at long intervals for the enquiry itself.
- (ii) Unfamiliarity with the procedure or inadequate appreciation of the difference between a departmental enquiry and a trial in a Criminal Court, may lead to over-elaboration, or lack of firmness in dealing with dilatory tactics.
- (iii) Avoidable delay may sometimes occur at the stage when the enquiry officer has submitted his report and the appropriate authorities have to make up their minds whether the findings are to be accepted and if so what the punishments should be.
- (iv) Where, under the rules, consultation with the Union Public Service Commission is necessary some undue delay may occur in making the reference to the Commission, and in the consideration of the case by that body.

5. As regards the factors mentioned in (i) and (ii) above the Ministry of Home Affairs have considered the feasibility of setting up separate Administrative Tribunals for enquiring into the more important departmental proceedings. Although such bodies have worked satisfactorily in the States of Uttar Pradesh and Madras, it is felt that Central Government's Machinery is so vast and so widely scattered that a similar experiment will hardly justify the expenditure incurred. In cases of extreme complexity or importance it will always be open to Government to set up special committees of enquiry or to have recourse to the Public Servants Enquiries Act, 1850. For all other departmental enquiries the delays caused by excessive pre-occupation or unfamiliarity with the procedure could be easily avoided by adopting the following measures:—

- (i) In each Ministry or Department a specified officer or officers of appropriate rank shall be nominated and earmarked for the purpose of conducting all the departmental enquiries arising within that Ministry/Department.
- (ii) As soon as occasion arises for taking up such an enquiry the nominated officer will be relieved of his normal duties to such extent as may be necessary to enable him to devote full and careful attention to the completion of the enquiry and the submission of his report. During this time the work of which the officer is relieved may be distributed amongst other officers.
- (iii) The nominated officers should familiarize themselves with the rules and essential procedural requirements and appreciate the difference between Departmental inquiries and trials in the Criminal Courts. The maintenance of close personal contacts with the Ministry of Home Affairs will enable them quickly to resolve any doubts or difficulties which may arise.

6. As regards the causes of delay mentioned in (iii) and (iv) of para 4, much improvement will be effected if, (a) it is impressed upon all concerned that both public interest as well as humanitarian considerations demand that no avoidable delay should occur in the disposal of disciplinary cases; and (b) any failure to give such cases due priority is itself regarded as a dereliction of duty and suitably dealt with.

7. As to the possibility of delay occurring in the consideration of a case and tendering of their advice by the Union Public Service Commission the Ministry of Home Affairs are in correspondence with the Commission and they have every hope that satisfactory arrangements will be made to secure all possible expedition on the part of the Commission.

8. The Ministry of Finance/etc. are accordingly requested to take immediate action on the instructions contained in paras 5 and 6 above. The names of the officer or officers nominated in term of para. 5 may kindly be communicated to this Ministry by the 31st October, 1952.

S. B. BAPAT,

• Joint Secretary.

The 18th December, 1953.

ANNEXURE III

Copy of D.O. letter from Shri H. M. Patel, Defence Secretary to Secretary (R & E), No. 111/Secy./53 dated the 13th March, '53.

Please refer to your D.O. No. 118-SF/53 dated the 12th January 1953 in which you referred to a recommendation of the Public Accounts Committee on the Appropriation Accounts for the year 1948-49.

So far as this Ministry is concerned, prompt action is taken wherever necessary against officials who are considered *prima facie* to be responsible for any loss or damage, and where loss or damage is caused by some faulty procedure, action is taken to remedy it. I do not, however, see that it is necessary to establish any convention as is suggested by you, to consult the Finance Ministry. The action will be of an administrative nature. It is difficult to see how Finance will be any more competent than the administrative Ministry to decide what punishment should be awarded. The administrative Ministry must be presumed to know and act in a responsible manner. In the Defence Services the cases are generally tried formally by courts-martial and action must, in such cases, be taken in accordance with the disciplinary Acts of the Services. I feel that so far as the Defence Ministry is concerned, the present system of dealing with these cases is adequate.

ANNEXURE IV

The Public Accounts Committee wanted the Ministry of Finance (a) to see that Ministries initiate necessary proceedings in each and every case in time and (b) to devise remedial measures against any defects that may have come to the notice of the Ministry of Finance in the course of investigations. Finance Secretary's D.O. letter of the 12th January, 1953, to other Secretaries stressed the importance of their dealing with these irregularity cases promptly and firmly. A suggestion was also made in that letter that the administrative Ministry could consult the Finance Ministry in advance regarding the action the former were proposing to take. This suggestion regarding the previous consultation with the Finance Ministry was not intended to be mandatory at all. It was a suggestion meant merely to enable the administrative Ministry to fortify its own position. If a particular Ministry did not find it necessary to avail of this method of fortifying itself, there was obviously no question of its disregarding any instructions issued in Finance Secretary's D.O. referred to above. There really was intended to be no instruction or direction of any sort on this particular point. The Defence Secretary's reply simply means that he does not wish to avail of this method which was offered for the consideration of the Secretaries of all the Ministries of the Government of India. He has given a fairly good reason for it too—though, in fact, he need have given no reason at all, *viz.* that the Defence Services cases of loss, damage, etc. are tried formally by Courts-Martial, and the disposal of such cases, including the award of punishment, is governed by the Army Act. This does not mean that the Finance Ministry are absolved from performing the two functions emphasised by the Public Accounts Committee and mentioned at (a) and (b) at the commencement of this paragraph.

APPENDIX LV

Memorandum submitted by the Ministry of Finance (Department of Revenue & Expenditure) in regard to the Public Accounts Committee's recommendation at Serial No. 3 of the Statement of Outstanding Recommendations.*

Item 3: A copy of the instructions issued by this Ministry requiring that the explanations for variations between the grants and the actual expenditure should be expeditiously furnished is enclosed for information (*vide* Office Memorandum No. F.27(2)-E.G.I/53, dated the 24th July 1953—See Annexure).

J. DAYAL,
Joint Secretary

No. F.27(2)-E.G.I/53

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

New Delhi, dated the 24th July, 1953

OFFICE MEMORANDUM

SUBJECT:—*Compilation of Appropriation Accounts—prompt explanations for variations between Grants and expenditure.*

In para 15 (iii) of the First Report on the accounts of 1948-49, the Public Accounts Committee have commented on the delay that occurs in furnishing explanations by the administrative Ministries for the variations between the original and final grants as also the actual expenditure. As this affects the compilation of the Appropriation Accounts and it also delays the examination thereof by the Public Accounts Committee, all the Ministries etc., are requested to ensure that explanations for variations in the demands under their administrative control are, wherever necessary, furnished promptly to the audit authorities. The Ministries are also requested to issue strict instructions in the matter to all the subordinate authorities under them.

H. F. B. PAIS,
Deputy Secretary.

*See Appendix I (Vol. I—Report).

APPENDIX LVI
MINISTRY OF FINANCE

Memorandum submitted by the Ministry of Finance (Department of Revenue & Expenditure) in respect of item 65 of the Statement of Outstanding Objections* regarding the pledging of adequate securities by Cashiers in the form of both cash and property.

In accordance with the existing instructions in the General Financial Rules, security taken from a Government officer or a contractor should be in one of the following forms:—

- (a) Cash;
- (b) Government Promissory notes, Municipal debentures or Port Trust bonds;
- (c) Post Office Savings Bank Pass Books.
- (d) Post Office cash certificates, Defence Savings Certificates and National Savings Certificates.
- (e) Deposit receipts of recognised banks approved by the Government for the purpose.
- (f) Fidelity bonds from Insurance Companies of reasonable financial standing in forms prescribed by Government.
- (g) Other forms of security specifically approved by Government for acceptance in any particular department e.g. mortgages in real property, personal security, etc.

In most of the Ministries, securities are obtained in one of the forms indicated at (a) to (f) above or sometimes, partly in one form and partly in another. The Ministries do not generally favour the pledging of property as security from Government servants entrusted with Cashier's duties. In the case of property, the work of verifying the legal title of the pledger and ascertaining whether it is free from any mortgage or other prior encumbrances would entail avoidable labour and may sometimes even lead to legal complications. Moreover, it will unduly restrict selection of suitable persons for cash work if the tendering of security in any particular form e.g. partly cash and partly property is made compulsory in every case. The actual form in which security is held is therefore best left to the discretion and responsibility of the Ministries concerned. The need for ensuring that sufficient and easily realisable security is insisted on is, however, being brought to the notice of all Ministries concerned.

In regard to sub-para (ii) of item 65 of the Committee's recommendation, it has been ascertained that the Ministries are observing the procedure as visualised by the Committee. In some cases where the amount of collections is small, they are being paid into the Bank weekly or at suitable periodical intervals. Embassies abroad follow a procedure specifically laid down for them which empowers them, in specific cases, to appropriate departmental receipts towards expenditure.

S. JAYASANKAR,
Joint Secretary

*See Appendix I (Vol. J—Report).

APPENDIX LVII

DAMODAR VALLEY CORPORATION

Ref: Appropriation Accounts (Civil) 1949-50 and the Audit Report thereon.

Para. 6(a) & (b)—Konar dam:

What was the actual amount set off against Messrs. Gruner Bros.?

DVC's Reply:

1. In considering the DVC Audit Report for the year 1949-50 the Comptroller and Auditor General raised a similar question regarding para 6(a) and (b) of the Report. This was referred to the DVC for comments by the DVC Audit Officer in his No. AT/DVC/44/679 dated 2nd July, 1952. The relevant extract from this letter is quoted below:

"3. The following observation has been made by the Comptroller and Auditor General on paras 6(a) & (b) of the Audit Report:

'The Corporation may kindly be asked to intimate why the necessary facts could not be ascertained before entrusting the work of preparation of the designs and estimates for the project to Messrs. S. C. Batignolles at a cost of Rs. 4 lakhs. In the last sentence of Clause (b) it is stated that for the work done by them, a reduction was made from the quotation of Messrs. Gruner Bros. to whom this was subsequently allotted. The Comptroller and Auditor General desires that the Audit Officer will kindly verify this and communicate the results thereof.'

The remarks of the Corporation on the above points may kindly be furnished to Audit."

The reply given by the DVC is quoted below, *vide* DVC No. W 223/18-3409 dated August 8, 1951:

"The functions of the SCB were different from those of Messrs. Gruner Bros. As will appear from the preambles of the two contracts, the SCB had been engaged to prepare the main designs and target estimates for the Konar Group of Dams and the Power Stations while Messrs. Gruner Bros. were appointed (a) to prepare the detailed designs, (b) to supervise the construction of Konar No. 1 dam and (c) to furnish engineering, including supervision and testing of Konar No. 1 dam and Hydro-electric Plant and such other items as mentioned in the contract.

"Contract with Messrs. Gruner Bros. was finalised by negotiation. They had asked for a ceiling of Rs. 21 lakhs for their fees on the basis of the standards laid down in

Continental Europe for consulting engineering services for works of similar nature. On the ground that the work relating to main designs were done by SCB at a cost of Rs. 4 lakhs, they were asked to reduce their quotation by this amount. Messrs. Gruner Bros.'s argument was that the fee of Rs. 4 lakhs was in respect of the main designs for the entire Konar group of dams. i.e. Konar 1, 2 and 3 and not only for Konar No. 1 dam. They considered a sum of Rs. 2,50,000/- as allocable to the preparation of main design for Konar No. 1 dam and the hydro power station, and the balance of Rs. 1,50,000/- to the preliminary studies made for Konar 2 and 3 and hence they agreed to reduce their maximum fee to Rs. 18,50,000/-. Those who took part in the discussions have confirmed this."

A copy of the confirmation referred to in the last sentence of the extract quoted above is enclosed (*vide* Annexure I).

2. Fees payable to Consulting Engineers have long been standardised and can be readily determined on the basis of the schedules of fees laid down by Associations of Engineers both in Europe and the U.S.A. For example, the Association of Swiss Engineers and Architects has laid down the amount of fees that can be legitimately charged by Consulting Engineers for their services. The overall fees payable on different types of engineering projects are further broken down into percentages payable, respectively for preliminary designs and estimates, main designs and target estimates, invitation and acceptance of tenders, detailed designs general supervision of construction, detailed local supervision of construction, and concluding report together with final plans for the completed work. The fees fixed for Gruner Bros. compared to the schedules of fees payable to Consulting Engineers in Switzerland, Germany and other European countries.

At the time of awarding the contract to Gruner Brothers for engineering services the cost of the engineering works involved in Konar project was estimated at Rs. 5.5 crores approximately. Since then the cost of the project has gone up considerably. The fees payable to Gruner Brothers, however, continue to be subject to the ceiling figure of Rs. 18.5 lakhs as laid down in the D.V.C's Agreement with them.

3. Three conclusions follow from the facts stated above:

- (a) Due allowance was given by Gruner Bros. for the part of the design work which had been carried out by Societe de Construction des Batignolles against a lump-sum payment of Rs. 4 lakhs;
- (b) The fees payable to Gruner were determined in accordance with the standard schedules of fees prevailing in European countries; and
- (c) In view of the subsequent rise in the cost of Konar dam the actual fees paid to Gruner Bros. will, in effect, be appreciably lower than what would be justified by the standard schedules of fees for consulting engineering services.

Para 6(i)—Jungle Clearance.

A copy of the contract may be furnished to the Committee.

DVC's Reply.

Five copies of the contract are enclosed. In interpreting the relevant clause of the contract the following facts may please be taken into account:

The items relating to jungle clearance and stripping of embankments figure in the specifications, Clause 6 & 7 of Part III pages 30-31 of the Agreement dated May 24, 1950. But the specifications were elaborated and finalised only after the tender had been accepted. Consequently, they included some items which had not been covered by the schedules of unit rates tendered by the contractor. The position was clarified through an exchange of letters before the Agreement was signed. The relevant extracts from this correspondence will be found in an enclosure (Annexure II).

A note stating the factual position re: the jungle clearance case with especial reference to the following points may be furnished:

- (i) Whether the Forest Department of the Bihar Government was asked to prepare the estimate for the timber available before undertaking the jungle clearance work through the agency of contractors;
- (ii) What other steps were taken by the DVC in this behalf to assess the quantity and the probable cost of the timber available in the area; and
- (iii) Any other information that the DVC may desire to place before the Committee in this respect.

DVC's Reply.

In entrusting this work to the Konar contractors, the DVC, in its letter No. W.5/28-5830 dated September 20, 1950 made it clear that: "The trees which are removed shall remain the property of the Corporation and are to be neatly stacked at accessible places for further disposal by the Corporation by sale or otherwise".

The total estimated area from which jungle was to be cleared was 32,600,000 sq. ft. or less than 750 acres. The forest was of poor quality. In fact, it was more in the nature of a Scrub jungle. 1,07,09,339 sq. ft. were cleared by the contractor and the rest departmentally.

While the area was being acquired, the Land Acquisition Officer asked the Forest Department of Bihar Government to prepare an estimate for the timber available from the area and also to report the value of this. The value of the timber, as assessed by the Forest Department, was about Rs. 10/- per acre. This was paid by the DVC.

A Forest Officer of the DVC made all efforts to sell the forest produce. It was also put on auction sale, but nobody came forward to purchase it. With great difficulty a contractor was persuaded to pay Rs. 15/- per truckload of three tons of wood. Altogether 127 truckloads were sold to him.

Forest produce from other borrow areas was recently notified for sale by public auction. There was no response to this notice either. The Forest Department of Bihar Government had also advertised the forest produce of the submergence area for sale, but again with the same result.

The lack of interest in this produce is due to several factors. Good quality timber is hardly available from this area, and in any case it forms a very small percentage of the total clearings. The bulk of the clearings consists of firewood, for which there is hardly any demand in the vicinity. The area is scarcely populated. The nearest town is Hazaribagh which is 32 miles from Konar. The cost involved in road transport of the firewood naturally acts as a deterrent. That is why scrub jungle, bushes and roots had to be mostly heaped and burnt.

Para. 7(a) and (b)—Schedule of Rates.

Has any schedule of rates since been drawn up? How does it conform to the corresponding rates prevalent in the State Public Works Departments of the participating Governments?

DVC's Reply.

A Schedule of Rates has already been prepared by the DVC. The schedules of rates drawn up by the State Public Works Department in 1946 proved to be out of date inasmuch as conditions including prices and wages had considerably changed since their preparation. That is why the DVC had to prepare its own schedule of rates after taking into consideration the PWD rates of Chotanagpur Circle, Bihar, and the Central Public Works Department, due allowance being made for local conditions prevailing in the areas where the DVC works were being executed.

Five sets of the DVC Schedule of Rates (each in 6 volumes) are enclosed (Annexure III).

Paras. 8(g) and (h).

What is the progress made in the stock-verification of the Stores? Have any arrangements since been made to ensure periodical stock-verification being carried out? Is any test-check of the stock carried out by the Audit Department also? Has the stock-verification which was in hand disclosed any serious shortages and losses? If so, what is their nomenclature and what steps have the DVC taken to counteract against their recurrence and place the entire store accounting on a proper basis?

DVC's Reply.

Since the submission of the Annual Report for 1949-50, a stock-verification officer with five assistants has been appointed for carrying out periodical verification of the stocks at the various worksites and a cent per cent verification of all the stocks at the various worksites was carried out during 1951-52. This staff is under the Senior Accounts Officer. Apart from this, the Engineers-in-Charge carry out stock verification once a year. It is not normal for the Audit Department to undertake any physical test-check of DVC's stock.

Stock verification which was in hand at the time of the Audit Report for 1949-50 did not disclose any serious shortages and losses, except that of cement at Maithon which has been referred to in the Audit Report.

All possible precautions are being taken by the engineers and Store-keeping staff for the efficient up-keep of DVC materials at all the worksites.

The entire store accounting is on a proper basis and in accordance with the accepted principles and procedures adopted in all Government construction projects.

Para. 11

Have the Corporation since finalised their rules and the various accounts brought up-to-date? A few copies of the rules framed by the Corporation and as approved by the Government of India may also be furnished to the P.A.C. for their information.

DVC's Reply.

The accounts of the Corporation are maintained in accordance with the rules and procedures laid down in the C.P.W. Account and other Codes of the Government of India, and the requirements of the D.V.C. Act and the rules made thereunder.

The first set of regulations relating to financial and stores accounts were issued by the Corporation in September, 1948. The store rules were first revised in August, 1950 while the procedure of financial accounting was revised in October 1950. Further revision of the regulations concerning financial accounts was carried out in December 1950, when the payments and accounts work of the Corporation was decentralised. Since then considerable amendments of the procedure outlined in those regulations had to be made from time to time through a large number of circular memoranda and orders.

The Corporation have decided to examine all these regulations and circular orders issued up-to-date and to incorporate them in an Accounts Manual after such amendments as may be considered necessary and suitable in the light of the experience of the last few years. A special officer is already on this work and has since completed about nineteen chapters of the proposed Manual which have been circulated to all the officers concerned including the Chief Auditor for remarks.

The accounts work of the Corporation is up to date except in respect of stores accounts which are in arrears in certain stations. This is not unusual in large construction works and is largely due to lack of an adequate number of experienced accounts clerks and trained store-keepers. Every attempt is being made to bring the work up-to-date.

Paras. 12 and 13

Are the DVC now in a position to assess the utility of the various Service Organisations set up by them? What disciplinary action has been taken against the persons responsible for the damage caused to some valuable machines of the Drilling division due to mishandling?

DVC's Reply.

(a): *Mechanical Earth-moving Section at Hazaribagh:*

But for the activities of this centralised Mechanical-Earth-Moving Organisation under the Soil Conservation Department the DVC could not have reclaimed lands out of the badly gullied areas in Bachhai, Singrawan and other localities in the Tiliaya catchment and would not have been in a position to resettle the families displaced by the Tiliaya reservoir. 4,951 acres of land were reclaimed till September 15, 1952.

The Corporation is committed to find land for land and house for house for the displaced families. Most of the land available for reclamation was badly gullied which has naturally added to the cost of reclamation.

(b): *Timber Workshop at Maithon:*

But for the installation of this workshop, the DVC would have been forced to go to the local market at Asansol or Calcutta and depend on contractors for the supply of its timber requirements. The DVC estimates that, compared with the market prices up to the end of March 1951, it was able to save about Rs. 40,000/- by running its own workshop. In 1951-52, the corresponding saving was about Rs. 23,000/-.

The DVC's requirement of timber products during the rest of the construction will be heavy. There will therefore be ample work for the workshop in the next three years. It is expected that by that time the demand for furniture and other timber products in the neighbourhood will sufficiently increase to run the workshop on purely commercial lines and thus establish a new industry in the Valley. The workshop has its own sawmill and seasoning kiln. More and more use of the timber found in the Valley will now be possible.

(c): *The Repair Workshop at Maithon:*

A repair Workshop was started for servicing and repairing motor vehicles. The DVC owns nearly 200 motor vehicles of various types. If these are to be serviced and repaired at the nearest privately owned workshops, its work will suffer and the cost will be high. A fabricating shop including a moulding section has since been opened at Maithon. A workshop for attending to the repairs of the heavy Earth-moving equipment and their regular servicing has since been organised so as to reduce the idle time for such machinery to the minimum.

This workshop has since developed into a fair size Engineering Workshop with a section for fabrication and another for servicing, repairs, overhauling etc. of the heavy earth-moving equipment. The fabricating shop with a moulding section is now producing gates for dams and several requirements of the Electrical department. This Engineering Workshop will be a second industry established in the Valley as a permanent feature. There is need for it in this industrial area.

(d): *Kiln at Bokaro for manufacturing bricks departmentally:*

The worksites of the Corporation are at inaccessible places. So bricks were difficult to procure. Either contractors were not forthcoming or they were demanding exorbitant rates. When orders were placed with contractors, the supply was not regular. On many occasions they defaulted. Accordingly, the Corporation decided to manufacture bricks departmentally.

At Bokaro the cost of bricks manufactured departmentally was Rs. 28/6/- against the market price varying from Rs. 30/- to Rs. 35/- or more per 1000. The departmental manufacture resulted in considerable saving and convenience to the Corporation.

At Maithon, too, bricks departmentally manufactured have proved cheaper than bricks obtained from the market, the difference being about Rs. 1.70 per 1000. A regular supply has also been assured.

The losses to drilling equipment which could not be determined in 1949-50 Audit Report, were subsequently reported by Audit Officer to be Rs. 20,602/-. This amount is made up of 4 items of Rs. 3,383/-, 1,692/-, 3,383/- and 12,144/-. The amount of Rs. 3,383/- represents the cost of diamond bits which were stolen while in charge of an official of the Corporation. An enquiry was conducted. The officer was not held responsible for the theft. The other sum of Rs. 3,383/- is on account of damage to 4 diamond bits in use. The Corporation's drilling expert considered that the loss was due to the unusually hard rock met in the process of drilling. The sum of Rs. 1,692/- is on account of the loss of the diamond bits which burnt out in use. Another 12 diamond bits costing Rs. 12,144/- failed prematurely. In the last two cases inexperienced handling was responsible.

There is very little experience in India in diamond drilling. Men operating the drillings had to be trained up from scratch. Good handling can be expected only after operators had gained adequate experience. In the training process itself some loss is inevitable. In the circumstances no action was taken against the officer in charge of the work for the losses.

ANNEXURE I

Contract with Messrs. Gruner Bros. was finalised after several weeks' discussions. They had asked for a ceiling of Rs. 21 lakhs for their fees on the basis of the standard laid down in Continental Europe for consulting engineering services for works of similar nature.

The work relating to the preparation of main design had been done by the SCB at a cost of Rs. 4 lakhs. So Messrs. Gruner Bros. were asked by the DVC to reduce their quotation by this amount. Messrs. Gruner Bros. argued that the fee of Rs. 4 lakhs paid by the Corporation to the SCB was for the preparation of the main design of the entire Konar group of dams, i.e., Konar Nos. 1, 2 and 3 and not only for Konar No. 1 dam. They considered that a sum of Rs. 2,50,000 would be allowed as allocable to the preparation of the main design for Konar No. 1 dam and the hydro power station and the balance of Rs. 1,50,000/- to the preliminary studies made for Konar Nos. 2 and 3. Hence, they agreed to reduce their maximum fee to Rs. 18,50,000/-. The Corporation accepted this reduced amount of Rs. 18,50,000/- as the ceiling for their fee which is mentioned in clause 2, article III of the contract with Messrs. Gruner Bros.

Secretary: Sd. S. Sen.

Financial Adviser: Sd. N. R. Chakravarti.

Chairman: Sd. S. N. Mozumdar, 31-8-51.

Members: Sd. P. P. Varma, 1-9-51.

Sd. B. C. Guha, 1-9-51.

ANNEXURE II

Extract from Contractors' letter dated May 23, 1950.

* * * *

(9) Part III, Clauses 6, 7, 8, 9, 15, 20, 21, 22, 24, 25 and 34.—It is understood that for items of work not included in the Schedule of Unit Rates forming a part of the contract we will be paid extra; for instance the Schedule does not include rates for—

- (a) Clearing of all trees, stumps, roots, brush rubbish and burning of all combustible materials etc.
- (b) Removal of unsuitable materials including top soil, rubbish, vegetable matters of every kind, roots and all other perishable or objectionable materials.
- (c) Stripping the sites of borrow pits of top soil vegetation, roots, brush, sod, loam and other objectionable matters.
- (d) Scraping and rolling the foundation area.
- (e) Drilling and grouting.
- (f) Supplying specified sizes of stones in rip-rap and placing the same by hand.
- (g) Slope drains for the protection of the bank on the down stream side.
- (h) Hand placing rockfill in the toes of the banks.
- (i) Prevention of the drainage from the road from entering the bank.
- (j) Surface treated macadamised roadway on the crest of the dam.

- (k) Concrete drainage pipes.
- (l) Inspection Shafts.
- (m) Application of compounds such as Inertol Rubberoid etc.

* * * *

*Extract from DVC letter No. W. 5/28-3070 dated May 23, 1950
in reply to Contractors' letter quoted above.*

* * * *

Re: (9): The items have been discussed with you. It has been agreed that the schedule of rates given in Part IV of the agreement does not include the following items, for which rates will be negotiated later if the Corporation desires to entrust the work to you:

- (a) Clearing of trees, stumps, roots, bushes and top soil;
 - (b) Ploughing furrows in dam foundations;
 - (c) Supplying specified sizes of stones in rip-rap and placing the same by hand;
 - (d) Surface treated macadamised road on crest of the dam;
 - (e) Prevention of drainage from road entering to bank;
 - (f) Drilling and grouting;
 - (g) Application of compounds, such as Inertol, Rubberoid.
- * * * *

APPENDIX LVIII.

MINISTRY OF EXTERNAL AFFAIRS

Note on Para 4 (b) of Audit Report (Civil), 1952—Part I regarding Overdrawal of Exchange Compensation Allowance.

The facts of the case have already been stated to the Public Accounts Committee by the Comptroller and Auditor General. The Foreign Secretary undertook to review the whole position and to report further to the Public Accounts Committee.

2. The abuses discovered in the Missions concerned were:—

- (i) The practice of obtaining local currency by selling rupee cheques locally at a much higher rate than the official rate of exchange. (1947—51).
- (ii) The drawal of exchange compensation allowance on the basis of false certificates. (From September 1949 to February 1951).
- (iii) The drawal of rent for hotel accommodation, house rent, travelling allowance and medical expenses in rupees by means of Demand Drafts on India instead of in local currency.

3. The obtaining of local currency by sale of cheques was a practice in violation of the Indian Exchange Control Regulations as well as of the Regulations of the country concerned.

4. As regards the drawal of exchange compensation allowance on the basis of false certificates, the position is that under the scheme for exchange compensation allowance every officer and member of the staff is required to declare the amount of money remitted to India each month and then exchange compensation is payable only on the balance drawn for meeting expenditure in the country of posting. The certificates are prescribed under executive instructions issued by the Ministry. The furnishing of false certificates, though a matter of the utmost gravity, did not constitute a violation of the provisions of the Exchange Control Regulations of either India or the country concerned.

5. The drawal of rent for hotel accommodation, house rent, T.A. and medical expenses in rupees by means of Reserve Bank of India drafts on India was completely irregular. The expenditure having been incurred in local currency in the country was reimbursable in local currency only and there was no justification whatsoever for the practice followed in the Mission.

6. The Comptroller and Auditor General has already mentioned the unstable economies and local currency instability in many countries in the years after the war. This case must be considered against this background which is important.

7. The currency situation in several countries was to say the least chaotic. The exchange rates as well as local prices fluctuated widely from time to time and sometimes from day to day. Generally the change was in an upward direction and the cost of living steadily increased and in some cases was doubled or even quadrupled after a period.

8. The pay and foreign allowances of the India-based officers and staff were fixed in terms of rupees. In the initial stages of the constitution of the Foreign Service there were organisational and other deficiencies abroad as well as in the Ministry at home which led to delay in evolving suitable machinery for dealing with this problem. The only satisfactory method to enable the officers and staff to maintain a reasonable standard of living in such rapidly changing conditions would have been either to make frequent alterations in pay and allowances in rupees to correspond with changes in the local cost of living or to provide them with local currency at a subsidised rate of exchange to compensate for the increased cost of living. In the earlier stages owing to lack of experience of conditions abroad and absence of organisation and lack of officers and staff in the Ministry at home neither of these alternatives could be put into effect. In such a situation officers and staff resorted to various practices and devices to meet the situation on their own.

9. Instructions were of course issued by Government and these were amended and elaborated from time to time. In the absence of a thorough study of the situation on the spot, however, the instructions proved to be defective in some respects.

10. The earliest orders of Government provided for home remittances to the extent of basic salary and foreign allowance by means of Reserve Bank of India drafts. It was laid down that these drafts should not be sold or negotiated but as the negotiation or sale of personal cheques on private banking accounts had not been specifically forbidden, the officers and staff took advantage of this omission to sell or negotiate them in the open market although they should have realised that in fact there was no essential difference between the sale of cheques and the sale of Reserve Bank of India drafts. Further, since Government themselves authorised the sale of cheques or bank drafts on India on Government account in exchange for local currency in one or two posts, the officers and staff incorrectly drew the inference that the negotiation of their own cheques was permissible.

11. As regards the drawal of exchange compensation allowance on the basis of false certificates Government realised that this was clearly a matter of the utmost gravity. Steps were immediately taken for the amounts improperly drawn to be recovered in full in addition to the punishment to be inflicted.

12. In respect also of the drawal of rent for hotel accommodation, house rent, T.A. and medical expenses in rupees by means of Reserve Bank of India drafts on India, the officers and staff were guilty of a practice for which there can be little justification or excuse.

13. The question of action to be taken against the officers and staff who indulged in these malpractices was carefully considered by Government and it was decided not to resort to criminal prosecution but to take disciplinary action under the Civil Services (Classification, Control and Appeal) Rules. The matter has again been reviewed by Government and it is felt that criminal prosecution was not, and is not, desirable for the following reasons:—

- (i) The offences were committed in foreign territory and prosecution would have been politically embarrassing; and
- (ii) Criminal cases always attract a good deal of sensational publicity and the adverse effect on the prestige and morale of the services caused by such publicity may far outweigh the deterrent effect of criminal prosecution.

14. Government have also reviewed the question of punishment awarded in this case. The punishment originally recommended by the U.P.S.C. was one of dismissal. Government's first reaction was that this recommendation should be accepted. The officer concerned however appealed for more generous treatment and on further consideration Government decided to draw the Commission's attention to the general background against which the offences were committed. The Commission on further consideration revised their original recommendation and recommended that the officer concerned should be reduced in grade. Action has already been taken in accordance with this recommendation.

15. Government have again reviewed the question of the punishment awarded and feel that the case should not be reopened for the following reasons:—

- (i) The officer's age and his past record, which was good, have to be taken into consideration;
- (ii) The currency in the country was most unstable and conditions there were even more chaotic than in other countries in the region. Some allowance must therefore be made for the weakening of the moral resistance of the persons concerned;
- (iii) The moral malady to which the officer succumbed was one which, according to Government's information, affected officers of other foreign missions also in the country concerned, and was in fact the general prevailing pattern there;
- (iv) The punishment awarded is in the opinion of Government sufficiently deterrent and the ends of justice, equity and public policy have been fully met; and
- (v) It would be against equity and justice to revise a decision already taken and inflict a severer punishment than that already imposed.

16. As regards the other officers and staff of this Mission who had indulged in similar abuses, it was decided by Government that action should be taken after the case against the chief offender had been decided. Notices calling for the explanations of the other officers and staff have already been served and some replies have been received. These are now under examination.

17. It was reported to Government that similar abuses had been indulged in by officers and staff of one or two other Missions. On detailed examination it was found that this was not correct although minor abuses of a somewhat different kind had been indulged in. In one case, after local inspection by a senior officer from the Ministry, the Ambassador was recalled and strict warning was issued to the staff. In another case there was some suspicion but no offence was proved except in one individual case in which an officer purchased a car by operating on the currency market with the approval of the Head of Mission. The Head of Mission who acted under a misapprehension of the correct position was informed of the correct interpretation of the regulations and the officer concerned was made to sell the car and to refund the advance taken and his rupee remittances to India were suspended for several months.

18. Government are greatly concerned about the abuses that have come to light and are most anxious to ensure that abuses are rooted out and those guilty of such transactions do not escape punishment. They are also taking steps to ensure that the instructions in force are at all times clear so as to leave no loopholes for malpractices. With this end in view the following orders have already been issued:—

- (i) Memo.* No. F. 18(17)-AI/53, dated the 3rd September, 1953 imposing further restrictions on the maximum amounts that can be remitted to India and elsewhere.
- (ii) Memo.* No. F. 31(30)-AII/53, dated the 26th April, 1954, with which a revised form of the monthly statement of remittances and Exchange Compensation Allowance was circulated to all Missions. According to the revised form it is necessary to declare all deductions made in pay bills as well as all remittances to India and other countries whether made through official or unofficial channels.
- (iii) Letter* No. F. 9(3)-EII/54, dated the 26th May, 1954, in which the form of the declaration which each officer and member of the staff is required to sign was made fully comprehensive and an obligation was laid on Heads of Missions to check the declarations made by individual officers and members of the staff and to satisfy themselves of their correctness.

19. Government are also considering the question of abolishing the present Exchange Compensation Allowance scheme which has lent itself to abuse.

*Not printed

20. A Foreign Service Inspectorate headed by two senior officers has now been set up. The Inspectors have already visited 13 Missions and Posts abroad and are to visit every Mission and Post one after another. Apart from their other functions they are specifically required to enquire into, and to report and make recommendations to Government on, such abuses as come to their notice. Government have already taken suitable action on one such report and recommendation made by the Inspectors and will take suitable action in all cases brought to their notice in future.

PREM KRISHEN

Joint Secretary.

APPENDIX LIX
MINISTRY OF FINANCE

(INDUSTRIAL FINANCE CORPORATION)

Have any rules been framed by the Corporation for determining the lines on which loan should be granted to the various firms and individuals? If so, a copy thereof may be furnished. If not, a note stating the circumstances why this could not be done as laid down in the Act may be furnished.

Certain principles for the grant of loans by the Corporation are laid down in the Act itself. The Industrial Finance Corporation is authorised to grant loans only to Public Limited Companies and Co-operative Societies; firms and individuals are not eligible for assistance from the Corporation.

The Corporation, under Section 6(2) of the Act, is required to act on business principles due regard being had by it to the interests of industry, commerce and the general public. The business of the Corporation is to assist industry by making medium and long-term credits more readily available to industrial concerns, particularly in circumstances where normal banking accommodation is inappropriate or recourse to capital issue method is impracticable.

The Act also stipulates that—

- (1) the Corporation cannot give assistance for a period exceeding 25 years;
- (2) the Corporation cannot sanction any loan without sufficient security;
- (3) the Corporation cannot give assistance to any single concern exceeding Rs. 1 crore, unless the loan is guaranteed by the Central Government, on the recommendation of the Corporation, as to the payment of interest and the repayment of the principal; and
- (4) the Corporation cannot retain for more than seven years as part of its assets any stock, shares, bonds or debentures which it may have to take up in fulfilment of its underwriting liabilities.

Chapter VIII of the General Regulations of the Corporation provides the manner in which the accommodation granted by the Corporation will be secured.

In the matter of advances to industries to meet their long-term requirements, the Corporation is particularly concerned with three points—

- (1) The feasibility of the scheme and the profit earning capacity of the Company.

- (2) The margin that it must keep in its favour between the market value of the security and the amount advanced.
- (3) The manner in which the loan granted can be secured against the assets—whether by pledge, mortgage, hypothecation or assignment.

The Executive Committee or the Board which sanctions a loan studies the feasibility of the scheme and the profit-earning capacity, the margin to be accepted in each case and lays down special conditions, if the imposition of such conditions is necessitated by special circumstances in any particular case. The standard terms and conditions of the loans are all included in the mortgage deed, a standard form of which was approved by the Executive Committee.

The question of what margin the Corporation should maintain was discussed at a meeting held on the 27th September, 1948, when the following decision was taken—

“It was considered that having regard to the present high price levels and the possibility of a recession in prices in future, the Corporation should not normally grant accommodation to an extent greater than on a 50/50 basis. In other words, the amount of the assistance granted by the Corporation should not normally exceed the borrower's own resources.”

The stipulation regarding the margin was again discussed by the Executive Committee at a Special Meeting held on the 20th July 1951, when it was decided that though a margin of 50 per cent. was a good guide, no hard and fast rule should be laid down in this respect and that each case should be decided on its own merits.

All applications are referred to the various Ministries of Government or to Special Advisory Committees set up for the purpose, on which the Government Departments have their nominees. This reference is made in order to ascertain the importance from the point of development of the industry and also to seek advice on the prospects and feasibility of the scheme put up by a borrowing company.

No rules have been made covering these points. As the Corporation had been feeling its way and the circumstances of each case are different, it was considered desirable that the Board and the Executive Committee should retain the measure of flexibility granted by the Act and the Regulations to decide each case on its merits subject to the general principles adopted by the Board in respect of the points enumerated above.

Authenticated.

S. G. BARVE,
Joint Secretary.

APPENDIX LX
MINISTRY OF FINANCE

**Note stating the circumstances leading to the appointment of
Mr. Trasy by the Corporation.**

When the Sodepore Glass Works Ltd., availed of the second loan of Rs. 7 lakhs on the 18th December, 1951, they had produced a balance sheet as on the 30th June, 1951 and had sworn an affidavit that there were no outstanding liabilities beyond those disclosed in the said Balance Sheet. A sum of Rs. 3·5 lakhs was made available to the Company; but immediately thereafter a notice appeared in the Calcutta papers that a petition for winding up of the Company was pending in the Calcutta High Court. A little later it was known that another petition was also pending in the High Court. In the case of both the petitions the Company had received legal notices long before the date on which the Mortgage Deed was executed. Another creditor attached the sum of Rs. 3·5 lakhs released to the Company which was with the Company's bankers. Subsequently the winding up petitions were dismissed or withdrawn on payment of the liabilities and the attachment got vacated.

In view of the company having suppressed vital information from the Corporation and placed a sum of Rs. 3·5 lakhs in jeopardy, it was found necessary to call for a more up-to-date Balance Sheet so as to ascertain the actual liabilities of the Company.

Past experience showed that the Company would not be able to prepare the Balance Sheet within a reasonable time and it was accordingly considered necessary to secure the services of an expert who would not only draw up a balance sheet but would get the books written up and necessary statements prepared in the shortest possible time. Mr. Trasy who had recently retired as the Deputy General Manager of the Bharat Bank Ltd., and who had worked as Internal Auditor and Branch Manager of the Central Bank of India, Ltd., was considered a suitable person and he was invited to take up the work of preparing the balance sheet and preparing a system of checks and balances, on a lump sum payment of Rs. 2,000 plus travelling expenses, as suggested by the Special Committee. It was expected that Mr. Trasy would be able to complete the work in one month's time. Mr. Trasy joined on the 12th January, 1952. As the books of the Company were hopelessly incomplete, Mr. Trasy could produce the balance sheet only on the 6th March, 1952, and handed in the report on checks and balances on the 21st March, 1952. His appointment was reported to the Executive Committee at their meeting held on the 2nd February 1952, vide Managing Director's Memorandum dated the 28th January 1952.

The balance sheet and the report on the system of checks and balances were supplied to Mr. S. Vaidyanatha Aiyer, a Member of the Special Committee in charge of Accounts, and also one of the Auditors of the Corporation, and Mr. Trasy was asked to stay on

to discuss the things with Mr. Vaidyanatha Aiyer when the latter reached Calcutta. Before Mr. Trasy had finished his discussions with Mr. Vaidyanatha Aiyer, the third loan was sanctioned to the Company, by the Board on the 14th April 1952, and as it was expected that the Company would go into production within a short time, it was decided to have control over the operations of the Company to ensure that the system of checks and balances functioned properly and that there was no chance of leakage of funds or materials.

It was proposed to utilise the services of Mr. Trasy as Internal Auditor, and Mr. S. A. Das, a representative of the Corporation at the Sodpore Factory, as Stores Supervisor.

Mr. Vaidyanatha Aiyer in his report dated the 30th April, 1952, had drawn attention that he had made a suggestion to the Special Committee that in view of the fact that the Company had not maintained proper records of the machinery purchased, it was desirable that an inventory should be prepared detailing the machinery with cost and that this list should be physically verified and tallied with the balance sheet. This was an important work and it was decided that Mr. Trasy and Mr. Das should undertake the preparation of inventory.

On the 17th May, 1952, the Executive Committee were informed that the irregularities pointed out by the Special Auditors were being looked into, that a system of checks and balances was being established and that an Internal Auditor and a Stores Supervisor were being appointed by the Corporation to see that all goods and services were actually received for the moneys paid and that cash was received for everything that went out of the factory.

In July, 1952, the Executive Committee were informed that Mr. G. S. Trasy and Mr. S. A. Das had been respectively appointed to the post of Internal Auditor on a salary of Rs. 1,200 per month, and the post of Stores Supervisor on the salary of Rs. 600 per month.

When the Corporation in accordance with the decision of the Executive Committee, dated the 25th October 1952, took over the management of the Company from the 1st November 1952, with the consent and co-operation of the Managing Agents, and when the General Manager's post fell vacant from 1st November 1952, Mr. Trasy was appointed temporary General Manager at the written request of the Managing Agents. As no suitable candidate was available in spite of advertisement and other efforts, Mr. Trasy was continued in his appointment as General Manager. Mr. Trasy's appointment was confirmed by the Executive Committee at their meeting held on the 29th November, 1952. Mr. Trasy actually succeeded in getting the factory into production from the 3rd January 1953.

Mr. Trasy relinquished charge as General Manager on the 1st July 1953, after the Board of the Company appointed another gentleman as General Manager with the approval of the Corporation.

Authenticated.

S. G. BARVE,

25-11-1954.

Joint Secretary.

APPENDIX LXI .

MINISTRY OF FINANCE

(INDUSTRIAL FINANCE CORPORATION)

What are the cases which are generally referred to the Commerce & Industry Ministry before the sanctioning of loans to the Industries?

It has been the general practice of the Corporation to refer all first applications received for financial assistance, either to the Ministry of Commerce & Industry or to the other appropriate Ministries in charge of particular industries, as for instance, to the Ministry of Food & Agriculture, in the case of applications from sugar companies, and to the Ministry of Works, Mines & Power, in the case of applications from mining companies or electric supply undertakings. Subsequent applications for additional loans are not referred to the Ministry, unless they involve new schemes.

The policy of the Corporation in this regard had been explained in the First Annual Report of the Corporation (*vide* page 14) *viz.*

- “The Corporation also obtains the advice of the appropriate Ministry of Government with regard to the scheme put forward by the industrial concern. The Corporation has been receiving the co-operation of the Ministries of Government particularly the Ministry of Industry and Supply, and the Board would like to place on record their appreciation of the advice and assistance received from the various Ministries. The Corporation also refers in appropriate cases to the Council of Scientific and Industrial Research and their officers for technical advice with regard to the schemes received from industrial concerns. In some cases, arrangements are made for an investigation to be carried out by technical experts, both official and non-official, known for their knowledge of the industry, who are asked to report on the technical aspects of the scheme. The industrial concerns are given opportunities to send their own experts to discuss their schemes with the Corporation's Advisers and in the presence of the Managing Director”.

25-11-1954.

Authenticated.

S. G. BARVE,
Joint Secretary.

APPENDIX LXII

INDUSTRIAL FINANCE CORPORATION OF INDIA

Statement showing the expenditure on establishment year by year by categories, from 1949 to 1954

	30-6-1949			30-6-1950			30-6-1951		
	Amount	No. of Officers		Amount	No. of Officers		Amount	No. of Officers	
Senior Officers .	1,12,579	5 6 (6)		1,56,572	15 4 (7)		1,77,347	1 6 (6)	
Junior Officers .	12,882	7 0 (2)		23,154	14 0 (4)		31,653	3 0 (4)	
Superintendents & Clerical Staff .	51,051	3 0 (32)		94,023	5 3 (40)		1,14,857	7 0 (44)	
Subordinate Staff .	11,146	2 0 (20)		20,327	10 9 (30)		25,123	7 2 (34)	
	1,87,659	1 6 (60)		2,94,078	13 4 (81)		3,48,981	2 8 (88)	
Interest on Provident Fund Account .	27	14 0		671	9 0		1,968	5 0	
	1,87,686	15 6		2,94,750	6 4		3,50,949	7 8	
	30-6-1952			30-6-1953			30-6-1954		
	Amount	No. of Officers		Amount	No. of Officers		Amount	No. of Officers	
Senior Officers .	1,70,553	13 0 (7)		1,79,059	0 0 (7)		2,08,869	1 0 (8)	
Junior Officers .	42,217	5 0 (5)		66,604	10 0 (10)		89,798	12 9 (15)	
Superintendents & Clerical Staff .	1,41,626	10 0 (53)		1,62,475	1 0 (58)		1,66,256	8 0 (59)	
Subordinate Staff .	29,596	15 0 (34)		34,213	1 0 (32)		37,597	1 0 (33)	
	3,83,994	11 0 (99)		4,42,351	12 0 (107)		5,02,521	6 9 (115)	
Interest on Provident Fund Account .	3,620	8 0		6,064	7 0		8,829	7 0	
	3,87,615	3 0		4,48,416	3 0		5,11,350	13 9	

N. B.—(i) The increase in establishment costs for senior officers for the period ending 30-6-1954 over that of the previous year is explained by the creation of a post of Technical Adviser to the Corporation on a salary of Rs. 3,000/- per month.

(ii) So far as the increase in establishment costs in respect of junior officers and the increase in number for the period ending 30-6-53 and 30-6-54 is concerned, the explanation is as follows :—

the work of the Corporation increased, it was found necessary to increase the number of posts of Assistant Accountants. This accounts for the increase in the number of junior officers' posts from 5 in 1952 to 10 in 1953. The increase of 5 further posts in 1954 over that of 1953 is explained by the need to create 2 posts of Assistant Managers, 1 post of Accountant and 2 more posts of Assistant Accountants for similar reasons. Most of the additional posts created were filled by promotion.

Authenticated.

S. G. BARVE,

Joint Secretary.

25-11-1954

APPENDIX LXIII

INDUSTRIAL FINANCE CORPORATION OF INDIA

Statement showing the percentage of establishment charges as compared to the working expenses of the Corporation year-wise since its inception

Year	Total Expenses	Establishment expenses	Percentage
	Rs. (in lakhs)	Rs. (in lakhs)	
1949	2·87	1·88	65·50
1950	20·40	2·95	14·46
1951	22·94	3·51	15·30
1952	24·57	3·88	15·79
1953	26·13	4·48	17·14
1954	32·56	5·11	15·69

Authenticated.

S. G. BARVE,

25 11-1954

Joint Secretary.

APPENDIX LXIV
MINISTRY OF FINANCE

(INDUSTRIAL FINANCE CORPORATION)

Note on the question whether any companies which had resources of their own had been granted loans by the Industrial Finance Corporation.

There are no cases where the Corporation has lent money to any company who had cash resources of their own to finance the scheme submitted to the Corporation for the grant of a loan. The Corporation has even refused to sanction loans in those cases where the companies had locked up their resources in holding shares of other concerns, and has asked the companies to liquidate their investments for financing their schemes.

2. The question presumably is whether there were cases where the Corporation had granted loans to companies which would have been able to raise finance from the capital market. Considering the fact that the capital market had been generally dull in recent years, it can be stated that, generally speaking, no company who had come to the Corporation would have been able to raise money in the capital market on favourable terms. There is, however, no way in which this fact could be tested, as it is impracticable to ask applicant companies to go to the market first and prove that they have failed to get a response from the market before their applications are considered as eligible by the Corporation. The Companies approach the Corporation and subject their affairs to detailed scrutiny only when they need finance urgently and there is no other source from which they can raise their resources required on reasonable terms. In this connection, the following observations made by the Board of Directors of the Industrial Finance Corporation would be relevant:

"The Board are of the opinion that an application made to the Corporation is itself evidence of the inability of the applicant company to raise equity capital or debenture capital in the capital market on easy terms. Therefore, it is unnecessary to insist upon an applicant producing proofs of his having tried to raise capital previously on the capital market and failed to obtain the necessary funds. Such a practice, if enforced, would make the Corporation an agency only for financing companies which did not enjoy credit or reputation. We do not think that that was the intention of the Parliament. There is also the point which is to be borne in mind that when a person needs money for capital expenditure, he needs it urgently and this extra process would have meant long avoidable delay and affected adversely the position of his concern."

Authenticated.

S. G. BARVE.

Joint Secretary.

25-11-54.

APPENDIX LXV

MINISTRY OF WORKS, HOUSING AND SUPPLY

Note re: Para. 47 of the Audit Report (Civil), 1952 (Part I)—Number and money value of outstanding audit objections accumulated after 1950-51.

A statement showing the number of items of audit objections and money value of the objections accumulated against this Ministry after 1950-51 and upto 1953-54, is given below:—

Organisation concerned	No. of outstanding objections	Money value thereof
		Rs.
Central Public Works Department	23,204	24,77,11,195
Directorate General of Supplies & Disposal	535	1,26,27,219
Estate Office and the Department of Stationery and Printing	908	1,26,10,374
TOTAL	24,647	27,29,48,788

M. R. SACHDEV,
Secretary.

The 9th May, 1955.

APPENDIX LXVI

MINISTRY OF WORKS, HOUSING AND SUPPLY

Note 4 under Grant No. 104 on page 606 of the Appropriation Accounts (Civil), 1950-51.

The following are the cases mentioned in Note 4 under Grant No. 104 (Capital Outlay on Civil Works) on page 606 of the Appropriation Accounts (Civil), 1950-51:—

(1) In the case of rehabilitation works chargeable to sub-head A.1 and works in Andaman and Nicobar Islands chargeable to sub-head A.2, specific allotment for each major work was not sanctioned by Government before the close of the year in disregard of departmental rules.

(2) Budget provision (Rs. 20,82,600) for certain works was surrendered during the year for want of administrative approval to these works.

(3) In the case of Andaman and Nicobar Islands, a provision (Rs. 39,800) for works chargeable to sub-head A.4 was erroneously included in the lump grant for works debitible to sub-head A.2.

2. The steps taken to prevent the recurrence of such cases are indicated below:—

Item (1).—The policy of the Government was to provide accommodation to displaced persons as early as possible. On account of the urgency of the situation, the works were undertaken as and when the schemes were finalised. All these schemes for rehabilitation were considered as one project. Similarly, lump sum provision was made for works in Andaman and Nicobar Islands as almost all the buildings in the islands were being reconstructed after the war. The Rehabilitation works and the reconstruction of buildings in the Andaman and Nicobar islands were treated as one scheme. The omission to sanction specific allotment for each major work before the close of the year was noted, and in the subsequent financial years, such specific allotments were made and conveyed to the Accountant General, Central Revenues, before the close of the year. With effect from the year 1955-56, specific provision for individual major works as required under rule 22 of Appendix 6 of C.P.W.A. Code is being made in the budget estimates in the case of rehabilitation works also.

Item (2).—This Ministry has already taken up the general question with the Ministry of Finance with a view to taking steps not to make budget provision for such works as are not administratively approved.

Item (3).—This was a mistake which came to light at a later stage and does not necessitate any procedural change etc.

M. R. SACHDEV,

Secretary.

The 7th April 1955.

APPENDIX LXVII

MINISTRY OF WORKS, HOUSING AND SUPPLY

Pages 646-647 of the Appropriation Accounts, 1950-51—Purchase of Reserve Stores by Ministry of Industry and Supply (Group Head J)—Present position of outstanding recovery of Rs. 62,263.

Out of the total sum of Rs. 62,263 outstanding on 1st March 1954, a sum of Rs. 2,374 has since been recovered. Of the balance of Rs. 59,889, a civil suit for the recovery of Rs. 23,237 has been instituted against a party in the Calcutta High Court. The suit has not yet come up for hearing. The claim for the remaining amount of Rs. 36,652 was referred to arbitration according to the terms of the contract agreement. The award given by the Umpire in these arbitration proceedings has been challenged by the Party concerned in the Punjab High Court. The account cannot be finalized until both these cases have been disposed of.

M. R. SACHDEV,
Secretary.

The 22nd November 1954.

APPENDIX LXVIII

MINISTRY OF FINANCE

Note from the Ministry of Finance re: Item No. 124-C of the Statement of Outstanding Recommendations*

SUBJECT:—*Sanctions to the write-off of losses at appropriate levels both in the administrative Ministries and in the Ministry of Finance.*

The present position is that the administrative Ministries are empowered to write-off losses upto Rs. 10,000 in each case, but if the losses are in respect of irrecoverable value of Stores not due to theft, fraud or negligence the monetary limit is Rs. 25,000. Proposals involving write-off of amounts exceeding these limits require the concurrence of the Ministry of Finance. In the administrative Ministries as well as the Finance Ministry, a convention has been established that officers at suitable levels deal with such cases, depending upon the seriousness of the various considerations involved. The seriousness does not merely depend upon the amount involved. In the circumstances, it is felt that it is perhaps unnecessary to lay down rigid limits, based upon the amount of the loss, for determining the level of Officers who should deal with such cases.

It may be observed that the powers of the administrative Ministries are already restricted. So far as the Finance Ministry is concerned, we have further laid down a procedure that all cases involving a loss of over Rs. 5 lakhs would be dealt with under the orders of the Deputy Minister, Finance. The administrative Ministries have also been requested ~~that all~~ such cases i.e. those involving a loss of over Rs. 5 lakhs should, in future, be dealt with under the orders of their Deputy Ministers or Ministers before the cases are referred to this Ministry for consideration. The above, we trust, would meet the requirements of the case.

J. DAYAL.
Joint Secretary.

*See Appendix I (Vol. I—Report).

APPENDIX LXIX

MINISTRY OF INFORMATION AND BROADCASTING

Statement showing the value of Transmitter Equipment purchased in Various years

Type of equipment	Value of equipment purchased in 1949-50	Value of equipment purchased in 1950-51	Value of equipment purchased in 1951-52	Value of equipment purchased in 1952-53
Medium wave transmitters including sub-station & power supply	Rs. 30,41,302	Rs. 19,52,739	..	Rs. 3,32,851
Short wave transmitters . . . . .	..	..	..	..
F. M. transmitters	1,24,594	..	..	23,257
TOTAL	31,65,896	19,52,739	..	3,56,108

APPENDIX LXX

MINISTRY OF INFORMATION AND BROADCASTING

Statement showing number of copies of the various programme journals of A. I. R. being supplied free

	<i>Indian Lis- tener</i>	<i>Awaz</i>	<i>Sarang</i>	<i>Betar Jags</i>	<i>Vani</i>	<i>Vameli</i>	<i>Nabh- ovani</i>
1. Copies supplied for maintaining cordial relation :							
(a) To broadcasting Organisations . . . . .	..	..	..	..	6	4*	..
(b) Prominent Persons . . . . .	..	..	..	1	14	16	3
2. Copies supplied to members of various Advisory Committees							
	..	..	..	13	9	10	2
3. Exchange basis with newspapers and other periodicals							
	37	3	2	6	..	..	20
4. Voucher copies supplied to :							
(a) Sole Agents through whom the advertisements are received				236	2	14	..
(b) For advertisers whose advertisements appear in the journal	143	59	59	..	3	21	2
5. Copies supplied to officers/offices for official use							
	425*	53*	100*	51	47	88	20
6. Permanent Govt. servants working in AIR possessing radio sets							
	150	1	6	15	1	9	..
7. Miscellaneous							
	..	..	5	9	5	8	..
TOTAL .	755	116	167	327	91	167	55

*This includes the number of copies supplied for maintaining cordial relations (i) to broadcasting organisations (ii) prominent persons and to members of various Advisory Committees.

APPENDIX LXXI

MINISTRY OF EDUCATION

Appropriation Accounts, 1950-51 and Audit Report (Civil), 1952 Part I

Para. 34(i)—Non-lapsing Grants

No prior confirmation was obtained from the Delhi University, but the payment of Rs. 4 lakhs was made on the definite understanding that the colleges concerned must find an equivalent sum to complete the first stage of the work and that the Government money should be released by the University in instalments to the extent of only 50 per cent. of the certified cost of the completed portion of the running work till the ceiling of Rs. 4 lakhs was reached. The fact that the total cost of the work in question as examined and certified by the Central Public Works Department of the Government of India exceeded Rs. 8 lakhs, shows that this condition was fulfilled before the Government portion of Rs. 4 lakhs was actually released in instalments.

APPENDIX LXXII .

MINISTRY OF EXTERNAL AFFAIRS

Note on the question of recovery of a sum of Rs. 1,15,080 from the Nationalist Chinese (K.M.T.) Government—Item 121 of the Statement of Outstanding Recommendations*

The question of recovery of the amount from the Government of the People's Republic of China was taken up with their Ambassador in India early in 1951. Since then, this Ministry has been reminding the Chinese Embassy in New Delhi continuously, but their reply has always been that they have referred the matter to their Government for orders. Efforts are being continued to recover the amount and the Indian Embassy in China has also been asked recently to take up the question with the Chinese Government. So far the claim has neither been accepted nor rejected by the Chinese Government.

2. The actual amount recoverable in Dollars namely \$ 27,206.41 was intimated to the Chinese Government, the rupee equivalent of which is Rs. 1,29,230 and not Rs. 1,15,080 as shown in the Commercial Appendix (Civil) to the Appropriation accounts 1948-49.

* See Appendix I (Vol. I—Report).

APPENDIX LXXIII
GOVERNMENT OF INDIA
MINISTRY OF TRANSPORT
(TRANSPORT WING)

No. 63-TAG(19)/53.

New Delhi, dated the 24th March, 1954.

MEMORANDUM

SUBJECT.—*Recommendations of the Public Accounts Committee on the Accounts for the year 1949-50.—(Item 67 of the Statement of Outstanding Recommendations*).*

In item 67 of the Statement showing action taken or proposed to be taken on the recommendations of the Public Accounts Committee, the Committee desired that—

- (a) the finances of the Delhi Transport Service should be put on a stable footing;
- (b) that timely submission to Parliament of Audit Report on the Accounts of the Delhi Road Transport Authority, as required by sub-section (3) of section 38 of the Delhi Road Transport Authority Act, 1950, should be impressed upon the Authority.

The action taken on the observations of the Public Accounts Committee is briefly as follows:—

(a) *Financial position of the Delhi Road Transport Authority.*

In view of the losses incurred during the years 1950-51 and 1951-52, the Delhi Road Transport Authority appointed in July 1952, a Committee to enquire into the working of the Delhi Transport Service and to suggest measures for effecting improvement. The Committee submitted its report on the 26th July, 1952. The Authority is taking various steps to improve the services in the light of the recommendations of the Committee.

The improvements brought about as a result of the implementation of some of the important recommendations of the Committee are briefly as follows:—

Recommendations

Action taken.

- (i) Concentration on the efficient working of the existing routes and consolidation of financial position before embarking on schemes of expansion.

There has been no expansion in the area of operation but in view of pressing demand for transport facilities from outlying colonies certain routes were extended and diverted. Several subsidiary routes were also started and frequency of services enhanced to cater for the growing volume of traffic.

* See Appendix I (Vol. I—Report)

Recommendations

Action taken

(ii) Construction of four depots and a Central workshop.

The construction of two depots has been completed and the construction of the workshop has been taken up.

(iii) Preventive Maintenance

"Preventive Maintenance" system has been introduced in the depot workshops, with the result that the breakdowns on the road have decreased.

(iv) Traffic surveys and adjustments in services.

Traffic Surveys have been carried out on almost all the routes and modifications in time table have been carried out to meet in full the traffic needs as far as possible with the existing fleet strength.

(v) Changes in organisation in all Departments.

(a) The strength of the staff has been reviewed and fixed on a more rational basis.

(b) The Stores Department has been re-organised and Kardex System of maintenance of stock records introduced.

(vi) Increase in earnings.

A new source of income to the Delhi Road Transport Authority was tapped by accepting advertisements on buses, which is likely to yield an annual revenue of more than rupees one lakh.

(vii) Improvements in fleet position.

Before the current financial year runs out an addition of 70 new diesel engined buses with a larger carrying capacity are expected to be added to the fleet. During the next financial year, it is proposed to buy 140 more vehicles in order to strengthen the fleet to the target of 400 buses envisaged in the First Five Year Plan i. e. a year in advance of the target date.

(b) *Submission of Annual Accounts and Auditor's Report thereon to the Parliament.*

The Annual Accounts of the Delhi Road Transport Authority for the year 1951-52 have been audited by the Accountant General, Food, Rehabilitation and Supply. A copy of the Accounts together with the Auditor's Report will be placed before Parliament soon after the Accounts have been adopted by the Authority.

The date of completion of the Annual Accounts under the Delhi Road Transport Authority (Audit) Rules, 1951, viz. 16th June, has since been changed to the 30th September, of the following year in consultation with the Comptroller and Auditor General of India, by suitably amending the Rules. Steps have also been taken to ensure that in future the Annual Accounts of the Authority are made available to Audit for scrutiny by the due date.

N. M. AYYAR,

Secretary.

APPENDIX LXXIV

MINISTRY OF HOME AFFAIRS

Note on item No. 42 of the recommendations of the Public Accounts Committee (1949-50)

*Recommendations or
Suggestions*

The looseness of procedure which was responsible in the present case for the eventual loss of over half a crore of rupees to the Public Exchequer should be investigated by Government immediately and clear instructions laid down for future for the examination of proposals involving huge financial commitments at all levels, namely, Cabinet, Ministerial and Secretarial.

*Action taken or proposed
to be taken*

All the Ministries of the Government of India have been advised to issue 'Departmental Standing Orders' laying down powers, duties and responsibilities of the various grades of officers specifying cases or classes of cases which should be brought to the personal notice of the Minister-in-Charge. (So far as this Ministry is concerned, action to lay down 'Departmental Standing Orders' has already been taken.) Copies of the Communications issued in the matter are enclosed •

R. C. DUTT,
Joint Secretary.

* See Annexures I to III

ANNEXURE I

No. 23/27/53-RE

GOVERNMENT OF INDIA

MINISTRY OF HOME AFFAIRS

New Delhi, the 21st April, 1954.

Office Memorandum

SUBJECT.—*Procedure regarding submission and disposal of cases.*

The Public Accounts Committee had an occasion recently to look into a case which had resulted in a substantial loss to the Public Exchequer. The Committee attributed this loss to the looseness of procedure, confusion of thought among the various officers as to their respective roles, and want of proper apportionment of responsibility among the various authorities in the Ministry concerned; and recommended that these matters should be investigated by Government and clear instructions laid down for the examination of proposals at all levels, namely, Cabinet, Ministerial and Secretarial.

2 The Ministry of Home Affairs have examined the above recommendation of the Public Accounts Committee in detail with reference to the case in question and are satisfied that the instructions

already issued and those proposed to be incorporated in the revised Rules of Business and Secretariat Instructions and in the Manual of Office Procedure make adequate provision for the proper examination and disposal of cases at appropriate stages. Nevertheless, it must be admitted that in the very nature of things it is not possible to prescribe in detail the circumstances in which cases should be submitted to higher levels for decision and a certain amount of discretion must necessarily be left to the officer handling a case. Any mistakes arising out of the exercise of this discretion can, however, be avoided, or at least detected soon after they occur, if Departmental Standing Orders of the type envisaged in the Ministry of Home Affairs Office Memorandum No. 9/3/51-RE, dated the 20th November, 1951* are issued by Ministries laying down *inter alia* the powers, duties and responsibilities of the various grades of officers and specifying cases or classes of cases which should be brought to the personal notice of the Minister-in-charge. It is, therefore, requested that pending the issue of the revised Rules of Business and Secretariat Instructions and Manual of Office Procedure, Ministries/Departments may take suitable steps (if not already taken) to ensure:—

- (i) that the Departmental Standing Orders of the type referred to in paragraph 4 of the Ministry of Home Affairs Office Memorandum of 20th November, 1951 referred to above are issued and observed strictly; and
- (ii) that weekly statements of cases (other than those of a purely routine nature) disposed of without the personal consideration of the Minister are submitted to the Minister-in-charge regularly.

3. The action taken on this Office Memorandum may please be intimated to this Ministry as early as possible.

Sd/- R. C. DUTT,

Joint Secretary.

To

All the Ministries of the Government of India; Planning Commission; Department of Parliamentary Affairs; Prime Minister's Secretariat; Cabinet Secretariat; President's Secretariat.

ANNEXURE II

No. 9/3/51-RE

GOVERNMENT OF INDIA

MINISTRY OF HOME AFFAIRS

New Delhi, dated the 20th November, 1951

OFFICE MEMORANDUM

SUBJECT.—Weekly statement of cases disposed of in a Ministry without the personal consideration of the Minister.

1. A case recently came to notice from which it appeared that at present not all the Ministries submit to their Ministers a periodical statement of cases disposed of by Secretariat officers. A scrutiny of

* See Annexure II.

these statements enables a Minister to find out whether any case has been disposed of in a manner contrary to his policy or desire and to take urgent steps to correct any mistakes.

2. It will be as well to refer to following provisions in this respect in the existing Rules of Business and Secretariat Instructions:—

- (a) "Save as otherwise provided.....cases shall ordinarily be submitted by the Secretary in the Department to which the subject belongs, for the purposes of the first perusal of papers and of the initiation of orders thereon to the Member (Minister) in charge of that Department." (Rule 3);
- (b) "Cases of minor importance shall ordinarily be disposed of by, or under the authority of, the Member (Minister) in charge of the Department to which the subject belongs." (Rule 4); and
- (c) "It shall be the duty of the Secretary in the Department to which the subject belongs to submit every case which he is not by the practice of the Department competent himself to dispose of, in a complete form, ready for orders to..... the Member (Minister) in charge of the Department." (Instruction 4—Secretariat Instructions).

3. The Ministry of Home Affairs have had under consideration the revision of the Rules of Business and Secretariat Instructions so as to bring them into conformity with the provisions of the Constitution of India and the Cabinet decisions on the reorganisation of the machinery of Government, and preliminary drafts of these have been prepared. The draft Rules provide as under:—

"Subject to the provisions of these Rules, in regard to

- (a) consultation with other Ministries or Department, or
- (b) submission of cases to the Prime Minister, the Cabinet or its Committees and the President.

all business allotted to each Ministry or Department shall be disposed of by, or under the direction of the Minister-in-charge."

4. Draft Instruction 6 of the proposed Secretariat Instructions provides that "Consistently with the Rules, and these Instructions and the Manual (of Office Procedure), the Secretary in a Ministry or a Department shall, with the approval of the Minister-in-charge, frame Departmental Standing Orders for regulating allocation of subjects and procedure for disposal of work within the Ministry or Department under his charge. Such Departmental Orders shall provide, *inter alia*,

- (a) for detailed distribution of subjects allotted to the Ministry or Department among the Wings, Divisions, Branches and Sections of the Ministry or the Department; the charges of the various officers, their powers, duties and responsibilities; and routing of cases;
- (b) for specifications of cases or classes of cases which shall be brought to the personal notice of the Minister-in-charge;

- (c) for submission to the Minister of a weekly statement of cases other than those of a routine nature disposed of in Department without personal consideration by the Minister."

Draft Instruction 7 provides that "care should be taken.....that decisions reached as a result of..... personal discussions, as well as the reasons which led to the decisions in question, shall be placed on record."

5. It will be sometime before the proposed Rules and Instructions are finalised. When the draft Secretariat Instructions and the Draft Manual of Office Procedure are approved and published, there should be no room for any confusion because these will ensure the issue of both Standing Orders and the periodical submission to the Minister of lists of cases disposed of by secretariat officers. Meanwhile (in view of the importance of the subject) it has been decided that all Ministries which do not at present submit weekly statements to their Ministers should be requested to make arrangements to do so at once. Where there are no Standing Orders of the nature referred to in para. 4 above, the issue of such Standing Orders may also be considered.

Sd/- R. A. GOPALASWAMI,
Special Secretary to the Government of India.

To

All Ministries and Department of Parliamentary Affairs.

ANNEXURE III

No. 68/103/54-Admn.

GOVERNMENT OF INDIA

MINISTRY OF HOME AFFAIRS

New Delhi-2, the 19th August, 1954

OFFICE ORDER NO. 25/54-PART II

Instructions were issued in 1947 that the officers in this Ministry should keep a record of all important cases disposed of in the Ministry without the personal consideration of the Minister and submit a weekly statement of such cases to the Public Section for consolidation and submission to the Minister through the Secretary on every Monday. Para. 50 of the draft Manual of Office Procedure now in force makes it clear that the weekly statement should cover "all cases other than those of a routine nature" and not merely cases which the person preparing the statement considers to be "important".

The Reorganisation Section has requested that suitable steps may be taken to ensure that such statements are submitted to the Minister regularly. All Section Officers are, therefore, requested to send to the Public Section on every Saturday a weekly statement of all cases, other than those of a routine nature disposed of without the personal

consideration of the Minister/Deputy Home Minister. The Public Section will then consolidate these statements and put them up to the Secretary or to Joint Secretary II, as the case may be, on every Monday so that they may be passed on by the Secretary/Joint Secretary II to Private Secretary to Home Minister/Deputy Home Minister on Tuesday each week.

Sd/- N. N. CHATTERJEE,
Deputy Secretary.

APPENDIX LXXV

MINISTRY OF HOME AFFAIRS

Statement showing action taken or proposed to be taken on the recommendations of the Public Accounts Committee

Item No.	Year of Report	Para of the Report	Recommendations or suggestions	Action taken or proposed to be taken
62	1949-50 (IV)	37	<p>In order to ensure speedy disciplinary action being taken against officials who are found guilty of neglecting public interests or of dereliction of duty, the desirability of amending article 311 of the Constitution should be considered with a view to securing a fair balance between the interests of the State and the individual public servant.</p> <p>A careful study should be made of the procedure and practice followed in this respect in other democratic countries.</p>	<p>Instructions have already been issued regarding nomination of specified officers for conducting enquiries with a view to their speedy and expeditious disposal.</p> <p>This has been examined and the conclusion reached is that the provisions of article 311(2) embody a salutary principle of justice and public policy viz., that no man should be condemned and punished without a reasonable opportunity of defending himself and showing cause against the action proposed to be taken. There is no good reason why there should be objection to compliance with this.</p> <p>The main stage is that of the enquiry when the officer is furnished with a charge-sheet evidence is recorded, and he puts forward his defence, and argues out his case. The enquiring officer after completing his enquiry submits his report. If the officer is found guilty of the charges and it is proposed to impose one of the major penalties of dismissal, removal or reduction, Article 311 (2) merely requires that he will be given an opportunity to make a representation against the specific punishment proposed. Prior to that stage, the charges are unproved, and the Government servant concerned is not in a position to show cause against the action proposed until specific findings</p>

Item No.	Year of Report	Para of the Report	Recommendations or suggestions	Action taken or proposed to be taken
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on charges against him have been reached and the grounds for such findings are made known to him. There is no reason why there should be any delay at this stage of showing cause.

The question, however, of omitting "reduction" from the scope of Article 311 (2) and of restricting this procedure to cases of "dismissal" or "removal" is under consideration.

APPENDIX LXXVI

MINISTRY OF COMMERCE AND INDUSTRY

Para 9(a) of Audit Report (Civil) 1952—Part I.—Storage of articles in a private warehouse.

A copy of the instructions issued to guard against future losses in such cases is attached.

7.12.54.

R. N. KAPUR,
Under Secretary.

ANNEXURE

No. 33-TC(4)/51.

GOVERNMENT OF INDIA
MINISTRY OF COMMERCE AND INDUSTRY

Dated the 7th December 1954

To .

All the Trade Representatives abroad.

SUBJECT:—*Losses incurred by the Trade Representatives abroad by way of indiscriminate storage of surplus materials.*

Instances have come to notice of the Government of India where considerable losses have occurred on account of indiscriminate storage of surplus materials supplied to the Trade Representatives abroad for exhibition or trade publicity purposes. In order, therefore, to avoid such losses resulting from deterioration of materials, etc., it has been decided that in future all such materials, whether for exhibition or for trade publicity purposes when rendered surplus or found unfit for further use, should not just be stored away, without first exploring the possibility of their disposal either by public auction, or by distribution to the indenting Ministries, or the relevant parties concerned. Prior approval of the Government of India in arriving at a tentative decision in all such cases should be obtained.

R. N. KAPUR,
Under Secretary.

APPENDIX LXXVII

GOVERNMENT OF INDIA

DEPARTMENT OF INDUSTRIES AND CIVIL SUPPLIES

(Office of the Textile Commissioner, Bombay)

General and special conditions of contract for the Transport of Standard Cloth by Country Craft

(1) Definitions:

- (a) The term "Shipping Agent" shall mean the person, firm or company with whom the order for shipping Standard Cloth by country craft is placed and shall be deemed to include the contractors' successors (approved by the Textile Commissioner, Bombay, or his representative), representatives, heirs, executors and administrators unless excluded by the contract.
- (b) The term "Textile Commissioner" shall mean the Textile Commissioner, Bombay, or any person or persons authorised by him to act on his behalf, his or their successors or assigns.

(2) Purpose of the Contract and parties to the contract:

The parties to the Contract which is for shipping Standard Cloth etc., by the contractors as per orders of the Textile Commissioner on the conditions set forth in the contract are the "Shipping Agent" and the "Textile Commissioner" for and on behalf of the Governor-General-in-Council.

(3) Conditions of agreement:

When called upon by the mills to do so, the Shipping Agent shall, during the season ending 30th April 1944 for ports south of Bombay and 15th May 1944 for other ports, transport by country craft such Standard Cloth goods as may be offered by them. Such transportation shall also be provided in respect of other Textiles material that the Textile Commissioner may so require. The transport will be between the ports and at the rates etc., mentioned in the Schedule of Acceptance of Tender. "Textile Commissioner" will have the right to terminate the contract by giving one month's notice.

(4) Rates:

The rates mentioned in the Schedule to the Acceptance of Tender shall be binding on the Shipping Agent throughout the season ending the 15th May 1954.

(5) Arrangement and supply of Country Craft:

The Shipping Agent shall be bound to provide at the port from where the cargo is to be shipped, the necessary Country Craft within ten days of the receipt of intimation either from the Textile Commissioner or from the Mills concerned or the Mill's representative. If he fails to provide the requisite number of Crafts within

the time allowed, the "Textile Commissioner" or the Mills acting under his instructions shall have the power to secure the required Craft and recover from the Shipping Agent any extra charges paid in respect of it.

(6) Carrying Capacity of Country Craft:

In the event of the Standard Cloth offered by the mills being less than the carrying capacity of the craft, the Shipping Agent will endeavour to carry commercial cargo to make up the deficit provided that the latter does not consist of objectionable, dangerous or inflammable material and that the "Textile Commissioner" or the Mills acting under his instructions has no objection to the transport of the cargo in the same craft. If, however, the "Textile Commissioner" objects to the shipment of commercial cargo other than objectionable, dangerous or inflammable material, freight for the full carrying capacity of the craft shall be paid to the Shipping Agent. The decision of the Textile Commissioner as to whether the cargo consists of objectionable, dangerous or inflammable material, will be final.

(7) Responsibility of the contractor for the safe Transport of the Cargo.

It shall be incumbent on the Shipping Agent to take due precautions to see that the Standard Cloth Cargo is not lost or damaged en-route and the Shipping Agent shall be responsible for the safe custody of the cargo from the time it is handed over to him to the time he delivers it to the consignee, or the latter's duly appointed representative. The Shipping Agent shall have to make good any loss or damage to the cargo unless it is proved to the satisfaction of the Textile Commissioner that the loss or damage was due to an Act of God, force majeure, salt water damage, jettison and such other risks and that it was not due to the negligence of the Shipping Agent or his crew.

(8) Payment:

For each consignment despatched, the Shipping Agent will submit a bill in the Supply Department Form (W. S. B. 116) to the Controller of Supply Accounts, Bombay, for the payment of such incidental expenses incurred by him at the Port of Shipment as are indicated in the Schedule to the Acceptance of Tender as well as for the actual Port and Customs Charges and for the 50 per cent. of the Craft freight, duly supported with such documents as the Controller of Supply Accounts may require. For the balance of 50 per cent. of the freight charges as well as the incidental charges incurred at the Port of destination, the Shipping Agent will claim payment after the stores have been delivered at the destination Port. If the material is required to be rebooked by rail at the Port of destination, the Shipping Agent will do so and make payment for the railway freight and will claim the amount of freight paid as a separate item in his Bill.

(9) Sub-letting of Contract:

The Shipping Agent shall not sub-let, transfer or assign the Agency or any part thereof without the written permission of the Textile Commissioner. In the event of the Shipping Agent contravening this condition, the Textile Commissioner shall be entitled to

cancel the agreement forthwith and appoint a new Shipping Agent and the Shipping Agent whose Agency is cancelled shall be liable for any loss or damage which Government may sustain in consequence or arising out of such replacement of Agents.

(10) Security Deposit:

For the due fulfilment of the terms of this Agreement, the Shipping Agent shall within a fortnight of the acceptance of his Tender deposit Rs. 1,00,000 (Rupees one lakh) in cash or in Government Securities endorsed in favour of the Controller of Supply Accounts, Bombay. At the Textile Commissioner's discretion, a bank guarantee may however be accepted in lieu of such deposit. Failure to provide the security within the stipulated time will constitute a breach of the Contract and the Textile Commissioner will be entitled to make other arrangements at the risk and expense of the Shipping Agent. No claim shall lie against Government in respect of interest on Security Deposit or depreciation or failure of Bank in case of acceptance of Bank Guarantee. On due performance of the Contract, the Security Deposit will be refunded to the Shipping Agent on presentation of 'No Demand Certificate'.

(11) Bribes, Commission, Corrupt Gift etc.:

Any bribe, commission, gift or advantage given, promised, or offered by or on behalf of the Shipping Agent or his partner, Agent or servant, or any one on his behalf to any officer, servant, representative or agent of Government or any person on his behalf in relation to the obtaining or to the execution of the Agreement, shall, in addition to any criminal liability which he may incur, subject the Shipping Agent to the cancellation of this and all other contracts with Government and to payment of any loss or damage to the latter resulting from any such cancellation.

(12) Responsibility for execution of Contracts:

The Shipping Agent is to be entirely responsible for the execution of the contract in all respects in accordance with the terms and conditions specified in the Contract.

(13) Insurance:

Unless otherwise directed by the Textile Commissioner, no insurance either marine or war risk will be taken out by the Shipping Agent in respect of the material shipped under the contract except on his own account and at his own cost.

(14) Recovery of sums due:

Whenever under this contract any sum of money is recoverable from and payable by the Shipping Agent, the Textile Commissioner shall be entitled to recover such sum by appropriating from any sum then due or which at any time thereafter may become due to the Shipping Agent under this or any other contract with the Textile Commissioner or Government or any other person or persons contracting through the Secretary, Department of Industries and Civil Supplies. Should this sum be not sufficient to cover the full amount recoverable the Shipping Agent shall pay to the Textile Commissioner on demand the remaining balance due.

• **(15) *Insolvency and breach of contract:***

Should the Shipping Agent be adjudged insolvent, or have a receiving order made against him or make or enter into any arrangement or composition with his creditors, or suspend payment (or being a Company wound up, either compulsorily or voluntarily) or commit breach of this contract not herein specially provided for, the Textile Commissioner shall have power to declare the contract at an end in which case the Shipping Agent shall be liable to pay the Textile Commissioner for any extra expense he is thereby put to but shall not be entitled to any gain on repurchase.

(16) *Laws governing the Contract:*

This contract shall be governed by the laws of British India for the time being in force.

(17) *Arbitration:*

In the event of any question of disputes arising under these conditions or in connection with this contract (Except as to any matters the decision of which is specially provided for by these conditions), the same shall be referred to the award of an arbitrator to be nominated by the Textile Commissioner and an arbitrator to be nominated by the Shipping Agent, or in the case of the said arbitrators not agreeing then, to the award of an umpire to be appointed by the arbitrators in writing before proceeding on the reference and the decision of the arbitrator or in the event of their not agreeing, of the umpire appointed by them shall be final and conclusive and the provisions of the Indian Arbitration Act, 1940 and of the Rules thereunder and any statutory modification thereof shall be deemed to apply to and be incorporated in this contract.

(18) *Headings of Clauses:*

The Headings of Clauses hereto shall not affect the construction thereof.

ANNEXURE I

Method of Submission of Bills by the Indian Shipping Industry Ltd. for Freight and other Incidental Charges.

The Indian Shipping Industry should submit their bills to the Textile Commissioner, in duplicate, supported by the following documents for counter-signature:—

I. (1) Bill of Lading, in duplicate, showing:—

- (i) Name of the Craft,
- (ii) Destination,
- (iii) Name of Mill,
- (iv) Contract No.,
- (v) Despatch Instructions No.,
- (vi) No. of bales (quantity),
- (vii) Yardage,

- (viii) Consignee with address,
 (ix) Insurance Policy No., and if possible,
 (x) Bale Nos.
- (2) A copy of the statement received from the mills in accordance with para. 2 of this office Circular No. SC5/CCO-1 dated 1st December, 1943. The Bill of Lading No. should be shown on this statement and this statement should be attached to the relevant Bill of Lading.
- (3) A receipt Certificate from the Consignee in the prescribed form as per specimen enclosed when the material is handed over to the consignee at the port of destination.
- (4) The Railway Cash Receipt, when material is despatched inland by rail from the destination port.
- (5) Original Cash Receipts in support of Customs charges and Port Trust dues etc. paid.
- (6) A measurement Receipt issued by either the Chamber of Commerce or Port Trust authorities, at the port of Loading.
- (7) Separate bills should be prepared in respect of each contract. Each bill may, however, include charges relating to several Despatch Instructions but the share relating to each Despatch Instruction should be shown separately.
- II. (1) If it is desired to draw advances to the extent of 50 per cent. of freight charges, the bills should be sent to the Textile Commissioner, for his counter-signature.
- (2) When 50 per cent. Advance has been obtained, the final bills should be prepared in the manner indicated at I above and sent with an account in the following form:—

Pyts. against advance

	Amount	Sl. No.	No. & date of contracts & name of Mill	
Avance drawn				Amount
Balance due				
TOTAL			TOTAL	

APPENDIX LXXVIII

Mr. Tendolkar.

Suit No. 1369 of 1947.

The Indian Shipping Industry Ltd.

Plaintiffs.

Vs.

The Dominion of India.

Defendants.

Mr. M. P. Laud with Mr. K. T. Desai and Mr. N. A. Mody for the Plaintiffs.

Mr. J. M. Thakore with Mr. S. V. Gupte for the Defendants.

Coram:—Tendolkar, J.

4th December, 1952.

Oral Interlocutory Judgement:—

This is a suit filed by a shipping company against the Dominion of India arising out of a contract dated the 20th of January 1944 made between the plaintiffs and the Textile Commissioner, Bombay, acting on behalf of the Governor-General-in-Council, who has now been succeeded by the Dominion of India.

Under the said contract the plaintiffs agreed to transport from Bombay by country crafts standard cloth to certain ports on certain terms and conditions. As one of the terms of the said contract the plaintiffs had to deposit a sum of Rs. 1,00,000 as security for the due fulfilment of their obligations under the agreement. A deposit was accordingly made on the 9th of March 1944. Thereafter the plaintiffs from time to time received 575 bales of cloth for being carried from Bombay to Cochin and Alleppey in the country craft "Jayant". The said country craft left Bombay for the ports of Cochin and Alleppey on the 15th of March 1944. After passing Khanderi water began to enter the said country craft and the Tindel of the country craft baled out the water. On the morning of the 17th of March 1944 the Tindel decided to go to Jayagad Port. Owing to low tide he had to anchor the craft at some distance from the port. However, the crew on the said craft were unable to bale out the water that was coming into the craft. The tindel went ashore and informed the Customs Officers. As a result, 50 bales of cloth were removed to the shore in good condition. In the meantime the craft was full of water and grounded as a result. After a great deal of correspondence that took place between the plaintiffs and the Textile Commissioner the goods which were in a damaged condition were brought back to Bombay. But as the defendants refused to take back the goods, 302 bales were lying in the open in the Port Trust docks and 218 bales in the godowns of the plaintiffs' clearing agents. The defendants claimed that the plaintiffs were under the terms of the

contract liable for the damage caused and refused to return the security deposit of Rs. 1,00,000 which was lying with the Textile Commissioner. This suit has been filed by the plaintiffs to recover this sum of Rs. 1,00,000 as also a sum of Rs. 52,971-6-3 being the hire amount and expenses incurred by the plaintiffs in respect of the goods carried by the said craft "Jayant" as well as by other country crafts.

It is the case of the plaintiffs that the provisions of the Indian Carriage of Goods by Sea Act (XXVI of 1925) apply to the contract of affreightment in this suit and that therefore under this contract of affreightment they did not give an absolute warranty of seaworthiness. The defendants contend that the Carriage of Goods by Sea Act does not apply, and that, in any event, if it does apply, this case is taken out of the provisions of the Act by reason of Article VI of the Rules relating to Bills of Lading which are given in the Schedule to that Act. As the entire case depends mainly upon the question as to whether the liability of the plaintiffs as carries is governed by the Indian Carriage of Goods by Sea Act 1925 or not, I decided, on an application made in that behalf by Counsel for the defendants, to try the following two issues as preliminary issues:

1. Whether the Indian Carriage of Goods by Sea Act 1925 applies to the contract in suit? and
2. If answer to Issue No. 1 is in the affirmative whether the said contract is governed by Article VI in the Schedule to the said Act?"

Now, in the first instance, it is necessary to consider the nature of the contract that was arrived at, for it is urged on behalf of the defendants that it is a Charterparty and, as I will point out when I deal with the relevant provision of the Act, if this contract is a Charterparty, the position in law would be very different from what it would be if this is not a Charterparty.

Now, a Charterparty has been defined in 30 Halsbury, paragraph 472 at page 273 as follows:

"A contract by Charterparty is a contract by which an entire ship or some principal part thereof is let to a merchant, who is called the charterer, for the conveyance of goods on a determined voyage to one or more places, or until the expiration of a specified period."

It will be noticed that an essential part of the definition is that the contract must be for the hiring of an entire ship or some principal part thereof. Then in the same volume in paragraph 481 at page 283 it is stated as follows:

"It is usual to specify the name of the ship which is to be chartered in the charterparty and to give her description in detail. The description usually includes statements as to the nature of the ship, her registered tonnage, her classification at Lloyd's, her position at the

date of the charterparty, and her fitness for the purposes of the charterer; it may, in addition, specify her carrying capacity and the name of her master."

It is clear from this passage that the name of the ship is usually specified and the importance of doing so is to be seen from the passage that follows in Halsbury which is as follows:

"Of these statements, those relating to the name and nature of the ship, to her position at the date of the charterparty, and to her carrying capacity are to be regarded as conditions precedent on the non-fulfilment of which the Charterer may treat the contract as repudiated"

Therefore, before you can have a charterparty, you must have (a) the hiring of a ship or some principal part of a ship, and (b) the ship must be specified. Reliance is however placed on a foot note (c) at page 284 where it is stated as follows:

"There seems to be no direct authority for the proposition that the statement as to the name of the ship is a condition precedent. The proposition is retained from the previous edition..... It is submitted that the proposition is in accordance with principle, subject to the qualification that if the parties were agreed as to the identity of the ship an incorrect statement of her name might be immaterial."

Now, accepting the law as stated in this foot note to be correct, it amounts to this that if the identity of the ship can be established as having been agreed upon between the parties, it would not matter whether the name of the ship was given or not given in the charterparty.

Keeping these essential ingredients of a charterparty in mind, I will now turn to the contract in suit, Term 2 of the contract provides that the plaintiffs are to transport cloth on behalf of the Governor-General-in-Council. Term 3 states the ports to which the goods are to be transported and mentions that they are to be transported by "a country craft". Term 4 mentions the rates. Term 5 casts upon the plaintiffs the obligation to provide "the necessary country craft" within a certain period. Then term 6 provides that if the standard cloth is less than the carrying capacity of the craft, the plaintiffs may carry other cargo provided that it is not objectionable etc. to the Textile Commissioner or the Mills. It also enables the Textile Commissioner to object to the cargo other than cargo which is objectionable etc. but in such an event the Textile Commissioner has to pay the freight for the full carrying capacity of the craft. Term 7 relates to the responsibility of the contractor for the safe transport of the cargo and provides that the plaintiffs shall be liable for any loss or damage "unless it is proved to the satisfaction of the Textile Commissioner that the loss or damage was due to an act of God, *force majeure*, salt water damage, jettison and such other risks and that it was not due to the negligence of the shipping agent or his crew". Term 8 provides for payment. Term 9 provides for subletting by the plaintiffs. Term 10 relates the security deposit. Term 11 relates to prohibiting corrupt practices. Term 12 states that the

plaintiffs are responsible for carrying out the contract. Term 13 deals with insurance. Term 14 deals with repayment of the amount due under the contract. Term 15 deals with possible insolvency of the plaintiffs. Term 16 states that the laws governing the contract will be the laws of British India, as if they could have been any other if this term were not there, and term 17 provides for arbitration. It is obvious therefore that there is no contract of hire of a ship or some principal part of a ship. The plaintiffs are to provide some ship on which they will carry such cloth as is given for transport. Then, again, it cannot by any stretch of imagination be urged that parties are agreed as to the identity of the ship on which the cargo is to be carried. Great reliance is placed on clause 6 which provides that in a possible contingency the Textile Commissioner may have to pay full freight of the carrying capacity of the craft, although the cloth carried may be far less than such capacity. But that does not, in my opinion, in any way help in saying that the parties to the contract were agreed as to the identity of the ship. It was open to the plaintiffs to produce any country craft they liked and the defendants, in my opinion, could not have objected to any country craft that was produced, subject to any liability for the seaworthiness of such ship as may be imposed upon the plaintiffs by a contract or by law. In my opinion, therefore, it is impossible to construe the contract between the parties as a contract of charter-party.

Turning next to the provisions of the Carriage of Goods by Sea Act 1925, the recital of the Act states that the Act was enacted as a result of the deliberations of an International Conference on Maritime Law held at Brussels in October 1922, and the object of the Act is "the unification of certain rules relating to bills of lading". Then section 2 of the Act provides as follows:

"Subject to the provisions of this Act, the rules set out in the Schedule (hereinafter referred to as "the Rules") shall have effect in relation to and in connection with the carriage of goods by Sea in ships carrying goods from any part in British India (the Provinces) to any other part whether in or outside British India (the Provinces)."

It is plain from the section that the Rules given in the Schedule apply in relation to and in connection with the carriage of goods by sea, but this is "subject to the provisions of this Act". The important provisions with which we are concerned in this suit is the provision relating to the warranty of seaworthiness, and the provision in that regard is to be found in section 3 which is as follows:

"There shall not be implied in any contract for the carriage of goods by sea to which the Rules apply any absolute undertaking by the carrier of the goods to provide a seaworthy ship."

Now, this section provides that the warranty of seaworthiness shall not be absolute, only in cases of "any contract for the carriage of goods by sea to which the Rules apply". Now, the words "Contract of carriage" have been defined in the Rules Article 1 (b), and if section 3 applies to a contract for the carriage of goods by sea to

which the Rules apply, the definition given in the Schedule of the phrase "Contract of carriage" must be deemed to be applicable to the same words used in section 3 of the Act. Then section 4 provides that every bill of lading shall contain a statement that it is subject to the provisions of the Rules. The rest of the sections are not material for the purposes of the issues before me.

Turning next to the Rules which are in the Schedule, Article I (b) defines a "Contract of carriage" as follows:

" 'Contract of carriage' applies only to contracts of carriage covered by a bill of lading or any similar document of title in so far as such document relates to the carriage of goods by sea including any bill of lading or any similar document as aforesaid issued under or pursuant to a charterparty from the moment at which such bill of lading or similar document of title regulates the relations between a carrier and a holder of the same."

The correct interpretation of this definition is the point in dispute between the parties. It is urged on behalf of the plaintiffs that a contract as here defined may be one of two kinds: (a) a contract covered by a bill of lading or any similar document of title in so far as such document relates to the carriage of goods by sea, or (b) a contract covered by a bill of lading or any similar document issued under or pursuant to a charterparty, and the words "from the moment at which such bill of lading or similar document of title regulate the relations between a carrier and a holder of the same" qualify the second class of contracts only and not the first. On the other hand it is urged on behalf of the defendants that the words I have above quoted apply equally to the first class of contract as well as the second. But before I come to consider which of these two views is the correct one, there is yet another question of interpretation of this definition that has to be cleared. The words "covered by a bill of lading" would *prima facie* appear to indicate that there is no contract of carriage until there is a bill of lading, but such a meaning does not appear to be in conformity with the provisions of Article III of the Schedule which makes it obligatory on the carrier to issue to the shipper a bill of lading. Article III only applies to contract of carriage and if a contract of carriage does not come into existence until there is a bill of lading, quite obviously it is illogical to provide that there is an obligation on the carrier to issue a bill of lading in respect of every contract of carriage of goods. Therefore, the true interpretation to be put on the phrase "covered by a bill of lading" is as pointed out by Scrutton on Charterparty and by Halsbury in dealing with an identical definition in the Carriage of Goods by Sea Act 1925 in England that these words mean that the parties intend that the shipper shall be entitled to demand at or after shipment a bill of lading. Scrutton, 15th Edition, at page 451 states:

" 'Covered by a bill of lading'.—These words have not yet been judicially considered in the English Courts. The Court of Sessions, however, construed this definition as meaning any contract of affreightment, however informally made in its inception the parties to which intend that

in accordance with the custom of that grade, the shipper shall be entitled to demand at or after shipment a bill of lading setting forth the terms of the contract."

Halsbury Volume 30 at page 618 in foot note (k) dealing with article VI of the Schedule, to which I will have occasion to refer later, points out:

"It will be observed that the Article authorises the parties to contract out of the Rules 'provided no bill of lading has been or shall be issued.' By *ibid* Schedule, Article I (b) [which corresponds to Article I(b) in the Schedule to our own Act] the Rules only apply to contracts of carriage 'covered by a bill of lading or similar document of title'. The two articles can be reconciled by construing 'contracts of carriage covered by a bill of lading in Schedule', art. I(b) as meaning 'contracts of carriage under which the shipper is entitled to demand a bill of lading evidencing the contract'."

Therefore, the true construction of the words "covered by a bill of lading" is not that the contract actually is covered by such a bill. It is sufficient if the parties intend that the shipper should be entitled to claim at or after shipping a bill of lading. It is contended in this case on behalf of the defendants that the Textile Commissioner was not entitled to demand a bill of lading at any time and therefore there is no contract of carriage of goods by sea. With that contention I will deal later after disposing of the rival contentions as to the true meaning of the definition.

Now, in order to appreciate the rival contentions regarding the proper construction to be put upon this definition, it is necessary to consider what part a bill of lading plays in the carriage of goods by sea. Halsbury, Volume 30, paragraph 582 at page 414 states.

"As between the shipowner and the charterer, the contract of carriage is contained in the charterparty in the absence of an agreement to vary it by the bill of lading or otherwise; as regards other person it is to be found in the bill of lading."

So that there may be or may not be a bill of lading when there is a charterparty; but there has to be a bill of lading in respect of goods shipped when there is no charterparty. Where there is a charterparty, you may have three different cases as is pointed out in Halsbury, Volume 30, paragraphs 576 and 577. There may first be a case where the shipper is a charterer. In this case as is pointed out in paragraph 576 the bill of lading is, in the absence of anything to the contrary, an acknowledgement only of the receipt of the goods and the contract of carriage is to be found in the charterparty alone. You next have the case which is dealt with in paragraph 577 where the goods are shipped by a person other than the charterer but in a case where there is a charterparty. In this case the position of the party depends upon several circumstances into which it is unnecessary to go for the purposes of the present discussion. But it is sufficient to say that in such a case the moment at which the bill of lading becomes the repository of the rights as between the carrier and the holder is the time when the bill of lading is given to the

shipper; and the third case is where the charterer ships goods and takes a bill of lading making the goods deliverable to a named consignee, in which case the moment at which the bill of lading becomes effective as between the consignee who is the holder and the carrier is at the time of delivery to the consignee. It is thus clear that, where bills of lading are issued, either under or in pursuance of a charterparty, there may be different periods of time from which such bills of lading may become effective as regulating the relations between the carrier and the holder. But the position is entirely different where there is no charterparty and the shipper obtains a bill of lading. A bill of lading is in that case a repository of the rights between the carrier and the shipper and it cannot be said that it becomes effective as between them at any moment other than the one when the bill of lading has been given. This background is essential for the purpose of putting a correct interpretation on the definition of "contract of carriage" in Article I(b) of the Schedule to the Carriage of Goods by Sea Act because that Act by itself does not provide at what moment the bill of lading becomes effective to regulate the relations between the carrier and the holder and that fact is to be found from the general law relating to the carriage of goods.

Having regard to this background, it seems to me impossible to urge that the phrase "from the moment at which" etc. up to the end qualifies both the categories of contracts which I have set out above. It obviously qualifies bills of lading or other similar documents issued under or pursuant to a charterparty, because in that case there are different periods of time when the bill of lading or the other document regulates the relations between a carrier and a holder. Moreover, the plain grammatical construction of the definition, in my opinion, does not warrant a construction which would make the words "from the moment" etc. upto "carrier and the holder of the same" qualify the first part of the definition. In my opinion therefore, the contention of the plaintiffs with regard to the correct interpretation of this definition is right and that of the defendants is not sustainable.

5th December, 1952.

The next question that I have to consider is whether in the present case there is a contract of carriage of goods by sea within the meaning of the definition in the Rules which are found in the Schedule to the Carriage of Goods by Sea Act. Now, it is self-evident that in all cases in which a bill of lading is given there is antecedent to the issuing of the bill of lading a contract expressed or implied between the parties for affreightment of goods. In the present case the contract in suit dated the 20th of January 1944 is a contract of affreightment. Whether this is a contract of carriage of goods by sea within the meaning of the definition will depend upon whether parties to it intended that a bill of lading should be given and that the defendants would have the right to demand such a bill. This is a question of fact and on this question of fact the only evidence before me, which is uncontradicted, is the evidence of Mr. Vaidya who was the General Manager of the plaintiffs and who negotiated the present contract with the Textile Commissioner of Bombay. In his evidence he states that he had several interviews with

Mr. Hafiz Ahmed who was the Director of Standard Cloth and who represented the Textile Commissioner. In the course of these interviews, oral instructions were given to him as to how the contract was to be carried out, and those instructions were that the Textile Commissioner would issue instructions to Mills, to inform the plaintiffs when goods were ready and then the plaintiffs should issue shipping orders. The Mills would thereafter bring the goods alongside the ship and when the goods were received on board the ship, the plaintiffs were to issue a bill of lading in favour of the Mills. Subsequently, when the plaintiffs submitted their bills for freight and other charges to the Textile Commissioner, they were to annex thereto duplicate bills of lading containing certain particulars. Mr. Hafiz Ahmed with whom these conversations are alleged to have taken place has not been called and therefore the testimony of Mr. Vaidya remains entirely uncontradicted. Moreover, the testimony is fully corroborated by documentary evidence in this case. A clerk of the India United Mills which was one of the Mills that supplied bales to be carried by the plaintiffs has produced a letter addressed by the Assistant Manager of the plaintiffs to them enclosing a shipping order. He has also produced a bill of lading. This supports the evidence that shipping orders were forwarded to the Mills and when goods were received bills of lading were handed over to the Mills. A specimen form of the shipping order has also been produced, and what is more, all the bills admittedly submitted to the Textile Commissioner with two duplicate copies of bills of lading each which were returned by the Textile Commissioner to the plaintiffs because they were not in proper form have also been produced. There is no doubt whatever, therefore, that the instructions given to the plaintiffs as to the carrying out of the contract were as stated by Mr. Vaidya in the witness box. Mr. Vaidya's evidence is further supported by a letter dated the 26th of February 1944 addressed by one Mr. Ahmadullah for the Textile Commissioner to the plaintiffs with which was sent an annexure setting out the method of submission of bills and the first clause of this annexure shows that the bills of lading in duplicate should be submitted showing certain particulars therein set out. This letter further confirmed by another letter dated the 9th of March 1944 from Mr. C. K. Mehta for the Textile Commissioner to the plaintiffs in which the writer draws attention to the details contained in the previous letter and then proceeds to state:

"It was agreed with you Mr. Vaidya that this information would be supplied to this office immediately after the sailing of the craft. It was also agreed that the Bills of Lading would contain all this information. It is however regretted that neither this information nor the Contract Nos. are given in quite a large number of Bills of Lading forwarded by you."

It is perfectly plain, therefore, that not only the parties intended that the bills of lading were to be given but also that the bills of lading were in fact issued and copies of such bills were forwarded to the Textile Commissioner along with the bills submitted by the defendants. Therefore the contract in this suit dated the 20th of January 1944 was a contract under which the parties intended that bills of lading shall be issued. It is therefore a contract for carriage of goods "covered by a bill of lading", and therefore

the Carriage of Goods by Sea Act applies to such a contract.

It is, however, further urged that assuming that the Carriage of Goods by Sea Act applies, the present case is taken out of the provisions of that Act by virtue of Article VI in the Rules in the Schedule. That Article is in the following terms:

“Notwithstanding the provisions of the preceding Articles, a carrier, master or agent of the carrier, and a shipper shall in regard to any particular goods be at liberty to enter into any agreement in any terms as to the responsibility and liability of the carrier for such goods, and as to the rights and immunities of the carrier in respect of such goods, or his obligation as to seaworthiness so far as this stipulation is not contrary to public policy, or the care or diligence of his servants or agents in regard to the loading, handling, stowage, carriage, custody, care, and discharge of goods carried by sea, provided that in this case no bill of lading has been or shall be issued and that the terms agreed shall be embodied in a receipt which shall be a non-negotiable document and shall be marked as such.”

Now, by reason of the provisions contained in section 5(a) of the Act since this was a contract for carriage of goods by sea in sailing ships carrying goods from any port in British India (the Provinces) to any other port in British India (the Provinces), Article VI shall be read as if the said Article referred to goods, of any class instead of to any particular goods. Therefore, this Article enables to contracting parties to contract out of the Rules in respect of the carriage of any class of goods provided two conditions are fulfilled: (1) that no bill of lading has been or shall be issued, and (2) that the terms agreed upon between the parties shall be embodied in a receipt which shall be a non-negotiable document and shall be marked as such. It is the case of the defendants that in this particular case no bill of lading was issued, because what is urged is that the so-called bills of lading which I have held were issued are merely receipts for goods. It seems to me wholly impossible to uphold such an extraordinary contention, because as I have held parties definitely intended by their contract that bills of lading shall be issued and they were issued in pursuance of such intention which becomes an implied term of the contract. But even assuming for a moment that no bills of lading were issued, the second condition has yet to be satisfied and the terms of the contract must be embodied in a receipt. That receipt, it is alleged, is the contract of the 20th of January 1944 or the bills of lading. This contention of the defendants is, in my opinion, wholly unsustainable. The contract of the 20th of January 1944 can in no sense be a receipt for the goods. It is admitted that the goods were loaded between the 25th of February and the 11th of March, and there cannot be a receipt in respect of such goods on the 20th of January 1944, long before the goods were loaded. But even assuming that his contract was a receipt, it is further necessary that such receipt should be a non-negotiable document and should be marked as such. It is in any event abundantly plain that neither this contract, if items to be construed as a receipt, nor the bill of lading if they are to be construed as receipts have been marked as non-negotiable, with

the result that it is impossible to uphold the contention that the parties have contracted themselves out of the Rules under Article VI of the Schedule to the Act.

The result, therefore, is that my findings on the first two issues are:

- (1) In the affirmative.
- (2) In the negativē.

The case shall proceed on the footing of these findings of mine which would render certain evidence unnecessary and inadmissible. Certain other issues will also have to be determined in the list of these findings. The defendants shall in any event pay the cost of these two issues.

Attested

H. K. KOCHAR,
Deputy Secretary,
Ministry of C. & I.

APPENDIX LXXIX

**IN THE HIGH COURT OF JUDICATURE AT BOMBAY
ORDINARY ORIGINAL CIVIL JURISDICTION.**

Suit No. 1369 of 1947.

Coram.—Tendolkar J.
16th December 1952.

The Indian Shipping Industry Ltd. a Private Limited Company incorporated and registered under the Indian Companies Act 1913 having its Head Office at Great Social Building Sir Phirozshah Mehta Road, within the Fort of Bombay. } Plaintiffs.

Versus

The Dominion of India. Defendants.

And

The Dominion of India. Plaintiffs to the Counter claim.

Versus

The Indian Shipping Industry Ltd., a Private Limited Company incorporated and registered under the Indian Companies Act 1913 having its Head Office at Great Social Building Sir Phirozshah Mehta Road, within the Fort of Bombay. } Defendants to the Counter claim.

The Plaintiffs pray that the Defendants may be ordered to deliver to the plaintiffs Government Securities of the face value of Rs. 1,00,000 (Rupees one lac) deposited by them with the Textile Commissioner or their value and claim a sum of Rs. 52,971-6-3 (Rupees fifty two thousand nine hundred and seventy one and annas six and pies three) with interest and costs and the defendants by their Written Statement filed herein counterclaim from the plaintiffs Rs. 3,84,572-6-0 (Rupees three lacs eighty four thousand five hundred and seventy two and annas six) or such other sum to this Honourable Court may seem fit as and by way of damages with interest and costs of the counterclaim and the suit having been called on for hearing and final disposal on the twenty fourth day of November one thousand nine hundred and fifty two and the fourth and fifth days of December instant the plaintiffs and the defendants having appeared respectively by Advocates and upon fram-

ing issues and on application of the Advocate for the defendants to try the first two issues in the list of issues as preliminary issues viz:—

1. Whether the Indian Carriage of Goods by Sea Act 1925, applies to the contract in suit, and
2. If answers to issue No. 1 is in the affirmative, whether the said contract is governed by Article 6 in the Schedule of the said Act?

And Upon Hearing evidence and pursuing exhibits on the said preliminary issues AND THIS COURT having answered the said issues in the affirmative and the negative respectively and having held that the Indian Carriage of Goods by Sea Act 1925, applied to the contract in suit and that the said contract is not governed by Article 6 of the said Schedule to the said Act and THIS COURT having directed the defendants to pay to the plaintiffs the costs of the said two issues in any event and the case having proceeded with on the footing of the findings of these two issues on the eleventh and fifteenth days of December one thousand nine hundred and fifty two and this day AND Upon Hearing evidence and pursuing exhibits THIS COURT DOTH PASS JUDGMENT for the plaintiffs and DOTH ORDER AND DECREE that the defendants do deliver to the plaintiffs the Government Securities of the value of Rs. 1,00,000 (Rupees one lac) deposited by the plaintiffs with the Textile Commissioner on the ninth day of March One thousand nine hundred and forty four and also do pay a sum of Rs. 5,471-9-0 (Rupees five thousand four hundred and seventy one and annas nine) with interest thereon at six per cent from the thirtieth day of September One thousand nine hundred and forty six till the date of the filing of the suit and thereafter at four per cent per annum AND THIS COURT DOTH FURTHER ORDER that the plaintiffs claim in respect of bills Nos. 1, 2, 4, and 5 mentioned in Exhibit L to the plaint be and it is hereby referred to the Commissioner of this Honourable Court For Taking Accounts to ascertain the amount due and payable by the defendants to the plaintiffs in respect of the said bills AND THIS COURT DOTH FURTHER ORDER that the plaintiffs and the defendants do appear in person or by Advocate or Attorney before the said Commissioner and that the said Commissioner do ascertain and report to this Honourable Court with all convenient despatch the amount due to the plaintiffs in respect of the said bills saving all just allowances and for the better taking of such accounts THIS COURT DOTH FURTHER ORDER that the plaintiffs and the defendants do produce before the said Commissioner all books, papers, and documents in their or either of their custody—possession or power relating thereto AND THIS COURT DOTH FURTHER ORDER that on the amount ultimately found due as ascertained by the Commissioner the plaintiffs will be entitled to a further Decree for the said amount with interest at six per cent from the thirtieth day of September one thousand nine hundred and forty-six till the date of the suit and thereafter at four per cent per annum AND THIS COURT DOTH FURTHER DISMISS the counter claim of the defendants AND DOTH ORDER AND DECREE that the defendant do pay to the plaintiffs costs of the suit as also costs of the counter-claim when taxed and noted in the margin hereof AND THIS COURT DOTH RESERVE the further directions and further costs until the said Commissioner shall have made his report and the parties shall be

at liberty to apply to court as and when there may be occasion
 Witness Mahommedali Currim Chagla Esquire, Chief Justice at
 Bombay aforesaid this sixteenth day of December one thousand nine
 hundred and fifty-two.

By the Court,
 Sd/- SAROSH H. A. VAKIL,
 for Prothonotary & Senior Master

Seal

Sd/- A. R. NARAYAN AYYAR,
 This 13th day of February 1953.

Decree and Decretal Order of Reference
 to Commissioner drawn on application of
 Messrs. Dabholker & Jeshtaram, attorneys
 for the Plaintiffs.

Certified to be a true copy.
 This 13th day of February 1953
 Sd/- A. R. NARAYAN AYYAR,
 for Prothonotary and Senior Master.

Attested
 H. K. KOCHAR,
 Deputy Secretary
 Ministry of Commerce & Industry.

APPENDIX LXXX

CABINET SECRETARIAT

Brief resume of the working of the Central Statistical organisation during the year 1952-53

The principal activities of the Central Statistical Organisation are its regular publications, provision of national data to the U.N. Statistical Organisation and other international bodies, Exhibition Hall, general advisory work relating to the Ministries and States, training projects, and Statistical Legislation and Re-organisation. A brief account of the development under the various heads is given below :—

- I. *Publications*: The Annual Statistical Abstract for 1951-52 which is in the final stage of its publication was enlarged by the inclusion of information relating to Parts B and C States for the first time. For this purpose personal contacts had to be established between the C.S.O. and various agencies in the States. Additional technical notes relating to the various tables have also been added. In the case of the Monthly Abstract of Statistics a new set of summary tables has been added and improvements in printing and layout have also been carried out. The weekly Bulletin of Statistics contains newly incorporated data relating to wholesale prices and cost of living in certain other countries of the world. Some important chapters of the Guide to Current Official Statistics have been rewritten in connection with a revised edition.
- II. *Provision of national data to the International Agencies*.—In addition to the usual monthly cables, numerous new series of data for inclusion in the U.N. Statistical and Demographic Year books were also furnished. Various questions relating to definitions and methods arose and these were solved in discussion with the agencies concerned. Some critical work was also done on the Standard International Trade Classification.
- III. *Exhibition Hall*.—An increasing number of visitors consisting of Central and State Officers, diplomats, M.Ps. gave many valuable suggestions and the Graphical Division has kept these in view in keeping the Hall in good trim by applying the latest improvements and methods. A number of charts from the Hall were also made available for Exhibition at various International Centres at the request of the Director of Exhibitions. A large number of charts were prepared for the Planning Commission in connection with the opening of their stall at the Railway Centenary Exhibition. A synopsis has been prepared for a manual on representation of statistics in the form of graphs and charts and work on this is proceeding.

IV. *Advisory work.*—All new schemes for the collection, processing, analysis or publication of statistical data which were referred to the C.S.O. for advice were examined. Examples are index number of earnings of labour from the Ministry of Labour, a sample survey of traffic in New Delhi from the Ministry of Transport, a Scheme for an agricultural census from the Ministry of Food and Agriculture and field enquiries conducted by the Press Commission. From the States a Scheme from Madhya Bharat for the construction of cost of living index numbers, a similar scheme from Saurashtra and a reference on the comparability of price data from the Uttar Pradesh were among those on which the C.S.O. gave assistance. Work relating to the co-ordination of employment statistics and business machine installations, examination of Central Government personnel returns, existing migration statistics are examples of other varieties of work under this head. Working Parties on migration statistics, electricity forms, on base periods of official index numbers also completed their work during the year.

In addition to the above, officers of the C.S.O. serve on various Committees set up by the Ministries and also do special work for them whenever called upon to do so.

V. *Training Project.*—During the year under review Statistical officers from Bihar and Saurashtra stayed for a period to study at first hand the working of the Statistical Machinery. Every effort was made to explain to them how the problems of co-ordination, publication and presentation were tackled in day to day work. They were also given opportunities to study the latest methodological developments. A programme of some importance which was undertaken by the C.S.O. during the year was the Statistical Quality Control project which covered a series of lectures and demonstrations by four U.N. Experts successfully in Delhi, Calcutta, Madras and Bombay, the duration in each place being roughly three weeks. The Trainees were selected carefully keeping in view the special needs of the Central and State Governments and of industry. Judging from the number of applications the response was highly satisfactory, although provision could not be made for more than about 35 in each centre. The follow-up of the Training Project is being tackled on a continuous basis. Quality Control Groups have been set up in all important places and the formation of an All-India Organisation to further the objective which the C.S.O. had in view in starting the Project is now in hand.

VI. *Statistical Legislation.*—Work on a model Statistics Act was continued on the basis of basic information collected by correspondence and discussions with the Central Ministries and the State Governments. It is hoped to consider the subject further at the next meeting of the Central and State Statisticians which is expected to be held in October this year.

Apart from the above the Central Statistical Organisation was represented at the International Seminar on Statistical Organisations held in September 1952 in Ottawa, Canada and in other conferences held in Geneva and in New York.

The 17th August, 1953.

Y. N. SUKTHANKAR,
Secretary to the Cabinet.

APPENDIX LXXXI

CABINET SECRETARIAT

Item No. 120 of the Statement of Outstanding Recommendations of the Public Accounts Committee*

A resume of the work of the Central Statistical Organisation asked for by the Public Accounts Committee *vide* para. 13 of their Seventh Report has already been submitted to that Committee. [See Appendix LXXX].

2. In this para, the Public Accounts Committee had also asked for a statement of expenditure that was being incurred on account of employment of foreign experts by the C.S.O. No foreign experts are being employed by the Central Statistical Organisation for its regular work. In 1952-53, however, a team of five experts came to India for organising intensive courses of training in Statistical Quality Control as a result of an agreement entered into by the Government of India with the U.N. Technical Assistance Administration. Under this agreement the salaries, travel cost and allowances of all the members of the team were met by the United Nations Technical Assistance Administration, the Government of India paying for their expenses on halt, travel, medical and other miscellaneous purposes while in India. The Central Statistical Organisation incurred an expenditure of Rs. 40,865 on these experts to cover the expenditure on the items mentioned above.

A brief note about the Statistical Quality Control is attached [See Annexure] for the information of the members of the Public Accounts Committee.

Y. N. SUKTHANKAR.

Secretary to the Cabinet.

The 28th September, 1954.

ANNEXURE

STATISTICAL QUALITY CONTROL

The application of Statistical Quality Control Technique has increased considerably in U.S.A. from the period of World War II. It results in substantial savings in scrap, re-work and inspection costs, besides an improvement of quality. "Better quality, greater quantity and lower costs" have been the consistent experience in the companies where these techniques have been accepted as a regular part of operations. Since this science was relatively of recent growth and was hitherto practically unknown in this country, the Government of India accepted the offer of the United Nations Technical Assistance Administration to send a team of foreign experts to organise courses of training in this science, as a first step towards promoting quality control in industry in this country. Consequently,

*See Appendix I (Vol. I—Report).

an agreement was entered into between the U.N. Technical Assistance Administration and the Government of India under which a team of five experts in Statistical Quality Control, including an Executive Secretary, came to India for this purpose during 1952-53. Under this Agreement, the United Nations Technical Assistance Administration paid the salaries, travel cost and allowances of all the members of the team, while the expenditure on their stay, travel, medical and other miscellaneous expenses while in this country was met by the Government of India. The following experts constituted the team:—

Prof. E. R. Ott	}	Rutgers University, New Brunswick, N. J., U. S. A.
„ M. E. Wescott		
„ C. Clifford		New Jersey State Teachers College, Montclair N. J., U. S. A.
„ Anders Hald		University of Copenhagen, Denmark
„ T. A. Budne		Executive Secretary.

The team arrived in Delhi on October 10, 1952. A National Co-ordinating Committee with Shri V. T. Krishnamachari, Member (now Deputy Chairman) Planning Commission, as Chairman and Prof. P. C. Mahalanobis as Secretary was set up for overall guidance. In view of the short period (of 4 months) for which the team was sent out to India, the National Co-ordinating Committee decided to arrange training courses at four centres, namely Delhi, Calcutta, Madras and Bombay. The training was primarily meant for Operatives in industry. To derive full advantage of the presence of these experts, it was decided to train a band of teachers in the subject. Accordingly, applications from industries, governmental departments, technical and academic institutions were invited. 153 candidates were selected after careful scrutiny as trainees and 16 of them were given repetitive courses, being teachers trainees. Out of these trainees, 89 came from industries (Textiles 29, Chemical and Pharmaceutical 20, Engineering 13, Electrical 7, Iron & Steel 6 and others 14), 39 from Central Government, 7 from State Governments and 18 from Research and Educational Institutions. In addition to these trainees, 25 observers—7 from Research Organisations, 5 from Technical Educational Institutions, 3 each from Central and State Governments, 2 from Electrical Industries and 5 from the remaining organisations connected with the industries—also took advantage of the presence of these experts and attended the courses of trainees at different centres. These courses have benefited the industry considerably, and a statistical quality unit has now been established by the Indian Statistical Institute in Bombay.

APPENDIX LXXXII

MINISTRY OF EXTERNAL AFFAIRS (ACCOUNTS II SECTION)

Note re: Item 6 of the statement of outstanding Recommendations*

The Public Accounts Committee in their report on the accounts for 1949-50 have recommended that "each Ministry should organize a cell within their framework for exercising control over expenditure in accordance with the budgetary grants as well as for prompt and satisfactory disposal of audit objections and the implementation of the recommendations of the Public Accounts Committee".

2. The procedure in vogue in this Ministry in regard to the above recommendation is explained below:—

(a) The departmental figures of expenditure relating to the Headquarters office are reconciled with the figures booked by the Accounts Officer by personal collaboration. The progress of expenditure against sanctioned grants is reviewed thereafter, and a summary of the review indicating *inter alia* the magnitude of the expenditure and the sanctioned provision is submitted to a departmental committee which includes officers of this Ministry as well as the accredited financial adviser of the Ministry.

• The control of expenditure relating to Indian Missions abroad and other offices is exercised through monthly progressive statements of expenditure received from time to time. An arrangement has been devised under which the Accountant General, Central Revenues, sends statements of book debits adjusted against each Mission's budget grant in his books to the Mission concerned and to this Ministry. Though the work of reconciliation is done by the Missions in direct correspondence with the Accountant-General, Central Revenues, this Ministry keeps watch to ensure that the figures of expenditure are duly booked in the departmental registers and reconciled. This method has been working satisfactorily and it is hoped that this Ministry will be in a position to exercise better control over expenditure under the revised arrangements.

(b) At the request of this Ministry, the Accountant-General, Central Revenues, now sends to the Ministry particulars of all audit objections outstanding for more than six months in his objection registers. On receipt of these statements, the drawing and disbursing officers are addressed with a view to expediting the clearance of outstanding audit objections.

(c) Arrangements already exist for taking action on the recommendations of the Public Accounts Committee and prompt action is taken to implement the Committee's recommendations.

H. DAYAL,
Joint Secretary.

* See Appendix I (Vol. I—Report).

APPENDIX LXXXIII

MINISTRY OF INFORMATION AND BROADCASTING

Note stating action taken on item Nos. 6, 7 and 8 of the Statement of Outstanding Recommendations*

• With a view to ensuring effective control over expenditure against budgetary grants, monthly progress reports of expenditure under each primary head of account are obtained from all constituent units of the Ministry. The figures are entered in registers maintained for each unit. A quarterly review of the expenditure is made which is submitted to the Finance Ministry after approval by the Secretary, I. & B. Ministry. The expenditure registers are also shown to the Finance Ministry at quarterly meetings with that Ministry to review budget expenditure.

Instructions have also been issued to all constituent units to conduct a monthly reconciliation of departmental expenditure figures with those entered in the books of the audit authorities. Monthly returns are obtained from each constituent unit and the reconciliation statements are submitted before the Ministry of Finance at the quarterly meeting.

All audit objections received by the Ministry and constituent units are entered in the registers maintained by each constituent unit. Progress reports are obtained from them every month in the Secretariat. Objections over 6 months old are reported by audit authorities to the Ministry and are entered in the register maintained in the Secretariat. Units concerned are advised to speed up disposal of such audit objections. Progress on these objections is entered in the register from time to time which is submitted to the Ministry of Finance at quarterly meetings.

The Information & Broadcasting Ministry asked for additional staff to constitute a cell in the Ministry for control over budget expenditure. The Finance Ministry suggested that the possibility of making the required arrangements within the existing strength without any additional expenditure should be explored and the proposition is under examination.

* See Appendix I (Vol. I—Report).

APPENDIX LXXXIV

GOVERNMENT OF INDIA MINISTRY OF TRANSPORT

(TRANSPORT WING)

[No. 2-G(60)/53]

New Delhi, the 4th January, 1954.

MEMORANDUM

SUBJECT:—*Recommendations of the Public Accounts Committee on the Accounts of the year 1949-50—*

Question of setting up a separate "Budget Cell" in the Ministries.

In item 6 of the statement showing action taken or proposed to be taken on the recommendations of the Public Accounts Committee, received with Parliament Secretariat Office Memorandum No. 46(6)-FC/53, dated the 24th June, 1953, the Public Accounts Committee recommended that each Ministry should organise a cell within their framework for exercising control over expenditure in accordance with the budgetary grants as well as for prompt and satisfactory disposal of audit objections and the implementation of the recommendations of the Public Accounts Committee. This suggestion has been carefully examined in this Ministry who are of the view that unless additional staff is provided, a strictly independent "budget cell" cannot be set up. But according to the existing arrangements in this Ministry, "G" Branch in a way functions as the "Budget Cell" of the Ministry inasmuch as it coordinates the budget work of all the branches. This arrangement, coupled with the measures to maintain regular registers showing the expenditure booked against various heads from time to time, taken in compliance with the recommendation of the Public Accounts Committee in Para. 18 of their report of 1948-49(I), is working satisfactorily in this Ministry.

N. M. AYYAR,
Secretary.

APPENDIX LXXXV

MINISTRY OF REHABILITATION

Memorandum on Item 7 of the Statement of Outstanding Recommendations of the Public Accounts Committee* Re: control over expenditure.

In paragraph 18 of their Report relating to the Appropriation Accounts 1948-49(I), the Public Accounts Committee recommended that Ministries should devise measures urgently whereby expenditure under each grant and sub-head under that grant is booked immediately after it is incurred. The progress of expenditure should be watched by the authority administering the grant so that before incurring further expenditure it should ensure that the fresh expenditure is within the limit of sanctioned allotment.

In this Ministry the progress of expenditure is being watched to ensure that the fresh expenditure sanctioned does not result in any excess over the sanctioned allotment. It may, however, be added that delays in the adjustment of expenditure have come to notice in several instances. They occur mainly in the case of expenditure incurred in the old camps (which have since been closed) where displaced persons were originally given relief. Such camps were set up in a hurry and no record of the various liabilities incurred was kept. In the absence of this information it is not possible to ensure speedy adjustment of all items. These cases generally relate to debits for the supply of food-stuffs by the Ministry of Food to various State Governments, camps etc., rent of buildings belonging to the Ministry of Defence used for accommodating displaced persons, rail charges in connection with the movement of displaced persons from one State to another etc. Most of these cases relate to the years when there was heavy influx of displaced persons.

C. N. CHANDRA,
Secretary.

The 5th November, 1953.

* See Appendix I (Vol. I—Report).

APPENDIX LXXXVI

GOVERNMENT OF INDIA MINISTRY OF TRANSPORT

(TRANSPORT WING)

[No. 2-G(61)/53.]

New Delhi, the 11th January, 1954.

Memorandum for the Public Accounts Committee with reference to their remarks in para. 18 of their first Report on the Appropriation Accounts (Civil) of 1948-49—(Item No. 7 of the Statement of Outstanding Recommendations*).

In item 7 of the statement showing action taken or proposed to be taken on the recommendations of the Public Accounts Committee, received with Parliament Secretariat Office Memorandum No. 46(6)-EG/53, dated the 24th June, 1953, the Public Accounts Committee have recommended as follows :—

“In order to check the tendency of the spending authorities to incur expenditure in excess of the sanctioned grants of appropriations, it is essential that the Ministries in general and the Ministry of Finance in particular, should devise measures urgently whereby expenditure under each grant and sub-head under that grant is booked immediately after it is incurred. The progress of expenditure should be watched by the authority administering the grant so that before incurring further expenditure, it would ensure that the fresh expenditure is within the limit of sanctioned allotment. This is, of course, without prejudice to the legitimate use of the Contingency Fund.”

2. So far as the Ministry of Transport (excluding the Roads Wing) is concerned, the progress of expenditure is carefully watched every month. In order that this Ministry should have also control over the flow of expenditure instructions have been issued to Subordinate Offices to submit to this Ministry monthly statements showing the expenditure incurred by them in respect of various heads of accounts with which they are respectively concerned. These returns are received every month from them and the budgetary position is reviewed quarterly and submitted for information of higher officers. In addition, quarterly expenditure statements are furnished to the Ministry of Finance (Communications Division) to acquaint that Ministry with the progress of expenditure.

*See Appendix I (Vol. I—Report).

3. The Roads Wing of the Ministry of Transport administers the following grants :—

Account head	Sub-heads
50-Civil Works Central.	(a) Original Works—Communications. (b) Repairs : (i) Maintenance of National Highways. (ii) Other Communications. (iii) Tools and Plant. (iv) Grants-in-aid, contributions etc. (v) Deduct recoveries.
81-Capital Accounts of Civil Works outside the Revenue Account.	(i) Construction of National Highways. (ii) Construction of Other Roads. (iii) Construction of the Pathankot-Jammu Road. (iv) Deduct recoveries.

4. All road works under the administrative control of this Ministry are normally executed through the agency of the Public Works Department of the State Governments of Part 'A', Part 'B' and Part 'C' as well as through certain Central agencies like the Central Public Works Department and Central Water and Power Commission etc., on an agency basis. As laid down in the General Financial Rules, these executive agencies are responsible for watching the progress of expenditure *vis-a-vis* the grants placed at their disposal by this Ministry.

5. Further, a specific detailed procedure for watching the progress of the expenditure on road works (both original and maintenance and repairs) under the administrative control of this Ministry has been adopted, after consultation with the Ministry of Finance. Under this procedure, quarterly statements of expenditure in a prescribed form are required to be submitted to this Ministry by each accounts officer on whose books the expenditure on road works is recorded.

6. Further, a special procedure has been adopted by this Ministry (Roads Wing) in placing allotments with the various States and Administrations for executing road works. The entire allotments are not placed at their disposal all at once, but they are made in suitable instalments on the basis of actual progress of expenditure on various sanctioned works during a particular year. Further care is taken to see that no funds are allotted in excess of approved estimated cost of individual works beyond permissible limits. Final allotments are made only after December on the basis of progress of expenditure. In this way also, effective control of expenditure *vis-a-vis* allotments is exercised by this Ministry in so far as the road works are concerned.

N. M. AYYAR,
Secretary.

APPENDIX LXXXVII .

**Note from the Ministry of Commerce and Industry in regard to Item
No. 7 of the Statement of Outstanding Recommendations***

Detailed procedure to watch the progress of expenditure and to reconcile the figures of expenditure booked by the Controlling authorities with those booked by the Accounts Offices concerned already exists, so far as this Ministry and its attached and subordinate offices are concerned.

P. GOVINDAN NAIR,
Joint Secretary.

The 26th October, 1952

APPENDIX LXXXVIII

MINISTRY OF EXTERNAL AFFAIRS

(ACCOUNTS II SECTION)

Note re: Item Nos. 7 and 8 of the Statement of Outstanding Recommendations of the Public Accounts Committee*

The Public Accounts Committee in their report on the accounts for 1948-49 have observed as follows :—

“In order to check the tendency of the spending authorities to incur expenditure in excess of the sanctioned grants or appropriations, it is essential that the Ministries in general, and the Ministry of Finance in particular, should devise measures urgently whereby expenditure under each grant and sub-head under that grant is booked immediately after it is incurred. The progress of expenditure should be watched by the authority administering the grant so that before incurring further expenditure, it should ensure that fresh expenditure is within the limit of sanctioned allotment. This is, of course, without prejudice to the legitimate use of the Contingency Fund.”

2. The following arrangements exist in this Ministry in regard to the above recommendation :—

(a) The control of the grant at the disposal of this Ministry is exercised through progressive expenditure statements which indicate the upspent balance available under the grant at a given time, and estimates received every quarter which show the position of the grant *vis-a-vis* the quantum of liabilities anticipated. The review of the grant against the data available facilitates the necessary check to ensure that the expenditure reported from time to time is within the sanctioned allotment. If the sanctioned allotment is found to be insufficient, steps are taken to augment the existing provision either by a supplementary grant, or by an advance from the Contingency Fund of India, or by reappropriation of savings within the grant, as determined by the position of the grant at any particular time.

(b) In order to ensure that expenditure incurred by one office on behalf of another is adjusted against the latter's grant, a procedure has been devised whereby the paying office sends an advice of payment both to the office on whose behalf the payment is made and to the Accounts Officer so that the necessary adjustments are made both in the departmental and in the Accounts Officers' books simultaneously.

H. DAYAL,
Joint Secretary.

*See Appendix I (Vol. I—Report).

APPENDIX LXXXIX

MINISTRY OF REHABILITATION

Memorandum regarding Reconciliation of departmental figures of expenditure with those kept in the Accounts Office & taking over of accounts work by the Ministries—(Item No. 8 of the Statement of Outstanding Recommendation*).

In paragraph 19 of their Report relating to Appropriation Accounts for 1948-49 (I), the Public Accounts Committee recommended that the spending departments should maintain their accounts properly so that the reconciliation of the figures of expenditure booked by the spending departments with those booked by the Accounts Officers is efficiently conducted. They also advised that steps should be taken to assume responsibility for keeping the entire accounts by the Ministries/Departments concerned gradually but effectively.

A revised procedure for the reconciliation of Departmental figures of expenditure with those booked in the account office has been adopted in consultation with the Ministry of Finance, Instructions regarding the maintenance of accounts by this Ministry are awaited from the Ministry of Finance.

The 5th November, 1953.

C. N. CHANDRA,
Secretary.

*See Appendix I (Vol. I—Report).

APPENDIX XC

MINISTRY OF NATURAL RESOURCES AND SCIENTIFIC RESEARCH

Note regarding item No. 8 of the Statement of Outstanding Recommendations of the Public Accounts Committee*

The Ministry receives progressive monthly expenditure statement from all its subordinate offices. These are checked with the sanctioned grant and a watch is thus kept to ensure that progress of expenditure is on proper lines. Monthly reconciliation statements are also obtained from the subordinate offices. These are scrutinised to see that discrepancies between departmental figures and those booked in the audit office are reconciled in proper time. Periodical meetings are also held with the Finance Ministry for a general review of the reconciliation of the figures of expenditure with those booked by the Accounts Office.

S. S. BHATNAGAR,

Secretary.

*See Appendix I. (Vol. I—Report).

APPENDIX XCI
GOVERNMENT OF INDIA
MINISTRY OF TRANSPORT
(Transport Wing)
[No. 2-G(61)/53.]

New Delhi, the 24th November, 1953.

Note for the Public Accounts Committee with reference to their remarks in para 19 of their First Report on the Appropriation Accounts (Civil) of 1948-49—(Item No. 8 of the Statement of the Outstanding Recommendations*).

In item 8 of the Statement showing action taken or proposed to be taken on the recommendations of the Public Accounts Committee, received with Parliament Secretariat Office Memorandum No. 46(6)-FC/53, dated the 24th June, 1953, the Public Accounts Committee have recommended as follows :—

“The reconciliation of the figures of expenditure booked by the spending Departments concerned with those booked by the respective Accounts Officers is one of the ‘potent methods’ by which the flow of expenditure can be regulated and the tendency to overspend curbed. To achieve this end, the spending Departments should maintain their accounts properly. The financial Advisers attached to the Ministries etc. should guide the Administrative authorities in regard to the maintenance of accounts and for watching the progress of expenditure. They should also look into the accounts of Ministries/Departments periodically in order to see that these are being maintained properly. In the U.K. the responsibility for keeping the entire accounts rests with the Ministries/Departments concerned. Steps should be taken to introduce changes in this respect gradually but effectively.”

2. So far as the Ministry of Transport is concerned, the figures of actual expenditure are reconciled with the figures recorded in the Accounts Offices concerned every month. The reconciliation of figures of expenditure booked by the spending Departments with those booked by the respective Accounts Offices was one of the points considered at the inter-Ministerial meeting held in September, 1952. It was agreed that the figures of expenditure as booked in the audit offices should be obtained by the spending authorities and incorporated in the register maintained for the purpose. Instructions have accordingly been issued to the Subordinate Offices on

* See Appendix I (Vol. I—Report).

the above lines. The audited figures are now invariably shown in the Register kept in the Ministry also for recording statement of monthly expenditure.

So far as expenditure on road works is concerned the suggestion is under active consideration.

N. M. AYYAR,
Secretary.

APPENDIX XCII
MINISTRY OF STATES

Note on Item 8 of the Statement of Outstanding Recommendations of the Public Accounts Committee* re: reconciliation of the figures of expenditure booked by the spending departments concerned with those booked by the respective Accounts Officers.

The Ministry of Finance have issued detailed instructions in regard to the maintenance of Departmental Accounts by the spending departments and the reconciliation of these accounts with those maintained by the Accounts Offices. These instructions have been communicated to the Part C States, the Counsellors and the Regional Organisations, and they have been asked to send monthly reports showing the expenditure booked in the Departmental Registers and monthly returns of figures after reconciliation with those booked in the Accounts Offices. The departmental figures are to be sent by the 15th of the month following the month to which they relate, and the reconciled figures a fortnight later. Any delay in the submission of these returns is watched and taken up with the authorities concerned. So far as expenditure of the Ministry of States Secretariat is concerned, reconciliation between the Departmental figures and those booked in the Accountant General, Central Revenues' Office is done by deputing an Assistant or Senior Clerk to the Office of the Accountant General, Central Revenues.

Registers are maintained in the Ministry of States to watch the progress of expenditure and the Ministry of Finance arrange periodical discussions as and when they consider it necessary to review the position.

G. SWAMINATHAN,
Joint Secretary.

* See Appendix I (Vol. I—Report).

APPENDIX XCIII

MINISTRY OF DEFENCE

SUBJECT:—*Grants for Development Schemes—(item 8 of the Statement of Outstanding Recommendations*)*.

In paragraph 21 of the First Report on the Appropriation Accounts (Civil) and (Posts & Telegraphs) of 1948-49 and unfinished Accounts (Civil) of 1947-48 (post-partition), the Public Accounts Committee made the following recommendation :—

“In regard to proper utilization of the grants made to the State Governments etc. for various Development schemes launched by them, the Central Government should conduct broad checks to see that the objectives with which such allocations are made are achieved as intended and within the targets laid down.”

2. The above recommendation has been examined. The Ministry of Defence is hardly concerned with grants to State Governments for development schemes. The only grants given by the Defence Ministry are for the resettlement of ex-servicemen and these are carefully scrutinised before and after sanction, and the projects inspected from time to time by senior officers.

3. The Ministry of Finance (Defence Division) and the D.A.D.S. have seen.

B. B. GHOSH,
Joint Secretary.

The 12th January, 1954.

* See Appendix I (Vol. I—Report).

APPENDIX XCIV

MINISTRY OF REHABILITATION

Memorandum re: the proper utilisation of the grants made to the State Governments etc—(Item No. 9 of the Statement of Outstanding Recommendations*).

In paragraph 21 of their Report relating to the Appropriation Accounts for 1948-49 (I) the Public Accounts Committee suggested that the Central Government should conduct broad checks to see that the objectives with which grants are made to the State Governments etc., are achieved as intended and within the targets laid down. This Ministry has an officer of the rank of Joint Secretary whose duty is to go round the various States to see whether the relief and rehabilitation schemes are being properly implemented and funds properly utilised.

C. N. CHANDRA,
Secretary.

The 5th November, 1953.

*See Appendix I (Vol. I—Report).

APPENDIX XCV
MINISTRY OF TRANSPORT
(Roads Wing)

SUBJECT:—*Checks on the proper utilisation of grants made to States —(Item No. 9 of the Statement of Outstanding Recommendations*).*

While considering the appropriation accounts (Civil) for 1949-50. the Public Accounts Committee made the following observation :—

“In regard to proper utilisation of the grants made to the State Governments etc. for various Development Schemes launched by them, the Central Government should conduct broad checks to see that the objective with which such allocations are made are achieved as intended and within the targets laid down.”

2. Roads Wing of this Ministry is concerned with—

- (i) National Highways;
- (ii) ‘Other Roads’ under the administrative and financial control of the Ministry of Transport; and
- (iii) Schemes financed from the Central Road Fund.

3. As regards National Highways and Other Roads, these are Central liabilities and the funds provided to the State Governments for works (both original as well as maintenance and repair) of these roads cannot obviously be treated as grants. Also, these do not come under the category of Development Schemes launched by the State Governments.

4. The execution of works on National Highways and Other Roads is entrusted to the Public Works Departments of the States and other Central agencies like the Central Public Works Department, Central Water & Power Commission etc. The allotments for works on these roads are not placed at their disposal all at once but they are made in suitable instalments on the basis of actual progress of expenditure on various sanctioned works during a particular year. The detailed estimates for all works are required to be approved by the Government of India and the States are required to forward monthly progress reports in respect of each sanctioned work. The difficulties, if any, regarding the progress of a work are also indicated in the progress reports and prompt action is taken by this Ministry to remove the bottlenecks, if any. The Planning Officers of this Ministry and the Engineer Liaison Officers posted in the States also make periodical inspection of the roads.

*See Appendix I (Vol. I—Report).

5. As regards the Central Road Fund, eighty per cent. of the total revenue accruing to the Fund in a year is allocated to the States on the basis of petrol consumption. These allocation amounts in respect of Part 'A' and Part 'B' States are held by the Central Government to the credit of the States, against which quarterly allotments are sanctioned to the State Governments on receipt of applications to enable them to meet anticipated expenditure on road works approved by the Government of India for being financed from the Central Road Fund allocations. In the case of Part 'C' States without legislatures, the Central Government issue sanctions for the works to be financed therefrom and provide for the necessary expenditure in the Central budget which is subject to the vote of the Parliament. As regards Part 'C' States with legislatures, their shares from the Central Road Fund allocations are placed at their disposal as they accrue. No expenditure can, however, be incurred by these States unless the estimates of works on which the expenditure is proposed to be incurred are sanctioned by the Government of India. The amount required for expenditure on sanctioned works from year to year is provided for in the States budget which requires the prior approval of the President before being presented to the State legislature.

Further, strict instructions have been issued to audit not to admit expenditure on unapproved works. The Central Government receive quarterly statements of expenditure from the Accountants General of the various States in regard to road works approved by the Central Government to be financed from the Road Fund allocations and watch the expenditure so that it does not exceed the approved limit in the case of any approved road scheme. These allocations also cannot be treated as grants.

6. The balance of 20 per cent. of the revenue accruing to the Fund is kept as a 'Central Reserve'. This Reserve in terms of para 6 of the Road Fund Resolution of 19th November, 1947 (as amended by the late Constituent Assembly on the 8th December, 1949 and by Parliament on the 14th April, 1950) is to be applied first for defraying the cost of administering the Central Road Fund and thereafter upon such schemes for research and intelligence and upon such special enquiries in connection with roads and upon special grants-in-aid for such objects connected with the roads as the Central Government may approve.

7. When an application is received by the Government of India for a grant from the Central Reserve, they in the first instance satisfy themselves whether the proposed scheme is suitable. If the Government of India decide that a grant should be given from the Reserve to the State Government or other administration or authority concerned, the Government of India inform them that they will be prepared to meet from the Reserve the whole or a stated proportion of the estimated cost of the work, subject to a maximum limit, if necessary. The State Government or other administration or authority concerned then submits detailed estimates with plans etc. for each such scheme to the Government of India. After scrutiny of the estimates, the Government of India communicate their technical approval and financial sanction to the State Government

or other administration or authority concerned. The competent authority then accords (technical) sanction to the estimates and the State Government or other administration or authority concerned then intimates to the Government of India the number, date, and other particulars of the detailed estimates so sanctioned. This information is then passed on to Audit who are informed that a contribution will be made from the Central Road Fund Reserve towards the expenditure against the sanctioned estimate to the extent decided upon.

8. The expenditure is incurred by the State Government against the grant sanctioned by the Government of India and initially booked in the books of the State Accountants General and subsequently passed on to the Accountant General, Central Revenues for final adjustment. The procedure for ensuring that the grants from the Central Road Fund Reserve are utilised for the purpose for which they were intended and that physical targets are achieved in conformity with the patterns approved by the Government of India, is the same as adopted for works on National Highways and other Roads which has been briefly described in para 4 above.

N. M. AYYAR,
Secretary.

The 8th October, 1954

APPENDIX XCVI

MINISTRY OF WORKS, HOUSING AND SUPPLY

Note re. Item No. 9 of the Statement of Outstanding Recommendations of the Public Accounts Committee* Grants for Development Schemes.

This Ministry is concerned with Grants for Industrial Housing Scheme. The objectives for which the Grant is made, and the date by which the tenements for industrial workers should be constructed, are mentioned in the sanction letter as well as in the agreement, and regular periodic progress reports are obtained.

S. RANGANATHAN.

Joint Secretary.

*See Appendix I (Vol. I—Report).

APPENDIX XCVII
MINISTRY OF DEFENCE

**Note re: Item No. 9 of the Statement of Outstanding
Recommendations***

SUBJECT:—Reconciliation of Accounts.

In paragraph 19 of the First Report on the Appropriation Accounts (Civil) and (Posts & Telegraphs) of 1948-49 and unfinished Accounts (Civil) of 1947-48 (post partition), the Public Accounts Committee made the following recommendation:—

“The reconciliation of the figures of expenditure booked by the spending Departments concerned with those booked by the respective Accounts Officers is one of the ‘potent methods’ by which the flow of expenditure can be regulated and the tendency to over-spend curbed. To achieve this end, the spending departments should maintain their accounts properly. The Financial Advisers attached to the Ministries etc., should guide the Administrative authorities in regard to the maintenance of accounts and for watching the progress of expenditure. They should also look into the accounts of Ministries/Departments periodically in order to see that these are being maintained properly. In the U.K., the responsibility for keeping the entire accounts rests with the Ministries/Departments concerned. Steps should be taken to introduce changes in this respect gradually but effectively.”

2. The above recommendation has been examined. So far as the Defence Services are concerned, reconciliation is being carried out in respect of the locally controlled heads. In other cases, expenditure is being watched by the authorities in the Centre with reference to the figures furnished by Accounts Officers and other data.

3. The Ministry of Finance (Defence Division) and the D.A.D.S. have seen.

B. B. GHOSH,
Joint Secretary.

The 12th January 1954.

*See Appendix I (Vol. I—Report).

APPENDIX XCVIII .

**MINISTRY OF FOOD & AGRICULTURE
(Food)**

**RECOMMENDATION OF THE PUBLIC ACCOUNTS
COMMITTEE—(Item 10, 1948-49 (I), Paragraph 25
of the First Report).**

Recommendation.—In all cases of misuse of public money, reckless disregard of financial rules, extravagances and losses resulting from negligence of officials, responsibility should be fixed on the individual officers and the Ministry concerned. The Administrative Ministry should not content itself merely with passing strictures against the officers concerned but should take some positive action against them for wastes of public funds caused through their wilful actions or contributory negligence. In order to tone up administrative integrity and efficiency, it is absolutely essential that officials found guilty of such acts are dealt with promptly and severely. Officers responsible for failing to take action or delaying action against the delinquent officials should also be suitably punished.

Remarks.—One Officer of the rank of Deputy Secretary and another of the rank of Under Secretary have been nominated for the purpose of conducting all the departmental enquiries arising within the Ministry.

APPENDIX XCIX
GOVERNMENT OF INDIA
MINISTRY OF TRANSPORT
(TRANSPORT WING)
[No. 2—G(61)/53]

New Delhi, the 25th November, 1953.

Note for the Public Accounts Committee with reference to their remarks in para 25 of their First Report on the Appropriation Accounts (Civil) of 1948-49.—(Item No. 10 of the Statement of Outstanding Recommendations*)

In item 10 of the statement showing action taken or proposed to be taken on the recommendations of the Public Accounts Committee, received with Parliament Secretariat Office Memorandum No. 46(6)-FC/53, date the 24th June, 1953, the Public Accounts Committee have recommended as follows:—"In all cases of misuse of public money, reckless disregard of financial rules, extravagances and losses resulting from negligence of officials, responsibility should be fixed on the individual officers and the Ministry concerned. The Administrative Ministry should not content itself merely with passing strictures against the officers concerned but should take some positive action against them for wastes of public fund caused through their wilful actions, or contributory negligence. In order to tone up administrative integrity and efficiency, it is absolutely essential that officials found guilty of such acts are dealt with promptly and severely. Officers responsible for failing to take action or delaying action against the delinquent officials should also be suitably punished."

2. The instruction have been noted. So far as road works are concerned they are executed through the State Public Works Departments and Central Organisations like the Central Public Works Department, Central Water and Power Commission etc., who have their own rules for dealing with such cases. This Ministry will however see that officials causing loss to Central Funds through negligence and fraud are duly brought to book.

N. M. AYYAR,
Secretary.

* See Appendix I (Vol. I—Report).

APPENDIX C
MINISTRY OF FINANCE

DEPARTMENT OF ECONOMIC AFFAIRS

New Delhi, dated the 14th July, 1954.

Memorandum regarding item 14 (ii) of the Statement of Outstanding Recommendations of the Public Accounts Committee.*

In the report submitted last to the Committee in September, 1952, the actual percentages of the ratio of the expenditure incurred on agency fees paid to the Commonwealth Relations Office to the pensions paid by that Office were furnished for the years 1947-48 to 1950-51. This has been brought up-to-date till the year 1953-54 and the position now compares as follows:—

Year	Agency Fees Paid (£)	Amount of Pensions Paid by C.R.O. (£)	Percentage of Ratio. (%)
1947-48 (Post Partition)	231,250	1,826,940	12.6
1948-49	215,000	3,872,836	5.5
1949-50	135,000	4,555,889	2.9
1950-51	114,000	4,438,514	2.5
1951-52	102,000	4,294,735	2.4
1952-53	90,000	4,236,988	2.1
1953-54	76,500	4,222,556	1.8

The amount of the contribution payable to the Commonwealth Relations Office varies from year to year depending on the volume of work done by that office on behalf of the Government of India. This work is now confined mostly to the payment of military pensions and administration of certain Family Pension Funds.

M. V. RANGACHARI,
Joint Secretary.

To

The Chairman and members of the Public Accounts Committee

* See Appendix I (Vol. I—Report).

APPENDIX CI

MINISTRY OF FINANCE

Memorandum submitted by the Ministry of Finance (Department of Revenue & Expenditure) in regard to Item Nos. 14 (iii) and 16 of the Statement of Outstanding Recommendations of the Public Accounts Committee.*

Item No. 14 (iii).—It has been ascertained from the Ministry of External Affairs that where our Commissions function as in Port Louis and Trinidad the interests of Indians living in those places are looked after by them. In places where we have no representative, the British Representatives render assistance to Indians settling in those countries.

Item No. 16.—The High Commissioner for India in London exercises greater financial powers than those of the Heads of Missions under the External Affairs Ministry. The powers are as shown in Annexure 'B' to Chapter IV of General Financial Rules, Volume I. The functions of the High Commissioner in London, by virtue of our connections with the British Government, are larger than those which other Ambassadors are called upon to perform, e.g., he has to purchase stores not only for the Government of India but also for the Embassies in Europe and enhanced powers became a necessity in the interests of the speedy disposal of work. To ensure proper financial advice being rendered to him, an experienced officer has been posted in London to act as the Financial Adviser to the High Commissioner.

J. DAYAL,
Joint Secretary.

* See Appendix I (Vol. I—Report).

APPENDIX CII

Memorandum regarding item 15 of the Statement of Outstanding Recommendations of the Public Accounts Committee.

In the review of the financial position of the Department of Insurance submitted to the Public Accounts Committee in November, 1953, it was stated that the financial position of the Department should be carefully watched for sometime more before final conclusions could be drawn as to whether the Department would be self-supporting or not. The figures of income and expenditure for 1953-54 are given below:

Year	Income	Expenditure	Saving
1953-54	Rs. 8,09,373	Rs. 6,04,436	Rs. 2,04,937

(The figures are provisional pending final adjustments in the books of the Accounts Office concerned.)

2. However the full effect of the recent expansion of the Department of Insurance has not begun to be felt as some of the newly sanctioned posts are still in the process of being filled up. The position will have to be watched for sometime more before any final conclusion is arrived at.

B. K. KAUL,
Deputy Secretary.

APPENDIX CIII

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

Département of Economic Affairs

New Delhi, dated the 15th July, 1954.

Memorandum regarding the selling rates of the India Security Press Products.—Item No. 17 of the Statement of Outstanding Recommendations*

In their report on the accounts for 1948-49 (interim) the Public Accounts Committee recommended that the advisability of the upward revision of the selling rates of the India Security Press products should be considered by Government. Accordingly, the position was reviewed in 1951 with reference to the results of the working of the Press during 1949-50. The conclusion reached was that in spite of the increased expenditure in the year 1949-50 due to the payment of arrears of overtime and of dearness allowance there was no justification for any upward revision of the selling rates of the Press products, because the accounts for that year still showed a satisfactory margin of profit (mean profit on mean capital being 11.2 per cent. as against the minimum figure of 10 per cent. fixed in this behalf). It was, however, proposed to review the position again after the results of the accounts for the year 1950-51 were known.

2. The position was reviewed after the results of the audited accounts for 1950-51 were known. The accounts for that year showed a mean profit of 10.5 as against the figure of 11.2 per cent for the previous year. Since the decrease of 0.7 per cent in the profit was mainly due to reduced sales as a result of the decrease in the demand for the Press products, any increase in the selling prices of the Press products was not warranted. As, however, the working of the first half of 1951-52 showed a downward trend in profits, it was decided to consider the question of increase in the charges for printing of stamps, etc., after the audit of the Press accounts for 1951-52 had been completed and the results known.

• The position was accordingly reviewed in 1952 in the light of the results of the audited accounts for 1951-52, which showed the margin of profits considerably lower than the minimum fixed in that behalf. The position in 1952-53 was likely to prove still worse on account of the anticipated increase in the manufacturing cost during that year as a result of increased pay to be paid to Operative Establishment due to the implementation of Varma Award and the increasing cost of paper. Taking all these factors into consideration, the selling rates of almost all the Press products were increased by about 10 per cent., with effect from the 1st October, 1952.

3. The position was further reviewed again at the close of the financial year, 1952-53. The selling rates were, therefore, further revised with effect from the 1st April, 1953 and the rates so revised continue to be force till now.

M. V. RANGACHARI,
Joint Secretary.

*See Appendix I (Vol. I—Report).

APPENDIX CIV

MINISTRY OF FINANCE

Memorandum Regarding Item No. 18 of the Statement of Outstanding Recommendations of the Public Accounts Committee

SUBJECT.—Prompt disposal of audit objections

The procedure that has been devised to ensure prompt disposal of audit objections is laid down in the Finance Ministry's Memorandum No. F. X/27(7)/EGI/53, dated the 29th June, 1953 and Office Memorandum No. F.27(7)/EGI/53, dated the 19th December, 1953. (See Annexures I and II). It is briefly explained below.

2. According to this procedure, audit will send their objections to the appropriate Ministries and will also compile and forward to each Ministry a list of objections which are outstanding against the Ministry for more than six months. A copy of the list will also be sent to the Ministry of Finance for information. It will be the duty of the administrative Ministry to arrange for prompt action being taken to settle outstanding objections, if need be, in consultation with their accredited Finance. As far as possible, periodical discussions will also be held between administrative Ministry and the Audit Officers concerned to facilitate prompt settlement of audit objections. As regard audit objections relating to the various offices under a Ministry, the A.G. concerned will send periodical returns to the Ministry showing the offices which have failed to clear the audit objections, the number of such objections and the period for which such objections have been outstanding with each office. On the basis of this information from the A.G. concerned, the administrative Ministry will see that necessary action is taken by the offices concerned under it to settle the outstanding objections expeditiously. The administrative Ministries have also been requested to maintain a register containing the items of outstanding objections as reported by the audit authorities both in respect of the Secretariat proper and the attached and subordinate offices thereunder and indicating the progress of action taken on each item.

3. The returns containing audit objections outstanding for over six months will be furnished by the Audit half-yearly in the manner described below:

- (a) All old items which are settled in a half-year will be omitted and new items added in the next half-year. In respect of old items which remain unsettled at the time of the issue of the next return, only a reference to the return in which the items were originally included will be given.
- (b) The half-yearly statements will be compiled Office or Departmentwise in duplicate.
- (c) Action required to be taken against each item of the statement will be indicated in the return.

- (d) Returns will contain relevant details such as particulars of objections (which are outstanding for over 6 months), period to which they relate, money value of the objections and replies of the administrative authorities together with their latest reference etc.

Each Ministry will, as a rule, obtain periodical returns from its own Branches and Sections and Attached and Subordinate Offices, showing the particulars of outstanding objections and reasons for their non-settlement, so that the Ministry concerned may check up those returns with the returns received half-yearly from the Audit and take such action as may be necessary in the circumstances of each item. The Ministries will also intimate to Audit half-yearly the progress of settlement of the audit objections as communicated by their Branches and Sections and Attached and Subordinate Offices.

4. The above procedure has had the concurrence of the Audit Authorities also.

J. DAYAL

19.2.1954

Joint Secretary to the Government of India

ANNEXURE I

No. F.27(7)-E.G.I/53.

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

(Deptt. of Revenue and Expenditure)

New Delhi, the 29th June 1953.

MEMORANDUM

SUBJECT.—*Prompt disposal of Audit objections.*

The Public Accounts Committee have commented on the inordinate delay on the part of both the Ministries and their attached and subordinate offices in replying to audit objections and have suggested that effective steps should be taken to secure prompt disposal of such objections both in the Secretariat proper and outside. The following procedure is therefore laid down:

So far as the Ministries proper are concerned the Audit will send their objections to the appropriate Ministries and will also compile and forward to each Ministry quarterly a list of objections which are outstanding against that Ministry for more than six months. A copy of this list will also be sent to the Ministry of Finance for information. It shall be the duty of the administrative Ministry to arrange for prompt action being taken to settle the outstanding objections, if need be in consultation with the accredited Joint Secretary (Finance). Efforts to hold periodical discussions between the Administrative Ministry and the Audit Officers concerned will facilitate quicker settlement of audit objections. Special care should be bestowed in respect of such objections as involve the possibility of recurring loss unless quick remedial action is taken.

In regard to audit objections relating to the various offices under a Ministry, under the present procedure, it will not be possible for the Ministry to ensure that every audit objection has been dealt with promptly by the offices concerned as the audit objections are sent to the offices concerned and not to the Ministry. With a view to enabling the Ministry concerned to see that prompt replies are sent to audit, periodical returns to the Ministry showing the offices which have failed to clear the audit objections, the number of such objections and the period for which such objections have been outstanding with each Office will be sent by the Accountant General concerned quarterly. On the basis of the information from the Accountant General, the Administrative Ministry should ensure that necessary action is taken by the offices concerned under it to settle the outstanding objections expeditiously.

The undersigned is directed to state that Government attach great importance to the implementation of the above procedure and to request that suitable action should be taken by the Ministries and their attached and subordinate offices to ensure strict compliance with the above procedure. The administrative Ministries are requested to maintain a register containing the items of outstanding objections as reported by the audit authorities both in respect of the Secretariat proper and the attached and subordinate offices thereunder and indicating the progress of action taken on each item. The register will be open to inspection periodically by the accredited Financial Adviser to the Ministry concerned.

J. DAYAL,
Joint Secretary.

ANNEXURE II

No. F.27(7)-E.G.1/53

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

New Delhi, dated the 19th December, 1953.

OFFICE MEMORANDUM

SUBJECT 2.—*Prompt settlement of Audit objections.*

The undersigned is directed to invite a reference to the Ministry of Finance Memorandum of even number, dated the 29th June 1953, and to say that, it has now been decided in consultation with the Accountant General Central Revenues, to modify the existing procedure as indicated below:—

2. The returns containing Audit objections outstanding for over six months will, in future, be furnished by the Audit half-yearly, and not quarterly, in the manner described below:

- (a) All old items which are settled in a half-year will be omitted and new items added in the next half-year. In respect of old items which remain unsettled at the time of the issue of the next return, only a reference to the return in which the items were originally included will be given.

- (b) the half-yearly statements will be compiled Office or Department-wise in duplicate.
- (c) Action required to be taken against each item of the statement will be indicated in the return.
- (d) Returns will contain relevant details such as particulars of objections (which are outstanding for over 6 months), period to which they relate, money value of the objections and replies of the administrative authorities together with their latest reference etc.

3. Each Ministry should, as a rule, obtain periodical returns from its own Branches and Sections and Attached and Subordinate Offices, showing the particulars of outstanding objections and the reasons for their non-settlement, so that the Ministry concerned may check up those returns with the returns received half-yearly from the Audit and take such action as may be necessary in the circumstances of each item.

4. The Ministries should intimate to the Audit half-yearly the progress of settlement of the Audit objections as communicated by their Branches and Sections and Attached and Subordinate Offices.

5. Subject to the modifications indicated in the preceding paragraphs, the procedure outlined in this Ministry's Memorandum of even number dated the 29th June, 1953, will continue to be in force.

O. P. GUPTA,
Deputy Secretary.

APPENDIX CV

Note re: Item No. 21 of the Statement of Outstanding Recommendations of the Public Accounts Committee*

SUBJECT.—*Organisation and functions of the Chief Accounts Officer, Bhakra Nangal Project, Nangal.*

It was in pursuance of the advice given by the Comptroller and Auditor General that in regard to River Valley Projects there should be a separate qualified Accounts Officer whose function it will be to see "that all the provisions of the Public Works Account Code Rules are properly observed and that the accounts are correctly maintained" that the organisation of the Chief Accounts Officer, Bhakra Nangal Project, was set up in 1950.

2. The Auditor General, at a meeting held on 7th September, 1948, to consider arrangements to be made for the proper accounting and audit of expenditure in connection with the Major River Valley Projects and attended by the representatives of the Central Ministries of Finance, and Works, Mines and Power and of the CWINC, further stated that "The Accounts Officer will assist the Executives in the maintenance of accounts, but the final responsibility will rest with the PWD Officers. The Accounts Officer will be responsible for all the internal financial and accounts check". The Comptroller & Auditor General also indicated that in addition to this internal check by the Accounts Officer there will be a "statutory audit which the Comptroller & Auditor General will exercise with his own independent staff". He also expressed his willingness to locate his audit staff at the headquarters of the Chief Accounts Officer so that audit might be prompt and more extensive than in ordinary cases. In the Auditor General's view, this set-up would meet all the requirements of efficient financial control by placing the responsibility for the execution of the project, incurring expenditure and maintaining all the relevant initial accounts under the rules, rendering them to audit and accepting financial responsibilities squarely on proper shoulders, namely those of the Engineers. The Auditor General also emphasised that he could not accept the position that the Engineers should be freed from all responsibility for accounts. In his view the engineers cannot be allowed to "execute works without any responsibilities for the expenditure and the maintenance of the relevant accounts". "An Engineer's efficiency is judged as much by the economy with which the work is executed as by the quality of the completed work. It is for the spending officer to prove that he has obtained full value for the money spent and this means that he has to maintain the requisite accounts. It is, therefore, necessary that Engineers should be constantly and intimately aware of the financial aspect of the work entrusted to them, and constantly keep in view the necessity for

*See Appendix I (Vol. I. Report).

executing the work as economically as possible consistent with quality" (vide paragraphs 4 to 7 of the record note of a meeting held on the 7th September, 1948, to which reference has already been made).

3. Again the Deputy Auditor General, in his u.o. No. 1343-Adm/268-48 Pt. II, dated the 11th July, 1950, to the Punjab Government, expressed the view of the Comptroller & Auditor General that there should be a Chief Accounts Officer for each Project, subordinate to the Finance Department of the Government concerned and who would be responsible for maintaining the accounts of the project and paying bills after pre-check, the payments being subject to post audit later by statutory audit.

4. The Punjab Government, although they were initially reluctant, ultimately accepted the advice of the Comptroller & Auditor General and set up, in 1950, a Chief Accounts Officer for the Bhakra Nangal Project. The new organisation took over the duties of internal checking from 1st June, 1950. The duties of the organisation are set out in Annexure I. It was laid down that while the sub-Division and Divisional Officers should continue as before, to pay all bills for work done or supplies received and maintain all records connected therewith, the Chief Accounts Officer should subject the accounts to such checks as might be required under the rules and that he should arrange for a periodical check of the accounts records kept in the Divisional and Sub-Divisional Offices and organise a system of efficient internal check. He was, in addition, to compile a single consolidated account for the whole Project under suitable heads of accounts, in the order given in the Project papers, in consultation with the Accountant General and submit it to the latter. The Chief Accounts Officer was further made responsible for dealing with all cases of important audit objections and financial irregularities brought to his notice by the Resident Audit Officer and for obtaining the orders of the competent authority thereon and for communicating them to the Audit Officer.

5. It may be mentioned, in this connection that right from the start, the Irrigation Branch of the Punjab PWD., which is responsible, in the main, for the construction work relating to the Project, was totally opposed to the idea of pre-check of all bills by the Chief Accounts Officer. Their contention was—

- (a) that pre-check of bills was bound to lead to delays in payments because the Accounts Staff would lay undue stress on the compliance of technical and accounting formalities, and also because in the Punjab Irrigation Department, payments are mostly made in the Sub-Divisions and even the most expeditious system will result in delayed payments, as the bills have to originate in the sub-Divisions, be checked in the Divisions before they can be sent to the Accounts Office and similarly the bills will have to travel a longer distance on their return from the Accounts Office,
- (b) that the delay in payment would push up rates which they said had actually taken place in the Pathankote Jammu Road construction, where payments were made after pre-audit; and

- (c) that if the Divisional Accounts were maintained by the Accounts Officer, the Executive Engineer would lose all touch with the Progress of expenditure.

These objections finally prevailed with the result that when the Chief Accounts Officer's organisation was set up, it was decided that he should do only a post check of all payments and accounts. There was also another difficulty which made pre-check of payments difficult and made a thorough post check the only practicable thing to attempt. A large number of Divisions is scattered all over the Punjab and PEPSU and it was physically impossible for the Chief Accounts Officer, sitting at Nangal, to arrange for a speedy examination of bills sent from these divisions.

6. It will be seen that the organisation is more or less in accordance with the suggestions made by the Comptroller & Auditor General, the only modification being the abandonment of pre-check before payments, reasons for which have already been explained*.

The Engineering Officers continued to be responsible for making payments and maintaining the connected accounts and the Divisional Accountant continued to be the principal accounts official in the division and discharged or attempted to discharge the functions imposed upon him under the Public Works Account Code and other relevant rules.

7. In accordance with the Auditor General's instructions and based upon the practice adopted in regard to the audit of expenditure on the Bhuvaneshwar Project in Orissa, it was decided in 1948-49 that the accounts of expenditure incurred on the Bhakra Nangal Project should be subjected to a cent per cent check, vide Auditor General's letter No. 3720-Admn/450-48 dated 8th December, 1948 to the Accountant General, East Punjab. A party of two auditors was sanctioned for auditing the accounts of each Division. As a Superintendent is expected to supervise the work of six auditors a post of Superintendent was also sanctioned for every three Divisions, vide the Auditor General letter 130-NGE-I/KW.268. Admn.48 dated 14th January 1949, No. 778-NGE-I/78-49 dated 25th March, 1949 etc. in order that the audit may be done locally, a Resident Audit Office was opened in Nangal in 1949. When in 1950, the Chief Account Officer's Organisation was set up, it took over the work done by the Resident Audit Officer and built its organisation on the same basis as that adopted by the Resident Audit Officer, viz. that the staff for the 100 per cent. post-check should consist of 2 Upper Division Clerks for each Division and that there should be a S.A.S. Superintendent for every six Upper Division Clerks. As the Divisions were spread out, it was decided that the clerks should be located at the Divisions, so that they might have access to all relevant records and documents

*It has been decided that the Chief Accounts Officer should take over the pre-check of all bills relating to the Stores Division located in Nangal. Again in respect of 21 Divisions in Bhakra and Nangal, the Engineers have been relieved of the responsibility for payment, which work has been taken over by the newly formed Directorate of Construction and Plant Design. This scheme has been put into force with a view to relieving the Engineering Officers of a considerable amount of accounts work. Under this scheme, payment work in the Directorate will be handled by Accounts Officers who will be under the control of the Chief Accounts Officer in respect of technical matters. This arrangement may be regarded as amounting to a pre-check of bills although the Accounts Organisation will not be under the Administrative control of the Chief Accounts Officer.

and that an S.A.S. Superintendent should be located at convenient centres. In actual practice, however, a Superintendent is entrusted with the post-check of the accounts of more than three divisions. There are now 14 sections dealing with the accounts of 59 divisions or units and their location is set up in Annexure II.

8. As the agency of the Chief Accounts Officer is working locally in the Divisional Offices, all initial and complied accounts sanctions, detailed estimates, work orders, Purchase Orders, Contracts and other documents are always available to it and as such its post 'Internal check' covers not only the documents, which are normally subjected to central audit by the Accountant General but also the initial records and documents which the Accountant General cannot check except at local inspections. The important initial records of Sub Divisions i.e., Measurement Books, Stock Registers, T & P Registers etc. which, ordinarily, cannot be sent to the Divisional Office every month, are generally checked at periodical intervals when they are received in the Divisional Offices. In other words the post-check done by the Chief Accounts Officer's organisation covers also a major portion of the work done by the Accountant General at local inspections. In Annexure III are set out the items of work now done by the Chief Accounts Officer's organisation. In Annexure IV are set out what documents which are normally checked locally are checked by the Chief Accounts Officer as part of his concurrent check. In fact there are only a few important initial documents which were not covered by his post check but which have now been covered. These have been detailed in Annexure V.

9. To recapitulate the points made in the preceding paragraphs—

- (a) the Divisional Officers continue to be responsible for the initial accounts in the Divisions and for rendering the monthly accounts;
- (b) the accounts of big projects have to be subjected to more intensive and extensive audit, than is normally done in regard to works expenditure;
- (c) this extensive and intensive check of accounts, which would be ordinarily done by the Accountant General and which was so done till 1st June, 1950 has now been taken over by the Chief Accounts Officer's organisation; and
- (d) the staff requirements of the Chief Accounts Officer for the post-check done by him have been modelled on the pattern adopted in the Audit Department for doing similar work.

10. In addition to the cent per cent post-check done by the Chief Accounts Officer, the accounts are also subjected to audit by the Indian Audit and Accounts Department.

11. At this stage, certain weaknesses noticed in the working of the system may be indicated. They arise mostly from a lack of adequate and trained personnel. They are set out here because, while in theory the system must sound perfect, in actual working it is not so satisfactory.

I. Divisional Organisation

(i) Out of 58 Divisional Accountants required to man the Division in the Bhakra Nangal Project, there are now in position only 54. Of these, as many as 31 are unqualified men promoted to the emergency cadre because of lack of trained and qualified Divisional Accountants.

(ii) The accounts staff in the Divisions and Sub-Divisions (where most of the payments in the Punjab Irrigation Department are made) is both inadequate in numbers and lacking in trained personnel. Steps are being initiated to get more staff sanctioned and have them trained. This process, will however, take time and as, meanwhile, expenditure is being incurred on a large scale, the best arrangements that can be devised for a proper check and audit of the accounts have to be made, in the interests of the Government and the tax-payer.

II. Chief Accounts Officer's Organisation

(i) Apart from a nucleus of about 20 Upper Division Clerks from the Accountant General's establishment taken over by the Chief Accounts Officer early in 1950, most of his Upper Division Clerks are new recruits and inexperienced in the work.

(ii) The inexperience of the Clerks, can perhaps, be counter-balanced to some extent if they were under the supervision of experienced S.A.S. Accountants. As already mentioned the field organisation of the Chief Accounts Officer consists of 14 parties, each under an S.A.S. Superintendent. In addition the Chief Accounts Officer has got 3 sections in his headquarters office, one dealing with Administration, the second with "Work Miscellaneous" and the third with the compilation of accounts and the audit of claims of American Specialists. He has also sanctioned for 4 more posts of Superintendents, one for inspection (which has not yet been attempted and for which there may not be much need), the second for training, a third for drafting Manuals and a fourth for the clearance of Objections. The last two posts are temporary, having been sanctioned for 3 months and 4 months respectively. Excluding these two, the sanctioned number of posts are 19. Against these 19 posts and the temporary post for the clearance of Audit notes, he has in all a staff of 18 men, whose qualifications and experience may be analysed as under:—

(a) Qualified S.A.S. Men from the A.G.'s establishment.	5
(b) S.A.S. men from Railways, Defence Department, etc,	2
(c) S.A.S. exemptees from the A.G.'s establishment.	3
(d) Divisional Accountant working against S.A.S. posts.	1
(e) Clerks in charge from the A.G.'s establishment.	6
(f) Rest	1
	18
	TOTAL: 18

In other words, of the 18 posts, only 7 are held by regular S.A.S. men, whether belonging to the Indian Audit Department or to other establishments. This comparatively small number of regular S.A.S.

Accountants in an organisation entrusted with a very important item of work naturally tells upon its efficiency. S.A.S. exemptees and clerks in charge are, after all, substitutes and cannot be regarded as equal in efficiency to regularly qualified men.

(iii) A good number of clerks work at places where they do not have the day to day guidance of a Superintendent, even of the type of an S.A.S. exemptee or a clerk in charge. The Superintendent visits such stations twice a month, each visit extending from two to three days. The work of inexperienced clerks imperfectly supervised in this manner is another factor making for inefficiency.

(iv) Gazetted supervision is also inadequate. This again is due to the spread out of the audit parties. One Gazetted Officer is supervising as many as 27 Divisions while two others are entrusted with the supervision of work done in respect of another 22 and 6 divisions respectively. This supervision is, in a great many cases, conducted from headquarters. It cannot, in the very nature of things, be very effective. The Chief Accounts Officer is arranging to get a few more Gazetted Officers and when they are in position, he proposes to post one at Delhi and another at Ludhiana, with a view to improve the supervision work. But even so, a considerable part of the weakness of the organisation resulting from lack of adequately qualified subordinate supervisory personnel and the necessity of leaving Upper Division Clerks at a number of places to work mostly on their own will still remain.

This note has been seen by Audit.

S. RATNAM,
8.9.54

*Joint Secretary,
Ministry of Finance.*

ANNEXURE I

Duties of the Chief Accounts Officer. Bhakra and Nangal Project

1. As Chief Accounts Officer, he will be in charge of the Accounts of the Project.

2. The Divisional Officers, the Sub-Divisional Officers and such other officers as may be authorised in this behalf will continue as before to pay all bills for work done and muster rolls for labour employed on works and to maintain all records connected therewith. They will see that claims are correctly prepared by them as to quantity and quality of works done, that all abstracts, contractor's ledger material-at-site accounts, stores and T & P accounts etc. are maintained in accordance with the prescribed rules and orders.

3. It will be the duty of the C.A.O. to subject the accounts received from the Divisional Officers to such checks as may be required under the rules. He will also arrange for a periodical check of the accounts records kept in the Divisional and sub-Divisional Offices and organize a system of efficient internal check.

4. He will compile a single consolidated account for the whole project under suitable heads of account in the order given in the

project papers in consultation with the Audit Officer[†]. He will also arrange in consultation with the A.G., Punjab to bring into his books the expenditure on the Project incurred to end of..... The consolidated account will be submitted to the A.G., Punjab on the prescribed date.

5. He will be responsible for dealing with all cases of important audit objections and financial irregularities brought to his notice by the Resident Audit Officer and obtain the orders of the competent authority for communication to the Audit Officer.

6. He will maintain a Project Register in Form A.J. 110 of the Audit Manual and bring to the notice of Government any excess or probabilities of excess of more than five per cent over the sanctioned provision of each minor and detailed heads of the Project estimate.

ANNEXURE II

*Statement showing the distribution of Divisions among Sections**

Name of Section	Name of Division
C.A. II.—Nangal	1. Nangal Township. 2. Nangal Estate. 3. Tunnelling Right. 4. Tunnelling Left.
C.A. III.—Nangal	1. Nangal stores. 2. Bhakra stores. 3. Procurement and Focal Officer.
C.A. IV.—Nangal	1. Nangal Dam. 2. Anandpur. 3. Field (Nangal Circle).
C.A. V.—Nangal	1. Nangal Workshop. 2. Bhakra Workshop. 3. Sutlej Bridge. 4. Director of Irrigation Research.
C.A. VI.—Nangal	1. Bhakra Mechanical Field, including pumping. 2. Bhakra Mechanical Tunnels. 3. Erection Plant (Civil) Exploration (Drilling & Grouting). 4. Material and communication. 5. Re-inforcing and Form Work.
C.A. VII	1. Nangal Electrical 2. Bhakra Electrical. 3. Excavation Right & Excavation Left. 4. Rigging Department Survey & Safety. 5. Time Keeping sub-Division e.g. (Audit of vouchers and initial records regarding labour charges. Log books of machines and vehicles).
Ganguwal	1. Ganguwal Division, I. B. Ganguwal. 2. Kotla Power House Division, Kotla. 3. Nangal Power House Division, Ganguwal.

* (Redistribution awaits S. A. S. and Officers).

†Items apart from regular Divisions.

Name of Section	Name of Division
Ambala	1. Delhi Construction Divn. No. I Delhi. 2. Delhi Construction Divn. II Delhi. 3. Directorate of Design, Delhi. 4. Panipat T/L Division, Karnal. 5. Rajpura Division, Ambala. 6. Kaithal Division, Ambala. 7. Pehowa Division, Ambala.
Patiala	1. 2nd B. M. L. Division, Patiala. 2. 3rd B. M. L. Division, Patiala. 3. Tohana Division, Tohana. 4. Retia Division, Tohana.
Hissar	1. Hissar Division, I. B. Hissar. 2. Fatehabad Division, Hissar. 3. Hissar Division, E. B. Hissar. 4. Sirsa Division, Sirsa. 5. Adampur Division, Sirsa. 6. Dabwali Division, Sirsa.
Dhulkote	1. Ghaggar Division (PEPSU) Nabha. 2. Patiala Electric Division, Patiala. 3. Ambala T/L Division (E.B.) Dhulkoti. 4. Devigarh Division (PEPSU) Patiala. 5. Chandigarh Division, Chandigarh. 6. Panipat Dhulkote Grid Sub-Station Division, Dhulkote.
Ludhiana	1. Sidhwan Division (I. B.) Ludhiana. 2. New Main Line Division, Ludhiana. 3. LDH-Nangal Construction Division, Ludhiana.
Jullundur	1. Bist Doab Division (I. B.), Jullundur. 2. Jullundur Nangal Construction Division (E. B.) Jullundur. 3. Alawelpur Division (I. B.) Jullundur.
Rupar	1. Rupar Division (I. B.) Rupar. 2. Chandpur Division (I. B.) Rupar. 3. 1st B. M. L. Division (I. B.) Rupar.

ANNEXURE III

List of Accounts documents checked by the C.A.O. and the checks exercised thereto

Sr. No.	Name of Document	Details of check exercised
1	Monthly Account	(i) General examination and check of classification as prescribed in paras 346 and 347 of the Audit Manual. (ii) Check of Monthly Accounts as prescribed in paras 460 to 468 of Audit Manual.
2	Schedule dockets and vouchers including Petty vouchers, Muster rolls and paid rolls of work-charged Estt. which are not received in Audit Office.	As prescribed in paras 399 to 408 of Audit Manual. In the case of Rolls of work charged Estt. it is also seen whether these have been posted correctly in the Register of fixed charges.

Sr. No.	Name of Document	Details of check exercised
		(Arithmetical calculations and rates are checked cent per cent.)
3	(i) Form P. W. A.-27—Schedule of Works expenditure—posting of— in Works Audit Register.	As prescribed in paras 372 to 383 of Audit Manual.
	(ii) Check of Form PWA-27 with schedules dockets.	As prescribed in para 410 of the Audit Manual.
4	Sanctions :—	
	(i) Check of sanctions	As prescribed in Articles 58 to 66 of Audit Code.
	(ii) Noting of estimates and other sanctions in W. A. Register and the Register of Project Estimates.	As prescribed in Article 39 of Audit Code and paras 377, 378 and 387 of Audit Manual.
5	Contractors Ledger	As prescribed in para 424 of Audit Manual.
6	Schedule of Dr./Cr. to Remittances	As prescribed in paras 426 to 431 and 433 to 440 of Audit Manual.
7	Schedule of settlement with treasuries.	As prescribed in para 432 of the Audit Manual.
8	Suspense Schedules—	As prescribed in Chapter 22 of Audit Manual.
	(i) Purchases.	
	(ii) Misc. Advances.	
	(iii) P. W. Deposits etc. (original registers of Suspense heads are checked as copies are not made out.	
9	Register of R & R on Capital Account	As prescribed in para 455 to 458 of Audit Manual.
10	Schedule of debits to stock	As prescribed in para 443 of Audit Manual.
11	Stock Account	As prescribed in para 449 of Audit Manual.
12	Cash book	(i) Copies of sub-divisional and Divisional Cash Books are checked with paid vouchers, Treasury Remittance and Treasury Pass Books every month. (ii) Main and subsidiary cash books are checked quarterly with counterfoils of cheque books and receipts Books and paid Acquittance Rolls respectively.
13	Abstracts of Estimates	These are reviewed generally with reference to the Report of the estimate. It is also seen that the rates provided are not in excess of those in the sanctioned Schedule of Rates.
14	Work Orders, and Contract Agreements.	Whether these have been approved by the competent authority and that the rates provided are not in excess of those provided in the sanctioned schedule of rate or sanctioned estimates. Payments made there against are also checked and recorded on these. In the case of the Contracts agreements it is further seen that these are in proper form and that the terms and conditions are in order
	(In A. Gs' office Contract Agreements approved by authorities higher than Divisional Officer are only received.)	

Sr. No.	Name of Document	Details of check exercised
		In the case of contracts not on a prescribed form it is seen whether it has been entered into after obtaining legal advice (Articles 124 to 129 of Audit Code).
15	Purchase Orders (In A. G.'s office purchase orders issued by authorities higher than the Divisional Officer are only received).	Whether these have been issued by the competent authority after calling for quotations, except where not necessary and that orders have been placed with the lowest tenderer. Payments made thereunder are also checked and recorded on these.
16	Register of tender	Whether the tenders were given wide publicity and the work has been given to the lowest tenderer. In case the lowest tender has not been accepted it is seen whether reasons for the same are recorded and whether the next higher tender has been accepted with the approval of the competent authority.
17	Register of Works	Whether these have been correctly posted from work abstracts, upto date quantities and amounts of work done and rates of cost under the sub heads do not exceed the estimated ones and that the total cost given in the material-at-site Accounts.
18	Work Abstracts	Whether these have been correctly prepared, vide remarks against serial No. 17 and that the closing balances of sub-head "Contractors" has been checked by the D. A. with the Contractor's Ledger.
19	Materials at Site Accounts Forms D. F. R. (P. W. 30 & 31).	Total issues of materials to the works are checked with the total under column 'material' in the Work Abstract and Register of Works and it is also seen that the quantities issued do not exceed the estimated ones. It is also seen that the issues during the month as shown in Form P. W. A. 6 and the material charged direct have been brought on this account and that the unused materials have been duly verified according to the Government orders. It is also seen that the total cost of materials is adjusted soon after the work is completed.
20	Abstracts of Stock receipts and issues.	These are checked with Register of Stock Receipts Issues, Form P. W. 4 as well as indents. It is also seen that issues have been correctly valued and that these have been correctly posted in the half yearly return.
21	Adjustment Book	It is reviewed generally to see that the adjustments have been correctly made and are in accordance with the rules.
22	Log books of Machinery and Motor Vehicles.	Whether these have been correctly maintained and that the stores used have been correctly entered, that work done has been recorded and that its rate compares favourably with the prescribed standard rates provided in the sanctioned estimates etc.

Sr. No.	Name of Document	Details of check exercised
23	Register of interest bearing securities	Whether it is properly maintained, whether the securities returned or retransferred to the depositors during the month have been duly acknowledged by them.
24	T & P Accounts of Receipts and Issues.	It is seen whether all the articles of T & P purchased during the month have been brought on the T & P Return and that all issues have been made under proper authority and are in order.
25	Register of Rent of Buildings and Lands.	It is seen whether the standard rents have been sanctioned by competent authority, assessment have been made correctly and that recoveries are being made regularly. In cases of rent free accommodation it is seen that it has been sanctioned by competent authority.
26	Half yearly Registers of Stock	As prescribed in paras 469 and 470 of Audit Manual.
27	Completion Reports	As prescribed in para 471 of Audit Manual.
28	Annual Certificates of Suspense balances.	As prescribed in para 474 of Audit Manual.
29	Award Statements	As prescribed in paras 419 to 421 of Audit Manual.

NOTE :—Serial Nos. 12, 13 and 16 to 23 are not received in the A. G.'s Office. In the case of the Divisions under the Audit of A. G., these are, therefore, checked during local inspections only.

ANNEXURE IV

Sr. No.	Name of Document	Whether checked by the C. A. O. or not during his concurrent check
1	Cash books, both main and subsidiary	Done
2	Monthly account and the accompanying schedules	Done
3	Schedule dockets and vouchers	Done
4	Petty vouchers, including muster rolls, Daily reports, work charged Estt. Bills, imprest accounts and vouchers.	Done
5	Work orders, Contract agreements and Purchase orders	Done
6	Tender Registers	Done except the Sub-Divnl. Registers.
7	Suspense registers for (i) Stock; (ii) Purchases; (iii) Misc. Advances; (iv) Public Works Deposits; (v) London Store; and (vi) Workshops Suspense.	Done
8	Register of Rents for buildings and land	Done
9	Contractor's ledger	Done
10	Register of Stock Receipts/Issues (Form D. F. R. (PW-4) and Indent Books)	Not Done
11	Registers of T & P	Not Done

Sr. No	Name of Document	Whether checked by the C. A. O. or not during his concurrent check
12	Registers of Works and Manufacture	Done
13	Work Abstracts and out-turn statement of Manufacture	Done
14	Materials-at-site accounts	Done
15	Transfer Entry Book and Transfer Entry Order Book	Done
16	Log Books of machinery, etc.	Done
17	Register of interest bearing securities (Forms D. F. R. (7) and (8) and Pass Books etc.	Done
18	Measurement Books	No
19	Register of cheque (and receipts) books	No
20	Register of Measurement books/check-measurement books	No
21	Standard measurement books	No
22	Registers of transfers awaited	No
23	Service Books	No
24	Contractors' bill book	No
25	Visitors' book	No
26	Kiln Register	No
27	Counterfoils of Credit notes	No
28	Register of Divisional Accountant's Audit objections	No
29	Inspection Reports of the S. E.'s Divisional Officers and the Divisional Accountants.	No
30	Register of fixed charges	Done
31	Stock papers	Done
32	Half yearly Register of stock	Done
33	Treasury Remittance and pass books	Done
34	Register of Misc. sanctions	Not done
35	Register of Unpaid wages	Not done
36	Register of Plant and machinery	No
37	Register of buildings	No
38	Counterfoils of cheque and Receipt books	Done
39	Paid cheques for one month	No
40	T. A. bills for one month	No
41	Schedule of Rates	Done
42	Register of land	Done
43	Service labels book	No
44	Account of receipts, issues and balances of Stationery	No
45	Register of Misc. Recoveries	Done
46	Indenture of Secured advances	No such case
47	Register showing receipts and issues of tender forms	No
48	Register of sanctions to estimates	No
49	Register of appropriation	No
50	Register of Requisition	Does not apply to I. B.

Sr. No.	Name of Document	Whether checked by the C.A.O. or not during his concurrent check
51	Register for watching the punctual revision of rents of residential buildings.	Done
52	Capital and Revenue accounts of residential buildings	Not yet prepared.
53	Register of Govt. properties other than Govt. residential buildings.	Not yet prepared.
54	Cheque Book	Done
55	Receipt Book	Done

ANNEXURE V

Documents not reviewed or checked by the C.A.O.'s staff as part of the post-check

- (1) Register of Measurement books in the Divisions and Sub-Divisions.
- (2) Measurement books in use or recorded since the last inspection.
- (3) Standard Measurement books.
- (4) Stock Accounts.
- (5) Tools & Plant returns.
- (6) Register of tenders received and accepted in the sub-Divisions.
- (7) Contractors' bill book ~~for the year~~.
- (8) Kiln Register.
- (9) Visitors' book of Rest Houses.
- (10) Credit note books—counterfoils.

Notes

Standard Measurement books relate to annual maintenance. The Divisions are all construction units and there cannot be many standard measurement books in use. This item has not, therefore much significance.

Copies of stock accounts for the month, Tools & Plant Returns for the month as well as for the year, Contractors' bill (the contractors' bill book only contains office copies of these bills), the Credit notes come to the Division either every month or as occasion arises (credit notes come to the Divisions in support of the debit raised by the Railway Department) and are subjected to the usual post-check now exercised by the C.A.O. All that can be done at local inspections in regard to these documents are:—

- (a) that stock accounts are kept clean and there are no unauthorised erasures;
- (b) that, similarly, Tools and Plant Returns are kept clean, and

(c) that the counterfoils of credit note books are properly and neatly written up.

In a Project of the scale of the Bhakra Nangal Scheme, tenders accepted by a Sub-Divisional Officer on his own authority should be very few. Therefore, this item of work (Item No. 6) cannot have much significance.

Visitors book of Rest Houses is not, in the context, an important document.

The two important sets of documents which require **useful** scrutiny are:—

(a) Measurement books (Items No. 1 and 2) and ;

(b) Kiln Registers (these are part of Stock Accounts).

Suitable arrangements have to be made for a scrutiny of these books. It has been agreed that Measurement Books should be subjected to check, when they come to the Division. The Kiln Register, which details the bricks lying at a Kiln and their classification is, thus, the only important document, for the scrutiny of which arrangements would have to be made.

APPENDIX CVI

GOVERNMENT OF INDIA
MINISTRY OF TRANSPORT
(TRANSPORT WING)

No. 2-G(61)/53.

New Delhi, the 5th November, 1953

Memorandum with regard to para 24 of Chapter VI of their Seventh Report on the Account (Civil) 1949-50—(Item No. 22 of the Statement of Outstanding Recommendations.)*

In item 22 of the statement showing action taken or proposed to be taken on the recommendation of the Public Accounts Committee received with Parliament Secretariat Office Memorandum No. 46(6)-FC/53, dated the 24th June, 1953, the Public Accounts Committee have made the following recommendations:—

- (i) The element of interest on capital outlay and other overhead charges involved in the running of a particular scheme should be taken into account while calculating the amount of profit or loss occurring therefrom.
- (ii) No departure should be made from the commercial trading principles in the case of all trading operations undertaken by the State."

2. The instructions have been noted. In this connection, it may be observed that the suggestion to introduce the element of interest on Capital Outlay does not seem to apply to the closed schemes viz (i) "Purchase and Construction of lighters" and (ii) "C. Civil Transport" (closed in 1946-47) concerning this Ministry.

3. A self contained note (See Annexure) in respect of the scheme "Purchase and Construction of Lighters" is enclosed.

N. M. AYYAR,
Secretary.

ANNEXURE

NOTE

Name of the Scheme.—'87 Capital Outlay on Schemes of State Trading—Purchase and Construction of Lighters'.

Object.—In 1942, the Government of India, in consultation with the Government of the U.K., decided that additional lighterage should be provided at the major ports in India to meet the exigencies of the wartime shipping situation and ensuring a quicker turn round

*See Appendix I (Vol. I—Report)

of ships at those ports. A target of 21,000 tons was fixed for that purpose and the scheme was worked jointly by the Governments of India and the U.K. on a 50:50 basis.

Capital invested.—On the whole, 229 lighters were provided at the port of Bombay partly by construction and partly by purchase. At Karachi 65 lighters were constructed. The cost construction and purchase of the lighters amounted to about Rs. 51 lakhs.

Review on the working of the scheme.—The lighters provided at the ports were of considerable help in expediting the turn-round of ships. It facilitated the overside discharge of cargo from ships to the lighters. The profit made in the working of the lighters at Bombay was shared between the Governments of India and the U.K. After the cessation of hostilities, the pool was closed with effect from the 31st March, 1946 and all the available lighters were disposed of, the accounts settled and the adjustments effected. The cost of two of the Bombay lighters transferred to the Commanding Officer, H.M.S. Braganza, is, however, still to be recovered from C-in-C, East Indies Station, Trincomallie and the matter has been under correspondence between him and the Ministry of Transport. Efforts are being made to recover these dues at an early date.

Karachi Lighters.—Five 150-ton lighters were allocated to the Karachi Port Trust immediately after construction and their cost was borne by the Port Trust; and all the sixty 50 ton lighters were disposed of. The accounts of all these Karachi lighters have been finalised and adjusted.

Extent of financial control and audit check exercised over the expenditure incurred on the scheme.—The whole expenditure on the construction and purchase of lighters was initially borne by the Government of India and the share of the Government of the U.K. was recovered from them afterwards. The accounts in respect of the scheme were checked and audited by the Accountant General, Bombay and the Comptroller, Sind.

Introduction of the element of interest.—The scheme has long been closed and its accounts settled and adjusted. The suggestion to introduce the element of interest does not therefore apply to this scheme.

APPENDIX CVII

MINISTRY OF FOOD AND AGRICULTURE

(Food)

Note re : *Item No. 22 of the statement of Outstanding Recommendations of the Public Accounts Committee*

Recommendation:—(i) The element of interest on capital outlay and other overhead charges involved in the running of a particular scheme should be taken into account while calculating the amount of profit or loss accruing therefrom.

(ii) No departure should be made from the commercial trading principles in the case of all trading operations undertaken by the State.

Remarks:—(i) Food Division has no such commercial schemes or projects working on a profit or loss basis. In providing for say Storage construction, element of interest on Capital Outlay and other overhead charges is taken into account while fixing issue prices of grains.

(ii) Element to cover the interest on capital will now be included in working out the profit and loss on the State Trading Scheme of imported foodgrains.

(iii) These principles are already being followed.

*See Appendix I (Vol. I—Report).

APPENDIX CVIII
MINISTRY OF FOOD AND AGRICULTURE
(Food).

Note re: Item No. 24 of the statement of Outstanding Recommendations of the Public Accounts Committee.*

Recommendations:—(i) The Ministry of Irrigation and Power should consider the desirability of the early introduction of the Administrative Audit system in the various multi-purpose river valley projects which are at present being executed under their control.

(ii) In order to make the internal check over the Accounts of the Indian Missions abroad effective, the Ministry of External Affairs should appoint, as the Head of the Foreign Service Inspectorate, an Officer of the Indian Foreign Service who may be fully conversant with the technique of administration and also have financial outlook.

(iii) All other Ministries who are charged with the huge spending public monies should consider the early introduction of the Administrative Audit system.

Remarks:—(i) The necessity to introduce the Administrative Audit system within Food Division will arise after the work in connection with payments for purchase of foodgrains is taken up by this Ministry. The proposal is under Consideration.

(ii) The proposal to carry out an internal check on the accounts maintained by Regional Directors (Food) and the State Govts., who manage Central Storage on behalf of the Government of India is under consideration.

*See Appendix I (Vol. I—Report).

APPENDIX CIX

MINISTRY OF WORKS, HOUSING AND SUPPLY

Note re: Item No. 24 of the Statement of Outstanding Recommendations of the Public Accounts Committee*—Introduction of the Administrative Audit System.

It was reported in the note (See Annexure) submitted to the Public Accounts Committee last year that it had been decided in principle, to create, for the Central Public Works Department, two Organisations on the pattern of those of the Chief Technical Examiner and the Chief Surveyor of Works on the M.E.S. side, for technical examination of works done by that Department. A provision of Rs. 1.60 lakhs for the C.T.E.'s Organisation and that of an amount of about Rs. 3.80 lakhs for the C.S.W.'s Organisation have been included in the budget of this Ministry for the year 1954-55. The details of the set up of the C.T.E.'s Organisation have been almost finalised and the Departmental Finance Committee have accorded their sanction to the creation of the necessary posts etc. therefor. Necessary action for the filling up the posts etc. will be shortly taken in hand.

The details of the set up of the C.S.W.'s Organisation are being worked out.

S. RANGANATHAN,

1-10-54.

Joint Secretary.

ANNEXURE

MINISTRY OF WORKS, HOUSING AND SUPPLY

Note re: Item No. 24 of the statement of Outstanding Recommendations of the Public Accounts Committee*—Introduction of the Administrative Audit System.

In pursuance of the recommendation of the Public Accounts Committee regarding the introduction of the system of Administrative Audit system, it has been decided in principle, to create, for the Central Public Works Department, two organisations on the pattern of those of the Chief Technical Examiner and the Chief Surveyor of Works on the M.E.S. side, for technical examination of works done by that Department. A budget provision of Rs. 1 lakh for the setting up of the organisation of the Chief Technical Examiner and Rs. 2 lakhs for that of the Chief Surveyor of Works has accordingly been sanctioned in the estimates of the financial year 1953-54. The details of the set up of these two organisations are being examined further in consultation with the Ministry of Finance and the Comptroller and Auditor-General of India.

S. RANGANATHAN,

Joint Secretary.

*See Appendix I (Vol. I—Report).

APPENDIX CX

MINISTRY OF COMMERCE AND INDUSTRY

*Note re: Item No. 32 of the statement of outstanding Recommendations of the Public Accounts Committee†

In paragraph 26 (ii) under Chapter IV of the First Report of the Public Accounts Committee, 1951-52, objections were raised on the following points:—

- (i) Inadequacy of the amount ordered for recovery from the officer concerned for private use of transport on Saturdays, Sundays and other holidays only as the cars were used by his family during the period of his 3 months' leave and on other occasions when he was absent from his headquarters on tour;
- (ii) Disregarding of audit objections by the High Commissioner for India, London; and
- (iii) Re-employment of the officer concerned at an Embassy abroad.

2. As regards the first of the above objections, it was stated by the officer concerned and confirmed by the Chief Accounting Officer, London, that the officer concerned did not avail of any earned leave during the period the cars were utilised by him, namely, from the 1st November, 1946 to the 10th March 1948. It cannot, therefore, be that the officer's family made use of the cars in the manner stated. It is true, however, that during the periods the officer was away on tours to the territories which were within his jurisdiction the cars were used by his family. This circumstance does not seem to have been taken into account by the Deputy Chief Accounts Officer, London, in apportioning a part of the cost of the transport used to be borne by the officer. While, on this basis, the Public Accounts Committee are right in what they say about the inadequacy of the amount ordered for recovery from the officer, it is not considered desirable to reopen the case at this distance of time after Government had decided to waive recovery for reasons already communicated to the Committee.

3. As regards the second objection, this Ministry has arranged for the issue of the necessary instructions to the Chief Accounting Officer, London, through the External Affairs Ministry under whose administrative control that officer is.

4. With regard to the question of re-employment of the officer concerned, attention is invited to the following reply given on the 11th February, 1949, by Shri K. C. Neogy, the then Commerce Minister, on the floor of the Constituent Assembly of India (Legislative) in

*Not considered by the P.A.C.

†See Appendix I (Vol. I—Report).

answer to a question put by Shri H. V. Kamath with regard to the officer's appointment as Indian Government Trade Commissioner at Paris:—

“That would necessitate a study of past history for some years. He (officer concerned) was reappointed virtually by the Government that removed him. His initial reappointment took place in 1942 in the Information and Broadcasting Department. He was thereafter transferred in 1945 to the Commerce Department for an overseas trade appointment. He was then appointed Indian Government Trade Commissioner in Paris on a contract basis for a period which expired in the autumn of 1948. The Special Selection Board which was set up to recruit over-aged candidates for the Indian Foreign Service recommended that his services should be continued on a contract basis. On the termination of this period, Government decided that he might continue in his post without any fixed period being mentioned, that is to say, he has not been given any contract.”

The officer concerned was recalled from Paris in 1949 and appointed Director, Administrative Intelligence Room, New Delhi. Subsequently, the Foreign Service Board selected him for appointment as Commercial Counsellor at Rome in view of the following facts:—

- (a) That he has a good knowledge of French and a working knowledge of Italian and German;
- (b) That when he was Commercial Counsellor in the Indian Embassy at Paris, he had under his jurisdiction a number of adjacent European countries including Italy; and
- (c) That his work since he returned to India has been satisfactory and his conduct has not given cause for complaint or comment.

The Foreign Service Boards selection of the Officer concerned was approved by the then Commerce Minister as well as by the Prime Minister. His appointment as Commercial Counsellor, Rome, for a period of two years was also approved by the U.P.S.C.

5. As regards the assurance given to the Committee by Secretary of this Ministry referred to in paragraph 167 of the proceedings of the seventh meeting of the Committee held on the 16th July, 1951, it may be stated that the explanation of the officer concerned was called through the Head of the Mission immediately on receipt of the audit objections relating to the accounts of the Commercial Secretariat now under the charge of this officer. On a thorough examination, in consultation with the Ministry of Finance, of the explanation furnished, it was found that the audit objections related to certain book keeping errors and failure to adjust T.A. advances promptly on completion of tours and that there were no other charges that required investigation. No misuse of public funds was involved in these audit objections and no other charges levelled against him. The errors pointed out have since been rectified and recoveries due from the officer effected. The Comptroller and Auditor General of India has also been informed of the action taken.

N. V. RAO,
Deputy Secretary.

II

Ministry of Commerce and Industry

Please refer to this Ministry's U.O. No. 33-TC(1)/51, dated the 19th October, 1952 indicating the action taken in pursuance of paragraph 26(ii) of the first report of the Public Accounts Committee for 1952-53. In accordance with the instructions contained in the Office Memorandum from the Ministry of Finance No. F. 10(10)-B/52 dated the 31st October, 1952, the comments of the following Audit Officers were invited on the U.O. note referred to above.

1. The Accountant General, Central Revenues.
2. The Comptroller and Auditor General of India.
3. The Chief Accounting Officer to the High Commissioner for India, London.
4. The Auditor of Indian Accounts in the U.K., London.

2. The comments made by the respective officers have been tabulated in Annexure "A" to this note together with Government's replies thereto.

3. After taking into account the comments of the audit authorities, Government are satisfied that there are no justifiable grounds to hold that there was a *prima facie* charge of malfeasance against the officer concerned.

H. V. R. IENGAR,
Secretary.

Secretary, Public Accounts Committee;

Min. of C. and I., U.O. No. 33-TC(1)/51, dated the 1st May, 1953.

ANNEXURE A

Para of the C. & I. Ministry's U. O. note No. 33-TC(1)/51, dated 19-10-52	Name of the commenting authority	Comments	Replies
1	2	3	4

Para 2.—As regards the first of the above objections, it was stated by the officer concerned and confirmed by the Chief Accounting Officer, London, that the officer concerned did not avail of any earned leave during the period the cars were utilised by him namely from the 1st November 1946 to the 10th March 1948. It cannot, therefore, be that the officer's family made use of the cars in the manner stated. It is true, however, that during the periods the officer was away on tours to the territories which were within his jurisdiction the cars were used by his family. This circumstance does not seem to have been taken into account by the Deputy Chief Accounts Officer, London, in apportioning a part of the cost of the transport used to be borne by the officer. While, on this basis, the Public Accounts Committee are right in what they say about the inadequacy of the amount ordered for recovery from the officer, it is not considered desirable to reopen the case at this distance of time after Govt. had decided to waive recovery for reasons already communicated to the Committee.

Accountant General, Central Revenues.

The Government of India waived recovery for the use of the staff car for private purposes on Sundays and holidays but not in respect of the days on which officer was away from the headquarters. The car was used by the Officer's family for about 200 hours during his absence on tour. If the Govt. of India desire to waive the recovery on this account also they may amplify the note accordingly: otherwise recovery on this account may be enforced by reopening the case.

This point has already been dealt with in the note of 19-10-52 and for the reasons given in paragraph 2 thereof, it is not considered desirable to reopen the case at this distance of time after Government have decided to waive recovery.

Para 5.—As regards the assurance given to the Committee by Secretary of this Ministry referred to in paragraph 167 of the proceedings of the seventh meeting of the Committee held on the 16th July 1951, it may be stated that the explanation of the officer concerned was called through the Head of the Mission immediately on receipt of the audit objections relating to the accounts of the Commercial Secretariat now under the charge of this office. On a thorough examination, in consultation with the Ministry of Finance, of the explanation furnished, it was found that the audit objections related to certain book keeping errors and failure to adjust T. A. advances promptly on completion of tours and that there were no other charges that required investigation. No misuse of public funds was involved in these audit objections and no other charges levelled against him. The errors pointed out have since been rectified and recoveries due from the officer effected. The Comptroller and Auditor General of India has also been informed of the action taken.

Comptroller and Auditor General of India.

The statement that the audit objections related to certain book-keeping errors and failure to adjust T. A. advances cannot be accepted in view of the serious nature of the objections brought to light in the Inspection Report of the Auditor of Indian Accounts in U.K. on the accounts of the Rome Office. Some of these objections are :—

- (i) Highly defective manner of maintaining- cash book which showed that :
 - (a) Entries were not made promptly as the transactions took place.
 - (b) Numerous unattested corrections, pencil entries, over-writings and cancellations were noticed.
 - (c) There was no evidence of cash balance having been checked.
 - (d) Pages were left blank without being cancelled.

- (ii) Irregular drawal of salary and exchange compensation allowance.

The officer has explained that the same practice as in the time of his predecessor was followed. He has attributed the irregularities in the maintenance of the Cash Book to :—

- (i) the inadequacy of the staff; and
- (ii) the inexperience of the Assistant who maintained the Cash Book.

The Head of the Mission has accepted the officer's explanation. In view of this and as there had been no defalcation or loss to Govt. it is considered that no further action is called for. Orders have been issued to the Embassy concerned to ensure that steps are taken for the maintenance of the Cash Book of the Commercial Section under the direct supervision of the Accountant of the Embassy and strictly in accordance with Rules and Regulations.

These relate to :—

- (i) *Payment of salaries to the locally recruited staff in cash and not by cheque.* The officer's explanation is that this was

the normal practice at the Embassy for payment to the locally recruited staff. It has been verified from the External Affairs Ministry that they have permitted the Embassy to make payments in cash to the locally recruited staff.

(ii) *Payment of Exchange Compensation Allowance to the Officer concerned.* The pay of the Officer concerned in his appointment abroad included an element of pension in his previous post. As the pension would normally have been payable in India and as the exchange compensation allowance was granted in lieu of the loss of effective emoluments, the payment of the exchange compensation allowance on the total remuneration inclusive of pension did not appear to the auditor to be admissible unless the pension had been specifically declared by the Government to be in abeyance. This question was examined and it was held in consultation with the Ministry of Finance that exchange compensation allowance was admissible to the officer concerned on his total remuneration including his pension.

(iii) Use of staff cars and trunk calls on private account.

Inspection was made of the Rome Office from 17th to 27th April 1951. Prior to that the Officer represented in October 1950 to Commerce & Industry Ministry against the demand placed on him by the Embassy for the private use of the staff car and requested for the fixation of his liability on the basis of the cost of petrol used, on the ground that the amount demanded was quite out of proportion to the services rendered. His request was

considered and he was informed in November, 1950 that the payments demanded from him were in accordance with the rules. This order, however, seems to have miscarried in transit and did not reach the officer. In April 1951 he again reminded the Commerce & Industry Ministry on the subject and a copy of the previous order was sent to him on the 27th April 1951 *i.e.*, after the audit inspection had taken place. The officer concerned has since paid the amount.

As regards the trunk calls they related to two occasions (1) when he had to put in a call to facilitate the clearance of his luggage at Paris. (2) When he had to book his passage to England to attend the Conference of Trade Commissioners. It was decided by Govt. that the first charge was payable by the officer himself while the second one was to be debited to Government Account. This has since been done.

(iv) Non-registration of contracts for residence without the approval of the Government of India.

The Embassy concerned has explained that the lease was not registered as the owner refused to let the flat, if the registration was insisted upon. Moreover, this non-registration has saved the Government a great deal of expenditure on account of registration fee etc. The matter was thoroughly considered in consultation with the Ministries of Finance, External Affairs and Law and the Finance Ministry agreed to the continuance of the *status quo* for the time being.

(v) Local purchase of stationery in contravention of orders.

The officer has explained that stationery had never been supplied by the Controller of Printing and Stationery in time or according to the indent and he had therefore taken recourse to local purchases for efficient running of his office. The position was correct as this was the general complaint from other Trade Officers as well. This position was brought to the notice of the Controller of Printing and Stationery on several occasions. The Controller attributed the delay partly to the transport difficulties. The Transport Ministry have also been requested to grant priority for the despatch of stationery to our Trade Offices abroad. In so far as the present case is concerned, *ex-post-facto* sanction for the purchases made has been issued.

(vi) Non-accountal and the irregular issue of bank drafts.

This relates to three bank drafts of Rs. 50/-, Rs. 289/2/- and Rs. 60/- respectively. These drafts were drawn in disregard of accounting instructions issued by the Accountant General, Central Revenues for operating the scheme of remittance facilities to India. The Embassy has since been informed of the correct position.

Accountant General, Central Revenues, New Delhi.

The Officer also drew a motor car advance in December 1950 but did not pay the instalments of recovery through his monthly pay bills as required under the rules. He paid them in cash at irregular intervals and violated the rules.

This irregularity was brought to the notice of the officer concerned and he was asked to pay the arrears in one lump sum and remit the outstanding instalments regularly.

Auditor of Indian Accounts in U. K., London.

A sum of Rs. 3,213/- has been recovered from the Officer concerned in consequence of Auditor's objections. Audit, therefore, cannot accept the suggestion that non-recovery of Govt. dues on

As has been indicated earlier in this Annexure the sum of Rs. 3,213/- was on account of the following items :

- (1) Private use of the staff car at Rome Rs. 1,684/-.
- (2) One private trunk call Bill.

such a scale is minor irregularity. He adds that audit objections involving possibly even larger sums while the officer was posted at Paris are still pending with the High Commissioner.

- (3) Repayment of motor car advance (£ 62/-).
- (4) Hostel Rent (Rs. 98/-), and
- (5) Some minor items.

None of the above items constituted misappropriation of Government funds.

As regards outstandings for the period the officer served at Paris, the Chief Accounting Officer at London has stated that the amounts due to or recoverable from the Officer concerned are unassessable pending clarification of certain items. It is for this reason that the account has not yet been settled. The Chief Accounting Officer has promised in his telegram of 27-4-1953 a further communication which will be examined as soon as it is received. In the meantime it can be stated on the basis of the information in the Ministry that while certain amounts are recoverable from the Officer concerned, almost equally large amounts are due to him also. These amounts relate to the settlement of T. A. Bills.

APPENDIX CXI

MINISTRY OF COMMERCE AND INDUSTRY

Note re: Item No. 33 of the Statement of Outstanding Recommendations of the Public Accounts Committee.*

Shri, clerk and another person were found to be involved in a case relating to the spurious alterations in the cash receipts of railway freight paid on consignments for the late Ministry of Commerce. Shri was suspended immediately after the defalcation came to light, and the case was handed over to the Special Police Establishment for investigation.

The Police authorities in their investigation report recommended the prosecution of both the persons referred to. The report was, however, examined in the late Ministry of Commerce in consultation with the Ministry of Home Affairs, and it was felt that the case against the other person for prosecution was weak and that departmental proceedings might be started against him after a decision had been reached in Mr. Singh's case. Accordingly, sanction was accorded for the prosecution of Shri alone and he was prosecuted in the Court of the Special Judge, Delhi. The proceedings against him were however quashed on the ground of the technical defect that the Investigating officers being below the rank of Dy. Superintendent of Police had not complied with the provisions of section 5(4) of Act II of 1947 (The Prevention of Corruption Act). In his judgement the learned Judge remarked that prosecution might submit a fresh charge sheet after complying with the provisions mentioned above. Accordingly the case against Shri was put in Court for retrial and summons were issued to the accused. The trial of the case has now recommenced and prosecution witnesses are being examined.

H. V. R. IENGAR, ,
Secretary.

23rd September, 1954.

*See Appendix I (Vol. I—Report).

APPENDIX CXII

MINISTRY OF COMMERCE AND INDUSTRY

Note re: Item No. 34 of the Statement of Outstanding Recommendations of the Public Accounts Committee.*

The Public Accounts Committee, in a meeting held in July 1951 to examine the appropriation accounts of 1948-49, wanted to know why the expenditure on the Trade Marks Registry, Bombay, was in excess of the receipts and what action had been taken to reduce it. The Committee were informed that the question of making the organisation self-supporting would be examined immediately. The comments of the Commerce and Industry Ministry are given below:—

The matter was examined in August 1951 and it was observed that in the two years subsequent to that of the Appropriation Accounts for which figures were then available, viz., 1949-50 and 1950-51, receipts and expenditure were more or less balanced. The actual figures were:

Years	Receipts	Expenditure
1949-50	Rs. 9,55,929/-	Rs. 6,86,091/-
1950-51	Rs. 6,87,703/-	Rs. 7,02,290/-

It was also anticipated that during 1951-52 the figures would be balanced. This turned out to be nearly the case though not quite, as the figures for that year were as follows:

1951-52	Rs. 6,10,147/-	Rs. 7,15,903/-
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In view of the above figures no further action was considered necessary.

2. Subsequent figures have however, shown that the expenditure has been in excess of the receipts. These figures are as follows:

1952-53	Rs. 5,06,574/-	Rs. 7,52,047/-
1953-54	Rs. 4,83,884/-	Rs. 7,93,064/-

In dealing with these fluctuations, it has to be noted that revenue is derived by the Trade Marks Registry both from original applications as well as from *renewals*. Registrations are valid for 7 years and, as the first registrations were made in 1942, there was a rush for renewals in 1949-50. The statistics reveal that there has been no falling off in the applications for fresh registration. The fact renewal applications are made every 7 years introduces, at the present stage, an element of fluctuation which may be expected to disappear only after some time.

3. Nevertheless the question has been examined from time to time as to whether the fees payable under the Trade Marks Act & Rules, should be enhanced to make the Registry self-supporting.

*See Appendix I (Vol. I—Report).

These were once revised in 1946; in some cases they were doubled and in some others by even ten times. There was at that time a representation from the Indian Merchants Chamber, Bombay, protesting that some of the fees were already on the high side; and in view of all these considerations, further action was not taken. In 1953 the Trade Marks Enquiry Committee was set up to review the working of the Act and to suggest measures for improving the administration of this Law. On receipt of the report early this year, it was observed that the Enquiry Committee had not touched upon the financial aspect of the Registry, but Mr. Alagiriswami, an Officer on Special Duty, who was examining the report expressed his view that the scales of fees should be revised so as to make the organisation self-supporting, as far as possible. Proposals have also been obtained from the Registrar of Trade Marks in this connection. These will shortly be considered along with the recommendations of the Enquiry Committee. There has been some delay in examining the recommendations of the Enquiry Committee, as it is now considered necessary to obtain the advice of a judge of a High Court about the legal aspects of the recommendations.

H. V. R. IENGAR,
Secretary.

18th October, 1954.

APPENDIX CXIII
MINISTRY OF COMMERCE AND INDUSTRY

Note re: Item No. 35 of the Statement of Outstanding Recommendations of the Public Accounts Committee*.

The allegation about leakage of Government decision about the levy of increased export duties on oilseeds before the issue of the Government communique has been carefully looked into, and it has been found that no leakage of information took place. In case any one operated in the market, he must have done so on the basis of intelligent anticipation of events but not as a result of any leakage of information.

SECRET

*See Appendix I (Vol. I—Report)

APPENDIX CXIV .

MINISTRY OF COMMERCE AND INDUSTRY

Revised Note re: Item No. 36 of the Statement of Outstanding Recommendations of the Public Accounts Committee.*

The grant for the Commercial Library being limited to the extent of Rs. 2,500/- per annum, such improvements as are commensurate within the limited resources could only be effected. Opportunities were also taken to feed the Library with all up-to-date commercial and economic journals partly by subscription and partly on an exchange basis with the Indian Trade journal, the official organ of this Department, and other publications issued by this Department. Besides Statistical publications of the Central Government and State Governments, year books of various countries as well as statistical abstracts of International importance including those of U.N.O. are collected and books on economics, commerce and industries are kept for reference in the Commercial Library. Arrangements for providing better lighting in the Commercial Library are being made.

2. The old Librarian of the Commercial Library has since retired with effect from May 1951. His place is now occupied by a young officer who has duly passed the Diploma in Librarianship examination of the Calcutta University as also the examination held under the auspices of the Bengal Library Association. He has also a working knowledge of French and Oriental languages.

3. As regards the pooling of all statistical information in one place, the Government of India have decided upon the re-organisation of the Office of the Director General Commercial Intelligence and Statistics and amalgamation with it of the Directorate of Industrial Statistics, Simla. In pursuance of this decision, the office of the Director of Industrial Statistics, Simla has already moved down from Simla to Calcutta and has started functioning there from 1-7-52. The physical merger of these offices has not yet taken place, as certain formalities such as the strength of the re-organised Department of DGCI&S, Calcutta, are yet to be finalised.

4. The former Director General of Commercial Intelligence and Statistics Shri P. M. Mukerji has retired with effect from the 9th January 1953 after availing himself of leave preparatory to retirement for six months. Shri C. R. B. Menon, a permanent Officer of the Central Secretariat Service, Grade I, and officiating Deputy Secretary to the Government of India in the Ministry of Commerce and Industry, has been appointed to officiate as D.G.C.I. & S. and D.I.S. with effect from the 4th October 1952, pending the appointment of a permanent incumbent. Efforts are being made to find a suitable Officer as head of the combined office.

S. BHOOHALINGAM,
Secretary.

1st September, 1953.

*See Appendix I (Vol. I—Report).

APPENDIX CXV

MINISTRY OF COMMERCE AND INDUSTRY

Statement in connection with Item No. 37 of the Statement of Outstanding Recommendations of the Public Accounts Committee.*

Statement showing the recoveries on account of the outstanding dues made during the year 1952-53 in connection with the State Trading Scheme 'Import of Stool'.

Outstanding as on 1-4-1952		Rs. 21,29,000-0
Add fresh bills issued during 1952-53		Rs. 6,19,900-0
	TOTAL:	Rs. 27,48,900-0

Recoveries during 1952-53:

(1) Against outstanding on 1-4-51			Rs. 4,00,000-0
(2) Against the bills issued during 1951-52			Rs. 15,00,000-0
(3) Against the fresh bills issued during 1952-53		Rs. 2,81,000-0	Rs. 21,81,000-0

Outstanding as on 1-4-1953	Rs. 5,67,900-0
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NEW DELHI ;

Sd./ S. BHOOTHALINGAM,

The 16th September, 1953.

Secretary.

The position as at the end of 1953-54 is given below.

Outstanding as on 1-4-1953			Rs. 5,67,900-0
Add fresh bills issued during 1953-54.			Rs. 3,59,000-0
	TOTAL:		Rs. 9,26,900-0

Rs. 9,26,900-0

Recoveries during 1953-54:

(1) Against outstanding on 1-4-51			Rs. 1,000-0
(2) Against the Bills issued during 1951-52			Rs. 1,14,000-0
(3) Against the Bills issued during 1952-53			Rs. 88,000-0
(4) Against the fresh Bills issued during 1953-54		Rs. 2,29,000-0	Rs. 4,32,000-0†

†4,32,000-0

Rs. 4,32,000-0†

Outstanding as on 1st April 1954

Rs. 4,94,900-0

†According to the Dy. Accountant General (I & S), Calcutta, the figure is Rs. 4,53,583/10/-

It appears that the DAG (I & S) has included certain figures which do not actually relate to this subject. The variation is, however, being reconciled by the I on and Steel Controller.

*See Appendix I (Vol. I—Report).

APPENDIX CXVI

MINISTRY OF COMMERCE AND INDUSTRY

Note re: Item No. 38 of the Statement of Outstanding Recommendations of the Public Accounts Committee*

1. Page 619 Purchase of Woollen Goods
(Group Head 'W').

The total recoveries of about Rs. 80,000 mentioned in the Appropriation Accounts (Civil) 1949-50 and the Audit Report thereon, comprised of:—

- (1) Rs. 68,188-8-0 claimed by Government by way of refund from a firm on account of the variation between the provision and final rates;
- (2) Rs. 8,662-8-0 cost of two consignments of controlled woollen goods despatched to Peshawar; and
- (3) Rs. 6,458-12-0 cost of consignment of controlled woollen goods despatched to Dera Ismail Khan.

2. Of the three items mentioned above Item (1)—the recovery from the private firm for Rs. 68,188/- has since been effected.

3. As regards item (2) above which is in respect of Rs. 8,662-8-0, due from Pakistan Government on account of two consignments of woollen goods booked to Peshawar, which were requisitioned and disposed of by that Government, there is no progress. It has been decided to debit this amount to Pakistan at the time of General Financial Settlement with that country. As advised by the Partition Secretariat this claim will be reported to the Application Committee when the Committee starts functioning.

4. Item (3) relates to a consignment containing 2,000 scarves despatched to Dera Ismail Khan, which was rebooked from there and received back by M/s New Egerton Woollen Mills, Dhariwal (India), who had supplied the goods. This consignment fell short of 77 scarves on account of loss in transit and another three scarves were badly damaged. For the 1920 scarves received in good condition the Mills paid a sum of Rs. 3,840 to the Government at the rate of Rs. 2 per scarf at which they had been purchased from the Mills. The losses suffered by the Government in this transaction are as follows:—

1. On account of loss of 77 scarves in transit— Value of scarves @ Rs. 2/- each.	Rs. 154/-
2. On account of damage to 3 scarves in transit @ Rs. 2/- each.	Rs. 6/-
3. On account of demurrage and freight charges incurred by the New Egerton Woollen Mills in taking delivery of goods and subsequently paid to the Mills by the Government.	Rs. 83/-
Total	<u>Rs. 243/-</u>

Necessary sanction to write off the above loss of Rs. 243 has been issued.

*See Appendix I (Vol. I—Report)

5. A sum of Rs. 27,299 on account of payment of two bills of M/S New Egerton Woollen Mills, Dhariwal (East Punjab) is still outstanding. The bills have not so far been accepted by the Directorate General of Supplies and Disposals. Another sum of Rs. 507-8-0 due to a firm in Jaunpur has not yet been paid. The case is still *sub-judice*.

P. GOVINDAN NAIR,
Joint Secretary.

APPENDIX CXVII

MINISTRY OF COMMERCE AND INDUSTRY

Note re: Item No. 39 of the Statement of Outstanding Recommendations of the Public Accounts Committee*

Recommendations/Suggestions of Public Accounts Committee

Item 39. The figures for the overall adjustment with the various states in connection with the purchase and distribution of standard cloth should be finalised in consultation with audit and the accounts settled without any further delay and a report submitted to the Committee.

The details of payments still outstanding to the various States, etc., out of the amount standing to the credit of the Standard Cloth Equalisation Fund are as under:—

(i) Payments to West Bengal	(Rs. 3,00,888)
(ii) Payments to Assam	(Rs. 2,15,049)
(iii) Payments to Madhya Bharat	(Rs. 2,81,993)
(iv) Payments to Sirohi State	(Rs. 20,924)
(v) Balsan State	(Rs. 1,443)
(vi) Payments to Baghalkhand States	(Rs. 19,999)
(vii) Payments to Nowgong State	(Rs. 3,528)
(viii) Payments to Sirmur State	(Rs. 14,921)
(ix) Payments to Sikkim State	(Rs. 12,422)
(x) Loss on account of damage to 575 bales of Standard Cloth shipped per c.c. 'Jayant' to be written off	(Rs. 3,84,483)
Payment of hire charges to carriers	(Rs. 36,859)
(xi) Payment to the undivided Government of Bengal by way of handling and freight charges on Standard Cloth Consignments. The actual amount due to them is not known but the same is expected to be about Rs. 10,00 lakhs.	(Rs. 10,00,000)
(xii) Loss of 4 bales of Standard Cloth despatched by M/s Maheshwari Cotton Mills Ltd., Ahmedabad to the Mayurbhanj State	(Rs. 3,458)
(xiii) Miscellaneous claims	(Rs. 75,200)
Total	Rs. 23,71,077/-

2. The following explanations are offered in regard to the items shown in para 1 above:—

West Bengal and Assam [Item Nos. (i) and (ii)]

The amounts shown against these Governments are the balance payable to them out of the Standard Cloth Equalisation Fund. These balances have been retained by the Central Government because the amount of sales tax payable to Bengal and Assam Contractors

*See Appendix I (Vol. I—Report).

on sales of Standard Cloth is to be recovered from the shares of these two Governments. Proposals for the payment of these amounts are under active consideration and a decision is expected shortly.

Madhya Bharat [Item No. III]

It has been decided to refund to Madhya Bharat Government only such an amount out of Rs. 281,903 at their credit in the Equilisation Fund as will remain after deducting stamping fees and establishment charges due from that State. It has since been agreed to by the Comptroller and Auditor General that no surplus amounts will be available out of the Standard Cloth Equalisation Fund for distribution after taking into account the indirect overheads. Necessary adjustments are, therefore, being carried out.

Sirohi State [Item No. IV]

The question regarding the division of assets and liabilities as between Bombay and Rajasthan was under the consideration of the States Ministry. It has since been decided by the States Ministry that the entire amount be paid to the Rajasthan Government in the first instance under intimation to the Accountant General, Bombay, and Accountant General, Rajasthan and that Bombay's share will be paid by Rajasthan subsequently in ratio to be agreed upon by the two States. Necessary adjustments are being carried out in view of the agreement referred to above.

Balsan, Baghalkhand States Group, Nowgong, Sirmur, and Sikkim States [Item Nos. V—IX]

Separate account in respect of the credits due to these States were not maintained for the different units. It was decided to apportion the credits in proportion to the stamping fee collections. Necessary adjustments are being carried out in view of the agreement referred to above.

Other Items [Item No. X]

On behalf of the Government of India, the Textile Commissioner entered into a contract on 20-1-44 with the Indian Shipping Industry, Bombay, freight contractors for the transport of Standard Cloth by country craft from Bombay to certain ports South of Bombay. From 25-2-44 the Company received 575 bales of Government Standard Cloth from the Textile Commissioner, to be carried to Cochin and Alleppey in their country craft "Jayant". The country craft left Bombay on 15-3-44 but within 15 miles of its journey southwards, it developed a leak. Government suffered a loss of Rs. 357,000 as a result of the damage to the above 575 bales. The security deposit of Rs. 1 lakh by the Company was also withheld to set off against the loss.

The case went to the Court of Law and the High Court of Bombay gave a decision that the loss or damage to the cargo was due to an act of God, *force majeure*, and dues to the Company should be paid.

Payments relating to this item are as follows:—

(a) Loss on account of 575 bales of Standard Cloth	Rs. 3,84,483/-
(b) Legal Charges incurred by Government	Rs. 77/-
(c) Cost of Suit to be paid to the Carriers under Bombay High Courts Decree	Rs. 8,535/-

Sanction for payment of the last two charges has been issued vide this Ministry's letter No. 30(12)-CT(A)/54, dated 18-11-54 and necessary payments have been affected. These two payments form a part of payments against item No. xiii. The security deposit has also been returned.

Hire charges to the extent of Rs. 30,429-13-8 have been sanctioned vide this Ministry's letter No. 40(5)-CT(A)/54 dated 9-7-54 and paid in full settlement of the High Court's order during July 1954.

Item No. (XI): As regards the amounts due on account of handling and freight charges to the Government of undivided Bengal, the Textile Commissioner, Bombay, in consultation with the Accountant General, Food, Rehabilitation and Supply has advised the claimants that these claims should be submitted in the proper form with the relevant audit certificates, etc., before the amount can be refunded.

Item No. (XII): Necessary sanction regarding the writing off irrecoverable loss of Rs. 3,458 for 4 bales of Standard Cloth despatched by M/s Maheshwari Cotton Mills Ltd., Ahmedabad, to the Mayurbhanj State has already been issued vide this Ministry's letter No. 30(9)-CT(A)/54 dated 20-9-54.

3. It may be pointed out that according to the Decentralisation Proposals accepted by the Ministry, the Centrally Administered Areas were to be paid either the loss sustained by them in working out the Standard Cloth Scheme or the credit accrued in their favour in the Equalisation Fund, whichever was higher. In return, the States were to return to the Centre the Stamping Fee collections made by them under the Control Scheme. According to the information originally received from the Delhi State, they had collected a sum of Rs. 4,35,105 as Stamping Fees. On this basis, a debit of Rs. 2,37,115 representing the excess Stamping Fees over Credits, was passed on to them in December, 1950. From later correspondence, it is, however, revealed that Delhi State had actually collected and credited in favour of the Deputy Accountant General (Industry and Supply), Bombay a sum of Rs. 16,58,003. The Deputy Accountant General (Industry and Supply), Bombay has since confirmed that this amount represented the cost of Standard Cloth supplied and not the Stamping Fees. The matter at present is under correspondence between Delhi State and Accountant General (C.R.), Delhi.

This note has the approval of the A.G.F.R. & S., New Delhi.

P. GOVINDAN NAIR,
Joint Secretary.

APPENDIX CXVIII
MINISTRY OF PRODUCTION

SUBJECT:—*Statement showing action taken or proposed to be taken on the recommendations of the Public Accounts Committee (Item No. 44).*

The Public Accounts Committee in their report on the Appropriation Accounts for 1948-49 (item No. 44) recommended that "Government should consider the question of capitalising the amount of losses incurred due to the lack of covered accommodation for the storage of salt by providing necessary shelter for the purpose".

This question was referred to the Departmental Committee on Salt, which was appointed on the recommendation of the Estimates Committee, to examine this and certain other allied matters. The Departmental Committee have observed that the capital cost of providing covered accommodation for the storage of salt will be prohibitive and its maintenance cost alone will far exceed the loss now sustained on account of storage of salt in the open. The Government of India agree with this view of the Departmental Committee and have decided that it is not necessary to provide covered accommodation for the storage of salt.

The annual loss (average for a number of years) occurring through open storage is estimated to be Rs. 75,000 while the construction of godowns will cost about Rs. 2 crores and maintenance alone, besides interest, depreciation, etc., will be about Rs. 6 lakhs per year. Conditions of work in covered accommodation will also be more difficult and probably require further expenditure to raise them to a reasonable standard.

S. JAGANNATHAN,
Joint Secretary.

*See Appendix I. (Vol. I—Report).

APPENDIX CXIX

MINISTRY OF PRODUCTION

Note re; Item 45 of the Statement of Outstanding Recommendations of the Public Accounts Committee*.

Item No. 45.—The Ministry should consider the desirability of contributing the balance lying in the Coal Production Fund to the Coal Mines Stowing Board. The amount of balance in the Fund should also be reported to the Committee.

The Coal Production Fund was created in 1944, for financing the activities in connection with the improvement of production, marketing and distribution of coal and coke. An Ordinance known as the Coal Production Fund Ordinance was promulgated in 1944 authorising the levy of an excise duty of Rs. 1/4 per ton on all coal and coke despatched from Collieries by rail. The duty was realised by the Railways along with the freight and credited to the Coal Production Fund. The Coal Production Fund Ordinance was repealed with effect from 1-5-1947 and consequently the excise duty was also abolished from the same date. The accounts of the Coal Production Fund have however not yet been finalised as the accounts of some of the schemes connected with this fund have not yet been closed.

2. The outstanding items in respect of which the expenses/debits have to be adjusted in the Coal Production Fund mainly relate to the following State Trading Schemes on coal:—

- (1) Reserve Stock of Coal:
- (2) Purchase of Colliery Stores:
- (3) Production and Supply of coal:

Comprising:—

- (a) Open Cut Coal Mining
- (b) Ponri Hill Colliery
- (c) Power House at Sijua

(1) *Reserve Stock of Coal.*—The Scheme was closed long ago but the accounts are kept open pending finalisation of certain transactions connected with the scheme. A separate note has been supplied regarding this scheme.

(2) *Scheme for Purchase of Colliery Stores.*—This scheme related to procurement of plant and machinery during the War Period, on a bulk indent basis. The accounts of this scheme are complete excepting for one item relating to the payment of Port Commissioners charges.

*See Appendix I (Vol. I—Report).

(3) *Scheme for Production and supply of coal. (a) Open Cut Coal Mining.*—The Scheme of open cut coal mining operated departmentally came to a close on 31-3-1946. The adjustment of accounts on two or three items are still out-standing of which one is under arbitration.

(b) *Ponri Hill Colliery.*—This scheme related to the departmental working of the new Chirimiri Ponri Hill Colliery belonging to the late Shri Maneckji Dadabhoy which was taken on lease by Govt. for a period of six years with effect from 1st October, 1944. One item of debit and two items of credit have still to be adjusted.

(c) *Power Plant at Sijua.*—The Govt. of India purchased two packaged type Power Plants in 1945 and these were hired out to M/S. Sijua Jherria Electric Supply Coy., to enable them to meet the increased requirements of power in Jharia Coalfields area for stepping up coal production. The accounts of this scheme have been finalised.

4. The position of total expenditure and recoveries upto the end of 1953-54 in respect of the schemes mentioned is as follows:—

Scheme	Expenditure upto	Recoveries upto
	1953-54	1953-54
	Rs.	Rs.
(1) Reserve Stock of Coal	52,62,738	48,01,211
(2) Purchase of Colliery stores	74,59,885	76,49,608
(3) Production & Supp'y of Coal		
(a) Open Cut Coal Mining	3,76,60,532	1,38,95,697
(b) Ponri Hill Colliery	1,05,72,389	1,04,45,042
(c) Power House at Sijua.	21,60,084	30,05,313

The question whether the loss on item (3) should be debited to the Coal Production Fund is under consideration.

The balance in the Coal Production Fund as on 31-3-53 was Rs. 99,26,153. Certain items of recovery of the cess are also outstanding one of which is pending in a Court of Law.

5. From the above summary of the position especially the figures of expenditure and recoveries upto 1953-54 given in para 4, it will be seen that there will be no balance at the credit of the Fund, if it is finally decided that the loss on the open cut coal Mining should also be debited to the Fund. This position has already been mentioned under Col. "action taken" in Appendix I, on page 177 of the Seventh Report of the Public Accounts Committee (1952-53).

S. JAGANNATHAN,
Joint Secretary.

APPENDIX CXX

MINISTRY OF PRODUCTION

Note re: Item 47 of the Statement of Outstanding Recommendations of the Public Accounts Committee.*

Item 47.—With a view to the speeding up of inter-departmental adjustments for coal supplied to the Government Departments, the Ministry should simplify the method of recovery in consultation with the Coal Commissioner and the Controller of Coal Accounts.

This recommendation has been made by the Public Accounts Committee with reference to the accounts of the scheme for "Reserve Stock of Coal."

During the last war, when the stocks of coal fell short and the transport was inadequate to move the current production, it was decided to build up stocks at pitheads in the Jharia and Ranigang coal fields, on Government account, for use in an emergency. Under this scheme orders were issued for the stacking of coal as under:—

1942-43	..	1,000,000 tons
1943-44	..	1,000,000 tons
Dec.'43 to Dec.'44	..	1,001,000 tons
August '45 to Dec.'45	..	1,001,000 tons

No stacking schemes were sanctioned after 1945 but the coal stacked during the previous scheme has to be financed till the closure of the accounts.

The operation of the scheme was entrusted to a Committee consisting of the Chief Mining Engineer (Railway Board) and the Chief Inspector of Mines. The collieries would stack coal, the quantity of which would then be measured by a Committee consisting of the Chief Inspector of Mines and the Coal Superintendent, Dhanbad.

Under the stacking scheme of 1942-43 and 1943-44, 75% of the price of coal was paid to the collieries on measurement and under the two other schemes 90% of the price of the coal was paid on measurement. After an "on account" payment of 75%/90% of the price as the case may be, the ownership of the coal passed on to the Government. The Collieries were authorised to sell coal from the stocks to Government Departments or public consumers, as authorised by the Chief Mining Engineer, Railway Board. The balance payment of 25%/10% of the price of coal was made to the collieries on presentation of bills showing the quantity of coal despatched from the stock, duly accepted by the consignee.

The procedure for effecting recovery of the cost of coal was that the supplying collieries would submit bills to the Chief Mining Engineer for the quantity of local despatched duly supported by the necessary documents (railway receipts, invoices etc.) and the Chief

*See Appendix I (Vol. I—Report).

Mining Engineer would recover the amount from the consignee, and credit it to Government after paying the balance 25%/10% to the colliery. In certain cases, it appears the 90% payment was treated as an advance which was refunded by the Colliery to Government as soon as coal was despatched under instructions from the Chief Mining Engineer; the Colliery concerned recovered the cost from the consignee.

The financial position of the scheme upto 1953-54 is as follows:—

	Expenditure upto 1953-54	Recoveries upto 1953-54
Reserve stock of coal	52,62,738	48,01,211

Out of the total quantity of coal despatched under all the schemes, bills for a quantity of approximately 54,000 tons of coal, despatched to Government Departments, private consumers etc. were outstanding upto the end of the calendar year, 1950. According to the Coal Commissioner's report, accepted bills for a total of 22,950 tons of coal have since been received upto the end of March, 1954 and bills for balance quantity of 31,050 tons are still outstanding and have to be accounted for.

The difficulty in effecting the recovery of the payment has been that due to the partition of the country and the disbandment of the various units/offices of the Defence Departments, Central Public Works Department etc. who mainly dealt with aviation works during the last war the consignees, including those in areas now forming Pakistan, cannot be contacted and made to pay.

According to the latest report received from the Coal Commissioner (on 7-8-54), his office is still under correspondence with Coal Companies regarding information about consignees the quantity of coal despatched etc. The Coal Commissioner has been asked to submit monthly progress reports about the finalisation of the scheme.

As regards the recommendation made by the Public Accounts Committee, regarding the simplification of the method of recovery in regard to inter-departmental adjustments, the Finance Ministry suggested in another context that no inter-departmental adjustments are necessary in respect of coal supplies made to the departments of Central Government prior to 15-8-1947. This is a specific step of simplification which should greatly assist the finalisation of accounts. The Controller of Coal Accounts, who was advised of this decision, by the Coal Commissioner, has not accepted the Finance Ministry's view and has desired that acceptance of the quantity of coal supplied should be obtained from the consignees. The Coal Commissioner doubts whether he will be able to obtain the acceptance of the remaining Government consignees as in most of these cases these consignees (Units/Organisations of Government) do not exist at present. The Coal Commissioner has accordingly proposed a revised procedure enabling him to issue a certificate to the Controller of Coal Accounts after verifying from the records of the Chief Mining Engineer (Railway Board) that the coal was actually supplied to Government departments. This procedure is being discussed by the Coal Commissioner with the Finance Ministry in Calcutta.

S. JAGANNATHAN,
Joint Secretary.

APPENDIX CXXI

MINISTRY OF PRODUCTION

Note re: Item 48 of the Statement of Outstanding Recommendations of the Public Accounts Committee*.

Item 48.—With reference to the review on the scheme for production and supply of coal contained at p. 615 of the Appropriation Accounts (Civil) 1949-50, the committee should be informed of the exact amount that was remitted by Messrs. Sir Lindsay Parkinson & Co. Ltd., abroad before they went into liquidation.

It is considered necessary in order to answer the above question, to explain first that the Government scheme for the production of coal *departmentally, during the war period* has to be distinguished from the *contractual arrangements* made after the end of the war with the firm of Sir Lindsay Parkinson and Co. Ltd.

The actual arrangements were:

A.(i) departmental working first by military units and then by the Directorate of open cast mining, assisted by an American firm. 1943—30th November, 1945.

(ii) four months of departmental working when Sir Lindsay Parkinson functioned as agents of Governments on cost plus a fee (more precisely a bonus on turnover) basis.

B. Work done through contractors:

(i) 1st April 46—31st March, 48 when S.L.P. Co. took the contract.

(ii) 1st April 1948 to 31st March 1952 when the Government sponsored Indian Mining Construction Company were contractors ($\frac{2}{4}$ owned by S.L.P. and $\frac{2}{4}$ by Government).

The deficit on "scheme for production and supply of coal" (estimated in the Appropriation Accounts for 1949-50 as Rs. 227 lakhs) is almost wholly due to the working in period 'A'. It has *nothing* to do with the contracts with S.L.P. or with the I.M.C.C. in which S.L.P. were partners. (A note on this period of departmental working is attached—Annexure). No part of this deficit is recoverable or could be argued as recoverable from S.L.P. Co. The 1949-50 appropriation report mentioned only a certain sum of Rs. 11,566 as recoverable from S.L.P. Co. There are subsequently other sums (a few lakhs payable to and some lakhs due from S.L.P.) adjustable with the S.L.P. Co. and it is hoped to finalise all this before the end of this year.

*See Appendix I (Vol. I—Report).

What S.L.P. Co. have remitted out of India

S.L.P. as partners invested a sum of Rs. 23 lakhs (as share capital) in the Government sponsored I.M.C.C. in which Government paid the remaining share capital of Rs. 22 lakhs.

Under the promoters' agreement, S.L.P. could sell out their share of the capital or Government could buy out the S.L.P. share of capital after giving 3 months' notice. In December 1951, S.L.P. exercised this option and Government were bound under the terms of the agreement to pay them their capital and to give them the facility to remit their capital investment out of India.

As a result of the Government's discussion with S.L.P. Co., they agreed specifically:

- (a) to meet their due share of such losses as the I.M.C.C. incurred during the period of Government investment.
- (b) leave in deposit with the now Government owned I.M.C.C. to meet (a) above, a sum of Rs. 9 lakhs representing part profits and managing and purchasing commissions payable to them.
- (c) leave also a further sum of Rs. 3 lakhs out of the share capital in deposit in a joint account, in case (b) was not adequate.

They remitted, with the sanction of Government, only Rs. 20 lakhs out of their share capital of Rs. 23 lakhs.

At the request of the Government, the C. & A.G. has had an exhaustive audit carried out of the accounts of the I.M.C.C. and on the basis of the audit report, prolonged and successful negotiations have been carried out with the Company.

It is hoped to conclude the final settlement before the end of the year but it may be said that the sum left behind in India by S.L.P. will be more than adequate to meet the sum payable by S.L.P.

It will be clear from the above that S.L.P. Co. did not go into liquidation—they merely withdrew from the partnership with effect from 31-3-52.

S. JAGANNATHAN,
Joint Secretary.

ANNEXURE

Scheme for the Production and Supply of Coal. Departmental working of open cast mining of coal—Directorate of Open Cut Coal Mining.

The impact of the last war produced a serious effect on coal production. There was a steep drop in output effecting industrial production and even the entire economy of the country. Early in 1943 it became evident that rapid improvement in coal raisings could not be secured merely by augmenting the labour force or by following orthodox methods of underground mining. It was decided to adopt mechanical methods of open cut mining in India. Initially the operations were started with the assistance of military units with certain

equipment loaned by the Engineer-in-Chief. An expert drawn from the Army, Brigadier Westrop was appointed as Director, Open Cut Coal Mining and sent to U.S.A. in May 1944 to purchase equipment. Brigadier Westrop returned to India in October 1944 and the Directorate of Open Cut Coal Mining came into being with effect from 1-12-1944. Actually most of the equipment that could be secured was second-hand and at various stages of repair. An agreement was concluded with an U.S.A. firm Messers. Foley Brothers who undertook to help in the procurement, reconditioning, repairs erection and working of the plant etc. in return for a payment. The bulk of the machinery together with the American technicians to erect and train operators arrived in India early in 1945. Brig. Westrop remained in charge of the operations upto 30th November 1945. By September 1945 it was fairly clear that although the coal that was being produced was a very valuable addition to the country's resources at a critical time, the cost of production was proving unduly high. The contract with the U.S.A. firm was not therefore renewed.

With a view to obtaining a clear and comprehensive picture of the financial aspect, the condition of equipment and other matters relating to the D.O.C.C.M.'s operations upto November 1945, a Committee consisting of a technical officer of the Coal Commissioner's organisation, a representative each drawn from Finance and the late Department of Industries and Supplies was constituted in February 1946 with a fairly wide terms of reference. The Committee submitted its report in April 1946.

The findings of the Committee revealed an estimated deficit of Rs. 265 lakhs on D.O.C.C.M. operators during the period upto November 1945 as under:

Capital Expenditure		
In America	Rs. 145 lakhs	} Rs. 238 lakhs
In India.	93 lakhs	
Revenue Expenditure		Rs. 52 lakhs
Losses prior to 1-2-45 (when the operation were under Military personnel)		R . 15 lakhs
		<hr/>
		305 lakhs
Recovery on the sale of Coal		40 lakhs
		<hr/>
Deficit		265 lakhs

The following extracts from the Committee's conclusions which are relevant in the context are reproduced below:—

“(g) We have now to indicate the extent to which machines remained idle and the reasons for the same. We have examined the figures of working hours of about one half of the heavy excavating machines. These machines worked only about 40% of capacity after being erected and installed. The electric shovels which represent another 33% of the total heavy excavating capacity, did no work before November 1945 and even after that month they are found to have given no more than 35%

of the service expected of them. The chief reasons for all this idle time were the poor condition in which the machines were received, lack of proper care at the time of erection, lack of workshop facilities and sometimes non-availability of spare parts."

"Item (i) of the terms of reference is as follows:

"To report generally on the value of the work performed by Brig. Westrop during the emergency in the light of the coal situation in 1944 and 1945 and any other matter that the Committee may wish to bring to the notice of Government."

There is general agreement of opinion that the coal situation in 1944 and 1945 was such that the coal produced by Brig. Westrop's organisation was extremely valuable in spite of the high costs. We should like to record that although we have commented adversely on the seeming lack of co-ordination in Brigadier Westrop's organisation, which was partly responsible for low output and heavy costs, we appreciate the difficulties under which he had to work. One of the main difficulties was that military personnel on whom he relied at the early stages were continually changed and qualified civil personnel were not easy to obtain. During the difficult times of the war he was able to procure machinery in America and get them to the coalfields and though by normal standards they are not good machines, they are still capable of being worked to increase the output of coal."

Conclusion of departmental working

The contract with the U.S.A. firm was terminated at the end of November 1945, as the arrangements were not found wholly satisfactory. The Govt. of India then called in the assistance of the India office in London to secure the help of a really competent firm of engineers experienced in open cast mining. The India office selected this firm of Messrs. Sir Lindsay Parkinson & Co. Ltd. who have great experience in this field." With the coming of M/s. S. L. P. Ltd., the departmental system of open cast Mining can be said to have come to an end.

When this firm arrived certain interim arrangements (from 1-12-45 to 31-3-46) were made with the firm for a brief period (when they were paid the costs of their technicians and expert staff and a certain bonus on turnover) and from 1st April 1946, an agreement of a long-term nature was then settled. Under the latter Messrs S. L. P. Ltd. operated on a contract basis, at a rate settled in advance and taking the machinery of the Govt. of India on hire, also at a rate settled in advance. These arrangements lasted for two years from 1-4-46 to 31-3-48 and they were found satisfactory as far as the operation was concerned. The position was reviewed at the end of this period.

Formation of the Indian Mining and Construction Co.

Under the agreement made for the period 1946-48, the Government of India had the option either to take back their machinery which had been hired out to S. L. P. by paying to the latter the expenditure incurred by them on major repairs or on the other hand

to sell the plant and spares outright to S.L.P. at the residual value of Rs 1 lakh which was settled in advance. The Government did not consider it desirable that the equipment which was worth more than a residual value of Rs. 1 lakh should be allowed to go out of their hands. On the other hand the Government were solely dependent on the technical skill of the firm. It was decided by Government therefore that a company should be formed for the work on State owned collieries and other Government projects in partnership with Messrs. S. L. P. Ltd. This Company called the Indian Mining and Construction Co. Ltd., was formed from 1-4-48, with a subscribed capital of Rs. 45 lakhs—23 lakhs contributed by Messrs. S. L. P. Ltd., and 22 lakhs by the Government of India. The terms of the incorporation of the company included a condition according to which Messrs. S. L. P. Ltd., were required to train up suitable Indians so that they may replace the European personnel by 31-3-53.

APPENDIX CXXII.

MINISTRY OF PRODUCTION

Note re: Item 49 of the Statement of Outstanding Recommendations of the Public Accounts Committee.*

The Public Accounts Committee in their Report for the Appropriation Account for 1949-50 (Item No. 49) desired a note stating the latest position in regard to the price of indigenous penicillin as compared with imported penicillin, to be submitted at the time of the consideration by them of the Appropriation Accounts for 1951-52.

The Penicillin Factory is still under erection at Pimpri. The production of penicillin in the Factory is expected to commence by the end of 1954 and full production 12 months thereafter. At present it is, therefore, not possible to make a comparison of the type contemplated by the Committee.

S. JAGANNATHAN,
Joint Secretary.

7th August, 1954.

* See Appendix I (Vol. I. Report).

APPENDIX CXXIII

MINISTRY OF WORKS, HOUSING AND SUPPLY

Note re: Item No. 50 of the Statement of Outstanding Recommendations of the Public Accounts Committee*—Black-listing of Contractors

In the Central Public Works Department, a contractor is liable to be black-listed, for gross misconduct, misbehaviour, negligence or delinquency on his part.

Black-listing will be justified in cases where the recovery of the overpayment is not possible out of the security deposit of the contractor with the department, or his other dues, if any, and the contractor fails to refund the overpayment when asked to do so, or when the over-payment is the result of any mis-representation on the part of the contractor. The Chief Engineer has been instructed to be more vigilant in this regard, and to circulate periodically to all Ministries a list containing the names and addresses of black-listed contractors marked 'Secret'.

In the organisation of the Director General of Supplies and Disposals, overpayments, if any, made are ordinarily recovered from the security deposit, or bills pending with the department. Suitable instructions have, however, been issued to that department to black-list contractors who intentionally avoid or refuse to refund overpayments. Circulation of the list of black-listed contractors to all Ministries, marked 'Secret', is already in vogue in this organisation.

S. RAṄGANATHAN,
Joint Secretary.

* See Appendix, I (Vol. I. Report).

APPENDIX CXXIV

MINISTRY OF WORKS, HOUSING AND SUPPLY

Note re: Item No. 52 of the Statement of Outstanding Recommendations of the Public Accounts Committee* Para. 24(b) of the Audit Report (Civil)

It has been intimated by the then Financial Adviser that the matter is now more than six years old and that it is not possible for him to remember all the details. He has, however, said that it is quite likely that for the purpose of ascertaining the exact condition of the stores, he may have visited the shop along with the then Director General and discussed the matter in the presence of the Officer-in-Charge of the Retail Shop. He has added that such discussions would not, however, amount to sanction and do not commit the Finance Ministry to the fixation of prices. He has further observed that prices of Disposal stores were ordinarily fixed on references received in writing from the Director General either by him or by the Assistant Financial Adviser or Deputy Assistant Financial Adviser. The Financial Adviser is of the opinion that it is only such concurrence that can be regarded as an authorisation from the Finance Ministry.

M. K. VELLODI,
Secretary.

*See Appendix I (Vol. I.Report).

APPENDIX CXXV

GOVERNMENT OF INDIA

MINISTRY OF TRANSPORT—TRANSPORT WING

No. 1-G (8)/54

New Delhi, the 9th October, 1954

Note for the Public Accounts Committee with reference to their remarks in paragraph 19 of their Eighth Report 1953-54—(Item No. 124C of the Statement of Outstanding Recommendation*)

In item 124-C of the printed Statement showing action taken or proposed to be taken on the recommendations of the Public Accounts Committee, received with the Lok Sabha Secretariat Office, Memorandum No. 46(13)-F.C/54, dated the 11th September, 1954, the Public Accounts Committee have recommended as follows:—

“In order to ensure that sanctions to the write-off of losses of stores, cash etc. are accorded at appropriate levels and also to safeguard the interest of the Public Exchequer, a definite procedure should be laid down specifying limits up to which the officers at various levels in the Ministry of Finance and the administrative Ministry shall be competent to write-off losses within the overall limit fixed for the purpose. Approval of Cabinet may be prescribed for the write-off of losses beyond a certain limit say Rs. 5 lakhs.”

2. An office order fixing the ceiling amount up to which various officers in the Ministry of Transport may sanction the write-off of losses has already been issued. A copy of office order No. 1-G (8)/54, dated 25th June 1954 is enclosed. (See Annexure).

N. M. AYYAR,
Secretary.

*See Appendix I (Vol. I. Report).

MINISTRY OF TRANSPORT OFFICE ORDER No. 1-G(8)/54 DATED THE 25TH
JUNE, 1954.

SUBJECT.—Procedure regarding sanctions to write-off of losses

The question of fixing limits upto which the officers at various levels in this Ministry should finally deal with cases of write-off of losses has been considered and it has been decided that

- (i) Cases of write-off losses upto Rs. 500 may be finally disposed of at the level of Under Secretary.
- (ii) Cases where the amount of the loss to be written off is between Rs. 500 to Rs. 2,000 may be disposed of finally by the Deputy Secretary.
- (iii) Cases where the amount of write-off is between Rs. 2,000 to Rs. 10,000 may similarly be disposed of finally by the Joint Secretary/Secretary as the case may be.

The sanction to write-off losses indicated in (i), (ii) and (iii) above is subject to the condition that if there is some peculiar feature of the case, the papers should be submitted to the next higher officer for orders.

- (iv) All cases involving losses exceeding Rs. 10,000 shall be submitted to the Deputy Minister or the Minister for final orders.

APPENDIX CXXVI

MINISTRY OF WORKS, HOUSING AND SUPPLY

Note re: Item No. 54 of the Statement of Outstanding Recommendations of the P.A.C.* Para. 24 (a) of the Audit Report (Civil), 1951

The para. mentions the payments made for the work of construction of addition new quarters for P. & T. Workshop at Jubulpore. The work was awarded to Shri Chandu Lal Nagar Das Shah on 15th March 1944 and it was stipulated to be completed by 15th June 1944 i.e. within a period of 3 months. In view of the urgency of the work the contractor was permitted to mark the buildings, excavate foundations and collect all the materials, so that at short notice he could proceed on with the work. Site for a part of the work, viz. the Dormitory area and Northern Half of Duftry *type quarters, was handed over to the contractor on 15th March 1944, but site for Mistries quarters and Southern Half of Duftries quarters could not be acquired by the Department till a later date, and was handed over to the contractor on 27th May 1944. Consequently, the contractor had to do the work in the difficult monsoon conditions, directly as a result of late handing over of land by the Department. This involved extra expenditure to him for no fault of his. He therefore put forward, *inter alia*, a claim of Rs. 2,79,343-10-0 for the following reasons:—

- (1) On account of monsoon season most of the labour was drawn away for agricultural purposes and he had to pay 50 per cent. higher wages.
- (2) The work had to be carried out in a plot of land of 40 acres of black cotton soil which in monsoon become totally unfit for wheeled traffic. Also there was no road on which transport trucks could be employed and as such he had to employ head-lead labour which was not only more expensive but wasteful and inefficient also.
- (3) The roads beyond the site of work were rendered muddy and he had to pay more for conveying materials from kilns, railway stations etc.
- (4) There was huge wastage of materials like sand, lime and murum etc., which were washed away in rains.
- (5) Due to rains, it was not possible for labourers to work during all the time in working hours whereas the contractor had to pay wages for the whole day.

The Contractor's representation for settlement of his claims was received by the then Minister and the C.E. was asked to pass final

See Appendix I (Vol. I. Report).

orders on the contractor's claims. Shri Vepa Krishna Murthy, Superintending Engineer, was specially detained to visit the work, make investigations on the spot and submit a detailed report on the contractors claims. The S. E. studied the full facts of the case and reported that the scope of the claim should exclude the work done on that portion of the scheme for which site was handed over in time. His recommendations were therefore restricted to the work on 'Mistries quarters and Southern Half of Duftries quarters'. The work was completed on 10-2-45. There was a delay of 1½ months in handing over the site. Taking into consideration the additional amount of work awarded for execution to the contractor and the loss of efficiency during monsoon, and other relevant factors the S. E. fixed 15th Nov. as the date by which the contractor could complete a quantity of work equal to that in the original contract. The compensation recommended by the S. E. therefore, related to the work done during the period from 15-6-44 to 15-11-44. The following culated was Rs. 43,174.

(a) *Items 1 & 5.*—There had been increased cost of labour not merely due to the monsoon conditions, but also because of the fact that there had been general rise in the market from 40 to 50 per cent. between 15th February 1944 to 15th December 1944, as seen from the local schedule of rates. Also the out-turn of labour during monsoons of the type reported to have occurred at Jubbulpore in 1944, could be taken as 50 per cent. of normal out-turn. Calculating price levels at different intervals, a compensation of 22½ per cent. over the original contract quantities for work on the land handed over late, was payable to the contractor. Amount so culated was Rs. 43,174.

(b) *Items 2 & 3.*—Under normal conditions the contractor would have collected some of the materials near the site of the work which would have involved a head-load lead of 50 ft. or 100 ft. in a few cases. Due to delay in handing over the site the work had to be executed in rainy season, when the ground became slushy and the materials had to be collected at high places. This caused the contractor to execute the work with a head-load of 250 ft. during the whole of the monsoon season upto the end of October 1944. Calculating rates for additional lead from the schedule of rates for the period involved, enhanced rates were allowed involving a payment of Rs. 2,511.

(c) *Item 4.*—During heavy monsoon conditions there would be undue wastage of materials like lime, murum and sand and 10 per cent. was a reasonable figure of loss for the entire quantity required for use in monsoon season on the Southern Half of the Duftry type quarters etc. Loss so sustained was payable to the contractors. This was calculated to be Rs. 6,016.

The amount recommended by the S. E. was Rs. 51,701. The C. E. accepted the S. E's recommendations and passed orders for payment of the amount due on this account. As reported in the audit para, the amounts paid were—

(i) increased cost of labour. (Rs. 44,323)	}	Rs. 51,323.
(ii) increase in head-load lead (Rs. 1,381)		
(iii) wastage of materials during monsoon. (Rs. 5,619).		

The audit's contention is that the payment made appears to be of the nature of *ex-gratia* payment, requiring Government sanction, because it is outside the scope of the contract agreement with the contractor. The C.P.W. Department argues that the contractor was subject to financial losses directly by a breach of the contract on the part of the Government in handing over land 1½ months late, and he cannot be expected to bear the loss as a business enterprise. As such he was entitled to a reasonable compensation as a matter of right, and not as a matter of grace (*ex-gratia*). Under the last clause of para. 89(c) of the C.P.W.D. Code, which runs:

'The terms of a contract once entered into should not be materially varied without the previous consent of the officer competent to enter into the contract so varied'.

the C.E. was competent, to vary the terms of the contract. As the compensation was considered rightfully due to the contractor, the Chief Engineer in exercise of these powers authorised in 1947 the payment in question. The Government sanction was not necessary in this case.

Subsequently in another case it was felt that the C. E. under para. 89(c) of the Central P. W. D. Code exercised unlimited powers of making variations in the contract agreement. In order to restrict the scope of the para, it was decided in 1950 that no payment which was not contemplated in the contract agreement, should be made by the C.P.W.D. authorities under para. 89(c) unless some additional benefit accrues to Government and even in that case, with the prior approval of Government. The para was accordingly amended, by adding the following sub-para. to it.

"No payments to contractors by way of compensation or otherwise, outside the strict terms of the contract or in excess of the contract rates may be authorised without the previous approval of the Finance Ministry".

Since the payment was made at the time the C. E. was fully competent to vary the terms of the contract and before the decision preferred to above was taken, the payment made cannot be considered as irregular and needs no Government sanction. This view has also been accepted by the Ministry of Finance.

M. K. VELLODI,
Secretary.

APPENDIX CXXVII

MINISTRY OF WORKS, HOUSING AND SUPPLY

Note re: Item No. 55 of the Statement of Outstanding Recommendations of the Public Accounts Committee*—Imported Paper stocked by the late Ministry of Industry & Supply

When only 30 per cent. of Indian Mill Production was released for non-Government Civil Consumption, Government placed indents for an aggregate quantity of 19,488 tons of different varieties of paper on I.S.M., Washington, in order that correspondingly larger quantities of indigenous paper might be released for civil consumption. These supplies were obtained partly on cash basis from Canada but largely on L/L basis from U.S.A. Supplies against these indents commenced from November, 1944. The Directorate General, Supplies & Disposals assumed responsibility for storage and distribution of paper in consultation with the Controller of Printing and Stationery, with effect from 1st April, 1945. The total stock received by the Directorate General during the period ending 31st March, 1946 amounted to 13,000 tons. This entire stock was stored in Government godowns at Calcutta and Bombay.

2. The bulk of the supplies were made to various Departments of the Government of India, Provincial Governments and also to Indian States.

3. According to the departmental books the entire stocks of paper stored in Government Godowns at Calcutta and Bombay have been disposed of. But according to the Accounts Office books a quantity of 110 tons and 5 lbs. paper is outstanding. This discrepancy is being reconciled. It was expected that the transactions relating to these stocks would be completed by the end of the financial year 1945-46 but owing to time lag between the supplies and the raising of debits, due to transport bottle-neck etc., it was not found possible to finalise the transactions within the time anticipated. No further stocks of paper were imported after 1945-46 under this Scheme.

4. The total landed cost of paper imported during 1945-46 was Rs. 1,31,58,333. To this an amount of Rs. 26,31,667 was added as departmental charges @ 20 per cent. of the landed cost to arrive at the estimated expenditure on the Scheme, viz., Rs. 1,57,90,000. The percentage of departmental and incidental charges in the built up price was fixed at a comparatively higher figure to cover expenditure on (i) cutting the reels to the required size in reams, (ii) packing into bales for delivery to outstation indentors and (iii) sorting out a certain quantity of paper received in damaged condition and in broken boxes.

* See Appendix I (Vol. I. Report).

5. The amount recovered so far is Rs. 1,40,24,873. This includes the usual departmental charges on the landed cost of paper and also the issue price of 73 tons of paper found in excess. In addition, a sum of Rs. 75,127 has still to be recovered from two Government Departments, namely, Bombay Government and Deputy Controller, Stationery, Calcutta. Thus the total recovery under the Scheme of Imported Paper would amount to Rs. 1,41,00,000 as against the landed cost of Rs. 1,31,58,333.

6. As regards the procedure adopted in accounting the stocks of paper received, it may be mentioned that the stocks were taken on charge on the basis of the nominal marked weight on the packages, while issues were made on actual physical weighment. Hence discrepancies were observed against certain stock items, resulting in an excess of 73 tons.

7. Briefly stated, the position with regard to the two specific points raised by the Public Accounts Committee relating to this Scheme, is as follows:—

- (i) The recovery of Rs. 25,940 representing the total cost of 22 tons 1927½ lbs. of paper supplied to the Deputy Controller of Printing & Stationery, Calcutta, has since been made and credit adjusted by the Deputy Accountant General (Industry & Supply), New Delhi.
- (ii) The difference between the ground balances and book balances has not so far been reconciled and settled.

M. R. SACHDEV,
Secretary.

Dated the 9th February, 1955.

APPENDIX CXXVIII

MINISTRY OF EXTERNAL AFFAIRS

Notes on Item 56 of the Statement of Outstanding Recommendations of the Public Accounts Committee*

The investigation was pursued jointly by the Ministry of External Affairs and the D. G. P & T. with the Embassy of India, Berne who supervised the despatch of stamps to London, and the High Commissioner for India, London, as it was pointed out that the losses might have occurred at the source of supply, viz. Switzerland. The former officers of the High Commission of India, London, and of the Legation of India, Berne were consulted for a proper appraisal of the case, but no fruitful results could be obtained. The results of investigation conducted by the Embassy of India, Berne, placed the responsibility for explaining the reasons for the loss on the High Commission, London. The D. G. P & T. were also informed of the finding of the Embassy of India, Berne.

The results of the investigation carried out by an officer of the D. G. P. & T. who was deputed to London are stated below:—

- (i) The report states that spot investigation was conducted by the High Commissioner, London on detecting the loss, but the report of the enquiry did not reveal how the loss occurred. It, therefore, adverts to the observation made by the Audit that the enquiry conducted by the High Commissioner did not reveal any direct evidence of dishonesty or defalcation on the part of the staff concerned with the sale of stamps. It has been explained that the papers show that the High Commissioner as a result of the enquiry held, had no reason to suspect the *bonafides* of the staff. This should, therefore, end the matter in so far as fixing responsibility is concerned. It further states that the permanent official concerned has since retired from service with effect from 4th March 1953, and the temporary official who assisted is no longer in service.
- (ii) It has been stated that the practice of selling of stamps through the Indian Missions abroad has since been completely withdrawn and the question of laying down a definite procedure as contemplated in the recommendation of the Public Accounts Committee does not, therefore, arise.

*See Appendix I (Vol. I. Report).

It may also be stated that a note has already been sent to the Public Accounts Committee detailing the various measures introduced to ensure adequate financial and administrative control in regard to receipt and issue of stamps. An extract of the note is also enclosed. (See Annexure).

PREM KISHEN,
Joint Secretary.

ANNEXURE

MINISTRY OF EXTERNAL AFFAIRS

Note re: Item 56 of the Statement of Outstanding Recommendations of the Public Accounts Committee* on the appropriation Accounts (Civil), 1949-50 and audit report thereon.

Steps were immediately taken by the High Commissioner to ensure adequate financial and administrative control. These are briefly stated below:—

- (a) Consignment of stamps received from India from time to time, placed in the strong room in India House, and very small quantity kept outside the strong room for immediate requirements. Even this small stock was further protected by fixing a new lock to the ante room, the keys being kept in the possession of a senior official.
- (b) The stamps kept outside the strong room stored in a steel cabinet the key of the Cabinet being held by another senior official.
- (c) Various other checks have been provided to ensure against loss to Government.

*See Appendix I (Vol. I. Report.)

APPENDIX CXXIX

MINISTRY OF EXTERNAL AFFAIRS

Note re: Item No. 57 of the Statement of Outstanding Recommendations of the Public Accounts Committee*

The Public Accounts Committee at its meeting held on the 17th July, 1951 discussed paragraph 25(b) of the Audit Report for 1950 dealing with an amount of £.400 paid to a firm for alleged breach of contract for supply of 4,275 cases of whisky, entered into with the firm by the High Commissioner for India. The statement made in this paragraph that "although the High Commissioner, before the contract was signed, had received a communication that whisky might be obtained from the normal sources of supply" was challenged by the High Commissioner as contrary to facts in his telegrams to the External Affairs Ministry, who placed this matter before the Public Accounts Committee. The External Affairs Ministry pleaded difficulty in defending the case as the draft audit paragraph had not been seen by them, the practice being to show the drafts to the High Commissioner in the U.K. In view of the High Commissioner's attitude, the Public Accounts Committee accepted the advice of the Comptroller and Auditor General that the facts should be further examined by an officer of the Comptroller and Auditor-General and the Secretary of the External Affairs Ministry and a further report submitted to the Public Accounts Committee.

The Ministry of External Affairs obtained the papers from the High Commissioner for India and these were examined by officers of the Ministry and of the office of the Comptroller and Auditor-General. They came to the conclusion that the High Commissioner had, as stated in the Audit Report, received a communication that whisky might be obtained from the normal sources of supply; but that up to the date on which the contract was signed there was no firm offer from the normal sources.

PREM KRISHEN,
Joint Secretary.

*See Appendix I (Vol. I. Report).

APPENDIX CXXX

Note on the scheme for the long-term maintenance of refugee orphans from Burma, Malaya, etc., in India—Item No. 58 of the Statement of Outstanding Recommendations of the Public Accounts Committee*

A scheme for the long-term maintenance, education and care of refugee orphans from Burma, Malaya, etc., was formulated by the Government of India in January, 1945. For the purposes of the scheme a refugee orphan was described as 'a minor child of British Indian parentage who was evacuated from Burma, Malaya, or any other British territory now in enemy occupation and has either lost both parents or has been temporarily separated from them due to the War.' Refugee children who had one parent alive and in contact with them were also admitted to the benefits of the scheme in whole or in part temporarily or till attaining the age of 18. The scheme has been, and still is, administered through the agency of the State Governments who are responsible for the welfare of the refugee orphans under their care. The expenditure incurred in this respect is shared by the State Governments concerned and the Centre on a 50:50 basis. The number of refugee orphans being maintained by the various State Governments as on 1st April, 1953 and 1st April, 1954 is given below:—

	1st April, 1953	1st April, 1954
Madras	175	120
Andhra	—	24
Uttar Pradesh	29	29
Punjab	5	3
West Bengal	8	7
Orissa	11	7
Mysore	7	4
Total	235	194

The reduction in the number of refugee orphans is attributable to such factors as attaining majority, marriage / A provision of Rs. 34,600/- was made in the budget estimate of the Ministry of External Affairs for the maintenance of refugee orphans during the financial year 1953-54 and of Rs. 47,000/- during 1954-55. Information regarding the actual expenditure incurred by the State Governments during 1953-54 has not so far been received, but the

*See Appendix I (Vol. I. Report).

figures of the budget allotment and the amount spent on refugee orphans during the year 1952-53 are given below :—

Budget provision	Rs. 35,800
Amount reappropriated	Rs. (—) 1,500
Final Grant	Rs. 34,300
Actuals	Rs. 32,795
Saving	Rs. 2,005

(due to non-payment of contribution pending settlement of details.)

2. This Ministry does not maintain any separate staff either at the Centre or in the States for the purpose of operating the long-term scheme for maintenance of refugee orphans. The work is done in the States by their own staff and at the Centre it is handled by the Consular Division of this Ministry. The amount of work relating to refugee orphans is very small and of a routine nature. In these circumstances, and since no extra expenditure is involved in the present arrangements, it is not considered worthwhile or necessary to transfer this work to the Ministry of Rehabilitation. That Ministry concurs in this view, and has pointed out that it is concerned with displaced persons from Pakistan only.

PREM KRISHEN,
Joint Secretary

APPENDIX CXXXI

MINISTRY OF EXTERNAL AFFAIRS

Note on sub para 7 of paragraph 16 of the seventh Report of the Public Accounts Committee—Chapter III—regarding financial powers of the High Commissioner for India in U.K. and the control of the Financial Adviser at London—(Item No. 60 of the Statement of Outstanding Recommendations*).

As a result of the recommendations of the Public Accounts Committee, the question of bringing the financial powers of the High Commissioner into line with those enjoyed by other Heads of the Missions was considered *de novo*. The High Commissioner suggested the continuance of the existing powers with slight modifications relating to expenditure on contingencies. This suggestion has been accepted by the Government of India. But in respect of other general powers relating to grant of advances, recruitment of staff, remittances, purchase of stores, etc., the modified powers recommended by the High Commissioner were accepted in respect of 26 items out of the 39 items in question and in respect of the remaining 13 items the Government of India have either totally rejected the proposal of the High Commissioner or called for his further comments. The reply recently received from him is under examination, and necessary action to curtail his financial powers as far as practicable is being taken.

2. As regards the question of independent position of the Financial Adviser to the High Commissioner in London, it is considered that it is not practicable for the Financial Adviser to function at a far off place as an independent officer outside the administrative control of the High Commissioner with a direct administrative tie-up with a Ministry in India. For securing adequate financial control, the High Commissioner has been provided with a competent officer to give him financial advice and this officer is provided by the Finance Ministry from time to time. Government have also decided to demarcate clearly the kinds of cases in which the High Commissioner must take the advice of the Financial Adviser and it is considered that the following items should be included in that category :—

- (a) All matters pertaining to the placing of contracts etc., by the India Stores Department, London ;
- (b) All cases in which sanction of the Government of India is necessary under the reduced financial powers of the High Commissioner ;
- (c) All proposals of contingent expenditure exceeding Rs. 5,000/- non-recurring and Rs. 1,000/- per annum recurring ;

* See Appendix I (Vol. I. Report).

- (d) All cases of grant of 'advances' other than those in respect of which the High Commissioner has been or is being delegated amended financial powers.

In respect of cases referred by the High Commissioner to the Government of India for sanction, it has already been prescribed that such cases should be accompanied by the advice of the Financial Adviser thereon also and as a rule the Financial Adviser's opinion on such proposals is always looked for before a decision is taken in the case by Government. It is also proposed to provide in respect of the categories of cases mentioned above that in cases of disagreement between the High Commissioner and the Financial Adviser, further action should be suspended by the former till the orders of the Government are obtained, except in emergencies, where it should be obligatory on the part of the High Commissioner to report such cases with full facts, together with the views of the Financial Adviser, to the Government of India immediately.

It is hoped that the Public Accounts Committee would find the above arrangement satisfactory.

PREM KRISHEN,
Joint Secretary.

APPENDIX CXXXII
GOVERNMENT OF INDIA
MINISTRY OF TRANSPORT
(TRANSPORT WING)

No. 2-G(16)/52.

Dated New Delhi, the 19th December, 1953

Memorandum with reference to para. 27 of the Audit Report on the Appropriation Accounts (Civil) of 1948-49—(Item No. 63 of the Statement of Outstanding Recommendations*).

During the course of inspection of the Accounts of this Ministry in 1949, Audit discovered certain irregularities involving misappropriation, overdrawal and overpayments of Government funds during the years 1946-1947. Certain amounts had been overdrawn in Establishment bills and charged off in the cash book as disbursed against acquittances of doubtful validity, and in certain other cases, the acquittances were for amounts less than those drawn. These irregularities were attributed by Audit to the defective system of control and negligence of officers in charge to enforce the financial rules and procedure.

2. When the above irregularities came to the notice of this Ministry, action was taken immediately to suspend three persons—a Superintendent, an assistant and a clerk who was acting as Cashier during the period in question, and a small departmental committee was appointed to undertake further investigation. This Committee came across certain fresh instances of irregularities which had not been discovered by Audit. Charges were framed against the three persons and they were dealt with in accordance with the rules. This departmental action resulted in the removal from office of the assistant and the demotion and withholding of increments and subsequently the termination of service of the clerk. The Superintendent was placed under suspension from 20th March, 1949 to 12th November, 1950. After a departmental enquiry he was found guilty of gross negligence. He was, however, reinstated from 13th November, 1950 and compulsorily retired from 7th December 1950. He represented for full pay and allowances for the period of suspension but the Ministry turned down his request. He then appealed to the Union Public Service Commission who also found him guilty of gross negligence but in view of the mitigating factors and his past records, advised that he should be allowed full pay and allowances for the entire period of his suspension of one year seven months and 24 days as well as a refund of the amount of Rs. 100 recovered from him.

When Government sanctioned him full pay and allowances for the period of suspension Audit held that as he was not honourably acquitted there should be a reduction in his pay and allowances for

* See Appendix I (Vol. I. Report).

the suspension period as required under the rules. He was accordingly paid 80 per cent. of his pay and allowances provisionally but Government subsequently allowed him full pay and allowances after taking the advice of the Ministries of Law, Finance and Home Affairs. The sum of Rs. 100/- recovered from him was also refunded in compliance with the advice of the Union Public Service Commission.

3. The Secretary, Ministry of Transport, went personally into the question of the responsibility of the drawing officers in connection with these irregularities. He came to the definite conclusion that these irregularities were rendered possible not due to any defect in the rules or orders but to defective control which had been in vogue for sometime and that the officers-in-charge (Under Secretaries) could not be held to have been responsible for neglect in the enforcement of the financial rules and procedure.

The Under Secretary in charge of Establishment has been placed in charge of the cash book as suggested in para. 113 of the Public Accounts Committee's Report for 1951-52.

N. M. AYYAR,
Secretary.

APPENDIX CXXXIII

MINISTRY OF TRANSPORT

Note re: Item No. 64 of the Statement of Outstanding Recommendations of the Public Accounts Committee*

Reference item No. 64 of the statement showing action taken or proposed to be taken on the recommendations of the Public Accounts Committee received with Parliament Secretariat Office Memo. No. 46 (6)-FC/53, dated the 24th June, 1953.

2. On this item the Parliament Secretariat has been kept informed of the developments and the last report on the subject was sent to them *vide* Ministry of Transport Office Memorandum No. 2-G (16)/52, dated the 20th August, 1952. It will be seen from this Office Memorandum that only a sum of Rs. 1.81 lakhs was then under dispute. Of this sum, Rs. 76,000 was accepted as erroneously over-claimed. As regards the balance, the Government of India's right to the amount was dependent on the interpretation of the U.K. terms of hire for requisitioned ships and of certain correspondence with the Government regarding periods of inefficiency. With regard to these claims, the arguments were pursued with the U.K. Government upto a point, but given up when it was found that that course would be more advantageous than continuing the controversy. In this matter, the Ministry were also guided by the advice of the Indian High Commissioner in London and also of the Finance Ministry who favoured a lump sum settlement without further delay. The point that so much interest on the money was being lost to the Government of India by delaying a final settlement was also given due consideration. The claim in respect of the amount of Rs. 1.81 lakhs was, therefore, given up and the amount of Rs. 594.57 lakhs was accepted in final settlement of the claim against the Government of U.K. The payment for this amount has been received in full and credited to the Reserve Bank of India.

N. M. AYYAR,
Secretary.

*See Appendix I (Vol. I. Report).

APPENDIX CXXXIV

Note re: Item No. 66 of the Statement of Outstanding Recommendations of the Public Accounts Committee*

SUBJECT:—The National Highway Bill.

Reference sub-para 1 of para 25 'Maintenance of National Highways' of the seventh report of the Public Accounts Committee on the Appropriation Accounts (Civil) for 1949-50.

2. The Committee's direction that the Transport Ministry should ascertain the views of the State Governments and take early action towards the enactment of legislation as envisaged in entry 23 in List I of the Seventh Schedule to the Constitution has been noted.

3. Legal advice on the proposed National Highway Bill indicated that before any National Highway was declared as such under law, an agreement should be arrived at with the state concerned in the matter. This followed the practice obtaining in the U.S.A., Australia, and elsewhere on similar legislation.

4. An outline of a draft bill with its accompanying agreement was accordingly prepared in 1951 and considered by the then Minister of State for Transport early in 1952. It was also placed before the now Minister and Deputy Minister for Transport after the elections but, in the meantime, it was decided to proceed with discussions on two other bills, viz., the Motor Vehicles (Principles of) Taxation Bill and the Central-Aid Road Bill, which were placed before the Transport Advisory Council in April 1951. These bills contained some of the agreement conditions, acceptance of some of which, in the opinion of the Transport Ministry, would be necessary pre-requisites to the introduction of the National Highway Bill.

5. The Transport Advisory Council appointed its Standing Technical Committee to examine certain controversial provisions of the two bills mentioned in the preceding paragraph. Owing to the elections and subsequent pressure of other business, the Technical Committee was not formally charged with its task till the 25th August 1952. The Committee had discussions with most of the States and submitted a report in December 1952, which was mainly a compromise between the views expressed by the State Governments.

6. The report of the Technical Committee, which was placed before the Transport Advisory Council at its meeting in January 1953, evoked a lot of controversy. A further examination of the policy issues involved was, therefore, entrusted to a Policy Committee of the Council consisting of Ministers from 18 States.

*See Appendix I (Vol. I. Report).

7. The Policy Committee met at Bombay on the 4th and 5th May 1953 and after considerable discussion arrived at a set of generally agreed conclusions. The recommendations of the Policy Committee will be placed before the next meeting of the Transport Advisory Council. Further action in regard to the two bills in question, viz., the Motor Vehicles (Principles of) Taxation Bill and the Central-Aid Road Bill, will be taken in the light of the conclusions reached at the next meeting of the Transport Advisory Council.

8. In the meantime, work on National Highways is being financed under the provisions of Article 282 of the Constitution, in accordance with an agreement entered into with the States at the Transport Advisory Council meeting in October 1945. The States have not pressed for the early enactment of a National Highway Law, as they are aware that prior agreement has to be obtained on many matters and this agreement is being negotiated as explained in paras 4 to 7 above. They are also satisfied with the present administration of National Highways under the terms of the 1945 agreement.

9. Legislation in other countries with a "federal" constitution has indicated that for administrative and policy reasons certain broad principles must be established by agreement between the Centre and the States before the enactment of any law designating certain roads as National Highways. This is so because of the underlying conception of national highways as a manifestation of a common road policy for the Centre and the States.

10. The outline draft of the National Highway Bill referred to in para 4 above, with explanatory notes prepared by the Transport Ministry, was referred to the Ministry of Law. Their views have been received and are under examination. After this examination is completed, the Government of India will settle the lines of the proposed legislation and ascertain the views of the State Governments in the matter before the introduction of the necessary Bill in Parliament. Every effort is being made to expedite action in this matter at all stages, but in view of the complicated issues involved, the enactment of legislation is bound to take time.

N. M. AYYAR.
Secretary.

APPENDIX CXXXV

MINISTRY OF WORKS, HOUSING AND SUPPLY

Note re: Item No. 67-A of the Statement of Outstanding Recommendations of the Public Accounts Committee*

Para 67 of the Seventh Report of the Public Accounts Committee—Scheme regarding bulk procurement of Road Rollers.

The Public Accounts Committee, in para 67 of their Seventh Report on the Accounts (Civil), 1949-50, and unfinished Accounts (Civil), 1948-49, desired to have information on the following points :—

- (a) what were the reactions of the State Governments to the whole Scheme?
- (b) who was responsible for not accepting the debits?

2. The position in respect of the points referred to above is as under :—

(a) No complaints regarding the quality and performance of the Road Rollers supplied under the Scheme to the State Governments have been received. It may, therefore, be presumed that they appreciated the scheme.

(b) The contracts for the Steam and Diesel Road Rollers specified the Consulting Engineer, (Roads), War Transport Department, New Delhi, as the indenting officer for the entire quantity of 1,425 Road Rollers, as that Department had agreed to accept (contingent) liability for Rollers not covered by firm indents and had accordingly placed an indent for 810 Rollers which was the largest single indent placed on the Director General, Industry and Supply, at that time. The head of account to which the payments were to be debited was, to be intimated later on to the Accounts Officer. He was subsequently informed by the Director General, Industry and Supply, that debits for payments were to be raised against the Accountant General, Central Revenues, for adjustment under the head "Grant No. 88—Capital Outlay". Accordingly, debits for the payments, which started in October, 1946, were passed on by the Joint Controller of Supply Accounts and Deputy Accountant General, Industry and Supply, from time to time to the Accountant General, Central Revenues. The Transport Ministry declined to accept any debit on the ground that the liability which they were being asked to accept related to all the Rollers ordered whereas their liability was restricted to the Rollers for which there were no firm indents from States etc. Accordingly in February, 1949, the Accountant General, Central Revenues, started rejecting all the debits raised against him including those of the previous years, commencing from 1946 and the amounts had therefore to be kept under 'Suspense'. The Accountant General, Food, Rehabilitation and Supply,

subsequently pointed out that the debits to 'Suspense' amounted to keeping a very large sum of expenditure outside the purview of the Legislature. On these facts being brought to the notice of the Ministry of Finance, and the Director General, Supplies & Disposals, in 1949, attempts were made at a series of inter-departmental meetings with the assistance of the accounting authorities concerned to rectify the position and clear the 'Suspense'.

In the circumstances stated above, it is not possible to fix the responsibility for not accepting the debit on any particular Department.

M. R. SACHDEV,
Secretary.

The 23rd September, 1954.

APPENDIX CXXXVI

MINISTRY OF FOOD & AGRICULTURE (AGRICULTURE)

Note re: Item 70(i) of the Statement of Outstanding Recommendations of the Public Accounts Committee*

In the course of examination of the accounts of 1949-50, the Public Accounts Committee desired to be apprised of the principles governing the grant of loans for Grow More Food Schemes and the payment thereof.

2. *Grant of loans.*—Under the GMF, loans are given to the State Governments for the following purposes :—

- (i) In order to meet the remunerative portion of the expenditure on permanent schemes or works Schemes of food production ;
- (ii) for the purchase of capital equipment like machinery, tractors, implements, rigs, lorries, machinery for composting of urban refuse sludge of sewage, etc. This list is illustrative and not exhaustive ;
- (iii) for granting loans to private parties for the purchase of capital equipment and carrying out permanent improvement works of a private nature ;
- (iv) loans for financing private companies for fisheries development provided that the assets of such Corporation are adequate, the management is on proper lines and the Corporations accept necessary and reasonable conditions for marketing of fish, etc. laid down by the State Governments ;
- (v) for supply schemes like the distribution of fertilisers, manures and seeds.

3. For the purposes of item (i) above, a scheme is treated as remunerative if the revenues derived as a result of it will be sufficient to pay back the cost of the scheme in a period of 20 years. Permanent schemes or work schemes consist of minor irrigation schemes including irrigation by lift appliances, land improvement schemes including land reclamation. Supply schemes consist of schemes for the supply and distribution of manures and fertilisers and improved seeds.

4. In the case of part 'C' and 'D' States, which are precluded from taking loans in the same manner as part 'A' and 'B' States, financial assistance is rendered in the shape of "recoverable expenditure" which is for all intents and purposes treated as a loan.

5. There are short-term, medium-term and long-term loans. Short-term loans are those which are repayable within the same financial year and are generally given for supply schemes like the

*See Appendix I (Vol. I. Report).

distribution of fertilizers and improved seeds. From 1953-54 it has been arranged that such short-term loans should be repayable by the State Governments by the 30th June of the following financial year instead of within the same financial year so that the State Governments may have time to recover the advances made by them to cultivators after the harvest. Medium-term loans are loans repayable within a period of 2—5 years and are generally given in respect of schemes for the distribution of capital equipment and machinery and for relatively smaller items of permanent works of a private nature. Long-term loans which are repayable within 5—15 years are granted in respect of major schemes involving heavy expenditure like irrigation schemes etc.

5. All loans carry interest. The rate of interest is fixed in the light of prevailing market conditions and the period of repayment of the loan. The present rate varies from 3½% in the case of short-term loans to 4½% in the case of long-term loans repayable within 15 years.

6. From 1952-53 it has been decided that ordinarily any individual schemes of minor irrigation which is estimated to cost more than Rs. 10 lakhs will be treated as a medium or major irrigation scheme falling outside the purview of the GMF. This will not, however, apply to such schemes which had been sanctioned previously under the GMF and remain to be completed.

7. On the recommendations of the GMF Enquiry Committee 1952, the Government of India have decided that financial assistance for GMF schemes should be given as far as possible on the basis of loans or recoverable expenditure, subsidies being gradually reduced and ultimately abolished.

Repayment of Loans.—When loans are sanctioned the terms of repayment thereof including the rate of interest applicable in each case and the period of repayment are intimated to the State Governments concerned. While payment of the loan is made by the AGCR, New Delhi, the responsibility for the recovery of the loan in accordance with the terms, is that of the State Accountant-General concerned. The Government of India are kept informed of the progress of expenditure and recoveries against these loans through the return prescribed under the GMF.

K. R. DAMLE,
Secretary.

APPENDIX CXXXVII

MINISTRY OF FOOD AND AGRICULTURE

(AGRICULTURE)

Note re: Item 70^o (ii) of the Statement of Outstanding Recommendations of the Public Accounts Committee*

In the Report of Public Accounts Committee on the Appropriation Accounts of 1949-50 the Committee have recommended that the Government of India while sanctioning further loans to the States should make a correct appraisal of the situation in the light of the recommendations made in the report of the Planning Commission towards the attainment of self-sufficiency in food.

2. From 1951-52 when the Five Year Plan was started, the GMF Programme has been assimilated in the Plan and is being implemented as a part of the Programme of Agricultural Development under the Plan. Accordingly the provision of funds for the GMF is made from year to year on the basis of the total amount of Central Assistance provided for in the Plan for the Five year period and financial assistance to individual States is granted on the basis of the schemes or projects included in the Plan and the net Central allotment provided for the schemes. The targets of production recommended in the Plan are kept in view while examining the GMF Programme of the State Governments. To ensure effective co-ordination in these matters, the Planning Commission is closely associated with this Ministry in the scrutiny and sanction of GMF Programmes of all States.

3. Thus, while sanctioning loans or grants to the State Governments under the GMF, adequate measures have been taken to ensure that the targets of additional production aimed at and the various means of attaining these targets are in accordance with the recommendations made by the Planning Commission.

K. R. DAMLE,

Secretary.

*See Appendix I (Vol. I. Report)

APPENDIX CXXXVIII

MINISTRY OF FOOD AND AGRICULTURE

(AGRICULTURE)

SUBJECT:—Consideration of Appropriation Accounts, (Civil), 1949-50.

Serial No.	Recommendation or Suggestions of P. A. C.	Action taken or proposed to be taken
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The decision arrived at by Govt. on the question whether the Ministry should continue to run the Fertiliser pool (consisting of indigenous production and the imported fertiliser) or whether they should leave the whole business to trade should be intimated to the Committee.

The Govt. of India had very nearly decided to close down the Fertiliser Pool by the end of 1952 but they had to continue it during 1953 in order to meet the extraordinary situation arising from large stocks with States and Sindri Fertiliser Factory. The Ministry of Production who are controlling the Sindri Fertiliser Factory also advocated the continuance of the Pool.

K. R. DAMLE,
Additional Secretary.

APPENDIX CXXXIX

GOVERNMENT OF INDIA

MINISTRY OF FOOD AND AGRICULTURE

(AGRICULTURE)

SUBJECT:—Consideration of Appropriation Accounts (Civil) 1949-50.

Sl. No.	Recommendation or suggestions of P. A. C.	Action taken or proposed to be taken
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76 A statement showing the actual increase in production due to the use of fertilisers *vis-a-vis* the normal production per acre should be furnished to the Committee.

In the statements previously furnished to the P. A. C. figures for 1950-51 were indicated as provisional and no figures for 1951-52 were given due to want of data. Figures for 1950-51 have since been revised on the basis of detailed annual progress reports containing firm figures received subsequently from the States and the data for 1951-52 have also become available now. A statement showing the revised data for Chemical Fertilisers—quantity distributed, area benefited, net additional foodgrains achieved therefrom under G. M. F. Campaign during 1950-51 and those for 1951-52 is placed below. The figures supplied to them for previous years *viz.* 1948-49 & 1949-50 on the subject remain unchanged. It may be added that the low additional production from the fertilisers distributed during 1950-51 and 1951-52 was chiefly attributable to the occurrence of widespread natural calamities in different parts of the country during these years which had the effect of offsetting to a large extent the returns normally expected in the application of fertilisers. The various G. M. F. aids yield the benefits expected from them only under normal conditions.

In regard to the basis for arriving at the net additional production in a particular year due to the distribution of supplies, like fertilisers, manures, seeds, etc., it may be stated that in reckoning the achievements of the Campaign, the Administration is interested in estimating the net additional production over and above that for the previous year. In the case of supply schemes, amount distributed in a year does not form the basis for computing the net addition to 'Production Potential'. In order to arrive at the net additional production, the units of supplies distributed during the previous year are subtracted from those distributed during the current

Sl. No.	Recommendation or suggestions of P. A. C.	Action taken or proposed to be taken
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year and this difference is multiplied by the prescribed yard-sticks. For instance if 1 thousand tons of fertilisers were distributed during a particular year, say, 1950-51 as against 800 tons distributed during the previous year, say, 1949-50 and if 1 ton of fertilisers is normally expected to give 2 tons of extra-yield, the net additional production during 1950-51 is estimated at $(1000-800) \times 2 = 400$ tons over 1949-50. A statement showing the yard-sticks utilized by some of the important States is attached. (See Annexure) These yard-sticks will provide an idea of the actual increase in production of a particular area due to the application of fertilisers over the normal production of the area without any application of the fertilisers.

K. R. DAMLE,
Secretary

ANNEXURE

Chemical Fertilisers quantities distributed, area benefited, additional production of Foodgrains achieved under G.M.F. campaign during 1950-51 and 1951-52.

Name of State	1950-51			1951-52		
	Quantity distributed (tons)	Area benefited (acres)	Addl. production over previous year	Quantity distributed (tons)	Area benefited (acres)	Addl. production over previous year
1	2	3	4	5	6	7
Assam . . . . .	..	..	..	..	..	..
Bihar	18,842	245,000	5,234	13,146	170,898	(-)11,392
Bombay	10,794	37,552	3,306	5,134	54,993	(-)4,302
Madhya Pradesh	5,411	111,910	4,014	5,411	105,220	88
Madras	76,609	1,309,508	12,272	80,427	1,164,828	6,745
Orissa	4,654	64,442	7,167	5,446	75,629	1,554
Punjab	3,938	55,026	2,588	5,513	77,182	3,638
U.P.	11,581	104,229	(-)10,163	13,097	117,873	2,527
West Bengal	7,373	119,427	232a	9,544	152,670	8,123
Hyderabad	672	13,440	(-)3,707	1,145	22,900	4,252
Madhya Bharat	1,342	13,017	1 379	906	13,350	(-)173
Mysore	1,743	48,804	(-)2,225	5,571	N.A.	N.A.
P.E.P.S.U.	250	5,000	500	76	1,526	(-)348
Rajasthan	126	7,560	126	295	3,216	169
Trav. Cochin . . . . .	..	N.A.	..	N.A.	125,000	10,000
Saurashtra	12	327	24	..	..	..
Ajmer	19	475	8	38	659	18
Bhopal	2,055	33,927	4,110	..	..	..
Bilaspur . . . . .	..	..	..	..	..	..
Coorg	77	1,502	55	14	1,331	(-)94
Delhi	158	2,146	117	137	1,632	(-)18
Himachal Pradesh . . . . .	..	..	..	38	N.A.	76
Kutch . . . . .	..	..	..	..	..	..
Manipur . . . . .	..	..	..	..	..	..
Trijura . . . . .	..	..	..	..	..	..
Vindhya Pradesh	1,062	13,300	1,270	546	5,460	(-)331
Andamans . . . . .	..	..	..	..	..	..
TOTAL	146,718	2,186,592	26,307	146,484	20,94,367	20,532

N.A.—Not Available.

(a) Includes figures for bonemeal.

Note.—In the case of Supply Schemes like distribution of chemical fertilizers the amount distributed each year does not form the basis for computing the net addition to "production potential". In order to arrive at the net addition production the units of supplies distributed during the previous year are subtracted from those distributed during the current year and this difference is multiplied by the prescribed yard-sticks. Such estimated figures are shown under columns (4) and (7).

Yardsticks utilised for estimating additional production due to the distribution of Ammonium Sulphate and Super Phosphate.

(Additional Production in Tons per unit ton applied).

State	Ammonium Sulphate	Super phosphate
1	2	3
Bihar	2.0	..
Bombay	0.88	..
Madhya Pradesh	2.5	1.6
Madras	2.0	0.8
Orissa	2.0	1.0
U. P.	1.65	1.65
West Bengal	1.3	..
Madhya Bharat	1.07	1.07
PEPSU	1.5	..

APPENDIX CXL
MINISTRY OF FOOD AND AGRICULTURE
(AGRICULTURE)

Note re: Item No. 78 of the Statement of Outstanding Recommendations of the Public Accounts Committee.*

After consideration of the Appropriation Accounts for 1949-50, the Public Accounts Committee desired that a detailed note setting forth the background of the grant of loans on account of GMF Schemes to the States in the light of the recommendations made by the previous Committees on public accounts from time to time as also those contained in the report of the Planning Commission should be submitted to the Committee.

2. In its earlier reports on the appropriation accounts under GMF, the Public Accounts Committee had asked for factual information on the under-mentioned points:

(a) *P.A.C. Report on the appropriation accounts for 1945-46, para. 24.*

“The Ministry of Agriculture should prepare a report in the light of the discussion showing whether the results achieved had been commensurate with the expenditure incurred”.

The report was furnished to the Committee in January, 1950. A supplementary report on the same subject dealing with the progress under the GMF Campaign during 1947-48, 1948-49 and 1949-50 was submitted to the Committee in June 1951. Since then, as a result of demands made in the Parliament and outside, the Central Government set up a special Committee of enquiry early in 1952, with Shri V. T. Krishnamachari, Deputy Chairman of the Planning Commission, as Chairman and including a number of Members of Parliament. One of the important terms of reference of this Committee was to examine whether the benefits derived from GMF Campaign were commensurate with the scale of expenditure involved. The Committee submitted its report in July 1952, copies of which have been distributed to the Members of Parliament, State Governments etc. The Committee's findings on this point are given in Chapters II, IV, V and VI of the report, a copy of which is enclosed.

(b) *Report on the appropriation accounts of 1947-48 (post-partition 1948-49 and audit reports thereon—page 523).*

(i) *“The Committee wanted to know what measures the Government had adopted to satisfy itself administratively that the results claimed have been achieved, what check and countercheck is conducted by the Government to scrutinise the veracity of the data furnished by State Governments”.*

*See Appendix I (Vol. I. Report).

- (ii) *"What measures have the Ministry adopted to ensure that all the seeds and manures supplied to State Govts. for the intensification of the Campaign, have been actually used for the same purpose for which these were given"*.

Notes on both these subjects were submitted to the Committee in July 1951. The responsibility for formulating and executing GMF schemes rests entirely on the State Govts. The Central Govt. makes contributions towards these schemes in accordance with certain Rules but has no authority or resources to carry out these schemes on behalf of the State Govts. But a continuous check over the expenditure involved and the progress of the schemes is maintained by the Central Govt. through its organisation at Headquarters by means of periodical progress reports and inspection by their Expert Advisers. Defects in the working of the campaign or unsatisfactory progress of the schemes are promptly attended to. With regard to the actual checking of the results achieved in the schemes as reported by the State Govts. the Central Govt. do not have the necessary elaborate machinery required for the purpose nor is it considered practicable from the Central Govt. to undertake this responsibility in all the States. But periodical inspection of the schemes and of the results obtained thereunder is undertaken by the Advisers at the Centre. In the case of certain types of schemes like sinking of surface wells and the quantitative increase in food production, the Govt. of India have made arrangements for a systematic survey of the progress of works in respect of the former and of the increase in yields in respect of the latter, by the random sampling method. A detailed reference to this is contained in paragraphs 15—26 of Chapter II of the Report of the GMF Enquiry Committee referred to above.

As regards measures to ensure that the seeds and manures supplied to State Govts. under the GMF Campaign have been actually used for the purpose for which they were given, for the reasons mentioned in the previous para. the Central Govt. do not have any direct means for checking this. This is also a matter which is left entirely to the State Govts. It is expected that the Govts. have taken steps to ensure that no misuse of these supplies takes place.

- (c) *P.A.C. report on the appropriation accounts for (1948-49). "A statement showing the GMF loans given to each State since 1947-48 to 1951-52, the amount already repaid and the balance outstanding on 31st March 1952 should be submitted to the Committee"*.

This information was supplied to the Committee in July and October 1952. The figures as on 31st March 1953 are being collected and will be furnished to the Committee shortly.

3. Referring to the recommendations of the Planning Commission having a direct bearing on the GMF Campaign, the following information is furnished:—

- (a) As recommended by the Committee, GMF activity is concentrated in areas suitable for intensive development and are linked with the Rural Extension Services and the Community Projects; as far as possible.

- (b) The Planning Commission has laid stress on the necessity for ensuring adequate agricultural credit through various means and on the development of cooperative agency for distributing such credit. This is being implemented as far as possible. During the current year, for instance, a provision of Rs. 8 crores has been made for short term loans at present and the question of providing a further amount depending upon the requirements is receiving attention. It is also the policy of the Govt. of India now to link up the expansion of the cooperative movement with the provision of rural credit to the maximum extent possible.
- (c) The importance of covering the entire cultivated area with improved varieties of crops as quickly as possible has been fully taken note of in connection with the working of the GMF Campaign and adequate funds are being provided for the supply of improved seeds to the maximum extent possible.
- (d) The Planning Commission's recommendation with regard to the survey of the potentialities of expanding minor irrigation and of intensifying such schemes under the GMF including the provision for maintenance of minor irrigation works, is fully being implemented under the GMF Plan.
- (e) The Planning Commission's recommendation regarding the introduction of reclamation by tractors and mechanised cultivation in thinly settled areas, is being implemented by setting up Central Mechanised Farms and a beginning has already been made by setting up a farm in the Jammu district of J. & K. State. The possibility of setting up further farms of this kind with the twin object of increasing cultivation and settlement of landless labour, is also being explored.
- (f) The importance of preventing damage to crops by wild animals to which attention has been drawn by the Planning Commission has already been taken note of under the GMF where financial assistance is rendered for the destruction of such animals wherever the menace exists.

From 1951-52, the GMF Campaign has been assimilated in to the Plan for agricultural development under the Five Year Plan and is being worked as such within the provision made for it in the Plan.

General

In the early stages of the GMF Campaign upto 1949-50, financial assistance to States was being rendered more in the shape of subsidies than loans but since 1949-50, when the usefulness of the various activities under the GMF began to be appreciated, financial assistance is being rendered more and more in the shape of loans and less in the shape of subsidies. Until 1951-52 in the case of minor irrigation schemes, both private and public, the position

was that apart from loans the extent of the remunerative portion of the cost of a scheme, namely the gross additional revenue resulting from the scheme over a period of 20 years, the unremunerative portion was permissible in the shape of subsidy. The subsidies used to be shared on a 50:50 basis in the case of Part 'A' and Part 'B' States excepting Assam and Orissa in whose case the contribution by the Centre was two-third. From 1952-53, however, on the basis of a recommendation made by the GMF Enquiry Committee, subsidies have been scaled down to 25 per cent of the net cost of a scheme inclusive of the share of both the Central and the State Govts. The Govt. of India's present policy is to scale down the rate of subsidy gradually with the ultimate object of doing away with this form of assistance altogether by the end of the Plan period. From 1953-54 minor irrigation schemes of a public nature, namely, those owned and executed by the State Govts. for the benefit of the general public, are not eligible for any subsidy and are financed in the shape of loans only. This ensures that all such works have to be productive and economic and the expenditure thereon can be met from the additional revenues derived from the works over a period of 15 years.

K. R. DAMLE,
Secretary.

APPENDIX CXLI

Explanatory Memorandum in connection with the non-surrender of the saving of Rs. 13,52,562/- under sub-head D. 4—Education of Demand No. 82—Resettlement and Development, 1949-50—Item No. 80 of the Statement of Outstanding Recommendations.*

The amount of Rs. 13,52,562/- shown as savings in the Appropriation Accounts (Civil) 1949-50 under the above head includes the sum of Rs. 11,97,313 under "Eastern Higher Technical Institute and Board of Governors of the Eastern Higher Technical Institute." Out of the total provision of Rs. 12,45,800/- under this item, a sum of Rs. 48,487/- is the only expenditure booked by the A.G.C.R.

2. The saving of Rs. 11,97,313 above referred to is explained below:—

- (i) The provision of Rs. 1,84,700 made for the staff of the Institute was allowed to lapse as no staff was appointed during the year. This amount could not be surrendered through oversight.
- (ii) A sum of Rs. 5 lakhs was reappropriated by the Ministry of Finance on 31-3-50, but actually this sum was not required as the Ministry of Education had already reappropriated a sum of 2.5 lakhs on 31-3-1950 from the funds of the Ministry. Unfortunately, intimation, to the effect that an additional sum of Rs. 5 lakhs was no longer required could not be sent to the Ministry of Finance by this Ministry and therefore the additional amount of Rs. 5 lakhs so provided proved a saving.
- (iii) The balance of Rs. 5,12,613 could not be utilized during the financial year because the equipment, order for which had been placed, was received late. It was all the time expected that the indents placed on the Director General, Supply and Disposals would mature within the financial year and payment effected during 1949-50 and therefore the amount could not be surrendered.

3. The rest of the saving of Rs. 1,55,249/- was mainly under the Development Schemes of Delhi and was due to delay in completion of codal formalities prior to expenditure sanction, vacancies and economy cut under Basic Education Scheme of Delhi State. It is regretted that this amount could not be surrendered in time.

4. This memo. has been seen and approved by the A.G.C.R.

K. G. SAIYIDAIN,
Joint Secretary.

NEW DELHI;
The 15th May 1953.

*See Appendix I (Volume I. Report)

APPENDIX CXLII

MINISTRY OF NATURAL RESOURCES AND SCIENTIFIC RESEARCH

Review of the Capital Outlay on the Schemes of State Trading— Purchase of Machinery for Mica Miners with reference to action taken on paragraph 12 of Chapter II of the Report of Public Accounts Committee 1952-53.—Item No. 83 of the Statement of Outstanding Recommendations.*

The above mentioned scheme originated in the latter part of 1942, in order to assist the Mica Miners in respect of the supply of machinery, stores, etc., for the production of Mica for supply to the Joint Mica Mission. The Mission comprised of 3 representatives of U.K. and 3 of the U.S.A. Governments. It was agreed that the loss, if any on the scheme shall be passed on to the U.K. Government—Account Joint Mica Mission, after the close of the transactions. The Government of India did not hold a share in the Joint Mica Mission. On the termination of the War, the Mica Mission withdrew their financial support of the scheme with effect from the 1st December, 1945, although they continued to be responsible for the loss, if any sustained in disposing of the stocks remaining in hand on that date.

(2) Supplies of machinery and equipment were made available to the Mica Miners and also to other parties, on the approval of the Joint Mica Mission from stocks in hand till the 30th November, 1947. The balance still left to the book value of Rs. 2,62,839/- was declared surplus to the Disposal Board, and has been completely disposed of at a sale value of Rs. 1,39,583/- excluding Rs. 117/- paid as Auctioneers' commission for items sold in auction.

3. A debit of Rs. 6,10,098/- including Rs. 1,81,162/- on account of certain definite items of losses agreed to be borne by the Joint Mica Mission to which reference is made in para 5 below, was passed on to the U.K. Government in pre-partition accounts in 1947, and has been accepted by the U.K. Government.

(4) The accounts have been closed.

(5) A loss of Rs. 3,62,324/- was incurred on pipes purchased under the scheme and it was agreed that half of this loss amounting to Rs. 1,81,162/- should be borne by the Government of India and the other half by the Mica Mission. Accordingly, the loss of Rs. 1,81,162/- to be borne by the Mica Mission, was passed on to the U.K. Government as included in the sum of Rs. 6,10,098/- mentioned in para 3 above. The other half amounting to Rs. 1,81,162/- which was Government of India's share, was debited against "57-Miscellaneous and Unforeseen charges".

* See Appendix I (Vol. I. Report).

(6) The accounts of the scheme are shown below:—

I Pre-partition

(a) Gross Expenditure	..	..	Rs. 28,92,011-0-0
(b) Deduct Recoveries	..	..	(—) Rs. 27,42,345-0-0
		Total	Rs. 1,49,666-0-0

II Post Partition—

(a) Gross Expenditure	..	..	Rs. 20,514-0-0
(b) Deduct Recoveries	..	..	(—) Rs. 3,10,994-0-0
		Total	(—) Rs. 2,90,480-0-0

III. The progressive totals of "Gross Expenditure" and "Recoveries" since the commencement of the scheme are as under:—

(a) Gross Expenditure	..	..	Rs. 29,12,525-0-0
(b) Deduct Recoveries	..	..	(—) Rs. 30,53,339-0-0
		Total	(—) Rs. 1,40,814-0-0

(7) The above figures agree with those booked in accounts. The figures under "Recoveries" at I(b) and III(b) include twice the amount of Rs. 1,81,162/- referred to in para (5) above and represent the Government of India's as well as Mission's share of loss suffered on account of disposal at the controlled rates of pipes procured by the Government at high market rates for the Mica Miners. The Mission, however, refused to accept the entire loss on pipes and only accepted 50 per cent of the loss suffered in the disposal of these pipes. The balance amount of the loss was accordingly decided to be borne by the Government of India which was debited to "57-Miscellaneous & Unforeseen charges" by credit to "87-Capital Outlay etc.—Purchase of Machinery for Mica Miners".

(8) If however the loss of Rs. 1,81,162/- which was debited under a different head (57-Miscellaneous—Miscellaneous and Unforeseen charges) is taken into consideration under the head "87-Capital Outlay etc." which is under discussion, the scheme will result in a net loss of Rs. 40,348/- as shown below:—

(a) Net result as shown at para 6 (III)	..	..	(—) Rs. 1,40,814-0-0
(b) Loss on pipes borne by the Government of India as explained	..	..	Rs. 1,81,162-0-0
			Rs. 40,348-0-0

K. N. KAUL,
Joint Secretary.

APPENDIX CXLIII

MINISTRY OF WORKS, HOUSING AND SUPPLY

Note re: Item No. 111 of the Statement of Outstanding Recommendations of the Public Accounts Committee*—Selection of officers engaged in the implementation of the Five Year Plan.

The recommendation of the Public Accounts Committee is already being acted upon in regard to the Industrial Housing Scheme and has also been noted for future guidance.

As regards officers for employment on large construction projects relating to Public Works which form part of the Five Year Plan, their selection is made with care. In all cases of promotion in the Central Public Works Department to Class I and Class II, the selection is made in consultation with the Departmental Promotion Committee presided over by a member of the Union Public Service Commission.

S. RANGANATHAN,
Joint Secretary.

*See Appendix I (Vol. I. Report).

APPENDIX CXLIV

MINISTRY OF IRRIGATION AND POWER

Note re: Item No. 117 of the Statement of Outstanding Recommendations of the Public Accounts Committee*

The Financial arrangements in respect of the cost of investigation projects with the various State Governments are as follows:—

I. Madhya Pradesh Projects

1. At the request of the Madhya Pradesh Government *vide* letter No. 137-A/W-Thro, dated the 25th Sept. 1947 (Annexure I) the C.W. & P.C. undertook detailed surveys and investigations on the Mahanadi, Indravati and Sabri rivers. After a preliminary reconnaissance of the areas and ground survey of some of the projected sites the Central Water & Power Commission prepared a scheme for investigations. The scheme was examined by an *ad hoc* Committee of Expert Engineers who recommended the carrying out of investigations of 8 distinct projects at a cost of Rs. 51,09,000/-. In accordance with the wishes of the State Govt. and as a measure of economy, the investigations were however confined only to three projects, *viz.* Mahanadi, Jonk and Hasdoo. Later at the request of the State Govt., *vide* letter No. 9062-VII-E. dated the 19th November 1949 (Annexure II), the investigations of Hasdoo project were also withheld.

2. The question of financial arrangements for carrying out the investigations, was discussed on the 28th August 1947 by the Central Water & Power Commission with the Madhya Pradesh Govt. and it was agreed that the expenditure on investigations should initially be borne by the Central Water & Power Commission and ultimately after the completion of investigations, the cost will be apportioned between the participating States in proportion to the benefits to be derived by them from each scheme constructed *vide* minutes of the meeting held at Nagpur on 20-8-47 and Madhya Pradesh Govt. letter No. 137-A/W-Thro, dated 25-9-47.

3. While administrative approval was accorded to the execution of preliminary investigations in Madhya Pradesh the financial arrangements were examined. The decision taken was communicated to the State Govt., in the late Ministry of Works, Mines and Power letter No. DW.90/48, dated the 5th February, 1949.

The arrangement was as follows:—

“The cost of the investigations will be advanced by the Central Government and adjusted periodically in equal proportions against the post war development grant of the Central Provinces Government and their ordinary revenues.

*See Appendix I (Vol. I. Report).

- "If and when a project materialises, the cost of investigations will be readjusted and added to the capital cost of that project."

4. Later in March 1950, the Government of Madhya Pradesh were informed that Government of India had decided to revise the above arrangements as follows:—

"(i) The cost of investigations of these projects would in the first instance be met by the C.W. & P.C. The expenditure as incurred would be passed on month by month by the C.W. & P.C. to the Govt. of Madhya Pradesh who should accept these debits. At the end of each financial year the State Govt. may raise the necessary debits against the Central Development Grants under the terms that may be prescribed for drawing such grants.

"(ii) For the years 1948-49 and 1949-50 the expenditure during which has not so far been adjusted, the C.W. & P.C. have been asked to pass on immediately to the Govt. of Madhya Pradesh the figures of expenditure incurred during these years. I am to request that debit may kindly be accepted for the above amount. Half of the expenditure may be debited to the Central Development Grant towards the last week of March 1950 subject to the condition that the ceiling of grants fixed in the Government of India Ministry of Finance letter No. 15(73)-P/49. dated the 2nd October, 1949 are not exceeded".

5. The State Government were requested to accept debit of 50 per cent. of the expenditure during 1948-49 and 1949-50 and of the full expenditure during 1950-51 and 1951-52 in accordance with the arrangements set out in para 4 above. As a result of these orders, debits were actually raised against the Madhya Pradesh Govt. but these were not accepted and therefore were subsequently withdrawn. The Madhya Pradesh Government in their letter No. 3812-581-VII-E, dated the 29th May 1950 represented their case stating that in view of the straitened finances of the State, they could agree only to the original financial arrangement according to which the cost of investigations would in the first instance be borne by the Govt. of India and then debited in the proportion of the benefit accruing to the State, to the post-war development grants in case the Projects were dropped or against the project estimate in case the project materialised. They categorically stated that if Government of India were unable to agree to this, the investigations might be dropped.

6. In view of the attitude of the Madhya Pradesh Government in the matter, the whole question of financial arrangement with the State Govt. for investigation projects were reviewed at an Inter-departmental meeting in July, 1951. It was decided at that meeting that:—

- (a) The mapping of water and power resources of the country should be undertaken as a continuous operation irrespective of the fact whether or not the State Governments were forthcoming to share the expenditure; and

- (b) The expenditure be met from the normal revenue budget of the C.W. & P.C. This decision was subsequently endorsed by the Standing Advisory Committee.

The points arising out of the above decision were:—

- (i) The existing financial arrangements made with State Govts. should not be disturbed and that States who pay either in part or full, may continue to do so;
- (ii) if and when a project materialises the cost of investigations which is initially met from the Central Revenues will be debited to the Project estimates.

As the investigations of the Madhya Pradesh Projects had reached an advanced stage and a large sum of money had already been spent on them the Govt. of India considered it inadvisable to suspend the investigations. It was accordingly decided that investigations should continue and that with effect from the 1952-53 the cost of the investigations should be met from the Central Revenues to be ultimately debited to the Capital cost of the project if and when it materialised. As regards expenditure incurred during 1948-49 and 1949-50, it was decided that in conformity with the treatment meted out to other Part A States in the matter of financial assistance to development schemes, the cost should be adjusted as stated in para 4 above i.e., the State Govt. should accept debit of 50 per cent of the expenditure during 1948-49 and 1949-50 and of the full expenditure during 1950-51 and 1951-52. The State Government was addressed in August 1952 to accept the above arrangements.

7. As a result of these orders the following expenditure recoverable from the Madhya Pradesh Govt. was communicated to them by Central Water & Power Commission on 20th September 1952 and State Government were asked to instruct the Accountant General, Madhya Pradesh to accept the debits under advice to their office:—

Year	Madhya Pradesh Projects	Narbada Project	Total
1948-49	6,270	1,86,022	1,92,292
1949-50	2,41,548	3,59,100	6,00,648
1950-51	14,292	4,56,451	4,70,743
1951-52	77,013	3,19,847	3,96,860
	<u>3,39,123</u>	<u>13,21,420</u>	<u>16,60,543</u>

The State Government in their letter No. 1910—2030(1952) dated XXIX the 10th September, 1953, regretted their inability to accept debit of Rs. 16,60,543/-.

As suggested by the Public Accounts Committee in para. 29, Chapter V of the Seventh Report on the Accounts (Civil), 1949-50, the question of financial arrangement with the Madhya Pradesh Government in respect of Madhya Pradesh and Narbada projects was discussed at Ministerial level at a meeting held in New Delhi

on the 30th November, 1953, *vide* copy of minutes*. In view of the fact that the Madhya Pradesh Government had also at their own expense undertaken investigations of certain irrigation schemes which did not materialise, it was decided that the Government of Madhya Pradesh should accept debits only up to the period ended 31st March, 1950. Their share of expenditure for subsequent years (in respect of the projects which do not materialise) will be borne by the Government of India. The Government of Madhya Pradesh have formally accorded their approval to the above decision and have agreed to accept debits for Rs. 2,47,818 for the period ending 31st March 1950. Formal orders have already been issued requesting the State Government to accept debit of the amount raised against them by the Accountant General, Central Revenues, New Delhi.

II. *Narbada and Tapti Projects.*

8. The first stage of Tapti Project *viz.* Kakrapar Weir and Canal Scheme has materialised and so the expenditure on the latter investigations has only to be debited to the construction estimates of Kakrapar Scheme. The remaining cost of investigations stands charged to the Bombay Government who financed the entire investigation.

9. As regards the Narbada Project, which is the joint concern of the Bombay and Madhya Pradesh Govts., the original agreement as communicated to the two Governments in this Ministry's letter No. DW.II-1(1)NT, dated 11-2-48 is as follows:—

"The entire cost of the investigations is to be debited to the project estimates if a project materialises; otherwise it should be debited to the share of the Bombay/Madhya Pradesh Government in the overall post-war development grant to the extent of $\frac{1}{3}$ of the cost, the remaining $\frac{2}{3}$ being met by the Madhya Pradesh Government."
 $\frac{2}{3}$ of the cost, the remaining $\frac{1}{3}$ being met by the Government of Bombay.

10. The pattern of Central Grants to the States for development schemes had undergone a change by November 1948 when these grants were confined to 50 per cent. of the expenditure incurred on approved schemes in accordance with the Ministry of Finance Office Memorandum to the State Governments No. F.18(1)P/48 dated the 24th November 1948 (Annexure III). The Government of India therefore decided that in the case of a project not materialising only 50 per cent. of the share of the cost of investigations should be charged to the revenues of the State Government. Accordingly in this Ministry's letter No. DW.67/7/49 dated the 22nd April, 1949 the two Governments were informed of the decision of the Government of India to revise the original arrangement as follows:—

"The cost of investigations will, in the first instance be advanced by the Central Govt. and adjusted periodically in equal proportion against the post war development grants of the Government of Bombay and their ordinary revenues (to the extent of 2/3 in the case of Bombay and 1/3 in the case of Madhya Pradesh)."

*Not printed

11. The Government of Bombay in their letter No. 8099/36-VII-18(11) dated 26-9-49 agreed to the revised arrangement but the Government of Madhya Pradesh did not.

12. In March 1950 the above arrangement was further revised as follows:—

- (1) "The cost of investigations would in the first instance be met by the C.W.P.C. The expenditure so incurred would be passed on month by month by the C.W.P.C. in agreed proportions to the Government of Bombay and Madhya Pradesh who should accept these debits. At the end of every financial year, the State Governments may raise the necessary debits against the Central Development grants.
- (2) For the year 1948-49 and 1949-50, the expenditure during which has not so far been adjusted, the C.W.P.C. have been asked to pass on immediately the figures of expenditure during these years and debits might be accepted by the two Governments. Half of the State Government's share of the expenditure might be debited to the Central Government grant towards the last week of March 1950".

The question of allocation of the cost of investigations between the Governments of Bombay and Madhya Pradesh is under consideration and the ratio of 2:1 for the present is only provisional. The actual expenditure will be distributed between the two Governments on the basis of benefits received by each Government.

While the Government of Bombay have not objected to the arrangement, the Madhya Pradesh Government have in their letter No. 3812-58-VII-E, dated 29-5-1950 replied that they are not able to agree to any arrangement other than the original one, i.e. the entire cost of investigations should be initially met by the Centre and debited to the project estimates or post-war development grant according as the project materialised or not.

13. In view of the attitude of the Madhya Pradesh Government the whole question was as explained in para. 6 above, considered at an inter-departmental meeting in July 1951 and it was decided that as it was inadvisable to suspend investigations, they should continue and that with effect from 1952-53 the cost should be met from the Central Revenues to be ultimately debited to the capital cost of the project if and when it materialised. As regards expenditure incurred during 1948-49 and 1949-50 it was decided that the State Government should accept debit of 50 per cent. of expenditure and of full expenditure during the years 1950-51 and 1951-52. The State Governments were addressed in August 1952 to accept the above arrangement but the State Government in their letter No. 1910-2030 (1952) dated the 10th September, 1953, regret-

XXIX

ted their inability to accept debit of Rs. 16,60,543/-.

As suggested by the Public Accounts Committee in para. 29, Chapter V of the Seventh Report on the Accounts (Civil), 1949-50, the question of financial arrangement with the Madhya Pradesh

- **Government in respect of Madhya Pradesh and Narmada projects was discussed at Ministerial level at a meeting held in New Delhi on the 30th November, 1953. In view of the fact that the Madhya Pradesh Government had also at their own expense undertaken investigations of certain irrigation schemes which did not materialise, it was decided that the Government of Madhya Pradesh should accept debits only up to the period ended 31st March, 1950. Their share of expenditure for subsequent years (in respect of the projects which do not materialise) will be borne by the Government of India. The Government of Madhya Pradesh have formally accorded their approval to the above decision and have agreed to accept debits for Rs. 5,45,122 for the period ending 31st March, 1950. Formal orders have already been issued requesting the State Government to accept debit of the amount raised against them by the Accountant General, Central Revenues, New Delhi.**

III. Kosi Project.

14. The financial arrangement in regard to the cost of preliminary investigations of the Kosi Project was originally communicated to the Government of Bihar in the late Ministry of Works, Mines and Power telegram No. DW.120(1), dated the 3rd January, 1946. According to this arrangement the expenditure was to be treated as an advance payment to the Government of Bihar in terms of the Government of India. Ministry of Finance letter No. D-2046.P/45, dated the 24th November, 1945 and debited to the Central grants to the State Government. If and when the project materialised the expenditure was to be debited to the capital cost of the project and necessary adjustments made.

15. Subsequently, by November, 1948, the pattern of Central grant to the States had undergone a change and according to the instructions contained in the Government of India, Ministry of Finance letter No. F.18(1)-P/48, dated the 24th November, 1948, the Central Grants were limited to 50 per cent. of the expenditure incurred by the State Governments on approved schemes. The Government of India, therefore, decided that, as in the case of other development schemes, only 50 per cent. of the expenditure on Kosi investigations should be debited to the Central Grants, the remaining 50 per cent. being debited to the State revenues. Accordingly, the State Governments were informed in the late Ministry of Works, Mines and Power letter No. DW.21, dated the 18th April 1949 that with immediate effect the cost of investigations on the Kosi Project would be adjusted periodically, 50 per cent. to the State revenues. As and when the project materialised the total cost would be charged to the project estimates and necessary readjustments carried out. This arrangement was accepted by the State Government in their letter No 15865/I dated the 24th November, 1949
IV-F-9/49

16. By November 1949, the position had again changed with decision of the Government of India not to give any post-war development grants to the State Governments during 1950-51. As a result, the State Government addressed the Government of India in February 1950 *vide* their letter No. 2536-I dated the 22-2-50
IV-F-9/49

(Annexure IV) asking that the financial arrangement already accepted by them should be reviewed in view of the set-back in their financial position. It was stated, that though the State revenues could previously admit of such a debit, with the change in the financial prospect, the liability of financing some of the development schemes, funds for which were originally to come from the grants from the Government of India, had devolved on the State Revenues. It was therefore impracticable for them to meet 50 per cent. of the expenditure on Kosi investigations from the State Revenues any longer. It was therefore suggested that in these circumstances, the old arrangement by which the entire expenditure was to be met by the Centre and debited to the block Central Grant to the State might be reverted to. After giving careful consideration to this request the Government of India informed the State Government in their letter No. DW.21 dated 18th April 1950 that no alteration could be made to the financial arrangements as already intimated to the State Government and accepted by them. In regard to the investigations during 1950-51 however, as there was no post-war grant from the Centre, the latter would be prepared to meet 50 per cent. of the expenditure from their own revenues. It was also explained that the State Governments share of the cost of investigations will, in the first instance, be met by the C.W.P.C. who will pass on the necessary debits month by month to the State Government. In this Ministry's letter No. DW.21 dated the 20th June 1952, it was made clear to the State Government that the offer by the Government of India to advance 50 per cent. of the cost was only to help the State Government to tide over their temporary financial difficulty. With the cessation of Central grants the cost of investigations from 1950-51 onwards was really a direct charge on the State Government in conformity with the treatment accorded to other Part A States in the matter of financial assistance for development schemes. The Government of India therefore decided that it was but proper that the entire cost of such investigations from 1950-51 onwards should be borne by the Government of Bihar themselves. On a further request from the Bihar Government the Government of India have again reviewed the position and decided to continue to advance the 50 per cent. of the cost of investigations from their own funds. The remaining 50 per cent. will be borne by the State Government to whom the Central Water and Power Commission will pass on debits to this extent month by month. The total cost of investigations will be charged to the project estimates if and when it materialises.

The State Government have accepted this arrangement. They have also approved of the revised estimates for the investigation of this project amounting to Rs. 1,17,82,800/- vide their letter No. B/P9-2-01/53-1-3327 dated 13-3-53 (Annexure V).

IV. Sabarmati Project.

17. The existing financial arrangements are as follows:—

- “(1) The cost of investigations of this project would in the first instance be met by the C.W.P.C. The expenditure so incurred would be passed on month by month to the Government of Bombay who would accept these debits. At the end of the Financial year the Government may

raise the necessary debits against the Central Development grants under the terms that may be prescribed for such grants.

- (2) For the year 1948-49 and 1949-50, expenditure during which has not so far been adjusted, the C.W.P.C. have been asked to pass on immediately to the State Government the figures of expenditure during these years. The State Government should accept the debits. Half of the expenditure may be debited to the Central Development grant towards the last week of March 1950 subject to the condition.....”

From 1950-51 onwards, with the stoppage of Central Government grants, the Bombay Government have accepted full debits for the expenditure.

V. Assam Project.

18. The existing financial arrangement is stated below:—

“The cost of these investigations will be advanced by the Central Government. If and when a project materialises, the cost of investigations relating to that project will be debited to the project estimates. If, however, the project does not materialise, the cost of investigations relating to that project will be debited to the post-war development grant to the Government of Assam.”

According to the recent decision the cost of these investigations will continue to be met by the Central Government under the above arrangement.

VI. Ganga Barrage Project.

19. At an inter-ministerial meeting held on the 22nd October, 1948, it was agreed that the cost of investigations should be charged to the project if it matures but that in case the project did not materialise, the cost would be met by the Government of India and the West Bengal Government half and half. The proportion in which the Central Government's share should be divided between the Ministries of Transport and Railways was left to be settled between these Ministries themselves. It was also decided that the Commissioners of the Port of Calcutta should be asked to make a contribution to meet the cost of investigations on account of the benefit that will be derived by the Calcutta Port by the improvement of the head of water supply of the Hooghly. The Commissioners for the Port of Calcutta had agreed to contribute 10 per cent. of the cost of investigations limited to Rs. 1.85 lakhs. The cost was then estimated to Rs. 1.85 lakhs. As the expenditures for investigations had subsequently increased to Rs. 24.66 lakhs, the Commissioners for the Port of Calcutta were asked to increase their contribution, but they have regretted their inability to do so.

20. As regards allocation of cost between the Ministries of Transport and Railways, the latter had stated that as the surveys were intended primarily to find a suitable location for a river controlling barrage, which will be entirely to the benefit of Bengal,

they did not consider there was a case for them to share the cost of investigations. In spite of repeated requests, the Ministry of Railways have finally refused to share the cost.

21. The present arrangements are as follows:—

- (i) 50 per cent. of the cost to be met by the West Bengal Government.
- (ii) 10 per cent. (subject to a maximum of Rs. 1.85 lakhs) to be met by the Calcutta Port Commissioners.
- (iii) 15 per cent. of the cost to be met by the Ministry of Transport.
- (iv) Balance to be met by the Ministry of I & P by charge to the main head 51B—Other Revenue Expenditure connected with Multipurpose River Valley Schemes—Ganga Barrage Investigations.

The Government of West Bengal and the Port Commissioners have accepted the debits.

VII. Rajasthan Canal Project.

22. The whole expenditure is being met by the Government of India in view of the special circumstances of the project.

It has now been decided in consultation with the Planning Commission that detailed investigations should be carried out on this Project. Proposals have been received from the Central Water & Power Commission which are under examination.

VIII. Tikarpara and Naraj Projects.

23. In 1945, the Government of India decided that such expenditure as Government of Orissa could meet from their ordinary provision for Engineering staff should be so met. All other expenditure to be met by the Central Government with an undertaking that if any project materialised, it would be refunded to Centre.

24. After the materialisation of the Hirakud Dam Project, it was intended to debit the cost of investigations of Tikarpara and Naraj Dams Project to the Project Estimates of Hirakud Dam Project under the above arrangement but the Ministry of Finance held that as the Project Estimate did not include any provision for cost of such investigations, the expenditure thereon should be borne initially by the Central Water & Power Commission and recovered from the Government of Orissa, at the close of each year. In 1949-50, the Central Government stopped giving development grant to State Governments and on our request to the Government of Orissa to accept the above arrangement, that Government expressed their inability to bear the cost of investigations and refused to entertain any debits towards the reimbursement of the expenditure on the ground that their financial resources did not permit the undertaking of the liability. They requested the Central Government to bear the expenditure initially from Central Funds and charge it to project estimates when it materialised. The matter was taken up with the Ministry of Finance. They did not agree

to give any grant to cover the expenditure. This virtually led to the suspension of the investigations. Since the investigations of river valley projects were important from the point of view of mapping of the water resources of the country, their stoppage for want of fund was not in the national interest. The matter was discussed at an inter-Departmental meeting in July 1951 as stated in para. 5 above and it was decided that the provision for these investigation projects would form part of the revenue budget of the Central Government. Accordingly from the year 1952-53, investigations budget has been made the part of the revenue budget of the Central Water and Power Commission and necessary funds are being provided for Tikarpara and Naraj Dams Project therein. Action is also being taken to prepare complete estimates and forward them to the Government of Orissa.

25. No formal agreements have been entered into with the State Governments in connection with share of costs for investigation of Projects. Certain financial arrangements have been arrived at for meeting the cost of investigations.

As regards the question of obtaining approval of the State Governments, it may be stated that as the cost of investigations was met by the Central Government it was not the practice to send estimates for investigations to the State Governments for their approval. This is, however, being done now so as to keep the State Governments fully in the picture.

26. A statement is enclosed indicating the estimated cost of each project, expenditure incurred each year and the debits that have been accepted by the State each year.

Dated the 6th August, 1954.

T. SIVASANKAR,

Secretary.

Statement

Name of the Project		Estimated cost	Expenditure incurred each year	Debits that have been accepted by States each year	
		Rs.	Rs.	Rs.	
Kosi Project	First estimate sanctioned in 1946 [Vide WMP No. DW.120(1) of 27th May, 1946].	31,44 lakhs	1946-47 7,49,386		
			1947-48 7,17,173		
			1948-49 16,72,686		
			1949-50 24,05,083		
	Estimate as raised by <i>Ad Hoc</i> Committee sanctioned in 1949 (Vide WMP No. DW.88/48 of 21st March, 1949).	60 lakhs	1950-51 15,36,471	1949-50 45,80,730	
			1951-52 7,81,605	1950-51 22,40,896	
			1952-53 4,20,980	1951-52 8,93,278	
			upto 12/52 3,43,384	1952-53 2,55,196	
				upto 12/52 79,70,160	
	Revised estimate (including investigations of Balka Hills etc.)		1,17,82,800		
Submitted to Government of India in Jan. 1952 and is under consideration of Government.					
Assam Projects (Manas & Dihang Projects).	(as recommended by <i>Ad Hoc</i> Committee) sanctioned under Ministry of WMP No. DW.77/48 of 22nd Feb. 1949.	28,23,710	1948-49 30,367		
			1949-50 1,70,250		
			1950-51 1,54,377		
			1951-52 92,522		
			1952-53 39,197		
			upto 11/52 4,86,713		
Ganga Barrage Project	Vide DW. 57/48 dt. 29-3-49 Submitted to Government for sanction in Aug. 1950.	17,64,967	1948-49 3,25,202	<i>From West Bengal</i>	
		24,66,500	1949-50 4,28,503	1949-50 2,18,970	
			1950-51 7,73,114	1950-51 3,40,492	
			1951-52 5,67,181	1951-52 3,10,214	
			1952-53 1,71,112	1952-53 30,696	
			upto 12/52 22,65,112		9,00,372
					<i>From Port Trust</i>
				1950-51 1,55,000	
				1951-52 30,000	

Rajasthan Project	Sanctioned under DW. 3 dt. 3-5-51 revised estimate.	4,99,475	1950-51	2,31,069	Nil.		
			1951-52	3,69,084			
	Under DW.3, dt. 25-9-51	7,98,822	1952-53	24,662			
			upto 12/52	6,24,815			
Tapti Valley Project	Vide DW.78/48 dt. 19-3-49	19,15,500	1947-48	12,553	upto the end of 1950-51.		
			1948-49	2,00,517			
			1949-50	3,00,820			
			upto 12/52	5,13,890	Debited to Kakrapara Project estimates (Bcm Bay Govt.)		
Madhya Pradesh Projects.	Vide DW.90/48 dt. 5-2-49	51,09,000	1948-49	6,270			
			1949-50	2,41,548			
Upper Mahanadi & Jonk—taken up out of eight projects.			1950-51	14,292	Madhya Pradesh Government have now agreed to accept debits for Rs. 2,47,818/- for the period ending 31st March, 1950.		
			1951-52	77,013			
			1952-53	2,91,288			
			upto 12/52	6,30,411			
Narbada Projects (Bargi Tawa Punasa, and Broach).	Vide DW. 78/48 dated the 19th March 1949.	62,47,000	1948-49	2,80,462	From Bombay		
			1949-50	4,93,753		1949-50	4,39,305
			1950-51	9,38,104		1950-51	8,09,855
			1951-52	6,02,534		1951-52	3,29,819
			1952-53	2,46,193		1952-53	1,64,586
			upto 12/52	25,61,046		upto 12/52	17,43,565
							Madhya Pradesh have now agreed to accept debits for Rs. 5,45,122/- for the period ending 31st March, 1950.
Coorg Project	Vide DW. 61/48 dated 29-3-49 of Ministry of Works, Mines & Power.	4,12,000	1948-49	1,254			
			1949-50	82,569	58,290		
			1950-51	1,14,194	81,990		
			1951-52	12,911	13,254		
			1952-53	881	881		
			upto 12/52	2,11,809	1,54,415		

Name of the Project	Estimated cost	Expenditure incurred each year		Debits that have been accepted by States each year	
		Rs.	Rs.	Rs.	
Sabarmati Project . Estimate sanctioned in January 1949 Vide WMP letter No. DW. 41/149 dated 29-3-49.	7,37,000	1948-49	2,508	Debited to Bombay Government	
		1949-50	79,231		80,446
		1950-51	1,17,142		1,17,142
		1951-52	1,76,245		1,17,142
		1952-53	(-)-67,163		(-)-67,163
		upto 10/52	3,07,963		3,06,670
Tikarpara & Naraj Projects. Rs. 6.83 lakhs (original estimate of 17 lakhs for Mahanadi Valley investigations was sanctioned by Govt. of India in May, 1946 for investigating Hirakud, Tikarpara and Naraj Projects. Share of Tikarpara & Naraj Projects of this estimate was Rs. 6.83 lakhs).		1946-47	13,536		
		1947-48	22,626		
		1948-49	..		
		1949-50	49,537		
		1950-51	26,509		
		1951-52	27,971		
1952-53	13,249				
upto 12/52	1,53,428				

ANNEXURE I

No. 137-A/W. Thro.

GOVERNMENT OF THE CENTRAL PROVINCES AND BERAR
PUBLIC WORKS DEPARTMENT.

From: S. C. Olpherts Forrester, Esqr., I.C.S.,
Secretary to Government,
Central Provinces and Berar,
Public Works Department.

To:

The Chairman,
Central Waterways, Irrigation and Navigation Commission,
Curzon Road Barracks, Block A,
New Delhi.

Dated Nagpur, the 25th September, 1947.

SUBJECT:—*Water Power Resources in the Central Provinces and Berar.*

Sir,

I am directed to invite your attention to Government of Central Provinces and Berar, Commerce and Industry Department letter No. 5149-4237-VII, dated 23-8-1947 to Mr. Man Singh's address with which a copy of the minutes of discussion between him and the officers of this Government on 20-8-1947 was sent, and to state that this Government has taken the following decisions.

2. With reference to paras 2, 3 and 5 of the minutes, I am to state that in the opinion of this Government, it is desirable to have unified direction in the investigation of all the 8 multi-purpose schemes selected for the Narbada, Tapti, Wainganga and Mahanadi Valleys, and that the investigations for these schemes may be done by the C.W.I.N.C. This Government will keep in close touch with the progress of the work, give all assistance necessary, put forward its views during investigations and will indicate what modifications in the assignment of priorities it considers necessary.

3. As regards the other schemes for purely power developments, I am to state that this Government will under-take the investigation of these other schemes independently.

4. This Government agrees to the principle of proportionate allocation of expenditure between the Provinces and the States in proportion to the benefit derived by them from each scheme.

5. As regards para 6, I am to state that a further communication will be made for the staff required for purely power development schemes.

I have the honour to be,

Sir,

Your most obedient servant,

Sd./—

Secretary to Government

C.P. and Berar, P.W.D.

ANNEXURE II

No. 9062—VII E.

GOVERNMENT OF THE CENTRAL PROVINCES AND BERAR
COMMERCE AND INDUSTRY DEPARTMENT.

From:

Shri S. Rajan, I.C.S.,
Addl. Secretary to the Government of
Central Provinces and Berar.

To:

The Secretary to the Government of India,
Ministry of Works, Mines and Power,
New Delhi.

Dated Nagpur, the 19th Nov. 1949.

SUBJECT:—*Priority Inter Se of the River Valley Development
- Projects.*

Sir,

I am directed to refer to the Commerce and Industry Department's letter No. 4048-450-VII-E., dated the 14th April 1949 on the subject cited above and to say that Hasdeo Dam Scheme (above Kobra) was recommended as one of the Seven River Valley Projects in connection with the Seven-Year Plan envisaged in Shri Gulhati's letter No. DW II-22(11), dated the 10th March, 1949 and was given the 4th Place in order of priority. No reply to the Provincial Government's letter of 14th April, 1949 under reference has been received so far to show whether the recommendations made therein were accepted or not. It however appears from the Government of India Ministry of Works, Mines and Power's letter No. DW-90/48, dated the 5th February, 1955 and monthly Progress Reports that the Government of India have taken up the Hasdeo Dam Scheme for preliminary investigation. I am, however, to communicate to you in this connection that Provincial Government have reviewed all these projects and are of the considered opinion that it would not be of any use to proceed with the investigation of the Hasdeo Dam Scheme. I am, therefore to request you that necessary action taken to withhold any further investigation in respect of this scheme and the Provincial Government be informed action taken in this respect.

Yours faithfully,

Sd/- S. RAJAN,

Addl. Secy. to the Government C.P. & Berar,
Commerce and Industry Department.

ANNEXURE III

No. F.18(1)-P/48.

GOVERNMENT OF INDIA
MINISTRY OF FINANCE

New Delhi, the 24th November, 1948.

From:

M. V. Rangachari, Esquire,
Deputy Secretary to the Government of India.

To:

The Financial Secretaries of all Provincial
Governments and Chief Commissioner, Coorg.

SUBJECT:—*Curtailment of expenditure as a measure of anti-inflation Planning and Development Grants and Loans to Provinces for the financial years 1948-49 and 1949-50.*

Sir,

I am directed to refer to the correspondence resting with this Ministry telegram No. 13815(b)-B/48, dated the 6th October, 1948.

2. The Government of India have reviewed the position governing the assistance by them to the Provinces for implementing their Development Plans in the context of anti-inflationary measures, the reduced resources available to the Centre in the current and the ensuing years and in the light of discussions at the recent Provincial Finance Ministers Conference. They have come to the conclusion that the available funds for this purpose by way of loans and grants cannot exceed Rs. 41½ crores this year and Rs. 53½ crores next year. They have accordingly decided that the grants and loans to the various Provinces for expenditure on approved Development and Grow More Food Schemes should be limited to the amounts set out below:—

Province	(Figures in lakhs of rupees)			
	Grants		Loans	
	1948-49 Development & Grow More Food schemes.	1949-50 Development & Grow More Food schemes.	1948-49	1949-50
Madras	3.25	5.00	3.00	6.00
Bombay	1.36	2.87	..	..
United Provinces	3.64	5.17	..	4.00
Bihar	2.40	4.00	..	..
C. P. & Berar	1.50	1.80	4.10	3.00
West Bengal	2.00	2.70	4.10	..
Orissa	1.20	1.35	2.00	7.00
East Punjab	1.00	1.50	7.50	0.00
Assam	1.15	1.25	3.34	3.25
Coorg	5	6	5	5
	<hr/> 17.55	<hr/> 25.10	<hr/> 24.09	<hr/> 28.30

They have also decided that grants to the Provinces should be limited to 50 per cent. of the expenditure incurred by the Provincial Governments on Development Schemes including the Grow More Food Schemes and certain training schemes approved by the Government of India. But in the case of the Provinces of West Bengal and East Punjab, which have been affected by the partition, and Orissa and Assam, which are relatively less developed, the entire expenditure on approved schemes will, for these two years, be reimbursed, as a special case, subject to the maximum amount indicated above.

3. The Government of India also consider that the existing arrangement for the co-ordination of the implementation of the Development Plans by the Provinces should be made more flexible. They have accordingly decided that the grants to the Provinces for the two years in question should be subject only to the following further conditions:—

- (a) Provinces should spread their expenditure on schemes under the different heads of Development in the approved plans so as to maintain a balanced progress of Development; to this end a minimum of 5 per cent. of the Central Grant should be spent under each head.
- (b) Provinces may incur expenditure on any of the schemes already approved and need not send their plans for approval again every year. But where a scheme has not received the approval of the Centre the necessary approval should be obtained. In the selection of their schemes the Provinces would doubtless give, as far as possible, priority to schemes which will produce immediate results.
- (c) In the case of the expenditure on Grow More Food Schemes the amount of the grant will not exceed the percentage fixed in the orders issued by the appropriate Ministry of the Government of India and the Central grant for this purpose which will be included in the total grant mentioned in para. 2 above will not in any case be less than:—

	(in lakhs of rupees)	
	1948-49	1949-50
Madras	150	150
Bombay	43	109
United Provinces	38	57
Bihar	48	67
C.P. & Berar	54	75
West Bengal	30	30
Orissa	30	33
East Punjab	35	37
Assam	23	23
Coorg	...	...

- (d) Annual reports will continue to be submitted by the Provinces to the Centre.

4. The Provincial Government should arrange to supply the Provincial Accountant General copies of orders of the Government of India approving the scheme as one qualifying for grants and the detailed orders of the Provincial Government sanctioning expenditure on approved schemes where this has not been done. The budget grant will be drawn quarterly in arrear and as soon as the accounts of the last month of the quarter are closed the Accountant General will arrange to credit the Provincial Government with the amount due to them in respect of the expenditure on approved schemes in that quarter.

5. The amount due in respect of the last quarter of the year will be paid on an estimated basis subject to readjustment in the accounts of the following year. The amount of the provisional payment for the last quarter will be fixed by the Government of India and intimated to the Provincial Government and to the Accountant General in the last week of March. Any part of the expenditure which is not covered up fully by the grants during 1948-49 will be adjusted against next year's allocation.

6. This letter supersedes this Ministry letter No. 6(2)-P/48, dated the 25th May, 1948.

7. Orissa only—(In view of the decision of Government to reduce the capital expenditure roughly by 1/3rd of the provision made in the budget for 1948-49 I am to say that it has been decided that the grant to the Provincial Government for the new capital will be reduced from Rs. 30 lakhs to Rs. 20 lakhs, and the provision for next year will be limited to Rs. 20 lakhs. The Government of India trust that the Provincial Government will be able so to phase the construction of the Capital as to manage within this reduced assistance from the Centre).

Yours faithfully,

M. V. RANGACHARI,
Deputy Secy.

APPENDIX IV
GOVERNMENT OF BIHAR
IRRIGATION DEPARTMENT
No. 2536-I
IV F-9 of 49.

From:

S. V. Sohoni, Esquire, I.C.S.
Secretary to Govt.

To:

The Secretary to the Government of India,
Ministry of W.M.P.,
New Delhi.

Patna, the 20/22-2-50.

SUBJECT: *Financial arrangements in respect of the Kosi Project.*

Sir,

In continuation of this Deptt. letter No. 13865-I, dated the 24th Nov. 1949, I am directed to say that subsequent developments in the financial field have made it necessary to review the financial arrangements accepted and proposed in that letter.

2. When the proposal to debit 50 per cent. of the current expenditure on investigation of the Kosi Project to the State revenue was

accepted, it was not known that no loan and only very much limited grants will be available from the Centre in the financing of development projects of this Government. Though the State revenues could previously admit of such a debit, with the change in financial prospect since brought about, the liability of financing some of the development schemes, funds for which were originally to come from the grants of loans from the Government of India, has devolved on the State revenues. It has thus become impracticable to meet 50 per cent. of the running expenditure on the Kosi Project investigation from the current revenues of this State any longer.

3. The existing proposal of debiting 50 per cent. expenditure to the State revenues will, in these circumstances, seriously upset the budgetary position of the State and will necessitate withdrawal from the P.W.R. Reserve funds with a repercussion on other P.W.R. schemes. The difficulty has been accentuated by reason of the fact that though they were requested to advise on these points at para. 2 of the letter under reference, the Union Government have not yet intimated the amounts that will have to be found by the State in the current year and in 1950-51 as a result of which no provision to cover the heavy expenditure could be made either in the revised estimates 1949-50 or in budget 1950-51. It should, of course, be clearly understood that no debit could be raised against the grant of Rs. 2 crores sanctioned by the Centre to this State for the current year, which has already been earmarked for other schemes.

4. In these circumstances it is suggested that the old arrangement, in which the entire expenditure was to be met by the Central and debited to the block Central P.W.D. grant to this State may be reverted to. The total cost of investigation should, however, be chargeable to the capital cost of the project when it materialises.

5. The State Government shall be obliged to have at an early date the Union Government's reactions to the above proposals, for reverting to the old arrangement of financing the Kosi investigation cost.

APPENDIX V

GOVERNMENT OF BIHAR
IRRIGATION DEPARTMENT
No. B/P9-2-01/53-I-3327

From:

S. V. Sohoni, Esquire, I.C.S.
Secretary to Government.

To:

The Deputy Secretary to the Government of India,
Ministry of Irrigation and Power,
New Delhi.

Patna, the 13th March 1953.

SUBJECT: *Revised estimates for the investigations of the Kosi Project.*

Sir,

With reference to your letter No. DW.4(6)/53, dated the 2nd February 1953 on the above subject, I am directed to say that the State Government have been pleased to accord their administrative

approval to the revised estimates of the Kosi Project investigations amounting to Rs. 1,17,82,800/- (Rupees one crore, seventeen lakhs, eighty two thousand and eight hundred) only received with letter No. DW.21, dated the 15th March 1952 of the then Ministry of Natural Resources and Scientific Research, New Delhi.

Yours faithfully,
Secretary to Government.

APPENDIX CXLV

MINISTRY OF COMMUNICATIONS

SUBJECT: *Recommendation of the Public Accounts Committee on the Appropriation Accounts 1949-50 regarding provision in the Articles of Association of the Indian Telephone Industries Ltd., for inspection and audit of accounts by the Comptroller and Auditor General of India. (Item No. 122 of the Statement of Outstanding Recommendations*).*

The Public Accounts Committee recommended *vide* item 122 of the Statement relating to the recommendations of the P.A.C. on the Appropriation Accounts (Civil) 1949-50 and unfinished Accounts (Civil) 1948-49. that Government should consider the desirability of making provision for inspection and audit of Accounts by the Comptroller and Auditor General of India in the Articles of Association of the Indian Telephone Industries Ltd., similar to that existing in the Industrial Finance Corporation (Amendment) Act, 1952.

This action has already been taken following an early suggestion made by the Comptroller and Auditor General and a new Article (See Annexure) was incorporated in the Articles of Association of the Indian Telephone Industries Ltd., in September, 1951 in consultation with the Comptroller and Auditor General of India, under which the Government of India have the right to make arrangements for an independent external audit in addition to the statutory audit. In pursuance of the provisions of this Article, the Comptroller and Auditor General has appointed the Accountant General, Mysore, as the independent audit officer of the Indian Telephone Industries Ltd. Copies of the Articles of Association of the Indian Telephone Industries Ltd., with the aforementioned new Article incorporated therein have been placed in the Public Accounts Committee Library.

B. N. JHA,
Secretary.

ANNEXURE

Extracts from the Articles of Association of the Indian Telephone Industries, Limited.

27(A). The Government of India shall have the right at their own cost to make arrangements for an independent external audit in addition to the audit under the said Act. The authority so appointed by the Government of India and all the members of the staff authorised in that behalf by that authority shall at all times have access to all Accounts, Account Books, Vouchers, Documents and other papers of the Company. The authority appointed for this independent external audit will submit its report to the Government of India.

* See Appendix I (Vol. I—Report).

APPENDIX CXLVI

MINISTRY OF WORKS, HOUSING AND SUPPLY

Note: Re: Item No. 124 A, B & D of the Statement of Outstanding Recommendations of the Public Accounts Committee*.

Item No. 124A.

This recommendation has been accepted and instructions have issued that as a rule such contracts should be split up into sizeable and convenient lots at different places. Where the value exceeds Rs. 25 lakhs (book value and, where book value is not available, assessed market value) and it is not proposed to split up the sale, the D.G.S. & D. have been instructed to take orders of Government.

It has been noticed, however, that sometimes in respect of some stores, price realisations are higher if lots are bigger. In such cases, several smaller lots are combined at the auction and sold as one. Sometimes in the interest of expeditious disposal, to clear covered accommodation required urgently by the stockholder for the storage of new stock it may be of advantage to sell in bulk.

Item No. 124B(i).

The recommendation has been accepted in principle and instructions are being issued that in contracts for sale of surplus stores involving substantial amounts, the following procedure should be adopted:—

(1) *Financial Standing*: In the tender form inviting offers for purchase and removal of large volume of surplus stores, a condition will be stipulated under which the tenderers will be required to indicate the name of their Banker. Immediately on opening of the tenders, an enquiry will be made from the Bankers indicated by the tenderers regarding the financial standing of the tenderer. The bank report(s) will be taken into consideration at the time of the acceptance of the offers.

(2) *Verification of antecedents*: Under the existing procedure, the D.G.S. & D. maintains a list of firms black-listed and those with whom business has been banned or suspended. This list will be consulted *vis-a-vis* the tendering firm at the time of considering the tenders. The Supplies Wing who maintains a list of registered firms will also be consulted. It has also been decided to maintain in future a Performance Register indicating the name and address of the purchaser, the value of the contract and whether or not satisfactorily completed. This register would in due course, afford facilities for verification of antecedents.

The existing procedure also contains safeguards to protect the interests of the Government. Each tender for the sale of surplus stores has to be accompanied by a Deposit-at-Call Receipt of 10 per

*See Appendix I (Vol. I—Report).

cent. of the tendered value as earnest money which is liable to forfeiture in the event of tenders not complying with the terms of the contract. No part of the stores are released unless the entire sale value of the stores is deposited with the Government.

The above procedure will be applicable to all sales except those effected by auction, where generally comparatively smaller amounts are involved. In the case of auction sale, a deposit of 25 per cent. of the accepted bid is obtained as earnest money on the fall of the hammer. The firms are usually required to deposit the balance of the sale value, i.e. 75 per cent. of their accepted bids within 7 days of the auction sale. Bids at auction sale are to be accepted or rejected on the spot and therefore, there is no time to make enquiries about financial standing, etc.

Where payments are staggered at the request of the purchaser, Government asks for a suitable bank guarantee to safeguard itself against possible loss in the event of the whole sale not materialising.

Item No. 124B(ii).

3. This recommendation has been accepted and instructions have issued that contractors with bad records on the Disposal side should be authorised unless the antecedents and the financial stability with the Purchase side.

4. The recommendation has been accepted and instructions have issued to the D.G.S. & D. that in future no transfer of contracts should be authorised unless the antecedents and the financial stability of the firm have been checked to the satisfaction of the Director General.

M. R. SACHDEV,
Secretary.

NEW DELHI;
Dated the 30th Dec. 1954.

APPENDIX CXLVII .

MINISTRY OF EXTERNAL AFFAIRS

Note: Regarding recovery of Pakistan's share of contribution to the U.N.O. and I.C.A.O.—(Item No. 123 of the Statement of Outstanding Recommendations.*)

The Government of India have already agreed to give Pakistan a share in the assets of the defunct League of Nations and the Working Capital Fund of the U.N.O. and have asked the Government of Pakistan to refund to them their share of contribution to the U.N.O. for the year 1948 paid by the Government of India on their behalf. That Government is being continuously reminded to refund the amount but no reply has yet been received. Further progress in the matter will be reported in due course.

H. DAYAL,
Joint Secretary.

NEW DELHI;
Dated the 17th December 1953.

* See Appendix I (Vol. I—Report)

APPENDIX CILVIII

Statement showing particulars of the sittings of the Public Accounts Committee (1954-55) such as the attendance of Members, subjects discussed etc.

Date	Time	Duration	No. of Members including the Chairman attending the meeting	Business transacted
1	2	3	4	5
23-7-1954	10 A. M. to 1 P. M.	3 hrs.	13	Consideration of the Audit Report (Civil) 1952—Part I.
26-7-1954	10-30 A.M. to 1-10 P.M.	2 hrs. 40 minutes	16	Do.
27-7-54	10-30 A.M. to 1-15 P.M.	2 hrs. 45 minutes	15	Consideration of Exchequer Control over Public Expenditure.
18-8-1954	10-30 A.M. to 1-30 P.M.	3 hrs.	14	Consideration of (i) The Audit Report (Civil), 1952—Part I and (ii) Audit Report on the Accounts of D. V. C. for 1949-50 and 1950-51.
19-8-1954	10 A. M. to 1-10 P. M.	3 hrs. 10 mts.	14	Consideration of the Audit Report (Civil), 1952—Part I.
20-8-1954	10-30 A. M. to 1-25 P. M.	2 hrs. 55 mts.	12	Consideration of the Audit Report (Civil), 1952—Part I.
2-9-1954	10 A. M. to 12-30 P. M.	2 hrs. 30 mts.	15	Consideration of Audit Report (Civil), 1952—Part I.
16-10-1954	10 A. M. to 1 P. M.	3 hrs.	13	Consideration of the Statement of Outstanding Recommendations.
18-10-1954	10 A. M. to 1-20 P. M.	3 hrs. 20 mts.	13	Consideration of the Audit Report on the Accounts of the D. V. C. for 1950-51 and 1951-52.
19-10-1954	10 A. M. to 1-25 P. M.	3 hrs. 25 mts.	13	Consideration of the Accounts of R. F. A. for the period ended the 30th June, 1953.
20-10-1954	10 A. M. to 1-30 P. M.	3 hrs. 30 mts.	13	Consideration of the Accounts of the I. F. C. for the period ended 30th June 1953 and the Report of the Enquiry Committee.

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21-10-1954	10 A. M. to 1 P. M.	3 hrs.	14
22-10-1954	10-30 A. M. to 1-30 P. M.	3 hrs.	12
23-10-1954	10 A. M. to 1 P. M.	3 hrs.	12
28-10-1954	10 A. M. to 1-30 P. M.	3 hrs. 30 mts.	12
29-10-1954	10 A. M. to 1 P. M.	3 hrs.	13
1-11-1954	10-30 A. M. to 1 P. M.	2 hrs. 30 mts.	13
2-11-1954	10-30 A. M. to 12-30 P. M.	2 hrs.	13
3-11-1954	10-30 A. M. to 1 P. M.	2 hrs. 30 mts.	11
4-11-1954	10-30 A. M. to 1-25 P. M.	2 hrs. 55 mts.	13
8-12-1954	12 Noon to 1 P. M.	1 hr.	14
9-12-1954	12 Noon to 1-15 P. M.	1 hr. 15 mts.	16
13-12-1954	12-15 P. M. to 2 P. M.	1 hr. 45 mts.	13
14-12-1954	12-30 P. M. to 1-30 P. M.	1 hr.	15
16-12-1954	Do.	1 hr.	12
1-2-1955	10 A. M. to 1 P. M.	3 hrs.	13
2-2-1955	10 A. M. to 12-55 P. M.	2 hrs. 55 mts.	14
3-2-1955	10-30 A. M. to 1-30 P. M.	3 hrs.	15
8-2-1955	10 A. M. to 1-10 P. M.	3 hrs. 10 mts.	16

Consideration of Appropriation Accounts (Civil), 1950-51 and Audit Report (Civil), 1952—Parts I & II and Commercial Appendix thereto.

Ditto.

Ditto.

Ditto.

Ditto.

Consideration of Appropriation Accounts (Civil), 1950-51 and Audit Report (Civil), 1952—Parts I & II and Commercial Appendix thereto.

Ditto.

Consideration of Appropriation Accounts (Civil) 1950-51 and Audit Report (Civil) 1952—Parts I & II etc.

Consideration of Appropriation Accounts (Civil), 1950-51 and Audit Report (Civil), 1952—Parts I & II etc.

Consideration of Appropriation Accounts (Civil) 1950-51 and Audit Reports (Civil)—Parts I & II.

Consideration of Appropriation Accounts (Civil), 1950-51 and Audit Report (Civil), 1952—Parts I & II etc.

Consideration of Reports etc. of the R. F. A. for the period ended the 31st December, 1953.

Consideration of Appropriation Accounts (Civil), 1950-51 and Audit Report (Civil), 1952—Parts I & II etc.

Ditto.

Consideration of Appropriation Accounts (Posts and Telegraphs) 1951-52 and 1952-53 and Audit Reports 1953 and 1954 thereon respectively.

Ditto.

Ditto.

Consideration of Audit Reports on the Accounts I. F. C. 1953-54 and Report of the Inquiry Committee

1	2	3	4	5
9-2-1955	10 A. M. to 1 P. M.	3 hrs.	14	Consideration of Appropriation Accounts (Defence Services), 1951-52 and 1952-53 and Audit Reports 1953 & 1954, thereon respectively.
10-2-1955	Do.	3 hrs.	13	Ditto.
11-2-1955	10 A. M. to 1-10 P. M.	3 hrs. 10 mts.	10	Consideration of Audit Report on the Account of the I. F. C., 1953-54 & Report of the Enquiry Committee.
12-2-1955	10 A. M. to 1 P. M.	3 hrs.	13	Consideration of the Appropriation Accounts (Defence Services), 1951-52 and 1952-53 & Audit Reports, 1953 & 1954, thereon respectively.
24-3-1955	10 A. M. to 12-45 P. M.	2 hrs. 45 mts.	16	Consideration of statement showing action taken on the recommendations of the P.A.C. in their Ninth Report
26-3-1955	10 A. M. to 12-35 P. M.	2 hrs. 35 mts.	11	Consideration of Appropriation Accounts (Defence Services) 1951-52 and 1952-53 Audit Reports Defence Services, 1953. and 1954.
28-3-1955	12-10 P. M. to 1-10 P. M.	1 hr.	10	Consideration of Appropriation Accounts (Civil), 1950-51 and Audit Report (Civil), 1952—Parts I & II etc.
2-4-1955	10 A. M. to 1-15 P. M.	3 hrs. 15 mts.	11	Consideration of the Appropriation Accounts (Defence Services), 1951-52 and 1952-53 and Audit Reports 1953 and 1954, thereon, respectively etc.
4-4-1955	11 A. M. to 12-30 P. M.	1 hr. 30 mts.	12	Ditto.
11-4-1955	12 Noon to 1-30 P. M.	1 hr. 30 mts.	11	Consideration of the Audit Report on the Accounts of D. V. C. for 1950-51 and 1951-52.
15-4-1955	10 A. M. to 1-10 P. M.	3 hrs. 10 mts.	13	Consideration of the statements showing action taken or proposed to be taken on the recommendations of the P. A. C. in their Ninth Report.
22-4-1955	10 A. M. to 12-10 P. M.	2 hrs. 10 mts.	14	Consideration of the statement showing action taken on the recommendations of the P. A. C. in their Ninth Report.
27-4-1955	10 A. M. to 11-50 A. M.	1 hr. 50 mts.	18	Ditto.
4-5-1955	10 A. M. to 1-05 P. M.	3 hrs. 5 mts.	13	Consideration of Appropriation Accounts (Railways), 1951-52 and 1952-53 and Audit Reports, thereon etc.
5-5-1955	10 A. M. to 12-48 P. M.	2 hrs. 48 mts.	10	Ditto.

7-5-1955	10-30 A.M. to 1-10 P.M.	2 hrs. 40 mts.	11	Ditto.
20-6-1955	10 A.M. to 11-30 A.M.	1 hr. 30 mts.	8	Consideration of Draft Thirteenth Report on the Appropriation Accounts (Railways) and (P & T) 1951-52 and 1952-53 etc.
22-6-1955	10 A.M. to 12-15 P.M.	2 hrs. 15 mts.	12	Consideration of Draft Thirteenth and Fourteenth Reports on the Appropriation Accounts (Posts and Telegraphs and Railways) (Defence Services), 1951-52 and 1952-53 respectively.
23-6-1955	10 A.M. to 12-30 P.M.	2 hrs. 30 mts.	10	Ditto.
27-6-1955	10 A.M. to 1 P.M.	3 hrs.	10	Consideration of Draft Fifteenth Report on the Appropriation Accounts (Civil), 1950-51 etc.
28-6-1955	10 A.M. to 12-50 P.M.	2 hrs. 30 mts.	12	Ditto.
				and the Report of the Sub-Committee of the P.A.C. on the 'Import and Sale of Japanese Cloth.'
29-6-1955	10 A.M. to 12-15 P.M.	2 hrs. 15 mts.	31	Consideration of Draft Fifteenth Report on the Appropriation Accounts (Civil), 1950-51 etc.

TOTAL 131 hrs. 33 mts.

NOTE:—(1) In addition to the above sittings, the Committee also held sittings on the 22nd July, 25th August, 15th October, and 10th December 1954 and the 3rd, 4th, 26th February, 2nd and 23rd March, 1955 to consider certain subjects not directly connected with the Accounts referred to in this statement. These sittings lasted for about 12 hours in all.

(2) The individual attendance of Members at each sitting of the Committee has been shown at the commencements of the Proceedings of the sitting concerned.

