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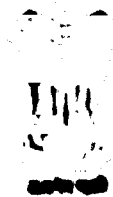
PUBLIC ACCOUNTS COMMITTEE
1958-59

EIGHTEENTH REPORT

(SECOND LOK SABHA)

[Appropriation Accounts (including Proforma Commercial
Accounts) (Civil), 1955-56 and Audit Report, 1957]

VOL II—APPENDICES



LOK SABHA SECRETARIAT
NEW DELHI
April, 1959
Price : Rs. 4.00

- Page 38, Item 58, col. 4, lines 1-2, for 'whethere' read 'whether'
- Page 43, Item 67, col. 5, line 7, for 'situation' read 'situation'.
- Page 69, col. 5, lines 5-6, for 'licence' read 'licencee'
- Page 75, col. 4, line 11, for 'to' read 'the'
- Item 112-A, col. 4, line 5, for 'keep in tract of the extrainees'
read 'keeping track of the ex-
trainees'
- Page 76, Item 113, Para 265, col. 4, line 6, delete ':'
- Page 79, col. 5, lines 5-6, for 'conceren' read 'concerned'
- Page 83, Item 125, col. 4, line 3, delete ','
- Page 86, col. 4, line 6, insert 'to' after 'view'
- Page 92, Item 137, col. 4, line 8, for 'schedule' read 'schedules'
- Page 93, col. 5, line 7 from bottom, insert 'of' after 'completion'
- Page 94, col. 5, line 3, for 'Actually' read 'actually'
- line 7, for '1594' read '1954'
- line 16, for 'actually' read 'actually'
- Page 96, col. 5, line 18, for ';' read ':'
- Page 101, Item 143, col. 4, line 14, for 'irregularities' read 'irregu-
larities'
- line 17, for 'As' read 'At'
- Page 103, col. 4, line 10, for 'Governmen' read 'Government'
- Page 104, col. 4, (i) line 2, for 'introduce' read 'introduced'
- Page 111, Item 163, col. 4, line 3, for 'get' read 'got'
- Page 113, Item 164, col. 4, line 7, for 'a' read 'an'
- Page 114, Item 165, col. 2, for '24' read '249'
- Page 116, col. 5, line 7, delete 'as'
- Page 120, Item 179, col. 4, line 5, for 'served' read 'serve'
- Page 121, col. 6, line 2, for 'punishhment' read 'punishment'
- Page 123, col. 4, line 1, for ',' read '.' after the word 'grant'
- Page 130, Item 184, col. 4, line 7 of (i), for 'para' read 'paras'
- Page 131, col. 5, line 2 from the bottom, delete ''''
- Page 149, line 1, for 'h e' read 'the'
- Page 151, line 3 from bottom for 'Deparrtment' read 'Department'
- Page 152, footnote (iii), for 'exp nditure' read 'expenditure'
- Page 156, col. 3, line 5, for 'in' read 'is'
- Page 157, Item 3, col. 5, line 1, for 'A' read 'As'
- Page 164, last line, for 'interes,' read 'interest'
- Page 167, line 3, for 'Affairs,' read 'Affairs)'
- line 8, for 'involivng' read 'involving'
- Page 172, Item (iv), line 3, for 'knoeing' read 'knowing'
- Page 174, para 1, sub-para 2, line 4, for 'originally' read 'originally'
- line 5, for 'mortagage' read 'mortgage'

- Page 175, line 11, for 'Administraton' read 'Administration'
 line 13, for 'collector' read 'Collector' and for 'initimated'
 read 'intimated'
 Para 3, line 6, for 'to' read 'also'
 line 9, for 'Adminstrators on 19-9-155' read
 'Administrators on 19-9-55'
 line 12, for 'proposal' read 'proposals'
 Para 4, line 2, for 'applicants' read 'applicant's'
- Page 176, line 7, for 'Administraion' read 'Administration'
 line 3, from bottom, for 'director' read 'directors'
- Page 178, para 1, line 11, for 'abov' read 'above'
- Page 186, line 14, for 'solved to be regranted' read 'resolved to be
 granted'
- Page 188, line 25, for 'Directo' read 'Director'
- Page 195, line 19, for 'matrial' read 'material'
- Page 206, line 5, for ',' after 'work' read ''
- Page 222, line 6, for 'divided' read 'dividend'
 line 13, for 'Palkistan' read 'Pakistan'
 line 15, for ',' after 'Fund' read 'during 1957-58. The Director
 of Aud.t, Food,'
 last line, for '(Raka)' read '(Saka)'
- Page 223, para 1, line 10, for 'F.A.C.' read 'P.A.C.'
 para 3, line 1, for 'Foundary' read 'Foundry'
 para 4, line 1, for 'As' read 'At'
- Page 224, Item 14, line 2, insert 'be' after 'should'
- Page 226, line 3, for 'or' read 'of'
 para 2, line 3 from bottom, for 'reasons' read 'reason'
- Page 227, para 2, col 7, for '1,44.00' read '1,44,000' and for '1,26,00'
 read '1,26,000'
- Page 230, line 2, for 'Notes' read 'Note'
- Page 232, last line, for 'scheme' read 'schemes'
- Page 234, Para 10, sub-para 2, line 1, for 'therfrom' read 'therefrom'
- Page 237, line 14, for 'dies' read 'does'
- Page 239, line 5, for 'para' read 'paras'
 para 1, line 5, for 'of' before 'full' read 'or'
 para 2, line 2, for 'alternative' read 'alternatives'
- Page 241, para 2, line 2 from bottom, for 'disposed' read 'disposal'
- Page 248, para 7, line 7, for 'instruction' read 'instructions'
 para 9, line 7, insert the following between 'was' and 'about'

'advised on 18th January, 1957 to obtain opinion of the Government Solicitor in the matter. The Government Solicitor stated on 7th February, 1957, that a decision in this respect should be taken by the administrative authority and if the amount which could be allowed to be foregone is small, then the matter may be favourably considered. In view of the fact that if at this stage legal proceedings of the eviction of the firm are taken, it may mean considerable expenditure and may delay further in finalising the action, it was, therefore, suggested that the DADG(MS), may be instructed to approach the firm and obtain concrete terms for vacating the premises. On 16th April, 1957 a firm proposal was received from the firm requesting for the waiving of about Rs. 15,000 from the rent and the Ministry of Health was intimated on 1st May, 1957 that the amount of rebate asked for by the firm is very high and their request may not be accepted. On the 27th

November, 1957 the firm was informed that their representative should meet the Health Secretary in his room on any date between 1st and 5th December, 1957. This letter was subsequently cancelled and the representative of the firm was asked to meet the Health Secretary on the 30th December, 1957.

10. A summary suit bearing No. 638 of 1958 to evict the firm from the depot premises leased to them has been filed in the City Civil Court in the month of March, 1958, and writ of summons was also served on the ostensible partner. He, however, filed an appearance in the Court under protest denying that he was a partner in the firm. Later on in the month of April, 1958, the Central Government pleader in the City Civil Court got the records of the Registrar of Firms searched, when it was noticed that there were registrations of two firms in the name of the Defendants. After making enquiries

- Page 250, para 2, line 1, for 'India' read 'Indian'
- Page 259, para 4, line 2 from bottom for 'budgetted' read 'budgeted'
 para 6, line 6, for 'as' read 'a'
 line 7, for 'Budgetting' read 'Budgeting'
- Page 260, para 2, line 2, for 'were' read 'was'
- Page 262, line 6, for 'Anti-malariaoperation' read 'Anti-malaria operations'
- Page 263, para 9, line 3, for 'miners' read 'mines'
 para 10, line 8 from bottom, insert 'to' after 'subject'
 para 11, line 1, for 'budgetted' read 'budgeted'
 line 10, for 'budgetting' read 'budgeting'
 last line, for 'Sptember' read 'September'
- Page 265, Item (iii) for 'Asam' read 'Assam'
 for para '8' read '7'
- Page 266, para 9(i), line 4, for 'mangement' read 'management'
- Page 267, para 12, line 1, for 'attendants' read 'attendants'
 para 13, line 1, for 'utili ation' read 'utilization'
 for 'budgested' read 'budgeted'
 last line, for 'budgetting' read 'budgeting'
- Page 268, Item 5, col. 3, for 'dully' read 'duly'
- Page 275, line 13, for 'authortity' read 'authority'
- Page 285, line 1, for 'doles' read 'doles'
 Para 6, line 6, for 'of' before 'work' read 'for'
- Page 296, for para '(VI)' read '(IV)'
- Page 300, line 9, for 'distrubed' read 'disturbed'
- Page 301, line 8, for 'Furthter' read 'Further'
- Page 304, line 2, for 'persuant' read 'pursuant'
- Page 307, line 1, for 'theot her' read 'the other'
- Page 309, line 13, from bottom, delete '.'
- Page 310, last line, for 'convenient' read 'convenient'
- Page 311, para 2, line 2, for 'parliam-ntry' read 'parliamentary'
 para 4, line 1, for 'autonomouso rganization' read 'autonomous organization'
 line 2, for 'Registraton' read 'Registration'
 para 7, line 8, for 'number' read 'member'
- Page 312, para 9, for 'companies' read 'Companies'
 para 11, line 12, for 'Commisson' read 'Commission'

- Page 313, lines 1-2, for 'industrial' read 'Industrial'.
 Page 318, line 8, for 'mount' read 'amount'.
 Page 320, line 11, 'buidings' read 'buildings'.
 Page 322, line 5, for 'he' read 'the'.
 Page 324, para 1, line 1, for 'Dvelopment' read 'Development'.
 Page 325, para 6, line 3, for 'finaned' read 'financed'.
 para 7, line 4, for 'accoutns' read 'accounts'.
 Page 326, line 9, for '9f' read 'of'.
 Page 327, line 2, for '80' read '80%'.
 Page 328, Item (3), line 3, for 'duing' read 'during'.
 Page 330, Item 15, line 3, for '1956-56' read '1955-56'.
 Page 332, line 2, for 'hereby' read 'thereby'.
 lines 4-5, for 'utility-zation' read 'utilization'.
 Page 336, line 2, for 'reveiw' read 'review'.
 Page 339, para 12, Item 3, col. 5, read '()' before '21,331'.
 Page 341, line 2, for 'Dtcd' read 'Dated'.
 para 3, line 3, for 'propared' read 'prepared'.
 para 4, line 3, for 'percent age' read 'percentage'.
 line 7, for 'confirm' read 'conform'.
 Page 342, line 6, for 'Secretariate' read 'Secretariat'.
 Page 343, line 3, for 'if' read 'of'.
 para 1, line 10, for 'ation' read 'action'.
 para 2 (a), line 2, for 'claimant' read 'claimants'.
 Page 344, para 3, line 5, for 'to' before 'able' read 'not'.
 para 4, last line, for 'reasources' read 'resources'.
 Page 345, para 6, line 6, for 'percentage' read 'parentage'.
 last line, for 'asc' read 'case'.
 Page 348, para 6 (a), line 5, for 'much' read 'such'.
 Page 349, line 7, for 'amplication' read 'amplification'.
 Page 360, Item 7, col. 3, line 3, for 'instalements' read 'instalments'.
 Page 361, Item 8, col. 3, line 1, for 'has' read 'was'.
 Page 362, para 3, line 7, for 'Government' read 'Governments'.
 Page 363, para (c), line 5, for 'affectd' read 'affected'.
 Page 364, last line, for 'equire' read 'require' & for 'I' read 'It'.
 Page 365, line 1, for 'entai' read 'entail'.
 Page 369, for Item 'XI' read 'X'.
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PUBLIC ACCOUNTS COMMITTEE 1958-59

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*Prof. N. G. Ranga

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3. Shri Arun Chandra Guha
4. Shri N. R. M. Swamy
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Shri K. Ranganadham—*Under Secretary.*

*Prof. N. G. Ranga was appointed as Chairman of the Committee on the 11th September, 1958 for the unexpired portion of the term of the Committee ending on the 30th April, 1959 *vice* Shri T. N. Singh resigned from Lok Sabha.

†Elected on the 23rd September, 1958, *vice* Shri T. N. Singh resigned from Lok Sabha.

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APPENDIX I

Statement showing action taken or proposed to be taken on the outstanding recommendations of the Public Accounts Committee relating to Civil Accounts.

S. No.	Para No.	Ministry or Department concerned	Conclusions/Recommendations	Action taken by the Ministry	Remarks
1	2	3	4	5	6
<i>Sixteenth Report (First Lok Sabha)</i>					
1	18	Commerce & Industry.	On the basis of the information furnished to them the Committee find themselves unable to accept the claim of Government that the supply of imported yarn to the mills and handloom weavers at a lower rate had brought down the price of yarn. In the opinion of the Committee, the loss of Rs. 2.14 lakhs which the Government incurred in disposing	A note has been submitted (Appendix LXXV, Seventh Report, Volume II).	No comments.

of the remainder of the second consignment of 6 lakh lbs. of yarn would have been avoided if moderation had been used in the grant of licence for the import of yarn on private account. In the circumstances a liberal grant of licences was not called for particularly when Government had with them a little over 3 lakh lbs. of yarn. The Committee see no reason why Government did not consider imposing certain restrictions on the import quota on private account till stocks lying with them were cleared without loss to Government.

19 Commerce
& Industry

In the opinion of the Committee, Government had been rushed into this scheme before they could devise the necessary machinery to ensure the avowed object of this scheme. The Committee feel that when it came to the notice of Government that the allottees did not abide by the obligation placed on them, Government should have considered the question of recovering from them the difference between the market price and the concessional prices of the yarn.

A note has been submitted (Appendix LXXV, Seventh Report, Volume II).

No comments.

			<p>The Committee desire that the case should be reviewed in the light of the above observations and a detailed note submitted to them.</p>		
2	110	Commerce & Industry.	<p>The Committee hope that with the statistical data in their possession, the Government will be in a position to formulate a co-ordinated programme for the production by the private and public sectors of the various types of machine tools etc.</p> <p><i>Twenty-Third Report (First Lok Sabha)</i></p>	<p>A note has been submitted (Appendix LXXVII, Seventh Report, Volume II).</p>	<p>No comments</p>
3	21	Do.	<p>The Committee would like to be apprised of the special reasons for bypassing the Director-General, India Store Department in the case relating to the uneconomic purchase of printing machines. They feel that disciplinary action should be initiated even in cases of gross negligence.</p>	<p>A note has been submitted (Appendix LXXIX, Seventh Report, Volume II).</p>	<p>Do.</p>
4	27	Do.	<p>The Committee think that the proviso under clause 20B(iii) of the Cotton Control Textiles Order, 1948 contemplated a general permission to all producers and not a special permission to an individual mill as was done in the present case. They shared the doubts of their predecessor Committee and desired that a reference should be made to the So-</p>	<p>Statement of the case along with the opinion of the Attorney General has been submitted (Appendix LXXX, Seventh Report, Volume II).</p>	<p>Do.</p>

licitor General on this point. The Committee would like to be apprised of the result in due course.

28 Commerce
&
Industry.

The Committee note that according to the Solicitor General, Government had no strong grounds to take up the matter to a court of law. Nevertheless, they would like to invite the attention of Government to the following passage in the learned Council's opinion:

"It is true that by the use of American Cotton of high counts for export purposes the Mills may have made very considerable profit and if the matter is looked at merely from moral grounds there would be a good deal to be said against the Mills, particularly when Mr. of that Mills) had suggested that there was no question of loss to Government or profit to the Mills".

In the Committee's opinion, these observations are significant. They would therefore urge the Ministry to pursue this matter further with the

Statement of the case along with the opinion of the Attorney General has been submitted (Appendix LXXX, Seventh Report, Volume II).

No comments.

In view of the Solicitor General's opinion, it was not considered worthwhile to pursue the matter further with the Mills.

Mills by taking unfair advantage of the subsidy scheme had made considerable profits which though not legally refundable were morally unjust. It was in fact to safeguard the interest of the Public Exchequer in such cases that the P.A.C. had recommended in para 90 of the 15th Report that suitable legislation empowering Government to review concluded contracts to effect recovery of demonstrably excessive or unconscionable payments by Government. The Committee regret to observe that no action had been taken so far on this recommendation.

Seventh Report (Second Lok Sabha)

5 23 Commerce
 &
 Industry.

The Ministry should examine the desirability of setting up a single body to look after the various matters dealt with at present by the Khadi & Village Industries Commission, Handloom Board, Handicrafts Board and Silk Board.

A note has been submitted (Appendix XVIII).

The Committee are glad to note that the Ministry has recognised that there might be some necessity of co-ordination with a view to avoid overlapping and duplication in the working of various boards they desire to be apprised of the concrete measures taken by the Ministry in

1	2	3	4	5	6
6	24	Commerce & Industry.	The Ministry should investigate whether in the development of printing and dyeing by Silk, Handloom and Handicrafts Boards, any duplication of men and materials was involved in Madras and Bombay areas and whether it would not be desirable to define the areas for the different Boards so as to avoid duplication of effort at the same place by all the Boards simultaneously.	A note has been submitted (Appendix XVIII).	avoiding overlapping and securing co-ordination and the results thereof.
7	25	Commerce & Industry.	The Ministry should examine the utility of setting up a Bureau cater to the needs of these different organisations in the field of research to effect improvement in the existing techniques of production, use of raw materials, etc. The Committee would also draw attention to the observations made by the team on Community Development and National Extension Service appointed by the Planning Commission and trust that the Ministry are on the look out to ensure that these Boards are not cutting into one another.	A note has been submitted (Appendix XVIII).	No comments.

It is not clear to the Committee what machinery has been devised by Government to exercise a check on the proper spending of the funds sanctioned to the State Governments and those given to private parties for the development of Khadi (traditional as well as Ambar). The Committee, however, hope that the funds given by the Centre for this purpose are being properly utilised by the respective organisations and certificates to that effect are being regularly obtained and shown for audit scrutiny.

For exercising a check on proper utilisation of loans and grants directly given by the late All India Khadi and Village Industries Board and the Khadi and Village Industries Commissions etc. for the parties like Registered institutions etc. for the development of Khadi Industry, the Khadi and Village Industries Commission has its own inspecting staff and internal audit parties with their Headquarters at important cities where the Zonal Organisers' Offices for different industries are situated. These inspectors and auditors audit the accounts of these institutions and thus exercise a close check to ensure proper utilisation of funds by the institutions concerned.

As regards funds given to State Statutory Khadi Boards for the development of Khadi industry, these Boards have their own inspectors and audit staff. They have also now agreed to strengthen their audit staff.

"The results of audit of Accounts of these organisations which were in receipt of the funds may be indicated in the next Audit Report on the Accounts of the Ministry of Commerce and Industry and important irregularities detected in the course of Audit brought to their notice.

reprint was unnecessary in face of its large stock already lying unused, unsold and undistributed. They also feel that action should not have been delayed for so long when it has been admitted that there has been an error of judgement. The disciplinary action taken in the matter should be reported to the Committee.

10 34 Do.

As the private bodies are expected to derive much of the benefit from the successful working of the Indian Institute of Art-in-Industry, voluntary financial efforts should be stimulated by limiting the duration of the grant from Government. Further the Committee would recommend that the Government should invariably ask for the utilisation certificate from the Institute in respect of the grants made so far and before making any provision in the budget for grant-in-aid to the institute in future.

Before giving any grant for the Institute of Art-in-Industry, utilisation certificate is always insisted upon. The Institute is getting contributions from private institutions. It is always impressed upon the Institute that they should stimulate their efforts to get larger contributions from private bodies.

No Comments.

11 35 Do.

The Committee deprecate the delay involved in winding up the scheme relating to the Import of raw silk and silk yarn from Japan and supply of cloth and yarn to Pakistan etc.

Notes intimating the closure of the schemes relating to the Supply of Cloth and Yarn to Pakistan and import of raw silk and Silk Yarn from Japan have already been sent to the Lok Sabha Secretariat for circulation among the mem-

It may be stated whether adjustment in respect of the balance of Rs. 30,490.11 has been finalised. If not, when is it expected to be finalised? The notes on

1	2	3	4	5	6
				bers of the Public Accounts Committee. (A copy each of the note is enclosed) (Appendix XIX).	other old state trading schemes may be expedited.
12	36 Commerce & Industry.		The Committee note that Government have not only got nothing from the contracting firm in case of purchase of paper (referred to in para 71 of the 15th Report) but their claim for loss sustained on account of the damage by white ants etc. has also been dismissed by the arbitrators. They deplore the manner in which this State Trading Scheme has been handled.	The recommendation has been noted.	No comments.
13	37 Do.		The claims of undivided Government of Bengal and Delhi Administration in connection with the scheme for the purchase and distribution of Standard Cloth which are still outstanding, should be settled without further delay and the scheme wound up.	The position in regard to the settlement of the claims is as follows :	The latest position may be stated.
				(1) <i>West Bengal</i> —The West Bengal Government were asked whether they could produce the audit certificate testifying to the correctness of the amount due to them and if not, steps would be taken to appropriate the claim to Central Revenues. After several reminders that Government informed the Cen-	

tral Government by their letter dated 30th May, 1958 that the matter is being looked into by the members of Application Committee and further information will be communicated as soon as the report of the Committee is received by them. No reply has yet been received and the West Bengal Government is being reminded periodically.

2. *Delhi Administration.*—The Delhi Administration intimated the Government of India that the records in respect of the Standard Cloth Transactions are not traceable and as such they could not accept the debit of Rs. 2,37,115 representing excess of stamping fees over credits, passed on to them. The matter was then taken up with Accountant General, Central Revenues who also have got no detailed figures of these transactions. However, the Accountant General, Central Revenues New Delhi has in his letter dated 19th August, 1958 stated that the requisite

information is being called for from the Treasury Officer, Delhi and will forward the same to the Government as soon as it is received by him. Further communication is awaited from him.

- | | | | | | |
|----|----|----------------------|--|--|--|
| 14 | 38 | Commerce & Industry. | The report of the Expert Committee on the Nahar Foundry together with the decisions of the Government thereon may be furnished to the Committee at an early date, as the matter is pending for a long time. | A note has been submitted (Appendix XX). | The Committee desire to know how far the recommendations of the Expert <i>Ad hoc</i> Committee set up by Govt. to survey the manufacturing capacity of Nahar Foundry Ltd. have been implemented. |
| 15 | 39 | Do. | The Committee of 1955-56 recommended that the activities of this Factory should be switched over from repair and maintenance to that of a manufacturing unit and proper cost accounting technique etc. should be introduced. | The National Instruments (P) Ltd. is already a manufacturing concern as the repair work constitutes only about 5% of the total value of the annual production of 1957-58. Repairs arising from sale of complicated instruments have only | The next Audit Report on the working of the Factory and the Audit Comments on its latest Balance Sheet and Annual Report may be awaited. |

to be done by the Company. The value of manufactured products during the last three years as compared with the value of repair work is as follows :—

(Value in lakhs)

	1955-56	1956-57	1957-58
	Rs.	Rs.	Rs.
Manufacture	13·14	21·14	28·45
Repairs	1·11	1·63	1·56
Total	14·25	23·07	30·01

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Do.

The Committee trust that it should be possible for the National Instruments Factory to be run on more efficient lines by expanding and diversifying its production. They would like to examine the working of the National Instruments (P) Ltd., after it has completed one year of its existence.

(i) The *per capita* production in 1957-58 is Rs. 4,145 as against Rs. 3,281 in 1956-57, Rs. 2,108 in 1955-56.

(ii) After formation of the Company, action to have a complete and critical review of old and obsolete assets is nearing completion. *Necessary disposal action will be taken shortly.* With the help of the representative of I.T.I. Bangalore, an Industrial Engineering Unit has been set up with

Do.

a view to train some of our people in time and motion studies. This Unit has by now set 200 norms and the existing booking of direct labour has changed, as a result of which the production is gradually going up. The effect of setting the norms and reducing the labour costs will be reflected by way of cutting down the overhead costs.

- (iii) The shifting of the entire factory to Jadavpore has not yet been completed and it is expected that the factory at Wood Street could be completely shifted to Jadavpore by about January, 1959.
- (iv) In our development programme, the need for feeding cottage industry units has been kept in mind; the various components required for production of pressure Gauges, items like Drawing Board, Boxes for Levels, wood items

etc. are being procured from Small Scale and ancillary units so that the existing capacity in the shop may be conveniently switched over to higher production.

(v) 1980 Numbers of different types of Pressure and Vacuum Gauges have been delivered to Railways, other departments and trade.

(vi) Development work on travelling microscopes. Iris Diaphragm, Bino-prism attachment and Levels has been completed.

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42 Commerce & Industry

The Committee are not satisfied with the explanation of the Ministry that as the records are in judicial custody, no progress has been made in the matter of instituting of disciplinary proceedings against the persons concerned. This plea of the Ministry is hardly convincing as copies of the records can be obtained from the Court, if necessary and that should not, therefore, be a valid reason for not taking action, against the other persons involved in this case.

The Special Police Establishment has been asked to obtain the records of the case from the court to enable us to proceed in the matter.

The latest position may be stated.

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Seventh Report (Second Lok Sabha)

18	46	Education <u> </u> All Ministries	With a view to preventing recurrence of such cases involving advance payments to private firms the Committee would suggest that the agreement should invariably contain a penalty clause and payment of liquidated damages by the defaulting firm by way of interest on the money advanced to it.	The recommendation has been noted by the Ministries for compliance in future.	No comments.	
19	47	Do	The Government, it is understood, have formed a co-ordinating Committee consisting of the representatives of the Ministries of Education, Scientific Research, Community Development etc., to avoid any overlapping in the field of publication of literature intended for the benefit of children and neo-literates. They desire that the desirability of associating the Ministry of Information and Broadcasting with this Committee may be considered. Further, the work connected with the production of books for children and neo-literates may be entrusted to a single agency	A representative of the Ministry of Information and Broadcasting is being associated with these Committees <i>vis.</i> , Popular Literature Committee (formerly Folk Literature Committee) formed in 1954 and Children Literature Committee formed in January, 1958. As regards the question of entrusting the work connected with the production of books for children and neo-literates to a single agency the recommendation is un-	No comments.	Final decision in the matter may be communicated.

to ensure cohesion and better performance.

der consideration of the Government of India.

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Do.

The Committee emphasise the need for closer co-ordination between the various Ministries at the Centre concerned with the publication of literature for the use of neo-literates, children and adults and the State Governments who were ultimately responsible for the popularisation of such literature.

The recommendation is under the consideration of the Government of India.

Final decision in the matter may be communicated.

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21

16(g)

**External
Affairs**

Finance

**All other
Ministries**

Re-appropriations should not be made a regular feature as inclusion of lump provision every year discloses lack of proper planning in advance and also vitiates the qualitative control over expenditure by Parliament.

Unnecessary supplementary grants only reflect on the manner in which estimates totally unrealistic are presented to Parliament, quite oblivious of the practical limitations in execution.

In view of the revised pattern of budgetary and financial control introduced with effect from 20-8-1958, the defects pointed out by the Committee are expected to be largely eliminated. The remarks have, however, been noted for guidance.

The Ministries of Education etc. have noted it.

No comments.

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1	2	3	4	5	6
22	58	External Affairs]	<p>The Committee do not appreciate the point made out by the Ministry that the officer concerned should not have refunded any amount because by his travelling by the luxury liner, Government were saved expenses of his enforced halt <i>en route</i> which would have to be paid if he had travelled by an ordinary liner. This in their opinion was an afterthought. It is surprising that the officer did not know that the T. A. admissible to the maid servant would be restricted to the fare of the class entitled or the actual fares whichever was less.</p>	Noted for future guidance.	No comments.
23	59	Do.	<p>In the opinion of the Committee, if it was in the public interest for the officer to travel by the luxury liner the proper course would have been for Government to accord sanction permitting the Officer to travel by the luxury liner as a special case. Off-setting the saving in the fare of maid-servant against the excessive expenditure incurred by the Officer is not only against the well-recognised standards of the financial</p>	Noted for future guidance.	No comments.

propriety but is open to all kinds of adverse comments.

24 65 Do. (i) The Committee are of the opinion that exceptions in individual cases in the matter of grant of outfit allowance will create an impression of favouritism and should be discouraged. The existing orders describe in detail the manner in which recovery/adjustment of outfit allowance is to be made in various types of cases. Necessity of writing off the whole amount is, therefore, not likely to arise in future. No comments.

66 (ii) In the present cases the Committee are of the view that considering that the officers concerned, had, at least partially, the benefit of the expenditure from the outfit allowance, the waiving of the recovery of the entire allowance in each of these cases was not justified.

25 69 Do. The Committee are not at all satisfied with the progress of recovery from the evacuees from war zones. They desire the Ministry to examine the whole issue with a view to expediting the recovery of outstanding amounts and winding up the organisation for effecting recoveries of amounts advanced under the scheme of assistance both at the Centre and in the States as quickly as possible. Replies from all State Governments have not yet been received. A separate note will be submitted as soon as the required information is collected. Note may be expedited. See also para 326 of the Report.

1	2	3	4	5	6
26	73	Do.	Before purchasing furniture both new and for purposes of replacement, the Embassies must satisfy themselves that the rules and regulations relating thereto are strictly adhered to.	Necessary instructions have since been issued.	No comments.
27	75	Do.	The Committee express the hope that the revised rates for the payment of foreign allowance have been carefully fixed for each station with full justification and would like to watch the new arrangements in actual working. The Committee would like to reserve their comments on this arrangement pending further study of the details supplied and in the light of future experience.	The scientific pattern of fixation of foreign allowances, it is hoped meets the caution sounded in the recommendations of the Public Accounts Committee.	No comments.
28	76	Do.	The Committee desire that the requisite information regarding the financial powers of the High Commissioner for India in the U. K. should be expedited.	The case regarding financial powers of the High Commissioner for India in the U. K. is still under consideration.	No comments.
29	77	Do.	The Committee should be informed of the decision taken by the Government in the matter of entertainment of foreign dignitaries in private houses.	The procedure relating to entertainment of foreign dignitaries visiting India has since been rationalised and streamlined.	No comments.

- 90 78 Do. The Ministry should frame a set of rules regarding entertainment of guests by the Government of India and our representational staff abroad so that the expenditure incurred thereon might be subjected to scrutiny by Audit and any possibility of misuse or improper spending obviated.
- As regards entertainment by our representational staff abroad it is not economical to engage caterers or entertain in hotels or restaurants for which only bills could be produced for scrutiny. In the interest of economy, bulk of the entertainment has to be done in the residences of the representational staff for which no bills can be produced. It has therefore been decided to allot a specified amount for entertainment in accordance with the requirements assessed by the Foreign Service Inspectors. Within that limit Officers can draw on this grant furnishing a certificate that the amount drawn is not less than the amount actually spent.
- No comments.
- 91 79 Do. The Committee are not satisfied with the Ministry merely noting their observations. They understand from the Comptroller and Auditor General that action against the Officer concerned in this particular case was being considered by the Ministry in another context. The Committee would like to watch the progress of this case.
- It has since been decided to revert the officer concerned to his parent service.
- No comments.
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32	80	External Affairs	It is essential that in the case of an officer of a Ministry who was being considered for re-employment by another Ministry, the former employing Ministry should promptly inform the latter about the antecedents of the officer as also the financial or other irregularities committed by him in his previous post to facilitate decision regarding his reemployment.	Pursuant to the recommendations of the Public Accounts Committee a suitable procedure has already been laid down by the Government for guidance of the various Ministries.	No comments.
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Seventh Report (Second Lok Sabha)

33	3 (Introd.)	All Ministries	An examination of the financial results of the appropriation accounts (Civil) of 1953-54 and 1954-55 have led the Committee irresistibly to the conclusion that the standards of budgeting during the year under report have, instead of improving, deteriorated. There have been a large number of excesses savings, injudicious surrenders and even non-utilisation of funds obtained from Parliament by means of supplementary grants. The Committee have in the past repeatedly deprecated the over-optimism of	The Ministry of Finance (Department of Economic Affairs) have stated : " The observations of the Committee have been noted and they have also been brought to the notice of all concerned in the Department of Economic Affairs for information and guidance." The Ministry of Finance (Department of Expenditure) have stated : " The observations of the Committee have been noted and they have also been	No comments.
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administrative Ministries which results in inflating the estimates. It is essential that detailed estimates should be carefully scrutinised and the possibility of their utilisation assessed by the administrative and Finance Ministries before their inclusion in the Budget.

brought to the notice of all in the Department of Expenditure for information and guidance. Mention has also been made about the revised arrangements for budgeting and financial control recently introduced, *vide* this Ministry's O. M. No. 9 (5) E (coord)/58 dated 18-8-58 (Appendix II). The revised set up is expected to lead to more accurate budgeting and effective control over expenditure.

34 15

Finance
All Other
Ministries.

Excess over voted grants and charged, appropriations not covered by supplementary grants and appropriations furnish a criterion to assess the effectiveness or otherwise of the budgetary control. The Committee do not see any improvement in the standards of budgeting during the years under report ; rather there has been a deterioration as is evident from the huge excesses, savings, injudicious surrenders, and non-utilisation of funds obtained from Parliament by means of Supplementary Grants.

In this connection the Committee

The Ministry of Finance (Department of Economic Affairs) have stated : " In this connection attention is also invited to the instructions issued by the Department of Expenditure in their O. M. No. P. 9 (5)-E (coord)/58 dated 18-8-58 (Appendix II) regarding the revised arrangements for budgeting and financial control. These instructions provide that provision in the budget will henceforward be based on the actual requirements of the year after detailed scrutiny

No comments.

3

need hardly emphasize that a careful review and revision of the estimates are necessary by the Ministry of Finance before the formulation of the budget. Upon that Ministry rests the main responsibility of co-ordinating Government policy in its financial aspects. The Committee have in the past repeatedly deprecated the tendency on the part of the Department preparing the estimates to inflate them either intentionally or as a result of over-optimism. For this reason the estimates need to be carefully scrutinized, compared and apportioned according to relative importance of the services and finally determined in the light of the total resources that are either available or proposed to be spent by the Government. Such steps must be taken before a unified financial plan can be produced.

of the scheme in question. No lump sum provision will be made except for minor works or for petty temporary establishments. Where new schemes are planned and accepted in principle but for which the necessary details are not available budget provision will be limited to the requirements for preliminary expenses only. These arrangements, it is hoped, would bring about substantial improvement in budgeting in future". The Ministry of Finance (Department of Expenditure) have noted these recommendations.

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16(a) Finance

The Committee feel that so long the pattern of budgeting is as at present a second check by the Ministry of Finance on various items of expen-

The Ministry of Finance (Department of Economic Affairs) have stated : " The observations of the Committee have

No comments.

diture is inevitable, especially in the case of lump sum grants which are not susceptible of any scrutiny in the first instance. This also confirms the need for framing the budget estimates on a more realistic basis.

The Committee are perturbed over such a large number of cases occurring in the Ministry of Finance itself where there have been considerable savings from the final grants. They consider it imperative that the Ministry of Finance should not set an example in accurate budgeting for other Ministries to emulate.

been noted and they have also been brought to the notice of all concerned in the Department of Economic Affairs for information and guidance." The Ministry of Finance (Department of Expenditure) have noted these recommendations.

36 16(a) Education
Finance

The Committee view with disfavour the practice of Government making large provision of funds in the Budget under "Lump provision for schemes under consideration" without chalking out the details of the schemes. They desire that such provisions in the budget should be avoided by the Ministries in future and the details of the expenditure involved in particular scheme should always be shown in the estimates. The Committee would reiterate the oft repeated recommendation made by their predecessors

The Ministry of Finance (Department of Economic Affairs) have stated: "The observations of the Committee have been noted and they have also been brought to the notice of all concerned in the Department of Economic Affairs for information and guidance". The Ministry of Finance (Department of Expenditure) have noted these recommendations. The Ministry of Education have noted it.

No comments.

that the Ministry of Finance should always set its face against lump sum provisions.

37 16(i) Communi-
cations
& Civil
Aviation/
Finance/
All other
Ministries.

The Committee feel that it is the duty of the Administrative as well as of Finance Ministries to be realistic in their estimates by benefiting from their past experience and taking into consideration their capacity to implement their developmental programmes. The Committee desire that Administrative Ministries should not present unrealistic estimates to the Ministry of Finance by pitching up the demands with sufficient margin to accommodate the cuts likely to be imposed by Finance. At the same time, the Finance Ministry should examine the demands in the light of expenditure relating to the previous years. They feel that the tendency of the Administrative and Finance Ministries to outwit each other in the matter of budgeting should be discouraged.

The Ministry of Finance have No comments. noted it.

The Department of Communi- cations and Civil Aviation has brought it to the notice of the attached and subordinate offices etc. under it.

38 83 Finance

The Committee are of the opinion that the Ministry of Finance should not

The Ministry of Finance (De- partment of Expenditure) have

See para 64 of the Report.

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have surrendered their functions to the administrative Ministry in the case relating to the purchase of Chancery building of an Indian Mission abroad. They feel that the sanction should have been accorded by that Ministry only after they were fully satisfied about the points regarding which caveats were entered by them in the sanction.

submitted a note (Appendix V).

39	88	Finance	Heavy outstandings on account of recovery of various taxes on income disclose an unsatisfactory state of affairs. The Committee feel that the progress in effecting these recoveries has been slow and discouraging. In view of the mounting additions to outstanding amounts year after the year, unless the Ministry initiate action with vigour for recovering the dues, there is every likelihood of loss of Government money with the passage of time. They should, therefore, like the Ministry to consider earnestly this problem and report to the Committee the measures proposed to be taken to realise the outstandings expeditiously.	The Ministry of Finance (Department of Revenue) have submitted a note.*	To be considered by the Committee.
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*Not printed.

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90	Finance	The Committee thought that with the strengthening of the Income-tax Department the collections would go up as the net would be cast more widely. They trust that the Department will address itself to this question of tax evasion and take necessary action.	The Ministry of Finance (Department of Revenue) have submitted a note (Appendix IV)	See para 61 of the Report.	
40	92	Do.	The Committee are unable to accept the argument of the Ministry that in view of shortage and uncertain market conditions, stores were retained at the Alipore Mint for future consumption but their original expectations went wrong and this resulted in accumulation of stores. They feel that all this followed from haphazard planning and failure to keep a check on incomings and outgoings of stores. The Committee stress the need for the setting up of a better machinery for regular stock verification and disposal of stores.	A note is still awaited from the Ministry of Finance (Department of Economic Affairs).	Note may be expedited.
41	95	Do.	The existing rules and the time schedule for periodical physical verification of stores should be strictly adhered to and no relaxation in this	Do.	Do.

regard made without prior approval of the competent authority.

42 97 & 98 Do.

The Ministry of Finance have observed that "so long as all taxes levied by any law were initially brought to account within the Consolidated Fund as revenue and all payments of equivalent sums to any fund or body were made by appropriation from the Consolidated Fund and all expenditure out of *ad hoc* funds under the control of the executive were initially treated as expenditure from the Consolidated Fund and remained subject to the ordinary process of voting and appropriation by Parliament the expenditure being reimbursed from the fund to the Consolidated Fund, the procedure conforms to the essential requirements of the Constitution and secures full parliamentary control".

The Committee would like this question to be referred to the Attorney-General for his opinion and advice.

43 101 Do.

A note stating the amount of rehabilitation loans given to the States so far, the amount that was due and the amount that had actually been repaid should be expedited.

The Ministry of Finance (Department of Economic Affairs) have submitted a note (Appendix XXI).

No comments.

The Ministry of Finance (Department of Economic Affairs) have started : "The matter is under consideration in consultation with the Rehabilitation Ministry and the

Note may be expedited.

Director of Audit, F.R.S.C.S.
& M".

44	104	Finance	There has been a lapse on the part of the High Commission for India in London in resuming the payment of pension in a certain case without any authorisation from Audit which was normally required specially when the pension was payable in some Indian treasury and not in the U.K.	The Ministry of Finance (Department of Economic Affairs) have noted it.	No comments
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106	Do.	The Committee are anxious that Government should persuade the Pakistan Government to arrive at an early overall financial settlement (including settlement of the Partition Debt amounting to Rs. 300 crores due to India) with India as it has been pending for more than 10 years.	The Ministry of Finance (Department of Economic Affairs) have stated: "Ever since the Secretariat level meeting of 1956 to prepare the ground for the meeting of the Finance Ministers of the two countries, there have been no developments. As stated in reply to questions with Parliament, it has not yet been possible to arrange a meeting of the Ministers."	The Committee would like to watch further developments.
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45	109	Do.	The Committee are not convinced of the justification for the special consideration shown to the officer concerned in allowing him to accept a further payment of Rs. 6,763/- from the Ceylon Government towards reimbursement of additional income-tax that was payable by him on account of Ceylon allowances. They feel that in the matter of tax liability the treatment to be meted out to all officers deputed for service under a foreign Government, under the Colombo Plan, should be uniform. They trust that there would be no occasion for the Committee in future to comment on such discrimination.	The Ministry of Finance (Department of Economic Affairs) have noted it.	No comments.
46	110 & 111	Do.	Keeping in view the spirit of the Constitution regarding supremacy of the Parliamentary Control over Finance, the matter relating to the regularisation of expenditure incurred on a 'new service' without approval of Parliament should be further examined in the light of the suggestions made by the Committee in Para 392 of this Report, in consultation with the Attorney General.	The Ministry of Finance (Department of Economic Affairs) have submitted a note.*	To be considered by the Committee.
47	113	Do.	(i) The Committee do not accept the interpretation sought to be given	The Ministry of Finance (Department of Revenue) have	No comments.

*Not printed.

by the Ministry to Section 4 of the Salaries and Allowances of Ministers Act 1952 (Act 1958 of 1952) and the Salaries and Allowances of Officers of Parliament Act, 1953 (Act 20 of 1953) by virtue of which a Minister or officer of Parliament receives (a) rent-free accommodation consisting of a furnished residence, the maintenance charges of which are borne by Government, and (b) free supply of electricity and water to the residence.

- 114 Finance . (ii) The Committee are of the opinion that the amendment to Section 7 of the Income-tax Act made in 1955 is intended to cover not merely the actual rental value of the rent-free accommodation but also any concessional recovery of rent. As such the valuation of rent-free residence at 10 % (if unfurnished) and 12 1/2 % (if furnished) on salaries under the executive instructions in the case of Ministers and certain other dignitaries of the Union Government whose salaries and privileges are regulated by Acts of Parliament is not correct. Further exclusion

stated: "The matter has been regularised as desired by the Committee and the Income-tax Law has been amended by Section 12 of the Finance Act, 1958, empowering the Central Board of Revenue to make rules for determining the value of any perquisite chargeable to tax in the manner and on such a basis as they may consider proper and reasonable. They have also been authorised to give those rules retrospective effect from such date as they think fit. These rules are now being framed, and are likely to be finalised before the end of the current financial year.

from the total income of the Ministers and other dignitaries of the value of water and electricity supplied free to them in terms of the relevant Acts of Parliament, following the old executive instructions, is not in accordance with the present law.

115 Finance . (iii) The conclusion therefore, is inescapable that the continued application of the executive instructions not in accordance with the present law is not only resulting in loss of revenue to the State but also is giving extralegal benefit to a class of people which is not permissible in view of the provisions of Section 60(3) of the Income tax Act.

116 Finance . (iv) In view of what has been stated above, the Committee desire that Government should consider the matter in all its aspects taking into consideration the opinion expressed by the learned Counsel and regularise this matter.

The Ministry of Finance (Department of Revenue) have stated: "The matter has been regularised as desired by the Committee and the Income-tax Law has been amended by Section 12 of the Finance Act, 1958 empowering the Central Board of Revenue to make rules for determining the value of any perquisite chargeable to tax in the manner and on such a basis as they may consider proper and reasonable. They have also been authorised to give those rules retrospective effect from such date as they think fit. These rules are now being framed, and are likely to be finalised before the end of the current financial year.

No comment.

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117 Finance . The Committee are informed that the realisation of the demands raised by

The Ministry of Finance (Department of Revenue) have

See para 62 of the Report.

the Income-tax Investigation Commission as at the end of February, 1957 stood at Rs. 13.10 crores. They would like to be informed of the settlement of these outstanding cases which the Ministry hope to complete by the middle of 1958-59.

stated: "As stated in paragraph 4 of the Department's last report dated the 8th May, 1957 to the P.A.C., in pursuance of the opinion of the Attorney General that the settlements before the Income-tax Investigation Commission could be considered as valid and binding contracts and are, therefore, enforceable, recovery proceedings were initiated for the realisation of the outstanding demands. These steps have, however been thwarted by certain assesseees who have taken up court proceedings challenging the validity of settlements entered into after the 26th January, 1950. One such case has been argued before the Supreme Court recently and the judgment is likely to be pronounced shortly. Further action to be taken in the matter of collection of arrears will depend on the verdict of the Supreme Court.

49	176	Food Finance	The Ministry of Finance should take up the question of control over grant-aided bodies and furnish a note to enable the Committee to consider this matter in detail.	The Ministry of Finance (Department of Expenditure) have stated: "The views of the administrative Ministries on certain aspects of the problem are being ascertained. A final communication will follow."	See para 65 of the Report.
<i>Seventh Report (Second Lok Sabha)</i>					
50	122	Rehabilitation Finance Administration.	"The Committee should be informed by 1st September, 1958, the amount of loans recovered and the corresponding reduction made in the various categories of Staff employed by the Rehabilitation Finance Administration."	A note has been submitted (Appendix XXII).	No comments.
51	124	Do.	(i) "It is apparent that the chances of recovery in the cases of certain categories of loanees from East Pakistan amounting to Rs. 114.25 lakhs are almost nil. The amount at stake in case of loanees who are still struggling to rehabilitate themselves is Rs. 162.23 lakhs on 31-12-56. Here too the chances do not appear bright. Thus the Rehabilitation Finance Administration are bound to be faced very soon with heavy bad or irrecoverable debts."	A note has been submitted (Appendix VII).	See para 71 of the Report.
52	125	Do.	(ii) "The Committee have not been informed of the various steps so far taken by the Rehabilitation Finance	A note has been submitted (Appendix VII).	See para 71 of the Report.

Administration in either tracing the loanees or their guarantors and making efforts to recover the outstandings. Apart from the loss of principal, the Rehabilitation Finance Administration have to pay interest to the Government of India at the rate of 3 per cent on the money advanced by it. In addition, the incidence of establishment charges has to be taken into Account."

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| 53 | 126 | Finance
<hr/> Rehabilitation Finance Administration. | (iii) "Taking into account all these factors, the Committee express their grave concern over this deterioration in the recovery of loans (apart from the interest). They suggest that Government should devise suitable measures in consultation with the West Bengal Government to retrieve the loss as far as possible." | The matter is under examination and a note will be submitted to the Committee as soon as possible. | See para 71 of the Report. § |
| 54 | 127 | Do. | "The Committee trust that it would be possible for the Rehabilitation Finance Administration to enforce recovery of their outstanding loans in respect of loanees from West Pakistan who are holding verified | A note has been submitted (Appendix VI). | See para 66 of the Report. |

claims in respect of property left by them in Pakistan. They should be informed of the progress made towards recovery of loans as on 31-3-58".

55	128	Do.	<p>"The facts and figures disclosed in the account of the Rehabilitation Finance Administration under report amply illustrate that the problem of bad and doubtful debts is likely to assume serious proportions in the near future. The Committee therefore, feel that the Rehabilitation Finance Administration should give their most serious consideration to this aspect. As the Administration were devising a suitable formula for the calculation of bad and doubtful debts, the Committee defer consideration of this question till such time as the administration worked out a formula".</p>	<p>A note has been submitted (Appendix IX).</p>	<p>See para 78 of the Report.</p>
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Fifteenth Report (First Lok Sabha)

56	103	Finance (Department of Economic Affairs)	<p>Government should take early action to frame Rules under Section 42 of the Act and lay them on the Table of the House.</p>	<p>The Rules under Section 42 of the Act have already been framed and have been called "The I.F.C. Rules 1957". (Under the I.F.C. Act, 1948, the Rules are not required to be laid before Parliament).</p>	<p>See para 79 of the Report.</p>
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Seventeenth Report (Second Lok Sabha)

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| 57 | 133 | Finance
(Department
of Economic
Affairs). | The procedure followed in the U.K. is that wherever a guarantee is given by Government which involves a contingent liability on the Consolidated Fund, the matter is placed before Parliament. This procedure is not generally followed in India and this precludes Parliament from being informed as to the magnitude of the sums guaranteed by the Government which constitute a contingent liability on the Consolidated Fund of the Government of India. This matter requires examination. | The Budget Division of this Department has taken up the matter and will soon submit a note to Public Accounts Committee separately. | See para 81 of the Report. |
| 58 | 134 &
135 | Do. | (i) The Committee are not sure whether the action of Government in the case relating to the lump sum payment of Rs. 21,000 on account of terminal Leave Salary to the Managing Director was legally correct in remitting it for decision to the Corporation as the powers of appointment of Managing Director of the Corporation vested in Government | A note has been submitted. | See para 83 of the Report. |

which was obviously the reason why the Corporation referred the matter to them. The Committee suggest that this question should be referred to the Attorney General for opinion.

(ii) The Committee are constrained to point out that despite their adverse comment in certain cases handled by this Officer (the former Managing Director) and dealt with in paras 112, 379-91 and 401-406 of their 15th Report, the Corporation allowed him to retire with a handsome *ex-gratia* payment of Rs. 21,000 (termed as "leave salary").

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59	137	Do.	Ceilings should also be prescribed in respect of pay granted to Corporation's employees posted to the Loanee Companies and copies of regulations under consideration of the Ministry in this regard, when finalised, should be furnished to the Committee.	Noted. Suitable Ceilings have been proposed in the draft Regulations, copies of which, when finalised will be furnished to P.A.C.	Note is awaited.
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60	139	Do.	With a view to bridging the gulf between the amount of loans sanctioned and that actually availed of Government should examine the various	Action has been already initiated and materials are being collected for necessary examination. Result of our examina-	See para 84 of the Report.
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			<p>stages laid down by the Corporation right from the stage of receipt of application till the actual payment of the loan and see what improvements can be effected.</p>	<p>tion will be communicated for the information of P.A.C.</p>	
61	141	<p>Finance (Deptt. of Economic Affairs).</p>	<p>The Committee observe that the Government have noted the recommendations made by them earlier that the Corporation should not flout or disregard the advice given by the Ministry of Commerce and Industry in the matter of grant of loans to new Industries since that Ministry is charged with the public responsibility for promoting the industrial development of the country. They desire that in cases where the Corporation have any reason to deviate from the advice given by the Ministry of Commerce and Industry, the former should add valid reasons for doing so.</p>	<p>The Industrial Finance Corporation have been asked to take note of this recommendation for compliance and the Corporation has noted the same.</p>	<p>No comments.</p>
62	142	<p>Do.</p>	<p>The Committee observe that the Comparative Statement showing the proportion that the establishment charges bear to the total expenses in the Industrial Finance Corpora-</p>		<p>Note is awaited See also para 348 of the Report.</p>

tion and similar other institutions both in India and other countries as furnished by the Corporation does not meet the specific recommendations made by them. Steps should be taken to bring down the high percentage of establishment charges on the corporation and the progress made in this direction be reported to the Committee when they next examine the accounts of the Industrial Finance Corporation.

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| 63 | 143 | Do. | The Committee are not satisfied with the Government merely having noted their earlier observations that the launching of the project for the building of the Corporation offices which had resulted in an infructuous expenditure of Rs. 2 lakhs was both inopportune as well as imprudent in view of the financial position of the Corporation as it was then. They therefore, desire that Government should investigate the matter further with a view to fixing responsibility for the loss and report to them the steps taken to effect recovery thereof. | The matter is being looked into. A note as to the result of the examination when completed will be submitted to the Public Accounts Committee. | See para 86 of the Report. |
| 64 | 144 | Do. | The Committee feel that instead of merely 'noting' the observations made by them, Government should | A note has been submitted on 24-1-59. (Appendix XVII). | No comments. |

have taken necessary steps for recovering the amount from the individual concerned more especially when the Government themselves admitted that this expenditure was not a proper charge on the Corporation. They regret to note that this person is no longer in the service of the Corporation and has already retired after having been given an *ex-gratia* payment of Rs. 21,000 in the form of leave salary, as referred to in para 134 above. They would, therefore, suggest that the Corporation should obtain the legal opinion from its Legal Adviser with a view to re-inforcing recovery of this irregular charge incurred by this officer.

65

148 Finance
(Dept. of
Economic
Affairs)

The Committee should be informed of the final outcome of the action taken against the guarantors for making good the loss of about Rs. 50 lakhs sustained by the Corporation in their deal with the Sodepore Glass Works which has since been written off.

Noted. The Corporation having failed to come to a satisfactory out of court settlement with the guarantors has filed a suit against the guarantors and the Company in the Calcutta High Court on the 19-9-58. Another

See para 87 of the Report.

suit is being filed in the District Court, Gaya, also. In the circumstances it will take a considerable time before the final outcome of the Corporation's action against the guarantors etc. could be known. The Committee will be apprised of the final outcome in due course.

Fifteenth Report (First Lok Sabha)

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| 66 | 52 | Agriculture | The case referred to in para 192(a) of the Commercial Appendix to the Appropriation Accounts (Civil) 1950-51 indicates that indents were placed without an adequate knowledge of foundry practice and timely action was not taken to cancel the indents. | The entire foundry equipment has been disposed of at a profit of Rs. 905/- | No comments. |
| 67 | 53 | Do. | The Committee would like to know why purchases in excess of the annual requirements were made by the C.T.O. during the years 1951-52 and 1952-53 and the extent of such surplus purchases. The responsibility for these excessive purchases should be fixed and adequate action taken against the officers concerned. | It is not possible to give very accurately the extent of surplus purchases. It may be stated that the purchases were made to build up a kind of reserve owing to the then prevailing international situation with the Korean War on. The subsequent yearly purchases made by this Organisation | Do. |
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were on a considerably lower scale and are as under:

1953-54	13,69,703
1954-55	4,68,870

From the above it will be seen that since a reserve had been built up C.T.O. has been consuming these parts and their purchases in subsequent years have shown a progressive decrease. The one possible reason for the purchase of spare parts in excess of the requirements is the distance between the location of the manufactures and the C.T.O. and the time taken in importing them. But the main cause is the practice of determining the requirements of spare parts on the advice of the Engineer of the Suppliers, which was a bad practice. A system of late has been evolved for the purchase of spare parts after scrutinising the demands thoroughly. The reasons for the excess purchase of these spare parts are attributable to the system and not to any in-

dividual. Any enquiry into the purchase of spare parts, in the opinion of the Ministry, would not serve any useful purpose.

Seventh Report (Second Lok Sabha)

68	16(b)	Agriculture	During the year 1953-54, in the case of Grant Nos. 43, 44 and 47, the sur- renders were in excess of the savings. The Committee wonder whether any arrangement exists in the Ministry to watch the progress of expenditure.	A note has been submitted. (Appendix XXIII)	No comments.
69	Do.	Do.	The Committee feel that saving under sub-head N-Cane Development and Regulation of Sugar Industry. Grant No. 45, Appropriation Accounts (Civil), 1953-54 is <i>prima facie</i> a case of defective budgeting and insuffi- cient control over the Central subsidy granted to the State Governments under the various Commodity Com- mittees and the Grow More Food Schemes. They would like to know the reasons for the delay in arriving at a decision on the changed pattern of financial assistance applicable to sugarcane schemes in this case.	A note has been submitted. (Appendix XXIV)	Do.
70	150	Do.	(i) The Committee are unable to accept the view that rules governing the purchase of spares by the Chairman, C.T.O. did not preclude him specifi- cally from importing them by air.	The comments of the Public Ac- counts Committee have been noted and instructions have been issued to the Chairman, C.T.O. to bring these to the	See para 94 of the Report.

They are of opinion that whenever the rules do not specifically confer certain powers on an officer, the correct thing to do would be to have the position clarified immediately by reference to the Administrative and Finance Ministries instead of acting on presumptions. In the present case, the matter was referred to Finance only after the order had actually been placed. There was no evidence on record as to whether Finance ever raised the question of the C.T.O.'s competence to order stores direct in this case. The Committee are surprised that Finance regularised the purchase without examining this aspect of the matter.

notice of the officers of the C.T.O. for strict observance in the future when making direct purchases. The comments of the P.A.C. have also been communicated to the Finance Ministry.

151 Do.

(ii) The Committee agreed that that there should be adequate delegation to facilitate smooth and expeditious working of the administrative machinery, but they would caution that such provisions should not be misused. They had in the past occasion to consider a similar case where project stores had been ordered by air and the freight alone cost

Do.

Do.

more than the stores themselves. In this case [cf. Para 2 of Audit Report (Civil), 1956—Part I.] it is obvious that even according to the delegated powers, the Chairman had exceeded his limits as the cost of the stores together with the freight thereon went above the limit of Rs. 10,000. The Committee would like the Ministries to take serious notice of such cases in future.

152

Do.

(iii) Judging from the slow rate of issue of these stores, the plea of urgency in support of their air-lifting is hardly convincing. The Committee, therefore, feel that the C.T.O. could easily have checked their requirements and placed the order through the D.G.S & D. Such orders by air not only lead to avoidable expenditure, but also indicate lack of proper forethought and planning on the part of the administration. Further, in this case no endeavour was made to restrict the import by air to the quantity that would have been required during the period the balance of stores would have taken to reach by the surface route. The Committee feel that such a course would be a better alternative to adopt in similar cases in future.

1	2	3	4	5	6
71	155 Agriculture	<p>(i) The Committee had commented in para 71 of their Sixteenth Report that it was wrong to take credit in the accounts of the Central Tractor Organisation for disputed charges outstanding on account of interest chargeable to the State Governments due to staggered recoveries from them. They are amazed that this practice was being continued in subsequent years also, especially when it was admitted by the representatives of the Ministry that Government were unable to realise interest from the States.</p>	<p>The matter of recovering the charges outstanding on account of interest was under correspondence between Ministry of Food & Agriculture and the State Governments. It was expected that the amount would be ultimately realised from the State Governments since it was considered to be a proper revenue of the C.T.O. It was ultimately decided, however, in 1957 in consultation with the Ministry of Finance that the amount need not be recovered from the States and should be written off as a loss. The necessary account adjustments have been carried out in the accounts of the C.T.O. for the year 1956-57 and the position has been set right.</p>	No comments.	
156	Do.	<p>(ii) The Committee consider it unfortunate that this matter was not handled effectively by the Ministry right from the initial stages which had led to the accumulation of large arrears of interest.</p>	Do.	Do.	

72	158	Do.	<p>Every proposal should be scrutinised by the Ministry of Finance in all its aspects before according approval. In the present case relating to the payment of subsidy to the C.T.O. a part of the funds voted by Parliament for being spent on G.M.F. schemes was to be diverted to meet certain losses incurred in the C.T.O. The Committee are of the opinion that in such cases where provision for expenditure has not been made in the Budget Estimates and the proposed expenditure represents a marked expansion of an existing scheme or service, it should be submitted for the prior approval of Parliament by means of a Supplementary Estimate. They regret that this important aspect was lost sight of by Finance. So far as this case is concerned, the Committee were given to understand that Government have since decided to exhibit this expenditure distinctly in the Estimates as a loss incurred by C.T.O.</p>	<p>The comments of the Committee have been noted. These have also been communicated to the Ministry of Finance.</p>	No comments;
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73	159	Do.	<p>(1) The Committee would like to know in due course the result of efforts being made by the Ministry for speedy disposal of tractor spare parts.</p>	<p>Out of spare parts of the Book value of Rs. 2,270 it has been possible to dispose of spare parts of the book value of Rs. 1,122. Spare parts of</p>	Do.
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the book value of Rs. 505 have been transferred to the stocks of T.D. 24 tractors of the C.T.O. for their own use. The book value of the remaining parts works out to Rs. 702 including Rs.50/- being the cost of 1.½ set of Fuel Filter Part No. 62946 DA subsequently received unused from the Bhopal unit after it was wound up.

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| 160 | Agriculture | (ii) In the present case where an enquiry into the unnecessary purchase of tractors and spares was conducted on the Committee's recommendations, a copy of the Report of Enquiry should have been furnished to the Committee. The Committee desire that in future whenever an enquiry is made at their instance, the Report of that enquiry should invariably be furnished to them. | Noted. | Do. |
| 161 | Do. | (iii) The Committee feel that in the face of the charge that the Officer against whom the enquiry was held | The comments of the P.A.C. have been noted and instructions have been issued to the | No comments. |

got an initial report by a subordinate technical officer about the quality of the implements substituted subsequently, and altered the noting on the file, the contention of the Ministry that there was no case for any action against any officer concerned with the transaction is untenable. In their opinion, it was a grave offence on the part of the officer to have tampered with the file which should have been dealt with appropriate severity. They regret to observe that Government had been needlessly mild in this case.

Chairman, C.T.O. to bring these to the notice of the officers of the C.T.O. for strict observance in future.

74

168

Do.

(i) The Committee are not satisfied with the reported pace of progress in disposal of stores and physical verification of stores in the C.T.O. They are afraid that unless this work is completed quickly the risk of more obsolete stores accumulating with time was there and it may nullify the work already done in this direction so far. They, therefore, desire that a time-limit should be set for this work and earnest efforts made to complete the work by that date.

A note has been submitted. See para 95 of the Report.

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163

Do.

(ii) The Committee desire that the reconciliation of discrepancies noticed in the physical verification of stores must be completed without further delay.

Do.

Do.

1	2	3	4	5	6
75	164	Agriculture	The Committee are of the opinion that before arriving at the profit in the sale of non-tractor parts not required for use in the C.T.O. the overhead charges including interest and storage charges should also be taken into account. The progress in the disposal of stores is slow and further additions to surplus stores as time passes has also to be reckoned with. The position of disposal of stores is far from satisfactory and warrants some reorientation of the procedure for declaring stores as surplus and disposing them of.	A note has been submitted. (Appendix XXV).	See para 96 of the Report.
76	165	Do	The Committee observe that the monetary limit for petrol, oil and lubricants has been fixed as Rs. 23,60,000 in the case of C.T.O. The Committee consider it to be obviously excessive as the stocks of these items are not required to be held for the whole year's requirements and their supply can be easily obtained.	The observations of the Committee have been noted and action to reduce monetary limits will be taken expeditiously.	No comments.
77	167	Do.	The Committee feel that there is much scope in a big and old organisation like the C.T.O. to bring down the	A note has been submitted. (Appendix XXV).	No comments.

cost of operation charges considerably so that the benefits of tractorisation are available to cultivators at reasonable cost.

78

169

Do.

The Committee are distressed to see the helplessness of Government in punishing the delinquent officials who were mainly concerned with the purchase of implements worth Rs. 45 lakhs from M/s Pashabhai Patel and Co. in 1946, as they had retired from service. But the responsibility for this rests squarely on the Government as it had taken them more than 10 years to arrive at the final decision in this case. The inordinate delay has only enabled the guilty officers to escape punishment. Even in regard to officers still in service, the action taken by Government is far from satisfactory. The warning administered to the two officers of the Inspection Wing of D.G.S. & D. under the Ministry of Works, Housing and Supply, was not even recorded in their Character Rolls.

Noted.

Do.

The Committee are definitely of the view that warnings, if they are to have any value, should be recorded in the

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Character Rolls for future reference at the time of promotion, re-employment or retirement.

79

170 Agriculture

(i) The Committee were at a loss to understand how the sum of Rs. 3,35,650 was accepted from Messrs. Pashabhai Patel & Co. to meet the cost of rehabilitation of the implements in final settlement of the case in so far as the firm was concerned.

A Note has been submitted. (Appendix XXVI). No comments.

172

Do.

(ii) The Committee are not convinced with the explanation of the Ministry that the Chairman, C.T.O. who was also *ex-officio* Deputy Secretary in the Ministry was not consulted in the matter of rehabilitation and modification of Pashabhai Patel implements as recommended by the Expert. They understand that the report on the performance of the modified implements was not satisfactory and there was no market for them. In these circumstances, Government should have preferred a claim against the firm for compensation covering the entire cost of implements. In

Do.

Do.

settling the compensation at Rs. 3,35,650 the firm has benefited at the expense of the taxpayer.

- (iii) The explanation given for not apprising the Committee of Officials who enquired into this case, of the views of the Chairman, Central Tractor Organisation, is neither satisfactory nor convincing. They are amazed at the distinction sought to be made by the Ministry about the opinion given by the Chairman, Central Tractor Organisation, who was holding a dual appointment, namely the Chairmanship of the Central Tractor Organisation and Deputy Secretaryship in the Ministry of Food & Agriculture. Such a situation is the outcome of appointing an Officer of the Secretariat to be simultaneously in charge of the administration of an organisation under the Ministry. The Committee trust that Government will profit by such experiences.

Fifteenth Repors (First Lok Sabha)

80

49 Food

The Committee agree with the conclusions arrived at by the Ministry of Finance in the case referred to in

The Department of Food *vide* See para 104 of the their U.O. dated 24-12-58 has Report. stated as follows: "The report

Para 8(d) of the Audit Report (Civil), 1952—Part I relating to the loss on purchase of condensed milk that if an examination of the stuff on arrival had been done it was probable that as in the case of the first consignment, a portion of which was also found unfit for human consumption on account of deterioration, the Khadi Pratisthan would have agreed to take back the damaged portions of the second lot also.

of the Enquiry Officer of the Administrative Vigilance Division, Ministry of Home Affairs, has been received. The findings of the Enquiry Officer are—

(a) The absence of the Warranty Clause in the formal acceptance of Tender was an omission for which the Office of the Chief Director of Purchase, including the then Director of Purchase was responsible.

(b) If the Ministry of Relief and Rehabilitation and the Director-General, Health Services had moved in the matter quickly, the extent of loss caused to Government would have been negligible.

In regard to Finding No. (a) the papers have been sent to the U.P.S.C. for their views and further action against the officer concerned will be taken when the reply has been

received. In regard to Finding (b), the comments of the Ministry of Relief & Rehabilitation and the Director-General of Health Services have been called for.

Seventh Report (Second Lok Sabha)

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| 81 | 174 | Food | The Committee feel that undoubtedly the officer in the Indian Embassy had acted beyond his jurisdiction in agreeing to the additional provision in the contract for purchase of sugar from a foreign firm without first consulting the Ministry. In their opinion, it was not a <i>bona fide</i> mistake but a case of failure on his part to carry out specific instructions. The Committee desire that the displeasure of the Government should now be formally communicated to the officer and the fact reported to them. They are unable to accept the plea that the officer did not know the correct form to be adopted. | The Department of Food has stated that the action is being taken by the Ministry of Commerce and Industry under whom the officer is employed. | No comments. |
| 82 | 175 | Do. | The Committee are unable to accept the plea that the officers were not aware of the correct form to be adopted in such cases of acceptance of tenders which in accordance with the provisions of the Constitution should | The Department of Food has stated that necessary action has been taken and a circular letter issued to all concerned. | No comments. |
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be in the name of the President and be followed by the execution of a formal contract. They understand that there is a list which indicates the authorities competent to sign contracts on behalf of the Government. The Officer concerned had not obviously consulted this list before he signed the acceptance letter. The Committee had in the past occasions to comment on similar cases. But such cases still recur. They therefore, recommend that all officers dealing with contracts should be made familiar with these elementary principles of contract so that defaulting contractors do not escape on technical defects in procedure and can be dealt with suitably under the terms of contract.

- 83 177 Food The Committee regret to observe that in spite of the assurance of the witness before them, the requisite note has not been received so far. A note has been submitted. (Appendix XXVII). No comments.
- 84 178 Do. The Committee could not take up consideration of this case for want of requisite note from the Ministry. A note has been submitted (Appendix XLII, 7th Report, Volume II). No comments.

which is still awaited. They would urge the Ministry to expedite the submission of the note.

Sixteenth Report (First Lok Sabha)

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| 85 | 77 Health | The Committee appreciate the difficulties in the way of the Ministry in preventing the accumulation of large surpluses in the Medical Stores Depots; they regret to note the inordinate delay in the disposal of items. | A note has been submitted. (Appendix XXVIII). | No comments. |
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Seventh Report (Second Lok Sabha)

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| 86 | 16(f) | Do. | (i) The Committee are of the opinion that in the light of experience of large savings, accruing from the non-utilization of Grants made to the various State Governments for implementation of health schemes etc., as disclosed in the Accounts under Report providing funds merely on assurances from the State Governments concerned that the scheme in question would be implemented is risky as it immobilises funds which could well be spent on more urgent and important schemes. They feel that it would be prudent on the part of the Ministry not to accept any scheme put forward by the State | The recommendation has been brought to the notice of all concerned under this Ministry for careful note and future compliance. | Do. |
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Governments unless its details have been worked out and it has received the concurrence of State's Finance Department. They desire the Ministry to profit by experience and to avoid over-budgeting in such cases.

(ii) In the case of non-utilisation of the lump sum provision made for the All India Medical Institute on the understanding that the architects would put up the plans by May or June, 1954, the Committee suggest that in such cases the Ministry should start upon a scheme with a small provision and if there was rapid progress in the construction, recourse may be had to a supplementary grant.

The recommendation has been brought to the notice of all concerned under this Ministry for careful note and future guidance.

No comments.

87 179 Health

The Committee regret to point out that shortage in stores in the custody of the Medical Stores Depots should continue to be shown even after they had been reported.

A note has been submitted. (Appendix XLIII, 7th Report, Volume II).

Do.

88 181 Do.

The Committee are not convinced of the reasons for such a long delay involved in ejecting an unauthorised displaced person who was occupying

A note has been submitted. (Appendix XXIX).

See para. 109 of the Report.

a part of the premises of the Medical Stores Depot, Bombay. The delay of three years in filing the suit since the date of orders of the Ministry for filing a suit is unconscionable.

It is needless to stress the imperative necessity of furnishing complete information to the Solicitors in the first instance so as to avoid any delay in instituting legal action. In the present case, the Committee should be informed about the progress made in the eviction of this unauthorised occupant of Government premises as also the rent and damages recovered from him for the period of his occupation.

89 182 Do.

The Committee note that at this distance of time it was impossible to punish any person or persons for mispostings in the stores accounts of the Medical Stores Depots during the war years, and their failure to reconcile the accounts even if the responsibility was fixed. The Ministry's note only shows the continued laxity in maintaining the stores accounts even after the termination of the war.

This observation has been noted. No comments.

1	2	3	4	5	6
90	183	Health	The Committee await the requisite note regarding scheme for Cinchona cultivation and purchase of quinine substitutes from the Ministry. (Referred to in para 78 of the Sixteenth Report).	A note has been submitted. (Appendix XXX).	See para. 407 of the Report.
91	184	Do.	The Committee desire that the note regarding subsidiary accounts of the Central Research Institute, Kasauli may be got vetted by Audit and resubmitted to them. (Referred to in para. 79 of the Sixteenth Report).	A note has been submitted. (Appendix XXXI).	See para. 107 of the Report.

Fifteenth Report (First Lok Sabha)

92	17	Home Affairs.	The Committee should like to be furnished with a Report stating the result of re-examination of each case listed in para. 18-A of Audit Report (Civil) 1952 Part I, as well as others which were still under examination by Audit in which there had been an infraction of the broad principles of settlement stated to have been followed by Government at the time of merger of the Indian States, when they take up consideration of the next year's Accounts.	A note has been received (Appendix XLV, Seventh Report, Vol. II.)	No comments.
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Seventh Report (Second Lok Sabha)

93	173	Do.	The Committee desire that a copy of the judgement of the High Court in the Fertilizer Deal Case may be furnished to them. They would also like the Ministry of Home Affairs to communicate to the Committee the final outcome of the appeal of the other officer pending in Supreme Court.	..	Action taken may be expedited by the Ministry of Home Affairs.
94	185	Do.	The Committee are unable to appreciate the difference between the two cases relating to the hiring of two houses for the office/accommodation at Srinagar as the (verbal) commitments made in both the cases were identical. Such a situation would not have arisen had the basis of the negotiation been put on record in writing by the officer concerned.	..	Do.
95	186	Do.	The <i>proforma</i> accounts of the Forest Department of Andaman and Nicobar Islands should be recast in consultation with Audit after taking into account the sale proceeds of the stock of timber since disposed of.	..	Do.
96	187	Do.	The Ministry of Home Affairs should review the whole position of the working of the Marine Department Stores, Andamans and consider whe-	..	Do.

ther having regard to the actual issues, the stocks held are not excessive as this is always fraught with two risks, *viz.*, firstly, deterioration and secondly, obsolescence by the lapse of time, apart from the unnecessary locking up of funds. The Committee trust that by the time they next take up examination of the Accounts relating to the Andaman and Nicobar Islands, a better picture regarding the working of the Marine Department Stores would be presented to them.

97 188 Home
Affairs

The Ministry should investigate into the continued losses in the working of the various sections of the Marine Department and reduce the overheads by making adjustments in the centage rates, if necessary, so that they are not disproportionately high as compared to the labour cost.

Action taken may be expedited by the Ministry of Home Affairs.

98 190 Do.

The Committee desire that the note on para 80 of their 16th Report regarding unauthorised retention of heavy cash balances should be got vetted by Audit and resubmitted to them at an early date.

Do.

99	191	Do.	The Public Accounts Committee (1955-56) had hoped that with the setting up of a Vigilance Organisation in the Ministry, disposal of such cases involving disciplinary action would be expedited. But the Committee regret to observe that things have not improved much. They would like the Ministry to examine and report to them whether speedy action was being taken in cases of disciplinary action.	..	Do.
100	258	W.H. & S. ' Home Affairs.	Full facts on all aspects of disciplinary cases for advice should be furnished to the U.P.S.C. in the first instance so that proper advice could be given without waste of any time.	The Ministry of W. H. & S. have noted this.	Do.
<i>Sixteenth Report (First Lok Sabha)</i>					
101	92	Information & Broadcasting.	Providing Home Service to Radio holders through postman and its effectiveness in checking piracy.	The question of providing home service to radio-holders through postman has been carefully considered in consultation with DGP&T. It is not, however, considered possible to accept the recommendation on account of financial implications and administrative considerations.	See para 121 of the Report.
<i>Seventh Report (Second Lok Sabha)</i>					
102	193	Do.	While the Committee appreciate the force of the Ministry's arguments that while examining the question	Note will be submitted after it has been vetted by the Director of Commercial Audit.	A note is awaited. See also paras 119-20 of the Report.

of loss in Radio Stations and Radio Publications, it should be remembered that A.I.R. was not only an expanding and developing service but it also performed certain services *e.g.*, external services for which the A.I.R. could expect the Grant-in-aid from the Government besides the A.I.R. undertook plan publicity and educational broadcast for which it did not receive any payment. they nevertheless feel that even after allowing for this expenditure on external services (which according to the Ministry's own rough estimate, might be of the order of Rs. 20 lakhs per annum at least) the overall loss incurred on its working is on the high side. As one of the measures to counteract these losses, the Committee would suggest that the question of a graded licence fee depending on the number of valves in radio sets, instead of a flat rate for all sets as at present should be examined. The Committee trust that by the implementation of this suggestion, it would be possible for the A.I.R. to reduce its recurring financial losses.

Another revenue earning measure which the Committee had also in the past suggested is the production of cheaper radio sets. The Committee observe that not much headway has been made in this direction so far. They would suggest that Government should devote greater attention to this question and facilitate the manufacture of cheaper Radio sets within the reach of lower income groups of the population.

103

194 I. & B.

The Committee feel that the proportion of free distribution of Radio Publications is rather on the high side and they see no justification for it. They are also of opinion that the Publication of journals with a circulation of 5000 or less should be discontinued as it is not economical to bring them out.

The Committee are not sure how far the above reduction price will stimulate the sales. They would re-

The supply of complimentary copies of radio journals is now governed by the principles indicated against item 61 of the statements showing the action taken on the recommendations of the sixteenth report of the P.A.C., *vide* this Ministry's letter No. 6/4/56-B&G, dated 5-3-57. As indicated therein the supply of complimentary copies has been considerably pruned down. Payment is now made through book adjustment for most of the copies previously supplied free for official purposes.

2. Only three programme journals (Awaz, Sarang & Nabho-vani) have a circulation of

To be considered by the Committee.

commend for the consideration of the Ministry an increase in the Radio licence fee by a rupee or so and supply of a free copy of the programme portion of the journal of his choice to each licence holder. The desirability of inclusion of tit bits of interest here and there in these radio programmes to provide additional recreation and education for which radio is intended should also be considered. The Committee should be informed of the action taken by government in the matter.

less than 5000. The question of discontinuing these journals was recently reviewed. Journals in Urdu, Hindi & Gujerati, considered suitable for publishing AIR programmes are being asked whether they would be interested in publishing the programmes. The question of discounting these three journals and sending programmes to the selected language journals will be examined in the light of their response.

3. The price of 'Awaz' and 'Sarang' was reduced in Jan., 1958. As would be seen from the circulation figures given below the circulation of these journals has gone up :

Journal	November	
	1957	1958
Awaz .	1150	1825
Sarang .	2559	3912

4. The question of increasing the licence fee by a rupee or so in lieu of the supply of a free copy of one radio programme journal to each licence has been examined. The financial aspect of the proposal has been worked out tentatively and on the present basis (of nearly 14 lakhs of licences), the licence fee would have to be increased by about Rs. 5 to cover the cost of production, distribution etc. Income on account of the levy of additional fee of Re. 1 will result in an increase of revenue of Rs. 14 lakhs per annum. As against this, the gross expenditure on the supply of 14 lakhs copies of Radio Journals according to tentative estimates, would amount to Rs. 82 lakhs per year. Revenue from advertisements is expected at Rs. 14 lakhs. Even if these tentative estimates should be capable of being reduced it is not expected that the levy of an additional licence fee of Re. 1 or so would prove adequate.

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104	195	I. & B.	The Committee desire that the outcome of review of the A.I.R. organisation by the Economy Unit may be expedited and reported to them.	5. Reading matter, consisting of material already broadcast, is being included to a larger extent in the Radio Journals.	The latest position may be stated.
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The Special Re-organisation Unit has not so far taken up the review of staff requirements of All India Radio. They have now asked (on 28-12-58) for the services of an officer of the rank of Assistant Station Director to assist the Unit in the matter. This has been agreed to on 29-12-58 and steps are being taken to attach an officer to the Unit. The Special Re-organisation Unit have informed this Ministry that the completion of the principal sectors of the work would require not less than about six months.

Seventh Report (Second Lok Sabha)

105	16(d)	Irrigation and Power.	In this case, the entire grant of about Rs. 5.2 crores remained unutilised. Similar was the position in 1954-55	Note submitted. (Appendix XII).	See para 124 of the Report.
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(Grant No. 129—page 9). The Committee were informed that this related to equipment under the Colombo Plan which was not received. The Ministry agreed to examine whether there had been any fault on their part and to furnish a note to the Committee. The Committee desired that the proposed note should also indicate whether non-arrival of the equipment retarded the plan programmes in any way, and if so, to what extent ; and whether any expenditure was incurred in India in the expectation that the equipment would arrive. They also desired to know the dates on which the equipment was expected to arrive and was actually received and in which year's accounts its cost had been adjusted. This information is still awaited.

106	197 Irrigation & Power.	The Committee are of the opinion that it is high time that the Ministry launched a system of Administrative Audit by technical persons in various projects financed by the Centre. They do not think that the States would object to such a system being introduced in various projects.	Letter No. 23(1)/55-Policy dated the 2/3rd January, 1959 issued by the Ministry indicating the action taken on the recommendation received (Appendix XXXII).	No comments.
107	198 Do.	The Committee are of the opinion that the time-lag between the declaring of machinery as surplus and its dis-	Appropriate action has been taken. A copy of letter No. 6(1)/58-Policy dated the 8th	No comments.

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posal should be eliminated. They also suggest that the various Projects and Departments might be informed in advance about the machinery and equipments that are likely to be declared surplus by the Projects so that the formalities could be settled in time and the transfer effected as soon as the machinery and equipments are released.

February, 1958 addressed to all State Governments is enclosed (Appendix XXXIII).

Seventh Report (Second Lok Sabha)

108	199 Labour and Employment	The representative of the Ministry promised to furnish a note to the Committee stating particulars of the schemes which were stated without estimates.	Note submitted) Appendix XXXIV). No comments.
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109	200 Do.	The Committee were dissatisfied with the inordinate delay in settling the case relating to the drawal of a forged bill and desire that the decision may be expedited.	The case is pending with the Ministry of Finance. On a reference having been made by that Ministry to the C.&A.G., the latter has proposed to consider the matter in a meeting with the Ministries. The decision when known will be communicated to the Committee.	Further developments may be watched.
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(i) The Committee were informed by the Ministry that the previous Deputy Manager of an Industrial Training Institute, Bombay through whose laxity of supervision an account clerk misappropriated a sum of Rs. 4211 by falsification of accounts had since been reverted to this permanent post under the Central Railway and no further action was being taken against him in the Ministry. Disciplinary action was, however, being taken by the Railway Department. In the opinion of the Committee, this raises an important point of procedure in disciplinary matters. In cases where one Department of Government borrows the services of some official and the latter commits some financial irregularities in that Department, the borrowing Department is in a better position to launch disciplinary action against the official as it is in full possession of the facts of the case. On arriving at a decision about the quantum of punishment depending on the gravity of the offence, the papers should be forwarded to the lending Department for further action if the officer had already been sent back

The Ministry of Labour & Employment, D. G. R. & E. have noted for guidance.

No comments.

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			<p>to his parent Department. It is surprising that the Ministry of Labour did not act in accordance with the procedure for instituting disciplinary action in respect of Government officials on deputation laid down by the Ministry of Home Affairs in this behalf.</p>		
			<p>(ii) The Committee would like to know the findings of the Departmental enquiry instituted against the official concerned and the disciplinary action taken against him by the Railway Authorities.</p>	<p>Notes have been received from the Ministries of Railways and Labour and Employment (Appendices XXXV and XXXVI).</p>	<p>No comments.</p>
111	202	<p>Labour & Employment</p>	<p>Storage of articles in excess of requirement is fraught with risk of deterioration and consequent loss to Government apart from locking up of public money.</p>	<p>Noted.</p>	<p>No comments.</p>
112	203	<p>Do.</p>	<p>The Committee are not satisfied with the reaction of some of the Ministries to their proposal for inserting a mandatory clause in all the contracts coming within their purview whereby the contractors should notify the vacancies to the Employment Ex-</p>	<p>The Ministry have since stated : "The Cabinet has approved the proposal for legislation on 18-12-58 and necessary Bill is in the process of draft-</p>	<p>Do.</p>

changes. They feel that with a view to making the Employment Exchange an effective organisation and ensuring proper utilisation of the manpower resources in the country, the Ministry of Labour should once again draw the attention of the Ministries concerned to the basic principles underlying the recommendation made by the Committee and impress upon them to desirability of implementing it as far as possible.

ing in the Ministry of Law. It is intended to introduce the Bill. *If possible during the next session of the Parliament”.

A note has also been submitted (Appendix XXXVII).

112-A 204 Labour & Employment

The authorities in charge of the Training Centres and Employment Exchange Organisation in the States should take keen interest in the matter of keep in tract of the extrainees and establish personal contacts with the principal industrialists and other employers and exhort them to employ the personnel trained by the Exchanges as far as possible.

Recommendation has been brought to the notice of all the State Government Departments dealing with Employment and Training.

No comments.

Seventh Report (Second Lok Sabha)

113 263 W.H. & S.
Law

The Committee desire that the Law Ministry should *inter alia* look into the American Legislation and examine the feasibility of enacting similar

A note has been submitted by the Ministry of Law (Department of Legal Affairs) (Appendix XIII).

See paras 127-128 of the Report.

*Government have since given notice of their intention to introduce the Bill during the current session of Lok Sabha (*vide* Lok Sabha Bulletin—Part II, dated the 8th Feb., 1959, page 1662, item 12).

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legislation to safeguard the interests of the Exchequer by enabling Government to reopen past contracts where unconscionable payments had been made.

265 Law

The representative of the Ministry of Law promised to submit a detailed note regarding (i) steps to be taken to avoid conflicting legal opinions and strengthening of the organisation giving legal advice for avoiding delay; and (ii) the scope of revision of contract forms with a view to safeguarding the interests of Government and to enable the Government to reopen past contracts when unconscionable payments had been made.

A note has been submitted by the Ministry of Law (Department of Legal Affairs) (Appendix XIII).

See paras 127-128 of the Report.

Seventh Report (First Lok Sabha)

114

20 Rehabilitation

The Ministry should undertake a review of the more important audit objections which revealed leakage of Government money and gross mismanagement on the part of the administrators of the various camps in consultation with the Accountant General Food, Rehabilitation and

A note has been submitted (Appendix XXXVIII)

The Committee desire that attempts should be made further to trace the officials at fault and to determine the action to be taken against them.

Supply and see whether they could fix responsibility on particular individuals and determine the action to be taken against them.

Seventh Report (Second Lok Sabha)

115	205 Rehabilitation	<p>The Committee regret to point out that in this case regarding delay in payment of compensation to landlords for acquisition of land for rehabilitation of displaced persons, the delay has been further aggravated in the acquisition of land owing to delayed sanction of disbursing staff for payment of compensation to the landlords.</p> <p>In the present case, the Ministry should as early as possible, issue necessary sanction to cover the interest already paid and should fix the responsibility for the delay in the payment of compensation. The Committee should be informed in due course of the progress of payment of compensation to the remaining exowners.</p>	<p>(i) Sanction letter has been issued to cover payment of interest of Rs.60,878/- already paid to the land owners.</p> <p>(ii) The Chief Secy. Delhi Admn. has been requested to fix responsibility for delay in making payment of compensation to land-owners. Their final reply is awaited.</p> <p>(iii) The position regarding payment of compensation to the remaining land-owners is being ascertained and will be intimated in due course. A note has also been submitted (XXXIX).</p>	<p>The Committee desire that the Chief Secretary, Delhi Administration, who had been asked to fix the the responsibility for delay in making payment of compensation to landowners should be asked to expedite the matter. They also desire to be informed of the latest position regarding the payment of compensation to the remaining land owners.</p>
116	206 Do.	<p>The Committee are unable to appreciate the subtle distinction between different kinds of government dues recoverable from displaced</p>	<p>The question with regard to recovery of arrears of rent and dues of Works, Housing & Supply Ministry</p>	<p>The Committee desire that the decision in the matter of recovery of arrears</p>

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persons to Government. They trust that it should not be difficult for Government to find a way out for the adjustment of all dues to Government from the compensation payable to the displaced persons.

and other Govt. dues out of compensation payable to displaced persons is still under consideration.

of rent and dues of the Ministry of W. H. & S. and other Government dues out of the compensation payable to the displaced persons should be expedited.

117

207 Rehabilitation

The Committee would like to know the reasons for not taking specific sanction for relaxing the requirements of calling for tenders in this case (grinding wheat) and how the Financial Adviser and Accounts Officer attached to the Camp, whose duty it was to guide the Camp Commandant, overlooked this fact.

Note submitted. (Appendix XL)

No comments.

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118

208

Do.

The Committee would like to know the further action taken by the State Governments against the delinquent persons who held charge of the Sabarmati Ahmedabad, Phaphamau and Allahabad Camps.

Note submitted (Appendix XLI) Govt. of Bombay have intimated that the case of the contractor who overcharged the Govt. for supply of vegetables to Displaced persons at Sabarmati Camp has been finalised

Action against the delinquent officers may be expedited.

and necessary action for filing a suit against him is being taken by them. As regards Govt. of Uttar Pradesh the explanations of the officers concerned have been obtained and are being examined by them. Action is proposed to be taken in the light of the findings arrived at finally. Both the States have been requested to finalise the case expeditiously.

119	209	Do.	The Committee would like to know what steps have been taken by the Ministry to realise the amounts from the various persons employed in charge of the camps and against whom disciplinary action was taken for fraud, embezzlements, etc.	Note submitted (Appendix XLII)	Further progress may be watched.
120	210	Rehabilitation	Information already called for by the Committee as to the manner in which the loss on account of non-repayment of rehabilitation loans by displaced persons is being calculated and at what intervals and the amount of loans written off so far by the Central Government should be expedited. <i>Seventh Report (Second Lok Sabha)</i>	Note submitted (Appendix XLIII).	Further development in this case may be watched.
121	49	Scientific Research	The subsidiary accounts of the Survey of India appended to the Appropriation	A note has been submitted (Appendix XLIV).	See para 132 of the Report.

Accounts revealed accumulation of surplus stores in the Photo Litho Sections which, in the opinion of the Committee, would have been avoided by restricting the purchases according to needs. Stocks of chemicals, etc. which are liable to deterioration and which can be obtained from the market readily should be at the minimum. The Committee desire that the existing stock position of such stores should be reviewed & ceiling limits fixed for stocking such stores.

122

51 Scientific Research

The Committee were not convinced of the need for a separate Corporation *viz.*, National Research Development Corporation for developing the processes and invention and in assessing their commercial potentialities. In their view, the Council of Scientific and Industrial Research could as well do this work.

This recommendation of the P.A.C. was considered at a meeting of the Board of Directors of the National Research Development Corporation on the 24th September, 1958. The Board was of the view that in the context of existing conditions, the N.R.D.C. had a positive role to play in securing an adequate share for the national research effort in the contemporary and future industrial development of the

See para 133 of the Report.

country and that the deficits being incurred by the Corporation were insignificant when the over-all expenditure on research was taken into consideration. The Board also hoped that within the next few years N.R.D.C. of India might be able to attain reasonable self-sufficiency, and has, therefore, recommended that there is every justification for continuing the N.R.D.C. for some more time and watch the results of its efforts which were already beginning to bear fruit.

The above recommendation of the Board of Directors of the National Research Development Corporation is at present under active consideration of the Government, in the light of the observations made by the Public Accounts Committee on the subject and the final decision thereon is expected to be reached shortly. Meanwhile, this interim report is sent for the information of the Committee.

123	52	Scientific Research	The Committee trust that Government would take the first convenient opportunity to embody the functions of the Council of Scientific and Industrial Research in a statute.	A note has been received (Appendix XLV).	See para 134 of the Report.
124	53	Do.	The Committee regret to state that the Ministry have not appreciated the significance of the recommendation made by them that where it is desired that continuing functions involving substantial expenditure should be exercised by autonomous bodies like the C.S. & I.R. the powers and duties to be exercised by it should be defined by specific statute. While they agree with Government that it is necessary to have an autonomous organisation for the purpose of carrying out research work and to enable it to work independently without interference from Government Departments, the Committee feel at the same time that it is of paramount importance that the expenditure is subject to effective parliamentary control.		

125 54 Do. The Committee are not sure how far the suggestion of the Ministry that the administrative, reports and Accounts of the C.S.&I.R. and Audit Report thereon might be placed before Parliament to enable it to exercise the requisite control over the affairs of the Council, will meet the purpose they have in mind. They would, therefore, like the Ministry to re-examine the case and submit a considered note to them.

126 55 Scientific Research

The Committee feel that the Research institutions should largely devote their attention towards "Applied Research" solving the problems posed by the indigenous industries in the matter of discovering suitable substitutes for foreign components, exploitations of the scientific discoveries made for the development of various industries and the trial of pilot projects on behalf of some of the industries so that the optimum use of the researches carried out by them could be made. They would also like the Ministry to examine the steps that should be taken to facilitate greater co-operation between the scientific Institutions and the Industry in the Country.

A note is submitted (Appendix No comments. XLVI).

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Sixteenth Report (First Lok Sabha)

127	103	Mines & Fuel.	The Committee suggest that now that the Government have accepted the recommendation made by the last Committee, that, the Accounts of Coal Production Fund should be closed as on 31st March, 1956 and the balance credited to the Consolidated Fund, the Ministry of Production should debit the Railway Department with the outstanding amount so that the responsibility for effecting the recoveries from the parties concerned or to write it off, if not recoverable, as they might deem fit, should devolve on them.	Note submitted (Appendix XLVII) It was not possible to close the accounts as on 31-3-56 as the accounts disclosed a net deficit of Rs. 123 lakhs for which a provision was made in the Budget Estimates of 1957-58. Action had now been more or less completed by the Director of Audit(F.R.S.C.S&M) to adjust the accounts. With regard to the debiting of outstandings to Railways, it was stated that the Railway Board were of the opinion that they were only acting as agents for the collection of the Cess and were not liable to pay any outstanding amount. The Ministry of S.M.F. are of the opinion that the point may not be pursued further.	No Comments.
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(Further Note received Appendix XLVII)

- (i) The Committee deprecate the inordinate delay that had occurred in the notification of the rules made under the Coal Mines (Conservation and Safety) Act, 1952 providing for the levy of cess on all coal and coke despatched from the collieries. Secondly, they feel that by confining the levy of the excise duty on Coke and Coal to despatches by rail only and leaving out coke and coal despatches by road or river even after the enactment of 1952, Government have gone beyond the powers conferred on them by the Law enacted by Parliament.
- (ii) When the excise duty was not levied on despatches of coal and coke by means other than rail, such despatches had been considerable, *viz.*, 1.061 million tons in 1953 against the despatches of 31.473 million tons by rail. This only shows that there has been a considerable loss of revenue on movements of coal and coke by means other than rail prior to the 25th September, 1954 which could have been avoided had Government taken earlier action.

In this connection a copy of the Department of Parliamentary Affairs O. M. No. SRIII (6)/CB/58 dated the 27th May, 1958 is attached.* The Committee on Subordinate Legislation have already recommended that when an Act requires certain matters to be regulated by Rules etc. to be made thereunder, such rules should be framed immediately after the commencement of the Act. The matter has, however, been taken up with the Department of Parliamentary Affairs through the Ministry of Law, for issuing further instructions, as it is of a general nature affecting all the Ministries.

Recommendations of the Committee on Subordinate Legislation regarding elimination of delays in framing rules under subordinate legislation may be awaited.

*Not printed.

(iii) The Committee do not see any satisfactory reason for delay on the part of Government despite the advice of the Ministry of Law. They, therefore, suggest that with a view discountenancing such a situation arising in future, the time limit by which rules should be framed by the Executive under delegated legislation should be fixed. Moreover, these Rules should strictly follow the provisions and be within the scope of the substantive legislation.

129 226 Mines & Fuels

The Committee can do no more than express their dissatisfaction at the manner in which this case relating to the delay in disposal of Government building, as commented upon in para 30 of their 15th Report, was dealt with. As regards the sale of buildings, it has been stated that a payment of Rs.25,000 has been realised from one colliery and the issue relating to another is under arbitration. Further developments in the case should be intimated to the Committee.

Note submitted (Appendix XLVIII).

(Appendix

Further developments of the case may be awaited.

The impressions gathered by the Committee during their visit to Rourkela Steel Project confirmed the views of the professional auditors of the Company that the accounts at Rourkela called for immediate attention as the Accounts Department there had exercised little or no control over the affairs of the Project. When questioned about the financial control exercised, the Committee could not get a satisfactory answer in the absence of firm estimates of expenditure for the different items of work.

It is understood that following the concurrent audit of the accounts of the steel projects, the Audit Report of the Comptroller and Auditor General for the year 1958 has been placed before the Lok Sabha. Hindustan Steel Private Limited have been asked to submit the estimates of cost of different items of work showing:

No Comments.

- (i) the value of contracts concluded;
- (ii) the expenditure already incurred on items of work for which no contractors have been employed.
- (iii) the estimated value of contracts still to be concluded; and
- (iv) the estimated expenditure remaining to be incurred on items of work for which contractors have not been or are not proposed to be employed.

Note also submitted (Appendix XLIX).

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131. 213

Iron and
Steel

In the opinion of the Committee, had Government prepared a co-ordinated plan for the expansion and development of the Visakhapatnam Port and providing it with suitable plant and machinery to cope with the increased traffic it was to handle in connection with the oil refinery and steel plants, Government could have avoided the liability for payment of demurrage charges to the tune of several lakhs of rupees for the detention of ships for want of unloading facilities at the port. The Committee would recommend that Government should accord top priority to the development of the Visakhapatnam Port so that the Port could handle the traffic expeditiously. In the meantime, Government should see that the ships carrying plant and machinery for the Bhilai Steel Plant are diverted to other ports, if necessary, so as to ensure that the cargo is unloaded without delay.

With the additions made to the handling facilities in the port of Vizag, there has been considerable improvement in the rate of unloading cargo for the Bhilai Steel Project. The port of Calcutta has had to handle, besides the growing commercial imports, plant and machinery and construction equipment for the four steel plants in Jamshedpur, Burnpur, Rourkela and Durgapur. The Railways could not handle, in addition, traffic for Bhilai from the port of Calcutta. The port of Bombay was heavily congested and could not receive any ships for Bhilai until about the end of 1957. The railway haulage from Bombay to Bhilai is very much longer and presents difficulties in regard to oversize and heavy consignments. Since the end of the last year with the improvement in the situation in the Bombay port, it has been pos-

No Comments.

sible to arrange to unload about three ships bringing stores from the USSR, every month in that port. It may be added that nearly 90% of the shipments from the USSR for the Bhilai Steel Project have already been received and cleared and there would be no difficulty in handling the balance in time.

132.	214	Do.	The Chairman, Public Accounts Committee, undertook a study visit to the Rourkela and Bhilai Steel Projects towards the end of March last. As a result of on the spot study he suggested to the project authorities that case histories of the steel projects in the public sector right from the stage of their conception till completion should be prepared dealing with each major part of the project. This should set forth the series of difficulties and snags which might have been experienced in the matter of planning, designing, negotiations with foreign experts, the execution of civil engineering works by the Indian contractors, the rates quoted by them and	Hindustan Steel Private Limited have noted the suggestion and are taking steps to prepare case histories for each of the projects along lines which would bring forth useful information in planning and constructing future plants.	No comments.
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the commissioning of the plant and a host of other problems which would have to be handled in the day-to-day working. Such case histories, the Chairman felt, would prove of immense use when in future our own engineers and project officers plan and construct other steel plants.

133.	215	Iron and Steel	<p>The Chairman also suggested that a comparative study of the construction cost of the various parts of the three steel plants, should be made. While he appreciated that the three projects were being executed with the help of foreign collaboration under different terms and conditions, he felt that it should be possible to make a comparison of the construction costs of some of the sections, viz., coke ovens, refractories, blast furnaces, blooming mills, civil engineering works, etc. A collection of such statistical data, he observed, would provide useful information and guidance about the economics of the construction of these three plants by the various agencies.</p>	<p>As soon as costs could be allocated specifically to particular units, Hindustan Steel Private Limited propose to make a comparative study of the costs of construction of various units.</p>	<p>No comments.</p>
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134. 216 Do. The Committee see no reason why such action might not have been initiated by the Project Authorities earlier. They trust that as a result of the suggestions made by their Chairman, the authorities will review the estimates and accounts to ensure that there is no excessive or extravagant expenditure and that all the three Steel Projects are executed, managed and run as economically as possible.
- The suggestions have been noted by the Hindustan Steel Private Limited and a report will follow. No comments.
- It was found that some of the designs and blueprints supplied by foreign collaborators could not easily be understood and interpreted for construction purposes by our contractors and difficulties in this regard should be carefully noted and foreign experts may be informed, in case of future projects, of the requirements of Indian engineers and contractors in the matter of designs and blueprints supplied by foreign experts.
- The Committee desire that the Project Authorities should implement the suggestions set forth above and furnish to them a report on the question.
135. 217 Do. All the three Project Authorities should chalk out a phased programme for the interchange of visits by top per-
- Hindustan Steel Private Limited report that interchange of visits by Senior officers of the No comments.

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sonnel at the three Projects as it would enable them not only to make a comparative study of the construction problems, of the three Projects, but it would also enable them to get together and pool their knowledge in the interests of efficient working of the three Projects.

three Projects is already taking place. The meetings of the Board of Directors are being held in the projects by rotation.

136.	218	Iron and Steel	A note stating the reasons for the revision of the original estimates relating to the three Steel Projects and the factors responsible therefor called for by the Committee should be expedited.	A note, concurred in by the Comptroller and Auditor General, stating the reasons for the revision of the original estimates was sent on the 23rd May, 1958.	No comments.
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(Further Note submitted Appendix I)*

137.	222	Do.	The Committee are not aware whether any agency has been set up by the Government themselves for exercising a check about the utilisation of the loans granted by them to TISCO and IISCO, for the specific purpose or purposes for which these were intended and whether the schedule for construction works were being	A sum of Rs. 10 crores was sanctioned by Government in June 1954 as special advance to the Tata Iron & Steel Co. for financing their expansion scheme which was expected to raise their production to 931,000 tons of finished steel per annum. This sum was	No comments.
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adhered to by the Companies, concerned. They would like to be apprised of the manner in which Government satisfy themselves in this regard.

actually paid to them in instalments spread over the period from June 1954 to March 1956. Payment to the Company, which was made against bills in recoupment of the expenditure incurred by them in connection with imported plant and equipment, was authorised by the Iron & Steel Controller after initially identifying them with reference to the project estimates. These were later checked by the Iron & Steel Controller with reference to supporting vouchers and import documents. The Iron & Steel Controller was also authorised to make a reference to books and accounts of the Company for the purpose of satisfying himself that plant and equipment ordered from abroad have been used in the completion the Company's expansion programme. At the end of each year, the board of the Company have to furnish to Government a certificate that the items in respect of which payment of

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special advance has been received by them, have been Actually utilised in approved works/projects.

2. A sum of Rs. 10.18 crores was sanctioned by Government in December 1954 as special advance to the Indian Iron & Steel Co, for financing their expansion scheme which was expected to raise their production of finished steel to 700,000 tons and of pig iron to 400,000 tons per annum. This sum was actually paid to them in instalments spread over the period from December 1954, to March 1958. Payments to the Company were authorised by the Iron & Steel Controller by way of recoupment against bills in respect of expenditure incurred by the Company on the expansion programme, subject to the same conditions as for the Tata Iron & Steel Co. mentioned above.

3. It may also be stated that Government of India have nominated Shri S. Bhoothalingam ICS, (now Secretary to the Government of India in the Department of Iron & Steel) as a Director on the Board of Directors of the two Companies for watching Government's interests. The Government Director will continue so long as any part of special advance/loan/World Bank Loan taken by the firms from Government/World Bank is outstanding.
4. The Companies are submitting periodical reports about the progress of the execution of projects, wherein delays, if any, are indicated. They are also sending their annual reports and balance sheets to Government.
5. The Tata Iron & Steel Co., have nearly completed the modernisation and expansion programme (99%). They are also expected to complete their second expansions by 31st March, 1959 when the

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installed capacity will be 1.5 million tons of saleable steel.

6. The Indian Iron & Steel Co's first expansion scheme (1953 extensions) was due for completion by the end of 1957. The second expansion (1955 extensions) raising the production of finished steel to 800,000 tons is, according to the Second World Bank Loan Agreement, due for completion by 1st December, 1959. The two programmes have become integrated. So far, the Company have installed coke oven batteries and two blast furnaces (capacity of each ; 1250 tons of iron per day). The steel furnaces for conversion of pig iron to steel for the first blast furnace started operation in February 1958. The steel furnaces for using iron from the second blast furnace (started in October, 1958) are expected to start operation by the end of this year.

Seventh Report (Second Lok Sabha)

138.	227	Communi- cations and Civil Aviation.	The Committee should be informed further development relating to the recovery of Rs. 1,29,230 from the Chinese (K.M.T.) Government which is long outstanding.	The position remains unchang- ed. The Chinese Govt. are being reminded regularly to expedite the settlement of the dues.	The Committee may be informed of the settlement of the dues.
139.	228	Do.	The Committee would like to know the final outcome of the case relating to recovery from Pakistan of their share of contribution to the I.C.A.O. paid by India for the period from 15-8-47 to 30-6-48 viz., 15,635 dollars.	Intimation has been received through the Representative of India on the Council of I.C.A.O. that the Organisation has received the sum of \$15,635 from Pakistan on the 16th September, 1958 and credited the amount against India 'supplementary assess- ments for the year 1957-58'.	No comments.
140.	229	Communi- cations and Civil Aviation.	The Overseas Communications De- partment should consider the ques- tion of placing experimental orders for transmitters with the Bharat Electronics (P) Ltd., Bangalore.	Director General, Overseas Com- munications Service is in correspondence with M/s. Bharat Electronics Ltd., and has also placed some tentative orders on the latter for supply of transmitters.	
		Transport & Communi- cations/All Ministries.	All Ministries requiring electronic equipment should, before placing orders abroad, first ascertain from the Bharat Electronics Ltd., whether that factory could manufac- ture and supply the equipment. In case the B.E.L. had not established	Ministry of Transport & Com- munications (Deptt. of Com- munications & Civil Aviation) has brought to the notice of all attached and subordinate offi- ces etc. under them for guid- dance.	No comments.

production in that line, experimental orders should be placed with them with a view to establishing manufacture of that equipment.]

Fifteenth Report (First Lok Sabha)

141 65 Transport.

If, as urged by the Government, the higher rates of compensation paid to the Indian Shipping Companies for the ships requisitioned during the last War for the U. K. Government was treated by Government as a measure of assistance to the Indian Shipping Industry towards its post-war rehabilitation, the Committee fail to understand why subsequent attempts were made (though in vain) by Government to recover the extra amount from the U. K. Government instead of taking a straight vote of the then Legislature of this grant-in-aid. Actually, no such vote was taken. As the expenditure relates to the pre-partition period, there is, however, no question of taking the Parliament vote now.

There seems to be some misunderstanding in regard to this matter. The requisitioning of Indian ships was done by the then Government of India for and on behalf of the U. K. Government whose responsibility it was eventually to pay compensation to the Indian Companies concerned. When the matter was taken up with that Government, they indicated that they would pay compensation to Indian Companies at the same rates as adopted by them in respect of their own requisitioned ships. These rates were found by the then Government of India to be inadequate having regard to the special position of Indian Shipping Companies and so, they decided to pay

No comments.

the latter at higher rates in full knowledge of the fact, that the whole amount so paid would not be reimbursed by the U. K. Government, the idea being to treat the difference as subsidy to the Indian Companies. Accordingly, payments were made to the Indian Companies by the Government of India leaving it to be subsequently decided by negotiation with the U. K. Government as how much of their payment would be reimbursed by the latter Government. Efforts were then made to recover from U. K. Government, the maximum amount possible. These negotiations were inevitably prolonged over a number of years.

142. 66 Do. The Committee would like to know the present position regarding the recovery of the cost (Rs. 73,912) of two barges from the Commander-in-Chief, East Indies, Naval Headquarters, Ceylon and also about the recovery of the U. K.'s share of deficit in the account.

The matter regarding the recovery from the Government of U.K. of the cost of two barges taken over by the Commander H. M. Braganza which had for a long time been under correspondence between A. G., Bombay and the British Naval Cashier, Bombay and Captain Superintendent Royal Yard,

Trincomalee by the High Commissioner for India in London. A final reply from that Government is still awaited. That Government have explained that the delay in giving a final decision is due to the fact that it has been necessary to conduct a considerable amount of research into wartime and post-war records. In the meanwhile, the Government of U. K. has enquired whether the Braganza was a Royal Navy or Royal Indian Navy Ship. The Ministry of Defence have been asked whether they can clarify this point.

As regards the question of the recovery of the U. K. Government share of deficit in the account it may be stated that the cost of the two lighters in question would be recovered by the Government of India. The accounts have already been settled with that Government, excepting the

recovery of Rs. 7,39,120/-. No other amount is outstanding from that Government. The accounts of the scheme can, however, be finally closed only after this outstanding amount is adjusted.

Twenty-third Report (First Lok Sabha)

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| 143 | 54 | Transport | Despite financial irregularities committed by the Officer in respect of which the Ministry did not consider disciplinary action necessary although when viewed as a whole the conduct of the officer appeared improper, the Ministry while replying to a reference from another Ministry proposing to re-employ him did not communicate those facts to that Ministry. The Committee feel that in the larger interest of Government as a whole, one Ministry should communicate irregularities on the part of an Officer intended to be re-employed by another Ministry to that other Ministry for their benefit. As the instance of the Committee the representative of the External Affairs Ministry has now agreed to communicate these irregularities to the | The Ministry of External Affairs have stated : Noted. Necessary information has been furnished to the Ministry under whom the Officer was employed after relinquishing charge of his post under this Ministry. | No comments. |
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other Ministry which had meanwhile employed him.

Seventh Report (Second Lok Sabha)

144	230	Transport	The Committee are distressed to observe that the Ministry have not so far been able to apprise them about the line of action contemplated to be taken by Government in the matter of effective Parliamentary Control over the working of Port Trusts in the country by amending the existing Ports Trusts Act as suggested by the Comptroller and Auditor General of India. They desire that a final decision should be reached on this question which is pending for the last five years.	Attention is invited to the note sent to the Lok Sabha Secretariat with this Department Office Memorandum No. 3-BA(1)/58, dated the 19th April, 1958, for submission to the Public Accounts Committee. (App. LIV of 7th Report. Vol. II). The particulars required in respect of the Tuticorin and Mangalore Port Trusts have since been received. The matter is being considered further in consultation with the Comptroller and Auditor General and efforts will be made to reach a decision as early as possible.	The final decision awaited.
145	231	De.	While the Committee are glad that the Ministry have accepted the deal relating to the purchase of unseaworthy vessel/earlier commented upon in paras 97 and 98 of the 23rd Report, as bad, they are not able to endorse	The observations have been noted and are being Communicated to the Government of Assam for future guidance.	No comments.

the conclusions of the Government fully. The Report of the Superintending Engineer, Assam, (Appendix LV in Vol. II, 7th Report Second Lok Sabha) reveals certain serious lapses on the part of the officials who had negotiated the deal. The Committee regret to observe that while purchasing this vessel the officials had not the interests of Government foremost in their mind.

146 233

Do.

The Committee would like to know the outcome of the Report of the Enquiry Committee on "M. V. Andamans" built by the Hindustan Shipyard Visakhapatnam and the action taken or proposed to be taken by the Ministry against the persons responsible for the defective construction of the vessel as also the precautionary measure to be taken for the future.

*Note submitted (Not vetted by Audit)

Note duly vetted by Audit awaited. See also para 150 of the Report.

103

147 235

Do.

The Committee are not quite happy about the arrangement according to which the Shipyard has to find the resources for working expenses, materials, etc., during the construction period by resort to getting over drafts from the banks. While such a course may be resorted to on

*Note submitted (Not vetted by Audit).

Note duly vetted by Audit awaited. See also para 147 of the Report.

*Not printed.

occasions for short period, its continuance will go to increase the price of the end-product. And as the price payable by the shipping lines is the U. K. parity price, and extras in cost will increase the subsidy payable to the Shipyard by Govt. It is therefore necessary that every effort should be made to keep down the cost of construction at any rate by eschewing avoidable expenditure. Obviously, the difficulty will be overcome to a great extent if the pace of production is stepped up. For this purpose Committee suggest action on the following lines :

- (i) Effective method of cost control should be introduced in the Shipyard by laying down norms for each item of work, so that deviations could be spotted immediately and remedial measures taken promptly.
- (ii) Shipping lines, which are granted loans by Government, should be encouraged to place orders with

the Shipyard and this should be made a condition to the grant of the loan.

(iii) Attempts should be made to standardise the ships—one for coastal and another for overseas shipping. This will go a long way in reducing the delay in construction which in turn will lead to greater turnover.

148	213	Transport	The Committee would recommend that Government should accord top priority to the development of the Visakhapatnam port so that the Port could handle the Traffic expeditiously.	A Note has been sent to Audit for vetting.	Note duly vetted by Audit awaited.
149	493	Do.	The Committee desire to be furnished with a note giving the details of the income and expenditure of the Road Fund and the closing balances at the end of each year for the last five years.	Note submitted (Appendix LI)	No comments.
<i>Sixteenth Report (First Lok Sabha)</i>					
150	101	W. H. & S.	The Committee considered it unfortunate that sufficiently searching technical investigations had not been	A note has been submitted (Appendix LXXXIX, Volume II, 7th Report).	No comments.

conducted to afford a reasonable assurance that the expenditure on the construction of the pre-fabricated Housing factory would prove remunerative, before entering into this contract. With its past history so disappointing, the Committee are pained to learn that the present progress of the project is also not encouraging.

150	102	W. H. & S.	The Committee would like to defer further consideration of this case till the Expert Committee has submitted its Report and the final settlement with the firm had been reported on by the C. & A. G.	A note has been submitted. (Appendix XC, Volume II, 7th Report) As regards Govt.'s final settlement with Messrs. B. S. W. Ltd. a termination agreement between the Govt. and B. S. W. was executed on the 31st May, 1956. The termination agreement is under scrutiny with the Director of Commercial Audit at present.	No comments.
152.	133	Do.	The Committee desire that the Government should take early action on the question of regularisation of the loss on supply of electricity and of fixing	The following disciplinary action has been taken against the Superintending Engineer (Electrical) in consultation	No comments.

the responsibility for loss on the officers concerned.

with the Union Public Service Commission :

- (i) to censure him.
- (ii) to recover from his pay in 20 equal instalments a sum of Rs. 2,000/-.

Twenty-third Report (First Lok Sabha.)

153.	118	Do.]	The Committee observe that the arbitration proceedings stand adjourned <i>sine die</i> pending the hearing by the High Court of a revision filed by the firm against the orders of the lower court dismissing its objection to extensions granted by the Government Arbitrator for filing of Government claim. The Committee would like to be apprised of the final outcome of this case.	The Committee will be apprised of the outcome of the case as soon as the arbitration proceedings are completed.	The latest position may be stated.
154.	132	Do.	The Committee desire that in the matter of placing overseas contracts, the relative advantages of F.O.B. and C.I.F. basis of contracts should be watched over a period of years with a view to evolve a formula for general guidance.	A note has been received (Appendix LII)	No comments
155.	133	Do.	The Committee were surprised to learn that the delay in the completion of	The Government have reviewed the position and find that as	No comments.

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the construction of a house requisitioned by Government was attributable to the inadequate delegation of powers. They trust that Government would review the existing powers of authorities and make suitable delegation of powers so as to avoid a recurrence of such cases.

the practice of requisitioning houses while they are under construction, has been discontinued, cases of this nature are not likely to arise again. It is unnecessary, in the circumstances, to consider the question whether these powers should not be delegated to the Estate Officer in the interest of expedition. It would be inadvisable also to delegate powers of de-requisitioning to a Junior Officer. To obviate the possibility of houses remaining vacant pending decision regarding de-requisitioning, instructions have been issued that proposals regarding de-requisitioning must be set put up well in advance of date on which houses are likely to fall vacant while such proposals are under consideration.

108

Seventh Report (Second Lok Sabha)

156. 16 (C) W.H. & S.

Large savings and surrenders in some cases under Grant Nos. 103, 139 and

This recommendation has been noted and brought to the notice

No comments.

140 of Appropriation Accounts (Civil) 1953-54 and Grant Nos. 103, 138, 139 and 140 of Appropriation Accounts (Civil) 1954-55 are indicative of over-budgeting and underline the need for more realistic budgeting.

of all concerned under the Ministry of W.H.&S. for careful note and compliance.

157. 237

Do.

(i) The Committee feel that the case relating to the departmental execution of work, referred to in para 11 of the Audit Report (Civil) 1956 Part I, disclosed a serious situation in regard to the maintenance of initial accounts by C.P.W.D. as the proper account of repair works carried out departmentally was not maintained and even the accounts of materials were not made available to audit. Such delays make room for inefficiency and corruption. They indicate lose control of the C.P.W.D. over its sub-divisions. Officers responsible for not maintaining the accounts have been let off lightly with a warning. The Committee trust that a note of warning to the officers concerned for not maintaining the initial accounts and for laxity of financial control in the present case has been kept in their Character Rolls. They feel that more stringent action is necessary in such cases.

Notes have been submitted. (Appendices I III & LIV).

The Committee desire that the particulars of officers who were responsible for the various financial and accounting irregularities may be stated.

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158.	238	W.H. & S.	(ii) The Ministry should conduct a further enquiry into the matter and report to the Public Accounts Committee <i>inter alia</i> the details of excess expenditure and the factors leading to it.	Notes have been submitted. (Appendices LIII & LIV).	The Committee desire that the particulars of officers who were responsible for the various financial and accounting irregularities may be stated.
159.	239	Do.	(iii) The question of the excesses over estimates should be examined carefully to see that the provision made for maintenance and repairs is realistic and in accordance with current trends.	Do.	Do.]
160.	241	Do.	The Committee were surprised at the plea of the Ministry that the sale price of plots sold to the displaced persons by Government already included an element on account of municipal services and therefore, no claim lay against the Municipality. In their opinion, it was a question of transfer of certain remunerative assets by Government to the Municipal Committees for which the latter should pay to the Government. The fact that the plots fetched a higher (or even lower) price because of cer-	The matter is under examination. The latest position may be stated.	

tain circumstances, was hardly relevant.

In order to enable them to examine the position further, the Committee desired to be furnished separately for each colony the proforma accounts regarding the number and value of houses built for displaced persons, number of houses occupied by them, and their individual value, amount realised and remaining to be realised by sale to displaced persons and the compensation due to each of those displaced persons. This is still awaited.

Do.

Do.

161. 244

Do.

(i) A statement showing the disciplinary action taken and remedial measures adopted for future in the matter of faulty placement of contract for printing and binding of forms is still awaited.

Do.

Do.

111

162. 245

Do

(ii) As regards the allegation that the firm used country-made poor quality paper and get payment for superior quality paper, the Committee were amazed how this could have escaped detection at the time of inspection and taking delivery of the forms. Undoubtedly it was a case of gross negligence on the part of the officers

Do

Do.

responsible, and merely censuring them (two Assistant Controllers) would not meet the requirements of the case. The Committee desire to know the circumstances under which this punishment was considered adequate, the present status of these two officers under Government and in case they had retired, the posts held by them before their retirement.

(iii) The Committee are also dissatisfied with the position of the outstanding relating to old orders and desire that the up-to-date position be reported to them.

163

247 W. H. & S.

The Committee are of the view that there was no justification for the payment of Rs. 32,000/- as compensation for de-requisitioning a building in Bombay. If terminal compensation was at all payable, it should have been restricted to the estimated value of restoration of the building to its original state. Conflicting

Necessary action has been taken by the Ministry of Law to avoid conflicting legal opinions. In this connection, attention is invited to the note furnished by the Ministry of Law in respect of paras 263 and 265 of the Seventh Report (Second Lok Sabha) (Appendix XIII).

No comments.

legal opinions given by the Government Solicitor in Bombay and the Law Ministry placed the Administrative Ministry on the horns of a dilemma which resulted in a loss to Government. The Committee would invite attention in this connection to paras 116 and 117 of their Twenty-third Report and urge upon Government to devise remedial measures to avoid such situations in future

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248

Do.

(i) Mere issue of instructions will not cure the disease (fraudulent drawal of material from Government stores). Whenever any case of fraud comes to notice, prompt, speedy and deterrent action should be taken against the delinquent officials. Such a awareness will go to minimise the occurrence of frauds.

This recommendation has been noted and brought to the notice of all concerned under the Ministry of W.H.&S for careful note and compliance. No Comments.

(ii) The Committee would like the Ministry to complete the verification of the remaining stock in the Stores Division of the C.P.W.D. quickly and report shortages therein, if any.

The verification of all the remaining indents amounting to Rs. 2311/14/- have since been verified and no discrepancy has been noticed. Do.

W.H.&S

All Ministries.

(iii) The Committee view with strong disfavour the procedure of giving extension of services to the delinquent officer, so that he might be charge-sheeted, as it results in undeserving

This recommendation has been noted and brought to the notice of all concerned under the Ministry of W.H.&S. for careful note and compliance. No comments.

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benefit to an officer involved in a fraud case against Government.

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24:

W.H.&.S.

(i) In their Fifteenth Report (1954-55) the Committee had referred to failures on the part of the Estate Office in maintaining their records in the prescribed forms since the inception of the revised procedure of assessment of and recovery of rent in 1951. They are unable to understand how despite their criticism more than two years back, this unsatisfactory state of affairs still continues. The Committee should be apprised of the action taken by the Ministry on the suggestions made by the Special Re-organisation unit of the Ministry of Finance regarding the accounts procedure obtaining in the Estate Office.

The matter is under examination by the Ministry.

Final decision may be expedited.

(i.) The Committee should be informed of the decisions taken in regard to the recovery of arrears of rent due from the displaced persons.

A note has been received (Appendix IV).

The Committee also desire to know alternative steps taken for the recovery of arrears of rent due from the displaced persons.

166	250	Do.	The Committee deprecate the delay of about five years in taking action against the officers responsible for misappropriation of the sum of Rs. 34,031 by an auctioneering firm. They reiterate their earlier recommendation that the disciplinary aspect in all cases of fraud and misappropriation should be finalised expeditiously and deterrent punishment awarded to the persons concerned.	This recommendation has been noted and brought to the notice of all concerned under the Ministry of W. H. & S. for careful note and compliance.	No comments.
167	252	Do.	The Committee desire that as soon as irregularities of the nature of overpayment of rent (<i>cf.</i> Para 18 of Audit Report <i>ibid</i>) come to the notice of the Government through Audit Objections, they should be communicated to higher officers and action on such cases should be accorded top-priority and watched carefully.	Do.	Do.
168	253	Do.	The remedial measures devised against losses of the type-mentioned in Para 20 of the Audit Report <i>ibid</i> should be intimated to the Committee.	A note has been received (Appendix XV). While vetting this note, Audit <i>inter alia</i> suggested that the words 'no doubt' and 'but the factual statement in this case was received only on 10-2-56 ; much after the Assistant	<i>See</i> para 163 of the Report.

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had been taken on deputation', appearing in the concluding sentence of the note may be deleted as in their opinion, they were redundant. As, however, the statement as such as is factually correct, it has not been possible for the Ministry to accept this suggestion of Audit.

169	254	W. H. & S.	<p>The Committee would recommend that in cases regarding the loss sustained by Government on account of wrong advice given to a firm, referred to in para 21 of the Audit Report <i>ibid</i> in future, legal opinion should be quoted <i>verbatim</i> and any interpretation or clarification thereof should be vetted by the Law Ministry beforehand so as to avoid any controversy later.</p>	<p>This recommendation has been noted and brought to the notice of all concerned under the Ministry of W. H. & S. for careful note and compliance.</p>	No comments.
170	255	Do.	<p>(i) The Committee are of the opinion that, while requirement of stores should be assessed as closely as possible and the limits of stocks adjusted accordingly, it would be incorrect to regulate the stock</p>	<p>A note has been received (Appendix LVI).</p>	No comments.

limits with the varying situations in direct supply.

(ii) The Committee would suggest that there should be a co-ordinated and uniform policy in regard to holding of stock and that a suitable formula should be evolved after studying the conditions of demand and supply, period of deliveries etc. The Committee should be furnished with a note stating the scope of improving the methods of indenting stores ; accounting of their receipts and issues etc. after keeping in view the overall demand and supply position.

171 256 Do.

The Committee feel that the transaction relating to the purchase of teleprinter paper was a purposeless effort resulting in waste of time and money.

The observation of the Committee has been noted in this Ministry.

Do.

172 257 Do.

The Committee desire that the defects in the system of issues from stock which result in shortages should be removed. They are of opinion that in the absence of a proper system of accounting of stock, it would be difficult to keep track of things, and shortages of stock would continue. The Committee would like to be apprised of the final decision

The matter is under examination by the Ministry.

The latest position may be stated.

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			taken in regard to accounting, issue of vouchers etc., of stores transactions.		
173	260 W. H. & S.		The Committee feel concerned that Government have not come to any conclusion so far in regard to fixation of final prices of Road Rollers, which has been dragging on for last 10 years.	A note showing the latest position of the case received (Appendix LVII).	See para 164 of the Report.
			The Accounts should not remain unsettled for such a long time and energetic action should be taken to finalise them soon.		
174	261	Do.	The Committee are dissatisfied with the delays occurring in the Ministries in taking disciplinary action against the persons concerned.	The Ministry is already alive to the need for avoiding delay in the matter of processing disciplinary cases and all steps are being taken to expedite the finalisation of cases. It may, however, be pointed out that there are certain formalities such as issue of charge-sheets, giving opportunities to the accused officers for perusal of documents, appointment of Enquiry	No comments.
175	262	Do.	The Committee deprecate the delay in taking disciplinary action against the officer responsible in the case for making excess payment to the contractor, as commented upon in para 127 of the 15th Report. They feel that such cases merit immediate action.		

Officers, etc., which are provided for in the classification, control and Appeal Rules and the observance of these formalities will entail a certain amount of delay which cannot be avoided. Steps have, however, been taken to avoid holding up of cases and to initiate such action immediately on any alleged irregularity coming to the notice of Government.

As regards Para 262, the Ministry of W. H. & S. have submitted a note regarding finalisation of cases involving disciplinary action (Appendix LVIII).

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264

W.H. & S.
All other
Ministries.

Copies of the instructions issued in the case relating to delay and extra expenditure in making purchases as commented upon in para 103 of the 23rd Report should be furnished to the Committee by the Ministry. This requirement should be noted for future.

The requirement has been noted for future. No comments.

1	2	3	4	5	6
177	266	W. H. & S.	The Committee desire that on release of the records by the Civil Court action should be taken immediately against the persons responsible for misappropriation of Government money in the case commented upon in para 127 of the 23rd Report.	Authorities concerned have been requested to take action against the persons responsible for the misappropriation of the Government money, as soon as the records are released by the Court.	The latest position may be stated.
178	267	Do.	A copy of instructions issued by the India Supply Mission, Washington for inclusion of an Assurance clause in the case of a Contract where it is decided to accept higher price than the lowest tender in the interests of earlier delivery on the lines of those issued by the I.S.D. London should be furnished to them.	A copy of the instructions issued by the India Supply Mission, Washington has been received. (Appendix LIX).	No comments.
179	312	Do.	The Committee desired to know whether there had been any further cases of fraud in the subsequent years and to what extent did the disciplinary action taken in the past served as deterrent or prove effective.	A note has been submitted. (Appendix LX).	The Committee desire to know the present position regarding the disciplinary action taken against the officers concerned and the reasons for the delay in taking action against them. They are

not satisfied with the punishment awarded to the various delinquent officials and desire the Ministry to review each case with a view to inflicting more appropriate punishment on them in this case. They further desire to be furnished with the details of the judgements delivered in cases referred to at S. Nos. 8-10 of the statement appended to the Ministry's note.

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Eighth Report (Second Lok Sabha)

180	4	Finance/ Planning Commission All Other Ministries	Ad hoc provisions in the absence of full, detailed estimates :— The Committee have felt for some time that the existing system of budgeting and administrative & financial control are not appropriate in the present context of a planned national economy. Experience of the provisioning and execution of	The Ministry of Finance (Department of Economic Affairs) have stated : "Necessary instructions have been issued in para 2 of this Ministry's O.M.	No comments.
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the First and Second Five Year Plans has disclosed certain weaknesses of our system of budgeting and financial control. While a departure from the well-accepted principle of not providing in the budget for any scheme whose detailed estimates have not been worked out in full may create initial difficulties it may be possible to introduce a certain amount of flexibility in the present system without jeopardising the efficiency of financial control by Parliament and Government. *Ad hoc* provisions in the absence of full detailed estimates cannot be encouraged. Left with a choice between *ad hoc* provision of this nature and no provision at all in the beginning and supplementary demand late in the year the Committee have suggested the need of making a small provision enough to cover the expenses of survey, preparation of the detailed estimates and preliminary expenses. Government can, in the course of the year, as a result of this preparatory work come before Parliament

No. F.9(5)-E(Coord)/58 dated 18-9-1958 (Appendix II) (Please see also remarks below against paragraph 7 of the Report)".

The Planning Commission have stated :

"Ministry of Finance (Department of Expenditure) have taken action *vide* para 2 of their O.M. No. F.9 (5)-E (Coord)'58 dated 18-8-58". (Appendix II).

The Ministry of Railways have stated :

"The practice in vogue in the Ministry of Railways is to examine the Works Programme from Railways annually well in advance, and in respect of all projects included therein, plans

for a supplementary grant. This will ensure that no project is taken up for execution unless its details have been worked out fully. Such a procedure should not delay execution of projects as progress will be speedier, once details are worked out and the blueprint is ready.

and rough Estimates are prepared in sufficient details. The practice on Railway side thus conforms to the general principles laid down in this recommendation of the Committee. Necessary instructions to the Railway Administrations for thorough investigation of each and every aspect of a project, before it is taken up by them also exist".

181 2

Finance/
All other
Ministries.

Lapse of large funds :

While examining the Civil Accounts for 1953-54 and 1954-55 it was obvious to the Committee from the evidence tendered that most of the provisions made in the various demands for grants are not based on a realistic appraisal of the schemes and their execution possibilities and of the amounts likely to be spent during the year. They are just "guesstimates" and lapse of large funds is thus inherent in the existing procedure.

"The Ministry of Finance (Department of Economic Affairs) have stated :

A reference is invited to the Instructions contained in paragraph 2 of the O.M. dated the 18th August, 1958 (referred to above) in which, among other things, it has been provided that budget provision will be made only for schemes and projects which have been examined in detail by the

The Committee may like to watch the working of the new arrangements.

Finance Ministry and where full details were not available, provision will be restricted to the requirements for preliminary and initial expenses only. The Administrative Ministries have now been provided with internal financial Advisers for budgetary and financial work. They will thus be associated with the formulation of proposals for inclusion in the budget from their very inception. It is hoped that, as a result of these arrangements, the estimates will be more realistic in future."

The Ministry of Railways have stated :

"The observation of the Committee which is with specific reference to the Civil Accounts for 1953-54 and 1954-55, though not

applicable to the Railway estimates for these years, has been noted by the Ministry of Railways for guidance".

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Finance
All other
Ministries.

Budget provision and getting Parliament's approval for "New Services":—

In the view of the Committee it will not be correct to hold, as the Ministry of Finance do, that simply because a scheme or project had been discussed and incorporated in the Second Plan, the scheme or project had ceased to be new so far as the making of budget provision and getting Parliament's approval are concerned. There is already case law governing the principles as to what should constitute a "new service" and how the approval of Parliament should be obtained in such cases. In all such cases, the approval of Parliament for the changes and the increase in outlay should not be taken for granted.

The Ministry of Finance (Department of Economic Affairs) have stated:—

No comments.

"There seems to have been some misunderstanding. Finance Ministry have, in fact, been acting all along on the view taken by the Committee, because a scheme or project had been discussed and incorporated in the plan, it does not cease to be treated as new for purposes of budget provision. If an item continues a "new service" in accordance with the normal provisions, specific approval of Parliament has invariably to be obtained irrespective of whether it is

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included in the Plan or not."

The Ministry of Railways have it under consideration.

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Finance/
All other
Ministries.

Discontinuance of the present practice of asking for large appropriations on the basis of mere expectations :—

(i) The Committee consider that the present practice of asking for large appropriations on the basis of mere expectations of the Ministries should be discontinued. Approval in such cases should be sought only when the schemes have been prepared in detail and accepted after scrutiny by the Finance Ministry. This is a *sine qua non* of both Parliamentary and executive control. The Committee accordingly recommended that in the case of a new project, no provision should be included in the budget estimates placed before Parliament till detailed estimates of the Project are ready and certain phases thereof (if the project is a big one)

The Ministry of Finance (Department of Economic Affairs) have stated :

"Attention is invited to the reply given issued in this Ministry's O.M. of 18th August, 1958. It has already been agreed that provision for new schemes will be confined to schemes for which full details are available and where such details are not forth coming the provision will be limited to the requirements for preliminary expenses or such initial outlay as is actually

The Committee may like to watch the working of the new arrangements.

have reached a stage ripe enough to justify its inclusion in the budget estimates. In other words, the Finance Ministry should be satisfied on the basis of details available that there was reasonable expectation of expenditure materialising to the extent proposed, before sums are provided in the budget estimates. These considerations apply to *ad hoc* lump provisions also which should not be made in the budget estimates. In short, the budget estimates of a year should comprise only the outlay on Standing charges, estimated expenditure on projects in progress, and a small provision for each new scheme or project which is likely to be taken up during the course of that year, but whose details have not been worked out sufficiently and accepted by the Finance Ministry. Simultaneously when seeking Parliament's approval for a small provision in respect of a new scheme, an idea of the approximate total outlay on the scheme should also be placed before Parliament. As and when details of the new scheme or a phase thereof are worked out, Parliament, if in session should be approached for a

anticipated. It has also been agreed that no lumpsum or *ad hoc* provision will be included. These arrangements, it is hoped, would lead to a more precise estimation of the actual requirements of the year in future."

The Ministry of Railways have stated :

"The remarks given against recommendation No. 1 of this report are generally applicable to the points made out in this recommendation.

"As regards the question of funds for mature new works, it is stated that for all new works, funds are obtained as a rule through supplementary grants from Parliament, before taking in hand such works."

supplementary grant; if Parliament is not in session, funds sufficient to cover the immediate expenditure on the scheme may be advanced out of the Contingency Fund and a supplementary grant for the full amount obtained from Parliament at the earliest possible opportunity. This arrangement has several advantages. It enables Parliament to have a "preview" of the current and prospective expenditure on such projects well before commitments are made or liabilities incurred. It serves to pinpoint the performance of the Ministry concerned. The fact that full details have been worked out and the Finance Ministry have scrutinised the details would obviate a detailed post-check and scrutiny by Finance and thus save time consuming and lengthy consultations.

It will bring to the notice of both Parliament and Government prominently, the extent to which a

Ministry had been able to undertake specific plans and programmes which that Ministry had included in their estimates. This will enable remedial measures being taken, if necessary, involving changes in personnel and methods of work.

8 Finance

(ii) The Committee appreciate the force of the contention that if the budget estimates are to comprise only provisions as indicated in the preceding paragraphs it will not give the full picture of expenditure in the budget year and may make the task of "balancing the budget" difficult. But this contention has lost its importance in the context of the Plan when both total expenditure and resources are assessed for the Plan period and all that is necessary is to keep in view the concept of long-term equilibrium as envisaged in the Plan and determine the detailed pattern of expenditure, continuing and new, by means of the annual budget. This, the Committee feel, will enable Government to formulate their measures for raising resources during the run of the Plan.

184	10	Finance/All other Ministries	<p><i>Freedom to administrative Ministries to incur expenditure within budget provisions without further consultation with the Ministry of Finance:</i></p> <p>(i) The Committee consider that the need for a detailed post-budget financial scrutiny of Project or scheme will disappear if the provision for the project or scheme has been made in the Budget estimates only after detailed financial (para 10 & 12) scrutiny. It will also make financial control more effective by directing attention to the efficient and economic execution of projects. So long as the provision made in the budget is not exceeded and there is no change in the scope or the total cost of a project, the administrative Ministry should have freedom to incur expenditure without having recourse to consultation with the Ministry of Finance.</p>	<p>The Ministry of Finance (Department of Economic Affairs) have stated:—</p> <p>“The Committee’s recommendation is already covered by the orders of 18-8-58. Subject to the existence of the budget provision, Ministries have been given power to issue expenditure sanctions to schemes which involve a total outlay not exceeding Rs. 50 lakhs. Where, however, the scope of a scheme accepted by the Ministry of Finance is substantially altered or where the total cost is likely to be exceeded, a reference to the Finance Ministry will be necessary.”</p> <p>The Ministry of Railways have stated:</p> <p>“The provision for a major project or scheme is made in the Budget Estimates of Railways, as a rule only after detailed</p>	No comments.
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Financial scrutiny of the items included in the advance works programme of Railways and as explained in the reply to Recommendation No. 1, the inclusion of the items is done only after reasonably detailed plans and rough estimates are prepared. The delegation of powers to authorities at various levels to incur expenditure up to specified total amounts would make consultations with Finance at subsequent levels ordinarily unnecessary so long as there is no change in the scope of the Project or in the total cost (allowing a certain percentage above the sanctioned estimates as laid down in the delegation orders). The existence of associated Finance who is also responsible for concurrent Internal check and accounting of expenditure incurred, at different levels of Railway Administrations, also ensure that Finance is apprised of them, as it is apparent that a work cannot be completed within the limits approved. "The different aspects of this recom-

mentation are, therefore, covered by the machinery already existing on the railway side. Detailed post-budget financial scrutiny of a project or scheme does not ordinarily arise, except in respect of changes in smaller works covered by lumpsum provision in the Railway budget Estimates or when traffic requirements or patterns of traffic necessitate either a new work or material modifications of the original plan of a work.

“The associated Finance in Railway Ministry does control pay scales, financial and service rules and regulations and cases involving departure from rules and regulations or prescribed scales of pay or strength of posts in the approved Budget Estimates, are referred to the associated Finance at the appropriate level of the Railway Administration”.

Finance/All other Ministries.

Wider delegation of powers to administrative Ministries and interchange of officers between the Finance and administrative Ministries:—

(ii) The Committee do not share the misgivings of the Finance Ministry, that the time that would be taken by the Ministry to get all essential details of the schemes for submission to Finance and their scrutiny would retard the implementation of the Plan by a year or two. They consider that the delegation of these powers is very essential for the speedy and economic execution of the projects. The change-over will introduce flexibility and order in the execution of the Plan Projects which is very desirable if wasteful and infructuous expenditure is to be avoided. Interchange of officers between the Finance and administrative Ministries should be adopted as an integral part of the programme of training so that a corps of officers who are competent both in administrative and financial matters is created.

Effective financial control cannot be exercised unless the Finance Ministry are consulted as soon as it becomes apparent that the item of work in

The Ministry of Finance (Department of Economic Affairs) have stated:—

“The recommendation for a wide delegation of power to the administrative Ministries is accepted and is covered by the orders of 18-8-58. Regarding interchange of officers between the Finance and administrative Ministries, attention is invited to paragraph 8 of the orders, in which it is stated that the posting and transfer of officers of the Finance Branch in each Ministry will be arranged by the Central Establishment Board. The Secretary, Expenditure Department of the Ministry of Finance will be co-opted as a member when the Board considers such postings and transfers.”

The Ministry of Finance (Department of Economic Affairs) have stated:—

“Government have carefully

The Committee would like to watch the actual working of the new Scheme regulating the powers of re-appropriation of Ministries and other authorities as laid down by the Ministry of Finance (Department of Expenditure) in their O. M. dated the 18th August, 1958.

question cannot be completed within the limits of expenditure approved by the Finance Ministry. The administrative Ministry should not, therefore, have the powers to reappropriate funds without the prior concurrence of Finance.

considered the suggestion that the Administrative Ministries should not have power of re-appropriation but are unable to accept it as it will impair the working of the Ministries and implementation of their plans. The powers of re-appropriation of the Ministries and other authorities have however been re-examined and redefined in the orders of the 18th August, 1958."

The Committee consider, however, that it is necessary and desirable in the interests of uniformity and efficiency that the Finance Ministry should continue to control pay scales, financial and service rules and regulations. All cases involving a departure from rules and regulations or prescribed scales of pay or strength of posts in the approved budget estimates should continue to attract the sanction of the Ministry of Finance.

The Ministry of Finance (Department of Economic Affairs) have stated:—

"The Committee's recommendation that the control of pay scales and financial and service rules and regulations should be with the Finance Ministry is generally accepted. A reference is requested to paragraph 4 of orders of 18th August, 1958."

Finance/All other Ministries.

Delegation of powers by the administrative Ministries to lower officers —

A re-adjustment in the relations between Finance and the administrative Ministries should be accompanied by delegation of powers by the administrative Ministries to Lower Officers, commensurate with their status and responsibilities. Every officer with delegated financial powers should prepare a monthly schedule of sanctions for submission to the authority immediately superior to him. This would provide for a regular scrutiny of sanctions.

It will be necessary in the earlier stages to watch whether the delegated powers have been properly exercised by the officers concerned. Cases of improper exercise, arising out of inexperience or errors of judgment should be distinguished from those due to wilful negligence and should be dealt with suitably. It is the considered opinion of the Committee that deterrent punishment should be meted out quickly to officers guilty of wilful negligence or gross dereliction of duty.

The Ministry of Finance (Department of Economic Affairs) have stated:—

No comments.

“As stated in paragraph 14 of the orders of 18-8-1958, Government have decided that administrative Ministries should, in their turn, delegate to the maximum possible extent, administrative and financial powers to the Heads of Departments and other subordinate authorities with due regard to their respective levels of responsibilities. The matter will also be reviewed in connection with the revision of the financial rules.”

The Ministry of Finance (Department of Economic Affairs) have stated:—

“Finance Ministry accept in principle the recommendation made by the Committee. These recommendations are being brought to the notice of all the Ministries.”

The Ministry of Railways have stated:

“Under the extant rules, all sanctions to expenditure as

well as expenditure incurred by Railways, as also all rules, orders or sanctions whether issued by the President or the Railway Board or any subordinate authority, are required to be examined concurrently by the Railway Accounts Officers. It will thus be observed that on the railway side a machinery to scrutinise regularly the sanctions etc. already exists.

“As regards the question whether the delegated powers are being properly exercised by the subordinate officers concerned, it is stated that permanent machinery already exists in the shape of associated Finance at different levels of the Railway Administration to watch whether the powers so delegated are being properly exercised by the various railway officers or not. Cases

Finance/All other Ministries.

Concentration of technical personnel in the Secretariat:—

The Committee cannot regard with equanimity too much concentration of technical personnel in the Secretariat when there is a crying demand for such personnel for field work. This question of the deployment of technical personnel requires careful thought and the Committee trust that Government will address themselves to it.

of wilful negligence or gross dereliction of duty as they come to notice through this machinery are dealt with as occasion demands.”

The Ministry of Finance (Department of Economic Affairs) have stated:

“Necessary instructions have been issued to Offices under the control of the Ministry of Finance.”

The Ministry of Railways have stated:

“The recommendation has arisen out of the Comptroller and Auditor General’s proposal made in the Audit Report (Civil) 1955-Pt. I that a common pool of technical advice available to administrative Ministries may result in reduction of lapses now taking place in Appropriation Accounts of the Civil side.

“In view of the fact that the Ministry of Railways of necessity, has to be largely

No comments.

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manned by technical personnel from the Railways, a technical pool of the sort proposed by the Auditor General, which may be useful to other Ministries would not be of much use to the Ministry of Railways. In the circumstances, it is considered that this recommendation is, perhaps, not applicable to the Ministry of Railways."

Procedure with regard to reappropriation of Funds between Schemes:

188	16	Finance/ Planning Commission <hr/> All other Minis- tries.	(i) The Committee would like to be informed of the procedure when laid down by the Planning Commission, with regard to reappropriation of Funds between schemes.	The Planning Commission have stated: "The procedure laid down by the Planning Commission is contained in their letter No. Plan/5/2/57, dated 12-5-58" (Appendix LXI). The Ministry of Railways have stated that they are not concerned.	No comments.
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Approval of the details of the individual State Schemes by the Planning Commission:

(ii) The Committee were doubtful whether approval by the Planning Commission of the details of the individual State schemes was necessary when the schemes in question had already been approved while formulating the Plan and determining the pattern of assistance. In their opinion as the States are the executors of those schemes the Finance Departments of the States will certainly ensure that the schemes are executed efficiently and economically. This will fasten responsibility of the Finance Departments in the States and will result in greater co-operation and speedy execution of the Plan Projects.

The Planning Commission have stated:

“Development schemes under each head have been arranged suitably in groups. While the total amount of Central assistance to be intimated to State Governments is estimated with reference to individual schemes and the pattern of assistance for them once the State Governments have been informed of the amounts of loan and grants available for the State plans, the final sanctions of payments would be related to the specified groups. Within a group the State Government will be free to regulate the expenditure on the schemes without reference to the Central Government. Where the total expenditure under one group is proposed to be covered by reduction of expenditure in another group under the same head of development, the concurrence of the Central

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Ministry concerned would be obtained and the Planning Commission kept informed. Similarly, where the same Central Ministry is concerned with more than one head of development adjustments between them would be made in consultation with the Ministry with advice to the Planning Commission. Where such adjustments are considered necessary as between one Ministry and another, the concurrence of the Planning Commission would be obtained, a copy of the proposal being sent simultaneously to the Ministries concerned.

“Planning Commission do not generally go into the details of individual State Schemes with a view to their approval for utilisation of Central

assistance. Details of the schemes are examined by the working groups consisting of representatives of the Central Ministries, State Governments and Planning Commission at the time of discussions on Annual Plans of the States. It will be noticed from para 4 of the letter, referred to above, that schemes for which Central assistance is made available would be sanctioned by State Government under their normal procedure, except in some cases specified therein".

The Ministry of Railways have stated that they are not concerned.

Matching Grants to States:

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Finance

 Planning
 Commission

The Committee were informed that as a result of the recommendations of the Second Finance Commission, the States were financially better off and as such they could not put forth the plea of lack of resources. The Committee would not accept this as a valid argument. Even granting

The Ministry of Finance (Department of Economic Affairs) have stated:
 "In paras 190 and 191 of their Report, the Second Finance Commission, while reviewing the position of grant of subsidy to the States in the form

The Committee would like to watch the working of the new procedure devised by the Ministry through the next Audit Report Accounts (Civil).

that the financial position of the States has improved after the award of the Second Finance Commission, it will be too much to expect the States whose finances suffer from certain limitations to receive the matching grants on a recoupment basis. The Committee feel that in the first year the Central grants towards schemes approved for matching grants should be placed at the disposal of the State Governments in advance at the commencement of the financial year with the condition that they should be utilised only on those schemes accepted for assistance. In subsequent year, the grants to be made should be regulated with reference to the State's performance in the previous year in fulfilling its own part of the programme as contemplated while making the grant. With the resources ready in hand the State Governments would be more keen to implement the schemes as the grant for the following year is

of matching grants recommended that so far as the current plan is concerned, the schemes within the plan involving matching grants should not be disturbed as the Plan had already started. In their scheme of devolution, they took into account the funds the States had to provide under the matching formula. For the future, the Commission suggested that no scheme outside the Plan should be formulated on a matching basis. Government have in consultation with the Planning Commission accepted these recommendations and necessary instructions to that effect have already been issued in this Ministry's Memorandum No. 15(10)-B/57 dated 3-1-58. (Appendix III.)

conditional on satisfactory performance. The Committee would urge that this procedure may be put into effect immediately in respect of new schemes eligible for matching grants. A review of the schemes already in execution may also be conducted in order to see how far they can be fitted into this pattern of assistance.

"Since May 1958 a fixed portion of the Central assistance to the State Governments for Plan Schemes included in the budget is being released every month as interest-free ways and means advances. These advances will be adjusted towards the close of the year against the amounts of loans and grants to which the State Governments might be entitled on the latest available figure of actuals and likely expenditure in the last quarter of the year."

The Planning Commission have stated:

"A reference is invited to the comments communicated by the Ministry of Finance (Department of Economic Affairs)"

The Ministry of Railways have stated that they are not concerned.

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190	19	Finance/ Planning Commis- sion All other Ministr- ies	The Committee would like to state that the recommendations contained in this report are in respect of expenditure on Government Departments only. State corporations and State Undertakings formed as companies belong to a different class by themselves and the question of Parliamentary control over their expenditure is a subject for a separate and careful study.	The Planning Commission have No comments. stated: "No action is deemed necessary on the part of the Planning Commission". The Ministry of Railways have stated that they are not concerned.	

APPENDIX II

Office Memorandum from the Ministry of Finance (Department of Expenditure) pursuant to action taken on the recommendations of the Public Accounts Committee made in their 8th Report (2nd Lok Sabha) relating to Budget Estimates and Financial Control.

New Delhi-2, the 18th August, 1958.

OFFICE MEMORANDUM

SUBJECT:—*Revised arrangements for Budgeting and Financial Control.*

The revision of the existing arrangements for budgeting, financial scrutiny and control and the devolution of wider financial powers to the administrative Ministries with a view to securing greater efficiency and the speedier implementation of development plans have been under consideration for some time. It has now been decided by the President that the following revised arrangements should be introduced.

Budget

2. (a) Provision for standing charges and maintenance and repairs will continue to be made as at present. The administrative Ministries will send the estimates to the Finance Ministry for scrutiny and acceptance and inclusion in the budget estimates.

(b) Proposals will be made for expenditure on temporary establishment and connected items like T.A., contingencies, etc., as at present on the basis of broad estimates of requirements and sent to the Finance Ministry.

(c) For specific schemes and projects which have already been examined in detail by the Finance Ministry and sanctioned, budget provision will be made on the basis of the estimated requirements of the administrative Ministries under the usual sub-heads.

(d) For new works projects, budget provision will not be considered except for schemes for which administrative approval has been accorded. In the case of large projects, the scope and the cost of which have been accepted as a whole, administrative approval may be accorded in stages for different portions of the project, if necessary. The budget provision in any particular year will, however, be based on the actual requirements of the year. Provision will be made under the usual sub-heads in the budget.

(e) For new schemes, other than purely 'works' projects, provision will be made in the budget only on the basis of a broad picture of requirements in suitable details furnished by the administrative Ministries and accepted by Finance. The details required for this purpose are set out in the form attached (Annexure 'A').

(f) No lump sum provision will be made in the budget except for minor works and for petty temporary establishments. Where a new scheme

is planned to be taken up in the budget year which has been accepted in principle and for which details necessary for budget provision under sub-para (d) or (e) above are not available, budget provision will be limited to the requirements for preliminary expenses and for such initial outlay as for example, on collection of materials, recruitment of skeleton staff, etc.

(g) To enable the Finance Ministry to make provision in the budget in accordance with sub-paragraphs (b) to (f) above and avoid rush of work in the budget season, the administrative Ministries should regulate throughout the year the consideration of schemes for which budget provision in the next financial year would be required and put up their proposals to the Finance Ministry as and when they are finalised by them.

3. The foregoing will apply equally to proposals involving supplementary grants.

Delegation of Powers

4. It has been decided to give increased financial powers to the Ministries of the Government of India. These powers and the conditions subject to which they are delegated are set out in columns 4 and 5 respectively of Annexure 'B' to this Memorandum. The exercise of these powers will, in addition, be subject to the general provisions contained in the Book of Financial Powers and the General Financial Rules and the rules regulating the purchase of stores, equipment, stationery, etc. In particular, when the scope of a scheme previously accepted by the Ministry of Finance is substantially altered, even though the total cost may not be exceeded, or the total cost of an accepted project is likely to be exceeded, a reference to the Finance Ministry will be necessary.

As a part of the present scheme of devolution, the powers of re-appropriation of the Ministries have been modified as shown in Annexure 'B'. These modifications apply also to the powers of re-appropriation at present delegated to Heads of Departments or other officers under the Ministries. It is requested that they may be informed accordingly.

The powers of the Ministries to vary the conditions of service or relax any financial rules will be limited to those which have already been or may be delegated to the Ministries by general or special order of the Finance Ministry.

These arrangements do not affect the existing rules, orders and instructions relating to:—

- (a) cases involving foreign exchange expenditure which require the approval of the Department of Economic Affairs;
- (b) cases referred to the Cabinet which require a reference to the Finance Ministry; and
- (c) references from autonomous corporations, companies, etc. to Government;

except that in respect of matters mentioned in sub-paragraphs (b) and (c) above, a reference to the Finance Ministry will be necessary only if the proposals are beyond the powers now delegated to the Ministries.

Notwithstanding the powers delegated in this Memorandum, all proposals requiring Government's approval either for the bulk purchase of commodities not intended primarily for Government consumption but for sale or issue to the public, State Government, etc., or for the fixation of prices in respect of trading operations either directly or through any of the public undertakings, should be referred to the Finance Ministry.

Expenditure Sanctions

5. Subject to the existence of budget provision and also subject to the conditions mentioned in Annexure B to this Memorandum (where applicable), administrative Ministries will be free to issue sanctions to expenditure except that in regard to schemes which involve a total outlay exceeding Rs. 50 lakhs, the prior concurrence of the Finance Ministry will be required. For the purpose of applying the limit of Rs. 50 lakhs, the entire cost of the scheme upto the date of completion (both recurring and non-recurring) including the cost of works (even where the provision relating to such works is made in a budget head not under the control of the Ministry) should be taken into account.

In so far as the appropriations for 1958-59 are concerned, the revised procedure for issuing expenditure sanction will apply except that, where (a) a lump sum provision has been made or (b) provision has been made without sufficient details, the administrative Ministries can act on the provision only after necessary details have been furnished to and accepted by the Ministry of Finance. It shall be the responsibility of the Secretary of the administrative Ministry concerned to secure that cases covered by (a) above are referred to the Finance Ministry and to decide which cases fall under category (b) and require a further reference to the Finance Ministry; provided that if the total expenditure involved is Rs. 1 lakhs or less the Secretary of the administrative Ministry may, in his discretion authorise the issue of expenditure sanction without further reference to the Ministry of Finance.

Grants and Loans

6. In regard to the sanction of grants-in-aid and loans, attention is invited to this Ministry's Office Memorandum No. 2608-PSS/58 dated the 2nd July, 1958 (Copy attached—Annexure 'C'). It is requested that the position of the various grants-in-aid and loans at present being paid by the Ministry of Home Affairs, etc., and the grants-in-aid and loans for which provision is necessary may be reviewed. Where patterns of assistance are already laid down, they may continue to be followed; for new patterns the concurrence of the Finance Ministry may be obtained. In particular the rate of interest to be charged on loans and the period of repayment, unless already specified by general or special order of the Finance Ministry, will have to be approved by the Finance Ministry.

Financial Advisers

7. As part of the scheme of delegation of additional powers to Ministries, it has been decided that officers of appropriate status should

be posted to each Ministry with such supporting officers and staff as may be necessary to give financial advice to that Ministry. These officers will be designated as Financial Adviser, Deputy Financial Adviser or Assistant Financial Adviser as the case may be and will have appropriate *ex-officio* secretariat status in that Ministry. These officers and their staff will form the Finance Branch of the administrative Ministry concerned and will be employed solely on financial, budgetary and connected work. They should be associated with the formulation of proposals for inclusion in the budget from their inception and consulted in all financial matters involving the exercise of the enhanced powers now delegated or matters requiring reference to the Ministry of Finance. They will also assist the Ministry in the control of expenditure against appropriation. It will be open to the Ministries to consult the financial adviser even in the field in which they at present exercise full delegated powers, but only those financial sanctions which are issued by Ministries in exercise of the additional powers delegated in this Office Memorandum should be endorsed to audit over the signature of any officer of the Finance Branch specified above. Sanctions issued by Ministries under the powers exercised by them immediately before the issue of this Office Memorandum will continue to be endorsed direct.

All cases in which the advice tendered by the financial adviser of the Ministry is not accepted should be referred to the Secretary of the Ministry for orders, and if the Secretary also differs from the advice, the case should be brought to the notice of the Minister. A monthly statement of the cases, if any, where the financial adviser's views have not been accepted, giving a summary of the differences and the final decision, should be forwarded by the Secretary of the Ministry to the Finance Ministry, Department of Expenditure, for information, a copy being endorsed to the Comptroller and Auditor General of India simultaneously.

8. The posting and transfer of the officers of the Finance Branch in each Ministry will be arranged by the Central Establishment Board and the Secretary of the Expenditure Department of the Ministry of Finance will be co-opted as a member when the Board considers such postings and transfers.

Contracts and Purchases

9. Contracts involving large sums of money and also contracts of a special or unusual nature raise special problems. It has been decided that cases of the type referred to below should continue to be referred to the Ministry of Finance for concurrence:—

- (a) Any purchase or contract the value of which exceeds Rs. 25 lakhs. (This limit will be Rs. 1 crore for the Ministry of Works, Housing and Supply in respect of purchases by the Central Purchasing Organisations in India or abroad). If a contract extends over a period of time, its total value over the entire period of its currency will be taken as the value for the purpose of this limit.
- (b) Any negotiated or single tender contract exceeding Rs. 10 lakhs in value. (This limit will be Rs. 50 lakhs for the Ministry of

Works, Housing and Supply in respect of purchasers by h e Central Purchasing Organisations in India or abroad). A limited or open tender which results in only one effective offer will be treated as a single tender contract for this purpose.

- (c) Any indent for stores of a proprietary nature, the value of which exceeds Rs. 5 lakhs.
- (d) Any agreement or contract for technical collaboration or consultancy services with foreign Governments or firms, e.g., for setting up new factories, industries, etc.
- (e) Any purchase which has normally to be effected through the Central Purchasing Organisations, but which is proposed to be made direct on grounds of emergency, if the value exceeds Rs. 5 lakhs.

Periodical Reviews of Staff

10. As a part of the general arrangements, it is intended that the staff position of the Ministries should be subject to a periodical review by the Organisation and Methods Division of the Cabinet Secretariat and the Economy Unit of the Finance Ministry.

Representation on Autonomous Organisations, e.g., Corporations, Companies, Institutions, etc.

11. For the present, finance officers serving on these bodies will continue to do so. The matter will be further considered in consultation with the Ministries concerned.

12. Matters involving financial implications which are not expressly provided for by these orders or any other general rules or orders, should continue to be referred to the Ministry of Finance.

13. The initial posting of the Financial Adviser and supporting officers and staff required for each Ministry is being arranged separately and it is hoped to finalise it very shortly. Meanwhile in order that the introduction of these revised arrangements may not be delayed and pending the creation of the necessary posts in the administrative Ministries, selection of personnel, etc., it has been decided as an interim measure that the existing Attached Financial Advisers to the Ministries (i.e., officers of the status of Deputy Secretary and below) should function as the officers of the Finance Branches in the Ministries, in accordance with para 7 above and should cease to function as officers of the Finance Ministry. For the present however, till the staffing arrangements mentioned in this paragraph are completed, their pay and allowances will be met from the budget of the Expenditure Department. In order to ensure that the strength of financial advisers and their staff and the staff for financial scrutiny in the Finance Ministry are not unduly increased, Government have decided that despite the enhanced powers given to Ministries under this Memorandum, no administrative Ministry shall have the power to increase the strength of its Finance Branch without the concurrence of the Finance Ministry, and similarly the Department of Expenditure of the Finance Ministry shall not have the power to increase its own staff for the control of expenditure (i.e., its Expenditure Division) without the concurrence of the Home Ministry.

14. It is Government's decision that the administrative Ministries should in their turn delegate, to the maximum extent, administrative and financial powers to the Heads of Departments and also to other subordinate authorities with due regard to their respective levels of responsibilities. Such delegations are an integral part of the present scheme and its purpose will be defeated if the additional powers are retained by the Ministries. Where Ministries have not yet formulated proposals in this regard, expeditious action should be taken and proposals submitted within a month for the orders of Government.

15. The Ministry of Finance has already taken in hand in association with the Comptroller and Auditor General the revision of the Book of Financial Powers (including the schedules) and the General Financial Rules. In order to enable this to be completed early, Ministries are required to submit their proposals mentioned in the preceding paragraph within the time limit prescribed.

16. In view of the special position of the organisations mentioned below, it will neither be practicable nor justifiable to post separate financial advisers to them. It is intended that an officer of the Finance Ministry should be responsible for such work of a financial nature as arises in them. Pending the completion of these arrangements the provisions of this Office Memorandum will, for the present, not apply to them:—

- (i) President's Secretariat;
- (ii) Vice-President's Secretariat;
- (iii) Partition Secretariat;
- (iv) Department of Parliamentary Affairs;
- (v) Prime Minister's Secretariat;
- (vi) Cabinet Secretariat; and
- (vii) Planning Commission.

These orders do not apply to :—

- (a) Ministry of Railways, and
- (b) The Department of Atomic Energy.

They do not also apply to the Ministry of Defence in relation to expenditure debitable to Defence estimates. The financial powers of the Defence Ministry in relation to such expenditure will, until further orders, continue to be governed by the existing rules and orders.

17. For the purposes of this Memorandum, the word "Ministry" includes a department of Government.

18. The orders in this Office Memorandum will come into force with effect from Wednesday the 20th August, 1958.

N. N. WANCHOO,
Secretary to the Government of India.

To

All Ministries/Departments of the Government of India (excluding the Organisations mentioned in para. 16 but including the Ministry of Defence).

No. F. 9 (5)-E(Coord)/58

Copy forwarded to (i) President's Secretariat; (ii) Vice-President's Secretariat; (iii) Partition Secretariat; (iv) Department of Parliamentary Affairs; (v) Prime Minister's Secretariat; (vi) Cabinet Secretariat; (vii) Planning Commission; (viii) Department of Atomic Energy; and (ix) Ministry of Railways.

K. SANKARAN,

Under Secretary to the Government of India.

No. F. 9(5)-E(Coord)/58

Copy forwarded to the Comptroller and Auditor General of India and all Accountants General and Comptrollers.

Copy also forwarded to the O. & M₃ Division of the Cabinet Secretariat.

K. SANKARAN,

Under Secretary to the Government of India.

Copy forwarded to all Heads of Divisions in the Expenditure Department (by name).

Copy forwarded to all other Officers and Branches of the Expenditure Department.

Copy also forwarded to :—

Department of Economic Affairs/Department of Revenue.

K. SANKARAN,

Under Secretary to the Government of India.

ANNEXURE A

Details to be furnished to Finance Ministry for consideration of proposals relating to new schemes [see para 2(e)]

NOTE.— This form should be used for schemes the estimated expenditure on which is Rs. 10 lakhs for above. It need not be used for schemes costing less, but substantially the same information should be supplied.

Government of India

Ministry of

Department of

Subject:—

1. *A concise statement of the proposal and full justification for it.
2. (a) Is the proposal in respect of a "new service" ?
(b) Has the proposal or any part of it been already considered by the Finance Ministry and if so, what is the decision taken ?
3. Expenditure involved in the proposal:

	Expenditure	Budget
	Non- Recurring	Provision
	Rs.	Rs.

- (i) during the first year
- (ii) during subsequent years (year-wise)
- (iii) total expenditure on the scheme

4. State briefly, the estimated yield on the project and other economic implications, indicating anticipated receipts.

5. Is the proposal included in the Second Five Year Plan ?

If so, (a) state the amount included for the scheme in the Plan; (b) if the Scheme or the total provision envisaged in the Plan has been modified indicate the extent of modification and reasons for the same. Also state whether the Planning Commission have concurred in the modifications.

6. Is any foreign exchange involved? If so, state—

- (a) items of expenditure involving foreign exchange;
- (b) expenditure on foreign exp rts;
- (c) whether clearance of the Economic Affairs Department has been obtained; and
- (d) whether the availability of credit facilities from foreign suppliers is proposed to be or has been explored and if so, with what result.

7. Purchase of plant, equipments & stores—(State the procedure to be adopted for purchasing stores, plant, machinery, etc., and whether any departure is necessary or proposed from the normal procedure prescribed for such purchase, with reasons).

8. Is any collaboration, technical or financial, with foreign Governments or Firms contemplated? If so, furnish details.

9. Supplementary information, if any.

^oPlease attach:

- (i) a statement indicating the number of posts as well as the pay-scales under various categories required—
 - (a) in the first year of the scheme; and
 - (b) eventually when the scheme is in full operation together with the basis (work standards) adopted for staffing.
- (ii) a statement showing expenditure on building and other works indicating the basis on which it has been estimated and also the phasing of the works year by year; and
- (iii) a statement showing expenditure on stores, equipment, etc.

III.—Where estimates for buildings equipment and other stores have been worked out on the basis of current costs, any increases that are likely or expected should be indicated.

ANNEXURE B

Delegation of Financial Powers to Ministries

Nature of power	Existing powers of Ministries		Powers of Ministries under the New scheme		Remarks
	Powers	Conditions attached	Powers	Conditions attached	
1	2	3	4	5	6
1. Creation of posts					
(i) Permanent posts.	Class III & Class IV (Vide Schedule I of B.F.P.)	For permanent posts only. (i) Permanent recurring saving or specific budget provision [Vide Rule 10 (4), B.F.P.]	I. (i) Full powers for posts in Class II, III or IV Service.	As in Col. 3.	
(ii) Temporary posts.	Class I posts : Upto senior Class I scale (Rs. 600—1,150) or Sectt. posts not	For both permanent and temporary posts.	I. (ii). (a) Posts in Class I Service on pay less	As in Col. 3	

1

2

3

4

5

6

above Under Secretary
—upto two years.

Other Class I posts on sub-ordinate establishments: up to six months. Class II posts:(i) on own establishment—upto two years.

(ii) on other establishments for any specified period. *Class III and Class IV posts for any specified period. [Vide Fin. Min. O.M. No. F6(4)-EGI/55, dated 12-5-55 and Schedule II of B.F.P.]*

(ii) Conformity with scales of pay approved for similar posts in the same Deptt. [Vide Rule 10(I), B.F.P.]

(iii) Observance of instructions regulating staff composition and work standards. [Vide Rule 10(2), B.F.P.]

than Rs. *22,50 p.m. in the prescribed scale—for any specified period [Vide N.B. in Column 2].

(b) Posts in Class II, III or IV service— for any specified period [Vide N.B. in Column 2].

As in Col. 3.

*Rs. 3,000 if the post carries a pre-1931 scale.

N. B.—Where a post is sanctioned in a time-scale, the maximum of the time scale shall be taken as pay for this purpose.

(iv) Availability of funds by valid appropriation or re-appropriation. [Vide Rule 10 (3), B.F.P.]

[N.B.: The term “any specified period” means upto two years in cases of posts in respect of which the

Ministries do not have power to create permanent posts of the same grade. In the cases of other posts the term implies full power to create and continue from time to time for any period— [Vide F. 6(8)-E. IIA, 55, dated 16-5-58]

2. Appropriation and Re-appropriation.

Full powers. (Authority— B.F.P. Rules 8-9 and Schedule III).

General conditions contained in Rules 8-9 of B.F.P.

Full powers subject to Rules 8 and 9 of the B.F.P., provided that the concurrence of the Finance Ministry will be required also in the following cases:—

- (a) Re-appropriation to augment the provision under the primary units relating to "Pay of Officers" and "Pay of Establishments" either for a scheme or for other types of expenditure.

1	2	3	4	5	6
		<p>*(b) Re-appropriation between the primary units under which provision is made for a scheme which involves the augmenting of the provision under any one such unit by more than 5% or by more than Rs. 1 lakh, whichever is less [but sec(a) above].</p>			<p>*This limitation will not apply to provision made for purely administrative expenditure and for maintenance and repairs, except that the provision for "Pay of Officers" and "pay of Establishments" cannot be augmented—<i>Vide</i> clause (a) in Col. 4.</p>
		<p>(c) Re-appropriation from the provision made for a scheme to meet expenditure on any other purpose.</p>			
<p>3. (i) Expenditure on contingencies and purchase of stores (other than works).</p>	<p><i>Non-recurring</i>: Full powers.</p>	<p>(i) Availability of funds by valid appropriation or re-appropriation from within the sanctioned budget allotment.</p>	<p><u><i>Non-recurring</i></u> Full Powers.</p>	<p>As in Col.3</p>	

	<p><i>Recurring</i> : Rs. 1000 per annum in each case [<i>Vide</i> G.F. Rs. 129, 130 and 144 and Fin. Min. O.M. No. F. 6(4)-EG/55, dated 12.5.1955.]</p>	<p>(ii) Observance of procedural and other general directions contained in Annexure 'A' to Appendix 8 of G.F.R. Vol. II and in other existing rules or orders or in those which may be issued from time to time.</p>	<p><i>Recurring</i> Full powers.</p>	<p>As in Col. 3.</p>
<p>3 (ii) Local purchase of stationery stores.</p>	<p>Rs. 5000 per annum (including sanctions in respect of Ministry proper and Attached and Subordinate offices) [<i>Vide</i> Rule 8(b) of Appendix 10 G.F. Rs. Vol. II & Fin. Min. O.M. No. F.6(8)-E. II(A) 56, dated 26.4.1957 and O.M. No. 6(4)-E.GI/55, dated 12.5.1955.]</p>	<p>As in Col 2.</p>	<p>A in Col. 2, but full powers subject to the concurrence of Chief Controller of Printing and Stationery.</p>	<p>As in Col. 3.</p>
<p>4. Miscellaneous Expenditure:</p>				
<p>(i) Expenditure on entertainments—Light refreshments.</p>	<p>(i) Ministry of C & I: Rs. 10,000 per annum. (ii) Other Ministries : Rs. 5,000 per annum.</p>	<p>As specified in the Fin. Min. Office Memoranda referred to in Col. 2.</p>	<p>Full Powers</p>	<p>Subject to the restrictions in the Office Memoranda mentioned in column 2.</p>

1	2	3	4	5	6
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The above ceilings would cover the expenditure incurred by Ministries including their Attached and Subordinate offices. This delegation does not apply to cases covered by specific grants for entertainments or hospitality regulated by separate rules. (*Vide* G.F.R. para 201, Fin. Ministry O.M. No. F. 6(4)-EG1/55 dated the 12th May, 1955 as modified by O. M. No. F. 6(14)-EII(A)57 dated 27.7.57 and Fir. Min. O.M. No. D. 3252-EII(A) 58 dated 13.5.58).

- (ii) Foundation stone laying ceremonies and opening of public buildings.
- (iii) Other miscellaneous Expenditure

Upto Rs. 5,000 on each occasion (*Vide* O.M. No. 6(17)-EG1/54 dated 22.11.54).

Recurring upto Rs. 500 a year (in the case of Rehabilitation Ministry Rs. 1,000 per

As in the O.M. referred to in Column 2.

Full powers

As in Column 3

Recurring and Non-recurring: Full Powers.

month) and non-recurring upto Rs. 2,500 on each item (in the case of Rehabilitation Min. Rs. 5,000 on each item).
(Vide Fin. Min.'s O.M. No. 6 (7)--E, II(A); 56 dt. 5.3.56).

5.(i) Expenditure on Grants-in-aid for Staff Welfare.

(i) Grants-in-aid to Clubs or organisations for welfare of staff (non-gazetted) in offices outside Delhi — upto Rs. 2 per member of staff per annum subject to overall limit of Rs. 1000 per office per annum. (Vide Fin. Min.'s O. M. No. F. 6(4)—FG1/55 dated 12.5.55).

Full Powers.

Subject to paragraphs 206 to 209 of G.F. Rs. and instructions issued thereunder.

(ii) Other Grants in-aid, Loans, etc.

Nil.

G.F. Rs. 106 to 209 and instructions issued thereunder. Full Powers.

Subject to rules framed with the concurrence of the Finance Ministry and subject to paras. 206 to 209 of the G. F. Rs.

1	2	3	4	5	6
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and instructions issued thereunder.

6. Maintenance of buildings under the charge of Ministries (other than hired or requisitioned buildings).

- | | |
|---|---|
| (i) Original petty works and special repairs. | (i) Upto Rs. 5,000 in each case in places where no CPWD offices are located otherwise Rs. 2,500/- |
| (ii) Ordinary repairs. | (ii) Full powers. [Fin. Min.'s O.M. No. 6 (17)—EG1/51 dt. 7.9.51]. |

As in G.F. Rs. 188 & 189 As in Col. 2, but full powers above the limits prescribed, in consultation with the W.H. & S. Ministry. As in Col. 3

7. (a) Hiring of private accommodation. *Min. of W.H. & S.—Upto Rs. 20,000 per annum.*

Other Ministries: (i) For office—up to Rs. 7,500 per annum in Calcutta, Bombay and Madras and upto Rs. 500 per month in other places.

Subject to item 32 of Annexure A to Appdx. 8 to GFR Vol. II and the conditions laid down in Fin. Min. O.M. Nos. 11 (1) W/54 dt. 20.1.55 and 11 (3) W/56 dt. 9.3.57.

Min. of W. H. & S.—
Full powers.

(ii) Office-cum-residence—
Up to Rs. 400 p.m. in Calcutta, Bombay and Madras and up to Rs. 350 p.m. in other places.

(iii) For residence and other purposes:—Up to Rs. 300 per annum.

Other Ministries—As
in Col. 2, but full powers in consultation with W.H. & S. Ministry. As in Col. 3.

[*Vide* Item 32 of Annexure A to Appendix 8 to G.F.R. Vol. II, and Fin. Min. O.M. No. 11(1)W/54 dt. 20.1.55 & O.M. No. 11(3) —W/56 dt. 9.3.57 read with G.F.R. 43].

1	2	3	4	5	6
(b) Repairs and alterations to hired and requisitioned buildings.	<p><i>Ministry in administrative Control of the building—</i> Non-recurring up to Rs. 2,500 per annum and recurring up to Rs. 500 per annum.</p> <p>(Fin. Min. O.M. No. 6(7)— BII (A)/56, dated 5.3.56).</p>	Such expenditure can be incurred only if the landlord refuses to meet the charges himself and when the building is released, Govt. should have the right to remove any installation or material added to the building.	<p><i>Ministry of W.H. & S.—Full powers</i> <i>Other Ministries—</i> As in Col. 2, but full powers in consultation with W. H. & S. Ministry.</p>	As in Col. 3.	
8. Expenditure on works.	<i>Min. of W.H. & S.—</i>				
(i) Original works	Rs. 2 lakhs.	Subject to the conditions mentioned in Finance Min. O. M. No. 11(1)—W-56, dated 11.3.1957.	<i>Ministry of W. H. & S.—Full Powers.</i>	Subject to the provisions of para. 5 of the O. M. No. F. 9 (5)-E (Coord) 58, dated the 18th August, 1958.	
(ii) Extension of existing irrigation navigation, embankment or drainage projects.	<p><i>Min. of W.H. & S.—</i> Rs. 2 lakhs</p> <p>(<i>Vide</i> Min. of Fin. O. M. No. 11 (1)-W/56, dated 11.3.1957).</p>		<p><i>Ministry of Communi- cations.</i> Full powers in respect of expenditure under Major Heads 69 A and 69 B, 72 (Overseas Commu- nications Service); and 72A.</p>		

Ministry of Transport—
As in Col. 2.

(iii) Maintenance of National Highways and other roads which are under their administrative control. *Min. of Transport—*
Full powers.
(*Vide* Rule 12 B.F.P.)

9. Writing off of losses. (i) Irrecoverable losses of stores and public money due to theft, fraud, negligence, etc. upto Rs. 10,000; otherwise Rs. 25,000 in the case of stores only.
(ii) Loss of revenue or irrecoverable advances—Rs. 10,000.
(iii) Deficiency and depreciation Rs. 10,000.
(Rules 47 and 48 GFR, Sch. B of BFP. and Fin. O.M. No. 6(7)-EII(A)/56 dated, 5.3.1956).

As in rules 47 & 48 G.F. Rs. and Schedule V of B.F.P. As in Col. 2.

As in Col. 3.

10. Disposal of obsolete surplus unserviceable stores. Upto Rs. 10,000 (Para. 167, G.F.R. and Rule 11 and Sch. V of B.F.P.)

As in Paras. 166-168 of G.F. Rs. As in Col. 2.

As in Col. 3.

ANNEXURE C

No. 2608-PSS/58

MINISTRY OF FINANCE

(DEPARTMENT OF EXPENDITURE)

New Delhi, dated 2nd July, 1958

OFFICE MEMORANDUM

A recent investigation into the loans given by the Central Government to parties other than State Governments has shown that a significant proportion of these have to be considered as of a somewhat doubtful nature. This is because applications for loans do not at present receive the scrutiny they should. Very often this is limited to seeing that there is sufficient budget provision to meet the loan. While this is an important pre-requisite, it is obviously not a sufficient consideration in itself for the grant of a loan. The following instructions are issued for the guidance of all concerned with the sanctioning of loans with a view to tightening up the procedure for the sanction of loans.

2. Before considering a loan application, the following requirements should be fulfilled:—

- (1) It should be seen that there is adequate budget provision. As mentioned above this is already being done.
- (2) It should be seen whether the grant of the loan would be in accordance with approved Government policy and accepted patterns of assistance. It is important, in view of the shortage of financial resources, that the scope of financial assistance in the shape of loans should not be expanded to include new types of loans or objects for which loans are granted; nor should the accepted pattern of assistance be varied.
- (3) The applicant should be asked to furnish the following materials and information:
 - (i) Copies of profit and loss (or income and expenditure) accounts and balance sheets for the last 3 years;
 - (ii) the main sources of income and how he proposes to repay the loan within the stipulated period;
 - (iii) the security proposed to be offered for the loan together with a valuation of the security offered by an independent authority and a certificate that the asset offered as security is not already encumbered;
 - (iv) details of loan or loans taken from the Central Government or a State Government in the past, indicating amount, purpose Ministry or State from which loan was taken, rate of interest,

stipulated period of repayment, date of original loan and amount outstanding against the loan(s) on the date of the application and the assets, if any, given as security;

- (v) a complete list of all other loans outstanding on the date of application and the assets given as security against them;
- (vi) the purpose for which the loan is proposed to be utilised and the economics of the scheme.

Where the loan is to be given to an institution on the strength of a guarantee given by the Trust managing it, similar information should be called for in respect of the Trust also (*vide* para 4 below).

3. On receipt of the above information, confidential enquiries should be made from the other Ministries/State Governments from which the party has taken loans to judge his performance in regard to these previous loans. If the replies indicate that the performance was not satisfactory, the loan should be refused. In other cases it should be seen from the information supplied that the financial position of the party is sound and he can be reasonably expected to repay the loan in the prescribed period, either from the income from the specific scheme for which the loan is sought or from his general income. It should be ensured that the security offered is adequate and its value is at least 33 1/3 % above the amount of the loan. If possible, an independent valuation should be obtained. It must be noted that it is not always sufficient to have what may be considered as adequate security if the financial position of the applicant is not sound. In the event of default it may be difficult for Government to enforce the sale of the asset offered as security, especially if it is not an earning asset. It is, therefore, important to see that both the criteria are satisfied.

4. Special mention is necessary of institutions which receive grants-in-aid from Government to meet a part of their deficits, the balance being met by the State Government and the Trustees or Managements. This type of case occurs in educational institutions. In such cases it should be ensured:

- (i) that in computing the deficit for purposes of the grant-in-aid, the income from the scheme, if any, earmarked for servicing the loan and the instalment of repayment of the loan and interest (if any) is not included;
- (ii) that as far as possible the scheme for which the loan is given is self-financing and does not throw an additional burden on the general income of the institution, e.g., in the case of hostels for colleges that the rents proposed are adequate;
- (iii) the institution produces an undertaking from the State Government or the management that any shortfall towards repayment of the loan and interest will be made good by them. In the latter case of the financial position of the Management (Trust) should be investigated after calling for information on the lines of sub-para. (3) of para 2 above.

5. It has been noticed that after the loan is sanctioned, Ministries often do not keep themselves informed of whether the borrower is repaying the instalments promptly. It is important to ensure that a procedure is laid down by each Ministry for a periodical review of all old loans so that prompt action can be taken, if necessary, for enforcing regular payments

6. It might become necessary to obtain information periodically regarding the financial position of the applicant after the grant of a loan. For this purpose a clause should be inserted in all loan agreements enabling Government at any time to call for the accounts of the applicant relating to any accounting year with power to depute an officer, specially authorised for this purpose, to inspect the applicant's books, if necessary.

7. Loans should not be given at concessional rates of interest. If any concession is considered necessary it should be given as a straightforward grant unless a policy regarding the grant of such a concession has already been laid down by Government.

Sd/- N. N. WANCHOO,
Secretary to the Government of India.

To

All Ministries of the Government of India, Department of Economic Affairs (Budget Division and Planning Division).

All Financial Advisers of the Expenditure Department (including F.A. : Defence Services).

APPENDIX III

Memorandum from the Ministry of Finance (Department of Economic Affairs, regarding formulation of schemes involving matching grants from State Revenues

No. 15(10)-B/57

New Delhi, the 3rd January, 1958.

MEMORANDUM

SUBJECT:—*Formulation of schemes involving matching grants.*

The undersigned is directed to enclose a copy of Paras 190 and 191 of the Report of the Second Finance Commission on the subject of matching grants and to state that the Government of India have decided, in consultation with the Planning Commission, that for the remaining period of the Plan schemes formulated by the Government of India should not ordinarily involve the provision of matching grants from States revenues. This decision will not affect specific schemes in the Plan for which the Plan itself provides that part of the resources will be found by the States and only a part contributed by the Centre.

Sd/- M. V. RANGACHARI,

Special Secretary.

To

All the Ministries of the Government of India.

Copy forwarded to:—

Planning Commission, Department of Economic Affairs, Department of Expenditure and to all Joint Secretaries and Deputy Secretaries in the two Departments.

Sd/- A. G. KRISHNAN,

Under Secretary to the Government of India.

PARAS 190 & 191 OF THE 2ND FINANCE COMMISSION'S REPORT

190. The first relates to the system of matching grants. During the first five year plan period a number of schemes involving such grants were sanctioned and subsequently incorporated in the Plan. A large number of such schemes have also been included in the second five year plan. The State Governments were unable to meet their share of the expenditure on these schemes as all their resources had already been committed for their inescapable expenditure for the implementation of the plan. Their difficulty was greater in the case of schemes outside the plan. In either case, they found it impracticable to reject the schemes on the ground of want of resources

because of the understandable public criticism that they were not taking advantage of these schemes, desirable in themselves and having the added attraction of a Central subsidy. In the result, most of them accepted the schemes and ran into revenue deficits.

191. There is considerable force in this complaint. So far as the second five year plan is concerned, we have sought to meet it by taking into account in our scheme the requirements of the States for the plan as a whole including schemes involving matching grants, so that the States will have resources to meet their share of the expenditure. But we suggest that, for the future, no scheme outside the plan should be formulated on a matching basis. Except to a small marginal extent or when the scheme itself is related to the raising of a specific additional item of fresh revenue such as by the levy of a special tax or cess, there is, in our opinion, no room in present circumstances for matching grants. We think it unwise to encourage States to run into revenue deficits by accepting such schemes as all their revenue resources have, as already explained, been fully committed. Matching grants may be useful in ordinary circumstances as providing a stimulus to State action in particular spheres of activity, usually in the field of social services, in which the Centre desires to secure country-wide development in the national interest. They have no place when the country has an integrated and comprehensive plan which lays down priorities for the development of all social services. The system of matching grants on any basis uniform for all the States is also not equitable; it operates in favour of the richer and against the poorer States, as the former are in a more favourable position to take advantage of such grants. In the present Union-State set-up, the States depend for a substantial portion of their revenue on shares of Central taxes and on grants-in-aid. When the States have taxed themselves to a reasonable extent, the balance of the revenue to enable the States to meet their expenditure has to come from Central devolution. There is no method by which the States share of the expenditure on schemes based on matching grants could be set off against revenue derived from their own sources, as distinguished from the revenue they receive from the Union by way of shared taxes and grants-in-aid. When the revenue budget is balanced by Central devolution, the States' share may come out of such devolution. If this happens, the whole purpose of matching is lost. For these reasons, we feel that schemes involving matching grants are not suitable in present conditions.

APPENDIX IV

Note from the Ministry of Finance (Department of Revenue) pursuant to action taken on para 90 of the 7th Report regarding evasion of income-tax

The question of detection of tax evasion has been engaging the constant attention of the Government and the following steps have been taken in this regard:—

- (1) An Investigation Commission was set up in 1947 to detect particular cases of tax evasion. Unfortunately the work of the Commission had to come to an end because of certain decisions of the Supreme Court. This organisation has, however, now been replaced by a special Directorate which has taken over all the cases.
- (2) The Department have two special Commissioners both in Bombay and Calcutta, *viz.*, Commissioners of Income-tax, Central, Bombay and Calcutta, to deal with cases of tax evasion.
- (3) In addition, in 1952, a Directorate of Investigation was set up to look into such cases in other places. Under this organisation, Special Circles have been set up in almost all Commissioner's charges so that the work can be concentrated in one place and looked into by specially selected officers.
- (4) The Government have paid special attention to plug loopholes in the Act. Both the Investigation Commission and the Taxation Enquiry Commission went into this matter and made certain recommendations. Although Government have not been able to implement all of them, they have accepted the bulk of them and effected appropriate amendments in the Act. Two important amendments are (i) removal of time limit for taking action in tax evasion cases and (ii) power of search and seizure given to Income-tax Officers. There has been a progressive increase in collections of income-tax revenue as will be seen from the following figures:—

Financial Year	Actual collections of I.T. & C.T.
	Rs.
1954-55	159·60 Crores.
1955-56	168·54 „
1956-57	201·58 „
1957-58	219·83 (Unverified)

V. V. CHARI,
Joint Secretary to the Government of India.

APPENDIX V

Note from the Ministry of Finance (Department of Expenditure) pursuant to action taken on para 83 of the 7th Report regarding purchase of chancery building

The Committee have doubted the wisdom of the action of Finance Ministry in agreeing to blanket sanction of Rs. 7 1/2 lakhs the details of which they were not aware of. The circumstances in which the sanction was asked for and given in October, 1950 were explained by the representatives of the Ministry of External Affairs at the time when this question was discussed by the Public Accounts Committee last year. The Finance Ministry agreed to this proposal in view of the following considerations:—

- (a) The purchase price of 7 1/2 lakhs for the building with 32 rooms and grounds compared very favourably as against Rs. 4.64 lakhs paid for the Embassy building with 12 rooms;
- (b) The lease of the rented Chancery building was terminating by the end of 1950, and there was practical difficulty in obtaining longer-term leases. Rents and prices of property in Paris were also showing an upward trend.

2. The sanction given was specifically made subject to the following conditions:—

- (a) The property should have a clearly valid title and should be transferable without risk of possible litigation afterwards;
- (b) title deeds should be examined by the Ministry of External Affairs;
- (c) necessary indemnity clause should be inserted to guarantee the position of the Government of India;
- (d) full particulars of property with plans and estimates should be furnished.

3. It will be observed that the proposal was attractive and sanction was accorded with all the necessary caveats as indicated above to safeguard the interests of the Government. This can, therefore, hardly be construed in the nature of a 'blanket sanction', nor in the opinion of Finance Ministry, the criticism that they accorded the sanction without proper examination seems to be justified.

M. S. BHATNAGAR,
Joint Secretary.

APPENDIX VI

*Note from the Ministry of Finance (Department of Economic Affairs)
pursuant to action taken on para 127 of the 7th Report regarding interest and
principal overdue from displaced persons*

Rehabilitation Finance Administration loans are being adjusted against the compensation claims of the borrowers' guarantors by the Ministry of Rehabilitation. Guarantors' compensation claims are adjustable only if they assign their claims in favour of Rehabilitation Finance Administration or if their guarantees were accepted on the basis of compensation claims and if the borrowers commit default in payment of dues. Moreover, in accordance with the recent decision of the Ministry of Rehabilitation, Rehabilitation Finance Administration dues can also be adjusted out of the compensation claims of friends and relations of the borrowers.

2. According to an estimate framed by the Rehabilitation Finance Administration in 1955, a sum of Rs. 4.13 crores was expected to be realised from compensation claims of Rehabilitation Finance Administration borrowers. A test check of actual realisations against amount expected to be recovered was recently carried out by the Chief Administrator, Rehabilitation Finance Administration, at the instance of Audit in 20% (about Rs. 20 lacs) of the amount already recovered and credited to the Administration by the Accountant General, Central Revenues, and it was found that the progress of recovery was not less than the estimated figure. The progress made from year to year on this account is given below:

As on	Progressive Total
	Rs. nP.
31-12-1955	9,480.62
31-12-1956	38,38,036.79
31-12-1957	1,43,01,494.81
31-3-1958	1,49,24,947.37
30-6-1958	1,87,37,089.30

3. It may also be stated that in several cases of borrowers who are claimants, Rehabilitation Finance Administration realises its dues in cash also.

4. This note has been vetted by Audit.

A. BAKSI,

Joint Secretary to the Government of India.

Dt. 21-2-59.

APPENDIX VII

Note from the Ministry of Finance (Department of Economic Affairs) pursuant to action taken on paras 124 and 125 of the 7th Report regarding recovery of loans from the displaced persons from East Pakistan.

The following steps are generally taken by the Rehabilitation Finance Administration in tracing out the untraceable loanees and/or guarantors:

- (i) Enquiries are made from the post office and/or postman of the area where the loanee/guarantor was last staying.
- (ii) In case of the borrower being untraceable, the guarantor is contacted to find out the whereabouts of the loanee. In case of the guarantor being untraceable, the loanee is contacted to find out the whereabouts of the missing person.
- (iii) In case no clue is given about the whereabouts of the loanee or the guarantor, as the case may be, the neighbours and the relations of the missing person are contacted in order to get a clue to find out the untraceable person.
- (iv) Enquiries are made from the local association of displaced persons, if any, and/or persons migrating from the same place in Pakistan who might be knowing the whereabouts of the untraceable borrower/guarantor.
- (v) In case the missing borrower/guarantor has any life insurance policy, the Life Insurance Corporation Office is contacted to know the latest address of the policy-holder.

2. As a result of the efforts made by the Rehabilitation Finance Administration, out of 142 cases in the Eastern Region where loanees and/or guarantors were untraceable as on 31st December, 1956 (*vide* statement in para 123 of Seventh Report of the Public Accounts Committee), in 57 cases borrowers and/or guarantors were traced out upto 31st December 1957. The position in regard to the balance of 85 cases is given below:

	No. of borrowers	Amount of principal advanced (in lakhs of Rs.)	Amount involved (in lakhs of Rs.) (Outstand- ing of interest and principal as on 31-12-57)
Cases where borrowers and/or guarantors have either left for Pakistan or have gone underground	85	5.50	7.09

3. The recoveries made by the Rehabilitation Finance Administration in 142 cases referred to in para 2 above, during the year ended 31st December, 1957 were as under:

Interest: Rs. 8374/-

Principal: Rs. 2496/-

4. If a borrower or a guarantor is untraceable, the entire amount involved does not necessarily become irrecoverable. In cases where the Administration has got some tangible collateral security, like life insurance policy, shares or immovable property, it lays its hand on the same, though the borrower/guarantor may not be traceable.

5. This note has been revised as suggested by Audit while vetting the draft note originally sent to them, and the required revised information has been incorporated in the para 2 above.

A. BAKSI,

Joint Secretary to the Government of India.

Dt. 6-3-59.

APPENDIX VIII

Copy of Appendix X to Audit Report (Civil) 1952 relating to irregularities in the Administration of loans and recovery proceedings by the R.F.A. (Referred to in para 8 of that Audit Report)

1. Loan Account No. 217463

Dues Rs. 30,083

A loan of Rs. 25,000 was sanctioned in 1948 for starting a printing press. There was a default in the payment of the first instalment due on 1-10-49. The Branch Manager reported the case as doubtful and on 28-6-1950 reference was made on to the Collector for recovery of dues. The second and third instalments fell due on 1-10-50 and 1-10-51 respectively and also remained unpaid. The loanee was reported to have spent a large part of the loan on his election to the State Legislature. After becoming a Minister he requested the Administration on 28-9-52 to transfer the loan in the name of his son. His request was agreed to *inter alia* on the following conditions:

- (i) That he would transfer his rights and title in the press to his son and the latter on becoming the owner should mortgage that property in favour of the Rehabilitation Finance Administration.
- (ii) That both the original and the substituted loanee would pay Rs. 400 p. m. beginning from September, 1952 towards liquidation of the instalments over due.

Even though the Administration did not enhance the sanction to the amount of the loan of Rs. 25,000 to any higher amount, the documents were obtained for Rs. 27,000 treating accumulated interest as principal and the period of repayment was altered to 1959 instead of 1958 as originally fixed. The substituted loanee did not mortgage the property and paid only Rs. 900 in all during 1953-54 instead of at the agreed rate of Rs. 400 p. m. The loanee did not also co-operate with the staff of the Administration in showing his accounts but no action was taken against him till May, 1955 when the Administration made a reference to the Collector and asked him to recover only Rs. 13,822 representing the amount of instalments and interest over due instead of the entire loan. In October, 1955 the Collector returned the papers without effecting recovery with the remarks that the father of the loanee who was a guarantor had verified claims of about Rs. 40,000. The value of that claim was however not much more than about Rs. 9,000. The Chief Administrator ordered immediate recall of the entire loans on 24-2-56 but reference to the Collector for recovery was made only on 15th of May, 1956. No recoveries on account of principal have been effected so far.

2 Loan Account No. 256

Dues Rs. 15,311.

The Administration advanced a loan of Rs. 15,000 on the 8th of April, 1949 for the manufacture of agricultural implements. The loanee did not keep regular accounts and did not produce them for inspection by the officers.

of the Administration. On the 9th of July, 1949 the loanee informed the Administration that on becoming a Parliamentary Secretary in the State Legislature he had handed over the factory to some other persons who would repay the entire loan. The factory had, however, been sealed and the records removed by the Police because of the misuse of steel permits by the loanee. The loan was recalled on 12-12-49. The loanee had ceased to be Parliamentary Secretary in October, 1949, and requested the Administration to transfer the loan to a partnership. The administration agreed and the recall was withdrawn. The loanee then changed the constitution of the partnership concerned without the knowledge and consent of the Administration, did not keep and produce for inspection and committed defaults in payment. The loan was again recalled on 16-5-1951 and referred to the collector on 30-11-51. The Collector intimated that the factory could not be attached as it was not the property of the loanee but was an evacuee property. The loanee again became Parliamentary Secretary early in 1953. One guarantor deposited Rs. 1,000 on 23-5-1953 as a result of action taken by the Collector. In August, 1953 the loanee paid Rs. 3,000 and promised to pay Rs. 200 p. m. thereafter. Proceedings against him were withdrawn from the Collector but were resumed on 8-7-54 on account of default. He paid another Rs. 1000 and on his undertaking to pay Rs. 125 p. m. the proceedings were stayed. As he did not keep his word the case was again referred to the Collector on 7-3-56 but was once again compromised on promise of regular payments. A sum of Rs. 3,000 has been paid up to 31-12-1956.

3. *Loan Account No. 444.*

Dues Rs. 1,06,040

A loan of Rs. 85,000 was sanctioned and advanced to a Public Limited Company registered in 1942, for Tin Box making and Tin printing. The Company was already indebted to the extent of over Rs. 2 lakhs against its paid up capital of Rs. 30,000. On 26-10-54 the Inspector Incharge of the Branch recommended recall of the loan and immediate reference to the Collector for attachment of the factory. The Inspector Incharge reported that the company had not maintained proper accounts and had not filed the statutory returns with the Registrar of Joint Stock Companies. The Chief Administrators on 19-9-55 ordered recall of the loan and reference to the Collector immediately on expiry of the notice. No action was taken by the office on the above orders as in the meanwhile the loanee submitted proposal for arrangement. On 14-10-55 the Chief Administrator agreed to accept Rs. 300 p.m. from October, 1955 and to raise the instalment to Rs. 500 p.m. from April, 1956 when the case would be reviewed. Even though only Rs. 600 were received from the loanee upto 26-5-56, the case was not reviewed till pointed out by Audit on 26-6-56. The loan has been recalled on 30-7-56 (Total amount recovered from May, 1954 to 31st December, 1956 is Rs. 5,471,11/-only).

4. *Loan Account No. 999.*

Dues Rs. 8,800

On the basis of the report of the investigating Assistant Inspector dated 28-1-49 to the effect that the applicants life policies for Rs. 15,000 were alive and his title to shops and stocks was good and free. The Administration sanctioned a loan of Rs 15,000 in February, 1949 and the loanee was required to give the following securities :

- (a) Assignment of (i) Life policies for Rs. 10,000. (ii) certain shares of public companies.

- (b) Two guarantors.
- (c) Mortgage of plot of land belonging to one of the guarantors.
- (d) That he would invest Rs. 35,000 of his own in the business.

The loanee, on receipt of the letter of sanction informed the Administration on 18-5-49, that all the life policies had lapsed and that, two of them on which premium of Rs. 3,000 had already been paid could be revived and pledged. The Administration in their meeting of 4-8-1949 without verifying the actual position from the insurance companies agreed that the lapsed policies need not be pledged even though they must have earned substantial surrender paid up values. The Branch Office recommended release of the 1st instalment of Rs. 1,000 out of the loan of Rs. 15,000 sanctioned and the Head Office released this amount. The goods in the shop purporting to be hypothecated to the Administration were subsequently found to have been previously hypothecated to a Bank since 1938 and 1947 and were taken over by the court receiver, appointed at the instance of the Bank which had obtained a consent decree. The loan was recalled on 6-2-51 and a reference was made to the Collector on 20-3-51. After sale of the mortgaged land, the Collector ordered that instalments of Rs. 50 per month should be paid from 30-5-51, towards liquidation of the balance. It is understood that some instalments have been deposited but no credits have been received so far. No action has been taken to sell the pledged shares to reduce the outstanding balance, nor has any action been taken against the 2nd guarantor so far. There is no indication on the file of any further action after 10-11-51.

5. *Loan Account No. 86.*

Dues Rs. 43,300

A loan of Rs. 50,000 was sanctioned on 4-1-49 to a Private Limited Company for setting up an Oil and Rice Mill. One of the conditions mentioned in the letter of sanction was that the loanees would give an irrevocable authority to the Administration to collect its dues from the commission due to the two guarantors from the Controller of Food Accounts, East Punjab, as well as their security deposits amounting to Rs. 19,000 and Rs. 50,000 respectively for acting as clearing agents for food-grains in the United Punjab. No such authority has been obtained by the Administration so far. The Administration also did not ensure that the loanees registered the charge with the Registrar, Joint Stock Companies at the time the loan was advanced.

The accounts of the company have not been shown to the Administration. Only the Balance Sheet as on 31-3-1953 was made available on 11-11-1954 and the Administration is not aware of the present financial position of the Company. The Punjab Government complained to the Administration in June, 1951 through the Ministry of Finance, Government of India, about the non-fulfilment of their liabilities by the loanees. The Administration was further informed in 1954 that the borrowers had lost credit in the market, that their financial position was bad and they had heavy 'Bazar' liabilities.

In 1950 the borrowers without the permission of the Administration pledged the assets of the mill against a loan of Rs. 55,000 taken from the daughter of one of their director. This fact was not discovered till 1954. Even though the borrowers did not pay the instalments due from 1952 onwards, the loan was recalled only on 28-6-1955 and the Collector was

requested to effect recoveries. When pressed by the Collector the loanee approached the Administration and promised to pay 3 instalments of Rs.2500 each in March and September, 1956 and March, 1957 along with a monthly instalment of Rs. 250 from October, 1955. The instalments of Rs. 2,500 due in March, 1956 has not been paid and out of the accumulated amount of Rs. 1,750 on account of the monthly instalments of Rs. 250, only Rs. 750 had been paid. A reference has again been made to the Collector in October, 1956.

6. *Loan Account No. 310*

Dues Rs. 17.35

A loan of Rs. 13,000 was sanctioned on 15-2-49 for oil business. On 19-12-51 the Collector was asked to recover the amount of two overdue instalments. No recoveries were effected although the loanee had mortgaged with the Administration his one fourth share in a total investment of Rs. 92,000 in a furnishing concern of which two other partners were also the guarantors of the loan. The entire loan was recalled and the Collector was asked on 16-9-52 to recover the R. F. A's dues. No recoveries were effected because the notices remained unserved. The Chief Administrator *vide* his order dated 30-10-53 agreed to stay the proceedings for recovery of Rs. 17,000 for one year on the loanee's undertaking to repay the outstanding dues in monthly instalments of Rs. 25 for one year in the first instance starting from December, 1953 the position to be reviewed in December, 1954. Even these small payments were not made, and the Collector was again asked on 30-8-54 to proceed with the recovery of the loan. Nothing has been recovered so far. The loanee had dissipated his 1/4th share of investment in the furnishing concern and the only tangible asset now pledged with the Administration is a paid up policy of Rs. 2,900.

It requires to be investigated why no recoveries could be effected out of the shares of the loanee and his guarantors in the furnishing concern.

7. *Loan Account No. 14 3371.*

Dues Rs. 18,693

Against a loan of Rs. 20,000 Insurance Policies for Rs. 10,000 were assigned and shares aggregating to Rs. 3,600 were pledged in favour of the Administration. The loan was recalled on 13-12-52 on account of defaults in payments and appropriation of the amount for private use by the loanees. Three policies for Rs. 5,000 lapsed for want of timely action to secure their paid up value and two others for Rs. 3,000 are running under automatic, non-forfeiture scheme thus consuming their surrender values. Marketable shares pledged to the Administration have not been disposed of to effect reduction in the outstandings.

APPENDIX IX

Note from the Ministry of Finance (Department of Economic Affairs) pursuant to action taken on para 128 of the 7th Report regarding provision for bad and doubtful debts by the R.F.A.

For making a proper assessment of the quantum of bad and doubtful debts for which provision is required to be made in Rehabilitation Finance Administration's annual accounts, instructions have already been issued to Rehabilitation Finance Administration under Section 19 of the Rehabilitation Finance Administration Act, 1948 in consultation with Audit, that each loan account should be scrutinized and debts classified on the basis of security in each case. The way in which the amount of outstanding dues as at the close of each year should be classified and exhibited in the Balance Sheet of Rehabilitation Finance Administration has also been laid down in the said instruction. A copy of Ministry of Finance (Department of Economic Affairs) letter No. F. 7(53)Corp 57, dated the 28th February, 1958 containing the above instructions is attached.

The Rehabilitation Finance Administration has also finalised the methods for valuation of securities and other details for working out of the above classification of loans in consultation with Audit.

2. On the basis of the above instructions, 'Loans to Borrowers' have already been classified by the Rehabilitation Finance Administration and exhibited in its Balance Sheet as at 31st December, 1957 (subject to audit). A copy of aforesaid Balance Sheet is incorporated in Rehabilitation Finance Administration's Ninth Annual Report. The above classification shows that out of its total outstanding loans of Rs. 9,66,53,072.72 (principal and interest) as on 31st December, 1957, a sum of Rs. 92,26,255.50 was considered by Rehabilitation Finance Administration to be 'doubtful and bad.'

3. This note has been vetted by Audit.

A. BAKSI,

Joint Secretary to the Government of India

Dated 21-2-1959.

Copy of letter from Shri N. R. Reddy, Deputy Secretary, Ministry of Finance, Department of Economic Affairs, to the Chief Administrator, Rehabilitation Finance Administration New Delhi, No. F. 7 (53)—Corp 57, dated the 28th February 1958 (9th Phalguna, 1879 S. E.)

SUBJECT :—*Provision for bad and doubtful debts in the accounts of the Rehabilitation Finance Administration.*

In supersession of this Ministry's directive issued under No. 10(50) FI/51 dated the 31st May, 1952 on the subject noted above, I am

directed to state that as the Rehabilitation Finance Administration Act, 1948 does not make any specific provision for bad and doubtful debts, the Government of India have decided that in order to assess properly the amount of provision to be made for bad and doubtful debts in the balance sheet of the Rehabilitation Finance Administration each year individual loan accounts should be scrutinised by the Administration and debts classified so as to exhibit a true state of affairs in the Balance Sheet. The amounts of outstanding loans and interest as at the close of each year should be classified and exhibited in the Balance Sheet of the Administration as follows :—

- (i) Debts considered good in respect of which the Administration is fully secured.
- (ii) Debts considered good for which the Administration holds no other security than the Debtor's personal security.
- (iii) Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the debtors.
- (iv) Debts considered doubtful or bad.

2. The method for valuation of securities and other details for working out the classification of loans should be settled by the Administration in consultation with the Comptroller and Auditor General of India.

3. This should be treated as directive issued under section 19 of the Rehabilitation Finance Administration Act, 1948.

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APPENDIX X

Statement of case and opinion of the Attorney General pursuant to action taken on para 134 of the 7th Report relating to payment of terminal leave salary to the Ex-Managing Director of the I.F.C.

STATEMENT OF CASE FOR THE OPINION OF THE ATTORNEY-GENERAL OF INDIA

Learned Counsel's opinion is required on the question as to whether the sanction of the Central Government was necessary to the payment of the terminal leave salary to the Managing Director of the Corporation, under the terms of his appointment in accordance with the provisions of the Industrial Finance Corporation Act, 1948.

2. Facts of the case relevant for the purpose under consideration are summarised below. On the 10th March, 1951 the Board of Directors of the Corporation passed the following resolutions, namely :—

“RESOLVED—that in accordance with the provisions of Section 10(f)(ii) of the Industrial Finance Corporation Act, 1948, the Board recommend to the Central Government that Mr. _____, Deputy Managing Director of the Corporation, be appointed the Managing Director of the Corporation, in succession to Mr. _____, when he is appointed Deputy Governor of the Reserve Bank of India.

FURTHER RESOLVED—that in accordance with the provisions of section 9(d) of the Industrial Finance Corporation Act, 1948, the Board recommend to the Central Government that the pay and emoluments of Mr. _____ be fixed as under :—

Pay A consolidated salary of Rs. 3,500 -
per mensem, inclusive of all
allowances.

Provident Fund contribu- To be governed by the relative
tions. Regulations of the Corporation.

Other terms of service such as To be governed by the Staff Re
travelling and halting al- gulations of the Corporation.”
lowances, medical atten-
tion etc.

On the 14th April, 1951 the Corporation addressed a letter to the Ministry of Finance drawing attention to the above resolutions and asking for the approval of the Central Government under Sections 9 and 10 of the Act to the appointment of Shri _____ as Managing Director of the Corporation in succession to Shri _____ and to the terms to be allowed to him during the period of his appointment. On the 5th June, 1951, the Ministry of Finance addressed a letter to the Corporation conveying approval of the Central Government under Section 9(d) of the Act to the grant of the terms to Shri _____ on his appointment.

as Managing Director of the Corporation in succession to Shri _____, terms granted being the same as provided in the Board's resolution dated the 10th March, 1951 referred to above. On the 8th June, 1951 a notification under clause (f) of Section 10 of the Act was issued by the Central Government appointing Shri _____ as Managing Director of the Corporation with effect from the said date and he accordingly acted as such Managing Director from that date.

3. On the 1st December, 1954 the Managing Director of the Corporation addressed a letter to the Chairman of the Board of Directors of the Corporation asking for the grant of six months' leave earned by him during his employment in the Corporation. On the 8th December 1954 the Chairman sent a reply to him refusing sanctioning of the leave and adding that the leave would be granted to him as soon as it was convenient to spare his services. On the same day the Chairman addressed a letter to Shri _____, Joint Secretary, Ministry of Finance, enquiring as to whether the Central Government would agree to Shri _____ being granted six months' leave from the date his services could be spared, even though this might take him beyond the date of the termination of his contract. On the 18th December, 1954 Shri _____ in consultation with the solicitor, instructing counsel sent a reply to the Chairman pointing out that in view of the Government's letter dated the 5th June, 1951 referred to above the question of leave to be granted to the Managing Director of the Corporation was governed by Staff Regulations of the Corporation and hence no sanction of the Central Government to the grant of leave to the Managing Director was required in the present case. He added that it was for the Board of Directors of the Corporation to decide as to whether it would follow the analogy of principles applicable to a Government officer in similar circumstances in granting leave in the present case.

4. It appears that on the 21st May, 1955 the Board of Directors of the Corporation passed a resolution granting six months' terminal leave to the Managing Director and sanctioning the payment of six months' leave salary (amounting to Rs. 21,000/-) in one lump sum in lieu of the said leave. The term of four years, being the period of office of the Managing Director, expired in the present case on the 7th June, 1955. It further appears that a sum of Rs. 21,000/- was paid in a lump sum by the Corporation to the Managing Director on the same date.

5. Accountant General, Central Revenues, in his audit report dated the 27th March, 1957 on the Industrial Finance Corporation for the year 1956 observes as regards the payment of terminal leave salary to the Managing Director as under :—

*"Payment of terminal leave salary to the Managing Director.—*The retiring Managing Director of the Corporation was paid a sum of Rs. 21,000 in lump on the 7th June, 1955 being the amount equal to six months' leave salary on the expiry of the term of his contract which ended on that date. As the contract did not provide for grant of any terminal leave, the case was referred by the Corporation to the Government of India who stated that as per terms of appointment of the Managing Director the question of leave to be granted to him was governed by Staff Regulations of the Corporation and consequently, the Government's sanction to the grant of terminal leave to him was not required. It was, however, mentioned by Government that when an officer entered Government service no

contract, the contract normally included a provision for grant of leave beyond the period of contract if such leave was refused during the period of contract. The matter was, however, left to the Board to decide."

"The staff regulations do not provide for the grant of terminal leave. The Board nevertheless decided by a resolution dated the 21st May, 1955 to grant six months' terminal leave and to pay the leave salary in advance in one lump. It is relevant to point out in this connection that even according to the rules of the Central Government applicable to contract officers, terminal leave to the extent of 4 months only on average pay is permissible and the leave salary is payable at the end of each month of leave and is liable to be reduced to the rate of leave salary on half pay if the retiring employee secures other employment during leave. The Board's action amounted to an *ex-gratia* payment of Rs. 21,000 and went beyond what would have been admissible even if Government rules had been applied to the case."

The matter subsequently came up for consideration before the Public Accounts Committee of Parliament and at its sitting held on the 14th January, 1958 the Committee desired that the opinion of the Attorney General be obtained on the question referred to in paragraph 1 above at an early date.

6. Provisions of the Act relevant for the purpose under consideration are those contained in Section 9 of the Industrial Finance Corporation Act, 1948 before its repeal by the Industrial and States Financial Corporations (Amendment) Act, 1955 (28 of 1955). Section 9 as it then existed ran as follows :—

"9. *Managing Director.*—The Managing Director shall—

- (a) be a whole time officer of the Corporation ;
- (b) perform such duties as the Board may, by regulations, entrust or delegate to him ;
- (c) hold office for four years and be eligible for re-appointment
- (d) receive such salary and allowances as the Board, with the approval of the Central Government, may determine."

It will thus be seen that the approval of the Central Government under the said section was required to the determination by the Board of Directors of the Corporation of the salary and allowances to be received by the Managing Director and not to the determination by the Board of any other terms and conditions of service of the Managing Director. By its letter dated the 5th June, 1951 Government gave its approval to the fixation of pay (inclusive of all allowances) of the Managing Director at Rs. 35,00/- per mensem and to the other terms and conditions of his service being determined by the Staff Regulations of the Corporation applicable in the matter, though in view of the said Section such approval was required only in respect of salary and allowances payable to the Managing Director. It may thus be urged that the question of leave to be granted to the Managing Director was left to be governed by the Staff Regulations of the Corporation and consequently Government's sanction was not required to the grant of leave or salary in lieu thereof to the Managing Director in the present case.

7. Question arises as to the meaning of the word "allowances" occurring in Section 9(d) of the Act. The meaning of "allowance" as an English word is a matter of fact, not of law. (1931, A.C. 12 at 25, 28). In *Mutual Acceptance Company Limited v/s. Federal Commissioner of Taxation* (1944), 69 C.L.R. 389, Latham, C.J., observes on pages 396 and 397 as under :—

“ ‘Allowance’ in the relevant sense is defined in the Standard Dictionary as meaning :—

“That which is allowed ; a portion or amount granted for some purpose, as by military regulation, operation of law, or judicial decree : also a limited amount or portion, as of income or food ; as, an allowance of rations ; an allowance for costs ; an allowance for tare or breakage ; an extra allowance for services ; to put one on an allowance of bread’. When the word is used in connection with the relation of employer and employee it means in my opinion a grant of something additional to ordinary wages for the purpose of meeting some particular requirement connected with the service rendered by the employee or as compensation for unusual conditions of that service. Expense allowances, travelling allowances, and entertainment allowances are payments additional to ordinary wages made for the purpose of meeting certain requirements of a service. Tropical allowances, overtime allowances, and extra pay by way of ‘dirt money’ are allowances as compensation for unusual conditions of service.”

In this connection attention is also invited to following observations made on page 57 of Aiyar's *Law Lexicon*, 1940 Edition, namely :—

“The word ‘Allowance’ imports a voluntary act and implies a discretion. “Whether we consider the ordinary and popular signification of the word, or the more accurate and technical meaning attached to it by lexicographers, it is entirely inappropriate to express the idea of fixed compensation adopted for the payment of services rendered by one person to another. The word ‘allowance’ imports the voluntary act of one party in doing something which is in his discretion to perform or withhold, at pleasure. To allow implies the right to determine and is the act of a superior toward a dependant, granting a privilege which he has authority to confer or deny. It does not express the relations existing between co-contractors, vendor and vendee, or employer and employee, where there is a right secured by contract on one side, and no power of voluntary action on the other. Allowances are made by husband to wife, parents to children, the head of a family to its members, superannuated dependants and servants, from the benevolent to the poor, and in cases where the act is discretionary with the donor, as a reward for the benefits conferred, or services voluntarily rendered one to another”. *Mangam v/s. Brooklyn* 50 Am. Rep. 705.

8. As regards the word “salary” occurring in Section 9(d) of the Act it may be observed that salary is a periodical allowance made as compensation to a person for his official or professional services or for his regular work. Salary is strictly an agreed compensation for service payable at regular intervals ; but more liberal meaning is frequently given to the word, and its

synonyms are "stipend", "hire", "wages", "pay" and "allowance". (Aiyar's *Law Lexicon*, page 1145.)

9. In view of the above it may be urged that the payment of Rs. 21,000/- to the Managing Director in the present case was in the nature of an 'allowance' as contemplated in Section 9(d) of the Act and that as the said payment made in one lump sum on the 7th June, 1955 (the day of expiry of the Managing Director's term of office) represented an amount equivalent to six months' leave salary payable to the Managing Director, it was also in the nature of a 'salary' as contemplated in the said Section and hence required the approval of the Central Government under that Section. However, it is submitted that the payment of Rs. 21,000/- to the Managing Director being in the nature of cash compensation for leave not enjoyed by him cannot be said to be the payment by way of salary or allowance and hence the approval of Government was not required in the present case.

10. Learned Counsel is requested to give his opinion on the question raised in paragraph 1 above and generally in the matter.

NEW DELHI;
4th February, 1958.

Sd/-R. S. GAE,
Joint Secretary & Legal Adviser.

MINISTRY OF LAW

Further Note

Part IV of the Staff Regulations of the Industrial Finance Corporation of India framed by the Board of Directors of the Corporation deals with leave. Regulation 35 provides that the amount of ordinary leave which can be taken at any one time by an officer of the Corporation is six calendar months and that no further ordinary leave can be earned by him after he has such amount of leave due to him, unless leave has been applied for by him and refused by the Corporation. Regulation 36 provides that an employee on ordinary leave shall draw leave pay equal to his average pay for preceding 12 months, exclusive of allowances. It is noticed that the Staff Regulations do not contain any express provision for the grant of terminal leave on the expiry of services of an employee of the Corporation, nor do they contain any express provision regarding relaxation of the provisions contained in the said Regulations. It is further noticed that the term 'allowances' is not defined in the Staff Regulations nor in the Industrial Finance Corporation Act, 1948.

2. Leave terms for officers engaged on contract are contained in Appendix 10-B to the Posts & Telegraphs Compilation of Fundamental and Supplemental Rules, Volume II. As provided in the said Appendix the grant of terminal leave to persons employed on contract is governed by Item 10 of the Government of India's decision below the annexure to Appendix 7-A. This Appendix deals with the Revised Leave Rules, 1933. Rule 9 of these Rules provides that the earned leave admissible to an officer of Class I in permanent employ is one-eleventh of the period spent on duty, and that he ceases to earn such leave when the earned leave amounts to 120 days (now enhanced to 180 days). Item (9) as read with Item (10) of the Government of India's decision below the annexure to Appendix 7-A provides that the earned leave, to the extent due, may be granted as a terminal benefit to an officer employed on contract, by the authorities competent to sanction leave, on due completion

of his term of employment. Such leave may be given at the discretion of the sanctioning authority on the termination of service. Thus as pointed out by the Accountant General, Central Revenues, in his audit report dated the 27th March, 1957 according to rules of the Central Government applicable to contract officers terminal leave to the extent of four months only on average pay is permissible. Further the leave salary is payable at the end of each month of leave and not in a lump sum as done in the present case.

3. As regards Government servants governed by Fundamental and Supplemental Rules attention may be invited to F. R. 9(5) defining "compensatory allowance" as meaning an allowance granted to meet personal expenditure necessitated by the special circumstances in which duty is performed. It includes a travelling allowance but does not include a sumptuary allowance nor the grant of free passage by sea to and from any place outside India. Further FR 9(12) defines "leave salary" as meaning monthly amount paid by Government to a Government servant on leave. It is, however, noticed that these Rules do not contain any definition of "allowance" as such. As provided by FR 86 leave to the credit of a Government servant lapses on the date of his retirement. However, if before that date he has formally applied for leave and such leave has been refused or he has ascertained in writing from the sanctioning authority that the leave, if applied for, would not be granted such refusal being in the requirements of the public service, then the Government servant may be granted after the date of retirement the amount of leave so refused subject to a maximum of six months. Further such Government servant earns leave on average pay at the rate of one-eleventh of the duty performed after that date. The quantum of leave-salary payable on retirement is dealt with in FR 89 and FR 90.

4. The payment of Rs. 21,000/- being an amount equivalent to six months' leave salary, was made in the present case in one lump sum on the expiry of the term of office of the Managing Director. Thus the payment is not strictly speaking a payment by way of leave-salary, which is payable at the end of every month, nor by way of an allowance, but is a payment by way of cash compensation for leave not enjoyed by the Managing Director. Staff Regulations of the Corporation and Fundamental and Supplemental Rules applicable to Government servants do not expressly provide for such payment. However, the payment as aforesaid was made in view of the resolution of the Board of Directors of the Corporation passed on the 21st May, 1955.

5. From the above it will be seen that Staff Regulations of the Corporation or Govt. Rules applicable in circumstances similar to those referred to above do not throw any light on the issue as to whether the payment made in the present case is by way of an 'allowance' as contemplated in Section 9(d) of the Act.

NEW DELHI:

S. J. R. S. GAE,

Dated the 5th May, 1958.

Joint Secretary & Legal Adviser.

No. AGF-(31) 58-4662/5.

Opinion

1. Under section 9(d) of the Industrial Finance Corporation Act, 1948 (Act XV of 1948), the Managing Director of the Corporation is to receive such salary and allowances as the Board with the approval of the Central Government may determine. The facts stated in paragraph 2 of the statement of

the Case show that on the 10th of March 1951 the Board of Directors of the Corporation passed a resolution recommending *inter alia* that the Managing Director should be paid a consolidated salary of Rs. 3,500/- per mensem inclusive of all allowances. The resolution also stated that as to the other terms of service such as travelling and halting allowances, medical attention, etc. he was to be governed by the Staff Regulations of the Corporation. On the 14th of April 1951 the Corporation addressed a letter to the Ministry of Finance drawing attention to the resolutions passed by them and seeking the approval of the Central Government under sections 9 and 10 of the Act to the resolutions. On the 5th of June 1951 the Ministry of Finance addressed a letter to the Corporation conveying the approval of the Central Government under section 9(d) of the Act to the terms mentioned in the Board's Resolution dated the 10th March 1951. In the result, therefore, section 9 (d) of the Act was complied with and the salary and allowances solved to be regranted to the Managing Director by the Board of Directors were approved by the Central Government.

2. Leave having been applied for by the Managing Director and refused during the term of his employment the Board by its resolution of 21st of May 1955 granted six months' terminal leave to him and sanctioned the payment to him of six months' leave salary amounting to Rs. 21,000/- in one lump sum in lieu of the said leave. The question for consideration is whether the sanction of the Central Government was necessary to the action of the Board in granting such terminal leave and leave salary.

3. In matters other than salary and allowances the Managing Director was governed by the Staff Regulations of the Corporation. The Staff Regulations did not provide for the grant of terminal leave or salary in lieu of such leave. In the circumstances it would appear to be competent to the Board of Directors to grant terminal leave to the Managing Director and salary in lieu of such leave. It is true that the Government Rules provide for grant of not more than four months' terminal leave to their contract employees whereas what the Board granted was six months' leave. That, however, was a matter for the Board of Directors, they not being bound by Government regulations and the Staff Regulations being silent about the matter.

4. However, even if one assumes for a moment that the Board had not the power to act as they did that assumption will have no relevance to the question under consideration which is whether the Board in acting as they did were bound to obtain the approval of the Central Government under section 9(d) of the Act. That sub-section provides for the approval of the Central Government being obtained only in regard to the salary and allowances to be paid to the Managing Director. The sum of Rs. 21,000/- paid to him certainly was not salary. Could it be described as an allowance within the meaning of section 9(d)? I think not. An allowance as between the employer and the employee must mean some payment additional to the wages made to the employee for the purpose of meeting some particular requirement connected with the service or as compensation for some unusual conditions of that service. See (1944) 69 CLR 389 at pages 396 and 397. See also Aiyar's *Law Lexicon* 1940 Edition, page 57.

5. Some of the Government regulations to which my attention has been drawn do not contain express provision for the grant of terminal leave. In some others provision is made for the grant of terminal leave to the extent

of four months on average pay. It is provided that the earned leave to the extent it is due may be granted as the terminal benefit to an officer employed on contract on due completion of his term of employment. When such leave is granted a leave salary is paid at the end of each month of leave and not in a lumpsum. It is to be noticed that in none of the regulations referred to in paras 2 and 3 of the Further Note submitted to me is the leave salary described as an allowance. These regulations do not seem to contain any definition of an allowance simpliciter. F.R. 9(5) defines 'compensatory allowance' as meaning an allowance granted to meet personal expenditure necessitated by the special circumstances in which duty is performed.

6. Considering the above I am of the view that the amount of Rs. 21,000/- being the equivalent of six months' salary which was paid to the Managing Director in substance as cash compensation for leave not enjoyed by him was neither a salary nor an allowance within the meaning of section 9(d) of the Act and the payment of it would not, therefore, require the approval of the Central Government under that sub-section.

NEW DELHI;
The 10th May, 1958.

Sd:-
(M. C. SETALVAD)*
Attorney-General of India.

Authenticated.

Sd. -
(A. BAKSI)
Joint Secretary to the Govt. of India.

APPENDIX XI

Note from the Ministry of Information & Broadcasting regarding contract without agreement, para 33 of Audit Report (Civil), 1957

(i) What were the reasons for not insisting upon the execution of the written agreement by the firm ?

The draft agreement to be entered into by the Allied Advertising Agency was forwarded by the Director General to the Station Director, Madras, on 24-2-54. On the 6th March 1954 the Station Director addressed Allied Advertising Agency, in continuation of his letter dated 8-1-54 intimating the sanction of the agency, stating that the agreement should be executed before the end of March on their furnishing cash security. Meanwhile, on the 19th March 1954, Allied Advertising Corporation Ltd., wrote to the Station Director saying that they had taken over the business of Allied Advertising Agency from its sole proprietress, Smt. On the 23rd March 1954, the Station Director intimated this to the Director General, All India Radio and asked for telegraphic confirmation as the agreement was to be executed before 1-4-54. The Director General, All India Radio, consulted the Ministry of Law and on the 7th of April 1954, returned the draft agreements with the note of the Law Ministry, advising that Smt. should be asked if she had any objection to the execution of the agreements by Allied Advertising Corporation Ltd. of which she was a Director and also that the Registrar of Joint Stock Companies should be asked to confirm if the Corporation was a registered body and the names of its Directors. The Station Director accordingly addressed on 22-4-54, the Registrar of Joint Stock Companies and Smt. and forwarded on 1-6-54 their replies to the Director General. The Registrar of Joint Stock Companies replied that Allied Advertising Corporation Ltd. was a company registered under the Indian Companies Act 1913 and also intimated the names and the addresses of the three Directors of the firm. Smt. stated that she had absolutely no objection to Govt. executing an agreement with the Allied Advertising Corporation Limited. She further stated that the Allied Advertising Agency till then a proprietary concern of hers, had since been taken over by the Allied Advertising Corporation Ltd., Madras. After consulting the Law Ministry, the Director General returned the draft agreements on 2-7-54. On receiving the draft agreements the Station Director took up the matter further with the firm for execution of the agreements with them.

It will be seen, therefore, that the delay in the execution of the agreement was caused by the change in the ownership of the Agency. The Station Director had already addressed on 12-8-1954 the firm for execution of the agreement. The Station Director, therefore, did insist upon the execution of the agreement and it was the failure of the firm to execute the agreement which ultimately brought about the termination of the agency. On 22-10-54, the Station Director reported to Director General, All India Radio, that the firm had not yet remitted the security deposits due from them and the agreements had not been executed. He promised a further report after making further efforts. Finally on 28-12-54 he recommended to the Director

General that the arrangement should be terminated with effect from the issue dated 22nd March, 1955. This was recommended to the Ministry by the Director General on 27-1-1955.

(ii) What were the reasons for continuing the agency till March 1955 although the security deposit had not been deposited?

The agency was continued till March 1955 as the Station Director expected that the agreements would be concluded by the firm and security deposit made. As soon as he found that the firm was being evasive, he reported on 28-12-54 to the Director General recommending termination of the contract.

(iii) What were the recommendations made by Director General, All India Radio, and the Station Director in this regard and what were the reasons for the non-acceptance of these recommendations by the Ministry of Information and Broadcasting?

In his u.o. dated 27-1-55, the Director General recommended the termination of the contract with effect from 22-3-55 and the taking over of the advertisements direct. He also recommended that "if the present agents do not pay the dues even after Station Director's latest letter in the matter legal steps may presumably have to be taken regarding the minimum guarantee and the collection of the dues at the end of the year. The dues upto the end of March, 1955 would amount to about Rs. 10,000/- for *Vanoli* and Rs. 3,000/- for *Vani*." These recommendations were accepted by the Ministry of Information and Broadcasting.

(iv) Why and in what circumstances was the tender of the Allied Advertising Agency accepted in preference to that of Shri.....?

As reported separately, tenders were sent for in pursuance of an objection raised by Audit that the running agreement with Shri..... was not for any specific period and that it was desirable to enter into contracts on the basis of tenders for a specific period. Tenders were accordingly invited so as to reach the Station Director Madras, by the 16th February, 1953 before 3 P.M. and Shri..... was also one of three tenderers. In consultation with the Director of Advertising and Visual Publicity, the Ministry rejected the tender of Shri..... one of the three tenderers, as being unacceptable and negotiations were entered into with Shri..... and Allied Advertising Agency with a view to securing a graded rate of commission which was more favourable and in line with certain other agreements. These terms were accepted by Allied Advertising Agency and rejected by Shri..... Consequently, the agency was awarded in favour of the Allied Advertising Agency. A copy of the earlier note is attached for ready reference.

(v) What steps have been taken to recover the dues from the firms? What is present financial position of the firm?

A copy of the earlier statement submitted is enclosed. The firm has ceased to function as two of its Directors have been declared insolvent and the whereabouts of the third Director are not traceable. Steps are being taken to effect recovery from the assets of the Directors, Shri..... and Smt..... if possible. But the legal advisors have advised that the Allied Advertising Agency should be brought into liquidation.

(vi) What measures were taken by the Ministry to ensure weekly remittance by the firm of advertisement charges collected by it?

The Station Director was constantly pressing the firm for the remittance of these dues. According to the agreement with Shri _____, the terms of which were adopted for the agreement with Allied Advertising Agency, the agent was required to submit a statement of bills drawn by him in the preceding month on or before the last day of each succeeding month. The agent was required to pay to the principal within 60 days from the close of each month the net amount payable to the principal. There was, therefore, no question of weekly remittances. The terms of the agreement are generally in accordance with the trade practice followed in the matter.

(vii) Whether any responsibility has been fixed in the matter and what action has been taken thereon?

No action has so far been taken to treat this as a disciplinary case in view of the circumstances explained above.

(viii) Was any paper supplied to the printers for printing purposes? If so, what was its cost and what is the loss sustained by Government on this account?

A statement which has already been sent is enclosed for ready reference. No loss has been sustained by Government on this account.

R. K. RAMADHYANI,

Secretary,

Ministry of Information and Broadcasting.

The A.I.R. journal "Vanoli" was being published by the Republic Press and the "Vani" by Kubera Printers. The sole advertising agency for "Vanoli" was held by Shri _____ prior to March 1954 for about five years. In 1953, following the point raised by the Audit Officer in the Audit Note on the accounts of All India Radio, Madras for 1951-52, it was decided to invite tenders for the sole advertising agency for these journals for a period of three years. In response to the tender notice, tenders were received from the following firms and their particulars are given below :—

Name of the firm	Minimum revenue guarantee	Remuneration	Cash Security offered
1. Mr.	Vanoli Rs. 84,000 Vani Rs. 16,000	35%	Amount that may be fixed by AIR.
2. M/s Allied Advertising Agency	Vanoli Rs. 55,000 Vani Rs. 5,000	2% 25% on the gross advertisement revenue plus 5% over and above the 2% on the gross advertisement revenue in excess of minimum guarantee.	A sum equivalent to 10% of the minimum annual revenue guaranteed.

Name of the firm	Minimum revenue guarantee	Remuneration	Cash Security offered
3. Mr.	Vanoli Rs. 50,000 Vani Rs. 5,000	25% 25% below the guaranteed sum. An additional rate of 5% for the guaranteed amount and above as bonus.	Vanoli Rs. 5,000 (or any higher amount as desired) Vani Rs. 1,000

While the minimum guarantee offered by Shri was Rs. 50,000/- for "Vanoli", Allied Advertising Agency offered Rs. 55,000/-; in both of these cases the commission tendered was 25%. Shri offered a higher minimum guarantee of Rs. 84,000/- but asked for 35% commission. The Director General in forwarding these tenders recommended the acceptance of the tender of Shri who during his previous agency of five years for "Vanoli", he stated, had been doing good work. He pointed out that the advertisement revenue for 1951-52 (September 1951 to August 1952) was over Rs. 81,000/- against the minimum guarantee of Rs. 50,000/-; the average actual revenue for four years was computed as Rs. 75,000/-.

In considering this proposal of the Director General, the Ministry consulted the Director of Advertising & Visual Publicity, who stated that to his knowledge the Allied Advertising Agency was not in existence till 1950 and he had no information regarding their standing or financial resources. He also observed that of the three tenderers, the tenderers other than Shri did not appear to have been established as long as Shri. As regards the terms of the tender, he suggested a comparison with the commission allowed to Publicity Society of India, etc.

This was examined further in the Ministry, who came to the conclusion that the rate of bonus quoted by Shri and Allied Advertising Agency was higher than allowed to Publicity Society of India and Display Sphere. The terms offered by Allied Advertising Agency were considered to be more favourable than Shri's terms. In view of the position that Allied Advertising Agency was not known, it was decided, in consultation with the Ministry of Works, Housing and Supply, that the *prima facie* unacceptable terms should be rejected altogether and negotiation started with the remaining tenderers. It was accordingly decided that the Director General, All India Radio, should negotiate with Allied Advertising Agency and Shri to accept the commission and bonus on a sliding scale as paid to Publicity Society of India for their sole agency of "Indian Listener" "Awaz" and "Surang".

The Director General arranged accordingly for negotiation and reported that Shri declined to revise his terms but Allied Advertising Agency accepted them. The report of the Director General, was considered and it was decided that, although it was doubtful whether the Allied Advertising Agency would be able to secure as much business as was being furnished by Shri it would not be desirable to award the contract to Shri at the rate of 30% on the minimum guarantee. The terms of commission finally accepted by Allied Advertising Agency were as follows:—

- (a) A Commission of 25% on the minimum guaranteed advertisement revenue of Rs. 55,000/- per year;

- (b) An additional commission of 2-1/2% on business between 55,000/- and 75,000/-;
- (c) An additional 5% on business exceeding 75,000/- (i.e. 30%).

The Director General was requested to take action accordingly and a u.o. note was issued. On the 23rd December 1953 the Station Director reported back saying that notice would have to be given to Shri [redacted] and suggesting that the new agreement should commence from 1-4-1954. He observed as follows :—

“Considering the present rate of business given by Shri [redacted] it would be advisable to terminate his agency as early as possible. His letter dated 2-11-1953 declining to revise the terms of his tender seems to indicate that he would be unable to fulfil the minimum guarantee during the current year (7-9-1953 to 22-8-1954), the sixth contract year of his agency.”

This was agreed to by the Director General.

On 8-1-1954 the Station Director addressed the Allied Advertising Agency intimating that the sole advertising agency for “Vanoli” and “Vani” was awarded to them on the main conditions specified in their letter. He further wrote to the Agency on 6th March 1954 saying that the terms would come into effect from 1-4-1954 and that the agreements relating to the Agency would have to be executed before the end of March on their furnishing the cash security referred to in their letter dated 8th January.

On 19th March 1954, the Station Director received a letter from Allied Advertising Corporation Ltd., saying that they had taken over the business of Messrs Allied Advertising Agency (Sole Proprietress Smt. [redacted]). In a separate letter of the same date, they acknowledged receipt of the Station Director's letter (without specifying date) and noted also that the agency would come into effect from 1-4-1954. They made no reference to the deposit of security which was one of the terms mentioned by the Station Director. The Station Director reported this to Director General, All India Radio in his letter No. VM-4, dated 23rd March 1954. The Ministry of Law were consulted by the Director General, All India Radio regarding these developments and in their note dated 30-3-1954 they advised that it should be ascertained whether Smt. [redacted] had any objection to the execution of the agreement and the Registrar, Joint Stock Companies asked whether the Corporation was a registered body and who were its directors. The clarification and confirmation required were obtained by the Station Director in the course of April and May, 1954.

Meanwhile, the sole advertising agency had been vested in the Allied Advertising Corporation from 1-4-1954 but they did not deposit the security deposit of Rs. 6,000/-. This was not pressed by the Station Director till the formal agreement was drafted and sent for execution although it appears that he was phoning Shri [redacted]. Thus, the Allied Advertising Corporation carried on the business without making a security deposit. “Vanoli” continued to be printed by the Republic Press, the owner of which was Smt. [redacted]. “Vani” continued to be printed by the Kubera Printers. The printing continued until the Republic Press stopped functioning as a result of the execution of a decree. The printing of “Vanoli” was transferred

immediately to Kubera Printers. The termination of the contract with Allied Advertising Corporation was not effected simultaneously and continued till the end of the financial year.

The final decision to award the agency to Allied Advertising Agency was taken by Shri _____, Deputy Secretary, Ministry of Information and Broadcasting, on 2nd December, 1953.

The Ministry of Information and Broadcasting invites attention to the following aspects for the consideration of the Public Accounts Committee :—

- (a) Tenders were invited at the instance of audit and Shri _____'s agreement which was still running was terminated by giving 3 months' notice.
- (b) Although _____'s tender was recommended by the Station Director he later acquiesced in the selection of Allied Advertising Corporation in view of Shri _____'s letter from which he felt that the minimum guarantee might not be fulfilled in that year.
- (c) The selection of Allied Advertising Agency by the Ministry was based on the acceptance of more favourable terms by them and the rejection by Shri _____.
- (d) Although the Allied Advertising Agency were a new firm two of the Directors Shri _____ and Smt. _____ were also Manager and owner respectively of the Republic Press which was printing "Vanoli". The Station Director and Ministry probably took this into account as affording confidence in them.

Steps taken for recovery of dues from Allied Advertising Corporation Ltd.

On the 12th March 1955, the Station Director, A.I.R., Madras, wrote to Allied Advertising Corporation Ltd., terminating the sole advertising agency with effect from 22nd March 1955. The Corporation which was a registered body consisted of three Directors, Shri _____, Smt. _____ and Shri _____. Of these the first two were Managing Director and owner respectively of the Republic Press. On 4th November 1955, the Republic Press was closed down as a result of the execution of a decree obtained by a creditor. Subsequently, Shri _____ and Smt. _____ were adjudged insolvent. The Commissioner of Police was addressed (letter dated 22nd October 1956, from Station Director) to ascertain the whereabouts of these persons as no reply was received from the Corporation and letters were returned saying addressee had left. The amount due for recovery at that time was Rs. 14,164/8/-; the total recoveries for advertisements amounted to Rs. 18,510/-, of which Rs. 4,345/8/- were received, Rs. 2,000/- from the Allied Advertising Corporation and the balance from various others.

Enquiries made from the Registrar of Companies regarding the assets of the firm showed that the firm had not even furnished the first Annual Returns and Balance Sheet and no information about the value of the paid up shares of the firm was available.

Meanwhile, the Official Assignee issued a notice on 23rd January 1958 to the creditors of Shri _____ and Smt. _____ with the object of declaring a dividend. • • • *

Meanwhile, the whereabouts of Shri _____, the third Director of the Corporation, and the extent of his assets cannot be ascertained.

The matter is being further pursued in consultation with the Ministry of Law.

Steps taken to realise from M/s. Republic Press the cost of paper found short on stock verification in March 1955, in connection with the printing of "Vanoli"

On the 5th November 1955, the Republic Press, Madras, the then printers of 'Vanoli' informed the Station Director A.I.R., Madras that their premises were sealed under orders of the Court as a result of a suit filed on them by one Sait. . . . who obtained a decree against them and an order for getting the premises sealed. The Press also informed that the Government paper which was supplied to them for printing the journal in accordance with the terms of the contract along with blocks, manuscripts, proofs, etc. for the printing of 'Vanoli' issue dated the 7th November, 1955 were inside the sealed premises.

2. The total amount due to Government from M/s. Republic Press amounted to Rs. 9,908/5/-. This includes a sum of Rs. 6,419/-/9 representing cost of Government paper found short as a result of stock verification in March, 1955. In addition paper worth Rs. 1,123/5/6 was used by the Press, for part printing of the issue of the journal dated the 7th November, 1955, which was not made available to Government as the premises of the press were sealed.

3. The entire amount of Rs. 9,908/5/- due to Government, which includes the cost of paper was adjusted against the amount of Rs. 13,722/12/- which was due to the Press on account of printing charges of the journal. The balance of Rs. 3,814/7/- was, on the advice of the Ministry of Law, paid to the Indian Bank Ltd., Madras who had the power of attorney. Thus the entire amount due from the Press was realised.

APPENDIX XII

Note from the Ministry of Irrigation and Power pursuant to action taken on para 16(d) of the 7th Report regarding non-arrival of equipment under the Colombo Plan.

- (a) WHETHER NON-ARRIVAL OF THE EQUIPMENT RETARDED THE PLANNED PROGRAMMES IN ANY WAY AND WHETHER ANY OVER-HEAD CHARGES WERE INCURRED IN INDIA IN THE EXPECTATION THAT THE EQUIPMENT WOULD ARRIVE.

A provision of Rs. 2,70,00,000 on account of material and equipment for River Valley Development under the T.C.A. Programme and a provision of Rs. 2,50,00,000 for material and equipment under the Colombo Plan were made in the budget estimates of 1953-54 under Demand No. 130 "Other Capital Outlay of Ministry of Irrigation and Power". The former provision covered the value of the equipment which was expected to be received under O.A. No. 11 and its 3 supplements (the total value of which then was \$ 10,188,873) for the Hirakud, Ghataprabha, Gangapur, Mahi and Kakrapar Projects. The latter was to meet the cost of the equipment expected for the Ramagundam and Tungabhadra Projects. The provisions were made in the expectation that material and equipment of an equivalent value would be received during the year 1953-54. According to the Accounting arrangements prescribed for the adjustment of the value of the aid under the T.C.A. Programme and Colombo Plan, adjustments were to be made only on receipt of the material in India.

The position in regard to the arrival of the material and equipment under both the Aid Programmes mentioned above was reviewed in December 1953 when the following figures were settled as the revised estimates for the year 1953-54 :—

- | | |
|--|-----------------|
| (i) Material and equipment
under T.C.A. Programme for
River Valley Project | Rs. 90,23,000 |
| (ii) Material and equipment under Colombo
Plan for Hydro-electric Projects | Rs. 2,50,00,000 |

A further review was made in March, 1954 and it was estimated that aid to the value of Rs. 1,51,00,000 would be received under the T.C.A. Programme while equipment to the value of Rs. 9 lakhs would be received under the Colombo Plan. A reference was also made to the Ministry of Finance for their advice as to the revised estimates to be provided for in respect of the equipment likely to be received during the year 1953-54. It was advised by that Ministry that the entire provision of Rs. 2,70,00,000 under the T.C.A. Programme and of Rs. 2,50,00,000 under Colombo Plan should be surrendered by the Irrigation and Power Ministry as a provision of Rs. 200 lakhs was already made in "Grant No. 121—Capital Outlay of the Ministry of Finance" for the same equipment to be received under Colombo Plan. They proposed to provide for the cost of equipment expected to be

received under the T.C.A. Programme by reappropriation from the savings likely to be realised in the same grant (No. 121). Accordingly the provision made under Demand No. 130 was surrendered by this Ministry.

Equipment worth Rs. 1,51,00,000 under the T.C.A. Programme and Rs. 23,80,000 under the Colombo Plan was, however, actually received during the year 1953-54 and the amounts were adjusted in the accounts of the year.

No project authorities have reported that work was hampered by reason of the non-arrival of machinery and equipment. The progress of work might, however, have been accelerated by the timely arrival of the equipment. The material and equipment continued to arrive during the succeeding years.

No overhead charges were incurred at the ports in the expectation that the equipment would arrive, as the D.G.S. & D. was responsible for handling receipt and distribution of the equipment as a normal agency of the Government of India.

- (b) ON WHAT DATES THE EQUIPMENT WERE EXPECTED TO BE RECEIVED AND WERE ACTUALLY RECEIVED? IN WHICH YEARS ACCOUNTS THESE HAVE BEEN SHOWN?

In regard to the equipment under the T.C.M. Programme, formal operational agreements are signed by the Government of India with T.C.M. authorities. Under each operational agreement, separate documents known as Project Implementation Orders are subsequently signed by the Government of India for placing orders for items of equipment covered by the operational agreement. The P.I.O. incorporates the list of equipment needed, their specifications and technical details, the procurement agency, contracting and delivery dates etc. A statement showing the various dates on which the equipment meant for the Hirakud, Ghataprabha, Gangapur, Mahi and Kakrapar Projects was scheduled to be delivered, and the actual dates on which it was received, is attached.* It will be seen that most of the equipment was received during the year 1953-54.

In the case of aid under Colombo Plan procurement action is taken by the donor country who only supply the equipment. There is, therefore, no phased programme for the supply of the various items. A list of the equipment and the dates of shipment in so far as the Tungabhadra Project is concerned is attached*. A similar list in regard to the Ramagundam Project incorporating the information available is also enclosed*.

The adjustment carried out during 1953-54 and the succeeding years in respect of the cost of material and equipment both under the T.C.A. Programme and the Colombo Plan are given below :

Year	T.C.A.	Colombo Plan
1953-54	1,51,00,000	23,80,000
1954-55	93,00,000	80,00,000
1955-56	99,07,200	14,10,400
1956-57	7,23,550	27,81,358

T. SIVASANKAR,
Secretary to the Government of India.

APPENDIX III

Note from the Ministry of Law pursuant to action taken on paras 263 and 265 of the 7th Report regarding safeguarding clauses in Contracts and conflicting legal opinions.

In paragraph 263 of their Seventh Report, the Public Accounts Committee 1957-58 have desired the Ministry of Law to look into the American legislation and examine the feasibility of enacting similar legislation to safeguard the interests of the Exchequer. The Ministry is further asked to furnish a detailed note regarding the scope of revision of the contract forms with a view to safeguarding the interests of Government and to enable Government to re-open past contracts where unconscionable payments had been made.

2. In pursuance of paragraph 265 of the said Report, the Ministry of Law has to submit a detailed note regarding:

- (i) steps to be taken to avoid conflicting legal opinions and strengthening of the organization giving legal advice for avoiding delay; and
- (ii) the scope of revision of contract forms with a view to safeguarding the interests of Government and to enable the Government to re-open past contracts when unconscionable payments had been made.

3. This note, prepared in accordance with paragraphs 263 and 265 of the said Report, is in four Parts. Part I deals with steps to be taken to avoid conflicting legal opinions; Part II deals with strengthening of the organisation giving legal advice for avoiding delay; Part III deals with an examination of the American legislation on the subject of safeguarding clauses in Government contracts; Part IV deals with the feasibility of enacting legislation similar to American legislation and the scope of revision of contracts forms with a view to safeguarding the interests of Government and to enable the Government to re-open past contracts when unconscionable payments had been made.

PART I

Steps to be taken to avoid Conflicting Legal Opinions

4. It may be stated at the outset that cases of conflict of legal opinions are rare. Thousands of references are disposed of by a number of officers in the Ministry of Law every year but very few cases have come to notice in which conflicting opinions have been expressed.

5. It may be mentioned that even courts of law are not immune from conflict of decisions: the various High Courts and even the Supreme Court are known to differ in their decisions. It is not, therefore, surprising if on rare occasions a conflict is found in the opinions given by the law officers

in the Ministry. In fact a conflict of opinions may sometimes be welcome in difficult cases for bringing into relief the difficulties and complexities involved so that they may be anticipated and resolved.

6. It is indeed not possible to ensure that the opinions expressed by the numerous law officers in the Ministry of varying seniority and experience would never be conflicting.

7. Difficult and complicated cases are almost invariably marked by an officer to a senior officer, who in turn, submits them, wherever necessary, to the Minister. At times, the advice of the Attorney-General, the Solicitor-General or the Additional Solicitor-General also is obtained. It is possible that the final advice given in such a matter is different from the advice given by the officer dealing with the matter initially. Such difference of opinion, it is submitted, is inevitable.

8. It is also possible that in a few cases a difference of opinion may arise at various stages of the case as a result of discovery of new facts which were not brought to the notice of the officer dealing with the case at the initial stage.

9. Whatever the causes for such occasional conflicts of opinion instructions are being issued to all officers, that

- (i) opinion should not be given on any reference unless they are satisfied that all the materials relevant to the reference are furnished to them ;
- (ii) opinions given in cases involving heavy stakes, important points of law, complicated facts or matters of policy should be invariably submitted to an officer of the status of Joint Secretary, who may, if necessary, submit it to Secretary for his consideration; and
- (iii) greater attention should be given to quality of work rather than to its quantity.

10. Further where there are two conflicting legal opinions given in a particular case by the Law Officers of Government, the case is referred to a higher authority or to the Additional Solicitor-General, the Solicitor-General or the Attorney-General before a final decision is taken. In this connection attention is invited to para. 99 of the Nineteenth Report of the Public Accounts Committee, 1955-56 and the remarks of the Ministry of Law against item No. 37 [para. 99-98 (XIX)] on page 65 of the Sixth Report of the Public Accounts Committee, 1957-58—Volume II.

11. The officer-strength of the Ministry has also been strengthened after reviewing the work-load of the Ministry as set out in Part II.

PART II

Strengthening of the Organisation giving Legal Advice for avoiding delay

12. It is submitted that cases of delay in giving legal advice are not many. By and large, references made to the Ministry are disposed of promptly but at times certain references are held up due to their difficult and complicated nature, due to pressure of other work, due to absence of some officers either on leave or on deputation or due to want of sufficient material.

13. The work-load of the Ministry has been reviewed and it was considered that the problem of giving relief arose principally in the case of officers in the units dealing with conveyancing and with advice to the Ministry of Works, Housing and Supply, particularly the Directorate General of Supplies and Disposals, and the Ministry of Food and Agriculture. Accordingly, the conveyancing unit, which originally consisted of the Government Solicitor and two Assistant Legal Advisers, has been strengthened by the upgrading of one post of Assistant Legal Adviser to that of Deputy Legal Adviser. The unit advising the Ministry of Works, Housing and Supply and the Ministry of Food and Agriculture originally consisted of one Deputy Legal Adviser and two Assistant Legal Advisers functioning under the general supervision and guidance of a Joint Secretary who, in addition, was in charge of the advice work pertaining to other Ministries also. It has been decided to strengthen and reorganise the unit by placing a Special Solicitor, with a rank of a Joint Secretary, at the head of the unit and by upgrading the post of one Assistant Legal Adviser to that of a Deputy Legal Adviser. The unit will now consist of four officers—Special Solicitor, two Deputy Legal Advisers and one Assistant Legal Adviser.

14. It is considered that these additions to the officer-strength of the Ministry would be adequate to meet its normal requirements but the position will be reviewed from time to time after watching the work-load of the Ministry.

15. A proposal to set up a Research Section is also under consideration. The Section will assist the officers in tracing case law so that the time now taken by the officers in hunting out the case law would be saved and the officers would be able to devote more time for the references.

PART III

Examination of the American Legislation

16. The American laws have to be examined principally with reference to two points, namely, the power of the Comptroller General to examine the records of the contractors and the power of Government for renegotiation of executed Government contracts.

17. In regard to the first point, section 304 of the Federal Property and Administrative Services Act of 1949 (Public Law 152 of 81st Congress, 1st Session) and section 4 of the Armed Services Procurement Act of 1947 (Public Law 413 of the 80th Congress, 2nd Session) have been amended by Public Law 245 of the 82nd Congress, First Session, by inserting a provision as follows :—

“All contracts negotiated without advertising pursuant to authority contained in this Act shall include a clause to the effect that the Comptroller General of the United States or any of his duly authorised representatives shall until the expiration of three years after final payment have access to and the right to examine any directly pertinent books, documents, papers and records of the contractor or any of his sub-contractors engaged in the performance of and involving transactions related to such contracts or sub-contracts.”

The Federal Property and Administrative Services Act of 1949 (Public Law 152 of 81st Congress, 1st Session) makes detailed provisions for the procurement, utilisation and disposal of Government property. Title III of the Act prescribes the procurement procedure and regulates the methods of purchases and contracts for supplies or services made by Government. The normal procedure is that all such purchases and contracts shall be made by advertising but the Act permits purchases and contracts by negotiation without advertising in certain specified circumstances. The negotiated contracts may be of any type except the cost-plus-a-percentage-of-cost form of contracts. The provision quoted above which enables the Comptroller General to examine the records of the contractor relates only to negotiated contracts and not also to contracts made after advertisement. The Act, however, does not state the action to be taken by the Comptroller General after examination of the records of the contractor or by the Government on receipt of the report of the Comptroller General. Presumably, further action is to be taken under the Renegotiated Acts in the case of contracts to which those Acts apply. In other cases possibly further action is taken administratively.

18. The provisions of the Armed Services Procurement Act of 1947 (Public Law 413 of the 80th Congress, 2nd Session) are almost the same as the provisions for procurement procedure described in the Federal Property and Administrative Services Act of 1949.

19. As regards the second point, three laws have been made in the United States of America for renegotiation of the terms of executed contracts.

20. It was during the Second World War that the United States of America legislated on the subject for the first time. Section 403 of the Sixth Supplemental National Defence Appropriation Act of 1942 (Public Law 528 of the 77th Congress, 2nd Session) authorised and directed the Secretary of each Department to insert in every contract a provision under which the contractor agreed to the elimination of excess profits through renegotiation and also agreed to insert a similar clause in each of his sub-contracts. The Act also provided that even if such a provision was not expressly made in the contracts, it shall be deemed to have been made. The insertion of such a provision was, however, obligatory only in respect of contracts by some, and not all, Departments, namely, the Department of the Army, the Navy Department, the Treasury Department, the Maritime Commission, the War Shipping Administration, Defence Supplies Corporation and Rubber Reserve Company. The insertion of the provision was also restricted only to contracts involving an estimated amount of more than one lakh dollars. The Act provided for renegotiation of only those contracts whereunder the amounts received or accrued exceeded five lakh dollars in any fiscal year ending after the 30th June, 1943, and performance of which was allocable to a date prior to the 31st December, 1945, or the date proclaimed by the President as the date of termination of hostilities in the Second World War, i.e., the 31st December, 1946. The above analysis of the Act shows that the Act was a war emergency measure, limited in duration and restricted only to big contracts involving very large sums.

21. The next legislative measure on the subject was the Renegotiation Act of 1948 which was section 3 of the Supplemental National De-

fence Appropriation Act of 1948 (Public Law 547 of the 80th Congress, 2nd Session). This Act applied only to airplane contracts. It provided for the insertion of a Renegotiation Article in every contract in excess of one thousand dollars and empowered the Secretary of Defence to renegotiate the contracts for the purpose of eliminating excessive profits. In the absence of an agreement, the Secretary was empowered to issue an order determining the amount of excessive profits and eliminate them. The provision was, however, applicable only to those contractors who received, under all their contracts, at least one lakh dollars during any fiscal year.

22. During the Korean War, the United States of America found the necessity of making a fresh law, known as the Renegotiation Act of 1951 (Public Law 9 of the 82nd Congress, 1st Session). The Act provided for the elimination of excessive profits from the contracts made with the Government in execution of the national defence programme. The provision for renegotiation applied to contracts made by the Department of Defence, the Department of the Army, the Department of the Navy, the Department of the Air Force, the Department of Commerce, the General Services Administration, the Atomic Energy Commission, the Reconstruction Finance Corporation, the Canal Zone Government, the Panama Canal Company, the Housing and Home Finance Agency, and such other Government agencies having a direct and immediate connection with the national defence as the President may designate. The operation of the provision was restricted to receipts or accruals attributed to performance of contracts on or after 1st July, 1950, but on or before 31st December, 1953. The period of operation was, however, continued from time to time and, as far as ascertainable, the present position is that the provisions of the Act apply to receipts and accruals which are determined to be reasonably attributable to performance prior to the 31st December, 1958 (*vide* the Renegotiation Amendments Act of 1956—Public Law 870 of 1956). The scope of the Act was extended to contracts with the Maritime Administration and the Federal Maritime Board but contracts with the Department of Commerce, the Reconstruction Finance Corporation, the Canal Zone Government, the Panama Canal Company, the Housing and Home Finance Agency were excluded from its scope. It will be seen that this Act also is of temporary duration, applicable only to contracts relating to the defence programme. It is, however, significant to note that although initially this Act was an emergency measure its operation has been continued in peace time also.

23. The American Laws on procurement procedure set out in detail action to be taken for procurement of supplies and services including details regarding advertisement and negotiation of contracts, terms for advance payments and powers of contracting authorities.

PART IV

Feasibility of enacting legislation similar to American Legislation and the scope of revision of contracts: forms with a view to safeguarding the interests of Government and to enable the Government to reopen past contracts where unconscionable payments have been made

24. One of the features of the American legislation is that the Comptroller General of the United States or any of his duly authorised

representatives has statutory access to and the right to examine any directly pertinent records of the contractor and his sub-contractors. A provision of this nature does not appear to be constitutionally possible in this country. In the first place, the duties and powers of the Comptroller and Auditor-General are as specified in article 149 of the Constitution under which he is to perform duties and exercise powers "in relation to the accounts of the Union and of the States and of any other authority or body as may be prescribed by or under any law made by Parliament" and his duties and powers, until such law is made, are to be the same as those of the Auditor General of India immediately before the commencement of the Constitution. It is relevant to note that Parliament is competent to prescribe by law the duties and powers of the Comptroller and Auditor-General in relation to, apart from the accounts of the Union and of the States, the accounts of "any other authority or body" as may be prescribed by that law. A private contractor who enters into contract with Government can under no circumstances be included in the expression "any other authority or body", and, in view of the limitation placed on the legislative powers of Parliament, a law cannot be enacted to enable the Comptroller and Auditor-General to have access to and examine the records of such an individual. In the second place, the power to compel production of accounts and examine accounts relating to business is a serious encroachment on the liberty of a citizen and is likely to be successfully challenged as an unreasonable restriction on the fundamental right under article 19(1)(g) to carry on business. It does not, therefore, appear feasible to confer on the Comptroller and Auditor-General, by law or otherwise, the power to examine the accounts of a private contractor.

25. It might, however, be possible, if considered necessary, to confer on Government itself, as a party to the contract, the power to examine the accounts of the contractor. It may be mentioned in this connection that the U. S. Renegotiation Act of 1948 expressly confers such power on the Secretary of Defence and the Renegotiation Act of 1951 necessarily implies such a power in the Renegotiation Board.

26. Another feature of the American legislation is provision for renegotiation of terms of executed contracts. The question whether like provision cannot be effectively made in the contract itself has been considered and it is felt that, if at all it is necessary and advisable to take the power of renegotiation, this should be done by legislation rather than by contract. The scheme for renegotiation has to be worked up in a number of details, e.g., the types of contracts to which the scheme would apply, definition of excessive profits, tests for determination of excessive profits, appointment of an authority to determine excessive profits, procedure to be followed by such authority, appeals against decisions of such authority etc. Such provisions should appropriately be made by legislation and not by contract. Apart from that, renegotiation will have to be made not only with the contractor but also with his sub-contractors. It is only by legislation that renegotiation with sub-contractors would be possible. A legislation in this direction may, however, be open to constitutional challenge on the ground that it imposes unreasonable restrictions on a citizen's fundamental right to carry on business but it may be possible to meet the challenge and, if the magnitude of the problem so requires, a risk may have to be taken.

27. The most important point, however, is whether the power of re-negotiation of terms of executed contracts should at all be assumed. A decision on the question would involve examination of several factors. It may be mentioned in this connection that such powers would be appropriate, as in the American legislation, only in respect of *negotiated contracts* and not also in respect of contracts entered into after inviting tenders. Ordinarily, Government enter into contracts after inviting tenders and it is only in cases of emergency or in cases where invitation to tender is considered impracticable that contracts are entered into after negotiation. Negotiated contracts, are, it is understood, only a small percentage of the total number of contracts. Since negotiated contracts are made in exceptional circumstances, the contractors are in a position of command and, if a law is made for renegotiation of contracts, they might either refuse to deal with Government or take care to inflate their rates and costs to a large extent and manipulate their accounts with a view to ensuring that they would not lose high profits even if action is taken under such law. Reputable firms might regard the powers as introducing an element of uncertainty in their calculations. It is, therefore, necessary to consider what would be the repercussions of such law on the ability of Government to obtain the necessary supplies and services. Furthermore, the question whether the expenditure and time involved in the appointment of an authority to examine the accounts and renegotiate with the contractors and in appeals from the decisions of such authority would be commensurate with the economy effected will also have to be considered. In our country, contractors do not usually keep accounts in proper commercial form and there may be resistance to allowing their accounts to be pried into. Apart from that, the Income-tax Department does at present play an important role in this direction and the income of every contractor is closely scrutinized by them. The high rate of income-tax practically wipes out the excessive profits made by the contractors and it has, therefore, to be considered whether it is really necessary to set up another agency to accomplish more or less the same object. As in the American laws, the powers will have to be assumed only in respect of certain types of big contracts. The justification for these extraordinary powers might be that the Government have, through the national Plans, launched gigantic programmes for the reconstruction of the country and the success of the Plans require adoption of measures which would not be advisable during peace time. It has, therefore, to be considered whether the provisions relating to such powers should not be confined only to contracts in respect of the Plan projects. All these are indeed matters of high policy which will have to be settled in consultation with the various Ministries and with the approval of the Cabinet.

28. A third feature of the American legislation is that it sets out in meticulous detail instructions for entering into contracts. It is submitted that the administrative Ministries do observe certain principles and precautions in the matter of entering into contracts and, if necessary, they can be supplemented by further administrative measures. A law on the subject is hardly called for.

29. It may be mentioned that the present law of contracts provides adequate remedy if payment is made in excess of the amount due through negligence, fraud or any other like cause and the forms of contracts do not call for revision in that direction.

30. It may also be mentioned that the conveyancing unit of the Ministry of Law constantly examines the various clauses of the contract forms and revises them whenever necessary. It is respectfully submitted that the forms of contract, as so revised, adequately safeguard the interests of Government.

NEW DELHI;
30th December, 1958.

B. N. Lokur,

Joint Secretary & Legal Adviser to the Govt. of India..

APPENDIX XIV

Note from the Ministry of W. H. & S. pursuant to action taken on para. 128 of the 16th Report (1st Lok Sabha) regarding safeguarding clause in contracts

The Public Accounts Committee in their meetings held on the 3rd, 4th and 5th January, 1958 desired that this Ministry should review the Standard Contract forms in use in the Supply Department and Central Public Works Department because they were not happy that the penalty clause and the arbitration clause were effective for the purpose intended. A note regarding the Standard Contract forms in use in the Supply Department has already been submitted to the Public Accounts Committee. The Ministry's reply regarding the Standard Contract forms in use in the Central Public Works Department is as follows :—

(1) *Penalty Clause*—The relevant clause runs as under :

“The time allowed for carrying out the works as entered in the tender shall be strictly observed by the contractor and shall be reckoned from the tenth day after the date on which the order to commence work is given to the contractor. The work shall throughout the stipulated period of the contract be proceeded with all due diligence (time being deemed to be of the essence of the contract on the part of the contractor) and the contractor shall pay as compensation an amount equal to one per cent. or such smaller amount as the Superintending Engineer (whose decision in writing shall be final) may decide, on the amount of the estimated cost of the whole work as shown by the tender for everyday that the work remains un-commenced, or unfinished, after the proper dates. And further, to ensure good progress during the execution of the work, the contractor shall be bound, in all cases in which the time allowed for any work exceeds one month, to complete one-fourth of the whole of the work before one-fourth of the whole time allowed under the contract has elapsed, one half of the work, before one half of such time has elapsed, and three-fourths of the work, before three-fourth of such time has elapsed. In the event of the contractor failing to comply with this condition he shall be liable to pay as compensation an amount equal to one per cent, or such smaller amount as the Superintending Engineer (whose decision in writing shall be final) may decide on the said estimated cost of the whole work for everyday that the due quantity of work remains incomplete : Provided always that the entire amount of compensation to be paid under the provisions of this clause shall not exceed ten per cent., on the estimated cost of the work as shown in the tender.”

The clause can be broadly sub-divided into following parts—

(1) date of the commencement of the work,

- (ii) progress of the work as also compensation leviable for delayed execution,
- (iii) decision of Superintending Engineer to be final regarding quantum of compensation for delay.

There is no ambiguity about condition (i) *viz.*, date of start of the work, As regards (ii), the position is that the contractors render themselves liable to pay liquidated damages upto 1% of the estimated cost per day subject to maximum of 10%. According to Section 74 of the Contract Act where a contract has been broken if a sum is named in the contract as the amount to be paid in the case of the breach or if the contract contains any other stipulation by way of penalty the party complaining of the breach is entitled, whether or not actual loss or damage has been proved to have been caused thereby, to receive from the party who has broken the contract, reasonable compensation not exceeding the sum so named. Therefore the existing clause serves as a deterrent to prevent delays in supply. There is no vagueness in the agreement and as such it does not need a change.

As regards (iii) the position is that (a) the Superintending Engineer is empowered to decide the reduction in the rate of compensation below 1% of the estimated cost per day's delay and his decision in this behalf is final and that (b) the contractor can seek for arbitration on the justifiableness or otherwise of the levy of penalty. Recently, Accountant General, Central Revenues raised a question that there should not be two authorities—one determining the reduction in the rate of compensation and the other for deciding the justifiableness or otherwise of the levy of penalty. We referred the papers to the Ministry of Law and the matter has been thoroughly examined at Law Minister's level who opined that it was not necessary to make any amendments to the above clause of the agreement.

- (2) As regards *Arbitration Clause* we have the following clause in the agreement :—

“Except where otherwise provided in the contract all questions and disputes relating to the meaning of the specifications, designs, drawings and instructions hereinbefore mentioned and as to the quality of workmanship, or materials used on the work, or as to any other question, claim, right, matter or thing whatsoever, in any way arising out of, or relating to the contract, designs, drawings, specifications, estimates, instructions, orders, or these conditions or otherwise concerning the works, or the execution, or failure to execute the same, whether arising during the progress of the work, or after the completion or abandonment thereof shall be referred to the sole arbitration of the Chief Engineer/Additional Chief Engineer, Central Public Works Department, and if the Chief Engineer/Additional Chief Engineer is unable or unwilling to act, to the sole arbitration of some other person appointed by the Chief Engineer/Additional Chief Engineer willing to act as such arbitrator. It will be no objection to any such appointment that the arbitrator so appointed is a Government servant, that he had to deal with the matters to which this Agreement relates and that in the course of his duties as such Government servant he had expressed views on all or any of

the matters in dispute or difference. The award of the arbitrator so appointed shall be final, conclusive and binding on all parties to this contract."

As would be seen from the above clause the disputes are referable to the sole arbitration of Chief Engineer/Additional Chief Engineer, Central Public Works Department. We have recently obtained the considered opinion of the learned Attorney General. He has held that the stroke between the words "Chief Engineer" and "Additional Chief Engineer" makes the clause vague and does not convey the sense as to who is to act as the arbitrator and hence the reference to the sole arbitration of one of the two designated officers would be void on the ground of uncertainty. "Revised arbitration clause" as per copy attached has been accordingly inserted in the agreement.

An enquiry was also made as to the status of the officers who were competent to change any conditions in the standard form. The position is that no change can be carried out in the 'Standard Forms' except with the previous sanction of the Government of India.

The above note has been prepared by this Ministry in consultation with the Ministries of Law and Finance and has been seen by the Accountant General, Central Revenues.

NEW DELHI:

March 13, 1959.

K. S. KRISHNASWAMI.

Joint Secy. to the Government of India.

Except where otherwise provided in the contract all questions and disputes relating to the meaning of the specifications, designs, drawings and instructions hereinbefore mentioned and as to the quality of workmanship or materials used on the work or as to any other question, claim, right, matter or thing whatsoever, in any way arising out of or relating to the contract, designs, drawings, specifications, estimates, instructions, orders or these conditions or otherwise concerning the works, or the execution or failure to execute the same whether arising during the progress of the work or after the completion or abandonment thereof shall be referred to the sole arbitration of the person appointed by the Additional Chief Engineer, Central Public Works Department, in charge of the work at the time of dispute or if there be no Additional Chief Engineer, the administrative head of the said Central Public Works Department at the time of such appointment. It will be no objection to any such appointment that the arbitrator so appointed is a Government servant, that he had to deal with the matters to which the contract relates and that in the course of his duties as Government servant he had expressed views on all or any of the matters in dispute or difference. The arbitrator to whom the matter is originally referred being transferred or vacating his office or being unable to act for any reason, such Additional Chief Engineer or administrative head as aforesaid at the time of such transfer, vacation of office or inability to act, shall appoint another person to act as arbitrator in accordance with the terms of the contract. Such person shall be entitled to proceed with the reference from the stage at which it was left by his predecessor. It is also a term of this contract that no person other than a person appointed by such Additional Chief Engineer or adminis-

trative head of the Central Public Works Department as aforesaid should act as arbitrator and, if for any reason, that is not possible, the matter is not to be referred to arbitration at all.

Subject as aforesaid the provisions of the Arbitration Act, 1940, or any statutory modification or re-enactment thereof and the rules made thereunder and for the time being in force shall apply to the arbitration proceedings under this clause.

APPENDIX XV

Note from the Ministry of W. H. & S. pursuant to action taken on para 253 of the 7th Report regarding loss on a contract

At their sitting held on 3rd to 8th January, 1958, the Public Accounts Committee desired to be furnished with further information on the following two points arising out of the discussions on the above para :—

- (i) The remedial measures taken against losses of the type mentioned in this Audit para,
- (ii) Whether in terms of their recommendations in para 54 of their 23rd Report, the facts of the case had been intimated to the present employer of the Assistant concerned.

2. As regards (i) above, the loss occurred on account of repurchase of stores necessitated by the fact that the firm had failed to supply them. The contract itself was placed on this firm as their offer was competitive and as it was considered that they possessed the necessary stocks to comply with the order based on the inspection reports available from the Printing and Stationery Department and taking into account the fact that they had completed satisfactorily in the past a number of contracts of a total value of Rs. 3,11,806/-. Nevertheless as the firm were unregistered and as a matter of abundant caution in accepting the offer of this firm and in placing a contract on them, it was provided that the contract was subject to the firm furnishing a security deposit in cash equivalent to 10% of the value of the contract. Unfortunately, despite efforts of the Central Purchase Organisation, the firm failed to furnish the security deposit within the due date as stipulated in the A/T apparently because they were by then in serious financial difficulties though no prior information or evidence of the firm being in such difficulties was available with the Central Purchase Organisation, who in awarding this contract to the firm had taken into account their satisfactory past performance. Meanwhile, the firm did tender stores for inspection which on detailed inspection had to be rejected as not complying with the specifications and particulars as stipulated in the contract. It has also to be admitted that the Central Purchase Organisation failed to act as expeditiously as possible under the circumstances that arose in this case to obtain the security deposit from the firm until the termination of the contract with them to the extent that as soon as it was apparent that the firm had defaulted on this condition, action could have been taken earlier to cancel the contract and arrange repurchase. It is, however, stated that when on 25-2-54, it came to their notice that the cheques furnished by this firm for the amount of security deposit had been dishonoured they immediately advised the Accounts Office on 26-2-1954 to withhold payment to the firm to the extent of Rs. 5,170/-. If they extended the time for furnishing the deposit this was because they had assumed that the firm were in a position to complete supplies on the basis of the stocks available with them which, as stated earlier, ultimately could not be accepted, being of inferior quality. It is also to be admitted that having cancelled the contract and arranged

repurchase, the Central Purchase Organisation failed to pursue the matter regarding the recovery of extra expenditure in regard to any repurchase in terms of the conditions of contract from the defaulting firm as expeditiously as they should have done and that the delay in taking this action might have contributed to this loss. To watch the recoveries due to Govt. necessary instructions have been issued *vide* Office Orders No. 75 dated 12-7-56 and 131 (CDN Series) dated 2-12-57 (copies enclosed). Under the revised clause 4 of General Conditions of Contract form No. WSB'133, cheques cannot be accepted as Security Deposit.

3. In regard to (ii) above, the position is as follows :—

A supply order, dated 24-12-1953, was placed on a firm for the supply of imported Real Art Paper for the value of Rs. 51,636'13/- stipulating delivery ex-stock by 15th January, 1954 or earlier. According to the terms of the contract the firm were to deposit within 10 days of the receipt of the order an amount of Rs. 5,170'-i.e. 10% of the value of the contract as security deposit. As the firm failed to supply the stores within the stipulated delivery date and also failed to make the necessary security deposit, the order was cancelled on 25-5-54 at their risk and expense. The stores were repurchased from elsewhere on 9th July, 1954 involving an extra expenditure of Rs. 13,946'-. No action to recover this amount from the defaulting firm was taken till 25-11-54 when they were asked to make good the loss sustained by Government on repurchase of the stores in question. The defaulting firm stated on 18-12-54 that their old partnership was dissolved and they had formed a new partnership. On receipt of this reply, no action to effect the recovery of the amount involved was taken till October, 1955.

4. After the cancellation of the contract and repurchase at the risk and expense of the defaulting firm, the purchase organisation did not pursue the matter vigorously with the defaulting firm with a view to recovering from the firm the extra cost incurred in repurchase. The repurchase was made on 9-7-1954, but the demand on the firm was not made until 25-11-1954. There was, thus a delay of 4½ months. Later when it became known that the firm stood dissolved and was not in a position to make payment, there was a further delay from December, 1954 to October, 1955.

5. Two Officials, the Section Officer and the Assistant concerned were found to have been involved in the delay. Their explanations were called. After careful considerations of the explanations preferred, it was decided that the Section Officer could not be held responsible for the delay that had occurred in the case. As the Assistant was found not to have exercised the vigilance expected of him in the course of his duties, the grave displeasure of the Head of the Department was communicated to him on 22-3-1957 and the communication was sent to him through his present employer. A record of this was, however, not kept on the Character Roll of the Assistant as a warning was considered sufficient. This Assistant was taken on deputation on 6-8-1955. This irregularity was, no doubt, pointed out on 12-7-1955, in the form of an Audit objection but the factual statement in this case was received only on 10-2-56; much after the Assistant had been taken on deputation.

NEW DELHI;
September 15, 1958.

M. R. SACHDEV,
Secretary

**DIRECTORATE GENERAL OF SUPPLIES & DISPOSALS
(CO-ORDINATION SUPPLIES SECTION IB) NEW DELHI**

Office Order No. 75.

Dated 12-7-56.

SUBJECT:—*Watching of recoveries due to Govt.—Maintenance of a proper register and periodical checking.*

An instance has come to light in which the State was put to an infructuous loss of heavy amount incurred on account of risk purchase due to the failure on the part of Supply Section to take timely action, for the recovery of the extra cost from the defaulting firm. In order to prevent recurrence of similar losses in future, it has been decided to introduce the following procedure forthwith to watch the recoveries of extra cost on account of risk purchase consequent to cancellation of contracts. Each Section should maintain a register containing the following headings :—

1	2	3	4	5	6
S. No.	Name of Contractor	Contract No. & Date	Rate at which contract was placed	Quantity* cancelled	Date on which cancelled at R/E
7		8		9	10
No. & Date of Repurchase A T ₂		Rate at which repurchase made	Qty. repurchased at risk and expense of defaulting contractor		Extra cost involved in repurchase, if any
	11		12		
	Action taken to effect recovery or extra cost		Date of review with dated . . . initial of the S.O. A.D.		

Cases where contracts are cancelled at the risk and cost of the defaulting contractors should be immediately entered in this Register and as soon as repurchase is effected the remaining columns of the register should be duly completed. As soon as recoveries are effected from the defaulting firms, the entries against the contracts should be scored off neatly in red ink, under the dated signature of the Section Officer Assistant Director.

The register should be reviewed once a fortnight by the Section Officer of each Section at Headquarters and the Assistant Directors in the Regional Offices with a view to ensure that timely action for effecting recoveries is taken and no case is lost sight of. The Section Officer should affix his dated signature in the last column as a token of his having conducted the review.

Any lapse to observe this procedure will be seriously viewed and suitable disciplinary action will be taken against the officers concerned.

Sd/- A. R. IYER
Deputy Director (CS)
Telephone No. 45381.

**DIRECTORATE GENERAL OF SUPPLIES & DISPOSALS
(CO-ORDINATION SUPPLIES SECTION ID)
NEW DELHI**

Office Order No. 131(CDN Series)

Dated 2-12-57.

SUBJECT :—*Recoveries due to Government—watching of Maintenance of proper register and periodical checking.*

REFERENCE :— Office Order No. 75, dated 12-7-56.

All Supply Sections are required to maintain a Register in the form prescribed under Office Order No. 75 dated 12-7-56 with a view to keeping a watch on the recoveries due to Government.

Scrutiny of registers of some Sections has revealed that those are maintained in a slipshod manner. D.G. is anxious that these registers should be properly maintained and periodically checked. These should be treated as proper accounts books, entries should be correct and pages numbered. To ensure that this is properly done, the Section Officer and the Asstt. Director concerned should, at the end of each month, record a certificate to the effect that all cases of recovery concerning their Section have been entered into the register and that correct and up-to-date progress in each case has been marked.

The Section Officers and Asstt. Directors after recording the above mentioned certificate should put up the registers to their Deputy Directors once a month who will initial them in token of his having seen the registers. It may be mentioned in this connection that the register has been included in the list of registers to be inspected by the Dy. Director concerned at the time of his quarterly inspection of Sections. Inspecting Officers who carry out annual inspection will also sign the registers in token of having inspected them. The O & M Officer and the Section Officer (O&M) will also occasionally check that Register and sign it as a token of their having done so.

The Deputy Director acting as a Liaison and Focal Officer for litigation work in each Directorate will watch progress of recovery of all cases and should bring to the notice of higher authorities cases involving recovery of over Rs. 50,000/-.

S. C. MURGAI,
Director,
(Co-ordination & Statistics).

APPENDIX XVI

Note from the Ministry of External Affairs pursuant to action taken on para 69 of the 7th Report regarding Administration of Scheme of Assistance to Evacuees from War Zones

According to the information since collected from the various State Governments who are administering the scheme of assistance to evacuees from war zones, the position as it emerges is as follows :—

	Rs.	Remarks
(a) Total amount advanced	7,18,03,561	Out of this a sum of Rs. 85,00,000 was paid to the evacuees in areas now situated in Pakistan.
(b) Total amount recovered upto December, 1957.	28,30,852	
(c) Total amount written off upto 31st December '57.	1,96,07,755	This includes Rs. 85,00,000 written off by a Joint Agreement between the Govts. of India and Pakistan.
(d) Outstanding amount	5,08,88,015	
(e) No expenditure is incurred on cost of staff employed on recovery work except in the case of West Bengal, Madras, Orissa, and the Indian Mission at Rangoon in whose cases average annual expenditure is as follows :—		

	Rs.
Bengal (West)	6,540
Madras	15,600
Orissa	18,029
Rangoon	47,000

2. The following inferences can be drawn from the details of the above figures :

- (i) The rate of recovery per year is nearly uniform, being 5% per annum. Upto end of 1956, recoveries made were 4% of the advances and upto end of 1957 the corresponding figure was 4.5%. The rate of write off is 2% per annum.

- (ii) If the rate of recoveries/writes off made in 1957 is taken as the yardstick, it might take several centuries to complete recoveries.
- (iii) However, there are some States where the net amount recovered is to the advantage of Government i.e. the difference between the amount recovered and the cost of staff employed for this purpose is distinctly to Government's advantage. These include Madras, Punjab and Uttar Pradesh. On the other hand there are States where it is distinctly a loss to the Govt. to continue to proceed with the operations of recovery e.g., Bengal.

3. On the basis of the above inferences, the Ministry of External Affairs would suggest two alternative solutions for the consideration of the Public Accounts Committee :

- (a) The whole amount outstanding on account of such advances might be written off completely. If the present rate of recoveries/writes off is maintained it would take the Government of India several centuries to collect these outstanding amounts. The experience over the last 11 years shows that the rate of recovery and writes off has not been very significant. If efforts to recover these amounts continue as at present it would be distinctly to the disadvantage of the Government in the long run.
- (b) Efforts should be made to streamline the write off procedure and to obtain a precise picture of the amounts that could be recovered. The suggestion to write off the outstanding amounts though simple and easy would cause repercussions in regard to other loans sanctioned by the Government of India. To avoid this, an attempt should first be made to write off individual amounts which are irrecoverable and which might be termed as really bad cases. For this purpose it is considered that the Heads of Missions at Rangoon, Kuala Lumpur and Singapore should be asked to give full details of each case of loan granted with their recommendations in regard to their recovery or write off. On receipt of these details, decision should be taken by the Government of India to write off the bad cases and to prepare a new list of cases which should be pursued with advantage. In regard to the State Govts. also similar letters should be addressed to the Chief Secretaries requesting them to prepare within two months similar details in respect of cases with which they are concerned. Thereafter two officers of this Ministry—one representing the Finance Branch and the other representing the Administration—should visit these State Governments where large advances are outstanding and make an on-the-spot study of all the cases with a view to take decisions to write off the irrecoverable advances. As the Ministry has powers to write off upto 10,000 - in each case as against write off power of Rs. 1,000 - in the case of State Governments, this team should be in a position to write off on the spot large number of cases which are found to be really bad and in which chances of recoveries are remote. The object of this team should be to weed out all such cases and to bring forth a clearer picture of the amounts that can be recovered. Special efforts should then be directed to concentrate

on expediting recoveries in these residual cases. It should be possible in this way to obtain a streamlined picture of the problem which could then be considered in its proper perspective. It is anticipated that the expenditure on the two officers would not be very high. Assuming that they would be visiting about 8 States, the approximate expenditure on their travelling allowance would be Rs. 7,000/-.

4. It is regretted that due to delay in the receipt of statistical information from the State Governments it has not been possible to get the figures mentioned above vetted by the Audit but we have attempted to be as accurate as possible. If necessary these figures will be got checked by the A.G. C.R. later.

P. RATNAM,
Joint Secretary to the Government of India.

APPENDIX XVII

No. F. 2 (66)-Corp/58

Note from the Ministry of Finance (Department of Economic Affairs) giving legal opinion of the Legal Adviser of the I. F. C. regarding recovery of an irregular charge incurred by a former Managing Director of the I. F. C.

In pursuance of item No. 58 para No. 144 of the (Appendix I) of the 7th Report (1957-58) of the Public Accounts Committee relating to the above noted matter, I have been asked to give my opinion on the point of enforcing recovery of the above sum of Rs. 2,000/- from the former Managing Director of the Industrial Finance Corporation.

I have seen the minutes of the Executive Committee and the Board of Directors of the Corporation and find that in the Special meeting of the Board of Directors of the Corporation held on the 2nd July, 1953, the Board by means of Resolution No. 2 *inter alia* resolved that the Managing Director should get a reply to Chapter VIII of the Industrial Finance Corporation Enquiry Committee Report ready for the approval of the Board at their next meeting to be held on the 11th July, 1953. The said Resolution No. 2 is reproduced below :—

“Item No. 2—Consideration of the draft reply to be sent to Government in connection with the Report of the Industrial Finance Corporation Enquiry Committee.

Before taking up consideration of the draft reply the Chairman informed the Directors that Mr. B.K. Shah, who had been requested by the Board to draft a suitable reply to Chapter VIII of the Report dealing with the Sodepore Glass Works Ltd., had written to him that as he was very hard pressed for time during the last three weeks on account of heavy preoccupations, he could not fulfil this assignment and had offered sincere apologies.

The Board then considered the draft reply covering all the chapters of the Report of the Industrial Finance Corporation Enquiry Committee, with the exception of Chapter VIII. The Board approved the reply as amended after discussion. It was decided that the Managing Director should forward the reply to Government, the reply to Chapter VIII of the Report being sent later as an appendix.

It was also decided that the Managing Director should get a reply to Chapter VIII of the Report ready for approval of the Board at their next meeting to be held on the 11th July, 1953.”

The next resolution which has a bearing on the subject is contained in the minutes of proceedings of the Special meeting of the Executive Committee of the Board of Directors of the Corporation held on the 30th October, 1954 in which the Executive Committee confirmed that an Advocate

of Bombay High Court was entrusted with the work of drafting a reply to Chapter VIII of the Industrial Finance Corporation Enquiry Report under the authority of the Board and that the payment of Rs. 2,000/- made to him in that connection was also noted by the Executive Committee in the said meeting. The relevant portion of the above said proceedings is reproduced below :—

“Para 60 : Amount of Rs. 2,000/- paid to Mr. G. N. Joshi, Advocate, Bombay High Court, for drafting a reply to Chapter VIII of the Industrial Finance Corporation Enquiry Committee's Report dealing with the loan granted to the Sodepore Glass Works Ltd.

The Committee confirmed that Mr. G. N. Joshi was entrusted with the work of drafting a reply to Chapter VIII of the Industrial Finance Corporation Enquiry Committee's Report under the authority of the Board. The payment of Rs. 2,000 - made to Mr. Joshi in this connection was noted”.

The proceedings of the meeting held on the 30th October, 1954 were placed in the meeting of the Board held on the 11th December, 1954 but the consideration of this item was deferred to the next meeting of the Board. The next meeting of the Board was held on 12-2-55 when the above said minutes of the proceedings of the Special meeting of the Executive Committee held on the 30th October, 1954 were placed before the meeting and the same were considered and approved by the Board.

It will, therefore, be observed that the Executive Committee and the Board have confirmed in a very clear language that the work of drafting a reply to the Chapter VIII was entrusted to an Advocate of Bombay High Court, under the authority of the Board of Directors and that the payment of Rs. 2,000 - as fees to him was confirmed both by the Executive Committee as well as by the Board. In face of the above quoted resolutions of the Executive Committee and the Board of Directors, the responsibility of engaging the services of the Advocate, Bombay High Court and payment of the sum of Rs. 2,000 - as his fees lies solely on the Board of Directors of the Corporation and not on the former Managing Director and the later, by no stretch of imagination, can be made personally liable to pay this amount to the Corporation.

Sd - (JWALA PERSHAD CHOPERA).
5/9/58.

APPENDIX XVIII

Note from the Ministry of Commerce & Industry pursuant to action taken on para 23-25 of the 7th Report regarding Khadi Industry

Para 23 : The suggestion made by the Public Accounts Committee in this para has been carefully examined in this Ministry. It is not considered desirable to revert to the system obtaining upto 1951-52, when there was a single Central Cottage Industries Board concerned with the development of all these industries. It was decided to set up different Boards for the major cottage and small industries because their problems were not always the same, the industries concerned were very varied (e.g. coir and silk) and, finally, because it was considered necessary to associate with these Boards persons who had taken particular interest in the industries concerned or had a certain special approach to their problems. This is particularly the case with the Khadi and Village Industries Commission (established with effect from 1st April, 1957) whose composition, as well as that of its predecessor, the All India Khadi & Village Industries Board (which had been set up in January, 1953) has been confined to persons who share a common ideology on rural re-construction and on the role of decentralised industries. It was thus that during the period of the First Five Year Plan, when further resources were earmarked for the development of village and small scale industries, the other five All-India Boards came to be established or re-constituted. The All India Handloom Board and the All India Handicrafts Board were constituted in October and November, 1952, respectively to advise the Government on the problems of development of hand-loom and handicrafts industries; the Small Scale Industries Board was constituted in November 1954 and the Central Silk Board (which had been functioning since 1949) was re-constituted in April, 1952 and a Statutory Coir Board was set up in July, 1954.

In this connection, it is necessary to quote from the recommendations of the Village and Small Scale Industries (Second Five Year Plan) Committee (commonly known as the Karve Committee) published in October, 1955:

"171. The whole field of village and small scale industries is now covered by six all-India Boards, viz., Coir, Small Scale Industries, Handloom, Silk, Handicrafts and Khadi and Village Industries. Of these, the last three are under the Production Ministry, and the rest are under the Ministry of Commerce and Industry. Two of them, namely, Silk and Coir are statutory Boards. On the whole, experience shows that the existence of these Boards has been helpful in focussing attention on the problems of particular industries and in supplying an agency for framing and executing suitable policies of assistance. It is true that some clear cases of overlapping emerge among almost all of them, leading occasionally to some aspect being neglected by all, but more often to one and the same item being attempted by more than one Board. Steps should be taken to avoid such overlapping and lacunae. *But the positive advantage of having the*

six Boards as at present is so obvious that no immediate step towards amalgamation or redistribution of any of them can be suggested."

At the time when the Karve Committee Report was being written, these All-India Boards were under two separate Ministries. Since April, 1957, however, as recommended by the Committee and accepted by the Government, all these Boards were brought under one and the same Central Ministry, thus increasing the scope for co-ordination. Past experience has proved that these Boards are essential for drawing attention to the problems of the various industries and since they provide effective agencies for executing the programme the present position should not be disturbed. The advantage derived from the functioning of the six different Boards, as at present, is such that the Ministry is of the view that steps should not now be taken to amalgamate or re-distribute the work relating to these Boards.

Para 24 : The Ministry is conscious that every care should be taken to avoid duplication of effort and funds should not be spent on the same projects at the same place by more than one Board simultaneously. The possibility of providing common services to these different Boards has not been lost sight of. In some cases, such common services may be provided in the form of design centres which may be concerned alike with handicrafts in the sense of artistic fabrics and other products of handlooms; or in designing carpets and druggets where the facilities may be shared by the Coir Board and the All-India Handicrafts Board to some extent and finally in the matter of organising sales of the products of these industries through the common agency of emporia run by these Boards. Wherever necessary and possible, as in the field of marketing for handlooms and handicrafts, the Ministry has taken action to have the matter studied by bodies such as the National Council of Applied Economic Research. It is, however, to be stated that it is unnecessary to be apprehensive of duplication merely because more than one emporium or sales depot is set up in one town. So long as the economics of the scheme justifies the setting up of such depots, the additional emphasis thus laid on sales may be of value for these hitherto neglected industries. It may also be emphasized that the Ministry continuously explore the possibility of providing common services in consultation with the Boards concerned. It may be mentioned that as recommended by the Karve Committee (Para 173 refers), a Co-ordination Committee of Small Industries has been functioning in the Ministry since June, 1957. The Minister of Commerce and Industry is the Chairman of this Committee which includes representatives of all the Boards, and the Ministry of Community Development to consider problems of common interest to the organisations concerned with the various cottage and small industries.

At the State level, State Co-ordination Committees of Small Industries have been set up at the instance of the Ministry of Commerce and Industry.

To avoid duplication of staff and expenditure, the export of coir goods has been entrusted to the National Small Industries Corporation and the services of the Handicrafts Development Corporation are being utilised to find export market for khadi fabrics.

The Joint Development Commissioners under the Small-Scale Industries Organisations have been made responsible for covering activities relating to handloom and handicrafts industries also during their tours and investigations in their respective regions.

It is recognised however that there might be some necessity of coordination with a view to avoid overlapping and duplication in the development of printing and dyeing by the Silk, Handloom and Handicrafts Boards. Schemes formulated by the State Governments are also scrutinised and sanctioned from this angle. The main object of such schemes has always been to develop new artistic designs. This Ministry is investigating whether there is any duplication in the matter of dyeing and printing in Madras and Bombay or other places. The result of the investigations will be communicated to the Public Accounts Committee by June 1959. It is not, however, considered desirable to define areas for different Boards for these Boards deal with industries which are spread throughout the country. As has been stated earlier, however, it is this Ministry's endeavour to combine and coordinate common facility services which can be utilised by more than one Board. Items requiring coordination are already being attended to in the Ministry through the Coordination Committee as mentioned above. It may also be noted that the Handloom Board and the Silk Board are at present under the Chairmanship of one Officer, who is in addition the Textile Commissioner. This, in itself, makes for coordination.

Para 25 : In so far as Coordination in research is concerned, there are limits because research deals with such widely differing needs as those of the small scale industries on the one hand and handicrafts or khadi on the other. However, wherever there is scope for coordination this Ministry endeavours to look after the problem. Efforts to pool funds, personnel, agencies of supervision and inspection and marketing arrangements are being made so that inefficiency is minimised and economy in expenditure obtained.

Regarding the suggestion that the All-India Boards themselves should function through State Boards nominated by the concerned State Governments, it may be pointed out that such Boards for various industries are already functioning in the majority of the States. Thus, in 12 States there are State Khadi and Village Industries Boards—10 Statutory and 2 Advisory. In 3 Centrally Administered Territories also (Delhi, Manipur and Tripura) Advisory Boards exist for Khadi and Village Industries. In 8 States, State Small Scale and Handicrafts Industries Boards are functioning. State Handloom Boards exist in all States except in two where State Advisory Councils are empowered to look after the day-to-day problems relating to handloom. These Boards are established by the State Governments in consultation with the All-India Boards. Generally, the Joint Development Commissioners of the region, Officers of the State Govt., leading economists and technical experts are nominated members of the Board. The problems relating to such of those industries in respect of which separate Boards have not been constituted are attended to by the existing Boards or Advisory Councils. It may, thus, be seen that the recommendations contained in the report of the "Study Team for Community Development and National Extension Service, Committee on Plan Project's Report, Vol. I", as endorsed by the Public Accounts Committee have been kept in view.

K. T. SATARWALA,
Joint Secretary to the Government of India.

APPENDIX XIX

Note from the Ministry of Commerce & Industry pursuant to action taken on para 35 of the 7th Report regarding import of raw silk and silk yarn from Japan and supply of cloth and yarn to Pakistan.

The actual position of the cases regarding Import of 375 bales of raw silk arranged in 1950-51 is as under :

In order to assist the silk industry and to stabilise the price of raw silk, as well as to meet the requirements of the Defence Services for parachutes, 375 bales (50,000 lbs) of raw silk were purchased from Japan during 1949-50 by the Government of India through the Indian Liaison Mission, Tokyo. The entire quantity arrived in India during 1950-51. Excepting 218 bales, which were reserved for the D.G.S. & D. for being fabricated into parachutes, the imported raw silk was sold to certain state Governments for issue to actual consumers *i.e.* the weavers in India. The D.G.S. & D. however, actually took only 147 bales but the balance of 71 bales was transferred to the Government of Mysore. Accounts relating to the quantities given to the State Governments have already been finalised.

Accounts for the quantity of 147 bales given to the D.G.S. & D. have not however been finalised yet. In June, 1950 and September, 1951 the Director General of Supplies and Disposals released 90 bales to Mill 'A' and 57 bales to Mill 'B' respectively which were to convert this raw silk into fabrics cloth to be supplied to Defence authorities. The cost of the 147 bales could not be realised immediately due to the following reasons :

- (1) The D.G.S. & D. had no provision in his own budget for making payment direct in such cases. His normal practice is to raise the debit against the indenter's head of account (in the present case the Ministry of Defence).
- (2) The rules of procedure adopted by the Defence Ministry do not allow of payments to be made before the supplies have been passed by their inspection authorities.

In the present case, no payment could be made unless and until the fabric manufactured by the two mills in question had been passed by the inspection authorities of the Defence Ministry.

Accounts relating to the 90 bales released to Mill 'A' have been settled. There are, however, certain difficulties in finalising accounts in respect of the 57 bales released to Mill 'B'. The inspection authorities of the Defence Ministry rejected a portion of the fabrics manufactured by this mill. An amount of Rs. 1,24,064 on account of the fabrics which were passed by the inspection authorities was realised from the Ministry of Defence and adjusted in the year 1954-55. An amount of Rs. 1,15,892 was due from the mill on account of the fabrics which were rejected but before this amount could be realised the mill went into liquidation and a claim for this amount was placed on the liquidator. In pursuit of this claim, an amount of Rs. 31,604 had been

realised and adjusted in 1954-55. Of the balance of Rs. 84,288/- , a sum of Rs. 53,797.89 (Rupees fifty three thousand seven hundred and ninety-seven and eighty nine nP. only) was received and adjusted in the accounts for 3/58 under the head "87—Capital Outlay on State Trading Scheme—Purchase of Raw Silk from Japan—Deduct Recoveries". This was only the first divided from the Official liquidator of the mill against Government's claim. Adjustment in respect of the balance amount of Rs. 30,490.11 nP. is awaited.

NEW DELHI,
13.9.1958.

Sd/- C. S. RAMCHANDRAN,
Joint Secretary to the Government of India.

In accordance with the recommendation of the Public Accounts Committee, action was initiated in this Ministry for the closure of the Government Trading Scheme of "Supply of Cloth and Yarn to Palkistan" and the Accounts relating to the Scheme have now finally been closed by transfer of the net balance of Rs. 23,75.740 -(credit) to Consolidated Fund, Rehabilitation, Supply, Commerce, Steel and Mines, New Delhi, has seen the note.

Sd/ C. S. RAMCHANDRAN,
Joint Secretary to the Government of India,
No. 17(23) TEX(A) 56.

NEW DELHI,
Dated the 9th September, 1958.
18, Bhadra, 1880 (Raka).

APPENDIX XX

Note from the Ministry of Commerce & Industry pursuant to action taken on paras 107—108 of the 16th Report (1st Lok Sabha) and para 38 of the 7th Report (Second Lok Sabha) regarding Nahan Foundary Limited.

New Delhi, the 12th Jan. 1959.

In this Ministry's note of even No. dated the 24th March 1958, the Public Accounts Committee was informed that pursuant to the Committee's recommendations made in their 16th Report for 1955-56, the Government of India had set up an Expert *Ad hoc* Committee to survey the manufacturing capacity of Nahan Foundary (Private) Ltd., and to advise on the steps to be taken to modernise it, diversify its production and to make it a more economic unit. It was also mentioned in the note that the report of the *Ad Hoc* Committee has been received by the Government and that the recommendations made by the Committee were under examination in consultation with other Ministries concerned. As desired by the F.A.C. in para 38 of their Seventh Report (1957-58), the present position is as follows :

It is generally felt by the Government that all the recommendations made by the Expert Committee may be accepted and implemented. (A copy of the report and a summary of conclusions and recommendations made by the *Ad Hoc* Committee is also attached.)

However, as the Nahan Foundary (Private) Limited. is an autonomous body incorporated under the Indian Companies Act, it is primarily for its Directors to implement the recommendations. The Foundary was asked on 1.9.1958 to place the matter before its Board of Directors after working out the financial and other implications involved in each case.

As its meeting held on the 28th October, 1958, the Board of Director was informed by the management that action had been taken to implement the recommendations at items Nos. 2, 3, 5, 6 and 14. In regard to the recommendation of the Expert Committee on the separation of the Hiring Selling organisation from the Manufacturing Section, the Board of Directors agreed in principle that such separation should be effected to the extent necessary to judge their efficiency. For this purpose, the Board decided to depute a Director to Nahan to examine the division of the manufacturing and commercial sections in consultation with the General Manager, the local Advisory Committee attached to the Foundary and the workers' representatives.

In regard to the recommendations to increase the target of production of castings to 5,000 tons per year, purchase of additional equipment, etc. the Board decided that a phased programme should be drawn up to be implemented step by step during the next few years, and that the scheme should be placed before the Board for their consideration.

This note has been approved of the Audit.

(N. SUBRAHMANYAM)
Joint Secretary to the Government of India.

Summary of Conclusions and Recommendations.

The following is a summary of conclusions and recommendations :

1. The Hiring-Selling Section and Manufacturing Section of the Foundry should be bifurcated for efficient running and to have a clear cut picture of the working of these two.
2. Arrangements should be made for training of works cadre by introducing a training scheme in the Foundry to fill up the vacancies owing to retirement and discharge of artisan class.
3. To intimate investigations of the process of manufacture and strict control over the same two technical officers in the Supervisory cadre should be appointed.
4. Arrangements should be made for imparting advanced training to supervisory staff of the Foundry.
5. The powers of the Local Advisory Committee of the Foundry should be reviewed in the light of the changed circumstances.
6. Steps should be taken for the purchase of machinery worth Rs. 1,11,650/- recommended in the Interim Report.
7. To evolve an accurate system of costing and preparation of estimates, a Senior Accountant should be appointed.
8. The concerned authorities should be urged to consider the proposition of establishing a rail-head at Kala Amb.
9. A Diesel-powered truck should be purchased to reduce the cost of Transport.
10. The present organizational set up should be re-organized for efficient working of the Hiring-Selling and Manufacturing Sections.
11. The target of production of casting should be fixed at 5,000 tons per year which is to be achieved within a period of 5 years.
12. Steps should be taken for the purchase of additional equipment worth Rs. 2,39,000 required so as to achieve the target of 5,000 tons of castings per year.
13. Facilities of the rate-contract system with the D.G.S. & D. should be availed of both for sales of products and purchase of the raw-material of the Foundry.
14. Services of the Technical members of the expert *ad-hoc* Committee should utilized in the early stages of implementation of the recommendations of the Committee, pending the appointment of a permanent Technical Advisory Committee.
15. The damaged and fallen portion of the boundary walls should be repaired and provision should be made for one more gate in view of the increased transport work and extension of the Yard.

16. In view of the expansion envisaged the spare adjoining the present boundary should be cleared by shifting the quarters.

17. The light, medium and heavy castings should be so arranged in the Moulding Shop to avoid maximum handling. A trolley line should be installed for the quick and easy transportation of the dressed and undressed castings.

18. Experiments should be carried out to replace bentonite as the binding material by the use of suitable natural local sand.

19. A Mixer type of Pan-mill should be installed to get consistent and uniform quality of sand mixture.

20. A trolley line, from one end of the Sand Bay to the other end with turn-table arrangement at places for easy handling of the material, should be installed.

21. Two cupolas, one of 3-4 ton capacity and another of 5 ton capacity should be installed at the selected places as per the recommendations of the Interim Report and also to achieve final target of production of 5,000 tons per year.

22. Experiments should be conducted and cost ascertained for switching over to oil firing arrangement instead of wood firing for the core stove, and arrangement should be made for providing one more core stove as a stand-by arrangement.

23. Utilization of coke and coal cinders as fuel in a common fire box with the help of a blower to heat the core stove, should also be experimented. One of these stoves at least should be provided with trolley and rack arrangement.

24. Changes in the design of the pattern of frames at the projected rims should be done to eliminate costly repairs by welding.

25. The machines in the Machine Shop should be so re-arranged to achieve easy and continuous process of manufacturing.

26. Steps should be taken for numbering individual patterns for easy detection and rectification of defects in the castings.

27. A separate Works Inspection Section should be created directly under the General Manager for introduction of inspection at every stage of manufacture.

28. A permanent Technical Advisory Committee should be formed for the development of the Foundry.

29. The piece-work system should be introduced as an incentive to the workers.

30. Necessary funds required to implement the recommendations of the Committee for the targeted expansion should be provided by the Government to the Foundry as a loan.

APPENDIX XXI

Memorandum from the Ministry of Finance (Department of Economic Affairs) pursuant to action taken on para 98 of the 7th Report regarding Cess Funds

No. F. 5(34)BII/55

New Delhi, the 29th January, 1959.

MEMORANDUM

SUBJECT: *Cess Funds*

In para 98 of their Seventh Report (Second Lok Sabha), the Public Accounts Committee have recommended that they would like the Ministry of Finance to obtain the opinion and advice of the Attorney General on the constitutional issue raised in para 15 of the Fifteenth Report of the Public Accounts Committee (First Lok Sabha).

2. It was explained in para 8 of this Ministry's Memorandum to the Committee, No. F.5(34)-BII/55, dated the 31st March, 1958 that for so long as all taxes levied by law are initially brought to account within the Consolidated Fund as revenue and all payments of equivalent sums to any Fund or body are made by appropriation from the Consolidated Fund and all expenditure out of such funds under the control of the executive are initially treated as expenditure from the Consolidated Fund and remain subject to the ordinary processes of voting and appropriation by Parliament, the essential requirements of the Constitution were fulfilled. These views were acceptable to the Comptroller and Auditor General. The Comptroller and Auditor General has been further consulted and he has agreed that while there may be some legal doubt about the correct constitutional position there is no compelling reasons to have it resolved by a reference to the Attorney General at this stage and that the present practice can therefore be allowed to be continued.

3. The Government of India accordingly request that the Committee may be good enough to reconsider its recommendation.

(H.S. NEGI)

Joint Secretary to the Government of India.

To,

The Chairman and Members of the
Public Accounts Committee.

APPENDIX XXII

*Note from the Ministry of Finance (Department of Economic Affairs)
pursuant to action taken on para 122 of the 7th Report regarding disposal
of outstanding applications for loans by the R.F.A.*

The position regarding recovery of loans made by the Rehabilitation Finance Administration from the year 1953 to June 1958 is shown in the Statement below:—

	Principal	Interest	Total
(Rupees in Lakhs).			
From inspection upto 31.12.1952	34·91	22·98	57·89
During 1953	20·16	12·85	33·01
During 1954	13·24	13·62	26·86
During 1955	11·30	14·46	25·76
During 1956	42·28	18·20	60·48
During 1957	96·86	35·02	131·88
During 1.1.1958 to 30.6.1958	42·95	16·05	59·00
	261·70	133·18	394·88

The total amount of loans paid by the Rehabilitation Finance Administration from inception to 30th June 1958 was Rs. 1084 lakhs. As on that date, the outstanding principal was Rs. 802·13 lakhs and interest outstanding was Rs. 134·31 lakhs.

(The total amount advanced less recovery of principal amount does not tally with the outstanding principal given above, as advance recovery was not appropriated as recovery till it fell due, but the outstanding amounts were correspondingly reduced.)

2. The following comparative statement will indicate the reduction made by the Administration in the various categories of Staff employed by the Rehabilitation Finance Administration:—

Year	A Class Officers	B Class Officers	C Class Officers	D Class Officers	Total	Average Estimates of Cost per Month
*1953	23	157	331	157	668	Rs. 1,44,00
*1954	21	141	325	132	617	1,26,00

Year	A Class Officers	B Class Officers	C Class Officers	D Class Officers	Total	Average Estimates of cost per month.
						Rs.
*1955 (as in Dec.'55)	9	99	251	91	450	1,08,500
1955 . . .	14	105	280	110	509	1,17,000
1956 . . .	10	94	254	94	452	99,700
1957 . . .	6	52	248	80	386	84,200
Half year 1.1.1958 to 30.6.58	5	40	233	67	345	77,900

[Note:—*(i) The figures were reported to Public Accounts Committee with reference to its recommendation No. 72 made in the Fifteenth Report (1954-55). (ii) The information is in respect of the maximum Staff strength at any time during the period, except that of December 1955 [reported to Public Accounts Committee earlier which was as of 20th December 1955.]

The position of staff in the Rehabilitation Finance Administration in 1953 and on 30.6.58 was as follows :

	Class				Total
	A	B	C	D	
Maximum strength of each category in 1953 . . .	23	157	331	157	668
Staff strength as on 30.6.58	5	32	226	66	329

3. Besides the steps taken by the Administration to reduce the establishment costs as reported to Public Accounts Committee in connection with its recommendation No. 72 made in the Fifteenth Report (1954-55), some of the further specific steps taken by it to rationalise the work and to reduce the establishment costs are given below :

- (i) The post of Secretary carrying the pay scale of Rs. 650-50-850 has been kept in abeyance since 1st November 1956.
- (ii) The post of Superintendent of Advances (Technical) in the grade of Rs. 650-50-750 created in 1957 for speedy disposal of industrial loan applications was abolished on 31-10-57 since most of such applications had been disposed of.
- (iii) Two posts of Inspectors carrying pay scales of 650-50-850 were abolished on 2.11.56 and 9.1.57 respectively. Another post of Inspector was downgraded on 31.12.56 to that of Assistant Superintendent of Advances (Rs. 450-25-550). One post of Superintendent of Advances (Rs. 650-50-750) was downgraded on 4.11.56 to that of Assistant Superintendent of Advances.

- (iv) The post of Accountant carrying a pay scale of Rs. 475-25-700 continues to remain in abeyance since 15th September 1954.
- (v) Six posts of Assistant Superintendents of Advances carrying pay scales of Rs. 450-25-550 were abolished on 6.3.57, 20.7.57, 1.11.57, 9.1.58, 13.3.58 and 13.3.58 respectively. Three posts of Assistant Accountants (Rs. 360-20-540) were abolished on 2.11.56, 15.1.57 and 13.3.58 respectively.
- (vi) The sub-Branches at Lucknow and Jaipur were abolished on 25.7.57 and 7.4.58, respectively and the work pertaining to these Sub-Branches were merged in the Head Office. The resultant reduction in establishment cost by abolition of these Sub-Branches was Rs. 1217 p.m. (approximately) on account of Lucknow and Rs. 840 p.m. (approximately) on account of Jaipur.
- (vii) The status of Bombay Sub-Branch was reduced to that of a Regional Office on 19-10-57 and is placed under the charge of an Assistant Inspector (Pay scale Rs. 200-20-380) instead of Assistant Superintendent of Advances with effect from 24.1.58).

4. This note has been revised as suggested by Audit, while vetting the draft note originally sent to Audit, and the additional information required by Audit incorporated therein.

(A. BAKSI)

Joint Secretary to the Government of India.

Dated, 23.1.59.

APPENDIX XXIII

Notes from the Ministry of Food & Agriculture (Department of Agriculture) pursuant to action taken on para 16(b) of the 7th Report regarding budgetary control.

No. 1-23/58—Budget

NEW DELHI, the 20th January, 1959.

The Public Accounts Committee in para 16(b) of their Seventh Report (Second Lok Sabha) observed as follows :—

“During the year 1953-54 in the case of Grants Nos. 43, 44 and 47 the surrenders were in excess of the savings. The Committee wonder whether any arrangement exists in the Ministry to watch the progress of expenditure.”

The position is explained below :—

As laid down in the General Financial Rules all the Attached and Sub-ordinate Offices under this Department are required to submit by the tenth of the following month a monthly report of progress of expenditure. The progress of expenditure reported through these reports is scrutinised with reference to the budget provision for the year. Reports indicating the expenditure incurred during each quarter are also obtained from all the Subordinate Organisations. These are discussed at meetings convened by the Ministry of Finance in accordance with para 4 of Shri K.R.K. Menon, Secretary, Ministry of Finance D.O. No. F. 2(11)-Co/51, dated 4.12.51. At these meetings the progress of expenditure during the quarter is reviewed with reference to the proportionate budget provision and the causes for variations are discussed. The need for keeping the expenditure within the budget provision is also emphasised during the course of discussions. The progress of expenditure is also examined three or four times a year for the purpose of determining the need for Supplementary Demand and for finalising the proposals for surrender of funds towards the close of the year.

The surrender of funds under Grants Nos. 43—Ministry of Food & Agriculture and 44—Forest however, proved excessive because of circumstances which could not be foreseen at the time of actual surrenders as explained in the following paragraphs. For Grant No. 47—Miscellaneous Expenditure under the Ministry of Food and Agriculture a separate note is being submitted by the Department of Food.

Grant No. 43—Ministry of Food and Agriculture :

A sum of Rs. 1,01,900 was surrendered under this Grant as against the actual saving of Rs. 88,158/- the difference being Rs. 13,742/-. This situation arose mainly because of an unanticipated adjustment of about Rs. 12,000 in March, 1954 final accounts under sub-head A. 1 (1) on account of the leave salary of an ex-Secretary of the Ministry for the period from 10.11.53 to 9.3.54 during which period he was employed under the Govt. of Bombay.

Grant No. 44—Forest:

A saving of Rs. 3,71,000 was anticipated and surrendered as against the actual saving of Rs. 1,21,954. The surrender was in excess of the actual saving to the extent of Rs. 2,49,046/-. This situation arose because of adjustment under this grant (Sub-head A. 4) of an expenditure of Rs. 2,83,490 on account of the cost of material and equipment received under the T.C.A. Programme (OA No. 10) for the Forest Research Institute Desert Afforestation Centre for which provision was made only under Grant No. 125—Other Capital outlay of the Ministry of Food & Agriculture. The accounting procedure for these stores which was finalised only in November, 1954, provided for the initial adjustment of expenditure under Grant Nos. 125—Other Capital Outlay of the Ministry of Food & Agriculture (Sub-head 1.7) and subsequent adjustment under 44—Forest, when the material was handed over to the Institute etc. concerned. The adjustment was accordingly made under 44—Forest.

The note has been vetted by Audit.

(S. MULLICK)
Joint Secretary.

APPENDIX XXIV

MINISTRY OF FOOD & AGRICULTURE (DEPT. OF AGRICULTURE)

SUBJECT:—*Sugarcane Development Scheme—1953-54.*

The Public Accounts Committee made the following recommendations in para 16(b) of its Seventh Report on the Appropriation Accounts (Civil) 1953-54, 1954-55 and Audit Report (Civil)—1956—Part I:—

“The Committee feel that saving under sub-head N-Cane Development & Regulation of Sugar Industry Grant No. 45—Appropriation Accounts (Civil) 1953-54 is *prima facie* a case of defective budgeting and insufficient control over the Central subsidy granted to the State Governments under the various Commodity Committees and the Grow More Food Schemes. They would like to know the reasons for the delay in arriving at a decision on the changed pattern of financial assistance applicable to the sugarcane schemes in this case.”

Ministry's reply for Reasons for the delay in arriving at a decision on the changed pattern of financial assistance applicable to the sugarcane schemes

The Indian Central Sugarcane Committee submitted, on 25.10.1952 the revised estimates for 1952-53 and budget estimates for 1953-54 on account of Sugarcane Development Schemes. It anticipated expenditure on development schemes as follows :—

State	Amount (Budget) Rs.
U.P.	13,13,653
BIHAR	9,41,502
BOMBAY	1,28,188
MADRAS	1,60,209
PUNJAB	4,27,956
WEST BENGAL	1,22,267
ORISSA	87,952
Cane Extension Commissioner and his staff	48,140
Total	32,29,867

According to the previous sanction of these schemes, they were due to expire in 1952-53. As some of the States could not start the schemes right from the beginning *viz*: 1948-49, the extension of these schemes became inevitable. Moreover, in the draft 1st Five Year Plan the Planning Commission had also recommended extension of such sugarcane development scheme

in all sugar producing States to achieve a target of 7.03 lakh tons of additional sugarcane production in terms of *gms.* As no decision had been taken on the recommendations of the Planning Commission, it was considered appropriate to make the budget provision on the basis of estimates given at table above.

2. When the schemes were originally introduced in 1948-49, the basis of expenditure between the States and the Centre was 50:50. On 6.11.1952, a recommendation was made to the Ministry of Finance that the Cane Development Schemes in various States should be financed on 50:50 basis as hitherto. Pending a final decision on the mode of financial assistance, partly by loan and partly by grants, for the sugarcane development schemes, the Ministry of Finance suggested, in their note dated 17.11.1952, that Rs. 18,00,000 might be provided as grants and Rs. 15,00,000 as loan from out of the total estimates of about Rs. 33,00,000 as given in the table in para 1 above. The budget Division of the Ministry of Finance agreed to a provision of Rs. 18,00,000 as a grant for these schemes on 3.12.1952. A new Item Statement was, accordingly, issued on 5.12.1952, making provision of Rs. 18,00,000 under the Sub-head N-Cane Development & Regulation of Sugar Industry during 1953-54.

3. In the absence of any decision to the contrary it was assumed that expenditure of sugarcane development schemes will continue on the previous basis (50:50). It was only on 18.8.1953 that a Working Party with representatives from Ministry of Finance, Food & Agriculture, Planning Commission and the Secretary, Indian Central Sugarcane Committee, set up to examine the sugarcane development schemes of the States after scrutiny by the Indian Central Sugarcane Committee, decided the principles for grant of central assistance which are given below :—

1. Provision for Irrigation facilities.

It was decided to advance only loans for this purpose. The period of loans would be determined according to the nature of each scheme. The rate of interest on such loans will be the same as in the case of loans for G.M.F. Schemes.

2. Supply of Disease free seeds of suitable varieties.

It was felt that there was still a great need for supplying disease-free seed of improved varieties to cultivators and that the schemes for this purpose should be subsidised from the Central Fund on 50:50 basis.

3. Supply of Ammonium sulphate and other fertilizers.

It was agreed that half of the cost of manurial demonstrations on cultivators fields should be subsidised from the Central Fund.

4. Supply of Improved Implements and their Demonstrations.

It was not considered necessary to subsidise any scheme for encouraging use of improved implements etc.

5. Provision for Technical Personnel.

It was decided that only the cost of staff kept for training technical personnel for development work should be subsidised from the Central Fund on 50:50 basis. The whole cost of all other staff excepting that provided for under the various schemes which are being subsidised from the Central Fund should be met from the State Budget.

6. *Setting up Demonstration Farms etc.*

The net expenditure on this item after deducting the receipts, should be shared on 50:50 basis.

7. *Soil Extension Service.*

No objection to subsidising on 50:50 basis if such service is undertaken by the State Governments concerned covering all important crops.

8. *Intensive compost Drive.*

It was decided that scheme should be considered for subsidy from the Central Fund on 50:50 basis.

9. *Plant Protection.*

The Scheme on this subject should be subsidised on 50:50 basis.

10. *Publicity and Propaganda.*

It was decided that net expenditure on awards of prizes to cane growers should be subsidised on 50:50 basis. No expenditure on publicity and propaganda would be subsidised from the Central Fund.

It will be observed therefrom that only loans were approved in one case while in some others, no subsidy was recommended e.g. supply of improved implements and their demonstration. Similarly, only the cost of the staff kept for training technical personnel for development work was to be subsidised from the Central Fund on 50:50 basis and the whole cost of all other staff was to be met from the State Budget. With this decision, the amount of financial assistance to the State Governments for sugarcane development schemes was considerably curtailed. The State Governments and the Indian Central Sugarcane Committee felt very unhappy about this change.

4. The State Governments made a strong representation that unless the Central Government were prepared to share 50% expenditure on development staff for the entire period of the scheme, it would not be possible for them to extend the scope of these schemes and to achieve the target yields of sugarcane production as specified by the Planning Commission. The staff formed the nucleus for the whole development work who actually carried the results of research to cane growers. The payment on account of Central subsidy payable on the Sugarcane Development Schemes was made to State Govts., through the Indian Central Sugarcane Committee, towards the close of the financial year. The protests from the State Governments of West Bengal, Bihar, Madras, Punjab and Bombay, against the refusal of Central subsidy on certain items of expenditure as on development staff and equipment for plant protection services etc. were received only from February to June, 1954, and as such, the Working Party could not review and revise the pattern of financial assistance earlier than the 6th July, 1954.

5. As already explained in this Ministry's previous note to the Public Accounts Committee, a sum of Rs. 7,13,900 was payable to the State Governments for implementation of Sugarcane Development Schemes, which in contravention of the decision of the Working Party, included *inter-alia* a provision for expenditure on trained personnel to the extent of about Rs. 2,39,100/-. Since the State Governments of U.P., West Bengal and Bihar

had partly accepted these recommendations, a sum of Rs. 3,48,898 was disbursed to them by the Indian Central Sugarcane Committee and the balance amount of Rs. 3,65,002/- was refunded by the Indian Central Sugarcane Committee.

6. A reviewing Committee consisting of representatives of the Ministries of Food & Agriculture, Finance and Planning Commission and the Indian Central Sugarcane Committee was constituted to review the principles of financial assistance as recommended by the Working Party on 18.8.1953. This Committee decided, on 6.7.1954, that grants for development staff which were previously decided as $1/2$ of the total cost for 1953-54, should be restricted to $1/3$ for the year 1954-55 and $1/4$ for the year 1955-56 and thereafter no grant might be sanctioned. A sum of Rs. 7,06,637 was, therefore, paid during 1955-56, to the State Governments on account of subsidy for employment of staff for the development schemes in 1953-54.

7. The note has also been vetted by audit.

(M. LAL),
Joint Secretary to the Govt. of India.

APPENDIX XXV

No. 7-34/58-LR

New Delhi-2, the 31st December, 1958
22nd Jan., 1959

Note from the Ministry of Food & Agriculture (Department of Agriculture) pursuant to action taken on paras 162-164, and 167 regarding Disposal of stores and loss in operation by new units in the C.T.O.

Para 162 : Disposal of Stores :

Apart from spare parts worth Rs. 42,26,303/- that had already been declared surplus and out of which spare parts worth Rs. 10,20,359/- had been sold resulting in a net profit of Rs. 6,94,184/- spare parts worth Rs. 3,18,262/- were declared surplus during the period 1st August 1956 to the 30th September, 1958.

Out of these, spare parts of the book value of Rs. 1,91,017 were sold for Rs. 2,68,372/- resulting in a net profit of Rs. 77,355/- during the year 1956-57 (from 1/8/56 to 31/3/1957).

Further, during the period 1-4-1957 to 6-10-1958, spare parts carrying a book value of Rs. 22,46,433/- were disposed of for Rs. 17,48,293/- resulting in a loss of Rs. 4,98,140/-.

From the above figures it would appear that the progress of disposal work has been stepped up and the Chairman, Central Tractor Organisation has prescribed the 31st December, 1958 as the target date by which the entire surplus stores so far declared surplus should be disposed of.

Physical verification of all stores that were purchased from the Army Surplus has since been completed and all excesses and shortages will be accounted for as explained under para 163. As regards physical verification of other stores at the (Central Stores Depot) and the various field units, this is done regularly by the Verification Team. With the help of this team, entire stock of Stores both in the Central Stores Depot and the field units is verified at least once a year.

Para 163 : Physical verification of bulk stores :

Discrepancies to the extent of Rs. 2,07,268/- out of Rs. 3,23,241 have been reconciled. This reconciliation has been done against unaccounted for stores to the extent of Rs. 2,03,665 and against excess stores to the extent of Rs. 3,604/-. It has not been possible for the Central Tractor Organisation to reconcile the remaining discrepancies. Since the remaining stores mostly consist of spare parts pertaining to obsolete machinery and equipment, the process of identification and reconciliation is considerably slow. This is for want of proper catalogues, spare parts lists etc. However, the weight of the unidentified stores yet to be adjusted is approximately equal to the weight of the items of stores remaining to be reconciled. It

has therefore been decided that further efforts at identification and reconciliation of these stores should be discontinued, as the labour, expense and time involved are not commensurate with the results. However, there is no net loss to the Government as the remaining unidentified items form only a minor part of the initial discrepancies and, further, there are excesses to the extent of Rs. 3,06,669/- against the unreconciled discrepancies amounting to Rs. 1,15,973/-.

Para 164 : Disposal of non-tractor parts—Speed of Disposal of surplus stores

A procedure is already in vogue of taking into account the storage charges before arriving at the net profit earned by the sale of tractors and non-tractor parts. These storage charges are mainly composed of pay and allowances of staff engaged in the work of storage and disposal of stores. No element towards the interest is included since the Central Tractor Organisation does not pay any interest charges on its capital with effect from the year 1955-56 in accordance with the orders of the Government (Ministry of Finance).

In order to speed up the tempo of disposal the Ministry are considering the granting of more powers to the Chairman, Central Tractor Organisation and the Disposal Committee in regard to the declaration of Stores as surplus for disposal. Steps have also been taken recently by the Chairman, Central Tractor Organisation to review the entire stock of equipment and stores with a view to determine the items of stores which can be declared surplus. This review is almost complete and stores amounting to Rs. 1,83,233/- have been declared surplus during the period 1st June 1958 to the 31st August 1958. This figure is inclusive of surplus stores of the book value of Rs. 22,850/- borne on the account of the Ministry of Food and Agriculture (Department of Agriculture).

Para 167 : Cost of operations

It has been pointed out by the P. A. C. that in a big and old Organisation like the Central Tractor Organisation there is much scope for bringing down the cost of operations so that benefits of tractorisation are available to cultivators at a reasonable cost. In this connection it may be pointed out that the cost of operations in this Organisation has no direct relation to the rates actually levied on the cultivators. With the very object of making the benefits of tractorisation available to cultivators at a reasonable cost the Government of India fixed the rates for kans reclamation at Rs. 35/- per hour/per acre with effect from 1955-56 and decided to subsidise the Central Tractor Organisation with the difference in the rates levied on the cultivators and the actual cost of operation. At the same time efforts have not been spared to bring down the actual cost of operations of the Organisation also as the following table indicates :

Year	Cost per hour	Cost per acre
1952-53	51.11	59.36
1953-54	45.78	50.30
1954-55	47.59	54.70
1955-56	49.85	52.57
1956-57	42.52	58.37
1957-58	39.39	55.37
	(provisional)	(provisional)

It may be noticed from the above that both the cost per hour as well as the cost per acre have come down appreciably. The reduction in the cost per acre has, however, not been as much as in the case of the cost per hour owing to the fact that the efficiency of the tractors has decreased with age.

The reduction in the cost of operation has been due to the following factors :—

- (1) Abolition and nonfilling of certain posts with a view to economy.
- (2) Modifications to the system of accounts carried out with the concurrence of audit with the object of making the accounts more realistic:—
 - (i) From 1956-57 the pay and allowances of the technical staff engaged solely on the repair of tractors and equipment in the field units have been debited to the Repair Renewal Reserve Account instead of the Operation Account as hitherto.
 - (ii) From 1957-58 the life of the tractors which had not yet completed the previously stipulated maximum life of 10,000 hours was extended to 12,500 hours. This had the effect of reducing the rate of depreciation of the residual life of the machines which is debited to the cost of operations.

The efforts at economy are still continuing and every attempt is being made to keep the over-heads as low as possible.

It may also be stated that it would not be proper to compare the rates levied by the Bombay Government with the rates levied by the Central Tractor Organisation since the Horse Power of the respective tractors used by the two Organisations may not be comparable. Moreover, the type of work done in the two Organisations and the system of accounting adopted are also not similar. This has been seen by Audit.

(KRISHAN CHAND)

Joint Secretary to the Govt. of India

APPENDIX XXVI

No. 7-37/58-LR

New Delhi-2, the 9th December, 1958.

Note from the Ministry of Food & Agriculture (Department of Agriculture) pursuant to action taken on para 170 and 172 of the 7th Report regarding Pashabhai Patel Implements Case.

Paras 170—172

The question of obtaining any amount from M/S Pashabhai Patel & Co., Ltd., Bombay, has two aspects *viz.*, (i) compensation on the ground that Government suffered a loss because the implements supplied were defective and the loss should be made good by the firm, and/or (ii) the firm should meet either in part or full the cost of rehabilitation of the implements to make quite fit for the purpose intended. Again the amounts could be realised either on the basis of a negotiated agreement between Government and the firm or by Government taking recourse to legal proceedings.

2. Attempting to obtain compensation from the firm, under either of the alternative (i) and (ii) mentioned above, by filling a civil suit was not feasible. This aspect was examined at length by Government and it was found that a suit of this type would not be maintainable.

3. The only way in which a claim for compensation could be effectively enforced was therefore by negotiation. Negotiations were accordingly taken up. M/S Pashabhai Patel & Co., Ltd. were not prepared to accept the claim that the implements were not manufactured correctly according to specifications and that they were liable to pay compensation on this ground. Alternative (i) referred to in para 1 above had therefore to be entirely ruled out. Negotiations had thus to be confined to the amount that the firm should pay for rehabilitation of the implements.

4. The amount of compensation that was finally agreed upon was conditioned by the extent to which the firm was willing to accommodate Government point of view and Government's inability to take recourse to legal proceedings.

5. It was finally decided to accept a sum of Rs. 3,35,650 from the firm to meet the cost of rehabilitation of the implements. The amount was worked out on the basis of (a) the estimates of the cost of rehabilitation made by the F.A.O. Expert, and (b) the number of implements actually available for rehabilitation. A categorical statement about the inadequacy of this amount for meeting the cost of rehabilitation of *all* implements cannot be made now as no wholesale rehabilitation has so far been taken up nor is it proposed to be done. The only thing that could be done at the time of negotiations was to make the estimates about the likely cost of rehabilitation. Estimates could be made either on the basis of (a) total rehabilitation expenditure actually incurred on a small number of implements

or (b) recommendations of the F.A.O. Expert or (c) a combination of (a) and (b). The only rehabilitation actually carried out related to the work done on 32 implements out of the 1250 supplied by the firm. The expenditure on this work came to Rs. 83,076. This amount cannot however be taken as a yard-stick for estimating the total cost of rehabilitation of the implements taken as a whole. The modification on the 32 implements was to a great extent in the nature of experimental work. Exploratory work had to be done on individual implements and the same implement had sometimes to be given different modifications whereas in the case of regular rehabilitation work only one particular modification would be required on each of the implements. Thus the expenditure on this experimental modification was bound to be high and the same cannot be taken as indicative of the likely cost of rehabilitation when large-scale work on previously determined lines is carried out on the bulk of the implements.

In the circumstances it was quite in order to be guided by the recommendations of the FAO Expert with regard to the likely cost of rehabilitation. In fact nothing has happened since to prove that the Expert's recommendations were wrong.

Para 172 (ii)

The practice has been discontinued already in the case of the Central Tractor Organisation. No officer of the Organisation now holds an *ex-officio* post in the Ministry.

This note has been vetted by Audit.

(KRISHAN CHAND),
Joint Secretary to the Govt. of India.

APPENDIX XXVII

Note from the Ministry of Food & Agriculture (Department of Food) pursuant to action taken on para 177 of the 7th Report regarding the payment of penal rent.

In May, 1948, a quantity of 11075 bales (17.5 million yards approximately) of surplus cloth purchased for a foreign country during the period June, 1946 to January, 1947 was reported by the Food Ministry to the Directorate General of Supplies & Disposals for disposal. Out of this quantity, 4079 bales were at Bombay and the rest (6996 bales) at Calcutta. In Bombay, the bales were stored in Government godowns, while at Calcutta, the bales were stored in the Port Commissioners' transit sheds, as no other suitable storage accommodation was available. Details of the stocks were circularised by the Textile Commissioner to the Government and Semi-Government Indentors and on the basis of inquiries received it was expected by him that about 5,000 bales could be utilised for supply to Government Indentors. It was decided on 30-4-1948 that the priority indentors should first be given a chance to take whatever they required and 2540 bales were disposed of during the period June to December, 1948 to such indentors.

2. Towards the end of 1948, the Textile Commissioner was confronted with various difficulties and complications in the disposal of the stocks on account of reimposition in July, 1948, of control on cotton textiles. The price policy for the disposal of cloth decided in May, 1948 could not be applied and new prices had to be worked out for all the items which took some months. The position of supply and demand of cotton cloth at the time, happened to be such that more cloth was lying in stock with the mill than could be lifted by the States and Provinces for Civilian consumption—with the result that the pace of disposal of this cloth slowed down considerably. The Textile authorities felt that in the circumstances, disposal by tender or auction would have entailed considerable delay and also would not be in the best interests of Government. Early in 1949, after revised prices had been fixed in the light of the Control Order, the stocks on hand were offered to the different State Governments for allotment for civil consumption. As a consequence, the Textile Commissioner was able to allocate 710 bales to Jammu & Kashmir Government and 7370 bales to West Bengal Government by June, 1949, making a total of 10620 bales (including 2540 bales disposed of by December, 1948). The balance of 455 bales was also allocated by June, 1949 against indents from the Burmese Embassy in New Delhi and the Ministry of Labour. Thus by the middle of 1949, the entire quantity had been dealt with and covered by either disposed or allocation to responsible parties.

3. As against the quantities allocated by the Textile Commissioner to the various indentors, approximately 10,000 bales were lifted and cleared from the godowns at Bombay and Calcutta by September, 1949, leaving only a small lot of 36 bales in Bombay and 1039 bales in Calcutta. Out of the quantity at Calcutta, 514 bales were taken over by the West Bengal Government by the middle of February, 1950. The Burmese Embassy took delivery only in June, 1950 of the 350 bales allotted to them, as the

material had to be pre-inspected on account of damaged condition of the bales. On account of the various training centres being closed, the Ministry of Labour cancelled their requirements and in consequence, fresh disposal action on the bales thus left over had to be taken by the late Ministry of Industry & Supply. The godowns at Calcutta were finally cleared by August, 1951.

4. The disposal of the textiles in the manner adopted by the Textile Commissioner actually resulted in a profit 39% over the book value.

5. As regards the suggestion that the Food Department itself should have disposed of the textiles directly in the market, with the permission of the Director General Supplies & Disposal, it is submitted that the subsequent course of events over the following three years could not possibly have been foreseen by the Food Department in April, 1948. Moreover, the Food Department would have taken on itself too serious a responsibility by independently attempting to dispose of textiles worth nearly a crore of rupees, when it had no expert knowledge or experience of the textile business, and when there was a special Department of the Government of India dealing exclusively with textiles. It may be pointed out in this connection that throughout the period of disposal of the textiles, senior officials of the Food Department constantly contacted senior officials of the Textile Department by D. O. letters and also by holding personal discussions, at frequent intervals. The need to ensure quick disposal of the textiles was fully appreciated by both the Departments at all times.

6. The financial accounts in regard to the transaction show that net profit of Rs. 17.54 lakhs was made by the Government after taking into account all the expenditure incurred on the handling and storage etc. of the textiles and also allowing for the interest on Capital invested.

7. In the circumstances, it is submitted that the manner actually adopted for the disposal of textiles did not result in any direct loss to Government and as such the question of fixing responsibility for any loss does not arise.

*Director General (Food) and
Joint Secretary to the Govt. of India.*

Balance sheet showing the position with regard to the Purchase of Textiles for despatch to Indonesia and their Sale value realised due to their non-despatch

Article	Purchase value	Sale value	Remarks
	Rs.		
1 Cost of textiles	82,43,408 0 0		
2 Sales tax	1,08,822 2 0		
3 Departmental charges at 1 % on (1) paid to I & S Department	1,23,651 2 0	1,17,44,085 5 0	} Sale proceeds of textiles
	84,75,881 4 0		
4 Payment made to M/s. Cox & Kings on account of their agency charges, Port Commissioners charges for rent etc.	6,34,221 0 0	26,308 11 0	} Recovery from Cox & Kings on account of loss of textiles etc., while in their custody
5 Cost of dunnage	1,349 12 6		
6 Insurance charges for Textiles etc., not despatched to Indonesia.	2,66,068 0 0		

Article	Purchase value	Sale value	Remarks
	Rs.	Rs.	
7 Rent for Chamaria Godowns	19,472 5 0		
Total Expenditure	93,96,992 5 6	1,17,70,394 0 0	
Add interest on Capital (Proforma)	6,19,000 0 0		
	1,00,15,992 5 6		

Net Profit : Rs. 17.54 lakhs approximately.

Sd/- M. L. SINHA
 Director Budget and Finance,
 Co-ordination.

Sd/- R. RAJAGOPAL
 Pay and Accounts Officer,
 Ministry of Food and Agriculture.

APPENDIX XXVIII

Note from the Ministry of Health pursuant to action taken on para 77 of the 16th Report (1st Lok Sabha) regarding losses in M. S. Depots, Madras and Calcutta

In order to avoid large accumulation of stocks in the Depots, the basis of provisioning the requirements of the Depots has been revised from the year 1955-56. Provisioning is done on the average issues made by the Depot during the past three years or the last 12 months whichever is lower.

Perishable or life-dated articles required by the Depots are obtained on rate contracts or in instalments and only quantities which can be used up quickly are held in stocks thus avoiding excess stocks.

A statement showing the losses incurred by the Medical Stores Depots in the disposal of surplus stores is enclosed.

V. K. B. PILLAI,
Secretary.

Statement showing the losses incurred by the M. S. Depots in the disposal of surplus stores from 31-12-1946 onwards

Year	M. S. D., Madras	M. S. D., Calcutta	M. S. D., Karnal	M. S. D., Bombay
1946-47	. . records not available.	..	..
1947-48	. . "	..	..
1948-49	. . "	..	..
1949-50	. . "	24,201·19	not known	
1950-51	. . 39,752·74	21,757·00	not known	
1951-52	. . 31,340·81	43,866·39	..	
1952-53	. . 1,96,668·56	13,045·83 5,127·75	622	8
1953-54	. . 21,936·32	1,925·00	19,958	1
1954-55	. . ..	676·68	4,174	8
1955-56	. . ..	1,299·00	2,125	0
1956-57	. . ..	468·81	2,267	8
1957-58	. . ..	..	..

APPENDIX XXIX

MINISTRY OF HEALTH

Note from the Ministry of Health pursuant to action taken on para 181 of the 7th Report regarding eviction of a tenant.

A Bombay firm dealing in medical and hospital appliances has been occupying a portion of the Factory Building at M. S. Depot, Bombay since 1880 on a rental of Rs. 307 p. m. Papers prior to the lease which was to expire on 31-3-1942 are not available. The extension of this lease was agreed to on 8-3-43 by the late Supply Department for a further period on year to year basis subject to termination on either side by giving three month's notice. At the suggestion of the Finance Department, however, and as the Depot had been in need of more accommodation, the question of termination of lease was taken up with the late E.H. & L. Department who decided that the lease should be terminated on 31st March, 1944. According to this decision, a notice was served on the tenants in December, 1943, by the Garrison Engineer, Bombay. On receipt of the notice, the firm represented to the D.G.H.S., as well as to the D.G.S. (MD), that as they were engaged in war work, they may be allowed to continue occupation of the building. After consulting the Supply Department, the late E.H. & L. Department agreed to extend the lease upto the 31st May, 1944.

2. On receipt of this, the firm again represented to the E. H. & L. Department, and the Proprietor and Manager of the firm interviewed the then Joint Secretary of the late Health Department, who on the recommendation of the Supply Department, decided that the firm should be allowed to continue the occupation of the premises till 31st March, 1946.

3. In August, 1945, the firm made a request for the extension of lease for a further period of 10 years so as to enable them to take long term measures for developing the Industry. The matter was considered by the D.G.H.S. and the E. H. & L. Department and it was decided that such a long term commitment could not be made and an extension of one year only, upto the 31st March, 1947, was given. On reconsideration of the representation of the firm, the lease was extended for a period of 3 years from 1st April, 1947 by the Ministry of Health. Meanwhile the old firm had been purchased by a new firm owned by some displaced persons.

In July, 1949, the firm again approached the D.G.H.S. with the request for a further lease of 15 years. In August, 1949, the question of enhancing the rent over the existing figure of Rs. 307/- p. m. was taken up in consultation with the C. P. W. D. The Executive Engineer, Central Division, Bombay, intimated that the rent of the new building of the same area as occupied by the firm was estimated to be Rs. 2524/8/- per month and Rs. 240/- and Rs. 60/- for the electric motors. He was asked to indicate the rent that should be realised from the firm. He stated that the rent should be Rs. 674/- and Rs. 60/- and Rs. 35/- per year for the electric motors of 10 and 5 HP respectively. Since the building was very old and in view of the long tenancy of the firm, the rents suggested by the Executive Engineer were considered reasonable and the firm was informed of the fixation of the

new rate on 18-6-1952. It appealed against the enhancement of the rent as their financial condition was not stable. They, however, again requested for extension for a period of five years, which was not acceded to.

4. In May, 1951, there was little activity of the firm and as the accommodation for Medical Store Depot, was considered to be inadequate, it was proposed that no further extension of lease may be granted to it at the termination of the existing lease and a three months notice given in accordance with clause 6 of the agreement. On the 29th December, 1951, a notice was served on the firm by the Ministry of Health asking them to vacate the premises by the 31st March, 1952. The firm represented to the Ministry against the termination of the lease which was rejected by the Ministry of Health.

5. In March, 1952, the firm offered to vacate a small area on the first floor of the building which they were using as their stores and testing blocks and requested that the remaining portion of the building may be leased to them for three to seven years. This space was not accepted as it would not have been of any use to the Depot. The proposal was considered by the D.G.H.S. and the Ministry of Health who finally agreed to extend the lease by one year from 1-4-52 to 31-3-53 at a rent of Rs. 674/-per month and on the condition that the firm would vacate the premises on the termination of the lease. Since the firm did not accept, in clear terms the conditions for the extension, the Ministry of Law was consulted with regard to the question of the eviction of the firm from the premises. The Ministry of Law stated on 11-8-52 that notice already issued to the firm should hold good provided no rent had been accepted after the notice period is over and an ultimatum might be given to the firm asking them to vacate the premises or face eviction. The ultimatum was issued on 28-8-52 by the Ministry of Health.

6. Since the firm did not vacate the premises on the expiry of the ultimatum, the Ministry of W. H. & S. were requested on 2-6-53 to take necessary steps for eviction. They suggested that as the Ministry of Defence was entrusted with the maintenance of the Depot buildings, they should be asked to take necessary action to declare an officer of the Ministry of Defence as competent authority to evict the firm. The matter was referred to the Ministry of Defence on 20-9-52 and a prolonged correspondence followed regarding the declaration of the competent authority to undertake the eviction. In the meantime the Depot buildings were transferred with effect from 1-4-53 from the Ministry to the C. P. W. D. The Estate Manager of the Government of India at Bombay was finally declared on 11-1-53, as the competent authority for evicting the unauthorised occupants of M. S. Depot, Bombay. The Estate Officer intimated on 23-1-54 that the eviction of the firm had to be deferred as the Bombay High Court, has given a ruling in an indetical case in respect of the case between Narain Das C. Malkani v/s Union of India, that eviction under Government Premises Eviction Act, 1950 is not regular. In view of this position the Ministry of Health informed the D.G.H.S. on 1-3-54 that nothing could be done at present to evict the firm from the premises of the M.S. Depot Bombay. Subsequently the D. G. H. S. obtained a copy of the judgement of the Bombay High Court in the indetical case of Mr. Malkani v/s Union of India, and requested the Ministry of Health to consult the Law Ministry as to what further action in the matter could be taken. At this stage the Ministry of Law was again consulted as to the course to be adopted as it was suspected that the firm

had sublet part of the building. They stated on 28-5-54 that it would not be easy to prove that the firm were in unauthorised occupation of the premises unless it could be proved that they had sublet without the permission of the Central Government or of the competent authority the whole or any part of the building or otherwise acted in contravention of any of the terms expressed or implied under which they were authorised to occupy the premises, and it would be difficult to evict them under Section 3 of the Government Premises Eviction Act, 1950. The Ministry suggested that as the firm were in occupation under cover of title and a suit for ejectment may be filed as suggested by the Estate Officer.

7. Instructions were issued in July, 1954 by the D.G.H.S. to the D.A.D. G.(MS), M.S.D. Bombay to investigate this point. The enquiries were made with the help of the Superintendent, C.I.D. Establishment, and it was found that the firm had not sublet any portion of the building and no case for ejectment could be made out on the plea of subletting or an assignment of lease-rights without sanction of the lessee. On the advice of the Law Ministry instruction were issued by the D.G.H.S., to the D.A.D.G., (MS) M.S.D. Bombay on 26-11-55 to contact the Solicitor to the Central Government at Bombay for filing a suit in the Civil Court, Bombay for ejectment.

8. While the case was under the examination of the Solicitor to Central, Government from November, 1955 and certain original documents were being procured for him a new Solicitor was appointed on 11-5-56 to replace the existing incumbent. He re-examined the case and in November, 1956 advised filing a suit for ejectment of the firm.

9. In the meantime the D.A.D. G; (MS) M.S. Depot, Bombay, informed the D.G.H.S. that he understood that the firm was prepared to vacate the premises if the recovery of a portion of the arrears or rent is waived. The amount due from the firm was Rs. 19,648/- at the original rate of Rs. 307/- per mensem. The amount would be Rs. 43,136/- at the increased rate of rental. As large amount of rent had to be recovered from the firm, the D.A. D.G. (MS) was about the residential addresses of the partners of the firm through the Police Commissioner (C.I.D.) Branch, the information has been passed on to the Central Government Pleader in the City Civil Court in June, 1958, for serving the writ of summons on them and he had taken action to serve summons on the parties concerned in the month of July, 1958. No date has yet been fixed for hearing of the case.

Action to file a suit with reference to the recovery of arrears of rent is being taken by the Central Government Solicitor at Bombay.

V. K. B. PILLAI,
Secretary.

APPENDIX XXX

MINISTRY OF HEALTH

Note from the Ministry of Health pursuant to action taken on para 183 of the 7th Report regarding scheme for Cinchona Cultivation and purchase of quinine substitutes.

The Public Accounts Committee reiterated in para 78 of their Sixteenth Report the recommendations made by the Quinine Conference and urged for an early winding up of the accounts of these schemes. They also wanted to know in due course, further developments in regard to the disposal of the remaining stocks of quinine after keeping a Central Reserve of quinine salts.

2. The question of winding up of the Scheme also came up before the Quinine Conference held in October, 1955 at Ootacamund which made *inter alia* the following main recommendations.

(i) It was recommended that the Central Government's scheme of cinchona cultivation in collaboration with the Government of Madras be terminated as early as possible, after harvesting the Government of India's share of bark grown on these plantations and converting the same into Quinine sulphate.

(ii) An assessment of all possible uses of cinchona alkaloids other than an anti-malarial drug be made and explored by intensive research and otherwise and that the Government of India be requested to take necessary action.

(iii) The Central Health Education Bureau and State Publicity Departments should take adequate steps for popularising the use of quinine.

(iv) Steps may be taken by the Government of India to stop the import of synthetic anti-malarial except to the extent of one-third of the annual requirements in terms of quinine in the country.

The import of synthetic anti-malarials should be on Government account.

3. The action taken on the above recommendations is indicated below:—

Recommendation No. (i).—In view of the falling demand of quinine, this Ministry reiterated in March, 1956 the need for gradually curtailing the cinchona plantations and for regulating the manufacture of quinine with reference to the prevalent market conditions. The Government of Madras have already initiated necessary action in this direction and have stopped further cinchona plantations. Harvesting of the plants in West Bengal has finished and the Cinchona Bark obtained is being processed into quinine salts. Harvesting of the plants in Madras is still in progress and it

will take another 2 or 3 years to complete the conversion of the bark into quinine salts. It would financially be unsound at this state to wind up the scheme which has to be continued until all the plants in Madras have been harvested and processed for obtaining quinine salts. It is expected that the entire work of the extraction of bark on Government of India account will be completed and the Russian method scheme completely closed down within the next 2 or 3 years.

Recommendation No. (ii).—This recommendation was sent to the India Council of Medical Research and the Council of Scientific and Industrial Research for examination. The two bodies have suggested certain uses of quinine. The suggestions are under examination. One of the steps taken to stimulate the use of quinine is that a number of preparations of quinine are being included in the National formulary now under compilation.

Recommendation No. (iii).—This Ministry has already requested all State Governments to take necessary steps for the popularisation of quinine in their medical and Public Health institutions. The State Governments were also advised to use quinine as an anti-malarial except when a synthetic anti-malarial was specifically recommended on medical grounds. The State Governments have issued necessary instructions to their concerned officers for popularising the use of quinine.

Recommendation No. (iv).—Steps have already been taken to curtail the import of synthetic anti-malarials. The import quota for Paludrine is now only 5 per cent and that for other synthetic anti-malarials is only 40 per cent.

A total ban has been imposed for the import of quinine salts and cinchona alkaloids.

The entire question of quinine and cinchona plantations was placed, before the meeting of the Central Council of Health held at Bangalore from 5th to 7th January, 1958. The Council suggested that as a result of the decreasing demands for quinine, the State Governments of West Bengal and Madras should take steps to put their plantations to other more fruitful uses.

The stock of Quinine Salts in Central Reserve was lbs. 157790 approximately on 31-3-1958.

S. MULLICK,
Joint Secretary.

APPENDIX XXXI

MINISTRY OF HEALTH

Note from the Ministry of Health pursuant to action taken on para 184 of the 7th Report regarding Subsidiary Accounts of the Central Research Institute, Kasauli

The prices of Anti-rabic Vaccine (Human and Animal) and Antivenom serum manufactured at the Institute were increased as follows from the 14th January, 1953 :—

Details of vaccine/serum	Existing Rate	Increased Rate
1. Antirabic Vaccine (Human) per c.c.	Rs. 0 1 0	Rs. 0 1 6
2. Antirabic Vaccine (Animal) per 5 c.c.	Rs. 0 7 0	Rs. 0 10 6
3. Antivenom serum per tube 10 c.c.	Rs. 3 12 0	Rs. 6 0 0

2. These increased rates were provisional and subject to further revision. As a result of this increase of prices no loss was sustained by the Institute after 1952-53 as shown below :—

Year	Profit Rs.	Loss Rs.
1. 1952-53	..	1,10,194
2. 1953-54	2,30,983	..
3. 1954-55	66,931	..
4. 1955-56	1,35,489	..
5. 1956-57	1,01,448	..

3. The question of further revision of prices of sera and vaccines, etc. is under consideration of Government of India.

4. With regard to the commercialisation of accounts, the Comptroller and Auditor General of India advised in April, 1956, that in order to assess the true financial results of the working of the manufacturing section and to work out the correct cost of drugs etc., manufactured therein, a proper system of commercial accounts was necessary and for that purpose a simple cost sheet on the lines, say, of the Indian Veterinary Research Institute and Manufacturing, Trading and Profit and Loss Account and Balance Sheet should be prepared. This matter was taken up by the Director General of Health Services with the Accountant General, Punjab on 18-1-57 requesting him that an Assistant Accounts Officer might be deputed to the Institute so that the question of applying the various forms as well as the changes,

if any, that would be necessary in the present forms and the manner in which the work should be started at the Institute. In April, 1957 the Director General of Health Services stated that the Accountant General, Punjab, expressed his inability to lend the services of an Assistant Accounts Officer and that the services of a Senior S.A.S. Accountant could be made available for appointment in the scale of Rs. 500—800. After consulting the Director of the Institute, the Director General of Health Services submitted his proposal in June, 1957. On the 7th January, 1958, with the concurrence of the Ministries of Finance and Home Affairs, necessary sanction for the creation of the temporary post of one Assistant Accounts Officer was accorded. The Officer joined the Institute on the 21st July, 1958.

5. The preparation of manufacturing, trading, and profit and loss accounts and balance sheet for the manufacturing side of the Institute will now be taken up by the Assistant Accounts Officer.

V. K. B. PILIAI,
Secretary.

APPENDIX XXXII

Copy of a letter from the Ministry of Irrigation and Power pursuant to action taken on para 197 of the 7th Report regarding introduction of administrative audit system in the various multipurpose River Valley Projects financed by the Centre.

No. 23(1)'55-Policy

New Delhi, the 2nd January, 1959

From

Shri K. G. R. Iyer, I. A. S.,
Deputy Secretary to the Government of India.

To

All the State Governments.

SUBJECT—*Introduction of Administrative Audit System in the various multipurpose River Valley Projects financed by the Centre.*

SIR,

I am directed to say that Public Accounts Committee at the Centre has been pressing for the last several years for the introduction of the Administrative Audit System in the various river valley projects with a view to securing economy in expenditure and ensuring better technical and financial control on the works of these projects. This matter has been under consideration for some time past and the views of the State Governments have also been obtained. The Public Accounts Committee has now finally recommended as follows :—

“ The Committee are of the opinion that it is high time that the Ministry launched a system of administrative audit by technical persons on the various projects financed by the Centre. They do not think that the States would object to such a system being introduced in various projects”.

2. The Government of India have accepted the recommendation of the Public Accounts Committee and are of the view that the introduction of the Administrative audit system in the river valley projects is highly desirable.

3. The Administrative Audit System envisages the establishment of an organisation under a Chief Technical Examiner for carrying out the internal Audit of project transactions. Attention is invited in this connection to the recommendation made by the “River Valley Projects Technical Personnel Committee” in para. 157 of their report, a copy of which along with a note on the introduction of administrative audit system in river valley projects was forwarded to all State Governments with this Ministry letter No. 25 (12)/56-Adm.-I dated the 30th October, 1957.

4. Government are of the view that the Quality Control Organisation in the projects can be entrusted with the work of administrative audit. It may be recalled that the State Governments were requested to set up Quality Control Units in the projects under their administrative control *vide* this Ministry's letter No. 29(2) '57-Policy dated the 2nd July, 1957. This Unit should function directly under the Chief Engineer. Apart from quality Control, this Unit may perform the functions which, in the Central Public Works Department are the responsibility of the Chief Technical Examiner. The main functions of the Chief Technical Examiner are as follows :—

- (i) Inspection of important works after completion as also during progress for ensuring.
 - (a) Quality to specifications;
 - (b) Execution to schedule ;
 - (c) No undue deviations during construction.
- (ii) Inspection of works carried out departmentally for ensuring no excessive use of materials and labour ;
- (iii) Checking a percentage of concluded contracts for ensuring reasonable rates, no ambiguity in the conditions descriptions and specifications with particular reference to negotiated contracts;
- (iv) Checking a percentage of bills after payment with reference to measurement books, also exercising a check on measurements and quality of works executed ; and
- (v) Generally to help the head of the project and the audit on technical points in audit objections, draft paras, bills, contract etc.

5. Considering the shortage of qualified and experienced technical personnel, it is suggested that the Cost Section as well as the Quality Control-cum-Administrative Audit Section on each major river valley project may be placed under an officer of the rank of Superintending Engineer who will be subject only to the authority of the Chief Engineer of the project. The functions of the Cost Section may be as recommended by the Rates and Costs Committee (set up by the Ministry of Irrigation and power) in para. 5.19 of part of their report. The relevant para. is reproduced below for ready reference.

“The Cost Section is to function as an independent fact-collecting agency and compiling data for presentation to executives in a form most serviceable to them. Its major objectives are (i) to furnish the maximum amount of information from both operation and cost angles, (ii) to present in the most practical way the facts that reveal actual performances and to aid in the attainment of high standards of efficiency, and, therefore, of realisation of maximum economy, and (iii) to aid in determining operational policies. In short, cost accounting would aim at accounts for operators and project managers instead of accounts for accountants. It is thus more an adjunct to Engineering Department, particularly of estimating and planning, than to the general accounting department.”

The strength of the Cost Section as well as the Quality Control-cum-administrative Audit Section may be determined on the basis of the workload on each project.

6. I am to request that the State Government may kindly take necessary steps to implement the above suggestions. The receipt of this letter may please be acknowledged and action taken reported to this Ministry in due course.

Yours faithfully,

K. G. R. IYER,

Deputy Secretary to the Government of India.

Copy to the Chairman, Damodar Valley Corporation, for favour of taking similar action in respect of D.V.C. projects.

Copy to the Secretary, Kosi/Rihand/Bhakra/Chambal/Koyna/Nagarjunasagar Control Boards with the request that this matter may be placed before the Control Boards for the purpose of initiating action with regard to Administrative Audit in these projects.

Copy for information to :

1. Chairman, Central Water and Power Commission, New Delhi.
2. All Sections concerned in the Ministry.

K. G. R. IYER,

Deputy Secretary to the Government of India.

APPENDIX XXXIII

Copy of a letter from the Ministry of Irrigation and Power pursuant to action taken on para 198 of the 7th Report regarding disposal and transfer of surplus stores from the Hirakud Dam Project to other Project Administrations.

No. 6(1)/58-Policy

From

Shri G. D. Kshetrapal, I.A.S.,
Deputy Secretary to the Government of India.

To

All State Governments.

New Delhi, the 8th February, 1958.

SUBJECT: "Drill" for the utilisation of serviceable surplus machinery.

Sir,

I am directed to refer to this Ministry's letter No. 6 (20)'55-Policy dated the 15th February, 1957, with which a copy of a 'drill' for the proper utilisation of surplus equipment was forwarded to all State Governments. In this Ministry's letter No. 6 (20)/55-Policy dated the 6th March, 1957, State Governments/Project authorities were further requested to ensure that items of surplus machinery, not required for use within a period of three months, are not retained for eventual use, but are made available to other project authorities. These instructions were issued to ensure that the maximum use is made of the resources available within the country, and that costly machines are not allowed to remain idle for any length of time.

The instructions also lay down that the settlement of the terms should not hold up the release of equipment. Experience has however shown that for a variety of reasons, considerable time lapses before an item of surplus machinery is put to use elsewhere. To obviate this delay, it has been suggested that project authorities should circulate say, six months in advance lists of machinery and equipment likely to become surplus. The implementation of the suggestion would clearly reduce the period during which surplus equipment would lie idle, pending transfer to another project. The importance that the Government of India attach to the completion within schedule of irrigation projects which are directly connected with the country's effort to increase food production cannot be over-emphasised. As the prospects of the present restrictions on the procurement of new equipment from abroad being relaxed are remote it is absolutely essential that every effort is made to put the available resources within the country to the best possible use. The Government of India would therefore, be grateful, if the

State Governments/Project authorities would cooperate by giving effect to the above suggestion, and issue necessary instructions to all concerned.

The receipt of this letter may please be acknowledged.

Yours faithfully,

G.D. KSHETRAPAL,

Deputy Secretary to the Government of India.

Copy to Chairman, Central Water and Power Commission, New Delhi.

Copy for information and necessary action to the Secretary, Damodar Valley Corporation/Tungabhadra Board, Chief Engineer, Hirakud Dam Project/Managing Director, National Projects Construction Corporation.

Copy also to :—

- (i) Chief Administrator, Kosi Project.
- (ii) Administrator, Nagarjunasagar Project.
- (iii) Secretary, Chambal Control Board.
- (iv) Secretary, Rihand Control Board.
- (v) Secretary, Koyna Control Board.

T. R. BARKER,

Under Secretary to the Government of India.

APPENDIX XXXIV

Note from the Ministry of Labour and Employment pursuant to action taken on para 199 of the 7th Report stating particulars of the schemes which were started without estimates.

I. WORKING OF THE MICA MINES AND COAL MINES LABOUR WELFARE FUND.

The Mica Mines Labour Welfare Fund Act provides for the levy of a cess on all mica exported from India at such rates not exceeding six and one quarters per cent *ad valorem* as may from time to time be fixed by Government and for the constitution of a Fund from the proceeds of the cess so collected. The rate of levy so far has been 2 1/2% *ad valorem*. The Fund is intended for the financing of activities to formulate the welfare of labour employed in the mica mining industry.

2. The following statement indicates the income and expenditure of the Fund since, 1-4-1952 to 31-3-1957:

Sl. No.	Year	Total income to the Fund	Total Expenditure of the Fund	Balance at the close of the year
		Rs.	Rs.	Rs.
1.	1952-53	22,69,853	5,93,090	16,76,763
2.	1953-54	17,89,407	6,72,958	11,16,449
3.	1954-55	13,16,361	9,94,262	3,22,099
4.	1955-56	19,38,632	10,02,580	9,36,052
5.	1956-57	32,65,296	13,01,517	19,63,778
TOTAL		105,79,548	45,64,407	60,15,141

3. The Coal Mines Labour Welfare Fund Act, 1947 provides for the levy of a duty of excise on all coal and coke despatched from all collieries at such rates not less than four annas and not more than eight annas per ton as may, from time to time be fixed by Government and for the constitution of a Fund called the Coal Mines Labour Housing and General Welfare Fund from the proceeds of the duty so collected. The present rate is 6 annas per ton. The Fund is for financing measures for promoting the welfare of labour employed in the Coal mining industry. The duty thus collected is apportioned between two accounts, namely the Housing Account and the General

Welfare Account. The present ratio of apportionment is 31:6. The following statement indicates the income and expenditure of the Fund since 1-4-1952 to 31-3-1957.

Sl. No.	Year	Total income to the Fund	Total Expenditure of the Fund	Balance at the Close of the year
		Rs.	Rs.	Rs.
1.	1952-53	1,38,08,043	56,01,042	81,47,011
2.	1953-54	2,08,65,740	2,50,60,024	(—)41,94,284
3.	1954-55	99,57,613	68,69,697	30,87,916
4.	1955-56	1,40,63,314	66,82,290	73,81,024
5.	1956-57	1,22,49,360	1,35,01,180	(—)12,51,820

4. The amounts of cess Collected under Mica and Coal Mines Labour Welfare Funds are in actual practice merged into the Consolidated Fund of India and amounts required each year for welfare schemes are appropriated by way of grants voted by the Parliament. It may be seen from the statements of income and expenditure of both the Funds that the annual expenditure from the Funds incurred so far was generally less than the annual income except in 1953-54 and 1956-57 mainly due to the investments made out of the balance of the Housing accounts. The nature of welfare measures is such that it is not possible to spend the annual income during the course of the year itself and it has to be spent in a planned manner. There have been, therefore, accumulations of yearly balances which have to be utilised in future years in major items of expenditure, such as, housing, education, water supply, medical care etc. As separate proforma account of the receipt and expenditure of the Fund are maintained, there is no question of lapsing of the amount budgetted for in a particular year but not spent during that year.

5. Detailed notes on the constitution and administration of the two Funds are attached.

6. The question of utilising the accumulated balances under both the Funds for welfare schemes is under active consideration. During the Second Five Year Plan 30,000 houses for coal miners are proposed to be constructed directly by the Coal Mines Labour Welfare Fund, the estimated cost of which is about Rs. 10 crores. Of these, 10,000 houses will be built during 1958-59 at a cost of Rs. 3,30,11,900 and as provision of Rs. 1.50 crores has been made in the Budget for 1958-59. Budgetting Officers have been instructed to ensure that the grant sanctioned for any financial year is utilised as far as practicable within the same year. A copy each of the annual report of the two Funds for 1956-57 is enclosed.

II. ITEMS ON WHICH WORK HAS BEEN STARTED WITHOUT SANCTION

It has been stated in the detailed statement of expenditure on important new works at pp. 12--15 of the Appropriation Account for 1953-54 and at pp. 19-21 of the Accounts for 1954-55 that no specific provision was made in the budget for the original works detailed therein. The actual position is that the procedure for submission of list of New Major Works was introduced only with effect from the year 1957-58 and prior to this year the consolidated grant used to be distributed among the various works by the Coal Mines Welfare Commissioner under Rule 84 (i) of the General Financial Rules (Vol. I). Provision had also been made in the budget for the various items of works mentioned and Government also accorded the necessary administrative approval and expenditure sanction in respect of each of the cases referred to. The statement attached shows the communications in which such approval and sanction was given. However, no such specific provision was made in the Budget before 1957-58.

2. As already stated, the necessary expenditure sanction for the works were accorded in all these cases. Prior technical sanction could not however be obtained by the Coal Mines Welfare Commissioner before undertaking the work on items 3, 5, 6, 7 and 18 of 1953-54 and items, 1, 4 and 9 to 11 of 1954-55 in view of the urgency to start the work and of the fact that such sanction had to be obtained from the Chief Engineer, Central Public works Department, in the absence of the Superintending Engineer under the Coal Mines Welfare Fund Organisation. In the case of items 6, 7 and 18 of 1953-54 the only expenditure which was incurred during the year 1953-54 related to preliminary surveys and acquisition of land and the question of technical sanction did not arise in those cases. For the reasons stated above technical sanctions could not be obtained but the expenditure had even to be incurred in subsequent years in respect of items 7 and 18 of 1953-54 and item 10 of 1954-55 in view of the urgency of the work. Necessary technical sanction is being obtained now.

NEW DELHI;

(P.M. MENON),

*Dated the 24th September, 1958. Secretary to the Government of India,
Ministry of Labour and Employment.*

GENERAL NOTE ON THE WORKING OF THE MICA MINES LABOUR WELFARE FUND ACT, 1946

The Mica Mines Labour Welfare Fund Act, 1946 which applies to the whole of India except the State of Jammu and Kashmir is intended to provide for welfare amenities like education, medical care, housing, water supply etc., to workers employed in mica mining industry.

2. *Finance of the Fund.* The Act provides for the levy of a duty of excise on all mica exported from India upto a maximum rate of $6\frac{1}{4}\%$ *ad valorem*. The present rate is $2\frac{1}{2}\%$ *ad valorem*. The collections are distributed for expenditure on welfare measures among the various mica producing areas in proportion to their average production.

3. *Administration of the Fund.* As required under the Act, the Fund is administered through the Advisory Committee constituted in Bihar, Andhra Pradesh and Rajasthan which are tripartite in character. With the merger of Ajmer with Rajasthan a new Advisory Committee is being constituted for Rajasthan.

4. *Medical facilities.* Following medical institutions have so far been established under the Fund.

(1) One 50 bed hospital at Karma (Bihar)

(2) Dispensaries(Static)

3 in Andhra Pradesh :

- (i) Kalichedu.
- (ii) Talupur.
- (iii) Sydapuram.

5 in Rajasthan:

- (i) Amlī.
- (ii) Bagore.
- (iii) Bemali.
- (iv) Ropa.
- (v) Lawa-sardargarh.

6 in Bihar :

- (i) Bebour.
- (ii) Dhorakola.
- (iii) Dhab.
- (iv) Bendro.
- (v) Charkapathal.
- (vi) Parsabad.

(3) Mobile Medical Units :

Kalichedu—Andhra Pradesh.

- | | | |
|------------------|---|------------|
| (i) Mandal. | } | Rajasthan. |
| (ii) Bhilwara. | | |
| (iii) Gangpur. | | |
| (iv) Kishangarh. | | |
| (v) Ajmer. | | |
| Karma Bihar. | | |

(4) Maternity and Child Welfare Centres.

- | | | |
|------------|---|-----------------|
| Kalichedu. | } | Andhra Pradesh. |
| Talupur. | | |
| Sydapuram. | | |
| Utukur. | | |

- | | | |
|------------------|---|------------|
| Amlī. | } | Rajasthan. |
| Bagore. | | |
| Bemali. | | |
| Ropa. | | |
| Lawa-Sardargarh. | | |
| Ajmer. | | |

- | | | |
|------------|---|--------|
| Dhab. | } | Bihar. |
| Dhorakola. | | |

Sanction has been accorded for the construction of a hospital building at Kalichedu. It is also proposed to set up a 15 bed hospital at Tisri (Bihar) and to construct a 30 bed hospital at Gangpur (Rajasthan).

In August, 1957 sanction was accorded to the establishment of two Ayurvedic Dispensaries under the Fund in Bihar.

Anti-malariaoperation are being carried out in Andhra Pradesh and Bihar.

5. *Assistance to T.B. patients.* Action has been taken to get 8 beds reserved in T.B. Hospital, Nellore for the exclusive use of mica miners.

With a view to affording financial relief to the dependents of mica miners who are suffering from T.B. a proposal for the grant of subsistence allowance at Rs. 50/- p.m. to the dependents of mica miners who are suffering from T.B. and are under treatment in the T.B. Ward attached to the Central Hospital, Karma has been sanctioned.

6. *Educational facilities.* The following institutions provide educational facilities to mica miners' children and adults.

- (1) Six Elementary schools and one Middle school at Kalichedu in Andhra Pradesh.
- (2) Six primary schools in Bihar at Khijuri, Sankh, Khorkotta, Chark Gajandi and Bhandari.
- (3) Four schools and two multi-purpose centres in Rajasthan.
- (4) Four multi-purpose centres in Bihar, 12 adult education centres in Rajasthan and 4 Welfare Centres in Ajmer.

In all the schools in Andhra Pradesh the children are provided facilities like free midday meals, milk, books and slates. Sanction was also accorded recently for providing milk and tiffin (other than cooked food) to the children of mica miners attending the multi-purpose institutions of the Fund in Bihar.

A Boarding Home is also run at Sydapuram for giving boarding and lodging facilities to the children of mica mine labourers studying in the District Board High School, Sydapuram. Sanction was also accorded for the free supply of one set of dress to each of the children of mica mine labourers studying in elementary schools.

7. *Scholarships for miners' children.* In Andhra Pradesh scholarships are granted to the children of mica mine labourers studying in Higher Elementary Schools and Colleges for the prosecution of their studies at the rates granted by the State Government in Harijan Welfare Department.

A new scheme has been sanctioned for the grant every year of ten scholarships of Rs. 20/- (Rupees twenty) p.m. each for general education and ten scholarships of Rs. 30/- (Rupees thirty only) p.m. each for technical education of the children of mica miners in Bihar. The scholarship will be awarded from the 1st April, 1958.

8. *Recreational facilities.*—Three mobile cinema units, two in Bihar and one in Rajasthan give free shows in different mining centres. 16 Radio

sets in Bihar, 7 in Andhra and 8 in Rajasthan provide recreation for miners and their families. Bhajan parties and recreational clubs have been set up in different mining areas. Annual competitive sports are organised at different places.

9. *Water Supply*.—Three wells in Bihar, three in Andhra Pradesh and two in Rajasthan have been sunk from the resources of the Fund. Two wells in Bihar have been sunk by the owners of miners under a subsidy scheme (under this scheme the mine owners who sink wells in accordance with the plans and specification approved by the Fund are entitled to get a subsidy equal to Rs. 7500/- per well or 75 % of the cost of construction whichever is less). Two wells under this scheme are proposed to be sunk in Andhra Pradesh. A pilot scheme for the supply of good drinking water in the mica fields of Bihar by pumping out water from wells and transporting it in jeeps and trucks has been introduced.

10. *Housing facilities*.—In order to improve the position of housing of mica miners a Subsidised Housing Scheme was sanctioned in June 1953, for the benefit of workers in the mica fields of Bihar. According to this scheme, mine owners who constructed houses according to the plans and specifications prescribed by the Mica Mines Labour Welfare Fund were eligible to subsidy equal to 20% of the cost of construction subject to a maximum of Rs. 280/-. An enhanced subsidy equal to 25 % of the cost of construction subject to a ceiling of Rs. 350/- per house was also announced in respect of houses, applications for which were received by 15-10-53 and the construction of which was completed by 15-10-54. As the response to this Scheme was not encouraging, sanction was accorded in 1955 to the introduction of a subsidy-*cum*-loan housing scheme. This scheme is on the lines of Industrial Housing Scheme of the Ministry of Works, Housing and Supply. This scheme was extended to all places. There is provision for the construction with both of one roomed and two roomed houses by mine owners according to plans and specifications laid down in the Scheme. A subsidy equal to 25% subject a ceiling of Rs. 560/- and a loan equal to 37 1/2% of the cost of construction, subject to a maximum of Rs. 840/-, would be paid for one roomed houses. The subsidy and the loan for two roomed houses would also be on the same basis, though in that case the ceiling of the subsidy would be Rs. 735/- and for the loan Rs. 1102/8/-. This scheme has also not found favour with the mica mine owners. The question of increasing the subsidy from 25 % to 50% is under consideration. No expenditure has been incurred by the Fund on the scheme.

11. *Difficulties in utilisation of the budgetted amounts*.—Money is provided in the budget in anticipation of the mica mine owners taking full advantage of the welfare schemes. Due to the lack of response from them there has been large surplus in the budget in respect of money provided for the construction of houses for the miners and for the sinking of the wells. The surplus is also due to the delay in the Fund. Some delay inevitably occurs in issuing sanctions for constructional works as the various authorities like the Central Public Works Department, Ministry of Health, Ministry of Finance etc., are required to be consulted. Every endeavour is being made to check excess budgetting.

NEW DELHI,

Dated the 24th September, 1958.

P.M. MENON,

Secretary,
Ministry of Labour and Employment.

**GENERAL NOTE ON THE WORKING OF THE COAL MINES
LABOUR WELFARE FUND ACT, 1947**

The Coal Mines Labour Welfare Fund Act, 1947 which applied to the whole of India except the States of Jammu and Kashmir is intended to provide for welfare amenities like education, medical care, housing water supply, etc., to colliery labour in coal mining industry.

2. *Finance of the Fund.*—The Act provides for the levy of a duty of excise on all coal and coke despatched from all collieries at such rates not less than four annas and not more than eight annas per ton as may from time to time be fixed by Government. The present rate is 6 annas per ton. The duty thus collected is apportioned between two accounts, *viz.*, Housing and General Welfare Accounts. The present rate of ratio is 31 : 6. Upto the year 1956-57 this ratio was 2 : 7.

3. *Administration of the Fund.*—As required under the Act, the Central Government have constituted a Coal Mines Labour Welfare Fund Advisory Committee and a Coal Mines Labour Housing Board to administer the Fund and also appointed a Coal Mines Welfare Commissioner and the necessary staff for supervising and carrying out measures financed from the Fund.

4. *Medical facilities (Hospitals and Dispensaries).*—A grant-in-aid equal to the cess calculated at the rate of 8 pies per ton on the despatches of coal or coke minus the cost of recovery or the actual amount spent on maintenance of dispensary services, whichever is less, is paid to the colliery owners maintaining dispensaries of the prescribed standard.

Following medical institutions have so far been established under the Fund:—

- | | |
|---|---|
| (a) Central Hospitals | (i) Dhanbad.
(ii) Asansol. |
| (b) Regional Hospitals-cum-Maternity and Child Welfare Centres. | (i) Katras.
(ii) Tisra.
(iii) Searsole
(iv) Chora.
(v) Jamai. |
| (c) Dispensaries | (i) Bhuli.
(ii) Mugma. |
| (d) T.B. Clinics | (i) Katras.
(ii) Searsole. |

Regional Hospital-cum-Maternity to Child Welfare Centres at following places are under construction:—

- (i) Dhanpuri in Vindhya Pradesh Coalfield.
- (ii) Phusro in Bokaro Coalfield.
- (iii) Naisarai in Karanpura-Ramgarh Coalfield.

Rehabilitation centres for disabled coal miners have also been attached to the two Central Hospitals of the Fund.

5. *Assistance to T.B. patients.*—Besides the two T.B. Clinics of the Fund it is proposed to construct two T.B. Wards with 100 beds each in the

compound of each of the two Central Hospitals at Dhanbad and Asansol. T.B. beds have also been reserved at the following places for free treatment of coal mines workers including their families.

- (i) Pendra Road Sanatorium (Korea Coalfield)—6 beds.
- (ii) Government T.B. Sanatorium, Chhindwara (Madhya Pradesh Coalfields)—5 beds.
- (iii) Christian Mission T.B. Sanatorium, Jorhat, Asam—5 beds.
- (iv) Nowgong T.B. Hospital (Vindhya Pradesh)—5 beds.
- (v) Mahadebi Birla T.B. Sanatorium, Namkum, Ranchi—11 beds.
- (vi) Ram Krishna Mission T.B. Sanatorium, Ranchi—30 beds.

A proposal to construct a 10-bed ward at Sambalpur in Orissa Coalfield is under consideration. The decision of the State Government regarding the maintenance of the ward is awaited.

A scheme has also been sanctioned in July 1957 under which the dependents of these coal mines workers suffering from T.B. who have got admission in the T.B. Clinic under the Coal Mines Labour Welfare Fund or in the different sanatoria where beds have been reserved by the Fund will be given subsistence allowance upto a limit of Rs. 50/- per month for a maximum period of six months.

There is a proposal for introducing a system of domiciliary treatment for the coal miners.

6. *Housing facilities (Housing Schemes)*.—In 1950 a subsidised Housing Scheme was sanctioned under which colliery owners constructing houses according to approved plans and specifications were allowed subsidy equal to 25 % of the cost of construction of a house subject to a ceiling of Rs. 750/- per house. Upto the end of January 1958, 1,623 houses have been constructed under the scheme out of 2,805 sanctioned. As this scheme did not prove a success, a revised subsidised Housing Scheme was formulated in 1954. This scheme provided for payment of a subsidy equal to 25 % of the cost of construction or a sum not exceeding Rs. 735/- per house and a loan equal to 3 1/2% subject to a maximum cost of Rs. 1,102/8/-. Upto the end of January 1958, 1,414 houses have been constructed under this Scheme out of 3,677 sanctioned.

The response to the above two schemes was poor, as it mostly depended on the cooperation of the employer. A New Housing Scheme has, therefore, been recently sanctioned (July 1956) under which the Fund itself will construct houses on the sites provided by the colliery owners near their collieries. Only maintenance of houses will be the responsibility of the mine owners. The scheme provides for the construction of 30,000 houses during the next 5 years, a sum of Rs. 3.30 crores has been sanctioned for the construction of 10,000 houses during 1958-59. The actual expenditure during the year shall, however, be limited to Rs. 1.5 crores.

8. *Welfare facilities (Multi-purpose Institutes)*.—With the aim of making workers literate and useful members of the society, education of workers is

undertaken by the Fund. For this purpose, a number of Multi-purpose Institutes comprising Adult Education and women-cum-children Welfare Centres have been established. So far 62 Institutes have been sanctioned out of which 44 are functioning and the rest are in the process of being established.

8. *Water Supply.*—The Fund has sanctioned grants-in-aid to various State Governments for conducting surveys for the improvement of water supply position in coal mining areas in addition to the assistance available under the National Water Supply and Sanitation Scheme (Rural) of the Ministry of Health. Scheme for digging wells in various coalfields under which the Fund will pay grant to the colliery owners upto an extent of 50% of the cost has been sanctioned.

9. *Scholarships for miners' children.*—Fifty scholarships for general education of Rs. 20/- per month each and twenty two scholarships of Rs. 30/- per month each for technical education including medical studies have been sanctioned for the miners' children in the different coalfields. The rules governing the grant of scholarship will be as follows:—

- (i) Scholarships shall be granted by the Fund to sons and daughters or dependent boys and girls of a person employed in a coal mine to perform any skilled, unskilled, manual or clerical labour, otherwise than in a position of supervision or management whose average monthly earnings did not exceed Rs. 100/-:

Provided that in the case of a person employed in underground workings of a coal mine, the above restriction may be relaxed at the discretion of the Coal Mines Welfare Commissioner.

- (ii) The application for grant of scholarship shall be accompanied by satisfactory evidence in regard to the age of the student and monthly earnings and occupation of his/her father or guardian.
- (iii) Scholarships shall be paid monthly for a period not exceeding one year and may be renewed on application.
- (iv) Scholarships shall be granted from the date of admission of the student into an Institution or from the date of its sanction by the Coal Mines Welfare Commissioner, whichever is later.
- (v) Students who pass the final examination and were not promoted to higher class or standard shall not be entitled to any scholarship unless recommended by the District Education Officer or such other Educational Officer as may be specified by the Coal Mines Welfare Commissioner.
- (vi) In the case of student who could not sit at the examination and were therefore not promoted to the next higher class or standard a scholarship may be granted on the recommendation of the Head of the Institution concerned.
- (vii) Students who receive scholarship or stipend from any other source shall be granted a scholarship to the extent that the Fund's scholarship exceeds the other scholarship or stipend.

- (viii) The scholarship granted by the Fund may be reduced or cancelled altogether if the general conduct of the boy/girl or his/her progress in studies is not found satisfactory.

10. *Monthly allowance & scholarships for dependents of workers killed in accidents in mines.*—(i) A monthly allowance of Rs. 10/- per mensem to be given to the widow of every deceased worker for a period of two years;

(ii) A scholarship of Rs. 5/- per month to be given to each of the children of the deceased workers attending school for a period of three years.

11. *Training scheme for Welfare Personnel.*—In the Second Five Year Plan there is reference to a scheme regarding training of welfare personnel. The entire expenditure on the scheme will be borne by the Coal Mines Labour Welfare Fund. The detailed syllabus and other matters are at present being finalised in consultation with the Coal Mines Welfare Commissioner.

12. *Training Scheme for Creche attendants.*—A scheme for training of creche attendants was started on 1st August, 1950 and upto now 10 batches of trainees numbering 408 have completed the training.

13. *Difficulties in utilization of the budgeted amounts.*—The success of the welfare schemes undertaken by the Coal Mines Labour Welfare Fund depends to a large extent upon the co-operation from the colliery owners. Money is provided in the budget in anticipation of the colliery owners taking full advantage of the welfare schemes. But the extent of response from them has not been satisfactory. Thus there has been large surplus in the budget in respect of the money provided for the construction of houses for the coal miners, for giving grant-in-aid for providing maintenance of dispensary services etc. To obviate these difficulties, it has now been proposed to construct houses directly by the Coal Mines Labour Welfare Fund and as such it is expected that the money provided for in the budget will be utilised in full. To provide medical facilities to the coal miners, it is also proposed to construct more hospitals by the Fund. However, some delay inevitably occurs in issuing sanctions for constructional works as the various authorities like the Central Public Works Department, Ministry of Health, Ministry of Finance etc., are required to be consulted. Every endeavour is being made to check excess budgeting.

NEW DELHI,

P. M. MENON,

Secretary,

Dated the, 24th September, 1958.

Ministry of Labour & Employment.

*Central Government Appropriation Accounts (Civif) for the years 1953-54 and 1954-55 pertaining to grant No. 67—Miscellaneous
Department : (Coal Mines Labour Welfare Fund)*

S. No.	Description	1953-54	No. and date of Govt. sanction in those cases where it has been stated that estimates were not sanctioned	Remarks
	III. Major works above Rs. 50000 for which specific provision * was not made in the Budget.			
1	Construction of M.P.I. buildings in Jharia coal field.		**	*Provisions for all the items were already made in the budget as explained in the covering note.
2	Construction of M.P.I. buildings in Bokaro coal field.		**	
3	Construction of M.P.I. buildings in Pench Valley Coal Field.		Estimates duly sanctioned in letter No. M-8(11)51 dated 12th October, 1951.	
4	Construction of M.P.I. buildings in Jharkhand and Kurasia.		**	
5	Construction of M.P.I. Buildings in Nowrozabad, Burhar and Jabila.		Estimates duly sanctioned in letter No. M-8(11)51 dated 12th October, 1951.	
6	Construction of T. N. Clinic-cum-Regional Hospital at Phusro.		Estimates duly sanctioned in letter No. M-8(25)53 dated 2nd March, 1954.	

- 7 Construction of Regional Hospital at Naisarai . Estimate duly sanctioned in letter No. M-3(5)53, dated 10th March, 1955. **
- 8 Construction II 'C' type quarters at Kalla . **
- 9 Nurses Hostel at Central Hospital, Asansol . **
- 10 Married Sisters' quarters at Central Hospital, Asansol. **
- 11 23 'H' Type quarters at the Central Hospital, Asansol (V.P.) **
- 12 32 Peons Quarters at the Central Hospital, Asansol. **
- 13 Electric installation to the Central Hospital, Asansol. **
- 14 Sanitary installation and water supply to the Central Hospital, Asansol. **
- 15 General levelling and dressing of land at Kalla **
- 16 Main water supply Central Hospital, Asansol. **
- 17 External main drainage at the Central Hospital, Asansol. **
- 18 Construction of road from Dhánbad to Bhuli . Estimates duly sanctioned in letter No. M-9(16)52 dated 2nd September, 1953 and the 2nd January, 1954. **

I	2	3	4
19	General levelling and dressing of land at Bhuli.	**	*Provision was already made in the budget as explained in the covering note.
IV. Other major works for which specific provision* was not made in the Budget.			
20	All works collectively	**	
V. Minor Works			
21	All works collectively	**	
1954-55			
III. Major Works above Rs. 50,000 for which specific provision* was not made in the budget.			
1	Construction of M.P.I. buildings in Nayadi Kusunda Colliery.	Estimates duly sanctioned in letter No. M-8 (10)52. dated 25th October, 1952.	*Provision was already made in the budget as explained in the covering note.
2	Construction of M.P.I. Buildings at Layabad Colliery	**	
3	Construction of M.P.I. buildings at Bokaro Colliery.	**	

- 4 Construction of M.P.I. buildings at Burhar Estimates duly sanctioned in letter No. M-8(10)52 dated 25th October, 1952.
- 5 Construction of M.P.I. buildings at Saltore **
- 6 Construction of Morgue, Dhobighat, etc. at Central Hospital, Asansol. **
- 7 Construction of 2 No. Senior Officers Bungalows at Kallia. **
- 8 Construction of Anti-malaria Office and residences at Kallia. **
- 9 Construction of Anti-Malaria Sub-Station at Mithani. Estimates duly sanctioned in letter No. M-II(10)54 dated 17th June, 1954.
- 10 Construction of Regional Hospital at Jamai Estimates duly sanctioned in letter No. M-8(20)51, dated 19th November, 1954.
- 11 Staff quarters for I. L. W. at Jamai Estimates duly sanctioned in letter No. M-8(22)51 dated 19th November 1953.
- 12 Construction of roads, paths, etc. at Central Hospital, Asansol **
- IV. Other Major Works for which specific provision* was not made in the Budget.

All Works collectively

* Provision was already made in the budget as explained in the covering note.

I	2	3	4
V. MINOR WORKS			
All Works collectively			

**Administrative approval, expenditure sanction and technical sanction accorded before the work was undertaken.

NEW DELHI;
Dated the 24th September, 1958.

P. M. MENON,
Secretary,
Ministry of Labour & Employment.

APPENDIX XXXV

Note from the Ministry of Railways pursuant to action taken on para 201 of the 7th Report regarding misappropriation of Government money and stores

The Discipline and Appeal Rules applicable to Railway servants are under revision and it is proposed to incorporate in the revised chapter on Disciplinary Rules, provisions similar to those contained in the Civil Services (Classification, Control & Appeal) Rules, 1957, in regard to the procedure for taking disciplinary action against officers lent by the Railways to other Departments or borrowed by the Railways from other Departments.

As regards the individual employee of the Central Railway (Shri.) who was on deputation with the Ministry of Labour and Employment as Deputy Manager of the Industrial Training Institute at Aundh and through whose laxity of supervision certain defalcations in the stores and accounts were alleged to have been committed, the matter was enquired into by the Central Railway Administration and the Enquiry Officer gave his finding as under :—

- (i) The loss in this case is not recoverable from Shri.
- (ii) It is not possible to fix the exact amount recoverable from him; and
- (iii) The actual defalcation was committed by another and Shri. fault appears to have been lack of sufficient supervisory control.

In view of the above finding of the Enquiry Officer, the competent authority decided that Shri. should be censured and warned that a very serious view would be taken of any lapse on his part in future. The decision of the competent authority has been conveyed to Shri.

APPENDIX XXXVI

GOVERNMENT OF INDIA

(DIRECTORATE GENERAL OF RESETTLEMENT AND EMPLOYMENT)

MINISTRY OF LABOUR AND EMPLOYMENT

Note from the Ministry of Labour & Employment pursuant to action taken on para 201 of the 7th Report regarding misappropriation of Government money and stores

MISAPPROPRIATION OF RS. 4,211/- BY THE STORES CLERK OF AN INDUSTRIAL TRAINING INSTITUTE.

The facts of the case were intimated to the P.A.C. in a self-contained note dated 21st March, 1958 printed as Appendix XLIX in P.A.C.'s Seventh Report Vol. II (Second Lok Sabha). In para 201 of their Seventh Report Vol. I Second Lok Sabha [on the Appropriation Accounts (Civil) 1953-54 and 1954-55 and Audit Report (Civil) 1956, the P.A.C. desired to know the findings of the Departmental Enquiry instituted against the officer concerned and the disciplinary action taken against him by the Railway authorities.]

2. The Departmental enquiry officer observed as follows :—

“I hold that (Shri.) has failed to carry out the duties entrusted to him in respect of stores and the stock of manufactured products satisfactorily by not maintaining proper check and vigilance over the store accounts. Laxity of supervision has finally resulted in serious irregularities and misappropriation of Government property and money by falsification of accounts. Had proper vigilance been exercised there could have been no opportunity for misappropriation and the monetary loss to Government could have been avoided.”

3. He did not, however, hold that the loss of Rs. 1,550-2-3 had become recoverable from the Deputy Manager for the following reasons :—

- (i) In many cases it appeared that false entries had been made by the stores clerk after the check was carried out by the Deputy Manager.
- (ii) The false entries had been made by the Stores Clerk on the folios in the ledger where no physical verification certificate had been recorded immediately below the last entry or where the certificate had been recorded the entries were made between the last entry and the certificate. Entries had almost been squeezed in a fashion which lead to suspicion about their authenticity.
- (iii) The entries appeared to have been predated so as to give an impression that they were recorded prior to the date of certificate. If they were made prior to the certificate being signed they would have been recorded on the line below the last entry.

- (iv) It is difficult to say when exactly the entries were made before or after the departure of the Deputy Manager in July, 1952.

In view of the Enquiry Officers' finding that :—

- (i) he does not hold that the loss of Rs. 1,550-2-3 is recoverable from the Deputy Manager;
- (ii) it is not possible to fix the exact amount recoverable from him; and
- (iii) as the actual defalcation was committed by another and the Deputy Manager's fault appears to have been lack of sufficient supervisory control.

The Central Railway, Bombay decided that the Deputy Manager should be censured and warned that a very serious view will be taken of any lapse on his part in future. The decision of the competent authority has been conveyed to the Deputy Manager. The censure and warning has been recorded in Service Register of the Dy. Manager & copy also kept in his confidential Report file.

The actual defalcation was committed by the then Stores Clerk of the Institute against whom a prosecution was launched and he was sentenced by the court to eight months rigorous imprisonment and dismissed from service.

This 'Note' has been seen by Audit.

Sd/- (S. ABDUL QADIR)
Director-General of Resettlement and Employment & Joint Secretary to the Govt. of India.

APPENDIX XXXVII

Note from the Ministry of Labour & Employment pursuant to action taken on para 203 of the 7th Report regarding employment of labour by contractors through the agency of Employment Exchanges

DIRECTORATE GENERAL OF RESETTLEMENT AND EMPLOYMENT

The Public Accounts Committee in their Fifteenth Report on the Appropriation Accounts (Civil) 1950-51 and Audit Report (Civil) 1952 recommended that "the Ministry of Works, Housing and Supply and other spending Ministries like the Railways, Defence and Posts and Telegraphs Department should, in consultation with the Ministry of Labour, examine the proposal to insert a mandatory clause in all the contracts coming within their purview whereby the contractors should notify vacancies to the Employment Exchanges". Accordingly the Ministries of Works, Housing and Supply, Defence, Railways, Communications, Irrigation and Power, Iron and Steel, and Production were requested to examine the recommendation and to intimate their views on the matter as they were concerned with the employment of labour through Contractors. The Ministries of Production, Steel, Communications, Mines and Fuel, Irrigation and Power agreed to the proposal. The Ministry of Works, Housing and Supply intimated that as agreed to in a meeting held with the Contractors to notify vacancies to Employment Exchanges without the obligation on their part to recruit labour through the Exchanges. They, however, did not agree to include such a clause in the Central Public Works Department Contracts. The Ministry of Communications agreed in principle to the proposal but did not issue instructions to their subordinate organisations, as such specific instructions were not circulated by other employing Ministries. The Directorate-General of Resettlement and Employment reviewed the position in March, 1958 and decided to hold an inter-Ministerial meeting to discuss the whole question. The meeting was held on the 22nd April, 1958. It was agreed in the meeting that a provision could be made to compel the Contractors to notify the vacancies to the Employment Exchanges though there might be difficulty in introducing a clause in this respect in the contracts. The representative of the Ministries agreed to examine this question further and communicate their decisions to the Directorate-General of Resettlement and Employment.

The following is the summary of conclusions/recommendations of the 7th Report of the Public Accounts Committee on the Appropriation Accounts (Civil) 1953-54, 1954-55 and Audit Report (Civil) 1956—Part I reads as under :—

“The Committee are not satisfied with the reaction of some of the Ministries to their proposal for inserting a mandatory clause in all the contracts coming within their purview whereby the contractors should notify the vacancies to the Employment Exchanges. They feel that with a view to making the Employment

Exchanges an effective Organisation and ensuring proper utilisation of the manpower resources in the country, the Ministry of Labour should once again draw the attention of the Ministries concerned to the basic principles underlying the recommendation made by the Committee and impress upon them the desirability of implementing it as far as possible."

The above recommendations were also brought to the notice of the employing Ministries. The final opinion of the various Ministries in this connection is given in the attached statement.

As recommended by the Shiva Rao Committee in their report in 1952 this Ministry has proposed to bring in legislation by which the employers would be required to notify to the Exchanges (without obligation to recruit through them) all vacancies other than those of unskilled categories, those of a very temporary duration, and those proposed to be filled by promotion. This legislation is expected to accelerate the process of the utilisation of the Exchanges and giving the Exchanges an opportunity to recommend suitable applicants registered with them against vacancies that may be available in the country. It would also enable the Exchanges to obtain a good deal of specific information regarding the employment needs and trends and assist them in adjusting the surpluses and shortages in general.

The Cabinet has approved the proposal for legislation on the above lines on 18-12-58 and the necessary Bill is in the process of drafting in the Ministry of Law. It is intended to introduce the Bill, if possible, during the next Session of the Parliament.

Sd/- (S. ABDUL QADIR)
 Director-General of Resettlement and Employment
 & Joint Secretary to the Government of India.

A statement showing the up-to-date position vis-a-vis various Ministries of Government of India regarding the recommendation of the Public Accounts Committee about insertion of a mandatory clause in all Government contracts about notification of vacancies to the Employment Exchanges

1. Ministry of Commerce and Industry. The entire question of the method of recruitment to be followed by undertakings under them at all levels will be considered by the Production and Training Committee of the Project Coordination Committee and till then this Ministry would like to reserve its comments on the proposal till the Sub-committee finalise their proceedings.
2. Ministry of Works, Housing and Supply. It has been decided that while communicating acceptance of tenders to the contractors, the Executive Engineer should attach a slip requesting the

contractors to notify the vacancies for labour to the Employment Exchanges of the area concerned.

In so far as the contracts of Directorate General of Supplies and Disposals are concerned, the mandatory clause cannot be incorporated without the consent of the contractors.

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|--|---|
| 3. Ministry of Steel, Mines and Fuel. | Not agreeable to enforce this provision |
| 4. Ministry of Railways (Railway Board). | Do. |
| 5. Ministry of Irrigation and Power. | In view of the proposal of introducing compulsory legislation of notification of vacancies to the Employment Exchanges, the introduction of a mandatory clause will not serve any useful purpose. |
| 6. Ministry of Defence | The matter is still under consideration. |
| 7. Ministry of Transport & Communications. | There has been no reply so far. |

APPENDIX XXXVIII

Note from the Ministry of Rehabilitation pursuant to action taken on para 20 of the 7th Report (1st Lok Sabha) regarding review of more important audit objections

This note deals with para 20 of the Sixteenth Report, Appropriation Accounts (Civil) 1951-52 and Audit Report 1953 & Audit Report (Civil) 1954—Part-I, Vol. II—Appendices which runs as follows :—

“The Ministry should undertake a review of the more important audit objections which revealed leakage of Government money and gross mismanagement on the part of the administrators of the various camps in consultation with the Accountant General, Food, Rehabilitation, & Supply and see whether they could fix responsibility on particular individuals and determine the action to be taken against them.”

2. Accordingly, a tentative list of 20 important audit objections was compiled by this Ministry and referred to the former Accountant General, Food, Rehabilitation & Supply, New Delhi, for approval. At his suggestion and as a result of discussion in a meeting with his representative, certain additions and deletions were made in the provisional list, which was ultimately finalised in August 1956 in consultation with the Chief Audit Officer, F. R. & S. (now D.A.F.R.S.C.S. & M.). In the final list the total number of objections to be reviewed, was 30.

3. The review of 29 objections out of 30 objections has since been carried out with a view to determining whether responsibility could be fixed at this stage for the irregularities involved, and the result thereof is indicated in the enclosed eleven Notes. The review of the remaining one objection could not be carried out for want of the relevant papers, which are not readily available.

4. These Notes have been vetted by the Director of Audit, F.R.S.C S. & M., New Delhi.

NEW DELHI;

Dated the 16th December, 1958.

(DHARMA VIRA),

Secy. to the Govt. of India.

(I) *Audit objection No. 1*

(II) *Brief particulars of objection. —*

Non-production of population registers etc. at Relief Camp in PEPSU involving an expenditure of about Rs. 4.62 lakhs.

(III) Facts of the case—

The erstwhile Pepsu Government had intimated to this Ministry that an expenditure of about Rs. 4.82 lakhs had been incurred at the Relief Camps, Dera Baba Jassa Singh, Dukhniwaran, Amkhas Gardens and Relief Office, Patiala, from 1947-48 to 1949-50, and that Audit had disallowed reimbursement of this expenditure to the State Government because the relevant record could not be produced. The State Government explained that the records relating to the Relief Camp, Dukhniwaran, were washed away in heavy rains and floods in 1949, and that the records of the remaining three institutions were lost while shifting the office of the Director of Rehabilitation from the State Secretariat to the Army Headquarters. A case was also registered with the Police which remained "untraced". The State Government also assured us that they were satisfied that the loss of records was accidental and not deliberate to cover up any possible misappropriation, frauds or other irregularities. The possibility of sabotage was also ruled out. A clerk found at fault for negligence of his duties was dismissed from service which punishment was considered sufficient to meet the ends of justice.

2. The matter was fully considered by this Ministry in consultation with the Ministry of Finance and the State Government was asked to re-view the case again, and if they were satisfied, to furnish the following certificate to enable this Ministry to consider the question of regularisation of expenditures :—

- (a) That the expenditure claimed for reimbursement was actually incurred on the items in respect of which the claim had been preferred.
- (b) That the actual expenditure on purchase of foodstuffs etc. would have been more if the camp inmates had been issued rations at the scales laid down by the Government of India.
- (c) That no loss appeared to be involved due to non-production of records and failure of the establishment.

3. On receipt of the requisite certificate from the State Government the expenditure to the extent of Rs. 4,61,306 as against the total claim of Rs. 4.82 lakhs was admitted and was regularised, condoning the irregularity of non-maintenance of accounts with the concurrence of the competent financial authority.

(IV) Result of the review—

As the irregularity had occurred at the camps under the control of the former PEPSU Government and the relevant records of the case were also with them, the State Government was requested on 19-2-54 to review the whole matter in terms of the recommendations of the Public Accounts Committee in consultation with the Accountant General concerned. It has now been reported by the State Government that further investigation made in the matter revealed that the loss was only accidental and not deliberate and was not made to cover embezzlement, fraud or irregularities and that no question of sabotage was involved. The State Government however, dismissed one clerk who was found negligent in the maintenance of the record.

(I) *Audit objection No. 2*(II) *Brief particulars of the objection—*

Non-maintenance of accounts in respect of supplies of foodstuffs made to Relief Camp, Bantwa (Saurashtra) involving an expenditure of Rs. 25,561/9/-.

(III) *Facts of the case—*

Certain irregularities had occurred at the Relief Camp, Bantwa (Saurashtra) during the period from March to June 1948, in relation to the maintenance of proper accounts of foodstuffs for displaced persons. The officers seemingly responsible for the irregularities viz. three Directors, Camp Commandant and Assistant Refugee Officer, were asked to furnish their explanation. On receipt of those explanations it was found that two out of the five officers were not in service when the irregularities had occurred. In consultation with the Ministry of Home Affairs it was decided that the remaining three officers should be charge-sheeted. The drafts of the proposed charge-sheets were seen and approved by the Law Ministry.

2. When the replies to the charge-sheets were received from the officers concerned, they were examined fully in all aspects in consultation with Ministry of Finance and the conclusion reached was that none of them was at fault. Necessary sanction to condone the non-maintenance of proper accounts, was therefore, issued with the concurrence of the Ministry of Finance.

(IV) *Result of the review—*

As all aspects of the case had received due attention of the Ministry it was decided that there was no need to pursue this matter further.

(I) *Audit Objection No. 3*(II) *Brief particulars of objection—*

Non-maintenance of distribution accounts of rations at Palitana Camp (Saurashtra) involving an expenditure of about Rs. 1.18 lakhs.

(III) *Facts of the case—*

In their Inspection Report for the period March to October, 1948 Audit had pointed out that proper accounts for the distribution of rations valued at Rs. 1.18 lakhs had not been maintained by the "Mandal", who were administering the Palitana Camp. As satisfactory explanation was not furnished by the State Government concerned, the reimbursement of the expenditure held under objection was not authorised although the claim was pressed by the State Government.

(IV) *Result of the review—*

As the expenditure was incurred at a camp not under the control of the Central Government and its reimbursement had not been admitted in Audit, the State Government was finally informed on 22-10-52 that their claim could be considered only when satisfactory accounts were produced for audit purposes. The matter was then closed and till now the State Government have not received the reimbursement.

(I) *Audit objection No. 4*(II) *Brief particulars of objection—*

Serious shortages in stores at Relief Camps, Jammu and non-maintenance of proper accounts, involving loss of Rs. 9,677/-.

(III) *Facts of the case—*

The following irregularities were reported by Audit through their periodical Inspection Reports for March 1949 and December 1949 :

(a) The stores received at Nagrota from Pathankot for displaced persons were mixed up with the stores received from the Central Stores, Jammu and on physical verification certain stores were found in excess and others short. The net shortage amounted to Rs. 2,677/-.

(b) Shortages representing the sum total of various errors and omissions in balancing etc., involving a loss of Rs. 7,000/- were charged off.

(IV) *Result of the review—*

After proper investigation, the explanations were called for from the Camp Commandant and the Financial Adviser attached to the camp. On examination of these explanations it was felt that responsibility could not be fixed on any one of them as they were not directly concerned with the shortages which had occurred due to abnormal conditions then prevailing and lack of experience of the staff who were not conversant with the accounting procedure. The explanation of one of the Store Keepers whose whereabouts were known, was also called, but he too could not be held responsible as it was found that he was not working in the sub-depots where the irregularities had occurred.

2. The Ministry was of the view that these irregularities did not occur as a result of any *mala-fide* intention on the part of the camp staff but were due to the unprecedented magnitude of the problems with which they were faced while looking after the immediate needs of 30,000 displaced persons lodged in the camp.

3. Nonetheless the question of instituting judicial proceedings against the officers concerned, was also considered in consultation with the Law Ministry who were of the opinion that in the circumstances explained no case could be made out either for criminal prosecution or for civil action. It was, therefore, concluded that the matter need not be pursued further. Necessary regularising orders were issued by the Ministry under their own powers, in January 1955.

(I) *Audit Objection No. 5*(II) *Brief particulars of objection—*

Detailed accounts in respect of the advances amounting to Rs. 6,830/-, made during 1947-48 & 1948-49 for the purchase of certain stores at the Alexandra Docks Camp, were not produced for audit purposes.

(III) Facts of the case—

According to the report of the Collector of Bombay and Bombay Sub-urban District, received through the Government of Bombay, the bills in final adjustment of the advances were duly presented in the office of the Accountant General, Bombay, by the late Director of Evacuation, Bombay. Unfortunately the office copies of those bills, and other relevant records (which were transferred to the officer on special duty in this Ministry on the final closure of the Directorate of Evacuation on 30-9-48), with the help of which it would have been possible to establish that detailed accounts of these advances were duly furnished, were not traceable from the record.

2. In these circumstances, the Accountant General, Bombay, by whom the bills were received and finally passed, was requested to make special efforts to trace those bills. It was not possible to communicate to him the number and date and other relevant particulars of the bills, which would have facilitated their tracing, but the Accountant General was informed that the bills could be traced by consulting his record pertaining to the brief period from February 1948 to September 1948, during which they were presented and consequential adjustments carried out.

3. The Accountant General, Bombay, after due investigation intimated that as the vouchers for the year 1948-49 had been destroyed, it was not possible to furnish the required information.

4. In view of the peculiar circumstances of the case, it was suggested by this Ministry to the Chief Audit Officer, Food, Rehabilitation & Supply New Delhi, that the objection may be settled on the basis of a certificate of disbursement from the Collector concerned, to the effect that to the best of his knowledge all advances were finally adjusted through the bills presented in the office of the Accountant General, Bombay. This suggestion was, however, not accepted by him on the ground that non-production of accounts will involve relaxation of financial Rules.

(IV) Result of the review—

It would appear from the facts stated above that there is no evidence on record to show that the relevant accounts were not submitted by the authorities concerned. Besides, the matter relates to an organisation which was closed long ago and the staff retrenched. In these circumstances it is considered that any action to fix responsibility for the irregularity is not possible at this stage.

*(I) Audit objection No. 6**(II) Brief particulars of objection—*

Over-payments of cash doles etc. amounting to Rs. 45,635/- to the displaced persons in the Relief Camp, Faridabad, during the period from 10/49 to 9/51.

(III) *Facts of the case—*

It was found that the following overpayments of cash doles were made to the various categories of displaced persons at the Relief Camp :—

(a) *Over-payment of Cash doles (Rs. 22,610)*

- (i) "Pen Registers" which were the basis for the payment of cash doles at the prescribed scales, did not show the date of birth in many cases.
- (ii) No allowance was made to take into account the increase in the ages of the inmates each year, with the result that payments continued to be made to the doles at high rates than would normally have been due.

(b) *Over-payments to students, old and infirm persons (Rs. 23,025/-)*

- (i) The displaced persons who were declared as 'aged' by the Camp Commandant were entitled to the cash doles, but in large number of cases no such declaration was obtained.
- (ii) A number of displaced persons were paid cash doles without being medically examined in the first instance as also to those who were found medically fit.
- (iii) Payments were made to the students without obtaining school certificate from the Head Master.

2. The various points raised by Audit were examined in detail at high level and the following remarks were communicated to the Chief Audit Officer, Food, Rehabilitation and Supply, New Delhi :—

(i) *Overpayment of Rs. 22,610/-.*

3. The prescribed rates of cash doles were :—

	Rs. per month
(1) Upto the age of 6 months	14
(2) Above 6 months and upto 5 years	24
(3) Above 5 years and upto 8 years	14
(4) Above 8 years and upto 12 years	15
(5) Above 12 years	17

The Audit objection relates only to the second, third and fourth age group mentioned above, which implies that payments in respect of the first and the last category were found to be in order. Furthermore, even if birth dates were not given, approximate ages were indicated in the registers, as evidenced from the audit objection itself. More than that was neither possible nor practical in the circumstances of the case. Displaced persons lodged in the camp belonged to poorer classes and being illiterate, could not be expected to give exact birth dates of every member of their family. Possibly in the case of unattached women and orphans, approximate ages

were given by the camp officials themselves, which the doles might have questioned later, either because they were not exact or approximate; or did not entitle them to a higher scale prescribed for a different age group.

4. Thus, either on the score of accuracy or expediency, a dolee adopted a convenient but plausible age group and the camp administration was unable to allow matters to come to a head merely on this issue. Consequently, the anomaly arose not due to the negligence or *malafide* intentions, but partly due to the peculiar circumstances then prevalent in the camp life and partly due to the intrinsic inhibitions of the structure of scales prescribed. Nonetheless, the scheme operated both in favour and also against the inmates, although the camp authorities had failed to record, periodically, the increase in the ages of the displaced persons.

5. (ii) *Overpayments to students etc. (Rs. 23,025/-)*

The over-payments were made on the basis of the 'local orders' issued by the then Camp Commandant to the effect that he had been vested with full powers by the Ministry of Rehabilitation to sanction cash doles for displaced persons in the camp, on merits of each case irrespective of age etc. thus relaxing all the formalities prescribed under the earlier references of the Ministry. Copies of these local orders were also endorsed to the Concurrent Auditor and accepted by him without question.

6. Assuming, however, that the audit objections are valid, it was not possible in the very nature of things to observe the formalities alluded to in the objections. It was not necessary to obtain a declaration from the prospective dolee that he was really 'aged', if the Camp Commandant could himself certify that actually he was one. Similarly, it was not necessary to go through the formalities of a medical test, if the 'unfitness of work' was apparent even to the naked eye of a layman. Some of the Army Officers posted to the camp belonged to the Army Medical Corps. Lastly, it did not seem fair to premise that where such technical formalities were not observed, the beneficiaries concerned were all necessarily ineligible, and consequently all payments made to them really constituted 'over payments', although in some cases doles are reported to have been paid to those also who were found medically fit. The circumstances in which it was done are not known to the Ministry. It is, however, presumed that there must be some strong grounds for it, and it would have been done on the authority of the "local orders" as referred to above.

(IV) *Result of the review—*

Taking into account various pros and cons of the case this Ministry came to the conclusion that the authorities concerned could not be blamed for these irregularities. The position could be appreciated better by bearing in mind those difficult days and also the fact that the relief camps in earlier stages were administered by military personnel who were not so very conversant with the niceties of rules and regulations.

(I) *Audit objections No. 7 to 25*

(II) *Brief particulars of objections—*

Irregularities involving non-maintenance of accounts in respect of supplies made to various relief camps etc. for distribution among displaced

persons as per list compiled by the late Accountant General, Food, Rehabilitation & Supply, *vide* his letter No. OAR-2(17)/III/1381, dated the 27th August, 1954. (Annexure 'B').

(III) *Facts of the case—*

In August 1954 the late Accountant General, Food, Rehabilitation & Supply reported 19 cases of non-maintenance of accounts at various relief camps to this Ministry for investigation and determining the financial implication of each case. After careful consideration and due deliberations, the Ministry came to the following conclusions :—

- (a) Some of the irregularities reported were not of a serious nature and related to the period as far back as 1948.
- (b) The conditions prevailing in the initial stages of relief operations were such that proper maintenance of accounts, was very difficult, if not, impossible.
- (c) The Camp authorities concerned were called upon to undertake a task of stupendous magnitude to provide immediate relief to multitudes of distressed displaced persons which involved handling of enormous quantities of food stuffs, medical supplies etc.
- (d) The trained personnel for proper and efficient functioning of the camps could not be made available and the staff actually employed was drawn from among the uprooted displaced persons in order to provide them some gainful occupation. They were quite in-experienced and ignorant of the usual accounting procedure and the general financial rules.
- (e) by the time these irregularities came to be considered by this Ministry, the camps which were set up for short durations only, had been closed and the staff disbanded. For this reason and in view of the above considerations, it was not possible to fix responsibility for the lapses pointed out by Audit.

2. Now that pursuant to the recommendation of the Public Accounts Committee, the question of reviewing these cases has arisen with the main object of determining whether responsibility could be fixed on the officials concerned, steps were taken to trace the various files on which each case was examined and necessary sanction condoning the non-maintenance of accounts, accorded. It is found after thorough search that most of the files, being very old, have either been destroyed in accordance with the usual practice, or they are not readily traceable despite best efforts. The cases numbering eight only in respect of which the relevant files are available, have however, been reviewed keeping in view the recommendation, with the following result:—

- (a) The irregularities had occurred mostly in the initial stages of relief operations under unprecedented circumstances, when the foremost task was to provide immediate relief to the distressed displaced persons to save them from starvation and diseases.

- (b) In that situation of extreme urgency presenting delicate and complex problems, it was not possible to recruit trained staff for the proper maintenance of accounts. The staff drawn from among the displaced persons was quite in-experienced, which by itself implied a risk of such lapses.
- (c) Sanctions for the non-maintenance of accounts in all these cases were accorded with the concurrence of the Ministry of Finance, after satisfying that these irregularities did not disclose any *malafide* intentions on the part of the officers concerned and that no case of misappropriation etc. had been made out against them.
- (d) Lastly, at this stage, any disciplinary action against the staff even if contemplated, would seem to be out of question, because, the camps were closed many years ago and the staff retrenched whose whereabouts cannot be ascertained now.

ANNEXURE 'B'

Statement of certain Camps and Institutions under the Ministry of Rehabilitation wherein the Government's sanction has been accorded for condoning the non-maintenance of Proper Accounts

S. No.	Office Responsible	Nature of irregularity	Period of account	Particulars of records and accounts not maintained	Amount involved	No. & date of the sanction of the Government of India condoning the non-maintenance of accounts	
						Govt. of India sanction No. & date	Ministry of F. (R)End. No. & date
1	2	3	4	5	6	7(a)	7(b)
1	C. C., Kurukshe- tra.	Non-maintenance of accounts.	Period ending 7-8-48.	1. Non-maintenance of Stores account.	..	RS-17(55)/51 dt.6/8-9-52.	D-5415/FR/52 dt. 13-9-52.
			Period ending 7-8-48.	2. (a) Cloth accounts (b) Workshop & dis- tribution accounts of cloth. (c) Detailed accounts of ration & empties.	..	RS-17(55)/51 dt. 3-9-51.	..

			(d) Daily strength register & receipt voucher of ration articles.				
		Period ending 14-6-48.	3. Quilts, blankets etc.	..	RS17(55)/51 dt. 30-1-52.	D-697-FR/52 dt. 6-2-52.	
2	C. C., Marwar Pali.	Non-preparation of inventories	Period ending 7-2-49.	1. Non-preparation of inventories and not handing over the same to the Govt. of Jodhpur at the time of handing over the charge.	..	RS-9(28)/49/II dt. 3/5-9-51.	
		Non-maintenance of proper accounts.	Period ending 1-3-49.	2. Non-maintenance of proper accounts in respect of issue of ration with reference to population register.	..	RS-9(28)/48 dt. 23/29-9-52.	D-5293/FR/52 dt. 3/4-10-52.
3	C. C., Jammu	Non-Maintenance of accounts.	Period ending 1-1-51 to the date of closing of the Camp.	1. (a) Ration accounts in respect of various Sub-Depots. (b) Issue accounts of Milk (c) Gift issue of accounts. (d) Non-Maintenance of Milk permits in respect of Milk issue.	RS-9(104)/51 dt. 11/17-9-51. Do. Do. Do.	D-5966/FR/51 dt. 19-9-51. Do. Do. Do.

1	2	3	4	5	6	7(a)	7(b)
	Do.		(e) Non-Maintenance of Distribution accounts of 79 Mds. & 35 Srs. of Kaju.			RS-9(104)/51 dt. 11/17-9-51	D-5966/FR/51 dt. 19-9-51
	Period ending 1-1-51 to the date of closing of the Camp.		2. Non-Maintenance of ration Cards in respect of milk permits.			RS-9(98)/51 dt. 18 20-9-51.	D-6072/FR/51 dt. 25-9-51
	Period ending Jan. 1951 to July 1951.		3. Non-maintenance of accounts in respect of clothes issued to displaced persons.			F-3(2)RF/51 dt. 28-9-51.	D-6315/FR/51 dt. 4-10-51.
	11-10-48 to 2-11-48.		4. Non-production of ration accounts in respect of rations for the period 11-10-48 to 2-11-48.			RS-9(104)/51 dt. 5-8-52.	D-4786/FR/52 dt. 11-8-52.
	Non-Maintenance of accounts.	4/50 to 7/50	5. Distribution accounts of Gift clothes;			RS-9(107)/51 dt. 4-11-52.	D-6826/FR/52 dt. 29-11-52.
	Do.	Period 8/49 to Jan. 1950.	6. Proper accounts of Firewood.			RS-9(10)/51 (II) dt. 23-10-53.	D-4188/FR. 11/53 dt. 29-10-53.
	Farash Khana House, Jammu.	Do.	7. Proper accounts not maintained.		Rs. 100		M. O. F. D-272/Rch-1/53 dt. 16-1-53.

4	C. C., H. M. I. S., Akbar.	Non-maintenance of accounts.	Period 1-5-48 to 14-6-48.	1. Feeding Account	..	TAA(174)RSH D-5965/FR/51 dt. 11/17-9-51.	dt. 19-9-51.
			Do.	2. Petrol account and Petrol distribution account.	..	Do.	Do.
			Do.	3. Kerosene oil account	..	Do.	Do.
			Do.	4. Packing material account.	..	Do.	Do.
			Do.	5. Population Register	..	Do.	Do.
			29-3-48 to 30-4-48.	6. Non-maintenance of proper accounts of receipts and issue of foodstuffs.	..	TAA(174)RS/ II dt. 19-9-51	D-6031/FR/51 dt. 21-9-51.
			Upto 14-6-48	7. Non-maintenance of the working account of Petrol.	..	TAA(174)/RS II dt. 26/29-10-51.	D-6914/FR/51 dt. 3-11-51.
5	C. C., Relief Camp Alexandria Docks.	Do.	Feb.'48-April '48.	Population & Block registers of displaced persons.	..	TAA(163)/RS dt. 11/14-9-51.	D-5894/FR/51 dt. 19-9-51.
6	Marwar Jn. Camp.	Do.	ending 7-2-49	1. Dhanias and Salt accounts.	..	RS-9(29)/49 dt. 17/19-9-51	D-6035/FR/51 dt. 21-9-51
			16-9-48 to 7-2-49.	2. Packing material and containers etc.	..	M. O. Health F. 5-55/51 MII dt. 23-11-51.	M. O. F. D-6977/EG, III/51 dt. 8-12-51

1	2	3	4	5	6	7(a)	7(b)
			11-2-48 15-9-48.	to 3. Packing material & empties not taken on charge	..	M. O. Health No. F-5-22/51/M.II dt. 5-8-52.	M. O. F. No. 4286-EG, III/52 dt. 18-8-52.
7	C. C., Barmer	Non-maintenance of accounts.	22-2-48 22-4-48.	to Fine packing cases—Accounts not maintained.	Rs. 25	M. O. Health 5-22/51 M. II/dt. 5-8-52.	M. O. F. No. 4286-E4 III/52 dt. 18-8-52.
8	C. C., Orcha Camp.	Do.	During 1/50	Surplus stocks sold to the inmates of the camp during 1/50.	..	RS-9(96)50-4 dt. 5-9-52.	D-6697/FR/51 dt. 10-9-51.
9	C. C., Kutiyana	Do.	May '48 to June '48.	Accounts for Stationery Dead stock and Matches.	..	TAA(121-E) II/RS dt. 18/19-12-51.	D-8037/FR/51 dt. 26-12-51.
10	Stores Officer, Ministry of Rehabilitation, New Delhi.	Do.	Period ending 8/48.	Non-Maintenance of proper accounts of purchased and donated stores credit notes and Misc. accounts.	..	RS 9(7)II dt. 15/16-5-52.	D-3011/FR/52 dt. 22-5-52.
11	Principal, Hindu College.	Do.	4/49 to 9/49	Stationery account	..	Ministry of Education F-23-4/51-GI (RI) dt. 19-6-52.	

12	C. C., Kalkaji Camp.	Do.	11/47 to 4/48	In respect of boarders who dined at the General Kitchen at the Kalkaji Camp.	..	Chief Commissioner's Delhi letter No. Audit-Kalkaji, II/47-R&R dt. 22-5-52.	M. O. F. Delhi State No. F-4 (22)/52-F dt. 14-7-52.
13	C. C., Satna	Do.	3 to 5/48	(i) Soap (ii) Match Box and (iii) Kerosene Oil Accounts of distribution.	..	TAA-154(II)/RS dt. 25-6-52.	D-3915/FR/52 dt. 2-7-52.
14	Medical Officer, Relief Camp Hospital, Datia.	Do.	11/48 to 1/49	(1) Medicines (2) Canned Food and (3) Packing material.	..	M. O. Health No. FS-22/51 M. II dt. 5-8-52.	4286-EG II/52 dt. 18-8-52.
15	Ministry of Rehabilitation, New Delhi.	Non-maintenance of accounts.	1947-48	Distribution Account of wool to the displaced persons out of the quantity issued to various parties.	Rs. 46,000	RS-15(227)/49 dt. 6/10-9-52.	Finance End. No. D-5494/FR/52 dt. 16-9-52.
16	Supdt., Training-cum-Work Centre Samana.	Do.	7/50 to 12/50	Motor Vehicle Accounts.		DWC-6(7)/51 (I) dt. 20-10-52.	D-5291/FR/RH/52 dt. 25-10-52.
17	Marwar Pali Camp.	Do.	1/48 to 10/48	Non-maintenance of proper accounts.	Rs. 634 2 0 Rs. 555 6 0	D. G. H. S. Lr. No. 21-18/49-DPM-Rst dt. 18-3-53	..

1	2	3	4	5	6	7(a)	7(b)
18	Holding Camp Matsya Union.	Non-maintenance of accounts	January to February '49.	Block registers, store registers, stock accounts, accounts of losses and shortages.	..	34(19)RF/49 dt. 14-3-53.	D-667/FR. II/ 53 dt. 23-2-53.
19	Camp Hospital Kurukshetra & Other various Camps.	Irregularities regarding the non-maintenance of accounts of Medical Stores.		Non-maintenance of Accounts of Medical Stores.	Rs. 12,500/-	M. of Health F. 5-22/51. M. II dt. 2-1-54.	M. O. Finance (R) Endstt. No. F. 4(2)/FR. II 54/66/ 325 dt. 9-2-54.

(I) *Audit Objection No. 26.*(II) *Brief particulars of objection.*

Non-maintenance of accounts of expenditure incurred at the Relief Camp Sujangarh, involving an expenditure of Rs. 802/3/-

(III) *Facts of the case.*

In their Inspection Report, dated 26th July, 1948, Audit had pointed out that proper accounts for the expenditure amounting to Rs. 802/3/- during the period ending 30th June, 1948, were not maintained by the Camp authorities. An investigation was conducted in consultation with the State Government when it was revealed that the relevant records of the Camp were not available and that the whereabouts of the Camp Commandant and other camp employees were not known. As such, it was not possible to fix responsibility on the defaulters concerned and take action against them. The matter was, accordingly, regularised with the concurrence of the Ministry of Finance.

(IV) *Result of the review.*

As the matter relates to an organisation which was closed long ago and the staff retrenched and as the whereabouts of the staff of the Camp are not known, it is considered that any action to fix responsibility for the irregularity is not possible at this late stage.

(I) *Audit Objection No. 27.*(II) *Brief particulars of objection.*

Non-maintenance and non-production of distribution accounts of 'Gur' in the Relief Camp, Datia, involving an amount of Rs. 1,309/-.

(III) *Facts of the case.*

In their Inspection Report dated 8th April, 1949, the Audit had pointed out that necessary accounts in respect of 'Gur' distribution in the Relief Camp, Datia during the month of February, 1948 were not produced before the Audit. The State Government was not able to throw any light in the matter at the late stage in the absence of the relevant records. It was accordingly, not possible to fix responsibility on the defaulters concerned and take action against them. The matter was, therefore, regularised with the concurrence of the Ministry of Finance.

(IV) *Result of the review.*

As the matter relates to an organisation which was closed long ago and the staff retrenched and as the whereabouts of the staff of the Camp are not known, it is considered that any action to fix responsibility for the irregularity is not possible at this late stage.

(I) *Audit Objection No. 28.*(II) *Brief particulars of objection.*

Non-maintenance of proper accounts of the stores valued at Rs. 15368 (approx.) received in the Relief Camp, Orchha during the period from January to June 1950.

(III) *Facts of the Case.*

In their Inspection Report dated 25th September, 1950 the Audit had pointed out that proper accounts for the receipt and disposal of stores received at the Relief Camp, Orchha from the former Government of Vindhya Pradesh during 1/50 to 6/50, were not maintained by the Camp authorities. An investigation was conducted in consultation with the former V.P. Government as well as by the then Camp Commandant of this Camp. Further details in respect of these stores were ascertained from them and furnished to the Audit who were, however, not satisfied and observed that unless proper stores accounts duly based on authentic preliminary records, showing receipt of all the stores from the V.P. Government and other sources were produced, the accounts could not be taken as correct. It was, however, not possible to authenticate these accounts with the help of the records which were mutilated due to frequent transshipment and also eaten by moths and destroyed. The question of fixing responsibility against the camp commandant was also considered. He had left the Camp service by then and that nothing discriminating could be found against him. The matter was accordingly regularised with the concurrence of the Ministry of Finance.

(VI) *Result of the review.*

The case was re-examined with a view to reconsidering the possibility of fixing the responsibility against the defaulters concerned. As the matter relates to an organisation which was closed long ago and the staff retrenched and as no records are available, it is considered that any action to fix responsibility for the irregularity, is not possible at this belated stage.

(I) *Audit Objection No. 29.*(II) *Brief particulars of objection.*

Non-maintenance of proper accounts in respect of ration shop and excess issue of rations to the children at the Relief Camp Pimpri.

(III) *Facts of the Case.*

In the Inspection Report on the accounts of the Relief Camp Pimpri, for the period ending 13th June, 1948, the Audit had pointed out that no proper accounts were maintained in respect of ration shop Nos. 1 & 2 in the Relief Camp, Pimpri. It was also pointed out by the Audit that children between 8 and 12 years of age were issued full unit of rations instead of half permissible under the orders then in force. An investigation was conducted in consultation with the State Government. When it was revealed that the relevant records of this camp were not available and that the whereabouts of the personnel were also not known. As such it was not possible to fix responsibility on the defaulters concerned. The matter was, therefore, regularised with the concurrence of the Ministry of Finance.

(IV) *Result of the review.*

The case was reviewed in consultation with the State Government with a view to considering the possibility of fixing responsibility on the defaulters concerned. The State Government, however, expressed their inability to fix responsibility in the absence of the relevant records or the whereabouts of the personnel concerned. During the course of the investigation it has been found that the whereabouts of the Camp Commandant concerned with these irregularities are not known. As such it is not possible to take any action against him.

APPENDIX XXXIX

Note from the Ministry of Rehabilitation pursuant to action taken on para 205 of the 7th Report regarding extra expenditure due to delay in payment.

In July, 1949 some land at Kalkaji was acquired by the Land Acquisition Collector, Delhi for the resettlement of displaced persons. In June, 1951 this Ministry was approached for the approval of the rates of compensation which was conveyed to the Delhi Administration in December, 1951 in consultation with the Ministry of Finance (Rehabilitation). In May, 1952 the Delhi Administration requested for funds to make payment to the extent of the assessed compensation. In July, 1952, an 'On Account' payment of Rs. 3 lakhs was sanctioned with the concurrence of Ministry of Finance (Rehabilitation). The Delhi Administration could, however, start disbursement to the *ex-land* owners only from August, 1953. This resulted in the payment of Rs. 60,878/- as interest to these land owners which had to be paid at the rate of 6% from the date of acquisition till the date of final payment of compensation.

2. The matter was considered at the meeting of the Public Accounts Committee held on 13th January, 1958. The Committee desired to know:

- (a) Action taken by the Ministry to issue sanction to cover the interest paid already and,
- (b) Action taken by the Ministry for fixing the responsibility for delay in payment of compensation.

As regards (a) above *ex post facto* sanction of the President to the payment of Rs. 60,878/- on account of interest on the compensation paid to the owners has since been issued *vide* this Ministry's letter No. 1(42)/57-HI, dated 22nd May, 1958.

The Delhi Administration have intimated in their D.O. letter No. F. 15(142)/54-LSG, dated 10th January, 1959., that the total amount of interest paid is Rs. 1,07,625/-. Action to issue sanction for the difference is being taken.

3. As regards (b) the matter has been considered carefully. The delay was found essentially to be due to the fact that for some time after partition the Delhi Administration was not adequately equipped to deal with the extra work of land acquisition proceedings and payment of compensation. It is therefore, very difficult to lay responsibility for this delay, which was due to organisational defect, on any particular officer.

4. The note has been vetted by Audit.

NEW DELHI ;
Dated 21st January, 1959.

L. J. JOHNSON,
Joint Secy. to Govt. of India.

APPENDIX XL

Note from the Ministry of Rehabilitation pursuant to action taken on para 207 of the 7th Report regarding contract for grinding wheat without tenders

In their sitting held on the 13th January, 1958, the Public Accounts Committee made the following observations in respect of para 115 of their Sixteenth Report—"Contract for grinding wheat without tenders".—para 27(b) of Appropriation Accounts (Civil) 1951-52 and Audit Report 1953 :—

PUBLIC ACCOUNTS COMMITTEE'S OBSERVATIONS

"WHY SPECIFIC SANCTION FOR RELAXING THE REQUIREMENTS OF CALLING FOR TENDERS WAS NOT TAKEN? HOW DID THE FINANCIAL ADVISER AND ACCOUNTS OFFICER ATTACHED TO THE CAMP OVERLOOK THIS LAPSE?"

MINISTRY'S REPLY

In Jammu Relief Camps, two contracts were entered into by the then Camp Commandants for the grinding of wheat during the periods from August, 1948 to November, 1948 and from June, 1949 to March, 1950. There were two different camp commandants and Financial Advisers and Accounts Officers at this Camp at the time of signing of the above two contracts. Pursuant to the observations of the Public Accounts Committee, the matter was taken up with the Ministry of Defence and the Controller General of Defence Accounts, for obtaining the explanations from the personnel concerned. Ministry of Defence had, however, informed that both the Camp Commandants concerned were no longer in service. It was reported that one of them was removed from service w.e.f. the 15th February, 1954 and the other relinquished his Commission under Release Regulations with effect from the 15th February, 1953. A reference was, therefore, made direct to these officers in the matter. Unfortunately, no reply has yet been received from them despite a reminder. It is felt that no reply is likely to be received from them nor any action can be taken against them at this stage when they are no longer in service. Necessary explanations from the respective Financial Advisers and Accounts Officers have since been received. The relevant extracts from these are reproduced below :—

The Financial Adviser and Accounts Officer at the time of signing of the first contract:

"We had to start from scratch. There was no office, no furniture, no staff, no stationery, no books of Regulations. Indeed there was no camp."

* * * * *

"What I am trying to say is that every administrative arrangement was strained almost to the breaking point during those first few months. The problems were further complicated by the

fact that the camp was situated in a field area and that it was not Indian territory. Even the law and order situation gave rise to headaches till finally the Kashmir Government was persuaded to appoint one of their Magistrates to the Camp in early October. The refugees, especially from Muzzaffarabad, were a mutinous crowd. It will be gathered from what I have stated above that the setting up of this camp presented unprecedented difficulties”.

* * * * *

“In those disturbed conditions, it was out of question to encourage competition and look for a list of approved contractors (if such did indeed exist) in order that tender documents could be issued to them. There was practically very little liaison with the Civil authorities (even for what it was worth) and publicity through the press would have delayed matters without achieving anything.

It was against this background that the contract under discussion (which was strictly only an informal agreement for a very short period) came to be entered into. After the floods of August and the Cholera epidemic which followed in their wake, the refugees were in a sullen and angry mood. There were other factors which weighed with me too : my concurrence always depended on matters having a financial implication, unless specifically covered by extant sanctions, being reported to the Ministry. I believe I had caused an office order to be issued on this subject.

The rates obtained in August, 1948 were definitely higher than those quoted in the middle of 1950 when conditions had by and large returned to normal. This is entirely intelligible. It may be observed that during the whole period of the contract only 4844 maunds of wheat was ground. This represents a fortnight's ration for the camp whose strength was about 35,000. It was not always certain whether we were getting wheat or atta and the contractor had to grind wheat only when the consignment was wheat. No steady flow of work could be assured by him. In the circumstances, the rates were still higher. We had, moreover, an Honorary Liaison Officer attached to our Camp. In matters where local knowledge was considered necessary or where an approach had to be made to the Local Government we sought this help. We used to ring up the Headquarters to know whether they had any information to give on subjects in which we were interested. I am sure that we must have contacted them in this matter too”.

The Financial Adviser and Accounts Officer at the time of signing of second contract:

“I submit that it is a matter of common knowledge that the State of Jammu and Kashmir was in 1948 and 1949 in a state of turmoil caused by partition of the country and the invasion of the State by Pakistan. Conditions were far from normal. Services and contracts were difficult to get. For this particular trade of grinding

wheat, there were only three firms in Jammu. One had been hired full time by the State Government and under the terms of their contract that mill could not take up work for others. Quotations were accordingly called for by the Commandant from the remaining two mills. The quotations were examined and the lowest *i.e.* that of M/s..... was accepted. Their quotation had the advantage of lower wastage allowance, loading, unloading and godown facilities. Further this was the only mill which had the advantage of automatic dusting, sifting, cleaning, drying and grinding.

From the above it will be evident that having regard to the then prevailing conditions and the restricted availability of mills for this particular job, I beg to submit that the provisions of the Rule 19(vi) of the General Financial Rules, Volume I were complied with. I was aware of this Rule and had there been sufficient competitors in the field, I would have certainly drawn the attention of the Camp Commandant to the advisability of advertising as well. All other contracts, it may be submitted, used to be advertised.

The seven contractors, who entered the field in 1950, were not all of that trade. Some had husking machines and some had grinding machines. A few did not have godown facilities. These facts were disclosed in the statement submitted along with the tenders in 1950".

2. The explanations of both Financial Adviser and Accounts Officers are self-contained and clear. The Ministry of Rehabilitation are satisfied that in the circumstances the officers concerned could not have acted differently from what they did. There can be no question of any doubt regarding their bonafides. Their departure from the normal practice was not because of any malafides on the part of the officers concerned but because of the stress of circumstances. With the Kashmir fighting on and the stress and strain of the Displaced Persons influx, those were not normal times and it would be unfair to judge the actions of officers in those times out of context with the condition obtaining then.
3. This note has been vetted by the Director of Audit (Food, Rehabilitation, Supply, Commerce, Steel & Mines), New Delhi.

DHARMA VIRA,
Secy to the Govt. of India.

APPENDIX XLI

Note from the Ministry of Rehabilitation pursuant to action taken on para 208 of the 7th Report regarding review of conduct of various camp commandants

The Public Accounts Committee desired to know the further action taken by the State Governments against the persons who held charge of the Sabarmati Camp, Ahmedabad and Phaphamau camp at Allahabad. The matter was taken up with the Governments of Bombay and Uttar Pradesh for furnishing the information as regards the action taken by them against the persons concerned. After protracted correspondence, the Government of Bombay have since intimated that the case of the contractor who overcharged the Government for the supply of the vegetables to DPs at Sabarmati Camp has been finalised and necessary action for filing a suit against him is being taken by them. As regards the Government of Uttar Pradesh, it has been intimated by them that the explanations of the officers concerned have been obtained which are being examined by them. It is proposed by the State Government to take suitable action against them, if necessary in the light of the findings arrived at finally. Both the State Governments have been requested to finalise the cases expeditiously and to intimate the results thereof.

DHARMA VIRA,
Secy. to the Government of India.

NEW DELHI;
The 7th January, 1959.

APPENDIX XLII

Note from the Ministry of Rehabilitation pursuant to action taken on para 209 of the 7th Report regarding officers employed in the various camps against whom disciplinary action was taken for frauds, etc.

The Public Accounts Committee desired to know as to what steps were taken by the Ministry to realise the amounts from the various persons employed in charge of the Camps and against whom disciplinary action was taken for frauds, embezzlement etc. The matter was taken up with the State Governments concerned who were requested to review all the cases with a view to considering the possibility of effecting recoveries from the persons concerned. After protracted correspondence, the Government of Bombay have since intimated that they had made recoveries to the extent of Rs. 3,694/8/- as against Rs. 182 as shown earlier, out of the total amount of Rs. 9,366/5/-, vide S. No. 25 of the statement already submitted to the Public Accounts Committee along with the Note in connection with para 117 of the Sixteenth Report on the Appropriation Accounts (Civil) 1951-52 and Audit Report 1953. As regards the remaining items pertaining to the Bombay State, including the former Saurashtra State, the State Government have expressed their inability to effect further recoveries. The requisite information from the other State Governments is, however, still awaited and they have again been requested to finalise the cases expeditiously and to intimate the results thereof.

2. This note has been vetted by the Director of Audit, Food, Rehabilitation, Supply, Commerce, Steel and Mines, New Delhi.

NEW DELHI ;
The 19th January, 1959.

DHARMA VIRA,
Secy. to the Government of India.

APPENDIX XLIII

Note from the Ministry of Rehabilitation pursuant to action taken on para 210 of the 7th Report regarding relief and rehabilitation of displaced persons

The Public Accounts Committee at serial No. 36 in Appendix I summarising their Conclusion/Recommendations of the Twenty-third Report on Appropriation Accounts (Civil) 1952-53 and Audit Report, 1954-Part II and Commercial Appendix thereto and Audit Report (Civil) 1955-Part I made the following comments :—

Rehabilitation.—The Committee would like to know how the loss on account of non-repayment of rehabilitation loans by displaced persons is being calculated and at what intervals. They would also like to be informed whether any amount of loans has been written off so far by the Centre.

Comments of the Ministry —2. The Ministry of Rehabilitation sanctioned loans to State Governments to enable them to advance rehabilitation loans to displaced persons in accordance with the schemes sanctioned by the Ministry. In the case of loans sanctioned to the erstwhile Part 'A' and 'B' States the terms and conditions governing these loans stipulated that they would be repaid by the State Governments in equated instalments of principal and interest in a specified number of years. The recovery was to start one year after the date of the drawal of the loan by the State Government in the case of rural loans advanced to agriculturists, one to three years in the case of urban loans sanctioned for rehabilitation in professions and trades in urban areas and after three to four years in the case of loans granted for the construction of houses. The normal period of recovery in the case of urban loans was six to ten years, in the case of rural loans from six to twenty years, and in the case of housing loans from fifteen to thirty years. These loans were sanctioned to State Governments who were responsible for advancing them to displaced persons according to the requirements of the individual, but subject to the maximum laid down by the Ministry. The State Governments were also responsible for their recovery from the displaced persons. But it was stipulated in the sanctions that repayment of the loans to the Centre was to be the first charge on the revenues of the State and the repayments were to be made irrespective of recoveries effected from displaced persons. In the case of urban loans the Ministry agreed to the postponement of the recovery from displaced persons for a period of two years. This period, however, did not affect the total period of six to ten years in which the loans were to be recovered.

3. One of the conditions imposed was that all bonafidelosses would be shared between the Centre and the State Governments in the

ratio of 50:50. In the case of loans granted to States in the Eastern Region for the rehabilitation of displaced persons who arrived after the 31st December, 1949, it was, however, stipulated that all bonafide losses would be borne by the Centre. In the case of Part 'C' States, all losses were to be borne by the Centre.

4. In accordance with these terms and conditions the State Governments repaid annually to the Central Government equated instalments of these loans but very soon each State Government stated that the recovery from displaced persons was very small and the State Governments could not afford to repay these loans out of their own resources particularly as they had also to find funds for Schemes like the "Grow More Food Campaign" and the "Five Year Plan". They also protested against the ratio of 50:50 in which they were required to share bonafide losses. The State Governments wanted that they should be required to repay only the amounts collected by them from displaced persons and should not be called upon to bear any losses. Their argument was that the rehabilitation of displaced persons was the responsibility of the Central Government and the State Governments merely acted as their agents in granting these rehabilitation loans. The matter was considered by the Government of India and it was decided in January 1954, that in the case of loans to displaced persons from West Pakistan as well as loans to displaced persons who arrived from East Pakistan by 31st December, 1949, the State Governments should repay whatever amounts they were able to recover from displaced persons plus half the difference between the amounts payable as equated instalments and the amounts actually collected. If in any year the State made recoveries from displaced persons in excess of the instalment due to the Central Government the excess was also to be shared between the Centre and the State Government in the ratio of 50:50. The recoveries effected were to be regarded as tentative and were subject to final adjustments at the expiry of the period for which the loan had been originally sanctioned. In the case of loans for the Rehabilitation of displaced persons from East Pakistan who came after 31st December, 1949, State Governments were required to repay amounts actually realised from displaced persons and 10% of any short fall between the equated instalment due and the amounts actually collected. The recoveries so effected were subject to adjustment on the expiry of the period for which the loans were originally sanctioned.
5. The State Governments agreed that the new decision gave them some relief but they had been lately showing increasing reluctance to pay the equated instalments. They also represented their difficulties to the Second Finance Commission who in para 144 of their report remarked that the terms on which loans had been given to the States for the rehabilitation of displaced persons had caused a great deal of discontent. Consequent on the recommendation of this Commission, it has now been decided by the Government of India that with effect from 1st April, 1957 the States should pay to the Union the amount of Principal and Interest, they collect on account of the loans including the arrears, if any.

6. The State Governments have also been reiterating their demands that the entire losses should be borne by the Central Government. The question whether the ratio in which bonafide losses were to be shared, should be revised or not, is being considered separately. It will be noticed that the loss on account of non-repayment of rehabilitation loans is to be calculated annually subject to adjustment at the end of the period for which a particular loan was granted.
7. With the introduction of the Compensation Scheme the position was slightly altered. All Rehabilitation loans granted to displaced persons entitled to the payment of compensation were treated as public dues recoverable from the amount of compensation payable to them. The State Governments were, therefore, informed that they need not effect recoveries of loans from such persons and that the recoveries would be effected by the Settlement Commissioners while paying compensation to the individuals. The recoveries so effected were to be intimated to the Accountants General concerned and were taken into account as if recovered from the State Government. In some cases the compensation payable may be insufficient to cover all the Public dues recoverable from the individual and if any loans remained un-adjusted the intention was to treat the displaced persons as a non-claimant. In such cases, the State Governments were required to effect the recovery of the unadjusted amount. For this purpose the State Governments were to be informed of the individual cases where they were required to effect recoveries. One result of these orders was that recoveries from claimants were not made on the basis of annual instalments as originally contemplated. Such recoveries were made in lumpsum and naturally upset the annual amounts recoverable from the State Governments by the Central Government. This in turn affects the calculation of the bonafide losses in different years. The State Governments have also been agitating for the revision of the ratio in which they should be required to share bonafide losses. Consequently no losses have been written off so far. However, in certain instances State Governments have forwarded individual cases to the Centre where they found that the loans could not be recovered from displaced persons either because of the death of the loanee or because of certain other factors such as loss by fire, etc., sustained by them. In such cases the loss is shared with the State Government in the prescribed ratio. The amount of losses written off in such cases is shown below :—

	Rs.	
1951-52 . . .	1,417	
1952-53 . . .	..
1953-54 . . .	3,561	*Including loss of Rs. 2,88,637
1954-55 . . .	3,33,942*	due to desertion from lands by
1955-56 . . .	8,748	allottees in Rajasthan.
1956-57 . . .	15,447	

8. In addition to the loans mentioned above, the Ministry advanced loans to the Jammu & Kashmir State for the rehabilitation of persons displaced from the raiders-held area of the State. While

theot her terms and conditions for the repayment by the Jammu & Kashmir State were the same as in the case of other Parts 'A' and 'B' States, the ratio in which bonafide losses in the case of these loans were to be shared between the Centre and the Jammu & Kashmir State Government was 75:25. Such persons were resettled in other States of the Indian Union also but in other States the Centre bore all losses on loans sanctioned upto 13th May, 1954. In the case of loans sanctioned subsequently the conditions applicable to loans advanced to displaced persons from Pakistan applied to loans sanctioned for Jammu & Kashmir displaced persons also.

9. Loans were also advanced by the Central Government to industrialists for starting industries in townships and colonies specially built for displaced persons with a view to provide gainful employment to the inhabitants. These loans are being advanced through State Governments except in the case of Faridabad which is administered directly by the Central Government. But the State Governments will not share the losses on these loans, if any. The State Governments refuse to implement the Schemes, if they were required to share the losses. In the case of industrial Schemes the loans can be advanced only upto 50% of the value of the immovable assets of the industrialists in land, building and machinery. These assets remain hypothecated with the Government till the loans are repaid. Thus the loans will be well secured and there is little possibility of any losses.

L. J. JOHNSON,
Secretary, Ministry of Rehabilitation.

APPENDIX XLIV

Note from the Ministry of S.R. & C.A. pursuant to action taken on para 49 of the 7th Report regarding survey of India-Subsidiary Accounts

The stores referred to in the Seventh Report of the Public Accounts Committee were acquired by the War Office, London during the World War II to meet the heavy demands of the Defence Services. The stores were held in stock by the Survey of India which was acting as the main depot on behalf of the War Office for supplying the various Survey Units in the Far Eastern Theatre during the last war. However, the cost of stores was not borne by the Survey of India. The Director of Military Survey, Army Head Quarters, indented for these stores for issue to Military Installations and to the Survey of India Map Reproduction Offices for use of the Army. As the supply position was then difficult due to shortage of shipping, naval blockade, inadequacy of supplies, it was essential to build up stocks so that prosecution of the war may not be impeded for lack of essential stores. Thus on cessation of hostilities, large stocks became surplus with the Survey of India. To dispose of these surplus stores, a thorough verification of the stores was required to be conducted by the Survey of India but due to shortage of staff and the substantial stocks involved, the task of verification of all the stores could not be taken in hand until 1953. The Partition of the country also contributed to the delay in this work. However, these stores are being reviewed periodically by the Surveyor General with a view to find out which of the stores can be utilised by the Survey of India in the foreseeable future in connection with the expansion scheme of the Department and the rest is being disposed of through the Director General of Supplies and Disposals as and when these are declared surplus by a Committee appointed for the purpose. A large quantity of such stocks has already been disposed of; the money value of the stock that has so far been disposed of is Rs. 17,43,000/- whereas the money value of the stores that were held in stock originally amounted to Rs. 26,91,000/-.

2. It will thus be observed that the accumulation of surplus stores in the Survey of India was not due to faulty or excessive indenting but due entirely to War Office stocks and reserves having been left in the country after the 2nd World War.

3. Fresh purchases that are being made by the Survey of India are only either to replenish their existing stock or to meet requirements for new items

APPENDIX XLV

Note from the Ministry of S.R. & C.A. pursuant to action taken on paras 52-54 of the 7th Report regarding conversion of C.S. & I.R. into a Statutory Body.

The recommendation was considered by the Governing Body of the C. S. I. R. at the meeting held on the 22nd March, 1957. The members of the Governing Body were unanimously of the opinion that they could not see any advantage in converting the Council into a statutory body, and that the present autonomous character of the Council as a society should continue. The Lok Sabha Secretariat were informed accordingly *vide* this Ministry O.M. No. Budget 7(2)/56-Budget, dated the 20th May, 1957 (Annexure)

This point was raised again by the Public Accounts Committee at their sitting held on the 14th February, 1958. The point raised is reproduced below :—

“4. *Conversion of C.S.I.R. into a Statutory Body—para 98 of the 16th Report of the P.A.C.*—The Committee desired that the Ministry of Education and Scientific Research (Department of Scientific Research and Technical Education) and Ministry of Finance should re-examine the recommendation of the Committee in para 98 of their 16th Report of the P.A.C. in the light of the discussion at the sitting on the 14th February, 1958 and submit a note duly vetted by Audit.”

The matter was re-examined in detail by the Governing Body of the C. S. I. R. at their meeting held on the 22nd March, 1958. The Governing Body felt that placing the Council on a statutory basis might give it a rigidity which would not be desirable; and it passed the following resolution :—

“The Governing Body considered the recommendation of the Public Accounts Committee. While the Governing Body was in general agreement with the object of the recommendation ; of the Public Accounts Committee, and was also in agreement that all the information that was desired to be placed before the Public Accounts Committee and the Parliament, should be made available to the Parliament, yet to make the C.S.I.R. a statutory body might at this stage impede its flexible development.”

The Ministry of Scientific Research and Cultural Affairs agree with the views of the Governing Body of the C.S.I.R. expressed at their meeting held on the 22nd March, 1958.

The Ministry of Finance, who were consulted, also agree with these views.

Dated 16th January, 1959.

A. K. GHOSH,
Joint Secretary to the Government of India.

ANNEXURE

GOVERNMENT OF INDIA

MINISTRY OF EDUCATION AND SCIENTIFIC RESEARCH

(Department of Scientific Research and Technical Education)

No. Budget 7(2)/56.

New Delhi, the 20th May, 1957.

OFFICE MEMORANDUM

SUBJECT :— *Statement showing action taken or proposed to be taken on the recommendations of the Public Accounts Committee in their Sixteenth Report.*

With reference to the correspondence ending with Lok Sabha Secretariat U.O. No. 144(2)-PAC/56, dated the 12th January, 1957, and in continuation of this Ministry's U.O. of even number dated the 22nd February, 1957, on the subject mentioned above, the undersigned is directed to say that the recommendation of the Public Accounts Committee was considered on the 22nd March, 1957 by the Governing Body of the Council of Scientific and Industrial Research and the members were unanimously of the opinion that they could not see any advantage in converting the Council into a statutory body ; and that the present autonomous character of the Council as a Society should continue. This matter has also been considered by this Ministry and they agree with the views expressed by the Governing Body of the Council of Scientific and Industrial Research.

In this connection 40 copies of detailed note on the subject which was placed before the Governing Body of the Council are enclosed for the perusal of the Public Accounts Committee.

M. S. THACKER,
Secretary to the Government of India.

To

The Lok Sabha Secretariat,
PARLIAMENT HOUSE,
NEW DELHI.

COUNCIL OF SCIENTIFIC AND INDUSTRIAL RESEARCH

33rd meeting, Governing Body, 22nd March, 1957

ITEM NO. 5 EMBODYING THE FUNCTIONS OF COUNCIL OF SCIENTIFIC AND INDUSTRIAL RESEARCH IN A STATUTE—RECOMMENDATION OF THE PUBLIC ACCOUNTS COMMITTEE.

The Public Accounts Committee in its 16th report for the year 1955-56 recommended that the Government might "take the first convenient

opportunity to embody the functions of the Council of Scientific and Industrial Research in a statute". It is the view of the Committee, as a matter of general principle, that where it is desired that continuing functions involving substantial expenditure, should be exercised by autonomous bodies like the Council of Scientific and Industrial Research the powers and duties to be exercised should be defined by specific statute. It would appear from the recommendation of the Public Accounts Committee that the Council of Scientific and Industrial Research may continue as an autonomous body but only its functions need be embodied in a statute.

2. The idea behind the recommendation of the Public Accounts Committee seems to be that there should be greater parliamentary control over the activities of the CSIR in view of the fact that the amount of expenditure has become large.

3. The Government of India established in 1935 the Industrial Intelligence and Research Bureau with the object of "making a beginning and laying the foundation on which a research organization suitable for the needs of the country could later be constructed." This was also like a department of government. In 1940, the Board of Scientific and Industrial Research was set up also as a wing of Government. In 1942, a fund called the industrial Research Fund was created by Government and the Council of Scientific and Industrial Research was constituted by a resolution (Department of Commerce No. 148-Ind (157)/51 dated 26th September, 1942) as an autonomous body under the Registration of Sections Act XXI of 1860 to administer the fund.

4. Even though the C.S.I.R. is an autonomous organization set up under the Registration of Societies Act, the authority and control of the Government of India is quite close.

5. The Rules and Regulations and Bye-laws of the Council are subject to the approval of Government and they provide for sufficiently close control of its functions. The Comptroller and Auditor General of India audits its accounts just as he does for other departments of Government.

6. The Governing Body of the Council of Scientific and Industrial Research is itself a high level body with the Prime Minister as its President and the Minister for Natural Resources and Scientific Research as its Vice-President. There are on its roll 5 Cabinet Ministers including the Finance Minister and some of the top-ranking industrialists and Scientists in the country. Besides, there are also States' Ministers, Members of Parliament and a representative of the Ministry of Finance on it.

7. As regards control on expenditure, a Joint Secretary of the Ministry of Finance acts as F.A. to the Council and is also a member of the Governing Body. The Secretariat works in close consultation with him and his concurrence is taken in respect of financial matters. A whole-time Under Secretary of the Ministry of Finance is also attached to the Council as Attached Financial Adviser and is stationed side by side with the Secretariat of C.S.I.R. to facilitate close collaboration and day-to-day contact.

The F. A. is also a member of the Finance Sub-Committee set up by the Governing Body. The Finance Sub-Committee is now meeting once every quarter, but may meet oftener, if necessary.

8. Whatever liaison, co-ordination and control is desired from the point of view of the Government, it is exercised through the Ministry of Natural Resources and Scientific Research. The present system permits both efficient and expeditious working which are essential for scientific research and also desirable control by the Government both in respect of overall administrative policies, expenditure and accounts.

9. Autonomous organisations are set up by Government to carry out specific functions. Those may be either corporations incorporated under the companies' Act or societies set up under the Registration of Societies Act or by statutes passed in Parliament.

10. Institutions for education and training and Universities are generally established by statutes as it is one of their functions towards degrees.

11. Organisations like the Rubber Board, Coffee Board, Central Cotton Committee, Indian Oil Seeds Committee, Indian Lac Cess Committee etc. are also set up by statutes. This is essential because those bodies have the specific function of levying cess on the commodity concerned and the utilisation of the cess for specific purposes. Those are matters which require statutory authority. Research institutes are sometimes set up by these boards and committees but research is only part of their functions. The University Grants Commission which was recently set up is also a statutory body. Here also a statute was necessary because the Commission had to be empowered to determine and maintain standards of teaching, examination and research in universities which are themselves autonomous and statutory. The Commission can demand information from any university regarding financial position etc., and it has also powers of inspection.

12. A perusal of the provisions of the Rubber Act (XXIV of 1947), the Coffee Act (VII of 1943) and similar acts does not indicate any closer direct parliamentary control or accountability to Parliament than what is provided in the Rules and Regulations and Bye-laws of the Council of Scientific and Industrial Research.

13. The Council of Scientific and Industrial Research neither awards degrees nor has the function of collecting cess. There appears to be no instance of an organization brought into existence by a statute in which either of these two functions is not incorporated.

14. The Indian Council of Agricultural Research, the Indian Council of Medical Research and the Indian Standards Institution are also registered under the Registration of Societies Act.

15. An example of an autonomous organization registered under the Registration of Societies Act exercising certain statutory function embodied in an Act of Parliament is the Indian Standards Institution. This organisation is authorised to issue standard certification marks in accordance with an act passed in Parliament. Similarly if necessary, a statute could be enacted embodying the functions of the Council of Scientific and Industrial Research. The pros and cons of such a measure will have to be considered carefully as a statute carried with it certain legal implications.

16. The *raison d'être* of establishing the Council of Scientific and industrial Research as an autonomous body was that research should not be subject to governmental procedure and red-tape as it is not likely to expedite work. Research investigations and tests should be carried out by an independent organization because it is not act only the Government that is interested in it but also industry. If it is placed entirely under governmental control, the objective nature of such work cannot be secured. Even though the expenditure incurred by the Council of Scientific and Industrial Research has increased substantially, the basic reasons for having the organization autonomous continue to exist.

17. If the C.S.I.R. becomes a statutory body, the functions and activities of the Council would at once become justiciable, and any one who is not satisfied for any reasons may go to court of law. This would introduce considerable rigidity in its working. Every conceivable function may have to be incorporated in the statute. Such a thing would be difficult for an organization specially meant for undertaking pioneering activities.

18. The Public Accounts Committee has, perhaps, in its mind certain lacunae in that the activities and expenditure of the Council are not accountable to Parliament. The Rules and regulations of the Council have recently been revised and made more comprehensive to cover the working of a large organization that the Council has grown into and now include the presentation of an annual report (administrative and technical), accounts and audit report to Government.

19. An account of the work and activities of the Council and the national laboratories is included regularly in the annual report of the Ministry of Natural Resources and Scientific Research laid before Parliament every year. The Council generally follows all Government rules, regulations and instructions ; and its accounts are audited by officers deputed by Comptroller and Auditor General in the same manner as they do other Government accounts; and all audit objections are examined and answered, as necessary. The annual technical report and all publications issued by the Council of Scientific and Industrial Research and made available to the library of Parliament. Already the provision made for the C.S.I.R., is included in the Demands for Grants under the Ministry of Natural Resources and Scientific Research. If desired, the administrative report and accounts of the C.S.I.R. may be placed before Parliament for information. It is thus felt that all essential requirements which the Public Accounts Committee might have in view are now met.

20. The subject *is, however*, for the consideration of the Governing body.

APPENDIX XLVI

Note from the Ministry of S.R. & C. A. pursuant to action taken on para 55 of the 7th Report regarding greater co-operation between the Scientific Institutions and the Industry in the country

The policy of the Council and its National Laboratories is briefly as below :—

The National Laboratories generally undertake research having industrial bias and the inventions arising therefrom are of such a character as go a long way to meet the requirements of the industry in the matter of replacement of the imported raw materials and resources. In order to secure the co-operation of the industry, suitable representation is given to the industry on the Governing Body of the Council and on the Executive Councils of the various National Laboratories which are responsible for formulating their respective research programmes.

Besides this, effective liaison with industry is maintained through four Regional Liaison Officers, appointed for the purpose, in big industrial centres like Bombay, Calcutta, Madras and Jaipur. There is one Industrial Liaison Officer in the Central Office of the Council at New Delhi to co-ordinate the work with the industry. Those Officers visit industrial establishments, organisations and factories all over the country and ascertain from them the nature of problems needing research. These problems are then referred to the national laboratories concerned. After the appointment of these liaison officers last year, a number of problems from industry have been referred to the laboratories.

Effective liaison with Industries is also maintained through a Joint Standing Committee of Scientific Research and Industry on which representatives from the Ministry of Commerce and Industry (Development wing) and the Council of Scientific and Industrial Research have been nominated.

Pilot Plant projects are sponsored by the Council as well as by the National Research Development Corporation. The Liaison staff assist National Research Development Corporation and the Laboratories, processes, ripe for exploitation, are brought to the notice of the industry. During the year more than 30 offers received from interested parties were forwarded to National Research Development Corporation for consideration.

Chambers of Commerce, Associations of Industries, Industrial Associations and the Ministry of Commerce and Industry have been requested to intimate the names of the imported raw materials manufacturing auxiliaries, etc. which have gone in short supply owing to restrictions on foreign exchange for which the substitutes could be developed at the National Laboratories.

APPENDIX XLVII

No. C4-28 (i)—57.

New Delhi-2, the 31st July, 1958/Shravana 9, 1880 (Saka)

Office Memorandum from the Ministry of S.M. & F. (Department of Mines & Fuel) pursuant to action taken on para 103 of the 16th Report (1st Lok Sabha) regarding closing of the accounts of the Coal Production Fund

The Public Accounts Committee had recommended that :—

- (i) now that the Government have accepted the recommendation made by the last committee that the account of the Coal Production Fund should be closed as on 31-3-56 and the balance credited to the Consolidated Fund of India,
- (ii) the Ministry of Production should debit the Railway Board with the outstanding amount of Coal Production Cess so that the responsibility for effecting the recoveries from the parties concerned or to write it off, if not recoverable as they might deem fit, should devolve on them.

2. The Coal Production Fund was constituted by the Coal Production Fund Ordinance, 1944 for financing activities for improvement of production, and for marketing and distribution of coal and coke during war-time. An excise duty of Rs. 1-4-0 per ton was levied on all coal and coke despatched from collieries by rail. The duty of excise was realised by the Railways by means of a surcharge on freight. The levy of the cess was discontinued from 1st May, 1947, but the accounts of the Fund continued to be operated upon for making adjustment of the Arrears of recoveries and for meeting the expenditure.

3. Side by side with the Coal Production Fund, the following State Trading Schemes on coal were also operated to help the war efforts:—

- (a) Reserve Stock of Coal.
- (b) Purchase of Colliery Stores.
- (c) Production and Supply of Coal.
 - (i) Directorate of Open Cut Coal Mining.
 - (ii) Ponri Hill Colliery.
 - (iii) Central Electricity Commission—Power House at Sijua.

As in the case of the Coal Production Fund, these schemes also have ceased operating since 1947, but their accounts were kept open for want of settlement of a number of outstanding items.

4. The Coal Production Fund Ordinance provides that the Fund shall be applied to meet expenditure incurred on measures which it may be necessary or expedient to take for the improvement of production, marketing or distribution of coal or coke and that the fund may be utilised to defray *inter-alia* :

- (i) the deficit, if any, on any scheme for the procurement and sale of colliery Stores and equipment,
- (ii) any other expenditure which the Central Government directs to be defrayed from the Fund.

In accordance with the above provision, it was decided that the net result in the working of the Schemes mentioned in para 3 should be transferred to the accounts of the Coal Production Fund. The closing of the accounts of the Coal Production Fund is thus connected with the closing of the accounts of the scheme.

5. As a result of the recommendation of the Public Accounts Committee the question of closing the Accounts of the Fund and of the above mentioned schemes as on 31-3-56 was examined. While some of the schemes showed a profit and some a loss, the schemes taken as a whole, showed a deficit of about Rs. 2,23,19,000 as on 31-3-56. After transferring this deficit to the Coal Production Fund a net deficit of about Rs. 1,23,24,000 was anticipated as on 31-3-56 in the Fund and there was thus no balance to be credited to the Consolidated Fund of India. For effecting the transfer of the net deficit in the Coal Production Fund to the head "57. Miscellaneous—Miscellaneous and unforeseen charges", it was necessary to make a provision in the budget. As there was no provision in the Budget of 1956-57, the accounts of the Fund and the schemes could not be closed as on 31-3-56. Necessary provision to meet the net deficit in the Fund was however, made in the budget for 1957-58 and orders issued on 20-3-57 to close the accounts of the Fund and the Schemes early in 1957-58. Action is being taken by the Deputy Director of Audit, Food, Rehabilitation, Supply, Commerce, Steel and Mines Calcutta, to carry out necessary adjustments in the accounts for the year 1957-58.

6. As regards the recommendation in para 1 (ii) above the Railway Board's contention is that they were only acting as the agents for collecting the cess and could not be held to have accepted any liability as an insurer in collecting all the charges. They are, doing their best to expedite the recovery of outstanding from the parties concerned in cases where booking particulars are available and it was not, according to them appropriate to debit them with the outstanding in the Fund consequent on the closure of the same. In view of the position stated above, this Ministry is of the opinion that this point need not be pursued further.

7. Action taken in regard to the recoveries of the outstanding amounts is as follows :—

	Rs. nP.
(i) (a) Amount recoverable from various private parties	4,11,206.94

	Rs. nP.
(b) Amount recoverable from private parties and non-Railway Consumers (for despatches of coal from collieries in the late Rewa State)	62,306·00
(ii) Amount payable by Western Railway	343·23
(iii) Amount due from various Railway Departments	Units/ 104,848·75
	5,78,704·92

As regards (i) (a) above, two 'test' cases have been filed by the General Manager, Western Railway against the Madhya Bharat Millowners' Association, Indore, from whom, the bulk of the amount *viz.*, Rs. 3,57,296/- is due and the same are pending before the Bench High Court of Madhya Pradesh at Indore and main High Court at Jabalpore.

The High Court at Jabalpore has since decided the case in favour of the Western Railway but certificate of fitness of appeal to the Supreme Court has been granted to the defendant. The recovery of the amount due from other parties (*viz.*, Rs. 4·11 lakhs minus Rs. 3·57) would depend on the outcome of these two test cases. If the amount is decreed and realised, credit for it will be afforded to the Consolidated Fund of India on realisation. If the Court gives a decree in favour of the parties concerned or realisation is not possible for any other reason, further action to regularise the loss will be taken.

As regards recovery of Rs. 62,306/-/- mentioned in item (i) (b) above the Solicitor to the Central Government had advised that the recovery of the amount of Cess *viz.*, Rs. 51,758·12 nP. outstanding against 4 parties to whom the Coal was consigned may be kept in abeyance pending decision of the High Court in the test cases mentioned above but that the steps for collection of the cess from the collieries which produced or manufactured coal or coke might be proceeded with, if otherwise possible. It was, however, felt that the collieries in question will not accept any liability for the payment of cess particularly when under the Rules the cess was to be recovered as a surcharge on freight on coal and was not recoverable from the collieries which produced or manufactured coal or coke. In the circumstances recovery of this amount is being kept in abeyance. In regard to the remaining balance of Rs. 10,547·88 nP. which is due from a large number of petty consumers, as the booking particulars are available neither with the Railways nor with the Collieries, it is not possible to effect the recovery and action is accordingly being taken to write off this amount.

As regards item (ii) above, the amount outstanding against Western Railway was stated to be Rs. 24,424/12/- against which they have made payment of Rs. 24,081·52 nP. The Ministry of Railways were requested to ask the Western Railway to expedite settlement of the balance amount of Rs. 343·23 nP. after necessary verification. They have stated that the amount remaining to be paid was Rs. 24,081·52 nP. only. The matter has been again taken up with them to ascertain the correct position. Credit for the recovery to the extent it is verified will be afforded to Consolidated Fund of India.

As regards item (iii) above, here again the booking particulars are neither available with the Railways nor with the Collieries. The position of the Railways in this case was not only that of consignee/consumer but also of an agent entrusted with the collection of cess. As the relevant records pertaining to the year 1945 to which the transaction relates are not now available with the Railways it is not possible for them to carry out any verification regarding the payment etc. of the amount in question. The Railways are therefore, unable to accept the debit and action is accordingly being taken to write off this mount.

8. The Director of Audit, Food, Rehabilitation, Supply, Commerce, Steel and Mines, New Delhi has seen and concurred.

N. S. MANI,
Joint Secretary to the Government of India

GOVERNMENT OF INDIA

DEPARTMENT OF MINES AND FUEL

(Ministry of Steel, Mines and Fuel)

No. C4-28(1)/57

New Delhi-2, the 14th January, 1959,
Pausha 24, 1880 (Saka Era)

OFFICE MEMORANDUM

SUBJECT :—*Public Accounts Committee—Statement showing action taken or proposed to be taken pursuant to the recommendations of the Committee in their Seventh Report (Second Lok Sabha).*

Reference Lok Sabha Secretariat Office Memorandum No. 1(2)/7-PAC/58 dated 6-1-1959 on the above subject.

2. Information on the points arising from the note forwarded to the Public Accounts Committee with this Ministry's Office Memorandum No. Bgt. 7(39)/58 dated 4-8-1958 in connection with para 103 of their 16th Report is furnished below.

3. The outstanding recoveries on account of the Coal Production Fund Cess as shown in para 7 of the note forwarded with this Ministry's Office Memorandum referred to above were as under:—

	Rs.	nP.
(i) (a) Amount recoverable from various private parties		4,11,206.94
(b) Amount recoverable from private parties and non-Railway Consumers (for despatches of coal from collieries in the Late Rewa State)		62,306.00
(ii) Amount payable by western Railways		343.23
(iii) Amount due from various Railway Units/ Deptts.		1,04,848.75
		5,78,704.92

4. It was stated in para 7 of the same note that action was being taken to write off the amount of Rs. 1,04,848·75 nP. [item (iii) above] due from various Railway Units/Departments, and an amount of Rs. 10,547·88 nP. out of Rs. 62,306·00 nP. [Item (i) (b) above] due from a large number of petty consumers. Government sanction to write off these amounts has since been issued.

5. The question of recovery of the amount of Rs. 343·23 nP. [*vide* item (ii) above] was taken up with the Ministry of Railways (Railway Board) According to the assessment made by the Western Railways in 1954, the amount outstanding from them on account of coal production fund was Rs. 24,424/12/-, against which a payment of Rs. 24,081·52 nP. was made by them in July, 1957. The balance of Rs. 343·23 nP. was accordingly claimed from them. The Western Railway subsequently made a re-assessment of these dues and revised the figure to Rs. 30,356·46 nP. After adjusting against this the payment of Rs. 24,081·52 nP. made by them in July 1957, the net balance due from them was found to be Rs. 6,274·94 nP. as against Rs. 343·23 nP. claimed from them. The whole of this balance has since been credited by them towards the fund.

6. The balance now outstanding is Rs. 4,62,965·06 nP. as below :

	Rs. nP.
Item i(a)	4,11,206·94
Item i(b)	51,758·12
(62,306·00 nP.—10,547·88 nP. written off)	

As already intimated in para 7 of this Ministry's note referred to above two test cases have been filed by the Western Railway which cover the bulk of the outstanding amount *viz.* Rs. 3·57,296·00 nP. and action for recovery of the amount in balance has been kept in abeyance pending a final decision on the test cases. Those cases are still pending in Courts. Thus no further action can be taken in the matter till these cases are finally disposed of.

N. S. MANI,
Joint Secretary to the Government of India.

APPENDIX XLVIII

Note from the Ministry of S. M. & F. (Department of Mines & Fuel) pursuant to action taken on para 226 of the 7th Report regarding delay in disposal of Government Building

This has reference to the report of investigation into the question of delay in the disposal of buildings built by the late Directorate of Open-Cut Coal Mining at market colliery site. The relevant extract from the Committee's remarks on the above report are re-produced below :—

“The Committee can do no more than express their dissatisfaction at the manner in which this case was dealt with. As regards the sale of buildings, it has been stated that a payment of Rs. 25,000/- has been realised from one colliery and the issue relating to another is under arbitration. The Committee may be informed in due course of the further developments in the case.”

The issue regarding the second colliery is still under arbitration. The latest position of the case as furnished by the Coal Controller is that the last sitting was held on January 9, 1959 before the Umpire (Shri Das) and the next sitting has been fixed for the 16th January, 1959.

N. S. MANI,

Joint Secretary to the Government of India.

16-1-1959.

APPENDIX XLIX

Note from the Ministry of S. M. & F. (Department of Iron & Steel) pursuant to action taken on para 211 of the 7th Report regarding system of accounts at the Rourkela Project

INFORMATION FURNISHED IN REPLY TO LOK SABHA SECRETARIAT OFFICE
MEMORANDUM No. 2(1)(70)-PAC/58 DATED 7TH JANUARY, 1959

WHAT STEPS HAVE BEEN TAKEN BY THE AUTHORITIES TO IMPROVE THE POSITION OF ACCOUNTS AT THE ROURKELA PROJECT?

The Company's Auditors in their report on the accounts of Hindustan Steel Private Limited for the year ending 31st March, 1955 observed as follows :

"The system in operation has no doubt developed gradually as time went. There is, however, absence of coordination between the Accounts Department and the executive branches of the Company. Accounting procedure in our opinion requires re-examination. The state of accounts at Rourkela calls for immediate attention, for in our view, the Accounts Department has exercised little or no control over the affairs at Rourkela with the result that accounting at this closing has been extremely difficult."

The remarks of the Public Accounts Committee are based on the views of the Auditors pertaining to the Accounts for the year 1954-55 when Head Office of the Company was in Delhi and other offices partly at Calcutta and partly at Rourkela. A great deal of improvement has been effected since the office shifted to Rourkela in October 1956. Accounts offices at Rourkela have been re-organised on a functional basis to deal with matters pertaining to stores, main plant, pay accounts and civil engineering works including township and mines. Separate cells have been formed for coordination of accounts procedures for financial scrutiny of expenditure proposals and for budgeting and cash. Recently steps have also been taken to intensify internal audit and stock verification. Subsidiary records for debt and deposits are maintained where required and steps are taken to reconcile the same. Adequate system has been introduced for assessment and recovery of rent which is working smoothly. Apart from financial accounts, suitable subsidiary accounts are being maintained to watch expenditure against estimates for construction works. Procedures for scrutiny and payment of contractors' bill have been laid down and experienced clerks attached to various divisions to deal with initial accounts. Expenditure against contracts is being watched through contractors' ledgers. For stocks and stores, stock limits have been prescribed and a system of stores accounting has been introduced. Cases of delays in documentation of stores transactions are vigorously pursued and there has been considerable improvement in this respect.

The Public Accounts Committees' specific reference to absence of estimates evidently refers to want of detailed estimates for major civil engineering works on plant site. In this connection, it may be mentioned that sufficient data was not available for the preparation of estimates and this work has now been taken in hand by the Chief Engineer (Plant). Hindustan Steel Private Limited is vigorously pursuing the question of expeditious compilation of these estimates. In all other cases including township, control is being exercised with reference to sanctioned estimates. Cases of want of adequate sanctions are being pursued by the Accounts Department. It is also being ensured that the Departmental Officers exercise financial Powers in accordance with the schedule of powers approved by the Board of Directors and re-delegation by the Resident Director.

It will thus be noticed that steps have been taken towards steady improvement in accounting and financial control. The process of tightening up of existing procedures is being continued.

In respect of accounts during production stage, a Senior Cost Accounts Officer with a team of Accountants is already on the job of laying down detailed procedures after studying the practice followed in Indian Iron & Steel Co. Ltd. and Tata Iron & Steel Co. Ltd.

APPENDIX L

Note from the Ministry of S.M. & F. (Department of Iron & Steel) pursuant to action taken on para 218 of the 7th Report regarding revision in the estimates of the Steel Projects.

1. In their office memorandum No. 2(I)(70)-PAC/58 dated the 19th January 1959, Lok Sabha Secretariat have asked for further information on—

- (i) How much difference in cost of the Steel Projects is attributed to additions and improvements made to the Project Reports?
- (ii) How much increase in the cost has been due to under estimation by the Consultants?
- (iii) Why no provision was made in the estimates of Rourkela Project for the cost of inland transport?

2. In the note of the 23rd May, 1958 the difference between the original estimates and the estimates subsequently given on the 13th August 1957 were explained.

(i) The following were the increases on account of improvements and additions made to the plants described in their respective detailed project reports:

	Rs.
Rourkela	11.26 crores
Bhilai	3.3 to 3.5 crores
Durgapur	6.54 crores

(ii) The following has been mentioned as a clear under estimation by the Consultants:

Rourkela	Rs. 13.94 crores
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In Durgapur, the cost of Indian material and Indian work had been under estimated to the extent of about Rs. 7.5 crores.

(iii) In the detailed project report for the Rourkela Steel Works, the f.o.b. costs, the c.i.f. costs, erection costs, costs of Indian supplies and costs of spare parts were given. Items like expenditure on project staff, customs, railway freight from the port of unloading to the site of the steel works in Rourkela etc., which were more in the nature of administrative expenses, were not included. Later when the detailed project report for the Bhilai steel works was received, it was noticed that a lump sum provision on a percentage basis had been made for railway freight and included in the total costs. On the other hand, no provision had been made in the Bhilai Project report for the cost of construction plant and machinery and enabling works. In order to bring the estimates of the three steel plants to a comparable basis, the cost of inland transport was added to the costs given by the Consultants in the case of Rourkela and the costs of construction plant and machinery and enabling works added to the estimates of Bhilai.

APPENDIX LI

Note from the Ministry of Transport & Communications (Department of Transport) pursuant to action taken on para 493 of the 7th Report giving the details of income and expenditure of the Road Fund and the closing balances at the end of each year for the last five years.

Under the Resolution on Road Development adopted by the Central Legislature, an extra duty of Customs and of Excise of not less than two annas per gallon is levied on motor spirit and the proceeds thereof are applied for the purpose of road development. The rate of this extra duty was two annas per gallon from the 1st March, 1929, to the 28th February 1931 and since the 1st March, 1931, it has been 2 annas and 6 pies per gallon.

2. From the proceeds of such extra duty, a sum proportionate to the taxed Motor Spirit used in aviation used to be deducted and credited to the Civil Aviation Fund. With effect from the 1st April, 1951, the amount so deducted is merged in General Revenues. The balance of the proceeds is credited to the Central Road Fund.

The Civil Aviation Fund has been abolished from 1st April 1953 and the balance standing at the credit of the fund has been transferred to the general Revenues.

3. The receipts in the Central Road Fund are administered by the Government of India in the Ministry of Transport & Communications. The amount credited to the Fund is allocated as follows:

(a) A portion equal to 20 percent is retained by the Central Government as a Central Reserve. The Central Reserve is applied firstly to meet the cost of administering the Central Road Fund and thereafter upon such schemes for research and intelligence and upon such special enquiries connected with roads and upon such special grants-in-aid for such objects connected with Roads as the Central Government may approve.

(b) Out of the remainder *i.e.* 80 percent allocations are made by the Central Government to the States and Union Territories in India, in the ratio in which the consumption of taxed motor spirit (other than motor spirit used in aviation) in each area for which an allocation is to be made bears to the total consumption in the territory of India of taxed motor spirit (other than motor spirit used in aviation, during the calendar year ending during the financial year concerned.

4. The amount credited to the Central Reserve and the allocation to the various administrations is based on the actual amount of revenue creditable to the Road Fund which is known after the close of the financial year concerned and not on the basis of the amount of *ad hoc* block grant transferred to the Fund during the year. The difference between the amount of *ad hoc* block grant transferred to the Fund and that creditable to the Fund on the basis of actuals is adjusted in subsequent years.

5. The Road Fund allocation during a year relates to the revenue in the Fund in respect of the preceding year. In addition 'on account' allocations in respect of the anticipated revenue for the first six months of the year in which such allocations are made, are also credited to the Road Fund allocation accounts of the States. In other words, the allocation made in a particular year is normally in settlement of the final allocation in respect of actual revenue for the preceding year *plus* an 'on account' allocation in respect of the anticipated revenue for the first six months of the year in question.

In order to enable the States to draw up a programme of works, and to provide for continuity in works, the anticipated revenue for the next two years is hypothecated, while approving the schemes to be financed out of the State allocations from the Central Road Fund but the actual expenditure is in no case allowed to exceed the amount actually available in the Fund.

6. *Allocations.*—The allocations to the Governors' States are retained by the Central Government until they are actually required for expenditure. The schemes proposed for being financed from Central Road Fund allocations require the prior approval of Government of India. The existing procedure in this regard is to give quarterly advances of 90 percent of the estimated expenditure during each quarter and to adjust the advances against actual expenditure at the end of each quarter. This procedure was adopted to avoid accumulation of large unspent balances with the State Governments. Thus the allotments to the State Governments from their Road Fund allocations during a year are made according to the estimated expenditure during that year. Such allotments do not represent the actual Road Fund allocations of the States in that year which are calculated in accordance with the procedure explained in paras 3 and 5 above.

7. The share of the Union Territories calculated on the basis of the consumption of motor spirit in the territories as indicated in para 3(b) above, are placed at the disposal of the Administrations concerned. The amounts so allotted are credited to their deposit accounts and the actual expenditure incurred on approved schemes of road development is adjusted by debit to the relevant deposit head.

8. *Central (Ordinary) Reserve.*—The procedure regarding payment from the Central Reserve (consisting of 20% of Central Road Fund receipts) is slightly different from that of allotments from the Road Fund allocations. After the Central Government have satisfied themselves about the suitability of any specified project for being financed from the Central Reserve, the State Governments are informed that the Centre is prepared to meet from the Central Reserve the whole or a stated percentage of the estimated cost of that project. The Government of India then sanction the detailed estimates for the work in question and the particulars thereof are communicated by the Central Government to the Audit officers with the intimation that a contribution would be made from the Central Reserve towards the expenditure against that estimate either at cent percent or a smaller percentage, as the case may be. Actual payments are made by the Accountant General, Central Revenues, to the State Governments on the basis of the monthly audited expenditure on the work as communicated to him by the Audit officer of the State Government concerned subject to the limit of the prescribed percentage of the sanctioned estimate.

9. During world war II, it was proposed to draw upon the Road Fund Allocation and the Central Reserve to meet the expanding needs of the Army for roads of Military importance and the Standing Committee for Roads, then in existence, supported this proposal. It was also decided for administrative and accounting convenience to finance road works of Military importance, which were to be carried out by the ordinary Civil Administration and the cost of which was beyond the resources of the Road Fund, through the procedure adopted for the Road Fund Reserve. Such schemes were wholly or partly financed from the Defence Services Estimates. The cost of such schemes was in the first instance met from the Road Fund Reserve and subsequently recouped from the Defence Services Estimates.

10. *Special Reserve.*—By an amendment of the Road Fund Resolution in April, 1950, a *special reserve*, as distinct from the Ordinary Reserve has been set up. To this Special Reserve, contributions towards the cost of Road works financed wholly or partly by Central government from sources outside the Road Fund, e.g. the Defence Services Estimates, are credited, and all expenditure representing the Central Government's share of the cost of works is debited. The procedure for payment, from the Special Reserve is the same as that for payments from the Ordinary Reserve described in paragraph 8 above.

11. *General.*—It was decided that the Central Road Fund of the Undivided government of India should be deemed to have been non-existent on the 15th August, 1947 and a fresh Fund created on that date, consisting of the amounts which would remain at the credit (but for partition) of the States now in the territory of India out of the allocations made to them in respect of the revenue upto the 14th August, 1947 plus 82½ per cent of the balance in the Reserve as on that date.

12. Final allocations from the Central Road Fund have so far been made in respect of the revenue credited to the Fund during the year 1955-56. The allocations for 1956-57 will shortly be worked out. The information regarding the income and expenditure of the Central Road Fund as required by the Public Accounts Committee, is therefore, given for the five years commencing from the year 1951-52.

13. Accordingly the information regarding the receipts and expenditure of the Central Road Fund and the closing balance at the end of the year for the five years from 1951-52 to 1955-56 is given in the three statements enclosed with this note (Annexures I-III). The figures included in these statements have been further consolidated in another statement (Annexure IV). The figures have been taken from the Appropriation Accounts for each year.

14. In the statement relating to the Allocation Account (Annexure I) the amount of allotments sanctioned to States out of their credit balance with the Central government have been taken instead of the actual expenditure incurred out of these allotments. This is because the allotments sanctioned by the government of India out of the State allocations from the Central Road Fund are transferred by the Accountant General Central Revenues, to the accounts of the States. The true balance in the Road Fund is the amount remaining in the Fund after the credits for the allotments are afforded by the Accountant General Central Revenues to the Accounts Officers of the States concerned.

15. The credits to the "Allocations" and "Reserve Ordinary" accounts represent 8% and 20% respectively of *ad hoc* Block grant transferred to the fund annually by *per contra* debit to "50-Civil Works".

(H.P. SINHA),
*Consulting Engineer (Road Development) &
 Joint Secretary to the Government of India.*

ANNEXURE I

Allocation Account in the Central Road Fund

1951-52	(Rs. Lakhs.)
(1) Opening balance on 1.4.51	539.39
(2) Credit during 1951-52	272.00
(3) Total upto end of 1951-52	<u>811.39</u>
<i>Deduct</i>	
Disbursement made during 1951-52	216.89
(4) Closing balance on 31-3-52	594.50
 1952-53	
(5) Credit during 1952-53	416.00
(6) Total upto end of 1952-53	<u>1010.50</u>
<i>Deduct</i>	
Disbursement made during 1952-53	235.05
(7) Closing Balance on 31.3.53	<u>775.45</u>
 1953-54	
(8) Credit during 1953-54	368.00
(9) Total upto end of 1953-54	<u>1143.45</u>
<i>Deduct</i>	
Disbursement made during 1953-54	193.77
(10) Closing Balance on 31.3.54	<u>949.68</u>
 1954-55	
(11) Credit during 1954-55	352.00
(12) Total upto end of 1954-55	<u>1301.68</u>

(Rs. Lakhs.)

Deduct

Disbursement made during 1954-55	527.51
(13) Closing Balance on 31.3.55	774.17
1955-56	
(14) Credit during 1955-56	360.00
(15) Total upto end of 1955-56	1134.17

Deduct

Disbursement made during 1955-56	378.98
(16) Closing Balance on 31.3.56	755.19

ANNEXURE II

Ordinary Reserve Account on the Central Road Fund

	Rs. Lakhs
1951-52	
(1) Opening balance on 1.4.51	60.70
(2) Credit during 1951-52	68.84
(3) Total upto end of 1951-52	129.54
<i>Deduct</i>	
Expenditure during 1951-52	40.09
(4) Closing Balance on 31.3.52	89.45
1952-53	
5. Credit during 1952-53	103.98
6. Total upto end of 1952-53	193.44
<i>Deduct</i>	
Expenditure during 1952-53	13.94
7. Closing Balance on 31.3.53	179.50
1953-54	
8. Credit during 1953-54	92.00
9. Total upto end of 1953-54	271.50
<i>Deduct</i>	
Expenditure during 1953-54	20.55

	Rs. Lakhs.
10. Closing Balance on 31.3.54	250.95
1954-55	
11. Credit during 1954-55	88.00
12. Total upto end of 1954-55	<u>338.95</u>
<i>Deduct</i>	
Expenditure during 1954-55	23.54
13. Closing Balance on 31.3.55	<u>315.41</u>
1955-56	
14. Credit during 1955-56	90.00
15. Total upto end of 1955-56	<u>405.41</u>
<i>Deduct</i>	
Expenditure during 1955-56	33.31
16. Closing Balance on 31.3.56	<u>372.10</u>

ANNEXURE III

Special Reserve Account in the Central Road Fund.

	Rs. Lakhs.
1951-52	
1. Opening balance on 1.4.51	42.16
2. Credit during 1951-52	89.98
3. Total upto end of 1951-52	<u>132.14</u>
<i>Deduct</i>	
Expenditure during 1951-52	44.95
4. Closing Balance on 31.3.52	<u>87.19</u>
1952-53	
5. Credit during 1952-53	130.55
6. Total to end of 1952-53	<u>217.74</u>
<i>Deduct</i>	
Expenditure during 1952-53	127.72
7. Closing Balance on 31.3.53	<u>90.02</u>

	Rs. Lakhs.
1953-54	
8. Credit during 1953-54	158·06
9. Total to end of 1953-54	<u>248·08</u>
<i>Deduct</i>	
Expenditure during 1953-54	154·27
10. Closing Balance on 31.3.54	<u>93·81</u>
1954-55	
11. Credit during 1954-55	158·73
12. Total to end of 1954-55	<u>252·54</u>
<i>Deduct</i>	
Expenditure during 1954-55	110·66
13. Closing Balance on 31.3.55	<u>141·88</u>
1955-56	
14. Credit during 1955-56	76·33
15. Total to end of 1955-56	<u>218·21</u>
<i>Deduct</i>	
Expenditure during 1956-56	84·08
16. Closing Balance on 31.3.56	<u>134·13</u>

ANNEXURE IV

Central Road Fund Account

	Rs. lakhs.
1. Opening balance on 1.4.51 (Total of opening balance shown in Annexures I-III)	642·25
2. Unallocated balance on 1.4.51	455·34
3. Credits during the years 1951-52 to 1955-56	<u>2,824·48</u>
4. Total upto end of 1955-56	3,922·07
<i>Deduct</i>	
Expenditure during the years 1951-52 to 1955-56.	2,205·31
5. Closing balance at end of 1955-56	<u>1,716·76</u>

Note:— The difference of Rs. 4·86 lakhs between the closing balance (Rs. 1,716·76 lakhs) shown in this statement and that shown in the appropriation accounts for 1955-56 (Rs. 1,711·90 lakhs) was the effect of an erroneous adjustment of Rs. (—) 4·89 lakhs in the accounts for 1948-49 subsequently set right in 1957-58 and rounding (Rs. 3,000).

APPENDIX LII

Note from the Ministry of W.H.& S. pursuant to action taken on para 132 of the 23rd Report regarding loss due to non-acceptance of a more favourable offer.

No. PII-II(8)/55.

New Delhi, the

Feb., 1959.

The Public Accounts Committee in Para 132 of their 23rd Report have recommended as follows :—

“The Committee desire that in the matter of placing overseas contracts, the relative advantages of FOB and CIF basis of contracts should be watched over a period of years to evolve a formula for general guidance.”

The above recommendation of the Public Accounts Committee is in turn based on the note submitted to them in December 1956 by this Ministry (Annexure I—Appendix XII of Twenty-third Report of Public Accounts Committee-Vol.II).

2. As already pointed out in the earlier note, in the case of liner shipments it is on the whole more advantageous to Government to place contracts on F. O. B. basis, particularly in view of the position explained in subsequent paragraphs. It may be mentioned in this connection that the Audit Officer, Washington, has now observed that the 15% rebate allowed by Conference Lines is not only available to Govt. but also to private firms who are regular clients of the Conference Lines. But, whereas the latter are under an obligation to ship by the Conference Lines alone, the Government have the option to engage freight outside Conference Lines when ever it is more economical.

3. The Government of India have accepted encouragement of Indian shipping as their declared policy and have, therefore, the obligation to translate this into practice by moving as much of their cargo as possible through Indian Shipping lines. If C & F Contracts are placed either in the Continent of Europe or in America for considerable purchases that are being made, the Purchase Organisation will have no say on the type of ship to be used. To tie a prospective supplier to use Indian flag vessels either for the full tonnage bought from him or part of the tonnage would be unrealistic, because no supplier will be willing to accept such a condition, as it is not the normal practice of trade on C. & F. supply to insist on a quantity of goods being shipped by a vessel of a particular flag. For the shipment of stores financed out of the International Cooperation Administration funds they have been insisting that 50% of the goods should be shipped in American Flag vessels under the I.C.A. rules and this clause, notwithstanding the fact that America has a large Merchant Marine fleet, has been causing difficulties. With its limited Merchant Marine fleet today if such a clause were to be put in contract insisting on the movement of even a portion of the cargo by Indian flag vessels, it is bound to create difficulties and put up the overall C&F cost. Therefore,

to encourage Indian Shipping the only alternative is to place a F.O.B. contract hereby allowing the purchase organisation to retain the initiative to make use of Indian shipping to the maximum extent possible.

Apart from the encouragement of national shipping the maximum utility-ization of the space available in Indian shipping Lines is also of very great importance to the country at this stage of extreme foreign exchange shortage. During 1958 the I.S.M. had to move 80 locomotives from America to India and because the I.S.M. retained the initiative to arrange shipping by amending the terms of a C. & F. contract into F.O.B. subsequently, I.S.M. were able to utilize the services of an Indian shipping Company to undertake shipment of 24 out of these 80 locomotives. The dollar exchange saving on this account alone is 156,000. This is only by way of illustration. Therefore, whatever the merits of C&F. and F.O.B. purchases may be, it appears necessary to retain the initiative for arrangement of shipments with the Purchase Organisations having regard to the interest of Indian shipping industry and also the paramount need to save foreign exchange.

4. The India Supply Mission/India Store Department have, however, since carried out a review of charter shipments during 1956-57 and 1957-58 to determine whether F.O.B. or C. & F. quotations are more favourable so that a formula could be evolved for general guidance. This review has been primarily confined to charter shipments as distinct from routine shipments on liner terms or bulk cargo shipments referred to in the earlier paragraphs.

As far as charter shipments are concerned, the India Store Department have stated that during the period in question, there has been no case with them involving charter shipment where quotations were received both on F.O.B. and C.&F. basis and that, therefore, they are unable to offer any useful comments as to which system is more advantageous to Govt. and as to whether formula could be evolved for the purpose of general guidance. The I.S.M. however, have undertaken a number of charter shipments over this period and have stated that particularly in the case of food purchases, they have at times been able to obtain wheat at cheaper rates on C. & F. basis as compared to F. O. B. basis. They are of the opinion, however, that this experience is insufficient to warrant the conclusion that placement of contracts on C. & F. basis would be more advantageous to Government than on F. O. B. basis, and that, therefore, it would be difficult to evolve any formula for purposes of general guidance to our Purchase Missions.

5. In this connection, they have pointed out that mere comparison of C. & F. and F. O. B. quotations without reservation would be misleading. It is their opinion that, as far as C. & F. contracts with big grain export houses are concerned, they may be able to quote a freight rate slightly lower than the prevailing market rate on account of the following two reasons :—

- (i) Most of the big grain houses in United States are also interested in freight, as they may have their own subsidiary shipping concerns. At a time when they have some extra freight available for which they cannot find any employment, they may give some freight reduction in order to make the C. & F. offer attractive.

- (ii) They may be able to quote lower rates either because they have covered their freight in advance, as in their opinion the freight market is firm or is likely to go up, or where it is the supplier's or trader's opinion that the freight rate is likely to go down and he may derive some advantage by waiting for appropriate time before securing freight say, within a couple of days from the day of shipment; he may still quote on C. & F. basis without having covered himself on freight. In reality, therefore, where a supplier quotes on C. & F. basis, he often speculates in the freight market using his best judgement whereas, where Government conclude F. O. B. purchases, there is no room for speculation and it is necessary for Government to secure freight as early as possible after purchasing wheat so as to match the freight with the delivery of wheat. To this extent, therefore, Government ordinarily pay standard prices in a freight market whereas supplier who accepts the contract on C. & F. basis may be in a position to speculate and thus secure for his benefit any rise or fall of rate in the freight market.

In I.S.M.'s opinion, this position is true only with regard to food grain shipments. It is their opinion that in the shipment of general cargo, where the supplier has no specialized knowledge of freight, while giving C. & F. quotations, he usually speculates as to what would be the freight cost at the time of shipment, to which he adds a little cushion to safeguard himself. In such cases the supplier stands to lose only in the case of freight rate going beyond the anticipated freight cost plus the cushion he has provided. This in I.S.M.'s opinion happens very rarely as a normal Supplier in U.S.A. is very conservative when he quotes his freight rate and invariably provides sufficient cushion. If this speculation is good and the freight does not go beyond the rate he has speculated, the supplier gets not only the normal profit but also a profit on the freight. As such, placing of contracts on C. & F. basis in preference to F.O.B. basis for general cargo may not, in most cases, be of advantage to Government.

6. It is, therefore, the conclusion of I.S.M. that purchases on C.& F. basis may not ultimately be all that advantageous to Government and that it is best, therefore, that discretion is available to the officers on the spot to determine whether on any particular occasion it would be preferable to conclude a contract on C. & F. or on F. O. B. basis. There may have been certain cases where on acceptance of quotation on F. O. B. in preference to C. & F. by I.S.M., Government had to incur extra expenditure. However, in order to give a logical conclusion as to whether C.& F. or F. O. B. purchases will be more favourable, it would be necessary to consider a number of cases in which contracts have been awarded over a period of time and take the gains that may have been made by making F.O.B. purchases alongwith the losses as compared to each other. Such a comparison is possible only if quotations are invited both on F. O. B. and C. & F. basis for each contract. However, the practice prevailing in I.S.M. is to invite only F.O.B. tenders as American suppliers are usually averse to taking any responsibility for delivery of goods at Indian ports. It is, however, I. S. M.'s opinion that there would be a number of cases where by exercise of discretion and making F. O. B. purchases, I.S.M. would save money. For instance, in a recent contract for 100

locomotives, where initially the contract provided that the firms would call forth quotations for freight, find out the rate and get the Reasonableness Certificate from I. S. M., I.S.M. had to pay \$10,500 per unit towards freight for the first lot of 20 locomotives. Afterwards, the contract terms were amended and the Mission were given full power to arrange the shipment of the locomotives. The remaining 80 locomotives, I.S.M. were able to ship at the rate of \$ 6,500 per unit. By the exercise of their discretion, I. S.M. in this case saved a lot of money. In another case of recent food purchase undertaken by the Mission, it has been possible for them to secure more advantageous terms on F. O. B. purchases than would have been the case on C. & F. purchases by arranging shipment not only by charter but even under liner terms, where necessary.

7. It is also the I. S. M.'s conclusion that even in food purchases, purchase on C. & F. terms may at time be more advantageous to Government, these conclusions do not necessarily apply to the purchase of other stores such as steel as in the case of steel, there is usually sufficient time between the date of placing of contract and the date of delivery to enable the purchaser to determine whether in a particular case, it would be preferable to go in for F. O. B. purchase or whether in such a case, C. & F. purchase would be more advantageous to Government. It has been reported by I. S. M. that, as far as PL 480 is concerned, the United States Department of Agriculture which used to issue C. & F. authorisations as well as F. O. B. authorisations in the past, have revised their policy now and are issuing only F. O. B. authorisation in view of the fact that in C. & F. purchases the grain houses were speculating in freight and raising the freight market from time to time and were making profits not only on the grain sold but also on the freight carried. This decision of the U.S.D.A. is a clear pointer on the merits and demerits of F.O.B. purchases *versus* C. & F. purchases as far as grain trade is concerned.

In view of these considerations, the I. S. M. have advocated F. O. B. purchases with the provision that discretion should be vested in the officers on the spot to determine whether a F. O. B. or C. & F. purchase as the case may be, is more advantageous to Government whilst it would be against Government interests to tie down any purchase Mission to any particular manner of purchase at all times.

8. This Ministry have also considered the matter in the light of the review undertaken by the I.S.M. and are of the opinion that it is best to leave the matter to the discretion of the purchase Mission to decide each particular case on merits whether it is to Government's advantage to conclude C. & F. or F. O. B. contract and to this extent no general formula is really possible. Audit have advocated that while the Purchase officer should exercise this discretion, he should obtain quotation both on F. O. B. and C. & F. basis in each case so as to provide a basis for comparison.

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

ANNEXURE I

GOVERNMENT OF INDIA

MINISTRY OF WORKS, HOUSING & SUPPLY

NOTE FOR THE PUBLIC ACCOUNTS COMMITTEE

SUBJECT :—*Public Accounts Committee—Consideration of the Appropriation Accounts (Civil), 1952-53 and Audit Report, 1954,—Part II and Commercial Appendix thereto and Audit Report (Civil) 1955.*

Reference :—LOK SABHA O. M. No. 100-PAC/55, DATED 19-11-56. PARA 27—LOSS DUE TO NON-ACCEPTANCE OF A MORE FAVOURABLE OFFER.

A note stating the results of the review to be undertaken in the C. & F. and F.A.S. contracts entered into by the Ministry of Works, Housing & Supply.

In assessing such merits a distinction will have to be made between charter shipments and liner shipments. In the case of liner shipments there can be no doubt that it is more advantageous to Government of India to conclude contract on F.O.B. basis and make their own arrangements for shipment, for reasons as since confirmed by the India Supply Mission, whose reply, is reproduced below :—

“No doubt it is obviously advantageous to the Government to purchase stores on F.O.B. basis rather than C. & F. in the case where berth-line shipments are involved as India Supply Mission get 15% concession on the Conference rates. This concession is not available to the private trade. Besides that, we save in the matter of charges by freight forwarder and the handling cost which are also available to us from our contractor at a very reasonable rate.”

The same conditions also apply in the case of India Store Department, London, namely, a 15% concession on the Conference rates plus saving in the charges for freight forwarding and handling.

This however, does not mean that offers on C. & F. basis in the case of charter shipments are not accepted by the Government. Ordinarily, however, such offers are not received even where the consignment is of sufficient volume and tonnage to warrant a charter ; firms also, usually, add a substantial premium to their quotation if they are required to quote on C. & F. basis to cover possible increases in freight rates subsequent to their quotation and the anticipated difficulties in obtaining shipping space due to the present tight shipping position. Government of India, occasionally, accept offers on C. & F. basis in view of difficulties involved in arranging freight departmentally and when prevailing freight rates are not more favourable and it is not considered worthwhile to arrange shipment departmentally. In this particular case of shipment of steel billets C. & F. offer was not accepted as it was anticipated that rates would come down and it would be more economical to accept an F. A. S. quotation and arrange freight departmentally though unfortunately this expectation did not materialise.

The Mission were also requested to let us know the result of such a review in case of shipments on full charter basis during the last one year. As there has been no case of shipment on full charter basis, during the last one year, the Mission are unable to compare contracts on F. O. B. & C. & F. basis to know which of them would be more advantageous. Ordinarily, however, except in exceptional cases charter arranged by Government is less costly in view of the arrangement for charter being made directly from the Baltic Exchange, and the saving in dollar under such an arrangement which enable the freight element to be paid in soft currency.

Sd/- (M. R. SACHDEV)

Secretary, Ministry of Works, Housing, & Supply.

APPENDIX LIII

Notes from the Ministry of W. H. & S. pursuant to action taken on paras 237-239 of the 7th Report regarding departmental execution of work.

Paragraph 11 of the Audit Report (Civil) 1956 relates to the excess on the estimate for the year 1952-53 for the work of annual repairs and maintenance of G.O. Bs. Class 'A'. The estimate for this work was sanctioned for a sum of Rs. 58,150/- against which the expenditure booked is Rs. 80,456/-.

2. In the Audit paragraph, it has been stated that the work was done partly by contract and partly by departmental labour. The portion of the work which was let out on contract was estimated to cost a little over Rs. 21,000/- and was executed at cheaper rates. The overall expenditure exceeded the estimate by Rs. 22,306/- after absorbing the saving.

3. During the discussion in the meeting of the Public Accounts Committee on 3-1-1958, it was explained by the representative of the Ministry of Works, Housing and Supply that there was a change in the occupancy of certain bungalows due to their upgrading thereby necessitating extensive repairs and some of the bungalows were also partitioned and split up into two units. Further, due to dampness in certain bungalows it was found necessary to do under-pinning as a result of which heavy repairs had to be carried out. Therefore, the expenditure on such repairs could not be met from within the sanctioned estimate based on the prescribed percentage for maintenance of buildings.

4. The Committee observed that in such cases the estimates for repairs should be more realistic and the representative of the Ministry agreed that necessary instructions will be issued in this behalf. The Public Accounts Committee have now desired to be furnished further information as below:—

- (a) Copies of the instructions issued to the P.W.D. authorities that the estimates should be more realistic, should be sent to audit and to the P.A.C. Secretariat.
- (b) A note giving the details of excess amounting to Rs. 22,184/- and explaining why the actual expenditure went up, what was anticipated and why any particular expenditure was incurred. Regarding (a), a copy of the instructions which have been issued separately, is enclosed.

Regarding (b), it may be stated that the estimate originally was sanctioned for a sum of Rs. 58,150/- on the basis of percentages fixed by the Chief Engineer on the capital cost of the buildings as per details below :—

Capital cost of permanent buildings constructed prior to 1946	.	.	.	20,24,421	@2.5%	50,611
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Capital cost of permanent buildings constructed in 1946	2,65,290	@2.5%	6,633
Capital cost of permanent buildings constructed after 1947	15,025	@1.00%	150
Add for maintenance of unfiltered water supply line on the compound of 42 bungalows	42 × 15 each		630
Add for 42 hydrants	42 × 10		420
			58,444
TOTAL			58,450
or say			58,450

But estimate was only sanctioned for Rs. 58,150.

5. During the year it was found necessary to do under-pinning in the foundations of some of the buildings because of dampness. This was done in six bungalows namely (1) No. 3, King Edward Road, (2) No. 7, Queensway, (3) No. 2, Sunehri Bagh Road, (4) No. 1, King Edward Road, (5) No. 8, Queensway, (6) No. 4, York Place. The expenditure on under-pinning was charged to Special Repairs Estimates separately but no provision was made in these estimates for the other items of repair works which became necessary as a result of under-pinning. Such items had to be charged to the annual repairs estimate which was sanctioned originally for Rs. 58,150/-.

6. Out of 42 bungalows, tenancy during the year was changed in the case of 17 bungalows as per list attached. These bungalows are meant for high officials and therefore due to the change of tenancy some extra repairs had to be carried out during the year.

7. 5 bungalows namely (1) 4, York Place, (2) No. 3 King Edward Road (3) 7, Queensway, (4) 11, Queensway and (5) No. 8, Queensway, were partitioned and split up into two units to provide accommodation for two officers instead of one. The expenditure on account of splitting up these bungalows was accounted for separately but this resulted in extra expenditure on repair items also which were charged to the Annual Repairs Estimate.

8. For the reasons stated above additional repairs had to be carried out in the case of 28 bungalows thus resulting in excess over the sanctioned estimates.

9. Due to the change in tenancy in some of the bungalows as stated above, chowkidars also had to be employed for watch and ward during the period the bungalows remained vacant or under repairs. This also resulted in additional expenditure.

10. Repairs during the year were carried out through different agencies *i.e.* through contractor work-charged establishment and employing casual labour on muster roll. Some expenditure was also incurred on materials supplied departmentally. The amounts spent under each of these heads are stated below :

	Rs.
1. Work done through contract.	12,477
2. Cost of work-charged establishment	25,610

	Rs.
3. Work done through casual labour	12,588
4. Cost of materials consumed	29,592

11. Out of the work done through the casual labour, measurements were recorded for items amounting to Rs. 3,123.75. The details of these items are enclosed. The rest of the work done through the casual labour was not measured and was certified as not susceptible of measurements. A sum of Rs. 189/- is booked under contingencies.

12. The details of the excess of Rs. 22,306/- are shown as under :

Sub-head	Amount as sanctioned estimate	Amount of actual expenditure	Difference Excess (+) Saving (-)
	Rs.	Rs.	Rs.
1. Work-charged establishment	25,288	25,610	(+322)
2. Casual Labour	2,191	12,588	(+10,397)
3. Cost of materials used by work-charged & casual labour	8,261	29,592	21,331
4. Work done by contractor	22,410	12,477	(-)9,933
5. Contingencies . . . . .	..	189	(+189)
Total	58,150	80,456	(+22,306)

NEW DELHI;
The 22nd August, 1958.

(K. S. KRISHNASWAMY)
Joint Secretary to the Government of India.

Statement showing the list of bungalows in which tenancy was changed during the year 1952-53

1. No. 4, Hasting Road.
2. No. 6, Hasting Road.
3. No. 7, Hasting Road.
4. No. 8, Hasting Road.
5. No. 8, York Road.
6. No. 1, York Place.
7. No. 2, York Place.
8. No. 3, York Place.
9. No. 3, Queensway.
10. No. 10, Queensway.
11. No. 12, Queensway.
12. No. 3, King Edward Road.
13. No. 1, Clive Road.
14. No. 5, Race Course Road.
15. No. 8, Albuquerque Road.
16. No. 4, King George's Avenue.
17. No. 8, King George's Avenue.

Abstract

<i>Work measured</i>	<i>Labour</i>	<i>Material</i>	<i>Work done</i>
G.O.B. Class 'A'	Rs. 3122-12-0	Rs. 1611-0-0	Bees waxing and sand papering doors & windows
			Rs. nP.
			2973 29.62
			51669 516.69
			at Rs. 1%
			Scrapping old peal off white & colour wash- ing 30435 at 1/4 %
			380.43
			Painting of sorts after sand papering doors & windows Fire-Places 22980 @ 1/13 1/4 %
			411.62
			Painting to sanitary fittings in 20 Bungalows at 5/- each
			100.00
			Colour washing 33168 @ -16/- %
			199.00
			Cleaning glass panes Removing stains etc. (LS)
			325.00
			Repairing Plinth & Painting with Hemanchi 5 Bungalows 9096 sft. at -14/- %
			127.34
			Repairs & Painting to Gates 13 Bungalows at Rs. 7/-
			91.00
			Repair to Ceiling Plaster & Floors L.S. etc.
			250.00
			Saligma Painting 34955 sft. @ 1/- %
			349.55
			Making chullahs 1/2 (L. S.)
			142.00
			Replacing W.cs and L. Bars.
			200.00
			<hr/> <hr/> 3122.75 <hr/> <hr/>

CENTRAL PUBLIC WORKS DEPARTMENT

No. 16/2/58-WI

Dted, New Delhi-the; 8th July, 1958

OFFICE MEMORANDUM

SUBJECT :- *Percentage of Annual Repairs and Special Repairs for maintenance of Government buildings.*

In the orders issued in this Office Memo. No. WI/CE/73 dated 17-2-54 and No. WI/CE/73 dated 20-10-54, certain percentages had been laid down within which the expenditure on annual repairs and special repairs on Government buildings has to be incurred. These percentages have been prescribed for adoption in all Circles and Divisions of the Central P.W.D.

A case has come to Notice in which the expenditure on annual repairs to certain residential buildings far exceeded the prescribed limit for which the estimate was originally sanctioned based on the percentages fixed by the Chief Engineer. There was also a considerable delay in having the excess regularised under the orders of the competent authority. The excess was due to certain items of repairs which had to be done on account of upgrading of certain residences and dividing them into two units. Further, certain repairs were done as a result of under-pinning in the foundations.

Audit mentioned this case in their Audit Report and the Public Accounts Committee took a serious objection in the way in which this case has been dealt with i.e. neither the estimate was prepared on a realistic basis nor was action taken by the officers well in time to have the excess regularised.

In such cases, it is necessary that the items of repair work should be anticipated well in advance and such items which cannot be ordinarily covered by the repair estimates which are sanctioned on percent age basis should be covered by Supplementary estimates which should be got sanctioned from the Additional Chief Engineers before such items are taken in hand. The intention is that our estimates should be framed on realistic basis and confirm to the actual requirements and not merely limited to the percentages fixed by this office which are meant for carrying out ordinary annual repairs.

Even in the case of ordinary repairs if any particular case the percentages on which the estimate is to be based are not likely to aver the repair works proposed to be done, the percentages should be got revised from the Additional Chief Engineer so that the expenditure remains within the estimates sanctioned by the competent authority. If in any exceptional case there is likelihood of the estimate being exceeded steps should be taken during the execution of the work to have the revised estimate sanctioned under the orders of the competent authority. The expenditure as recorded in the register of works should also be reviewed with a view to see that excesses, if any, in respect of a particular works are regularised well in time.

Sd/- Chief Engineer.

To

1. All Additional Chief Engineers
2. etc. etc.

APPENDIX LIV

Note regarding departmental execution of works—Disciplinary action—paras 237(i), 238(ii) and 239 (iii) of the 7th Report (Second Lok Sabha) of the P.A.C.

REFERENCE :— *Note for the Public Accounts Committee sent to the Lok Sabha Secretariate, vide the Ministry of Works, Housing and Supply's O.M. No. B-5(49)/57, dated 26-8-1958.*

A note of warning for not maintaining the initial accounts and for laxity of financial control has been recorded on the Character Rolls of the officers concerned.

(K. S. KRISHNASWAMI),
Joint Secretary to the Government of India.

NEW DELHI;
Dated 17th Jan., 1959.

APPENDIX LV

Note from the Ministry of W.H. & S. pursuant to action taken on para 249(ii) of the 7th Report regarding recovery of arrears of rent due from the displaced persons

With regard to the amount of arrears of damages in respect of Government premises recoverable by the Estate Office from displaced persons who had verified claims, the Public Accounts Committee had suggested that the Ministry of Works, Housing and Supply should intimate the outstandings to the Ministry of Rehabilitation who in their turn should take steps to adjust them against any amount of compensation that might be payable to such persons. In February, 1957, the Committee was informed that the Ministry of Rehabilitation had not agreed to declare damages outstanding against displaced persons as "public dues" and to recover them from the compensation payable to the persons concerned. It was also stated that necessary action to recover the dues through recourse to law would be taken after finding the whereabouts of the persons concerned. In their Office Memorandum No. 35/PAC/55, dated the 23rd May, 1957, the Lok Sabha Secretariat desired that the circumstances under which the recommendation of the Public Accounts Committee could not be accepted by the Ministry of Rehabilitation be intimated for the information of the members of the Committee.

2. The Ministry of Rehabilitation have explained the position as under :—

- (i) There were about 4½ lakh claimants for compensation out of whom about half had already been paid compensation. It would not be possible to check up all the applications for compensation with the list of defaulters furnished by the Estate Office specially as in the very nature of things the said list could not contain detailed particulars of the defaulters the whereabouts of many of whom were not known to the Estate Office. It would be difficult to compile lists of all the claimants who had yet to be paid and to send them to the Estate Office for verifying whether any amount in the shape of rent or damages for unauthorised occupation is due from them in respect of the accommodation occupied by them.
- (ii) A vast majority of claimants are to be paid compensation by transfer of Government built or evacuee property. The claimant are not entitled to payment in cash, except in cases where net compensation does not exceed Rs. 4,000/-. In view of this recovery from the said displaced persons in cash would not be practicable.
- (iii) Cash compensation upto a maximum of Rs. 8,000/- was paid to a few priority categories of displaced persons e.g., T.B. Patients, blind and disabled persons, widows, cancer patients, persons above 65 years of age, inmates of Homes and Infirmarys etc. The

payments are made entirely on humane grounds. Even if a defaulter belonged to any of these categories it would be difficult to render void the promise made to him for payment in cash and then adjust the same against the dues of the Estate Office. In any case, the majority of such "priority" cases have already been paid amounts due to them. Moreover, the cash resources of the Compensation Pool are so meagre that the Ministry of Rehabilitation are not ready to make any commitment to pay in cash except to a very limited number of displaced persons.

- (iv) The damages due from the displaced claimants cannot be recovered as "public dues" under the Displaced Persons (Compensation and Rehabilitation) Act, 1954 unless they are specifically declared as such by a notification under section 2(d) (iv) of the Act. Only such amounts are treated as "public dues" as are creditable on deduction to the Compensation Pool constituted under Section 14 of the Act. As the arrears of rent will have to be paid to the Estate Officer, the Ministry of Rehabilitation are averse to declaring these damages as "public dues."

3. With regard to para 2(i) above, Audit have remarked as under :—

"It may be possible to devise a suitable procedure to facilitate recoveries of the Estate Officer's dues from the Compensation claims if it is decided by Government to effect the recoveries in this manner wherever possible. If the Claims Office is to be able to check up the list of applications they may at least send to the Estate Officer a list of claims (with sufficient particulars) which it is proposed to meet as each such list becomes ready. An arrangement may be reached with the Estate Officer that the latter would within a week or ten days of the receipt of such list notify the cases in which there are outstandings to be recovered. After all the Claims Office can make only a certain number of payments in a day. The procedure outlined above would merely mean that the payments would be delayed by a period of a week or ten days in each case. There may be other and better ways of getting over the difficulty."

4. As regards para 2(iv) above, the comments made by Audit were as follows :—

"As it appears the Ministry of Rehabilitation are averse to this course as it would reduce the cash payment otherwise admissible to the displaced persons. If so the main reasons for not effecting recoveries at least in cases where full particulars etc. are available would be considerations of policy which might be explained in the note for the information of the Public Accounts Committee.

During 1957-58 alone a sum of Rs. 12 crores has been provided for cash payments of Compensation to displaced persons in Demand No. 125. Obviously the adjustment of recovery of this small amount of about Rs. 2 lakhs against the Compensation pool is not likely to upset the cash resources of the pool".

In this connection the Ministry of Rehabilitation have pointed out that the amount of Rs. 12 crores had been provided only to meet the cash liabilities inherent in the compensation scheme and not for any other purpose. Demands of the type in question from other Government Departments etc. have had to be rejected because the cash resource of the pool are not enough even to meet the immediate needs of the Ministry of Rehabilitation. It may also be mentioned that under section 14 of the Displaced Persons (Compensation and Rehabilitation) Act, 1954 the Compensation Pool can be utilised only for payment of compensation and rehabilitation grants to displaced persons. The Ministry of Rehabilitation are therefore precluded from utilising the resources of the pool for any other purpose. The payment of arrears of rent to the Estate Officer in cash from the resources of the Pool would, therefore, be *ultra vires* of the section referred to above.

5. The Ministry of Rehabilitation have however agreed to adjust the dues of the Estate Office against the compensation amount provided a request to this effect is received by them from the displaced persons concerned. This will enable the Estate Office to recover their dues in certain cases where the defaulters volunteer to get the amount adjusted against their verified claims.

6. With regard to the suggestion made by Audit *vide* para 3 above, it is felt that no useful purpose will be served if statements showing cases where compensation is going to be paid were sent to the Estate Office to link the defaulters as per their records with the claimants as shown in the lists to be received from the Regional Settlement Commissioners. Particulars of the defaulters *i.e.* percentage home town etc. or index number of claims are not recorded in the books of Estate Office with the result that it is not possible to find out the correct persons from whom damages are due. Three officials from Estate Office were however specially deputed for three days to scrutinise the applications for compensation finalised by the Regional Settlement Commissioner, New Delhi during January* 1958. About 1,500 such applications were examined in 3 days and the results of the case study are given as under :

No. of applications scrutinised	1500
No. where particulars of residential accommodation have been furnished.	150
No. residing in Government premises borne on the books of the Estate Office.	7

Of the 7 residing in quarters borne on the books of the Estate Office three were in occupation of quarters officially allotted to them and were regularly paying rent; three were sharing accommodation with the allottees and no damages were to be recovered from them and one was in unauthorised occupation but had already paid the damages (Rs. 157/10/-) in full.

It will be seen from the above that the labour put in (9 man days) was incommensurate with the results. Even if the scrutiny had brought to light a case in which the person to whom compensation was due owed a certain

mount to the Estate Officer the possibility of adjustment would have been remote firstly because claims are rarely settled in cash and secondly because the prior consent of the claimant to such adjustment would have been necessary and this may not have been forthcoming. Further attempts in this direction are hence unlikely to yield any tangible results.

(R. F. ISAR),

Joint Secretary to the Govt. of India

APPENDIX LVI

Note from the Ministry of W.H.&S. pursuant to action taken on para 255 of the 7th Report regarding the scope of improving the methods of indenting for stores, their issue and accounting of receipts and issues of stores.

The Public Accounts Committee in their Session held on the 3rd to 6th January, 1958 discussed paragraph 22 of the Audit Report 1956 on the irregularities in stores transactions. The Committee was not quite happy with the decision of the Government to interpret the term 'normal supplies' as total supplies made to the indentors in any year directly from the supplying Mills as well as issues from stocks. Therefore, they desired that the matter should be further examined with particular reference to the following points :—

- (a) The practice regarding level of stock held in the depots under the control of other Ministries ;
- (b) The possibility of the Mills being persuaded to hold higher stocks to obviate the need for maintenance of reserves against direct supplies ;
- (c) Losses in storage as a result of high stock held due to the inclusion of direct supplies in the reserves ;
- (d) The increase in insurance charges due to the increase in the stock held because of the inclusion of the direct supplies in the reserves.

2. The practice followed by other Ministries in respect of stock held was ascertained. The Stationery Office appears to be unique in having direct supplies of sizeable demands. Except in the case of some military engineering stores, there is practically no system of direct supply elsewhere because in 99% cases the Indentor's demands are met from stock in the depots. In the case of military engineering stores, direct supply is limited to certain electrical, sanitary and other building equipments which are supplied direct at works site for erection. Therefore, it is considered that this difference in system will have no adverse repercussions on other Ministries of the Government of India.

3. The possibility of persuading the paper mills to hold minimum stocks of selected varieties of paper for the Directorate General of Supplies & Disposals was taken up during the recent negotiations with the Paper industry. It was found that the industry was averse to the suggestion. The fear of the industry was based on the fact that the total indigenous production of paper in India is far below the normal demands of the country ; as such, they could profitably sell their products in the open market for ready cash, and found no use in holding stocks on behalf of Government indentors. In the present conditions of a "seller market" the fears of the industry seem to be genuine.

4. The attached statement I would indicate that losses on account of deterioration, storage etc. because of higher balances are not significant.

5. As Government stocks are not insured, the question of additional insurance charges consequent on higher stock-holding does not arise.

6. The question of the level of stocks to be held has been further examined. The circumstances explained below would indicate the need for keeping higher stocks by the Stationery Office :—

- (a) Direct supplies are made against sizeable* demands. No detailed statistics have been kept where supplies were made in the past from stock because of strikes etc. in the mills but it has been found from experience that buffer stocks should be maintained elsewhere than in the Mills to meet such emergencies.
- (b) Supplies are not made regularly by the supplying Mills/Contractors due to the various difficulties at the moment experienced in procurement. The excess stock on 31st March is primarily due to suppliers making delivery of stores at a greater pace towards the end of the year, and as such the excess is due more to unevenness of the receipts during the course of the year than to over-provisioning.
- (c) The Stationery Office undertakes manufacture of various stationery stores as blank books, envelopes etc. The issue of stores for these fabrication contracts is to be regulated according to the performance of the firm and in many cases issues are held up consequent on default of the firm for some reason or the other. As the performance of the contractors cannot be accurately forecast, higher stock-holding seems inevitable.
- (d) Stocks of papers have to be specially arranged for delivery of timed publications as telephone directory etc. Ticket-boards have to be stored for blank card-tickets used by the Railways. In view of the importance of time schedule in the delivery of these finished products, buffer stocks are to be maintained so that even short delays are tided over by the issue from stocks.

It has been difficult to produce detailed statistics within the short time available. An attempt has been made to have detailed study of certain selected items. A statement† indicating monthly closing balance of about 62 items of stores handled by the Stationery Office where level of opening stock was more than Rs. 5,000/- is attached. It will be noticed that the balance of stores held falls steadily from April to about middle of September. It begins to rise steadily in the last quarter of the year. This phenomenon can be explained as due to the influx of the receipts towards the end of the year. The stocks held in excess are generally used up by the middle of the following year.

Even at the moment there are complaints from the various indentors about the inability of the Stationery Office to cater to their requirements in time and in several cases, local purchases had been authorised. Regularisation of local purchases resorted to by the various offices of the Government of India consequent on delay in supplies has also been very common. The statement No. IV attached will indicate the quantum of unsatisfied demands for certain selected items.

*Statement II.

†Statement III.

7. The question of having a lower limit in respect of direct supplies in the calculation was also considered. Although direct supply and store supply are treated on the same basis for calculating the permissible limit of stock, in effect, it is equivalent to four months store supply plus one and a half months direct supply, as the Stationery Office is authorised to maintain four months' stock in case of indigenous stores. The existing basis simplifies the calculations and any change would call for an amplification of the store accounts at present in use. No particular advantage seems to accrue by separate calculation of the volumes of store and direct supplies, commensurate with labour, time and staff involved. Therefore, it is apprehended that if reserve stocks are to be calculated on the store issues only or by adopting a lower limit in respect of direct supplies, there will be serious shortages thereby preventing supplies in time to the requirements of the various indentors.

8. In the circumstances explained above, it is considered that in the interest of smooth flow of supplies, the inclusion of direct supplies in normal supplies seems justified. Finance Ministry also agree generally with the above views, having regard to past experience of unsatisfied demands (statement IV).

(M. R. SACHDEV),

Dated 18-10-58.

Secretary to the Government of India.

STATEMENT I

Year	Opening Balance	Losses and write off	Percentage of column 3 to 2
(1)	(2)	(3)	(4)
	Rs.	Rs.	
1950-51	97,69,644	..	..
1951-52	45,88,600	4,436	.09
1952-53	35,91,647	40,308	1.10
1953-54	42,02,369	25,877	.6
1954-55	57,75,499	4,376	.07
1955-56	62,08,157	12,750	.2

STATEMENT II

Statement showing store issues and direct supplies made for 19 selected items in 1946-57

	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March
Store issues	2,431	69,864	97,867	94,722	28,279	26,142	46,188	74,398	1,18,217	90,096	68,777	1,20,134
Direct supplies	Nil	2,49,276	2,53,831	7,40,120	3,26,208	5,08,076	3,07,702	2,05,496	4,98,968	2,35,590	4,33,158	2,95,092

STATEMENT III

Statement showing the closing balance etc. of 62 selected items of stores handled by the Stationery Department

Months	O. Balance	Receipts	Total	Issues	Closing Balance
April . .	12,22,468	7,597	12,30,065	2,552	12,27,513
May . .	12,27,513	1,72,818	14,00,331	2,01,590	11,98,741
June . .	11,98,741	90,463	12,89,204	3,13,144	9,76,060
July . .	9,76,060	1,52,483	11,28,543	2,83,019	8,45,524
August . .	8,45,524	1,00,306	9,45,830	2,40,969	7,04,861
September . .	7,04,861	86,435	7,91,296	2,73,902	5,17,394
October . .	5,17,394	1,27,991	6,45,385	2,09,334	4,36,051
November . .	4,36,051	4,75,460	9,11,511	2,68,982	6,42,529
December . .	6,42,529	2,20,831	8,63,360	3,07,889	5,55,471
January . .	5,55,471	1,90,960	7,46,431	2,46,097	5,00,334
February . .	5,00,334	3,04,559	8,04,893	1,94,504	6,10,389
March . .	6,10,389	4,54,859	10,65,248	2,30,653	8,34,595

STATEMENT IV

Unsatisfied Demands of certain selected items

1956-57

	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.	January	February	March
Nil	2,13,451	8,44,256	6,35,237	6,12,545	8,35,913	6,19,407	6,79,125	6,64,045	6,49,191	5,11,003	4,42,905	

APPENDIX LVII

Note from the Ministry of W. H. & S. pursuant to action taken on para 260 of the 7th Report regarding Road Rollers Bulk Procurement Scheme

At their meeting held from 3rd to 8th January, 1958, the Public Accounts Committee made the following observations :—

“This is a case which has been dragging on for ten years and final price of the Road Rollers has not been fixed. The Committee urged that such account should not remain unsettled for long.”

Earlier, in this Ministry's note dated the 8th of August 1957, it was explained that all costs relating to Coordinating cell expenditure and imported components with the first firm concerned with this transaction had been finalised after acceptance by the firm of the reduction proposed by the Government in respect of various items of the Coordination cell, acceptance and submission of the Auditor's certificate by the firm with regard to reasonableness of the price charged by them for imported components. It was also explained that with regard to finalisation of the cost of the second firm concerned with this contract some of the items had been finalised whilst others were still outstanding.

The major item, which is now outstanding before the accounts can be finalised completely relates to the costs of components supplied by Ordnance factories to the second firm under the instructions of the Coordination Cell of the first firm which represents about 45% of the final costs of the road rollers. The costs could not be finalised so far as the Director General of Ordnance Factories is not agreeable to accepting the view of the Chief Cost Accounts Officer that due to inability of the Ordnance Factories to supply full quantities of all items which they were required to supply and which had to be made good from imports, they should agree to deduction of a sum of Rs. 37,13,275 from their total dues for 950 sets on the basis of Rs. 17,000 per set, such rate having been fixed on the assumption that the D.G.O.F. would supply all the components for which orders have been placed on him.

To settle these issues, a meeting was recently held by this Ministry on 21-3-58 with representatives of the Ministry of Defence, D.G.O.F. and the Ministry of Finance. In the course of the meeting, it was contended by the D. G.O.F. that their claim for a fixed amount of Rs. 17,000 per road roller for the components manufactured by the Ordnance factories was fixed after taking into account their actual costs for the components supplied by them and already, therefore, took into account any reduction to be accounted for by them on account of their failure to supply some of these components. In the light of this contention of the D.G.O.F., the case is now being further examined with reference to the decision taken at a meeting in 1951 when this figure of Rs. 17,000 per set was fixed to determine whether the figure was based with reference to the actual components finally supplied by the D.G.O.F. or whether this price was arrived at on the assumption that the D.G.O.F. would supply all the components in full quantities as initially proposed by the Coordinating Cell. A final decision in the matter, therefore, can only be taken after this point is settled.

3. Regarding the recovery of outstanding dues Rs. 9,662/8/- for Steam Road Rollers on the basis of provisional price, the matter will be taken up with the Ministry of Defence after the prices of Steam Road Rollers have been finalised.

4. As the contract is of a complicated nature and there are various parties to the contract with whom costs have to be settled before the final price can be determined, the finalisation of this case has been delayed. Every effort is, however, being made to finalise it within a period of 3 months.

NEW DELHI,
8th July, 1958.

M. R. SACHDEV,
Secretary.

APPENDIX LVIII

Note from the Ministry of W.H. & S. pursuant to action taken on para 262 of the 7th Report regarding excess payment due to mistaken estimates

The case relates to excess payment due to mistake in estimates in R.C.C. work in connection with the Lodi Road Project. The P.A.C. desired to be furnished with a note explaining the disciplinary action taken against the officers involved. After an examination of the case from the vigilance angle it has been found that the responsibility for the overpayment would lie only with the Executive Engineer and higher officers. The Executive Engineer concerned has migrated to Pakistan. The then Superintending Engineer and the Additional Chief Engineer in charge of the project retired on 14-8-54 and 5-6-47 respectively. The culpability of the Quantity Surveyor, one of the two Sub-Divisional Officers involved (the other one having already been dismissed from service in connection with a different case) and the Section Officer concerned was examined and it was found that no blame could be attached to them.

NEW DELHI,
8th January, 1959.

K. S. KRISHANA SWAMI,
Joint Secretary to the Government of India.

APPENDIX LIX

Note from the Ministry of W.H. & S. pursuant to action taken on para 267 of the 7th Report regarding inclusion of clause in Acceptance of Tenders where higher tenders are accepted on account of earlier delivery.

In cases where it is decided to accept a higher price than the lowest tender in the interests of earlier delivery, the following clause should be inserted in the relevant Acceptance of Tender :—

“Your have been awarded this contract, notwithstanding that a lower bid was submitted at a price of _____ because of your offered earlier delivery date. It is accordingly agreed that in the event of your failure to deliver any of the material by the agreed delivery date, the price of such material (as well as the price of any earlier delivered material supplied under the contract which we may be unable to put to its intended use in the absence of the undelivered material) shall automatically be reduced to the price of the said lower bid, without derogation from all other rights and remedies that we may have against you for breach of contract. Such price reduction shall in no way be deemed to confer any right on your part to any extension of the agreed delivery date. The provisions hereof shall not apply to any delays in delivery which are excusable under Article.....(DELAYED DELIVERIES) of our general conditions of contract (Form ISM-826 Rev).”

As and when it is proposed to include the above clause in the Acceptance of Tender, specific acceptance of it from the suppliers should be obtained prior to placing the contract.

In cases where the above clause is included in the contract after obtaining the specific approval of the suppliers, deliveries should be carefully watched. In the event of failure to complete supply within the delivery period, firms concerned should be asked to refund the difference between the contract rate and the lowest acceptable offer. This claim should be pursued independently of any which may be preferred on account of liquidated damages in cases where provision for the same exists in the contract. The legal adviser should invariably be consulted if a controversial point arises.

For watching the progress of such cases, a register with columns as stated below, should be maintained by all divisions; and any delay which may occur in delivery should be reported to the Deputy Director concerned without delay. It is emphasized that no supply file should be put away until all sums due to Government are either recovered from the contractor, or delay in delivery is condoned by the competent authority.

Contract No.	Description of Stores	Name of Contractor	Lowest Tender Amount	Delivery promised	Delay in delivery	Remarks (indicating progressing action taken)
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Sd./- B. N. KHANNA,
Deputy Director.

February 13, 1958

APPENDIX LX

Note from the Ministry of W.H. & S. pursuant to action taken on para 312 of the 7th Report regarding fraudulent drawal of material from Government Stores.

The Audit Para in question covers the following two cases where materials were fraudulently drawn from the Central Stores Division, New Delhi, on presentation of bogus indents with false or fictitious signatures. The Public Accounts Committee wanted to know whether there had been any further cases of fraud during the last year or during this year and to what extent the disciplinary action taken in the past had served as deterrent or proved effective. The position is explained as under :—

The following materials were drawn from the Central Stores Division, New Delhi, on presentation of indents with forged signatures :—

1. *G. I. Pipes of the total value of Rs. 8,469/-*

These were drawn against two indents dated 30-9-52 and 10-10-1952. These indents were presented to the Section Officer in the Central Stores Division and the delivery of the materials was obtained on the basis of these indents.

The fraud came to light in December, 1952, when the Advice regarding the debit for the cost of these materials was received by the Construction Division No. II on whose behalf the indent was prepared. It was at that time noticed that no such indents were issued by this Division. The matter was immediately reported to the Police authorities for investigation with a view to establishing the conspiracy, if possible, and subsequent prosecution of the culprits. The police, in November 1953, came to the conclusion that this was not a fit case for judicial trial as there was no likelihood of obtaining conviction against any of the persons involved in the case.

Departmental proceedings were started against the Assistant Engineer and the Section Officer. The former was punished by stoppage of one increment without cumulative effect, while the Section Officer was punished by stoppage of annual increments for two years with cumulative effect. The Section Officer was also not permitted to draw pay for the period of suspension i.e., pay drawn by him was restricted to subsistence allowance during the period of suspension. It was also decided not to count the period of suspension as on duty except for the sole purpose of continuity of service. On an appeal, the punishment given to the Section Officer was set aside. On re-consideration, it has recently been decided to review the orders of the Chief Engineer and the order of the Appellate authority and the Section Officer has been asked on 25-2-1958 to show cause why he should not be dismissed from service. His reply to this notice was received on 6-5-58 and is under consideration.

2. *Drawal of Cement.*

In this case also, cement costing Rs. 26,875/- was drawn on a forged indent. It came to light in April 1954 when a forged indent for 19 tons of

cement was presented to the Store-Keeper. On examining the indent, the Store-keeper suspected the *bona fides* of the signatures of the Executive Engineer and the Assistant Engineer. On investigation, it actually transpired that this particular indent was a forged one. Suspicion arose that similar forged indents might have been received in the past and accordingly all indents received in the Stores Division were scrutinised and it disclosed that cement valued at Rs. 26,875/- had already been issued against 24 forged indents.

10 officers were found to be responsible for non-observance of the instructions issued in January, 1953 regarding the verification of signatures of the indenting officers. Departmental enquiry was instituted against 7 officers and the remaining three were sent up for trial in a Court of Law but were acquitted by the Court. Disciplinary action was, however, initiated against all the officers and the up to date position about the punishments awarded to them is shown in the enclosed statement.

Indents for the period from 1st October, 1952 to 18th December, 1953, involving issue of materials worth Rs. 5 1/2 lacs have been verified except for amount of Rs. 2,311/14/-, and no discrepancy has come to notice in respect of these indents. No further case of fraud in the Central Stores Division during the last year or this year has come to notice. The punishments inflicted on the persons concerned and the preventive measures taken thereafter have thus proved effective.

Dated 22-5-58.

K. S. KRISHNA SWAMI,
Joint Secretary to the Govt. of India.

Statement showing the Officers involved in the Cement Fraud Case and the penalty awarded to them

Serial No.	Designation	Penalty Awarded
1	2	3
1	Assistant Engineer	Reverted as Section Officer and permanently debarred from promotion as Assistant Engineer. On appeal, punishment was reduced to stoppage of one increment without cumulative effect.
2	Assistant Engineer	Increment stopped for two years with cumulative effect. His appeal is under consideration, by the W.H. & S. Ministry.
3	Section Officer	Increment stopped for two years with cumulative effect and recovery of Rs. 500/- for the loss caused to the Govt. On appeal, the punishment was modified to one of stoppage of increment for two years without cumulative effect. The period of suspension was also treated as on duty, except that, for the period of suspension, the officer would not get anything more than what he had received as subsistence allowance, etc.
4	Do.	Increment stopped for two years without cumulative effect. He preferred an appeal which was rejected.
5	Do.	Censured.
6	Sub-Divisional Clerk	His increment was stopped for one year with cumulative effect under the orders of the Chief Engineer. The punishment awarded was, however, set aside and fresh enquiry by the appropriate authority has been ordered.
7	W. C. Store Clerk	Increment stopped for two years with cumulative effect and a token recovery of Rs. 200/- in 20 equal monthly instalments for the loss caused to the Govt. Due to some procedural irregularities, the punishment orders were quashed by the Govt. and <i>de novo</i> proceedings are to be started by the S. E.

1	2	3
8	Asstt. Engineer	. He has prosecuted in a court of law but was acquitted by the court. He has been censured. His appeal is under consideration.
9	Store Keeper	. He was prosecuted in a court of law but was acquitted by the court. His increment has been stopped for one year without cumulative effect. His appeal is under consideration.
10	Store Keeper	. He was prosecuted in a court of law but was acquitted by the court. He has since been censured. His appeal is under consideration.

APPENDIX LXI

Copy of letter from the Planning Commission pursuant to action taken on para 16 of the 8th Report (2nd Lok Sabha) regarding procedure for reappropriation of funds between schemes

No. Plan/5/2/57

New Delhi, 12th May, 1958.

From

Shri Nawab Singh, ICS,
Secretary, Planning Commission.

To

All State Governments.

SUBJECT : Procedure for Central assistance for State Plans and Centrally sponsored schemes during 1958-59.

Sir,

I am directed to enclose a copy of the Ministry of Finance (Department of Economic Affairs) letter No. F 2(17)-P II/58 dated May 12, 1958 regarding the release of Central assistance for Plan schemes.

2. The Planning Commission proposes that the following procedure be adopted by the various Ministries of the Government of India for the final release of the assistance promised for State Plan schemes executed by the States.

3. Following the discussions relating to the Annual Plan, the Planning Commission has received from the State Governments their proposals for the total outlay and its distribution under the State Plan for 1958-59. The concurrence of the Planning Commission to the proposals of the State Government has already been conveyed except in a few instances, where the Planning Commission has offered comments or suggestions in the light of which the State Government have been requested to finalise their proposals for total outlay and its distribution under different heads. The State Planning Department is requested to furnish to the Planning Commission in the form in Annexure II a list of development schemes to be implemented during 1958-59. This list, which should be cleared with the State Finance Department, should reach the Planning Commission by the end of June 1958. Extracts from this list should be sent simultaneously to the Central Ministries concerned to keep them informed of the schemes proposed to be implemented.

4. In the past, Central Ministries have frequently issued specific sanctions to schemes included in State Plans for which Central assistance was made available. It is proposed that these schemes should be sanctioned

by the State Governments under their normal procedure and that no financial sanctions as such should issue from the Centre. In respect of new projects or new categories of schemes (as distinct from continuing schemes), however, the following existing arrangements will continue :—

- (i) In the case of irrigation and power projects, before work is commenced on new projects, they are examined and accepted by the Planning Commission's Advisory Committee on Irrigation and Power Projects;
- (ii) Schemes for industrial housing and slum clearance are reviewed from the technical aspect by the Ministry of Works, Housing & Supply before they are implemented;
- (iii) For certain programmes the Central Government have set up special Boards or other agencies. These are :
 - (a) For different branches of small industry, the Handloom Board, the Small-scale Industries Board, the Handicrafts Board, the Coir Board, and the Silk Board;
 - (b) For schemes of cooperative development other than cooperative farming and cooperative training; the National Cooperative and Warehousing Board; and
 - (c) For technical education; the All-India Council of Technical Education.

The procedures prescribed by these organisations in consultation with the Central Ministries concerned for receiving schemes and giving technical approval to them will not be affected by the terms of this letter except in so far as these relate to the grant of ways and means advances and the final payment sanctions for the year. It may be added that the schemes of the Khadi and Village Industries Commission are altogether outside the purview of this letter.

- (iv) Where, during the Annual Plan discussions, a scheme is included *provisionally* subject to further technical consideration or a financial allocation is made, leaving the precise scheme to be undertaken to be specified later, it is expected that the scheme will be taken up only after the steps envisaged have been gone through in consultation with the Planning Commission or the Central Ministry concerned as the case may be.

5. With a view to simplifying the procedure relating to Central assistance, it was agreed in the State Finance Ministers' Conference, which was held in November, 1957, that development schemes under each head might be arranged suitably in groups. Annexure I sets out the groups in which schemes under different heads for which Central assistance has been or may be communicated may be arranged. While the total amount of Central assistance to be intimated to State Governments is estimated with reference to individual schemes and the patterns of assistance for them, the intention is that once the State Governments have been informed of the amounts of loans and grants available for the State plans, the final sanctions of payments should be related to the groups specified in column 3 of Annexure I. Within a group the State Government will be free to regulate the expenditure

on the schemes without reference to the Central Government. Where the total expenditure under one group is proposed to be covered by reduction of expenditure in another group under the same head of development, the concurrence of the Central Ministry concerned should be obtained and the Planning Commission kept informed. Similarly, where the same Central Ministry is concerned with more than one head of development adjustments between them may be made in consultation with the Ministry with advice to the Planning Commission. Where such adjustments are considered necessary as between one Ministry and another, the concurrence of the Planning Commission should be obtained, a copy of the proposal being sent simultaneously to the Ministries concerned.

The final release of funds will be calculated with reference to the proportion of the assistance under loans and grants intimated by the State Government in respect of a group and the total expenditure for the year estimated with reference to that group. Thus, if for a group of schemes the total outlay accepted is Rs. 100 lakhs, of which Central grants amount to Rs. 25 lakhs and Central loans to Rs. 50 lakhs while Rs. 25 lakhs are to be contributed by the State Government, grants and loans will be given at 25% and 50% respectively of the total expenditure as worked out in para 6 below. These payments will be authorised by the Central Ministries concerned by the issue of payment sanctions to the appropriate Accountant General. It is proposed to work out a statement for each State Plan showing the total outlay for groups of schemes as specified in Annexure I along with the total amount by way of loans and grants to be shown against that group.

6. The State Government is requested to forward to the Planning Commission, with extracts to the Central Ministries concerned and copy to the Finance Ministry, Department of Economic Affairs, a quarterly statement giving the total expenditure as recorded in the departmental books under each sub-head indicated in Annexure I. The statements for the two quarters ending June and September may kindly be sent to the Planning Commission by the 15th August and the 15th November, respectively. The statement for the quarter ending December may please be sent by the end of January. This will facilitate the issue of the payment sanctions, although it is appreciated that special arrangements will have to be made by the State Government to obtain the necessary information. The quarterly statements will show both expenditure in the quarter and the cumulative expenditure. The statement for the third quarter will also indicate the anticipated expenditure for the last quarter of the year. This last figure has to be worked out with reference to the progress of expenditure up to December and a realistic estimate of expenditure for the last quarter. On receipt of the statements scheduled for January, the administrative Ministries will sanction the final payments of grants and loans. The Accountant General will clear the ways and means advances given by the Finance Ministry outstanding against the State and credit the difference, if any, in cash to the State Government.

7. As the final payments mentioned in para 5 in each year will be made partly with reference to the estimated expenditure in the last quarter, they will be subject to final adjustment in the following year in the light of the actual expenditure for the year as a whole.

8. The procedure described above applies to State Plan schemes. The only difference in respect of Centrally sponsored schemes is that these schemes require specific approval from the administrative Ministries concerned. I

is proposed that in respect of Centrally sponsored schemes which entail a total cost of less than Rs. 25 lakhs over the plan period or of Rs. 10 lakhs during the year, the Central Ministries should accord their approval on the basis of a statement from the administrative Department concerned in the State to the effect that the schemes have been accepted for financial sanction by the State Finance Department. For schemes costing more than the amounts mentioned above, the Central Ministries will intimate their approval after the necessary scrutiny. In either case, it is requested that States will kindly ensure that sufficient information is made available to enable the Ministries to judge that the schemes to be implemented follow the lines approved.

Your faithfully,

(Sd.) TARLOK SINGH,
for Secretary, Planning Commission.

No. Plan 5/2/57.

Dated, the 12th May, 1958.

Copy forwarded to :

- (1) Finance Secretaries to all State Governments.
- (2) All Ministries of the Government of India.

(Sd.) D. K. MALHOTRA,
for Secretary, Planning Commission.

ANNEXURE I

Heads of Development and Groups in which schemes are arranged

(In lakhs of rupees)

Central Ministry	Head of Development	Groups	Total cost	Central Assistance	Grant	Loan	Percentage of 5 to 4	Percentage of 6 to 4
1	2	3	4	5	6	7	8	9

- I. Ministry of Food and Agriculture.
1. Minor Irrigation including Tubewells.
 2. Land development and consolidation of holdings.
 3. Seed farms.
 4. Supply schemes and plant protection.
 5. Development of commercial crops, horticulture and fruit preservation.
 6. Agricultural education.
 7. Agricultural research, information and statistics.

	Animal Husbandry, Dairying and Fisheries.	<ol style="list-style-type: none"> 1. Animal husbandry, including sheep and wool and poultry development. 2. Veterinary education and rinderpest eradication. 3. Dairying and milk supply. 4. Fisheries.
	Forests & Soil Conservation.	<ol style="list-style-type: none"> 1. Forestry schemes. 2. Soil conservation.
	Cooperation	<ol style="list-style-type: none"> 1. Cooperation and warehousing. 2. Marketing, cooperative farming and training.
II. Ministry of Community Development.	N. E. S. & Community Projects.	<ol style="list-style-type: none"> 1. N. E. S. and Community Projects. 2. Village Panchayats.
III. Ministry of Irrigation & Power.	Irrigation & Power	<ol style="list-style-type: none"> 1. Multipurpose projects. 2. Irrigation schemes. 3. Power schemes. 4. Scarcity area schemes. 5. Power facilities for expansion of employment opportunities. 6. Flood Control.
IV. Ministry of Commerce and Industry.	Large and Medium Industries.	Large and medium Industries.
	Village and Small Industries.	<ol style="list-style-type: none"> 1. Handloom. 2. Small-scale Industries. 3. Industrial Estates. 4. Handicrafts.

1	2	3	4	5	6	7	8
		5. Coir.					
		6. Silk.					
		7. Conversion of handlooms into powerlooms.					
V. Ministry of Steel, Mines and Fuel.	Mineral Development	Mineral Development.					
VI. Ministry of Transport and Communications.	Roads	1. State Road Programme. 2. Roads of inter-State and economic importance.					
	Road Transport	Road Transport.					
	Minor Ports	Minor Ports.					
VII. Ministry of Education.	Education (Other than Technical Education).	1. Elementary education. 2. Secondary education. 3. University education. 4. Other education schemes. 5. Welfare extension projects and 6. State Social Welfare Schemes.					
VIII. Ministry of Scientific Research and Cultural Affairs.	Technical education	1. Technical Education. 2. Other schemes.					

- IX. Ministry of Health** *Health* . . .
1. Water supply and sanitation—rural/urban.
 2. Education and training.
 3. Control of diseases.
 4. Primary health units and family planning.
 5. Other schemes—Health.
 6. Other schemes—Medical.

XI. Ministry of Home Affairs. *Welfare of Backward Classes—*

- (a) Scheduled Tribes and Development of Scheduled Areas.
 1. Education.
 2. Economic Uplift.
 3. Health, housing and other schemes.
 - (b) Scheduled Castes .
 1. Education.
 2. Economic Uplift.
 3. Health, housing and other schemes.
 - (c) Ex-Criminal Tribes'
 1. Education.
 2. Other schemes.
 - (d) Other Backward Classes.
 1. Education.
 2. Other schemes.
- Social Welfare* . .
1. Social Defence Programmes.
 2. Social and Moral Hygiene and After-care programmes.

1	2	3	4	5	6	7	8.
XI. Ministry of Works, Housing & Supply.	Housing	1. Slum clearance. 2. Subsidised industrial housing scheme. 3. Low-income group housing scheme. 4. Rural housing. 5. Plantation Labour housing scheme.					
XII. Ministry of Finance and Miscellaneous.	Local Development Works. Statistics. Publicity Other schemes	Local Development Works. Statistical schemes. Publicity. Other schemes.					

No. F. 2(17)-PII/58

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

(DEPARTMENT OF ECONOMIC AFFAIRS)

New Delhi, the 12th May, 1958.

From

Shri M. V. Rangachari,
Special Secretary to the Government of India.

To

All State Governments
(Finance Secretaries).SUBJECT : *Procedure for release of Central Assistance for Plan Schemes.*

Sir,

I am directed to refer to item IV of the minutes of the Conference of State Finance Ministers held in November, 1957 and to this Ministry's letter No. F. 10(19)PII/57, dated March 22, 1958 in which it was stated that a separate communication would be sent on the subject of the procedure for release of Central assistance funds.

2. Central assistance for Plan schemes comprises—

- (a) assistance for schemes included in the State Plans; and
- (b) assistance for Centrally sponsored schemes.

In this Ministry's letter of March 22, 1958, the amounts of loans and grants available for State Plans during 1958-59 have been intimated. A similar statement in respect of loans and grants for Centrally sponsored schemes has been forwarded with this Ministry's letter No. F. 10(19)PII/57, dated April 30, 1958.

3. For the release of Central assistance for Plan schemes in both the categories mentioned above, the following procedure is proposed to be adopted :—

- (i) A substantial portion of the assistance mentioned in para 2 above will be made available to the State Governments as lumpsum ways and means advances by this Ministry. Three-fourths of the total amount will be released in this way in nine equal monthly instalments beginning with May, 1958. Such releases will be made automatically on or about the 15th of the month.
- (ii) On receipt of final sanctions for loans and grants from the Central Ministries in the latter half of February 1959, the Accountant General will clear these outstanding advances. The balance, if any, will be credited to the States by him in cash.

- (iii) The ways and means advances will be interest free but the loans into which they are ultimately or any uncleared balance of such advances outstanding at the end of the year will be deemed to have been made to the State on the 1st October, 1958 and will carry the appropriate rate of interest.
- (iv) The procedure for determining the sums payable as grants and loans is set out in the Planning Commission's letter No. Plan 5 2 57, dated 12th May, 1958 to the State Governments, a copy of which is being endorsed separately.

4. The above procedure will apply to all loans and grants to be given to the State Governments on account of Plan schemes except the loans for the D.V.C., the Hirakud and the Rajasthan Canal, funds for which will continue to be released as at present.

Yours faithfully,

(Sd.) M. V. RANGACHARI.

No. F. 2(17)-PII 58

Dated the 12th May, 1958.

Copy forwarded to :

- (i) All Ministries of the Government of India and all Departments of the Finance Ministry.
- (ii) Comptroller and Auditor General, Accountant General (Central Revenues), All State Accountants General and Comptroller, Kerala.
- (iii) All Heads of Divisions of the Expenditure Department.
- (iv) Planning Commission.
- (v) Development Commissioners of all State Governments.

(Sd.) M. V. RANGACHARI.

