

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

(FOURTH LOK SABHA)

## **SIXTY-FOURTH REPORT**

[Action taken by Government on the Recommendations of the Public Accounts Committee contained in their 68th Report (Third Lok Sabha) on Appropriation Accounts (Civil) 1964-65, and Audit Report (Civil) 1966 relating to the Ministries of Finance, Health & Family Planning, Information & Broadcasting, Iron & Steel and Supply, Technical Development and Material Planning etc.]



**LOK SABHA SECRETARIAT  
NEW DELHI**

*April, 1969/Vaisakha, 1891 (5)*

*Price: Rs. 1.70 P.*

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## CONTENTS

	PAGE
COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (1968-69) . . . . .	(lii)
INTRODUCTION . . . . .	(v)
CHAPTER I. Report . . . . .	1
CHAPTER II. Recommendations/Observations that have been accepted by Government . . . . .	22
CHAPTER III. Recommendations/Observations which the Committee do not desire to pursue in view of the replies of Government . . . . .	69
CHAPTER IV. Recommendations/Observations replies to which have not been accepted by the Committee and which require reiteration . . . . .	105
CHAPTER V. Recommendations/Observations in respect of which Government have furnished interim replies . . . . .	123
APPENDICES	
I. Recommendations in respect of which replies are outstanding . . . . .	137
II. Summary of main Conclusions/Recommendations . . . . .	138

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## PUBLIC ACCOUNTS COMMITTEE

(1968-69)

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Shri Avtar Singh Rikhy—*Joint Secretary.*

Shri K. Seshadri—*Under Secretary.*

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

## INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this 64th Report on the Action Taken by Government on the recommendations of the Public Accounts Committee contained in their Sixty Eighth Report (Third Lok Sabha) on the Appropriation Accounts (Civil) 1964-65, Finance Accounts 1964-65 and Audit Report (Civil) 1966, relating to the Ministries of Finance, Health and Family Planning, Information and Broadcasting, Iron and Steel and Supply, Technical Development and Materials Planning etc.

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

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

3. The draft Report was considered and adopted by the Sub-Committee at their sitting held on 22nd April 1969 and finally adopted by the Public Accounts Committee on 28-4-69.

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

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

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

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

## CHAPTER I

### REPORT

This Report of the Committee deals with action taken by Government on the recommendations/observations contained in their 68th Report on Appropriation Accounts (Civil), 1964-65, Finance Accounts, 1964-65 and Audit Report (Civil), 1966 relating to the Ministries of Finance, Health and Family Planning, Information and Broadcasting, Iron and Steel and Supply, Technical Development and Materials Planning etc., which was presented to the House on 28th March, 1967.

1.2. Out of 85 recommendations contained in the Report, action taken notes have been received in respect of 80 recommendations. A statement showing the recommendations in respect of which replies are still outstanding is given in Appendix I.

1.3. The action taken notes on the recommendations of the Committee have been categorized under the following heads :—

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

S. Nos. 6, 9, 10, 14, 15, 17, 18, 20, 21, 23, 25, 26 (2·49), 27, 28, 29, 30, 33, 42, 43, 49 (4·23), 51, 54 (4·54), 55, 56, 63, 65, 66, 72, 73, 74, 75, 76, 77, 78, 79, 81 and 84.

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

S. Nos. 8, 11, 15 (2·16), 16, 24, 35, 36, 39, 47, 49 (4·22), 52 (4·39 and 4·40), 53, 54, 58 (4·79 and 4·80), 60 (4·103), 61, 64, 69, 80 (5·42 and 5·43), 82, 83 and 85.

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

S. Nos. 3, 19, 26 (2·50), 37, 40, 44, 48, 49 (4·21), 50 (4·25, 4·26 and 4·27).

(iv) *Recommendations/observations in respect of which Government have furnished interim replies :*

S. Nos. 13, 22, 31, 32, 34, 41, 45, 52 (4·41), 54 (4·55), 57, 59 and 62.

1.4. The Committee hope that replies to the outstanding recommendations and final replies in regard to those recommendations to which only interim replies have so far been furnished will be submitted to them expeditiously after getting them vetted by Audit.

1.5. The Committee have already dealt with action taken on the recommendations contained in S. Nos. 1, 2, 4, 5, 7 and 12 in their 55th Report (Fourth Lok Sabha) relating to Finance Accounts and S. No. 60 (Para 4·104) in their 35th Report (Fourth Lok Sabha).

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

*Fixation of limits on borrowing powers of Government by Parliament—  
Paragraphs 2, 13 (S. No. 3) of 52nd Report and 1, 15 (S. No. 3) of 68th  
Report (Third Lok Sabha).*

1.7. In paragraph 2.13 of 52nd Report and 1.15 of 68th Report (Third Lok Sabha), the Public Accounts Committee had reiterated an earlier recommendation that a practical trial should be given to the healthy principle enunciated in Article 292 of the Constitution regarding fixation of limits by Parliament on public borrowings.

The Committee had made the following observations :

“The Sub-Committee find it difficult to appreciate the stand taken by Government on this issue. In view of the provisions contained in Article 292 of the Constitution and the fact that such statutory limits do exist in other countries and that the debt of the Government of India has been steadily increasing, the Committee would like to reiterate their earlier recommendations on this subject.”

(Paragraph 2.13 of the  
52nd Report)

“The Committee desire that the Government should take an early decision on the Committee’s recommendations suggesting that a practical trial should be given to the healthy principle enunciated in Article 292 of the Constitution regarding fixation of a limit by Parliament on public borrowings.”

(Paragraph 1.15 of the  
68th Report)

1.8. In a memorandum dated the 28th June, 1967, the Ministry of Finance (Department of Economic Affairs) stated :

“The reasons for which the Government of India found it difficult to accept the recommendation of the Public Accounts Committee in the matter of fixing limits on the borrowing powers of Government were explained in the two memoranda submitted to the Committee earlier, once in December, 1964 and again in January, 1966. These are, however, briefly recounted below :

- (i) The constitutional provision regarding Government’s borrowings is permissive and not mandatory (Article 292).
- (ii) Broad limits of the net borrowings proposed over a Plan period through domestic market loans, from Reserve Bank, and through budgetary receipts corresponding to external assistance are generally indicated in the Plan documents.
- (iii) The borrowings proposed during the ensuing financial year by various categories are shown distinctly in the Budget presented to Parliament. The budget documents, of course do not indicate the timing as well as the terms and conditions of the proposed borrowings nor would it be possible to do so—even if there is to be any statutory provision in regard to limits etc.



- (iv) Parliament has ample opportunity to discuss the proposed borrowings by Government (a) over a plan period and (b) also during the ensuing financial year when it discusses the Plan and the annual Budget. Moreover, in the ultimate analysis Government's borrowings from all sources are limited by the supply granted by Parliament, the requirements for which cannot be raised through sources like Revenue etc.
- (v) Limits on borrowings from Reserve Bank present a special problem. These vary not only from year to year but even from time to time during a year itself, according to circumstances, needs and other considerations. It is only the net borrowing over a year which is of significance but any enactment in regard to limits would have to be with reference to the maximum amount of borrowing at any time and not the net over the year and this would be misleading.
- (vi) Limits on external borrowings would be even more difficult. The extent of such borrowings depends on the prevailing circumstances and involves patient negotiations. It would not be desirable or even practicable to put limits on such borrowings having regard to the factors which affect external assistance.
- (vii) If borrowings from Reserve Bank and foreign loans are left out, any legislative approval for the residuary borrowings will have little significances.
- (viii) If notwithstanding the foregoing considerations statutory limits are thought necessary, these would have to be sufficiently wide so that the need for frequent amendments to the statute does not arise. On the other hand, such wide limits—which are by and large already set by the Plan documents and the annual Budgets—will serve no practical purpose. Statutory limits would, therefore, confer no advantage but on the other hand, hamper the flexibility which is now available.

3. The recommendation made by the Public Accounts Committee in Para 2·13 of their Fifty-second Report has been carefully considered. Government's orders have also been obtained keeping in view the recommendation on Para 2·52 of the same Report. The reasons for which the Committee have reiterated their earlier recommendation are considered below :

- (i) The position regarding Article 292 of the Constitution has been explained in the earlier paragraph.
- (ii) The position regarding statutory limits on Government's borrowings in other countries has been explained in the Memorandum submitted to the Committee in December, 1964. In particular, it might be stated that in the United Kingdom the National Loans Act, 1939 and the Annual Consolidated Fund and Appropriation Acts empower the Treasury to raise any money required for meeting the supply which has been granted and in addition a sum not exceeding £250 million

besides the money required for the repayment of maturing securities of any treasury bills or ways and means advances. In addition, the annual Appropriation Acts also give statutory authority to borrow temporarily for meeting the appropriations voted by Parliament. Further, the Treasury may borrow without any specified limit for purposes connected with the country's foreign exchange position, such as the provision of additional Sterling capital in the Exchange equalisation Account and the maintenance of the value of the United Kingdom's subscription to I.M.F. and the I.B.R.D. These Provisions in effect mean that the limits on Government's borrowings in U.K. are very wide.

- (iii) Regarding the increasing debt of Government, it may be stated that Government borrows both internally and externally to meet the requirements of investment for purpose of development as envisaged in the Five Year Plans. Recourse is taken to internal borrowings not only as an alternative but as a supplement to taxation. Similarly, external borrowings are made in order to finance the imports necessary for development, which cannot be met out of export earnings, and they cannot be discontinued till the country's export potential is built up with such assistance. The increasing debt of the Government should not, therefore, be a consideration for imposing a statutory limit on borrowings—at any rate at this stage of the country's development. In any case, the requirements in this regard consistent with expectations are already set out in the Plan documents which (including the strategy of development through internal savings and external borrowings of the order indicated) Parliament has full opportunity to consider—taking account on the one hand the increasing burden of repayment and on the other hand the consequences of doing without the whole or part of the foreign assistance available.

In the circumstances, Government continue to be of the view that no real advantage will be secured by prescribing statutory limits on Government's borrowings and that such limits, if imposed, would not only not result in greater control but might on the other hand hamper the flexibility now available."

1.9. During evidence before the Committee in July, 1968, the Special Secretary (Economic Affairs) stated, that all the expenditure was voted by Parliament. Further, at the time of presentation of the Budget, Government gave an idea of the extent of the debt they would incur under various heads during the course of the year. So, this was also broadly approved by Parliament. True, there were variations from the figures indicated at the time of the presentation of the budget. But these were due to some peculiar factors in the case of this country. Firstly, the dependence on foreign assistance in recent years was quite large. The actual realisation of foreign aid and the consequential budgetary resources accruing therefrom were more variable in the case of this country than in the case of any other country. This affected not merely the foreign debts but also the rupee debts. Secondly, the Central Government in this country were "involved in the financial affairs of the States to a very large extent." Thirdly, a

growing and yet not well-established public sector impinged on the Central Budget 'in a very big way'. The variations in the case of this country were not only large but also more difficult to predict. In circumstances such as these, he added, "If we have to come to you asking for a ceiling, then we will be tempted to ask for a very large ceiling in which case the purpose that you have in mind will not be served. And if you do not sanction a large ceiling, then I am afraid we will be forced to a situation where every two months or so we will be coming to you, creating more difficulty."

1.10. The Special Secretary added that it was true that certain countries, such as the U.K. did have a statutory limit on borrowing—flexible or large. But the conditions in these countries were very different from those prevailing in this country. Taking all these factors into account, Government, who considered the matter at the highest level, came to the conclusion that laying of precise ceilings, apart from involving Government continually in budgeting would not serve the purpose the Committee had in mind.

1.11. The Committee have carefully considered the arguments put forward by Government for not accepting their repeated suggestion that a practical trial should be given to the healthy principle enunciated in Article 292 of the Constitution for fixing a limit by Parliament on Public borrowings. The country is now committed to planning on a five-year basis. This necessarily presupposes a long-term assessment of resources needed for developmental effort and the extent to which such resources should be raised through additional taxation, borrowing and deficit financing. It should, therefore, be possible to work out with a reasonable degree of approximation a workable limit on borrowings for purpose of incorporation in a statute as contemplated in Article 292 of the Constitution. The Committee would like Government to reconsider their position in the light of the foregoing considerations.

1.12. While dealing with the grants to Bharat Sewak Samaj for Family Planning Orientation Camps given by the Ministry of Health and Family Planning, the Committee (1966-67) desired to know the percentage of overhead expenditure allowed to voluntary organisations (other than Bharat Sewak Samaj) for holding these camps. The information was furnished by the Ministry in a note. The Public Accounts Committee (1966-67) observed in this connection in paragraph 2.28 of their 68th Report as under :—

"2.28. In the note (Appendix VII) furnished at the instance of the Committee, it is stated that "No percentage of overhead expenditure was prescribed while sanctioning grants to voluntary organisations other than Bharat Sewak Samaj." The Committee are surprised to note this. They do not understand why, when it was decided that the overhead charge, should not exceed 5 per cent to 7 per cent of the gross expenditure in the case Bharat Sewak Samaj, "it has not been made applicable in all other cases."

1.13. In a note dated 12-12-68, the Ministry of Health and Family Planning (in their action taken note) have stated as follows :

"It is no doubt true that while conveying orders to the Bharat Sewak Samaj in June, 1964 that the supervisory charges should not

exceed 5 to 7 per cent, similar instructions to cover other organisations were not issued as there is need to maintain elasticity in this respect to suit the varying conditions of operations of other organisations."

1.14. The Committee note that Government have not prescribed any ceilings for regulating supervisory charges of organisations to be defrayed by grants-in-aid given to them. In order to ensure that the grants given to voluntary organisation are purposefully used, the Committee would suggest that while sanctioning large grants Government should specify appropriate ceilings for expenditure on administration and supervisory charges to be met out of grants-in-aid.

#### MINISTRY OF FAMILY PLANNING

*Family Planning Orientation Camps—Paragraphs 2·28, 2·49—2·50 (S. Nos. 19 and 26).*

1.15. The Committee made the following observations regarding grants given by the Ministry of Health and Family Planning to various private organisations for holding Family Planning Orientation Camps in various States :

"The Committee are of the view that the practice of sanctioning a grant for a financial year and then allowing extension of time to spend the amount in the next year should not be resorted to and only so much of the grant should be paid during any financial year as is likely to be expended during the year.

The Committee would like to be informed of the number of Family Planning Orientation Camps held in various States by different voluntary Organisations during the last three years. The Committee are also of the opinion that it is desirable to have periodical reports from the State Authorities about the effect of such camps being held."

1.16. In their reply dated 12-12-68, the Ministry of Health, Family Planning and Urban Development (Department of Family Planning) have stated :—

"The Committee's view in this regard has been noted and necessary action is being taken accordingly as far as possible. Each case is being decided on its facts and merits.

The required information is given in the attached Appendix. The views of the Committee regarding periodical reports have been noted."

The statement referred to above indicates the following position in regard to the number of camps sanctioned and the Number held :—

Year	Sanctioned	Held
1964-65	1,240	1,094
1965-66	923	788
1966-67	1,455	1,101

1.17. From the statement furnished by the Department of Family Planning, the Committee note that the number of Family Planning Orientation Camps organised by various voluntary organisations to whom grants were given has consistently fallen short of the targets. As against a sanction of 1240 camps in 1964-65, 923 in 1965-66 and 1455 in 1966-67, the number of camps actually organised were 1094, 788 and 1101 respectively. This suggests that a substantial portion of the grants given to these organisations remained unutilised during these years. The Committee would like Government to keep track of the performance of these organisations with a view to ensuring that funds released to them are purposefully and effectively utilised in furtherance of the Scheme.

*Recovery of Organisational expenses from the Joint Plant Committee—Paragraph 3.7 (S. No. 37).*

1.18. With the abolition of control on the price and distribution of a major number of steel items with effect from 1st March, 1964, the Joint Plant Committee was set up to look after the work of planning, production and distribution of steel. The Joint Plant Committee started functioning with effect from 1st August, 1964. The work relating to planning of indents in the meantime continued to be handled by the Organisation of the Iron and Steel Controller. The Joint Plant Committee is being financed from a levy of Rs. 1 per tonne on the main producers of steel on all dispatches of both controlled and decontrolled categories of prime quality steel. The Committee made the following observation in para 3.7 :

“Since the recovery at the rate of rupee one per tonne had been made by the main producers during the period March, 1964 to August, 1964 and the same has been passed on to the Joint Plant Committee for its organisational expenses, the Committee feel that a recovery should be made from the Joint Plant Committee for the expenditure incurred on the establishment of the Iron and Steel Controller doing the work of the Joint Plant Committee during the period March, 1964 to July, 1964.”

1.19. In their reply dated 18th January, 1969, the Department of Iron and Steel have stated :

“It may be mentioned that Joint Plant Committee started functioning with effect from 1st March, 1964. To start with they took up the work relating to fixation of prices of decontrolled categories of steel, administration of freight Equalisation fund etc. The work relating to the planning of the indents has in the nature of things to be continued by the Iron and Steel Controller for some time till Joint Plant Committee established itself with the full complement of staff. As soon as the Joint Plant Committee established itself more fully and had the necessary staff, etc., to deal with the work relating to planning of indents, the work, was transferred to this Organisation in the circumstances there does not appear to be any justification for levying any charge on the Joint Plant Committee on account of the planning work done by the Iron and Steel Control during the intervening period which was essentially a transitional phase.”

1.20. Audit have made the following observations of the Ministry's reply :

“The Joint Plant Committee was set up to look after the work of planning, production and distribution of steel with effect from 1-3-1964

and for this purpose Re. 1 per tonne was levied with effect from despatches of both controlled and decontrolled categories of prime quality steel. From the Ministry's reply it would be observed that the Iron and Steel Controller continued for some time to do the planning as the Joint Plant Committee had not had the full complement of staff. When Re. 1 per tonne has been collected on all despatches whether of controlled or decontrolled categories of prime quality steel, legitimately the expenditure incurred by the Iron and Steel Controller during the 'intervening period' on planning should have been recovered from the Joint Plant Committee."

1.21. The Committee are not satisfied with the reply of the Government. A levy at the rate of Re. 1 per ton was made on main producers from 1st March, 1964, onwards to defray the organisational expenses of the Joint Plant Committee set up to look after the work of planning, production and distribution of steel, with the abolition with effect from 1st March, 1964 of price control on a major number of Steel items. The Joint Plant Committee, however, started doing the work of planning only with effect from 1st August, 1964 and till then the Iron and Steel Controller was discharging this item of work entrusted to the Joint Plant Committee. A recovery for the expenditure incurred by the Iron and Steel Controller for doing the work of the Committee during the period 1st March, 1964—31st July, 1964, would have, naturally to be made from the Joint Plant Committee.

1.22. The Committee would recommend that this may be done without further delay.

*Sundry Debtors—Paragraphs 3·23—3·25 (S. No. 40)*

1.23. The Committee had referred to the outstanding dues against 'Sundry Debtors' in respect of Iron and Steel Equalisation Fund and made the following observations :

"3.22. From the note furnished by the Ministry the Committee find that the position of arrears in respect of the period upto 31-12-1965 outstanding against Sundry Debtors as on 30-6-1966 was as follows :—

	Position as on 30-6-66
	Rs.
(i) Dues from main producers . . . . .	15,18,418·73
(ii) Dues from controlled stockholders . . . . .	1,87,818·20
(iii) Dues from re-rollers . . . . .	23,94,215·77
(iv) Dues from firms Re-Imported Steel . . . . .	1,11,43,126·53
(v) Sundry Dues . . . . .	8,301·53

*(Para 3·22 of Appendix XXIII of 68th Report)*

"3.23. The Committee are glad to note that as against the outstanding of Rs. 787·73 lakhs against sundry debtors on 31-3-1965 the Ministry had succeeded in liquidating the arrears substantially and on 30-6-1966 a sum of Rs. 152·51 lakhs only was outstanding against the sundry debtors.

3.24. The Committee, however, find that the progress of the recovery of the dues has not been uniform in all the 5 categories mentioned above. While there has been substantial recovery in the case of dues from the main producers and re-rollers, sufficient progress has not been made in the case of recovery of dues from controlled stockist and on account of the recovery of surcharge on imported steel from different firms. In the case of recovery of surcharge on imported steel, an amount of Rs. 215.90 lakhs, was outstanding on 31-3-1965 and on 30th June, 1966 an amount of Rs. 111.43 lakhs was still outstanding. Similarly in the case of dues from controlled stock holders an amount of Rs. 1.88 lakhs was outstanding on 30th June, 1966 as against Rs. 2.64 lakhs on 31-3-1965. The Committee desire that vigorous efforts should be made to ensure expeditious recovery of all these outstandings. The Committee also desire that in order that the arrears do not pile up, a suitable time limit should be fixed for submission of the claims by the firms. They would also like to reiterate their observation contained in para 6-20 of their 54th Report (Third Lok Sabha) in this regard. They hope the Ministry would take a decision on this case soon.

3.25. From another statement furnished by the Ministry, the Committee find that in some cases the claims and counter-claims of the firms and Government pertained to the year as early as 1959-60. This does not indicate a satisfactory state of affairs. The Committee desire that suitable steps should be taken by the Government to settle these old cases."

1.24. In their reply dated 6-12-68, Department of Iron and Steel have stated :

"The date "31-12-1965" as given in the para seems to be a typographical error as the outstanding position of arrears as on 30-6-1966 indicated in the Para is in respect of the period upto 31-3-1965 and not upto 31-12-1965. There has since been some further reduction in the outstanding arrears and the position as on 30-6-1967 is given below :—

	Position as on 30-6-67
	(In lakhs)
	Rs.
(i) Dues from Main Producers . . . . .	5.40
(ii) Dues from Controlled Stockholders . . . . .	1.80
(iii) Dues from Re-rollers . . . . .	15.76
(iv) Dues from firms regarding imported Steel . . . . .	94.23
(v) Sundry dues . . . . .	Nil.

The outstandings of Rs. 787.73 lakhs against Sundry Debtors on 31-3-1965 were reduced to Rs. 152.51 lakhs on 30-6-1966 and the same have since been further reduced to Rs. 117.19 lakhs as on 30-6-1967.

It has been observed by the Committee that sufficient progress has not been made in the case of recovery of dues from controlled stockists and on account of the recovery of surcharge on imported steel from different firms.

As for recovery of dues from controlled stockholders, the amount of Rs. 1·87 lakhs outstanding on 30th June, 1966, as mentioned in the Para has since been further reduced to Rs. 1·80 lakhs as on 30-6-1967. This amount of Rs. 1·80 lakhs is covered by 8 cases, out of which one case involving a small amount of Rs. 8·10 is covered by firms' counter claim on revaluation account. The present position in regard to the remaining 7 cases is that these have either already been referred to the Court or are being processed for taking Court action for recovery of the dues. As analysis of these cases may be given as under :—

- (i) Two cases involving an amount of Rs. 0·73 lakhs are sub-judice in the Court of Law.
- (ii) One case involving an amount of Rs. 0·30 lakh is with the Official Liquidator, Bombay.
- (iii) In respect of three cases involving an amount of Rs. 0·76 lakhs it has already been decided to institute suits against the firms concerned. Out of three cases, in one case Government dues are covered by firm's security deposit to the extent of Rs. 25,000.
- (iv) One case involving an amount of Rs. 0·01 lakh has been referred to Deputy Legal Adviser, Calcutta, for advice in the matter of filing a suit against the firm concerned.

It would thus appear that in all these cases recovery action has to await decisions by Court/Liquidator.

Regarding recovery of surcharge on imported steel, the amount of Rs. 111·43 lakhs outstanding on 30-6-1966 as mentioned in the Para has since been further reduced to Rs. 94·23 lakhs as on 30-6-1967. The amount outstanding on account of surcharge is largely due to the following factors :—

- (i) Deficiencies in documentation.
- (ii) Mode and principle of calculation adopted by the Iron and Steel Control and of the parties are quite different and disputes and differences have arisen.
- (iii) According to the Iron and Steel Controller's books, in most of the cases net sums are due to the Equalisation Fund after considering parties' counter-claims, whereas according to the parties it is the Equalisation Fund that has to pay money to them.
- (iv) Claims and counter-claims arising out of imports which were not always backed by regular valid contracts or there were other deficiencies.



The settlement of surcharge claims to a large extent depend on the settlement of various parties' claims against the Government and on settlement of huge deficiencies in documentation and other irregularities. The deficiencies in documents and wanting information, however, are matters over which Iron and Steel Controller has no power to waive. Each case had to be referred to the Ministry of Iron and Steel for a formal waiver of the Government to be obtained. To avoid this situation, a High Powered Committee was formed by the Government on 30th August, 1965, consisting of the Iron and Steel Controller, Deputy Financial Adviser at Calcutta and Price and Accounts Officer to deal with the claims in relation to various imports. Full powers of Government have been delegated to this Committee to examine and settle the pending cases of payments due to and due from Government in connection with the imports, if necessary by *ad hoc* decision across the table. The powers also include the discretion on behalf of the Government to waive deficiencies and discrepancies as well as production of documents, if the Committee are otherwise satisfied regarding validity of the claim. It has so far been possible for this Committee to meet 43 times and give decisions in a large number of cases. The Table given in Annexure 'A' enclosed shows the progress so far made by High Powered Committee in the settlement of pending cases.

Apart from finalising the cases through the High Powered Committee, steps are also being taken to process cases in respect of certain firms through Court/Arbitration, because in all these cases it was felt that the disputes and differences were so wide that decision taken by the High Powered Committee would not be acceptable to the parties and ultimately Government would have to resort to Arbitration/Court action for finalisation of their cases. Out of the amount of Rs. 94.23 lakhs referred to above, an amount of Rs. 53.07 lakhs pertains to M/s. Amin Chand Payarelal group of firms and M/s J.S. Cohen and Co., and cases in relation to these firms (in addition to M/s. B. R. Herman & Mohatta against whom there were no outstanding dues on surcharge account as on 31-3-1965) have been decided to be referred to Arbitration/Court. Accordingly, Iron and Steel Controller has already started taking Arbitration/Court action against these firms for realisation of the amounts due from them. There is no knowing how much time will be required by Court/Arbitrators in finalising and giving decision in all these cases.

Incidentally, it may be mentioned that out of Rs. 173 lakhs being the total amount of surcharge due on imported steel as on 30-6-1967, an amount of Rs. 122.82 lakhs pertains to M/s. Amin Chand Payarelal Group of firms, M/s. B. R. Herman & Mohatta and M/s. J. S. Cohen & Co., and the balance amount pertains to other parties. As stated earlier, the cases in relation to the above Group of firms have already been decided to be referred to Arbitration/Court. Accordingly, in respect of claims against 12 contracts of Rs. 43.42 lakhs, papers have already been handed over to the Government Solicitor for filing suits against the parties. In addition, for claims against 7 contracts involving Rs. 30.74 lakhs arbitrators have already been appointed to settle the disputes

in regard to the amount of surcharge recoverable. The rest of the cases involving an amount of Rs. 48.56 lakhs are in the process of being finalised for being considered for reference to arbitration/court.

Thus all possible steps are being taken for recovery of the outstanding amount of surcharge through High Powered Committee as well as through Arbitration/Court. The Committee's recommendation in this respect for making vigorous efforts to ensure expeditious recovery of all these outstandings has been noted.

As for the Committee's recommendation for fixing a suitable time limit for submission of the claims by the firms and reiteration of their observation in this respect as contained in Para 6.20 of their 54th Report (3rd Lok Sabha), it may be mentioned that a note on the above para has since been submitted to Lok Sabha Secretariat on 25-11-1967 after having been duly vetted by audit.

1.25. The Committee note that as against a sum of Rs. 152.51 lakhs due for realisation from various parties as on 30-6-1966 in respect of transactions relating to Iron and Steel Equalisation Fund amount outstanding as on 30-6-67 was Rs. 117.19 lakhs. The Committee are not satisfied particularly with the progress made in recovery of surcharge on imported steel (i.e., the difference between landed cost of imported ~~material~~ plus remuneration and the ~~factory~~ price) from various parties. As on 30th June 1966 the amount due on this account for the period upto 31-3-1965 was Rs. 111.43 lakhs. As on 30th June 1967 it was 94.23 lakhs. The total amount of surcharge ~~amount~~ as on 30-6-67 was Rs. 173 lakhs, out of which an amount of Rs. 122.62 ~~amount~~ pertained to M/s. Amin Chand Payareal Group of firms, M/s. E. R. Hermann and Mohanta and M/s. J. S. Cohen and Co. The ~~Committee~~ note that these cases are being referred for arbitration/court ~~provisionally~~. The ~~Committee~~ desire that ~~immediate~~ action to refer these cases to arbitration/court should be taken ~~expeditiously~~.

1.26. The ~~Committee~~ also desire that the ~~provisional~~ of pending cases by the High-Powered ~~Committee~~ which was set up for this purpose in August, should be speeded up.

*Delay in recovery of cost of steel—Paragraphs 3.47—3.49 (S. No. 44)*

1.27. The Committee had referred to cases where sale proceeds of imported steel had not been credited to Government by the handling agents against the agreements completed in 1961 and 1962. The Committee make the following observations in paragraphs 3.47—3.49 :

"3.47 : The Committee are distressed to find that the procedure for remitting to Government accounts of the money realised by handling agents as cost of the steel imported by the Government of India under Development Loan Fund Agreements was not followed properly. They are surprised to be informed in evidence that for some time the handling agents were permitted first to deduct their own share of the cost of handling and then remit the balance amount to Government accounts. The handling agents apparently took advantage of this and

kept to themselves what was not really due to them. The Committee feel that adequate steps/measures were not taken to ensure that realisations were credited to Government Account promptly and the handling agents took advantage of this."

"3.48: The Committee also do not appreciate the plea taken by the Secretary, Iron and Steel in evidence that the total outstandings according to Ministry was only Rs. 63.15 lakhs and this represented barely 2.8 per cent of the total deals amounting to 22.74 crores. The Committee feel that such an attitude is more likely to lead to delays in effecting recoveries. The Committee desire that vigorous steps should be taken to effect recoveries in this case."

"3.49: The Committee are further perturbed to note that while appointing handling agents the Ministry failed to ensure that the agents furnished bank guarantees as required under the rules and consequently a sum of Rs. 39.38 lakhs remained uncovered by bank guarantees. The most disturbing aspect of the case is that the Department remained so indifferent to this question that they even did not know till recently that such a thing had happened. The Public Accounts Committee (1965-66) in para 6.16 of their 54th Report (Third Lok Sabha) had already expressed their dissatisfaction on similar cases, and had impressed upon the urgency of streamlined the procedure prevailing in the office of the Iron and Steel Controller. The Committee feel that the present cases should also be referred to the Departmental Committee suggested in para 6.18 of their 54th Report with a view to examining the circumstances leading to the non-observance of the prescribed rules and also to fix responsibility for such lapses."

1.28. In their reply dated 6-12-68, the Department of Iron and Steel have stated :

"In terms of the Handling Contract, the Handling Agents were required to make remittance of the sale proceeds at Col. 1 price to the Iron and Steel Controller, the realisation made during a week being remitted on the following Monday. As regards the supplies at imported price, the Handling Agents were required to realise landed cost from the consignees and remit the C. & F. value to the Iron and Steel Controller within 7 days from the date of despatch. Even though Government permitted the Handling Agents to adjust their remuneration and handling bills against the cost of the materials to be remitted to the Government, this could not possibly have had the result of Handling Agents keeping to themselves what was not due to them. After all, the remuneration is only a small amount as compared to the total amount representing the cost of the materials due to the Government. Since the shipping documents were received in the Iron & Steel Control and sent to the Handling Agents for arranging clearance and despatch, Iron and Steel Control was really aware that money payable to the Government was not being remitted. As a matter of fact, the question of payment of the money by the Handling Agents was constantly under correspondence with them.

The main reasons as to why in spite of Government's attempt for recovery, the same could not be successfully enforced were three-fold, as detailed below :—

- (i) the Bank Guarantees as required under the rules were not taken for a sum of Rs. 39·48 lakhs as has already been pointed out by the Committee in para 3·49.
- (ii) the actual sale value of the imported steel in many cases was more than the amount for which the Bank Guarantee was taken mainly due to the following reasons :—
  - (a) Statutory Col. 1 Prices became higher at the time of actual supply of the materials to the consignees, while the Bank Guarantees were obtained at lower prices.
  - (b) Bank Guarantees were obtained on the basis of prices for net weight, while supplied were actually made on the basis of gross weight.
  - (c) The element of "Place Extras" in respect of wire and wire products was not taken into account at the time of obtaining Bank Guarantees.
  - (d) Where materials of different sizes with different Col. 1 prices were involved, the sale price was estimated, in the absence of detailed particulars of the materials, on the basis of average price.
  - (e) Calculations were made in some cases on the basis of Col. 1 price while supplies were made at landed cost.
- (iii) Most of these major Handling Agents, who were handling DLF imports, were verily the same who were importers/handling agents of tender/bulk purchases. A large number of their subsidy claims arising out of such purchases were still lying outstanding with the Iron and Steel Control mainly due to deficiency in documentation. A very large number of them were under audit objections for one reason or the other. In many cases the parties when called upon to pay the D.L.F. dues to the Government, took the stand that since their subsidy claims, which were older in age, were still lying outstanding with the Iron and Steel Control, they were unable to pay the D.L.F. dues. They requested that their subsidy claims after finalisation should be adjusted against the D.L.F. dues of the Government. It was ultimately decided in August, 1962, that the Handling Agents might be allowed to adjust their subsidy claims on account of imported steel against the sale value of D.L.F. steel realised from the consignees. This facility to the Handling Agents was, however, withdrawn later on.

The Committee's recommendation that vigorous steps should be taken to effect recoveries has been noted. The total amount still to be recovered from the Handling Agents is Rs. 89·93 lakhs as on 30-6-1967. After taking into consideration the outstanding counter-claims of the Handling Agents amounting to Rs. 23·89 lakhs and an amount of Rs. 1·18 lakhs creditable to them on account of short landing, the net outstanding amount comes to Rs. 64·86 lakhs.

As regards the steps taken to effect recoveries, it has been decided that realisation of Government dues should be made through Arbitration/Court Action in relation to M/s. Aminchand Payarelal group of firms, M/s. B. R. Herman & Mohatta and M/s. J. S. Cohen & Co. Out of the aforesaid outstanding amount of Rs. 89·93 lakhs, a sum of Rs. 67·35 lakhs pertains to the above group of firms. In relation to this sum, arbitrators have already been appointed in 10 cases for claims worth Rs. 18·25 lakhs and in 17 cases papers have been handed over to the Government Solicitor for filing suits involving an amount of Rs. 25·82 lakhs. Regarding the balance amount of Rs. 22·58 lakhs due from other parties, recovery is being progressively made either in cash or by adjustment against their admitted claims. If these prove a bottleneck in any case, arbitration/court action will have to be taken.

As regards non-furnishing of Bank Guarantees for a sum of Rs. 39·48 lakhs, action has been initiated to fix responsibility. The explanations furnished by the various officers concerned are currently under consideration. The Committee's comments that the Department remained indifferent to the question of a sum of Rs. 39·48 lakhs remaining uncovered by Bank Guarantees and that the Department even did not know till recently that such a thing had happened do not seem to be corroborated by facts. As a matter of fact Iron & Steel Control was already aware that a large sum of D.L.F. dues was uncovered by Bank Guarantees because the Shipping documents had to be released to the Handling Agents without obtaining Bank Guarantees. It came to the notice of the Ministry in 1962 when Iron and Steel Controller came up with the request for regularising his action through a Government sanction. In so far as the submission of these cases to the Departmental Committee suggested in para 6·18 of P.A.C.'s 54th Report is concerned, the cases were reported to the Committee of Inquiry (Steel Transactions) set up in pursuance of the recommendations contained in the 50th Report of the P.A.C. and the files were requisitioned by the Committee. Copies of the Report submitted by the Committee and the Resolution embodying Government's decision thereon were placed on the Tables of the Lok Sabha and the Rajya Sabha on the 10th May, 1968. In the circumstances, it was felt that there was no further need to refer this case to the Departmental Committee.

1.29. The Committee of Inquiry (Steel Transactions) which *inter alia* went into this case made the following observations in para 15·7 of their Report :

This relates to the delay in recovery from handling agents for an amount of approximately Rs. 130 lakhs. As on 30th June, 1967, the total amount still to be recovered was Rs. 89·93 lakhs. After taking into account the outstanding counter-claims of the Handling Agents and the amount creditable to them on account of short landing, the net amount comes to Rs. 64·86 lakhs, of which a sum of Rs. 35·82 lakhs pertains to the Amin Chand Payarelal Group. Action to effect recoveries is being taken by Arbitration/Court action, in relation to the Amin Chand Payarelal Group, M/s. Herman and Mohatta, and M/s. J. S. Cohen and Co. As regards the amount due from the other parties the recovery is being made progressively either in cash or by adjustment against admitted claims. .

1.30. The Committee note that a sum of Rs. 89·93 lakhs on account of sale proceeds of imported steel was awaiting recovery from the handling agents as on 30-6-67. The Committee hope that efforts will continue to be made to effect recoveries expeditiously.

1.31. The Committee note that the bulk of the outstandings (Rs. 67·35 lakhs) pertained to the Aminchand Pyarelal Group of firms, M/s. B. R. Herman and M/s. J. S. Cohen and Co. and that arbitration proceedings have been initiated in some cases, while in others, the question of filing suits is under-consideration. The Committee would like in this connection to invite a reference to their observations in paragraph of their Sixty Eighth Report (Fourth Lok Sabha).

1.32. The Committee also desire that action should be taken against officers responsible for failure to obtain Bank Guarantees from Handling Agents.

*Purchase of boots—Paragraphs 4·17, 4·18, 4·21, 4·25 and 4·27 (S. Nos. 48, 49 and 50).*

1.33. In December, 1962, the Director General of Supplies and Disposals negotiated contracts for the supply of 13·42 lakh pairs of boots ankle with a large number of small scale producers and two large scale producers of Kanpur, 'A' and 'B', at a price of Rs. 19·10 per pair for supplies to be completed by December, 1963. Firms 'A' and 'B' were also allowed excise duty at 10 per cent *ad valorem* in addition to the price of Rs. 19·10 per pair. Another contract was placed in July, 1963 on firm 'A' after negotiations for supply of 4 lakh pairs of Rs. 20·10 per pair plus 10 per cent excise duty. On the basis of further requirements, contracts for 1·80 lakh pairs were placed in November, 1963 on small scale producers and for 1·50 lakh and 0·35 lakh pairs on firms 'A' and 'B' respectively at Rs. 20·10 per pair (plus 10 per cent excise duty in the case of firms 'A' and 'B'). In negotiating these deals no tenders were invited from trade on the ground that the market was not favourable and tender enquiry would result in higher rates tender being paid. The Committee made the following observations in paragraphs 4·17, 4·18, 4·21, 4·25 and 4·27 :

"4·17 : The Committee are not satisfied with the procedure adopted in placing further orders. It was stated in evidence that no quotations were invited on the plea that owing to emergency there was no time to go through all the formalities. Factually this claim is not sustainable as the first order was placed in December, 1962 while the second order was placed in July, 1963, and the third order in November 1963 and in between these, there was enough time to call for tenders and complete the usual formalities."

"4·18: The Committee also do not find any justification for avoiding the calling of tenders on the assumption that the orders being large as compared with the capacity to supply, there was the chance of the prices going up, as no check was also made to see whether the prices quoted were reasonable or they were on the high side and what was the market trend at that time. Although the Secretary of the Department of Supply and Technical Development stated in evidence

that as a result of analysis made the opinion expressed was that the market did not really indicate a downward trend, the Committee feel that in October, 1963, the market trend did show that the price level was going down as was evident from the limited tenders invited at that time and yet when the orders were placed in November, 1963; this fact was completely ignored and the orders were placed at higher rates. During the course of evidence when this issue was raised the witness stated, "we shall look into the matter. There might have been an error of judgement. But we shall certainly look into the matter so that this sort of thinking does not happen in future". The Committee also find that this Ministry failed to take advantage of the lower prices when, on completion of the contract by 5 firms at lower rates, the Ministry failed to enquire from them if they could supply more. During the course of evidence the witness explaining the position stated, "that, as I said, we should have asked."

"4-21 : The Committee feel that after the acute state of emergency was over the Ministry should have studied the market trend thoroughly and ascertained from those who had supplied the boots at cheaper rates about their capacity to supply more before placing fresh orders at higher rates. In the opinion of the Committee this was an obvious failure on the part of the Ministry. The Committee hope that the Department would be more careful in placing orders in future in similar circumstances."

"4-25 : The Committee feel that the Government failed to take advantage of the prices going down from October, 1963, onwards, when there was delay in the delivery of goods on the part of some of the parties. The Government should have either cancelled the orders, made a risk purchase or re-negotiated the price, but they did neither of these."

"4-27 : The Committee also find from the statement that in one case the A/T was cancelled on 26-9-1963 and entire quantity repurchased on 12-11-1963 at lower rate. Therefore, it is quite clear that the market trend of price level had actually gone down even towards the end of 1963.

1-34. In their reply dated the 6th November, 1968, the Department of Supply stated :

*Paras 4-17 & 4-27 :*

"As mentioned against serial No. 47, only 14,61,000 pairs could be ordered as a result of negotiations held in December, 1962. About 9,00,000 pairs still remained to be purchased. It was necessary to find other sources of supply. It has to be appreciated that while the capacity of S. S. I. Units had been fully booked, there was still additional capacity available with M's. X who could make supplies at the rate of 1,00,000 pairs per month. Negotiations were, therefore, held with the firm at the level of the Minister, and ultimately

two orders were placed on this firm on 29-7-63 for Rs. 4,00,000 pairs at Rs. 20·10 plus excise duty.

The position in July, 1963, referred to in the P.A.C.'s recommendation, therefore, was that S.S.I. units had been completely booked but about 9 lakh pairs still remained to be covered and the only other source of supply available at that time was M/s. X. There was, therefore, hardly any occasion to go in for open tender at this stage. It may be further mentioned that the supplies from S.S.I. units were not forthcoming according to schedule and in some cases, supplies had not even started. Against 9,81,000 pairs for which orders were placed on S.S.I. Units in December, 1962, only 2,39,513 pairs were delivered up to the end of May, 1963. Five firms had supplied absolutely nothing. Before placing an order on M/s. X, the Ministry of Defence were consulted as to whether it was essential to place a contract on this firm in the light of the urgency of the requirements. That Ministry reiterated that they required supplies at the rate of 1,75,000 pairs per month and as the capacity of other sources was not sufficient, there was no option but to award a contract to M/s. X.

As regards the position in November, 1963 the requirements of boots ankle for the period October, 1963, to April, 1964 was 4,46,184 pairs. Most of the small-scale units still carried large-quantities of back-log. The procedure to be adopted for coverage of this quantity was examined in the Ministry of Supply in consultation with the Ministry of Finance and it was decided to cover this quantity on small scale units and large-scale units at the rate of Rs. 20·10 per pair which had been recently allowed to M/s. X, by negotiations. The reason for placement of orders on negotiated basis instead of tenders was that there was marked increase in the price of raw-materials and it was considered that there was no possibility of getting lower rates as a result of tenders. This was also confirmed by the Director of Industries, U.P. Accordingly, orders for 3,65,000 pairs were placed 1,50,000 on M/s. X and the rest on small units on the 22nd/28th November, 1963."

#### Audit observation

"The statement in para 3 that there was marked increase in the price of raw materials and that it was considered that there was no possibility of getting lower rates as a result of tenders has no basis as the Director General, Supplies and Disposals did not test the market prices through a tender enquiry. The tender enquiries issued later did, in fact, belie this apprehension and showed that at least since October, 1963 onwards there was a downward market trend :

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Tenders opened on 19-10-1963 . . . . .	Orders placed at rates from Rs. 18·99 to Rs. 19·50 per pair.
Tenders opened on 4-4-1964 . . . . .	Orders placed at rates ranging from Rs. 81·37 to Rs. 18·49. Even firm 'A' had quoted the rate of Rs. 18·49 per pair.

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"4-18 : As regards the tenders opened in October, 1963, the position is that the order placed on M/s. Z. in December, 1962, for 21,000 pairs at Rs. 19·10 per pair for delivery by September, 1963, was cancelled and a limited tender enquiry for effecting risk purchase was issued. Tenders were opened on the 19th October, 1963 and the prices ranged from Rs. 18·28 to Rs. 22 per pair.

The question is whether the tenders opened in October, 1963, really revealed a lower trend in prices which would have justified further purchases being made on the basis of tenders only. In all 25 tenders were received on this occasion. Out of 19 firms on whom orders were placed in December, 1962, as many as 13 firms quoted against this tender. Of these firms one firm quoted Rs. 20 per pair and another firm quoted Rs. 19·50 per pair, while all other firms quoted Rs. 20·10 per pair or more. The performance of the firm which quoted Rs. 20 per pair had not been found to be satisfactory and no further order was placed on them. If there was any lower trend in prices, it is reasonable to assume that all these firms would have quoted lower prices. The fact that, out of these firms, only two firms quoted slightly lower prices would indicate that no lower trend in prices was noticeable.

Out of 25 firms who tendered, only 8 firms quoted prices lower than Rs. 20·10 per pair. Of these, three firms were not considered satisfactory, and no orders were placed on them. The combined capacity of the remaining five firms was only 20,000 pairs per month. It will be seen that these were very small firms and that their capacity was very limited, and when the demand in hand was about 4½ lakh pairs, the prices quoted by these small firms could not be regarded as an indication of the price trend.

As regards the question of placing further orders on the five firms who quoted lower rates in October, 1963, the position is that the capacity of these firms was actually booked up to March, 1964. The question of placing further orders on these firms after their completing the contracts supplied did not arise because, when the position was reviewed in March, 1964, it was felt that the total demand in hand had considerably dwindled and was only approximately 3·67 lakh pairs and the urgency had also become less. It was, therefore, thought fit to go out for tender on an L.T.I. basis with a view to taking advantage of the fact that considerable capacity would become idle with certain units from April, 1964, onwards."

#### **Audit observation**

"The Department's statement in para 3 of their reply in regard to 8 out of the 25 firms who had tendered in October, 1963, that the prices quoted by them could not be regarded as an indication of the price trend in view of the larger demand in hand does not seem to be tenable as no check, as already stated under para 4·17 above, was made to see whether the prices earlier quoted were reasonable or not and what the market trend at that time was. The fact that a quantity of 65,890 pairs was covered at lower rates from Rs. 18·99 to Rs. 19·50 per pair as a result of tenders opened on 19-10-63 did go to

indicate downward market trend. This fact seems to have been ignored by the Director General (Supplies and Disposals) while placing orders at higher rates in November, 1963, on negotiated basis."

"4-21 : From the position explained against S. No. 48, it will be seen that, at the earlier stages, it was considered necessary to take every possible step to book all the available capacity for the manufacture of shoes. The lower offers which became available in October, 1963 were also fully utilised. In April, 1964, as soon as the position had eased, it was decided to go in for tenders."

#### Audit observation

"There seems to be no basis for the Department's statement that all the available capacity for the manufacture of shoes had been booked as the Director General, Supplies and Disposals had not actually ascertained from the firms who had supplied boots at cheaper rates whether—and, if so, how many pairs they would be able to supply. It is in view of this that the Public Accounts Committee have expressed the hope that the Ministry would be more careful in placing orders in future in similar circumstances. The Department have not stated categorically in their reply the action they propose to take on this recommendation of the Committee."

"4-25 : The position regarding the prices thrown up in October, 1963, has already been explained.

#### Audit observation

As stated in the Audit para the delivery periods in respect of certain acceptances of tender were extended in 1964, from December, 1963, to March 1964 without securing any reduction in the contract prices or levying any liquidated damages. The Department's reply does not cover the point raised by the Public Accounts Committee as to why purchaser did not take advantage by securing reduction in prices if, after conclusion of the contracts, the suppliers failed to supply the stores within the stipulated delivery periods, particularly when there was a fall in the market prices as stated in the Audit observations on Government's replies pursuant to in Paras 4-17 and 4-18 above.

1-35. In view of the fact that the Director General of Supplies and Disposals did not test the market by a tender enquiry before placing contracts for further requirements of boots in July 1963 and November, 1963, the Committee find it difficult to accept the Ministry's contention that there was marked increase in prices of material and that therefore there was no possibility of getting lower rates by going in for tenders. The fact that 65,890 pairs were purchased at lower rates as a result of tender opened on 19th October, 1963, would also appear to suggest that market trends were favourable. The Director General of Supplies and Disposals should have considered this fact while placing the order at higher rates in November, 1963, on negotiated basis. The Committee are also not satisfied with the explanation of the Ministry for not cancelling the orders where there was a delay so as to take advantage of lower prices in the market, that became discernible from October, 1962 onwards. The Committee desire that suitable instructions should be issued to ensure that negotiated contracts are not placed in future without fully ascertaining the state of the market.

1.36. The Committee had also pointed out a case of delay in inspection and in giving packing instructions resulting in extension being given to one of the firm. The Committee had made the following observations in this regard in para 4.26 :--

“4.26 : They are surprised to note however that extension was given to Firm ‘A’ against two different orders due to delay in inspection and delay in giving packing instructions. The Committee desire that responsibility for this delay should be fixed and prompt action taken against the delinquent officers.”

1.37. In their reply dated the 6th November, 1968, the Department of Supply stated :

“The disciplinary aspect is examined and the result will be communicated in due course.”

**1.38. The Committee desire that action against the officers responsible for the delay in inspection and in giving packing instructions should be expedited.**

## CHAPTER II

### RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

#### Recommendation

The Committee desire that the Ministry of Finance should take necessary steps so that the accruals of assistance from PL-480 fund should be utilised properly and expeditiously. As far as possible the delay in the finalisation of Agreements for new projects should be minimised. The Ministry of Finance should also keep a closer watch on the progress of execution of the projects financed from this assistance.

[S. No. 6 Para 1-31—Appendix XXIII to 68th Report—3rd Lok Sabha].

#### Action taken

A note explaining the position is enclosed (Annexure).

### ANNEXURE

#### DEPARTMENT OF ECONOMIC AFFAIRS

SUB. : *Public accounts committee*

Consideration of Audit Report (Civil) 1966 and Appropriation Accounts (Civil) 1964-65—68th Report of the P. A. C. (Third Lok Sabha)

Para 1-31—

The Committee has made the following observations :

- (1) that delay in the finalization of agreements for new projects, to absorb PL-480 loan and grant funds accruing against PL-480 imports, should be minimised as far as possible so that this assistance is utilised expeditiously; and
- (2) that these loan and grant funds should be utilised properly and the Finance Ministry should keep a closer watch on the progress of execution of projects financed from this assistance.

2. The observations at (1) above have been noted. However, the P.A.C. would be interested to know that after their hearings in December 1966 when they considered this matter, project agreements for the utilisation of a further loan of Rs. 350 crores from PL-480 funds were entered into with the U.S. authorities in March 1967 and this amount of Rs. 350 crores was received from the US AID in the same month. The position regarding

the accrual and utilisation of loan and grant funds as on 31-3-1967 is as under :—

	Amount car- marked as loan to Govt. of India	Amount car- marked as grant to Govt. of India
	(Rs. crores)	(Rs. crores)
Funds which have accrued on account of the deposits made for imports, till 31-3-67	983·05	351·27
Funds which have been received from the AID till 31-3-67	878·85	351·27*
Balance of funds remaining to be received as on 31-3-67	104·20	Nil

The balance of loan funds (Rs. 104·20 crores) available as on 31-3-67 and also a substantial portion of the loan funds which may be generated during the current financial year are expected to be drawn and utilised during the current financial year. Hence it can be said that the PL-480 loan and grant funds will be utilised expeditiously and agreements for projects are concluded with the US AID as soon as possible after the funds accrue to them and become available for disbursement to India.

3. As regards the observations referred to in para 1(2) above, it may be pointed out that administrative procedures concerning projects financed from the PL-480 funds are no different from such procedures in regard to any other projects financed from the budget. The projects and programmes which are financed from these funds are included in the Demands for Grants of the various Ministries of the Government of India and the funds voted in those Demands are expended by the Ministries concerned. Thus the PL-480 loans and grants are spent by the administrative Ministries through their annual budgets and these Ministries keep a watch, in the normal course, on the progress of execution of the projects. So far as the Ministry of Finance are concerned, the execution of the projects is reviewed through the Financial Advisers attached to the Ministries concerned when funds are provided through the annual and supplementary budget allocations. The observation of the P.A.C. has been noted.

The A.G.C.R. has seen this note.

A. T. BAMBAWALE

*Joint Secretary to the Government of India.*

#### **Recommendation**

The Committee desire that the matter be pursued and the finalisation of the terms and conditions of repayment of loans given to the Banks in Goa which has been delayed should be expedited.

(S. No. 9 para 1·42—Appendix XXIII to 68th Report —Third Lok Sabha).

\*Includes Rs. 34·70 crores set apart for meeting local support costs of US technical assistance programme in India.

**Action taken**

The terms and conditions of repayment of loans given to the Banks in Goa, have been finalised and necessary orders issued, copies of which are enclosed.

**ANNEXURE**

No. F. 22(7)-BC/67

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

DEPARTMENT OF ECONOMIC AFFAIRS

*New Delhi, the 8th December, 1967.*

To

The Custodian,  
Banco Nacional Ultramarino,  
Panjim (Goa).

**SUB. :—***Terms and conditions of the loan of Rs. 2.50 crores granted to BNU.*

The Government of India in their letter No. F.4(94)-BC/62, dated the 8th December, 1962 conveyed the sanction of the President of India for the grant of a loan of Rs. 3 crores to the Banco Nacional Ultramarino, for meeting the liabilities of the bank in accordance with the provisions of the Goa, Daman and Diu (Banks Reconstruction) Regulation, 1962. The Custodian, however, withdraw only a sum of Rs. 2.50 crores against the sanctioned amount in twelve instalments between the 26th December, 1962 and the 8th March, 1963. The total amount of Rs. 2.54 crores thus drawn will be consolidated as on the 1st April, 1963. From out of the loan amount of Rs. 2.50 crores, the Custodian has already refunded a sum of Rs. 1 crore on the 29th December, 1964 and the balance sum of Rs. 1.50 crores is still repayable by Banco Nacional Ultramarino.

2. Under Section 6(2) of the Goa, Daman and Diu (Banks Reconstruction) Regulation, 1962, the President is pleased to settle the following terms and conditions governing the repayment of the said consolidated loan.

- (i) **Repayment:** The loan will be for a period of ten years and will be repayable in one instalment on or before the 1st April, 1973.
- (ii) **Interests** (a) The loan will carry interest at 5% per annum simple interest. Interest for the period upto the date of consolidation will be payable by the bank on each instalment drawn from the date of its drawal till the date preceding the date of consolidation *viz* till the 31st March, 1963. Interest on the consolidated loan of Rs. 2.50 crores will be calculated from the 1st April, 1963 to the 28th December, 1964 and on the balance of Rs. 1.50 crores with effect from the 29th December, 1964.
- (b) Interest will be payable annually. The payment of overdue interest, alongwith the interest due on the 31st March, 1968, will

be payable on that date. Interest for the subsequent periods will be payable annually before the 31st March, each year.

Yours faithfully,  
Sd/-

*Under Secretary to the Government of India.*

Copy to:—

- (i) The Accountant General, Maharashtra, Queens Road, Bombay-1 with reference to this letter No. Loan 1/7/Misc 2706, dated 7-10-1967.
- (ii) The Accountant General, Central Revenues, Indraprastha Estates, New Delhi with reference to para 1.42 (Sl. No. 9) of the 68th Report of the Public Accounts Committee (Third Lok Sabha).

Sd/-

*Under Secretary to the Government of India.*

**ANNEXURE**

No. F. 22(7)-BC/67

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

DEPARTMENT OF ECONOMIC AFFAIRS

*New Delhi, the 8th December, 1967.*

To

The Custodian,  
Caixa Economica de Goa,  
Panaji (Goa).

**Sub :—Terms and conditions of the loan of Rs. 2.95 crores granted to the Caixa Economica de Goa—**

The sanction of the President of India for the payment of a total loan of Rs. 2.95 crores to the Custodian, Caixa Economica de Goa for meeting the liabilities of the bank after the liberation of the ex-Portugese territories was conveyed in the following letters of this Department.

- (a) First loan of Rs. 1 crore in F4(1)-BC/62, dated 12-1-62.
- (b) Second loan of Rs. 1 crore in F. 4 (95)-BC/62, dated 28-1-63.
- (c) Third loan of Rs. 25 lakhs in F. (95)-BC/62, dated 25-7-63.
- (d) Fourth loan of Rs. 20 lakhs in F. 4(95)-BC/62, dated 6-1-64.
- (e) Fifth loan of Rs. 50 lakhs in F. 4(21)-BC/64, dated 4-4-64.

Copy to :—

- (i) The Accountant General, Maharashtra, Queens Road, Bombay-1 with reference to his letter No. Loan 1/7/Mis/2706, dated 7-10-67.
- (ii) The Resident Audit Officer, Panjim (Goa) with reference to his letter No. RAO/Goa/Loans/5949, dated 9-10-67.
- (iii) The Finance Secretary to Government, Panjim (Goa).
- (iv) The Accountant General, Central Revenues, Indraprastha Estates, New Delhi-1 with reference to para 1.42 (Sl. No. 9) of the 68th Report of the Public Accounts Committee (Third Lok Sabha).

Sd/-

Under Secretary to the Govt. of India.

#### Recommendation

The Committee note that from 1962-63 Government are giving loans to the Shipping Development Fund Committee for a period of 15 years. They desire that the Ministry should examine whether the earlier loan given for an indefinite period could not be converted into a fresh loan to be paid after a fixed period, because the Committee feel that repayment of the amount borrowed at a specified date or time is the Chief characteristics of a loan.

[S. No. 10 of Appendix XXIII to their 68th Report—Third Lok Sabha].

#### Action taken

The Ministry of Transport and Shipping have since issued orders for converting all the perpetual loans sanctioned to the Shipping Development Fund Committee into repayable loans *vide* their No. 35-MD(6)/67, dated 22nd August, 1968 (Copy enclosed).

#### ANNEXURE

GOVERNMENT OF INDIA

#### MINISTRY OF TRANSPORT AND SHIPPING (TRANSPORT WING)

No. 35-MD(6)/67

New Delhi, the 22nd August, 1968.

To

The Accountant General,  
Commerce, Works & Miscellaneous,  
New Delhi.

SUB. :—*Grant of loans to the Shipping Development Fund.*

Sir,

I am directed to refer to this Ministry's communications noted in the  
M32 LSS/69—2



Copy to :—

- (i) The Accountant General, Maharashtra, Queens Road, Bombay-1 with reference to his letter No. Loan 1/7/Mis/2706, dated 7-10-67.
- (ii) The Resident Audit Officer, Panjim (Goa) with reference to his letter No. RAO/Goa/Loans/5949, dated 9-10-67.
- (iii) The Finance Secretary to Government, Panjim (Goa).
- (iv) The Accountant General, Central Revenues, Indraprastha Estates, New Delhi-1 with reference to para 1-42 (Sl. No. 9) of the 68th Report of the Public Accounts Committee (Third Lok Sabha).

Sd -

Under Secretary to the Govt. of India.

### Recommendation

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[S. No. 10 of Appendix XXIII to their 68th Report—Third Lok Sabha].

### Action taken

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### ANNEXURE

GOVERNMENT OF INDIA

### MINISTRY OF TRANSPORT AND SHIPPING (TRANSPORT WING)

No. 35-MD(6) 67

New Delhi, the 22nd August, 1968.

To

The Accountant General,  
Commerce, Works & Miscellaneous,  
New Delhi.

SUB. :—*Grant of loans to the Shipping Development Fund.*

Sir,

I am directed to refer to this Ministry's communications noted in the  
M32 LSS/69-2

margin on the subject noted above and to say that the President is pleased to decide that the loans aggregating Rs. 18, 98,06,000/- (Rupees eighteen Crores ninety eight lakhs and six thousand only) sanctioned therein to the Shipping Development Fund will be repayable in the following manner :—

Year of repayment	Amount (In lakhs)
	Rs.
1981-82	605.91
1982-83	592.15
1983-84	700.00
TOTAL	1,898.06

The loans will be repayable on the respective anniversary dates of drawal of the loans.

The rate of interest of 4½% per annum indicated therein will however, remain unchanged.

Yours faithfully,

Sd/-

M. K. BHATE.,

*Under Secretary to the Government of India.*

Copy forwarded to :

1. The Ministry of Finance (T.&P). The letter has been issued with their concurrence *vide* their U. O. No. 4574/T.F.S./68 dt. 13-8-68.
2. The Director General of Shipping, Commerce House, Ballard Estate, Bombay.
3. The Director of Commercial Audit, New Delhi.
4. The Secretary, Shipping Development Fund Committee, New Delhi.
5. Ministry of Finance (Budget Division), New Delhi.

Sd/-

*Under Secretary to the Government of India.*

#### **Recommendation**

From the evidence given and from the documents submitted to the Committee, it appears that no assessment of the capabilities of the Samaj was made for holding these camps for motivation purposes before the grants were sanctioned for the first time in 1962-63. The Committee feel

that before sanctioning grants to private bodies for new schemes, the concerned Ministry should ascertain about the standing, capacity, resources etc. of the body to undertake the task.

[S. No. 14, para 2·11—Appendix XXIII to 68th Report (Third Lok Sabha)].

#### **Action taken]**

The remarks of the P.A.C. have been noted. It is, however stated that the Model Rules for grants to voluntary organisations and local bodies for Family Planning programme prepared and circulated by the Union Deptt. of F. P. *vide* their letter No. 5-16/66-P. & E. dated 29-10-1966 provide the conditions of eligibility for assistance which, *inter alia*, include satisfaction with regard to the standing, capacity and resources of the voluntary organisation to undertake the specified task.

#### **Recommendation**

The Committee find from the statements (Appendix VI) that during the years 1962-63 and 1963-64 as well as in 1964-65, there is a great difference between the amount asked for by Samaj for holding Family Planning Orientation Camps and the amount sanctioned by the Deptt. of Health and Family Planning. During 1962-63 and 1963-64 amount sanctioned was even less than 25% of the amount actually asked for. This seems to indicate that the Samaj had been asking for amounts on the basis of unrealistic appreciation of their own capacity and capability to hold these camps. In the opinion of the Committee, this further points to the need of making an assessment of the capacity to undertake a particular scheme by any organisation before giving grant-in-aid.

[S. No. 15, para 2·15, Appendix XXIII to 68th Report (Third Lok Sabha)].

#### **Action taken**

The Department exercised its own judgment in giving grants on conservative and more realistic basis *vis-a-vis* the request of Bharat Swak Samaj. The model rules framed in 1966 which have been referred to against S. No. 1 have taken this point into consideration already.

#### **Recommendation**

In the note furnished at the instance of the Committee (Appendix VI) it has been stated that all the 183 camps conducted by the Bharat Swak Samaj in 1962-63 were held in Rural Areas and there was no overlapping of activities with any other agency in the camps organised by them. But the Committee learn from the notes submitted earlier by the Ministry that the Samaj in their own communication to the Health Ministry (Appendix) proposed to locate these camps at Block Headquarters and Urban Slums. This indicates, therefore, that the Samaj did not follow their own proposal submitted to the Ministry of health Originally for holding these camps at particular locations. The Committee fail to understand as to why Urban Slum Areas escaped the attention of the Samaj while holding camps in other areas.

[S. No. 14, para 2·12. Appendix XXIII to 68th Report (Third Lok Sabha)].

**Action taken**

The Bharat Sewak Samaj has been asked to explain the position

**Recommendation**

One of the conditions to be fulfilled by the Samaj before asking for grants for these camps was that, 'subsequent grant will depend on recommendations received from the Administrative Medical Officers'. The intention of this provision seems to be that the State Family Planning Officers would recommend these camps after making an independent assessment of the results achieved by these camps. But from the copies of recommendations (Appendix VI) received from various States it is apparent that these recommendations were issued on receipt of requests from the Samaj for holding these camps in a routine way without assessing the impact of earlier camps and their achievements. The Committee, therefore, desire that the Ministry should devise a system whereby while recommending the case of an organisation for holding Family Planning Orientation Camps, an assessment of the utilisation of earlier grants, the impact of the camps held in the previous year, the shortcoming etc. should also be brought out by the Officers concerned.

[S. No. 17, Para 2·21, Appendix to 68th Report (Third Lok Sabha)].

**Action taken**

The suggestions of the P.A.C. have been noted. The present position is that no grant is given unless the past performance is assessed and found to be satisfactory. The grant giving authority has been decentralised to the State Governments with effect from 1-1-1967.

**Recommendation**

In the note (Appendix VI) submitted at the instance of the Committee, it is stated that "from 1954-65 onwards the grants were sanctioned to all the voluntary organisations in accordance with the recommendations of the State Family Planning Officers. Even prior to this, in some cases, grants were recommended by the State Family Planning Officers". The Committee would urge that the practice in such cases should be uniform in the case of all organisations, every year.

[S. No. 18—Para 2·23—Appendix XXIII to 68th Report (Third Lok Sabha)].

**Action taken**

The suggestions of the P.A.C. have been noted for suitable instructions to all the State Governments to whom powers for sanctioning grant have been delegated from 1-1-1967.

**Recommendation**

The Committee note that even after incurring an expenditure of Rs. 12,74,000 on Family Planning Orientation Camps Programme by a single voluntary organisation the momentum was 'catching on'. They hope that

greater efforts would be made by this Department in this regard so that the amounts spent are commensurate with the results achieved.

[S. No. 20, Para 2·32, Appendix XXIII to 68th Report (Third Lok Sabha)].

#### **Action taken**

The main idea for holding orientation camps is to motivate public in favour of F. P. programme. It is felt that these camps did serve a very useful purpose. The Department are, from time to time, taking action to assess the work done in the various spheres relating to the programme so that short falls noticed can be remedied.

#### **[ Recommendation**

The Committee regret to note this irregular expenditure incurred on providing meals to local campers. That is more surprising is the fact that this irregularity was allowed to go undetected for two years and came to the notice of the Department only at the time of examination of accounts relating to these camps. In evidence it was stated that the intention was that only persons who came from far off places to attend these camps should be provided meals at these camps. The Committee fail to understand why, in these circumstances, clear instructions in this regard had not been issued in time and communicated to the authorities concerned. They hope that the correct practice is now being followed by all the organisations.

[S. No. 21, Para 2·34, Appendix XXIII to 68th Report (Third Lok Sabha)].

#### **Action taken**

It is confirmed that the correct practice is since being followed by all the organisations to whom grants are given for orientation camps.

#### **Recommendation**

The Committee regret to learn that the required information is not available in the accounts submitted by other organisations.

[S. No. 23, Para 2·38—Appendix XXIII to 68th Report (Third Lok Sabha)].

#### **Action taken**

The position now is that no expenditure on meals to local campers is allowed.

#### **Recommendation**

The Committee are unhappy to note that the grants continued to be released to Bharat Swak Samaj by the Department despite the failure of Bharat Swak Samaj to submit their 'consolidated accounts' as recommended by the P.A.C. in 34th Report. In spite of the fact that a period of six months was allowed to the Samaj to prepare their accounts, no satisfactory progress has been made in this regard till now. In view of the fact that sufficient time has now elapsed since when the Samaj was asked to

submit their accounts, the Committee feel that unless compliance of the Financial Rule is insisted upon now, it will become much more difficult to ensure compliance with the lapse of time.

[S. No. 25, Para 2-47, Appendix XXIII to 68th Report (Third Lok Sabha)].

#### **Action taken**

No grant-in-aid has been released by the Department of Family Planning, Government of India, to Bharat Sewak Samaj after 1-9-1966.

#### **Recommendation**

The Committee feel that it is not necessary to have the accounts of each individual camp audited by Chartered Accountant in view of comparatively small amount of expenditure per camp. They are, however, of the view that test checks of a certain percentage of camps in an area by a Chartered Accountant should be insisted upon.

[S. No. 27, Para 2-53, Appendix XXIII to 68th Report (Third Lok Sabha)].

#### **Action taken**

The Committee's suggestion has been noted. However, in so far as Bharat Sewak Samaj is concerned the Department have taken steps to obtain statements of accounts duly audited by Chartered Accountants in respect of the camps held in each State duly countersigned by the State Family Planning Officer concerned.

#### **Recommendation**

The Committee cannot but observe that the practice of getting the amounts relating to these camps countersigned by the Municipal Health Officer of Delhi Municipal Corporation was meaningless. They are glad to learn that this practice has since been given up.

#### **Action taken**

Noted.

#### **Recommendation**

The Committee are also not satisfied with the present procedure whereby the State Family Planning Officers stationed at various State Capitals are required to countersign the utilisation certificates in respect of Family Planning Orientation Camps held at various centres in the rural areas. They feel that state Family Planning Officers sitting in State capitals are not in a position to check the position, not being on the spot. Therefore, in order to assess whether the work done at these camps was fruitful, apart from the checking of accounts, there should be also an assessment of the achievement and on the spot check. For this purpose the Local Medical Officers attached with these camps would be in a better position to make proper assessment of the achievement.

**Action taken**

The Committee's views in this regard have been noted for suitable instructions to the State Governments.

[S. No. 28, Paras 2·55—and 2·56,—Appendix XXIII—Third Lok Sabha].

**Recommendation**

The Committee would like that the new corrective measure adopted should be given a fair trial and the progress watched.

**Action taken**

The progress of the coupon system introduced on an experimental basis in various parts of the country is being watched. The question of extending it further will be considered on the basis of the progress.

**Recommendation**

The Committee feel that there is much leeway yet to be made in the matter of family planning and therefore the efforts of the Department should be to see that the Family Planning Orientation Camps are properly Organised and run in the most efficient and economical manner, avoiding any duplication of efforts.

**Action taken**

The views of the P.A.C. in regard to the general question of properly organising F. P. Orientation Camps have been noted and wherever necessary suitable instructions will be issued to all the State Governments to whom the grant giving authority has been delegated.

[S. Nos. 29-30—Paras 2·58 and 2·62—Appendix X/XXIII—Third Lok Sabha].

**Recommendation**

In view of the unsatisfactory Plan publicity work done by the Samaj in previous and in view of the facts disclosed in the recent review of about 63 pamphlets by the Secretary of the Ministry that in about 10 publications the image of the Bharat Sevak Samaj had been projected for more than the Plan publicity, the Committee feel that proper check should be exercised on the activities entrusted to the Samaj by the Government so as to ensure that the Samaj carries on the job efficiently and economically.

With the association of two representatives of the Ministry with sub-Committee set up by the Bharat Sevak Samaj for prior scrutiny of the manuscripts of all the pamphlets of the Samaj, it is hoped that only those pamphlets would be brought out as have a direct bearing plan publicity.

[S. No. 33—Appendix XXIII to 68th Report—Third Lok Sabha].

### Action taken

The Bharat Sevak Samaj are doing Plan publicity through four approved schemes viz. (i) Mass contact, (ii) Publication of Bharat Sevak Journal, (iii) Publication of Brochures and (iv) Publication of bulletins. Under the Mass Contact Scheme they are holding Seminar and are also maintaining Plan Information Centres. Under the existing procedure, half yearly reports are called for from the Samaj to assess the tempo of publicity done by them. Further, the publications brought out by them are seen from the publications Division of this Ministry. With the appointment of the Committee (with 2 officers of Ministry of I. & B.) by the Samaj for vetting the manuscripts, it is hoped that only publications having plan publicity contents will be brought out by the Samaj.

As present the grant to the Bharat Sevak Samaj for Plan publicity has been suspended as they have not been able to submit consolidated accounts in respect of the grant received by them earlier. In case the grant is resumed, it is proposed to ask our Regional Officers and Field Publicity Officers stationed at various places to associate themselves with the field activities of the Samaj as far as possible and send their assessment report to the Government about the utility of such programmes from the point of view of Plan publicity.

### Recommendation

Asked for the justification of continuing the Office of the Iron and Steel Controller since control on price and distribution of a major number of steel items had been removed, the witness stated that there were quite a number of categories of steel items which were still under control and the Iron and Steel Controller had the statutory authority to look after the price control and distribution of these items. The Committee pointed out that a department which was created at the time of stress for a temporary purpose had assumed the character of permanence and desired to know whether the work of the Iron and Steel Controller's Organisation could not be done by the Ministry. The witness stated that with the gradual decontrol, the amount of work to be performed by this office was being reduced and the staff was also being reduced correspondingly. A Committee under the Chairmanship of Shri R. K. Khedilkar, M.P. had been appointed to go into the whole question of Iron and Steel Control Organisation and to suggest what further reorganisation of the office was necessary. The complete report of the Committee was awaited. At the instance of the Committee, the witness agreed to furnish a note stating whether there had been any reduction in the number of staff in the office of Iron and Steel Controller since August, 1964 when the work of planning, production and distribution of steel was transferred to J.P.C. This note\* has been furnished.

\*Not vetted by Audit.

[S. No. 38 para 3.3 of 68th Report (Third Lok Sabha).]

### Recommendation

The Committee note that during the period from 1st August, 1964 till 30th July, 1966, the strength of office of the Iron and Steel Controller was reduced by 121 persons belonging to classes II, III and IV. They hope that a constant watch would be kept over the staff requirements in



the organisation of Iron and Steel Controller and further economies effected as the work load decreases.

[S. No. 38 para 3.9 of Appendix XXIII of 68th Report (Third Lok Sabha)].

#### Action taken

The advice of the Public Accounts Committee that is constant watch would be kept over the staff requirements in the organisation of the Iron and Steel Controller and further economies effected as the work load decreases has been noted.

#### Recommendation

The Committee hope that the High Powered Committee would do the needful to liquidate the remaining 975 cases as early as possible.

[S. No. 42 Para 3.33 of the Appendix XXIII of 68th Report (Third Lok Sabha)].

#### Action taken

The 975 cases referred to have been arrived at by deducting 549 cases disposed of by the High Powered Committee from 1524 bills relating to payment of subsidy to importers of steel, which remained under audit objection till the end of August, 1965. The above 549 cases do not, however, relate to payment of subsidy only, but also to surcharge and D.L.F. cases. The number of subsidy cases included in 549 was 307. Again, apart from 1524 bills lying under audit objections 1432 bills were also outstanding as at the end of August, 1965. The High Powered Committee is going through all the bills and not merely those under audit objections. The total number of bills relating to payment of subsidy to the importers of steel pending as on 30-4-1967 is 1907 and out of that 879 bills are under audit objections.

The Committee's recommendation for liquidating the cases by the High Powered Committee has been noted. Upto 30-4-1967, the performance of the High Powered Committee was as follows :—

	Reviewed	Passed by Audit
Subsidy . . . . .	837	577
Surcharge . . . . .	479	306
D.L.F. Bills . . . . .	346	263
Miscellaneous . . . . .	9	Does not arise.

The performance of the High Powered Committee as on 30-6-1968 is as follows :—

	Reviewed	Passed by Audit
Subsidy . . . . .	1,042	850
Surcharge . . . . .	671	500
D.L.F. Bills . . . . .	376	306
Miscellaneous . . . . .	18	Does not arise
'B' Forms in respect of Re-rollers . . . . .	33	33

The performance as on 30-6-1968 could not be referred to audit for vetting and is being referred now.

#### Recommendation

It is indeed surprising that the Government agreed to make the payment of the interest by these firms conditional on the inclusion of a special element in the retention price. This enabled the firms to take the view that since no special element was allowed, no interest was legally recoverable from them. The Committee feel that the conditions regarding recovery of interest on these loans should have been more specific *ab-initio* and not left in vague terms. The Committee also feel that if the conditions regarding recovery of interest had been more specific *ab-initio*, the necessity of foregoing interest for the period 1-7-1958 to 31-3-1961 amounting to Rs. 277.48 lakhs would not have arisen.

[S. No. 43 (Para 3.43) of Appendix XXIII to the 68th Report (Third Lok Sabha)].

#### Action taken

The recommendation of the Public Accounts Committee has been noted.

#### Audit Observation

The Joint Plant Committee was set up to look after the work of planning, production and distribution of steel with effect from 1-3-1964 and for this purpose Re. 1 per tonne was levied with effect from 1-3-1964 from the main producers of steel on all despatches of both controlled and decontrolled categories of prime quality steel. From the Ministry's reply it would be observed that the Iron and Steel Controller continued for sometime to do the planning as the Joint Plant Committee had not had the full complement of staff. When Re. 1 per tonne has been collected on all despatches whether of controlled or decontrolled categories of prime quality steel, legitimately the expenditure incurred by the Iron and Steel Controller during the intervening period on planning should have been recovered from the Joint Plant Committee.

#### Recommendation

It has been stated in the Audit Para that this *ex-gratia* increase involving an extra payment of about 1.65 lakhs was allowed as an understanding

was stated to have been given to them at the time of negotiating the price that if any other firm were allowed higher rates, they would also be allowed the same. In the opinion of the Committee this sort of understanding without insertion of any such condition in the relevant acceptance of tender, is highly irregular. Any condition, assurance or understanding in case of contracts must always be supported by proper provision or clauses in the tender and in the contracts.

[S. No. 49-Para 4-23—Appendix XXIII to 68th Report—Third Lok Sabha].

#### **Action taken**

Instructions have been issued vide Routine Note No. 24 dated 27th May, 1966 (copy enclosed) to Purchase Officers to ensure that in future, undertakings given in negotiations are strictly adhered to and are invariably stipulated in the resultant A/T.

#### **DIRECTORATE GENERAL OF SUPPLIES & DISPOSALS (CO-ORDINATION SUPPLIES SECTION 1B) NEW DELHI-1.**

*Dated : 27-5-1966.*

*Routine : Note No. 24*

*Subject : Negotiation with firms—Necessity of indicating in contracts the terms and conditions agreed to in the negotiation.*

A case has come to notice where the Purchase Section concerned failed to include in the A/T certain terms and conditions mutually agreed to during negotiation with the firm prior to the placement of the contract. This has resulted in a lot of complications and had given rise to an unwelcome situation.

2. Purchase Officers are requested to ensure that in future, undertakings given in negotiations are strictly adhered to and are invariably stipulated in the resultant A/T.

(A. BHATTACHARJEE),  
*Deputy Director (CS-II)*

#### **Recommendation**

The Committee note that charge sheet has been issued to the person concerned in this case and his explanation has been called for. What, however, passes the comprehension of the Committee is how all the three letters written by the firm on 10-11-62, 21-11-62 and 1-12-62 were not brought on record and not brought to the notice of the senior officer. They wonder whether there is no system in the DGS&D by which important letters and documents are shown to the officers even at 'Dak' (Receipt) stage. In their opinion suppression of documents, specially when they result in loss to the exchequer or result in a benefit to a party or firm to the detriment of Govt. interests should be treated as a serious lapse meriting deterrent punishment. The Committee had occasion to comment on a similar case of suppression of documents in the office of DGS&D in para 3.21 of their 64th Report (3rd

*Copy of D.G's note dated 23-5-1967*

A number of complaints of a serious and far-reaching nature were made against suppliers of a particular item against a series of A/Ts between the years 1963 and 1966. Some of these complaints were addressed to the Director concerned. Despite the seriousness of the complaints, they were at no stage brought to the notice of the Director General. The complaints were serious enough to have merited immediate report to the Ministry/Department of Supply as well. It is possible that had the complaints been brought to the notice of the D. G./Government, corrective action might have been taken earlier and more effectively.

2. Officers who receive such complaints should try to assess their significance. In important cases involving fraud and the like, matters should be brought immediately to the notice of the DG/Department of Supply. Such immediate interim measures as may be necessary should, however, be taken to prevent further loss/damage etc. It is not intended that the initiative of the officers receiving such complaints should be reduced or minimised by the fact of their being required to report to higher authorities. They will remain responsible for taking proper action on receipt of these complaints. But, as an added precaution, it is necessary that really serious complaints of the nature referred to above should be brought promptly to the notice of higher authorities.

(Sd) 23-5-67

*ANNEXURE*

D. O. NO. CSIB/11(10)/67

GOVERNMENT OF INDIA

DIRECTORATE GENERAL OF SUPPLIES AND DISPOSALS

NEW DELHI-1, the 12-6-1967

My dear

An extract from the minutes of the Directors' meeting held on 1-6-67 is reproduced below:

"D. G. impressed upon the Directors of Purchase the necessity of the examination of the purchase cases in depth, covering all aspects including financial position of the firm, performance, technical capacity etc. He also stressed the necessity of prompt action of serious complaints received by the Directors. Particularly D.O. letters should be watched through a suitable register to ensure prompt and thorough examination of complaints. This would avoid unnecessary embarrassment to the Directorates/Organisation at later date".

2. As regards examination of purchase cases referred to above, it may be mentioned that the existing procedure already provides that the purchase officers should take into account the financial standing of the firm, capacity, load on hand, past performance etc. while taking decision on tenders. I shall

*Copy of D.G.'s note dated 23-5-1967*

A number of complaints of a serious and far-reaching nature were made against suppliers of a particular item against a series of A/Ts between the years 1963 and 1966. Some of these complaints were addressed to the Director concerned. Despite the seriousness of the complaints, they were at no stage brought to the notice of the Director General. The complaints were serious enough to have merited immediate report to the Ministry/Department of Supply as well. It is possible that had the complaints been brought to the notice of the D. G. Government, comprehensive action might have been taken earlier and more effectively.

2. Officers who receive such complaints should try to assess their significance. In important cases involving fraud and the like, matters should be brought immediately to the notice of the DG Department of Supply. Such immediate interim measures as may be necessary should, however, be taken to prevent further loss/damage etc. It is not intended that the initiative of the officers receiving such complaints should be reduced or minimised by the fact of their being required to report to higher authorities. They will remain responsible for taking proper action on receipt of these complaints. But, as an added precaution, it is necessary that really serious complaints of the nature referred to above should be brought promptly to the notice of higher authorities.

(Sd) 23-5-67

*ANNEXURE*

D. O. NO. CSIB/11(10) 67,

GOVERNMENT OF INDIA

DIRECTORATE GENERAL OF SUPPLIES AND DISPOSALS

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2. As regards examination of purchase cases referred to above, it may be mentioned that the existing procedure already provides that the purchase officers should take into account the financial standing of the firm, capacity, load on hand, past performance etc. while taking decision on tenders. I shall

be grateful if you could impress these points on all the purchase officers under your control.

3. Regarding the procedure for dealing with complaints I am also to invite a reference to Shri Ghej's D. O. No. 3(8) /67 O&M dated 25-2-67. You are requested to ensure that prompt action is taken on all complaints. With a view to keeping a watch on such complaints you are also requested to arrange for maintenance of a separate register for all demi-official letters/complaints as directed by Director General.

Yours sincerely,  
(Sd)

All Directors of Supplies  
at Headquarters and Regions.

Copy to O & M Section—Reference their Endorsement No. 6(1)/67-O&M dated 2-6-67.

#### Recommendation

It also appears to the Committee, that there is no uniformity with regard to levy of liquidated damages by the DGS & D while it is desirable that each case has to be decided on merits, the procedure should not vary from case to case.

[S. No. 54—Para 4.54—Appendix XXIII—to 68th Report—Third Lok Sabha].

#### Action taken

Procedure for levy of liquidated damages is laid down in paras 233(1) and (2) of the Manual of Office Procedure for Supply and Disposals. The cases are however decided on merits taking the various factors contributing for the delay into consideration. The procedure for levy of liquidated damages has further been simplified and necessary instructions in this regard have been issued vide Office Order No. 13 dated 17-2-1967 (copy enclosed) for the guidance of the purchase officers.

DIRECTORATE GENERAL OF SUPPLIES AND DISPOSALS  
(Co-ordination Supplies Sec. IB)  
New Delhi-1

OFFICE ORDER No. 13 dated 17-2-1967.

Subject : Simplification of the procedure regarding levy of liquidated damages and regularisation of the delivery period.

Reference: (i) Office Order No. 113 dated 1-10-66.

(ii) Office Order No. 133 dated 10-11-1966.

(iii) Office Order No. 154 dated 15-12-66.

In supersession of the instructions contained in the Office Orders cited above the following procedure is laid down on the subject mentioned above:

(a) Cases in which recovery of liquidated damages is time barred under the limitation Act (i. e., 30 years) should be closed.

(b) The question of recovery of liquidated damages need not ordinarily be considered in respect of contracts upto Rs. 1 lakh in value placed upto 1-10-66 which should be closed except in the following categories :

(i) Contracts where higher prices have been specifically paid for earlier delivery

and

(ii) contracts containing pre-estimated or pre-determined damage clause.

2. In respect of contracts upto Rs. 1 lakh in value in which liquidated damages is not to be normally levied and where supplies have not been completed/made, necessity may arise for granting extension of time for performance. Where it is decided to grant extension of time, the same may be given without liquidated damages provided the authority competent to grant such extensions is satisfied that the reasons for the delay in supplies have been beyond the control of the supplier and are not due to wilful negligence or bad performance on his part. Such extensions in time for performance should, however, be given only with reservation of rights to deny increases in prices on account of price variation where contracts provide for variation in prices) or on account of enhancement or fresh imposition of taxes and duties/levies etc. taking place during the delayed period. The specimen form enclosed may be used for granting such extensions in delivery period.

3. As no liquidated damages is normally to be levied in such cases there is no necessity for making any reference to the indenter/consignee regarding loss or inconvenience suffered due to delay in supplies. This does not, however, mean that the information regarding loss (whether actual or potential suffered due to delay) available with the purchase officer has to be ignored. Such cases would have to be decided on merits.

4. Even in cases where no liquidated damage is to be levied, formal amendment letters regularising the delivery period will be issued by the purchase officers as hitherto. The final payment will be made by the Pay and Accounts Officers only on receipt of such amendments.

5. Contracts above Rs. 1 lakh in value in which the recovery is not time barred, should be examined in detail for levy of liquidated damages with reference to the circumstances mentioned below:

- (a) Whether the indenter has suffered any actual or potential loss due to delay in supplies (Lower trend of prices during the period of delay has to be taken into account for working out the potential loss).
- (b) Whether delay in supplies has resulted in payment of additional sales tax, excise duty or other imposts etc.
- (c) Whether higher prices have been specifically paid for earlier deliveries.
- (d) Whether delay has resulted in payment of additional freight charges.
- (e) Whether the contract contains pre-estimated or pre-determined damages clause.
- (f) Whether the delay in supplies has been wilful on the part of the firm.

In cases where the contracts incorporate the usual liquidated damages clause [i. e. clause 11 (iii) (a) of form No. DGS&D-68 or clause 14 (7) (i) of form No. DGS&D 68—Revised] and not the pre-estimated damage clause and there has been no loss, the purchase officers will have discretion to waive the recovery of liquidated damages altogether or levy only token damages. The Powers of the purchase officers for regularisation of delivery period with or without liquidated damages are contained in the delegation of powers issued from time to time.

6. The Directors of Supplies at Hqrs. and Regions and the Control Officer (Finalisation) should, however, send a report (in duplicate) to Co-ordination Supplies Branch by 15-4-67 indicating the number of cases that were pending finalisation on 1-10-66, the number of cases finalised in accordance with these instructions or the instructions contained in the office orders superseded by these instructions and the number of cases outstanding as on 31-3-67.

(Sd) M. M. Pal,  
Deputy Director (CS-II)

Standard Distribution—  
On file No. CSIB/13(1) I-

Copy to the Pay & Accounts Officer, Deptt. of Supply with reference to his U. O. No. SM/11 (16)XIII 1669-72 dated 23-12-66.

This form is to be used for contracts where clause 14(7)(i) of Form No. DGS&D-68 (Revised) is not applicable.

REGISTERED ACKNOWLEDGMENT DUE AMENDMENT SERIAL NO.

GOVERNMENT OF INDIA  
MINISTRY OF SUPPLY, TECHNICAL DEVELOPMENT  
MATERIAL AND PLANNING  
DIRECTORATE GENERAL OF SUPPLIES & DISPOSALS  
N. I. BUILDING, PARLIAMENT STREET,

NEW DELHI, the .....

To,

\_\_\_\_\_

SUBJECT : Acceptance of Tender No.....dated.....  
for supply of.....  
against Indent No.....dated.....  
Value Rs.

REFERENCE : Your letter No. ....dated.....

Dear Sirs,

You have failed to deliver the stores within the  
the entire quantity



delivery period

delivery period as last extended upto.....

In your letter under reply you have asked for extension  
further extension

of time for delivery. In view of the circumstances stated in your said letter, the time for delivery is extended from.....  
to.....

the stores  
You may now tender-----for inspection in terms  
balance of the stores

of this letter. Stores, if any, already tendered by you for inspection but not inspected will now be inspected accordingly.

2. The above extension of delivery date will be subject to the following condition :—

- (a) that no increase in price on account of any statutory increase in or fresh imposition of Customs Duty, Excise Duty, Sales Tax or on account of any other tax or duty leviable in respect of the stores specified in the said Acceptance of Tender which takes place after\*..... shall be admissible on such of the said stores as are delivered after the said date; and
- (b) that notwithstanding any stipulation in the contract for increase in price on any other ground no such increase which takes place after..... shall be admissible on such of the said stores as are delivered after the said date.
- (c) but, nevertheless, the purchaser shall be entitled to the benefit of any decrease in price on account of reduction in or remission of Customs Duty, Excise Duty, Sales Tax or on account of any other tax or duty or any other ground as stipulated in the price variation clause which takes place after the expiry of the above mentioned date namely\*:

3. Please intimate immediately your acceptance of the extension on the above conditions. Please note that in the event of your declining to accept the extension on the said conditions or your failure after accepting or acting  
the stores

upon this extension to deliver-----within the  
the outstanding quantity of stores

delivery period as hereby extended, the contract shall be cancelled and the outstanding qty. of the stores shall be purchased at your risk and cost under the terms of the contract.

Yours faithfully,

Deputy/Asstt. Director (supplies)

For and on behalf of the-----

\*Give here the date of expiry of the original delivery period in all extensions.  
M32LSS/69

### Recommendation

From the note furnished, the Committee are glad to note that in pursuance of their recommendations made in 1964-65, the Government have now decided to appoint a Contract Officer in the DGS&D and action in the matter has already been initiated. The Committee trust that this appointment will be made without any further delay and that it would result in improving the working of the organisation.

[Sl. No. 55 (para 4.57) Appendix XXIII to 68th Report (Third Lok Sabha)].

### Action taken

Contract Officer has since been appointed and is in position with effect from 1-12-66.

### Recommendation

The Committee hope that the Government would finalise the Plan to set up a Directorate of Planning early so that the work to organise market research could be started without delay.

[Sl. No. 56 of (para 4.64) Appendix XXIII of the 68th Report (Third Lok Sabha)].

### Action taken

A Directorate of Planning has been set up in the D.G.S. & D. with effect from 22-9-66.

### Recommendation

The Committee regret to note that as a result of delays in the office of D. G. S. & D. an avoidable extra expenditure of Rs. 1.78 lakhs was incurred in the purchase of pumps. The Committee take a very serious view of such delays. The Committee also feel that the procedure prevalent in office of D. G. S. & D. as such requires streamlining so that such delays are detected immediately and suitable remedial measures are taken in time.

[Sl. No. 63 (para 4.116) Appendix XXIII, 68th Report (Third Lok Sabha)].

### Action taken

Various remedial measures taken with a view to eliminate delays at various stages are indicated below:

- (a) The various purchase Directorates and Sections have been re-organized on an officer-oriented pattern on the basis of Vidyalkar Committee's Report.
- (b) Periodical meetings are held by the Director General with the Directors of Supplies with a view to discuss and expenditure coverage of indents and disposals of receipts.
- (c) Instructions have been issued *vide* Office Order No. 82 dated 26-7-1966 (copy attached) whereby the purchase officers are required to maintain case sheets of all uncovered indents. Immediately

after the tenders are opened, one copy of the case sheet is placed on the file and another copy is handed over to the competent purchase officer in whose powers the case falls. The maintenance of these sheets helps the officer to eliminate avoidable delays.

- (d) Instructions have also been issued *vide* Office Order No. 102 dated 12-9-1966 (copy attached) stressing the urgency of coverage of indents within the original validity period of offers.
- (e) Check points for indent planning and scrutiny have been drawn up for guidance of purchase officers *vide* routing note No. 98 dated 4-9-1967 (copy attached).

#### **Recommendation**

The Committee also desire to be apprised of the result of the enquiries which were initiated against the officers who failed in their duty to ensure effective scrutiny and supervision in this particular case and the final action taken as a result of enquiry.

[Sl. No. 63, (para 4.117) Appendix XXIII 68th Report (Third Lok Sabha)].

#### **Action taken**

The Report of the C. B. I. on this case has been received and is under examination. Further action taken in the matter will be reported to the Public Accounts Committee in due course.

#### **Audit Observation**

In the absence of the Purchase files, which are reported to be with the Special Police Establishment, the facts reported in the note on Sl. No. 62 (Para 4.112) of Appendix XXIII of 68th Report (Third Lok Sabha) for the Public Accounts Committee are not susceptible of verification by Audit.

#### **Further Information**

Please furnish a note showing the action taken against the officers concerned, pursuant to the report of the C.B.I.

#### **Government's reply**

Pursuant to the report of the C. B. I. the matter was examined in consultation with the Central Vigilance Commission and the following action have been taken:

- (1) The Deputy Director of Supplies has been warned to be careful in future.
- (2) The Assistant Inspecting Officer has also been warned to be careful in future.
- (3) No action could be taken against the Asstt. Dir. of Supplies concerned as he had resigned from Govt. Services.
- (4) The firm has been black listed permanently with effect from the 16th October, 1968.

### Recommendation

The Committee desired to be furnished with the opinions that the Department of Supply & Technical Development had received so far which had a bearing on Section 73 and Section 74 of the Contract Act along with the precedents that had been quoted there.

[Sl. No. 65 (Para 4.131) of 68th Report (Third Lok Sabha)].

The Committee regret to state that the information is still awaited.

[Sl. No. 65 (Para 4.132) of 68th Report (Third Lok Sabha)].

### Action taken

25 copies of the opinions having a bearing on Sections 73 and 74 of the Contract Act received in 3 cases by the D. G. S. & D. from the Ministry of Law, are forwarded herewith (Not printed). The provisions in the General Conditions of Contract are not based on these opinions. These opinions are interpretations of the relevant provisions of the Conditions of Contract.

### Recommendation

"The Committee note that at the end of June, 1966, 9214 cases of contracts were pending for review in I. S. M. London. Out of 5718 cases reviewed during the period from 1st April, 1966 to 25th August, 1966, 2000 cases were closed and an amount of £1,000 had been recovered and £21,887 were waived. The Committee have also been given to understand that even at the end of August, 1966, 3496 cases of contracts were pending for review so far as levy of liquidated damages was concerned. That such a large number of cases (3496) were pending for review, shows that procedure for reviewing such cases required to be streamlined. The Committee are not convinced with the reason given by the witness in evidence that the procedure of such a review is time consuming as references are required to be made to the different parties."

"The Committee would like to be informed of the action taken to streamline the procedure for review of cases of liquidated damages. They also desire that the 3496 pending cases should be reviewed expeditiously."

"The Committee desire that Government should take necessary steps to ensure that there is no departmental lapse in cases involving recovery of liquidated damages. For future at least Government should lay down procedure to review periodical cases of delay in supplies with a view to list out the names of the firms who are habitual in delaying the supply of stores so that suitable action can be initiated."

[Sl. No. 66 (Para Nos. 4.134, 4.135 & 4.136) of Appendix XXIII of 68th Report (Third Lok Sabha)].

### Action taken

*Para Nos. 4.134 & 4.135 :*

Out of 3496 cases referred to by the Committee only 928 cases were outstanding on 30th June, 1967. The number of cases outstanding has, therefore, been reduced considerably. The remaining cases are constantly being reviewed by the India Supply Mission, London.

Regarding streamlining of the procedure it is submitted that because of the various difficulties which the Purchasing Missions were facing for finalising L. D. cases, Department of Supply, in consultation with the Ministry of Finance, have simplified the procedure for recovering L. D. and have issued an order No. P. II-1(30)/63 dated 25th April, 1966. A copy of this order is enclosed for the information of the Committee.

*Para 4.136 :*

Regarding the question of Departmental lapses it is submitted that the Committee's Recommendation has been brought to the notice of the Purchasing Missions in London and Washington. They, in turn, have issued instructions to all the concerned officers for timely review of L. D. cases and have added that, in case of any lapse on the part of any officer, disciplinary action will be taken by the Government. A copy each of the orders issued by India Supply Mission, London and India Supply Mission, Washington is enclosed. Regarding listing out of the names of the firms who are habitual in delaying the supply it is submitted that the purchasing Missions abroad generally suspend dealings with the firms who habitually delay supply of stores, irrespective of the fact whether or not any provision exists in the contract regarding levy of liquidated damages in the event of delay in supplies. The Missions, however, purchase mainly proprietary stores. This being the case, they cannot ignore such firms completely, as they will have no other source to approach.

**ANNEXURE**  
**IMMEDIATE**  
**BY AIR MAIL REGD.**  
**No. PII-1(30)/63**  
**GOVERNMENT OF INDIA**

**MINISTRY OF SUPPLY, TECHNICAL DEV. & MATERIALS  
PLANNING**

**Central Sectt. North Block**

*New Delhi, dated the 25th April, 1966*

5th Vaisakha, 1888 (S)

To

The Director General,  
India Supply Mission, Govt. Building  
Bromyard Avenue, Acton, London  
(Shri G. Ramanathan)

Director General, India Supply Mission  
2536 Mass. Avenue N. W.,  
Washington 8 D. C. (Shri P. P. Agarawal)

Director General, Supplies & Disposals,  
New Delhi (Shri J. S. Lal)

**SUBJECT :** *Simplification of procedure regarding levy of liquidated damages and regularising of delivery dates in contracts by the India Supply Mission London/Washington and the D. G. S. & D., New Delhi.*

Sir,

I am directed to say that at present much time and labour are spent in working out the liquidated damages in respect of completed contracts and

the expenditure on staff engaged on it is out of all proportion to the amount that the Purchase Organisation has been able to recover as damages. In both the India Supply Mission, London and the D. G. S. & D., New Delhi this exercise of calculating the liquidated damages is gone through a matter of routine even in cases where no loss is suffered by the indenter and where there is no possibility of enforcing recovery. This exercise often causes unnecessary annoyance to suppliers, particularly in India where the balance of 5% of their bills cannot be paid till the amendment letter regularising the delivery period is issued. In the case of I. S. M., London, as well as the D. G. S. & D. the firms are asked in every case to tender evidence in support of the reasons adduced by them for delay in supply of stores. This only causes irritation to firms, as in most cases the I. S. M., London and the D. G. S. & D. have had to waive recovery of liquidated damages for various reasons. It may be mentioned that the Government of U. K. had deleted from their General Conditions of Contract the Liquidated Damages clause about 20 years back; it suspends dealing with firms who habitually delay supply of stores.

2. Keeping the above aspects in view, the question of simplification of procedure for recovering liquidated damages has been carefully examined, in consultation with the Ministry of Finance, and it has been decided as follows:

- (a) Cases in which recovery is time-barred under the relevant Limitation Act (6) years in the case of I. S. M., London, 7 years in the case of I. S. M. Washington and 30 years in the case of D. G. S. & D. should be closed.
- (b) Other cases of contracts less than £15,000/- \$ 50,000/- Rs. 1 lakh in value, *not* falling in the following categories, should also be closed:
  - (i) Contracts containing Price Preference Clause for earlier delivery.
  - (ii) Contract containing pre-estimated or pre-determined Liquidated Damages Clause.

3. Contracts above £15,000/- \$ 50,000/- Rs. 1 lakh in which recovery is *not* time-barred, should be examined by I. S. M., London and I. S. M., Washington and the D. G. S. & D. in detail for levy of liquidated damages with reference to the circumstances mentioned below:

- (a) Where the indenter had suffered actual loss on account of delay in supplies.
- (b) Delay in supply of stores has resulted in payment of additional sales tax, excise duty and other imposts.
- (c) The contract contains price preference clause for earlier delivery.

In cases where liquidated Damages Clause is included in the conditions of contract otherwise than as pre-mediated step and there has been no loss, the officers of I. S. M.s London and Washington will have discretion to waive recovery of liquidated damages or levy only taken liquidated damages.

4. Orders have already issued that the India Supply Mission, London and Washington may delete the Liquidated Damages Clause in respect of future contracts not exceeding £15,000/- \$ 50,000/ in value, save in cases

where the stores are urgently required and the grace period of 21 days is not allowed. It has now been decided that the D.G.S.&D. may similarly delete the Liquidated Damages Clause in respect of contracts valued at less than Rs. 1 lakh, unless the Purchase Officer is of the opinion, at the time of placing the contract, that strict adherence to the schedule of delivery is essential in public interest; in such cases the clause should be retained and the specific attention of the contractor drawn to it by a separate letter.

5. The officers of the India Supply Mission, London/Washington/ D. G. S. & D. will exercise powers of waiver of liquidated damages in cases of types mentioned at (a) to (f) of para 3 as provided in I. S. M. London/ Washington Purchase Rules and relevant orders issued in the case of the D. G. S. & D. from time to time.

Please acknowledge receipt.

Sd/-

*Under Secretary to the Govt. of India*

*Copy to :*

1. Comptroller & Auditor General, New Delhi.
2. Accountant General, C. W. & M., New Delhi.
3. Director of Audit, Indian Accounts, 55, Jermyn Street London S. W. I.

*By Air*

4. Director of Audit, Indian Accounts, Washington.
5. Chief Pay & Accounts Officer, Deptt. of Supply & Tech. Dev. New Delhi, with ref. to their u. o. No. SM/CI(16)XII/1485 dated 25-9-1965. It is confirmed that necessary amendments regularising the date of delivery/waiving liquidated damages would be issued in all cases by the Purchase Organisations irrespective of their nature and value.
6. Ministry of Finance (S. W.) with reference to their u. o. No. 825-FA (IAS)/66 dated 16-4-66.

*By Air Bag*

7. Financial Adviser, High Commission of India, London.
8. Financial Adviser, Embassy of India, Washington.
9. Officer on Special Duty (Litigation) D. G. S. & D. New Delhi.
10. Purchase I Branch.
11. File No. P-II-1(21)/63
12. File No. P-II-1(12)/63
13. Guard File (2 copies)

Sd/-

*Under Secretary to the Government of India*

**ANNEXURE II****S. 68/6/9/66-SB****India Supply Mission****O. M. No. 29/67****Expeditious finalisation of cases involving liquidated damages.**

In the Sixty eighth Report (1966-67), the Public Accounts Committee have expressed grave concern lest there be any departmental lapse in cases involving recovery of liquidated damages. It was felt that delay in finalisation of such cases weakens our position and may result in adequate recoveries in terms of the contract.

The Department of Supply have instructed that this matter should be brought to the notice of all the officers concerned emphasising that 'in case of any lapse on the part of any officer, disciplinary action will be taken by Government.'

All officers concerned should therefore pay special attention to review all such purchase files from time to time to avoid any lapses and subsequent complications.

Sd/-

For D. G., I. S. M.

Dated : 26-9-67

**INDIA SUPPLY MISSION**

2536 Massachusetts Avenue N. W.

Washington D. C. 8

**OFFICE ORDER NO. CDN-PR-232**

October 6, 1967

**SUBJECT. Recovery of Liquidated Damages.**

The Public Accounts Committee in their 1966-67, 68th Report, as per para 4.136, have recommended that the Government should take necessary steps to ensure that there is no departmental lapse in cases involving recovery of liquidated damages. This recommendation has been accepted by the Ministry.

2. All the Purchase Officers and Sections should note carefully that against contracts wherein liquidated damages clause is stipulated and there is delay in supplies, such cases should be reviewed immediately for recovery of liquidated damages or otherwise, based on the merits of each case. Each Purchase Officer shall be responsible for timely review of such cases and it may be emphasized that in case of any lapse on the part of any officer, disciplinary action will be taken by the Government.

Director General

Distribution :

1. General.
2. File CDN-1/13



3. CDN-10/4

4. Copy together with a spare copy forwarded to the Deputy Secretary to the Government of India, Ministry of W. H. & S. Department of Supply, New Delhi, with ref. to their letter No. PII-7(9)/65 dated 5-9-67 which was received in this Mission on September, 25 1967.

Sd/- R. C. CHHABRA  
Asstt. Director

#### Further Information

Sl. No. 66: Please furnish a note showing the latest position of the review of outstanding cases of levy of liquidated damages.

#### Government's Reply

On the 30th of September, 1968 India Supply Mission, London had 600 cases of Liquidated Damages pending review. The Mission has been asked to accord high priority to the finalisation of these cases.

#### Recommendation

The Committee feel that had the Government charged some penal interest on the amounts outstanding from the Public Undertakings, it would have served as a deterrent and the Public Undertakings would not have delayed in making payments.

[Sl. No. 72 (Para 4.210) of Appendix XXIII to the 68th Report (Third Lok Sabha)].

#### Action taken

Para 4.210 : The payment of policy for overseas contracts against Public Sector Undertaking demands is laid down by the Ministry of Finance and the Department of Supply and the Purchasing Organisations under this Department only follow this prescribed policy. The Committee's observations have been noted by the Ministry of Finance. In this connection attention is invited to the reply given in respect of Serial No. 74 *infra*.

#### Recommendation

The Committee are glad to note that the Ministry of Finance have issued revised instructions promptly for payment in respect of order placed through the Overseas Purchase Organisations either direct or against D. G. S. & D. crossmandates.

The Committee hope that as a result of the instructions for making payments to overseas suppliers for purchases made by Public Sector Undertakings (other than Government Departments) the cases of delays in the reimbursement of the amounts by the Public Sector Undertakings will be eliminated in future. The Committee hope that the Ministry of Finance would keep a watch over the new procedure to ensure its smooth working.

[Sl. No. 73 (paras 4.213, 4.214) of Appendix XXIII to 68th Report (Third Lok Sabha)].

#### Action taken

The observations of the Committee have been noted.

### Recommendation

The Committee hope that as a result of the drive initiated by the Ministry, the outstanding amount of deposits will come down considerably and payments will be made promptly in future. They also desire that watch should be kept over the outstandings so as to liquidate them as early as possible.

[Sl. No. 74 (Para 4.218) of Appendix XXIII to the 68th Report of the PAC (Third Lok Sabha)].

### Action taken

The Ministry of Finance under their O. M. No. F. 1(48)/B/66, dated the 13th December, 1966, have laid down that the India Supply Missions in London and Washington will make the payments to the suppliers abroad in terms of the contractual obligations and send the original set of import documents to the Office of the State Bank of India mentioned by the Importer in his indent. He will simultaneously send an intimation in this regard to the Accountant General, Central Revenue and the Indentor, together with the details of the amount paid and the date of payments. On receipt of this negotiable set of import documents from the Purchase Organisation abroad, the concerned Branch of the State Bank of India will release the same to the Public Sector Undertaking or its agent only after Rupee equivalents of the amounts paid to the suppliers together with charges, if any, levied by the Purchase Missions have been paid for credit into Government account along with interest at 6% for the period between the date of payment to the foreign supplier and the date of depositing the Rupee equivalent. However, in the light of the experience gained so far the procedure prescribed under the O. M. of 13th December, 1966, has been reviewed by the Ministry of Finance in consultation with the Comptroller and Auditor General and High Commission for India in U. K. and certain revised instructions, which would ensure that the Public Sector Undertakings do not default in reimbursing the amounts paid by the Overseas Purchase Organisations on their behalf, are proposed to be issued.

It is hoped that with the measures already taken and those proposed to be taken, the defaults of the Public Sector Undertakings in this regard will be eliminated.

### Recommendation

“The Committee note with regret the delays in furnishing utilisation certificates by the grantees. The Committee reiterate their earlier recommendation contained in para 80 of their 39th Report 3rd Lok Sabha and regret to note that the efforts of the Ministry of Finance in streamlining the procedure for submission of utilisation certificates in time have not yielded the desired results. The Committee do not appreciate the same arguments for delays being put forward again and again by the different Ministries/Departments and desire that the Ministry of Finance in consultation with C. & A. G. should review the procedure and issue suitable instructions for the guidance of all the Ministries/Departments so that they could speed up the submission of the utilisation certificates.”

[Sl. No. (75 para No. 5.6) of Appendix XXIII of 68th Report (Third Lok Sabha)].

**Action taken**

As desired by the Committee the extant procedure has been reviewed in consultation with the C. & Ar. G. and suitable instructions have been issued to all the Ministries, vide Finance Ministry's O. M. No. F. 14(6)-EII(A)/67, dated 16-2-1968 (copy enclosed).

*ANNEXURE*

N. F. 14 (6)-E. II(A)/67

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

DEPARTMENT OF EXPENDITURE

*New Delhi, the 16th February, 1968***OFFICE MEMORANDUM**

**SUBJECT : 68th Report of P. A. C. (3rd Lok Sabha)—Recommendation No. 75—Delay in issue of utilisation certificates.**

The undersigned is directed to refer to this Ministry's Office Memorandum No. F. 14(5)-E. II(A)/64, dated 22-4-1965, wherein it was laid down that release of further grants to institutions which fail to furnish proof of proper utilisation of the earlier grants within a reasonable time should be considered only in very exceptional circumstances to be kept on record by the sanctioning authorities.

2. It, however, appears that the position in regard to submission of utilisation certificates by sanctioning authorities to Audit is still not satisfactory, as has been observed by P. A. C. in 68th Report. The relevant portion of the recommendation is reproduced below:

“The Committee note with regret the delays in furnishing utilisation certificates by the grantees. The Committee reiterate their earlier recommendation contained in para 80 of their 39th Report (3rd Lok Sabha) and regret to note that the efforts of the Ministry of Finance in streamlining the procedure for submission of utilisation certificates in time have not yielded the desired results. The Committee do not appreciate the same arguments for delays being put forward again and again by the different Ministries/Departments and desire that the Ministry of Finance in consultation with the Comptroller & Auditor General should review the procedure and issue suitable instructions for the guidance of all the Ministries/Departments so that they could speed up the submission of the utilisation certificates.”

3. The Ministries/Departments who sanction grants-in-aid are requested to ensure that utilisation certificates are furnished to the Audit within the target dates fixed for the purpose. In order to enable them to keep a watch on the timely submission of these certificates, the following supplementary instructions should be observed :

(i) The target dates fixed for submission of audited statements of accounts by the grantee institutions, etc., should be not later

than 15 months from the date of sanction of the grant. The sanctioning authority should make it incumbent upon the grantee institutions to submit the statements within the stipulated period by including a clause to this effect in the sanction letter. The utilisation certificate should be submitted by sanctioning authority to the Audit, not later than 18 months from the date of sanction of the grant.

- (ii) Government of India's decision 3(c) below rule 150 of the G. F. Rs., 1963, requires the sanctioning authority or an authority authorised to countersign bill for grant-in-aid, to maintain a register of grants for indicating particulars in regard to amount of the grant, date of sanction, date of drawal, etc. The following additional columns should be provided in the Register:
- (ix) Date by which statements of accounts etc. are required to be furnished by the grantee.
  - (x) Date by which utilisation certificate is required to be furnished by sanctioning authority to the Audit Officer and/or Accounts Officer, as the case may be.
  - (xi) Date by which statements of accounts, etc., are actually received. (In case, there has been delay in the receipt of these statements, the reasons therefor as well as efforts made by the sanctioning authority/Countersigning Authority to expedite submission of such statements may be clearly indicated).
  - (xii) Date of submission of utilisation certificate to the Audit. (In case there has been delay in submission of Utilisation Certificate to Audit, the reasons therefor may be clearly indicated).
  - (xiii) Unspent balance, if any. (Indicate whether the unspent balance has been surrendered by the grantee institution).
- (iii) The Register should be put up once every month to an officer not below the rank of a Deputy Secretary concerned in the Ministries of the Central Government/Head of the Department. Any case of delay in the receipt of statements of accounts, etc., from the grantee or the submission of utilisation certificate should be specifically brought to his notice. Audit should also be informed of the reasons for delay.

4. These instructions will be incorporated in the General Financial Rules, 1963, in due course.

#### **Recommendation**

The Committee regret to note that the Department of Rehabilitation was too slow in issuing utilisation certificates as will be evident from the fact that the Department could issue utilisation certificates in respect of 24 cases only against 91 outstanding cases. The Committee feel that the Department of Rehabilitation should have a better control over these institutions to whom grants were/are released and should try to persuade them to furnish the certificates and information connected thereto without any undue delay.

[Sl. No. 76 (para 5.13) of Appendix XXIII to 68th Report (Third Lok Sabha)].

### Action taken

According to the Audit Report, 1966, there were 103 cases involving a total amount of Rs. 70.52 lakhs in respect of which utilisation certificates were outstanding from the Department of Rehabilitation. That this Department was concerned with 91 cases only out of 103 cases as reported. Out of these 91 cases, 24 cases were cleared up to 30-9-1966. Thus, the remaining 67 cases involving a sum of Rs. 23.81 lakhs were outstanding on that date (30-9-1966) for submission of utilisation certificates. These included 2 cases in respect of which certificates for part amount (Rs. 1.58 lakhs) had already been furnished to Audit. A statement showing the details of 67 cases is enclosed (Statement 'A').

2. Out of the 67 cases, involving a sum of Rs. 22.23 lakhs (Rs. 23.81—Rs. 1.58 lakhs) which were outstanding on 30-9-1966, utilisation certificates in respect of 17 cases have also since been furnished to Audit. In addition, Utilisation certificates in respect of a part amount (Rs. 30,000) in another case was also forwarded. These utilisation certificates account for a total sum of Rs. 6.24 lakhs as shown in Statement 'B' (enclosed).

3. Thus, utilisation certificates in respect of 50 cases involving an amount of Rs. 15.99 lakhs are still outstanding as shown in the Statement 'C' (enclosed).

4. In order to expedite the finalisation of the outstanding audit objections, the State Governments have been requested to expedite the submission of utilisation certificates. In some cases, Express Telegrams have also been sent to the State Governments. This Department has been making considerable efforts to get the audited accounts of the Institutions to whom grants have been made in order to issue utilisation certificates. Reminders at all levels have been issued; the difficulties pointed out by many institutions are of the following nature:

- (i) Finalisation of the plans for the construction of buildings,
- (ii) Non-availability of construction material like cement etc.,
- (iii) Revision of the cost of construction on account of the upward trend in prices of labour and building material,
- (iv) Consequent revision of building plans in some cases as a result of paucity of funds.

5. In many cases the institutions have been asked to refund the amounts not spent by them, but they have assured that the funds would be utilised soon and have asked for extension of time.

### Recommendation

The Committee would suggest that the Ministry of Finance in consultation with the C. & A. G. should devise a procedure which would not only help to clear the backlog of arrears pending with the different Ministries but will also expedite their timely disposal in future.

They are, however, glad to note that the Ministry of Finance have taken initiative to tackle the situation and have taken certain measures in this connection. They would, however, like to point out that the position

of arrears in regard to the Ministries referred to above is not very satisfactory and calls for immediate action for their disposal.

[Sl. No. 77 Appendix XXIII to 68th Report (Third Lok Sabha) of the Public Accounts Committee 1966-67].

#### Action taken

The observations of Public Accounts Committee have been noted. Necessary action has been taken in the light of the recent instructions of the Ministry of Finance *vide* their D. O. No. F. 12(49)/Coord/66, dated the 27th February, 1967.

2. Out of 1,105 Audit Objections relating to the Department of Labour and Employment as per Audit Report (Civil) 1968, 694 cases have been settled. The number of outstanding objections as on 5th July, 1968 was 411.

3. As against 455 outstanding paras in inspection Reports relating to the Department of Labour and Employment as per Audit Report (Civil) 1968, 189 paras had been settled. The number of outstanding paras as on 5th July, 1968 was 266.

4. Necessary action is also being taken to settle the pending objections as early as possible.

#### Recommendation

The Committee would suggest that the Ministry of Finance in consultation with the C. & A. G. should devise a procedure which would not only help to clear the back-log of arrears pending with different Ministries but will also expedite their timely disposal in future. They are however, glad to note that the Ministry of Finance have taken initiative to tackle the situation and have taken certain measures in this connection. They would however, like to point out that the position of arrears in regard to the Ministries referred to above is not very satisfactory and calls for immediate action for their disposal.

[Sl. No. 77 of Appendix XXIII Para No. 5.26 of 68th Report—Public Accounts Committee (3rd Lok Sabha)].

#### Action taken

The observations of Public Accounts Committee have been noted. Special steps have been taken to clear the back-log of pending Audit Objections and Inspection Reports and to ensure their prompt clearance in future. The heads of certain Departments and Union Territories, in which there was a huge pendency of Audit Objections, were requested demi-officially on 1-6-68 at the level of Additional Secretary to devote their personal attention to this matter. It was also suggested that special steps should be taken to clear the back-log of pending objections, particularly those relating to the period prior to April, 1963. For attaining that objective, they were requested to undertake a special drive and settle as many objections as possible by holding discussion where necessary with the Audit authorities at appropriate

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Foot Note : The information regarding Audit Objections/Inspection Reports shown as settled has not been got confirmed from Audit.

levels. Steps calculated to reduce the number of audit objections substantially have been taken by the various Union Territories Administrations in pursuance of these instructions.

2. Out of 11,187 Audit objections relating to the Ministry of Home Affairs as per Audit Report (Civil) 1968, 3503 cases have been settled (30-6-1968). Similarly, as against 3,790 outstanding paras of Inspection Reports, the number of pending paras as on 30-6-1968 was 1,915.

3. Necessary action is also being taken to settle the pending objections as early as possible.

#### *Audit Observation*

Audit could not verify the position stated in para 2 of the above note.

#### **Reply of Government**

The figures given in para 2 of the above note are based on information furnished by the various attached and subordinate organisations and the Union Territory Administrations. The A. G. C. R. could not verify these figures as clearance certificates have not been obtained from the respective State Accountants General in confirmation of these figures.

#### **Recommendation**

“The Committee would suggest that the Ministry of Finance in consultation with the C. & A. G. should devise a procedure which would not only help to clear the backlog of arrears pending with the different Ministries but will also expedite their timely disposal in future. They are, however, glad to note that the Ministry of Finance have taken initiative to tackle the situation and have taken certain measures in this connection. They would, however, like to point out that the position of arrears in regard to the Ministries referred to above is not very satisfactory and calls for immediate action for their disposal.”

[Sl. No. 77 (para 5.26) of Appendix XXIII of 68th Report (Third Lok Sabha)].

#### **Action taken**

The remark of the Committee have been noted. The position of outstanding objections is as below.

2. In para 152(i) of the Audit Report (Civil), 1966, 1132 outstanding Audit Objections were shown against this Department. Out of the 1132 outstanding audit objections, 41 pertained to the Ministry of Tourism and Civil Aviation and 300 objections were duly settled leaving only 791 outstanding as reported in this Ministry's Office Memorandum No. 11-C (47)/66, dated the 15-2-67.

3. In para 132 of the Audit Report (Civil), 1968, 792 outstanding audit objections have been shown against this Ministry. The settlement of Audit objections have been receiving the continuous attention of this

Ministry. The table below explains the break up and latest position in respect of these audit objections according to audit circles :

Sl. No.	Name of A.G.	Outstanding Objections	Objections not pertaining to this Ministry	Objections pertaining to Deptt. of Transport	Objections since settled pertaining to Transport Ministry	Balance unsettled year-wise break-up
1	2	3	4	5	6	7
(1)	A.G. Orissa .	26	..	26	17	1 for 64-65 8 for 66-67 <hr/> 9
(2)	A.G. Mysore .	1	..	1	1	NIL
(3)	A.G. Maharashtra .	106	..	106	..	33 Prior to 62 1 for 62-63 9 for 63-64 63 for subsequent period. <hr/> 106
(4)	A.G.C.R. .	32	..	32	16	3 Prior to 62 1 for 62-63 .. for 63-64 6 for 65-66 6 for 66-67 <hr/> 16
(5)	A.G. Madras .	93	6	87	60	1 for 63-64 1 for 64-65 20 for 65-66 5 for 66-67 <hr/> 27
(6)	A.G. West Bengal	73	..	73	..	3 for 63-64 70 for subsequent period <hr/> 73
(7)	A.G. Gujarat .	16	..	16	4	7 for 64-65 5 for 66-67 <hr/> 12
(8)	D.A.G.C.W.M. Bombay .	41	5	36	15	2 for 65-66 19 for 66-67 <hr/> 21



1	2	3	4	5	6	7
(9) D.A.G. TAD Central Calcutta .	24	..	24	5	2 for 65-66 17 for 66-67	
					19	
(10) A.G.C.W. & M.	365	..	365	..	48 prior to 62 25 for 62-63 30 for 63-64 262 for subsequent period	
					365	
(11) A.G. Assam	3	..	3	..	1 for 63-64 2 for subsequent period	
					3	
(12) A.G. Uttar Pradesh	12	12	..	..	Nil.	
TOTAL	792	23	769	118	84 prior to 62 27 for 62-63 44 for 63-64 496 for subsequent period.	
					651	

As against 1132 audit objections reported in the Audit Report (Civil), 1966, only 792 audit objections have been reported in the Audit Report (Civil), 1968, out of which 23 pertain to the Ministry of Tourism & Civil Aviation and 769 to this Ministry.

4. It will be seen from the table above that out of the said 769 objections, 514 have been settled according to the information furnished by the Heads of Departments/Offices. However, the Audit officers have not confirmed the same in spite of repeated reminders. According to the information furnished by the Audit offices only 118 objections have been admitted by them. 155 outstanding objections are more than 3 years old. This information has been compiled on the basis of the particulars obtained from the Accountant Generals concerned, (copies enclosed).

5. Bulk of the objections (365) pertain to the A. G. C. W. & M., New Delhi. Against these 365 objections only the details of 318 objections have been furnished. Replies to 235 objections have already been sent to Audit.

6. Vigorous steps are continued for expeditious settlement of the remaining objections.

[Min. of Transport & Shipping O. M. No. 11-Budget (35)/67 of 5-10-68]

Copy of the letter No. DAI(Gr.)/P/A/190-91, dated the 29th June, 1968 from the Accountant General, Mysore, Bangalore to the Secretary to the Government of India, Ministry of Transport and Shipping, New Delhi.

SUBJECT:—Audit objections and Audit Reports.

In accordance with the Ministry of Finance Office Memorandum No. F. 27(7) E. G. I./53, dated the 9th October, 1964 and 26th April, 1955 I am to forward a statement showing audit objections and Inspection Reports outstanding on 30th September, 1967 but not released to end of 31st March, 1968.

#### **Recommendations**

During evidence, the Committee were informed that it was difficult to know about the savings before hand because the tempo of work increased during the months of October-March and the Department of Civil Aviation did not get up-to-date figures of expenditure from the C. P. W. D. on which reasonable estimates could be prepared. The Committee feel that both the Departments of Civil Aviation and Ministry of Works, Housing and Urban Development should consider the ways and means to get over this difficulty and evolve a procedure which would facilitate compilation of figures at a time which would facilitate surrender of anticipated savings well in advance.

[Sl. No. 78 (Para 5.30) of Appendix XXIII to the 68th Report (3rd Lok Sabha)].

They also feel that there should be a better co-ordination between the different circles of the C.P.W.D. and the Department of Civil Aviation in the maintenance of accounts, as also regular review of progress of expenditure by the Ministry every month, especially during the closing months of the financial year.

[Sl. No. 78 (Para 5.31) of Appendix XXIII to the 68th Report (3rd Lok Sabha)].

#### **Action taken**

Suitable instructions for the submission of the progress reports of expenditure by the Executive Engineers/Superintending Engineers to the Chief Engineer, Northern Zone, by the 12th of the month following the month to which the report relates and by the latter (who would in turn send the same) to the Director General, Civil Aviation by the 25th of that month have since been issued by the Engineer-in-Chief, Central Public Works Department in his letter No. 10(4)/66-B (E-In-C) dated the 5th July, 1968, (copy attached). Instructions to exercise more effective control over expenditure have been issued by this Ministry also to the Director General of Civil Aviation in our letter No. 1-VB(24)/67, dated the 6th June, 1968 (copy attached).

## ANNEXURE

## COPY

No. 1/4/66/B (E-in-C)

GOVERNMENT OF INDIA

OFFICE OF THE ENGINEER-IN-CHIEF

CENTRAL PUBLIC WORKS DEPARTMENT

NIRMAN BHAWAN

Dated, New Delhi the 5th July, 1968.

## MEMORANDUM

SUBJECT:—68th Report of the P. A. C. on Appropriation Accounts (Civil) 1964-65—Submission of Progress reports of expenditure to the Department of Civil Aviation.

The Public Accounts Committee while examining the Appropriation Accounts (Civil) 1964-65 of the Department of Civil Aviation recommended the following in the 68th Report:—

Sl. No.	Para No. of the Report	68th Report/Ministry/ Department concerned	(Appendix No. XXIII) Conclusions/Recommendations.
78	5-30	Department of Civil Aviation (Ministry of W.H. & U.D.)	During evidence, the committee were informed that it was difficult to know about the savings before hand because the tempo of work increased during the months of October—March, and the Department of Civil Aviation did not get up-to-date figures of expenditure from the C.P.W.D. on which reasonable estimates could be prepared. The Committee feel that both the Department of Civil Aviation and Ministry of W. H. & U. D. should consider the ways and means to get over this difficulty and evolve a procedure which would facilitate compilation of figures at a time which would facilitate surrender of anticipated savings well in advance. (C. E., C. P. W. D.)
	5-31	Do.	They also feel that there should be a better coordination between the different Circles of the C.P.W.D. and the Department of Civil Aviation in the maintenance of accounts as also regular review of progress of expenditure by the Ministry every month, especially during the closing months of the financial year. (C. E., C. P. W. D.)

The Secretary, Civil Aviation stated that the Department of Civil Aviation had not received up-to-date figures of expenditure on which to base a reasonable estimate, hence the above recommendations of the Public Accounts Committee.

According to the procedure in force the progress report of expenditure for a particular month is required to be sent to D. G. C. A. by the 25th of

the following month. It is, however, observed from the report sent by C. E., Northern Zone that the progress reports of expenditure for the period September, 64 to March, 66 were sent by his office to the Department of Civil Aviation late by periods ranging from one to three months from the date on which these became due to that Department.

The prescribed financial estimates for budgeting and review viz. Schedule of Demand, Six monthly estimates and Final Budget Estimates together with the monthly progress reports of expenditure are sufficient to indicate the excesses/savings well in advance to enable the Department of Civil Aviation to ask for additional funds or surrender them, as considered necessary. However, there is imperative need for adhering to the dates prescribed for submission of the expenditure returns to that Department.

All Executive Engineers are requested to adhere strictly to the target dates laid down for submission of the monthly progress reports under Civil Aviation heads to C. E., Northern Zone, C. P. W. D., R. K. Puram, New Delhi by the 12th of the month following the month to which the report relates so that C.E., Northern Zone sends it to D. G. C. A. by 25th of that month positively.

Similarly the Schedule of Demands, the six monthly Estimates & Final Estimates should be sent by E. Es./S. Es by the prescribed dates to their respective Zonal Offices who after consolidation will send them to the C. E., Northern Zone, so as to reach the later well in time as to enable him to pass on the information after consolidation for the entire C. P. W. D. to the D. G., Civil Aviation by the dates prescribed by them.

Sd/-  
SECTION OFFICER  
for Engineer-in-Chief.

To

All C. Es/ S. Es./ Es.

Copy to the Ministry of W. H. & S. with reference to their letter No. 5/3/67-Bt., dated 22-4-1967.

Sd/-  
SECTION OFFICER  
for Engineer-in-Chief.

ANNEXURE

No. 1-VB(24)/67

GOVERNMENT OF INDIA

MINISTRY OF TOURISM & CIVIL AVIATION

New Delhi, 6th June, 1968

To

The Director General of Civil Aviation,  
New Delhi.

SUBJECT :—Control of expenditure under Major Head "56-Aviation" and "112-Capital Outlay on Civil Aviation."

Sir,

I am directed to say that, as the Director General of Civil Aviation is aware, expenditure in excess of final grants has been incurred during the con-

secutive 3 years from 1963-64 onwards under the Group-heads "G-Works" and "L-Suspense"—under the Major Head "56-Aviation". Again, there have been large savings for some years under the Major Head "112-Capital Outlay on Civil Aviation". This situation calls for remedial measures so as to avoid variation between the final grant and the actual expenditure. It has, therefore, been decided that in future the following requirements should be strictly observed to exercise more effective control over expenditure:—

- (a) *Liability Registers* should be properly maintained and checked so that the commitment made or to be made for any particular work and the anticipated dates of liquidation of liabilities are known in advance.
- (b) *Reconciliation of expenditure* : The departmental figures of expenditure should be reconciled timely with those maintained by the Audit.
- (c) *Monthly returns of expenditure* indicating the actuals as also the estimated expenditure during the remaining period of the financial year, should be submitted in time by all your subordinate offices and by the C. P. W. D. in so far as Aviation Works are concerned, and in turn to Government by you, as required under para 65 of the General Financial Rules (Revised and Enlarged, 1963).
- (d) *Periodical review of expenditure* should be carried out at more frequent intervals, say, after two or three months, as required in the late Ministry of Transport and Communications (Departments of Communications and Civil Aviation) letter No. 24-P(66)/61-pt., dated 13-9-1962 (copy enclosed). For this purpose to the latest figures of expenditure and the liabilities already incurred or to be incurred during the remaining period of the financial year concerned, should be taken into account. In the case of works costing more than Rs. 5 lakhs, and equipment the progress made in delivery/execution should be kept in view.

2. A copy of the instructions issued in this regard by you may also be forwarded to this Ministry for information and record.

Yours faithfully,

Sd/-

(J. N. Goyal)

Joint Secretary to the Govt. of India.

Dated 6-6-1968.

No. 1-VB(24)/67.

Copy forwarded to the Ministry of Works, Housing and Supply/Engineer-in-Chief, C. P. W. D./ A. G. C. R., New Delhi.

Sd/-

(P. Prasad)

Under Secretary to the Govt. of India.

#### **Recommendation**

The Committee do not feel convinced that the savings which had occurred under this head could not have been foreseen or that a more realistic assessment of this requirement was not possible. During 1963-64 the savings of more than 67% of the original provision of Rs. 42.96 lakhs had occurred and the reasons attributed were the same as these for the savings that occurred in

1964-65. The Committee also feel unhappy over the consistent shortfall in the implementation of Subsidiary Food Schemes especially in view of the present food situation in the country and would desire the Department to take timely and special steps for full implementation of the schemes at the earliest.

They hope that the Ministry would exercise great care and make use of their past experience in drawing up their estimates more realistically in future.

[S. No. 79 (Paras 35 and 36) of Appendix-XXIII of 68th Report (Third Lok Sabha)].

#### **Action taken**

During 1966-67 we have been able to utilise Rs. 51.38 lakhs (upto March 1967 Final accounts) out of Rs. 58.00 lakhs provided in the budget. The initial difficulties regarding the implementation of the Subsidiary Food Schemes has now been overcome and the work has gathered considerable momentum. One of the groundnut flour plants at Bombay is now being operated departmentally. The other plant at Coimbatore has started operation. The funds provided for the institutes of Catering Technology and Applied Nutrition are being utilised in full. Steps have also been taken to set up 5 polytechnics in different states and the entire provision made for the purpose is expected to be utilised. Two new projects regarding production of Balahar and the Blanded Flour for supply to drought affected areas of Bihar are being implemented. It is anticipated that there will be no shortfall during the current year in the utilisation of funds.

#### **Recommendation**

The Committee are unhappy to find that the expending offices had failed to intimate to the Ministry in time about the probable savings as a result of which the amounts could not be surrendered by the Ministry during 1964-65. The Committee hope that the Ministry would look into the matter and find out to what extent the time taken by the expending offices was justified. The Ministry should further take immediate steps to issue instructions to all the expending offices to observe the rules strictly so that such irregularities may not occur in future.

[S. No. 81 (para 5.48) of Appendix XXIII to the 68th Report (Third Lok Sabha)]

#### **Action taken**

The matter has been looked into and it has been found that the spending offices were in most cases justified in not surrendering the saving during 1964-65. Necessary instructions have, however, been issued to all expending offices to ensure that savings are surrendered to the Government immediately they are foreseen without waiting till the end of the year. (*Vide* letter No. 52/20/67-AC.I, dated the 31st May, 1967—copy enclosed).

This note has been seen by Audit.

(Min. of HA, OM No. F-52/20/67-Ac. I dated 18-10-67)

No. 52/20/67-AC. I  
 Government of India  
 Ministry of Home Affairs

To

1. All Attached & Subordinate Offices of the Ministry of Home Affairs.
2. All the Union Territory Administrations.
3. Union Public Service Commission.
4. Central Vigilance Commission.
5. Department of Administrative Reforms.
6. Commissioner for Linguistic Minorities, Allahabad.
7. D. G., Border Security Force.
8. D. G., Civil Defence.

New Delhi-1, the 31st May, 1967  
 10th Jyaishta, 1889

*Subject :* 68th Report of the Public Accounts Committee (3rd Lok Sabha) Timely surrender of savings.

Sir,

I am directed to say that the Public Accounts Committee in para 5.48 of the 68th Report (3rd Lok Sabha) observed that they were unhappy to find that the expending officers had failed to intimate to the Ministry in time about the probable savings as a result of which the amount could not be surrendered by Ministry in 1964-65. It is, therefore, requested that steps may please be taken to ensure that savings are surrendered to Government *immediately* they are foreseen without waiting till the end of the year unless they are required to meet excesses under some other unit/units of the grant under your control which are *definitely foreseen* at the time. No savings should be held in reserve for possible future excesses. In this connection attention is also invited to the instructions contained in Note 1 and 2 below Rule 69 of the General Financial Rules (Revised & Enlarged), 1963. Instructions to the above effect may also please be issued urgently to all the offices under your administrative control under intimation to this Ministry.

Yours faithfully,

Sd/- PURAN SINGH,  
 Under Secretary to the Govt. of India

Authorised for Issue,  
 (S. L. Seghal)  
 Section Officer.

No. 52/20/67—Ac. I

New Delhi-1, 30th May, 1967

9th Jyaistha, 1889

Copy forwarded for Similar action to :—

BS(I), BS(II), C.D., E.R., Prohibition Cell, Welfare, AIS(III), Police I, Police(II), Police IV, DH(S), Delhi, M.P. Directorate, CS(III) and Cash Section of the Ministry of Home Affairs.

Copy also forwarded for information to :—

1. Ministry of Finance (Home).
2. Lok Sabha Secretariat (PAC Branch).

Sd/- PURAN SINGH,

*Under Secretary to the Government of India*

### Recommendation

The Committee would like to be informed in due course of the result of the evaluation of the schemes of Public Cooperation undertaken by the Programme Evaluation Organisation.

[S. No. 84, para 5-59 of Appendix XXIII of the 68th Report (Third Lok Sabha)]

### Action taken

The Programme Evaluation Organisation of the Planning Commission undertook evaluation of the scheme of Lok Karya Kshetras in rural areas and not of all the schemes of Public Cooperation.

The Evaluation Report of the Programme Evaluation Organisation on the Lok Karya Kshetras in rural areas since received is forwarded herewith.

G. C. BAVEJA,

*Joint Secretary to the Govt. of India*

[Planning Commission U. O. No. 24(1) /66-Pub., dated 3rd Feb. 1968].



**GOVERNMENT OF INDIA  
PLANNING COMMISSION**

*Statement containing further information on the Planning Commission's reply to the Public Accounts Committee's recommendation at serial No. 84 (Para 5-59) of their 68th Report (3rd Lok Sabha)*

Points raised by the Sub-Committee of the Public-Accounts Committee	Replies
1	2
(i) Reasons for delay in finalisation of Report on Study made in 1964 and also stating precise action taken in pursuance of the Study.	Two field studies <i>viz.</i> —Evaluation of the Family Planning Programme and Evaluation of the Lok Karya Kshetras were undertaken by the Programme Evaluation Organisation of Planning Commission in year 1964-65. Priority was, however, given to the completion of the report pertaining to the Family Planning Programme and its report was released in June 1965. Thereafter, the field data pertaining to the Lok Karya Kshetra programme was taken up for tabulation and analysis and the draft report was ready by September 1966. The report was then circulated among the members of the Evaluation Advisory Board and considered in its sitting on January 5, 1967. The Board had not completed its consideration when it was abolished. The report was accordingly finalised and released on 27-12-1967.
(ii) A statement showing action taken on the Evaluation Report of the Programme Evaluation Organisation on the L.K.K. (October 1967).	As a result of the recommendation contained in the 34th Report of the Public Accounts Committee (Third Lok Sabha), the executive functions in relation to the Public Cooperation schemes previously handled by the Planning Commission were transferred to the Ministries/Departments concerned w.e.f. 1-1-68 with the subject. Consequent on the acceptance of this recommendation, the executive functions in relation to the programme of Lok Karya Kshetra (Rural) were transferred to the Department of Community Development and Cooperation. All the connected papers were transferred to that Department for taking such action as they considered appropriate. That Department is being requested to submit a reply to Lok Sabha Secretariat direct.

*Statement showing action taken or proposed to be taken on the Recommendations of the Public Accounts Committee—serial No. 84 (para 5-59) of their 68th Report (3rd Lok Sabha)*

Points raised by the Sub-Committee of Public Accounts Committee	Reply proposed by the Government
1	2
(ii) A statement showing action taken on the Evaluation Report of the Programme Evaluation Organisation on the Lok Karya Kshetras (October, 67).	In continuation of the reply furnished by the Planning Commission in the statement enclosed with letter No. 24(8) 67-Pub., dated 2-1-1969, the following is stated :

Copies of the Evaluation Report were circulated to the State Governments and the Bharat Sevak Samaj for necessary action, in so far as they were concerned. Subsequently, Government reviewed the functioning of the Lok Karya Kshetra Programme (Rural) financed by the Centre, in the context, *inter-alia* of the programme Evaluation Organisations report. Taking into account the findings and other relevant factors, the Government of India have since decided to discontinue assistance to the programme, with effect from the 1st of April, 1968. The State Governments and Bharat Sevak Samaj have been informed accordingly.

### Recommendation

In view of the fact that the Lok Karya Kshetras worked in cooperation with the Community Development Blocks and Panchayati Raj Organisations, the Committee suggest that the feasibility of transferring the work in connection with the scheme of Public Cooperation to the Ministry of Food, Agriculture, Community Development and Cooperation may be considered. This would help to achieve better coordination in the implementation of the various schemes of development and avoid any duplication of effort.

[S. No. 84, Para No. 5-60 of Appendix XXIII of the 68th Report (Third Lok Sabha)].

### Action taken

A similar recommendation was made by the Public Accounts Committee earlier also *vide* S. No. 62 (Para 77) and S. No. 63(b)(3) (para 78) of Appendix XLVIII to the 34th Report (Third Lok Sabha). The Administrative Reforms Commission also recommended in their interim report on the Machinery of Planning that functions of a purely executive nature such as the responsibility relating to the Public Cooperation Division should be left to the Ministries concerned.

2. The Government have accepted the recommendation of the Public Accounts Committee and have decided to transfer the executive functions in relation to the schemes of Public Cooperation to the administrative Ministries/Departments concerned with the subject matter of the schemes. The transfer took effect from 1st January, 1968.

## CHAPTER III

### RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE REPLIES OF GOVERNMENT.

#### Recommendation

The Committee note that in 1961 it was decided that the rates of interest on loans advanced to industrial undertakings in the public sector should, by and large, be comparable with the interest rates on which first class companies in the private sector obtained their loan requirements. The Committee feel that the rates of 5 to 6 per cent for loans ranging from 2 to 15 years fixed by Government prior to 1st May, 1965 and also the rates of 6 to 7 per cent fixed from 1st May, 1965 are not quite comparable with the then prevailing and the present rates paid by the first class companies in the private sector. The Committee, therefore, desire that the Ministry should examine this aspect further. The Committee stress that in order to have a true picture of the financial working of the Industrial Undertakings in the public Sector, the rates of interest chargeable from them should more be realistic.

[S. No. 8—Para 1·40—of Appendix XXIII to 68th Report (3rd Lok Sabha)].

#### Action taken

The policy in regard to the terms of loans to industrial undertakings in the public sector was explained in the note submitted to the Committee *vide* No. F. 7(8)-W. & M./66 dated 29-12-1966. It was *inter alia* pointed out therein that the interest rates are so fixed that they are by and large comparable with the interest rates at which first class companies in the private sector obtained their loan requirements. The present interest rates on the loans to public sector undertakings range from 6 to 7 per cent depending upon the period of repayment and are higher than the rates at which the Central Government itself borrows. Nevertheless, the existing rates are under review and the Committee's observations will be kept in view while taking the final decision.

#### Further Information

The policy in regard to the terms of the loans advance to industrial undertakings in the public sector was explained in a note submitted to the Committee *vide* No. F. 7(8)-W. & M./66, dated the 29th December, 1966. It was *inter alia* pointed out therein that the interest rates are so fixed that they are, by and large, comparable with the interest rates at which first class companies in the private sector obtain their loan requirements and also that the interest rates are periodically reviewed.

The Committee's recommendation in para 1·40 of their 68th Report has been carefully considered. It is felt that there would be a case for charging the same rates of interest to public sector undertakings as are paid by the private sector concerns for their borrowings, provided that both are on par in all respects. This, however, is hardly so. In most cases the public

sector undertakings are engaged in capital intensive and slow maturing activities, but this by and large, is not so in the case of private sector concerns. The Heavy Electricals, Bharat Heavy Electricals, the Heavy Engineering Corporation and similar other concerns in the public sector are outstanding instances of capital intensive etc. enterprises and even the others are more or less in the same class, the variation being in degree only. Having regard to this position, it would hardly be appropriate to lay undue stress on any one aspect viz., the interest rates on loans to undertakings in the public sector, without taking into account other aspects relevant to the finances of public and private sector concerns.

Nevertheless, the difference between the rates fixed by Government for public sector undertakings and those paid by private sector concerns is not very significant. For example the Industrial Finance Corporation charges interest at 8% per annum on its long-term lendings and the Government's lending rate of 7% for long-term loans does not compare very unfavourably with this rate. Further, the fact remains that the current interest rates at which Government lends to industrial and commercial undertakings in the public sector viz., 6% to 7% are more than its borrowing rates for loans of comparable maturity viz., 4½% for 5 years loans, 5% for 15 year loans and 5½% for 25 year loans. The existing lending rates to public sector undertakings satisfy the criterion of being 'by and large comparable' with the interest rates at which first class companies in the private Sector obtain their loan requirements and it is not therefore considered necessary to raise them further. This has the approval of the Deputy Prime Minister.

#### Recommendation

"The Committee feel that in view of the fact that the coins in question were rare pieces, the sale price realised i. e., Rs. 18,000 was not at all reasonable, although it may have been more than the international price of the gold content in them. This matter should be carefully looked into."

[S. No. 11—Para 1·54—Appendix XXIII—68th Report—(Third Lok Sabha)].

#### Action taken

1. The total number of coins donated to the National Defence Fund was a little over 7,500. With the approval of the National Defence Fund Committee, the bulk of these were examined by two numismatists of the Patna and Lucknow Museums who adjudged 1,419 coins out of them as rare ones. They also considered that these coins might fetch more than their intrinsic worth on account of their historical or other value if they were sold in foreign countries. Since there was no precise or scientific method of valuation of these rare coins, the gold content was valued at the I. M. F. rate and the resultant figure was raised by 200 to 500 per cent *ad hoc* depending upon the period to which the coins related to determine the probable price.

2. The 1,419 coins adjudged to be rare were sent to the U. S. A. Later, however, the Indian Embassy in Washington intimated that according to the U. S. Law only gold coins considered as rare by the U. S. authorities could be sold in the U. S. A. The Curator of Numismatics of the United States National Museum, after a thorough examination of the coins, however concluded that only 103 coins out of the entire lot could, according to the U. S. standards, be adjudged as 'rare' ones and eligible for duty free import into and sale in the United States. After a good deal of bargaining 103 coins were sold for \$ 1,527 which was the highest offer received.

3. The remaining 1,316 coins were despatched to the U. K. where (until April, 1966) the import of gold coins was allowed under Open General Licence and there were no exchange control restrictions for the import and sale of such coins. The Indian High Commission in London contacted certain firms of repute and they were invited to inspect the coins for valuation and tender. They, however, pointed out that a number of coins were mere copies and had very little value for the collectors. The best offer was received from one of the parties who selected 271 coins for £ 803, which was accepted with the approval of the Executive Committee of the National Defence Fund. The remaining 1,045 coins were despatched back to India.

4. It will be observed that all possible efforts were made to fetch a good price in foreign markets for the selected coins. Further, as already intimated to the Committee, the total sale proceeds in respect of the 374 coins were much more than the gold content thereof at the then prevailing international price. Moreover, as the gold was required for strengthening the official foreign exchange reserves of Government, there was no question of fetching a better price in India as an alternative to selling abroad.

5. A Committee of Experts including two Numismatists was formed last year to examine 773 coins which were not examined earlier and to suggest their disposal. The Committee had *inter alia* recommended that of the 773 coins, 668 coins may be offered for sale in the foreign markets. In view, however, of the past experience it has been decided, with the approval of the National Defence Fund Committee, that the above coins need not be sent abroad for sale and that efforts should be made to dispose of these to the Museums in India.

#### **Recommendation**

The Committee also find from the statement that the Bharatiya Gramin Mahila Sangh and Indian Red Cross have been getting amounts asked for by them from year to year. The Committee note, however, that the grants given to other organisations have been comparatively much less when compared to grants given to Bharat Sewak Samaj. The Committee feel that in view of these facts the Deptt. of Family Planning may make an effort to ascertain whether these bodies are prepared to undertake more and more family planning orientation camps.

[S. No. 15, para 2.16—Appendix XXIII to 68th Report (Third Lok Sabha)]

#### **Action taken**

Noted. It may be mentioned that grants have also been given for orientation camps to other all India organisations like the Bhartiya Gramin Mahila Sangh, Indian Red Cross Society and Family Planning Association of India. However, the size of the grants given to these organisations is less when compared to those given to the Bharat Sewak Samaj because the limitation has been the capacity of these organisations to undertake these activities in an effective manner.

#### **Recommendation**

The Committee regret to note that the conditions specifically prescribed in the letter, of the then Health Minister dated 9th April, 1962 (Appendix IV) addressed to the Vice-Chairman of the Bharat Sewak Samaj for the conduct of Family Planning Orientation Camps were not strictly followed.

Even the Department of Family Planning did not seem to attach importance to these conditions and treated them as mere hopes expressed. The Committee are unable to accept this view. In their opinion laying down these conditions specifically was beneficial for purposes of avoiding waste of resources, duplication of efforts and for assessing the impact of the scheme. If the department of Family Planning felt that these conditions were not capable of being strictly enforced, these should have been modified subsequently instead of allowing such conditions as laid down by the Minister himself to remain on paper only.

[S. No. 16—Para 2.19—Appendix XXIII to 68th Report—(Third Lok Sabha)]

#### **Action taken**

As already explained by the Department's representative in his evidence before the Committee, while it is no doubt true that the holding of the camps has helped the programme, it is difficult to assess precisely the impact of the work done. As will be appreciated, the orientation camps are purely for educational and motivational work and by and large it can be taken that the objectives have been achieved, because the message of family planning has percolated to the rural areas in many parts of the country.

#### **Recommendation**

The Committee suggest that the Ministry should ask the voluntary organisations to indicate the amounts of local contributions etc. relating to each scheme.

[S. No. 24, Para 2.42—Appendix XXIII to 68th Report (Third Lok Sabha)]

#### **Action taken**

In consultation with the Planning Commission it was decided that the F.P. Programme is to be centrally sponsored scheme and entire expenditure on this programme by the voluntary organisations on the basis of approved schemes should be met by the Government of India. As such no contributions are to be enforced for from local population.

#### **Recommendation**

From the facts disclosed the impression of the Committee is that the percentage of matching grants to be raised by the Samaj itself was decided either without taking into consideration the capability of the Samaj to raise such share or that in order to obtain the grants from the Government, the Samaj knowingly showed their capacity to raise matching grants at a much higher percentage than was really possible.

The Committee find, however, from the Minutes of the Sub-Committee of the Coordination Committee on Public Cooperation dated 5-5-66 that the representative of the Ministry of Information and Broadcasting had pointed out that the average collections by the Samaj during the preceding three years on Plan publicity, was over 20 per cent. In these circumstances, the Committee feel that liberalisation of the condition of matching grants was not justified.

[S. No. 35 of Appendix XXIII to 68th Report of the PAC for the year 1966-67]

### Action taken

Prior to the year 1959-60, the Jan Jagaran Vihbag of the Bharat Sevak Samaj was given grant-in-aid by this Ministry for Plan Publicity to cover deficit of income over expenditure. It was, however, found that without corresponding increase in activities, the annual expenditure was showing an upward trend without any corresponding increase on the revenue side. The print orders of the Bharat Sevak Journal and other priced literature were increased considerably and large stocks were held in hand. In the circumstances certain restrictions on expenditure were imposed. The restrictions were largely based on the principles enunciated by the National Advisory Committee on Public Cooperation in the Planning Commission which *inter-alia* suggested that voluntary organisations should find at least 25% of the expenditure from public fund independent of the Government. But the minimum limit of their quota was lowered to 17½% to enable the Samaj to adjust its programme. To start with, this limit was fixed for the year 1959-60, the idea being to fix the target of 25% from the year 1960-61 onwards. The Bharat Sevak Samaj represented that they could not undertake to give a matching contribution of 17½% and requested that the condition be waived. This request was not acceded to. The grant for the years 1960-61 and 1961-62 was also released subject to the above formula of matching contribution by the Samaj. The Samaj ran into a deficit as they could not raise the matching contribution of 17½% during the years 1959-60 to 1961-62.

In February 1962, the Bharat Sevak Samaj represented that there was hardly any scope for raising any contributions in respect of their Mass Contact activity which was meant for making the people plan-minded and awakening in them a sense of self-reliance and cooperative effort, but which did not offer to the public anything in the shape of a useful local work or asset, e.g. a school building, hospital etc. which could induce people to make contributions. The matter was considered in August, 1962 at a meeting held in this Ministry under the Chairmanship of Secretary at which the representatives of the Planning Commission and Bharat Sevak Samaj and A.F.A. were present. Thereafter, in consultation with the Ministry of Finance, the Samaj were sanctioned grant-in-aid during the year 1962-63 on the basis of the matching contribution of 5% in the case of Mass Contact programme and a contribution of 25% in the case of other three activities, viz., Brochures, Bulletins and Bharat Sevak Journal. During the year 1963-64 also the grant was sanctioned on the same basis, excepting that in the case of the journal, the Samaj contribution was raised to 34%. During the years 1964-65 and 1965-66 also the grant was released to the Samaj on the same basis.

With regard to sub-para 2, it may be stated that this Ministry had worked out the average collection by the Samaj during the years 1962-63, 1963-64 and 1964-65, as 20%. The Bharat Sevak Samaj, however, argued that the high percentage of income was due to the special effort made by them to realise more income in the hope of retaining it, with a view to wiping off its accumulated deficit incurred during the years 1959-60 to 1961-62 and also due to the situation created by the emergency which helped them in collecting more revenue.

The Sub-Committee recommended a uniform rate of 15% as the matching contribution by the voluntary organisations, firstly because the representatives of the Bharat Sevak Samaj stated that on account of drought, high prices, etc., collections from the public had not been substantial and secondly that in the event of bringing in other organisations also into the picture and

that such organisations might not be able to provide a matching contribution as high as 20%.

It may be stated that the grant to the Bharat Sevak Samaj has been suspended by this Ministry as they have not been able to submit consolidated accounts and therefore the decision on the above recommendation of the sub-committee has been deferred.

#### **Recommendation**

The Committee are surprised to find that the amounts of Rs. 87,171 on account of advertisement charges, sales proceeds of books etc. and Rs. 5,764 on account of sundry advances, for the period relating to 1959-64 are still pending recovery. What is more surprising is the fact that as stated in Audit para a sum of about Rs. 74,000 was reported to be irrecoverable. Since a large amount of Rs. 0.74 lakh out of Rs. 1.13 lakh is reported to be irrecoverable, the circumstances under which the amount became irrecoverable need looking into. The Committee would like to know the latest position of outstanding.

[S. No. 36 of Appendix XXIII to the 68th Report of the PAC for the year 1966-67].

#### **Action taken**

Out of the total outstanding amount of Rs. 92,935 (Rs. 87,171 plus 5,764) the Samaj have intimated that a sum of Rs. 15,793 is being adjusted by them against the sums due to their provincial units in the accounts for the year 1966-67. As regards the balance the Samaj are making efforts to recover as much amount as is possible. With regard to the reported irrecoverable amount of Rs. 70,000 (as mentioned in the Audit Para) and not Rs. 74,000 (as indicated in the P.A.C. Report), the Samaj have intimated that it is premature to arrive at a figure of irrecoverable amount, as efforts are being continued to effect recoveries. The irrecoverable amount is yet to be compiled and is expected to be much less.

It may be added that the Samaj have claimed that the benefit in respect of outstanding amount on account of advertisement charges etc. has already accrued to the Government and the amount, if recovered would be an asset of the Samaj and if not recovered would be a loss to the Samaj without affecting the grant payable by the Government. Similarly, the Samaj have claimed that no grant has been claimed by them in respect of the advances which have not been adjusted. The grant on this would be claimed by them only when the accounts have been received and treated as expenditure. It may be added that while calculating the grant, the outstanding recoveries are not taken into account.

#### **Recommendation**

The Committee are not convinced with the arguments given in evidence that constituting Joint Plant Committee into a section 25 company under the Companies Act would be an ideal solution to give a legal status to the Joint Plant Committee. As the Joint Plant Committee would be collecting a contribution of rupee one per tonne or so from the main producers, the Committee feel that it is not quite a correct principle to give such powers to collect a compulsory levy to a company form of organisation. The Committee do not appreciate the plea given in evidence that the Joint Plant Committee had no powers to collect a compulsory charge and it is only the main producers who collect a little additional amount and pass on the same to the Joint Plant Committee. In the opinion of the Committee, the



authority to collect a compulsory charge assumes a colour of a tax by whatever name called and hence it should not be entrusted to a company.

[S. No. 39 para 3·13 of Appendix XXIII to 68th Report (3rd Lok Sabha)].

The Committee, therefore, are of the view that the best solution to this problem is to place the Joint Plant Committee on a statutory footing as already recommended by them in para 35 of their 39th Report and para 6·27 of their 54th report Third Lok Sabha. Even in evidence, it was stated that Government are not against forming Joint Plant Committee into a statutory body as such but they would like to have it only after steel has been completely decontrolled and in the meantime, they proposed to have a company form of organisation. The Committee, however, feel that the interim arrangements proposed to be made by the Government do not in any way supplement their ultimate objective of constituting Joint Plant Committee into a statutory body. The Committee further learn from a note furnished by the Ministry that among the main producers, Hindustan Steel Ltd. are in favour of a statutory constitution for Joint Plant Committee rather than a company form of organisation under the Companies Act. The Committee feel that the Government can give the same powers to the Joint Plant Committee as the statutory organisation, as they would like to give it to Section 25 company under the Companies Act. The Committee have not been given any convincing argument for not accepting their previous recommendations and also no strong case has been made out in favour of section 25 Company. In view of this, the Committee would like to reiterate their earlier recommendation that the Joint Plant Committee should be converted into a statutory body.

[Sl. No. 39 para 3·14 of Appendix XXIII to 68th Report (3rd Lok Sabha)].

#### Action taken

The points raised in the P. A. C. paragraphs mentioned above relate to:—

- (i) the J. P. C. has no authority to collect a compulsory charge on all despatches of steel made by the main producers;
- (ii) J. P. C. should be given a statutory footing.

Regarding point (i) above the Joint Plant Committee 'cess' of Re. 1 per tonne is really not a cess in the sense that it is payable or recoverable under a statute. The amount of Re. 1 per tonne on all sales was contributed by general agreement by the main producers in order to pay for the expenses and for the services provided by the Joint Plant Committee viz., planning of indents, drawing up of rolling programmes etc. The expenses of Joint Plant Committee had to be borne by the producers, and for this purpose, in order to make the contributions proportionate to the sales, it was decided that the main producers should pay Re. 1 per tonne on the despatches of Steel by each one of them.

Regarding point (ii) above, the practical difficulties in forming the Joint Plant Committee into a full-fledged statutory body were detailed in a note submitted to the Lok Sabha Secretariat on 24th October, 1965. A copy of that note is enclosed (Annexure). The question of giving it a legal shape by converting it into a Company under Section 25 of the Companies Act was under consideration. However, with effect from 1st May, 1967 Government lifted the control over pricing and distribution of all categories of iron and steel and the work relating to these was transferred to Joint Plant Committee.

With the removal of statutory control, the position changed and the need for Government to have formal connection with the Joint Plant Committee ceased to exist. The position was reviewed recently and it has been decided to continue the organisation in its present form, especially as it has functioned in a responsible manner in respect of the tasks entrusted to it.

#### ANNEXURE

The question of conferring legal status on the Joint Plant Committee has been under consideration ever since its inception, as a result of the decisions taken on the recommendations of the Raj Committee. The Ministry of Iron and Steel explored the various methods of constituting the J. P. C. into a statutory body. After a number of discussions with the Ministry of Law, it was found that it would not be possible to give the necessary legal shape to the J. P. C. by amending the Essential Commodities Act or by issuing orders under the Iron & Steel (Control) Order, 1956. The conclusion was that it would be necessary to have a full fledged enactment defining the constitution, terms and conditions of appointment of its members, powers and functions, funds, control by Government rule making power etc. etc. The private sector producers were opposed to have a formalised constitution of the J. P. C. because the experience of working of the J. P. C. had been too short. They thought that it would be difficult within the frame work of a formalised constitution to take care of any problems that may be thrown up in its actual working. They were also opposed to the formation of J. P. C. into a company under the Companies Act.

2. Hindustan Steel Limited were in favour of a statutory constitution rather than a company under the Companies Act.

3. As a result of further discussions with the producers on the one hand and the Ministry of Law on the other, it was finally agreed that a company under Section 25 of the Companies' Act would be a suitable form for the J. P. C. The Iron and Steel Controller was, therefore, asked to draw up a memorandum and Articles of Association of the proposed company. The private sector producers wanted vast powers in case J. P. C. was to be put on a legal footing. This constitution vests the proposed company with most of the functions of the Government in the Ministry of Iron & Steel, and the Iron & Steel Controller, without Government having any effective control on the working of the Company. The constitution as well as the function of the company proposed by the private producers was not acceptable to Government. Government was anxious that Iron and Steel Controller should be the first Chairman, preferably for a period of three years. Government also wanted that there should be two kinds of reserve powers in respect of the affairs of the Company—

- (i) to issue directives to the company which would be binding on the company;
- (ii) that the Chairman (Iron & Steel Controller) should have the power to reserve any matter raised in a meeting of the Executive Committee for reference to Government and that the Government should have authority to issue such directions as may be necessary in the public interest.

One of the functions which the private sector producers wanted to be entrusted to the proposed company was to advise Government as regards the fixing of extras on controlled categories of steel.

4. Government was not inclined to entrust the policies regarding the development of steel industry and the production and distribution of steel to the Joint Plant Committee, without having sufficient safeguards to enable the Government to intervene where public interest so required. On the other hand, the approach of the private sector producers has always been to have a body practically independent of the Government in matters relating to the steel industry and the distribution and pricing of steel. They had this approach even when it was intended to incorporate the Joint Plant Committee as a Company and more so if it was to be given statutory shape. On the whole, it seemed inadvisable to compel the producers to accept a Constitution for and empowers of the Joint Plant Committee to which they had objection, when an arrangement under S. 25 of the Company's Act could be worked more smoothly.

5. It was also proposed in the proposed form of the Joint Plant Committee under S. 25 of the Companies Act to lay a copy of the annual report of the company before the Parliament so that Parliament would have an opportunity to formally discuss the affairs of the company.

6. The proposed constitution of the company is at present under discussion with the main producers.

#### Recommendation

The Committee feel that the concession of allowing 10 percent excise duty to large-scale-manufacturers over and above to contractual price of boots had no justification. This advantage was given to them from the very beginning when the orders were placed with them. The Government policy was to give some advantage to small scale units *i. e.* price preference by way of exemption from excise duty but the Ministry gave the advantage only to the large scale manufacturers by paying them in addition to the price of boots, excise duty at 10 percent *ad valorem*, depriving the smaller units of this advantage even though the small units undertook more work with regard to supply of boots as compared with the larger units which will be evident from the fact that against the pending indent of more than 23 lakh pairs of boots the small scale units got the orders for 8.62 lakh pairs of boots while the larger units got orders for only 4.8 lakh pairs of boots.

[S. No. 47 (Para 4.10) of Appendix XXIII of 68th Report (Third Lok Sabha)].

#### Action Taken

In the matter of purchase of shoes; no price preference was being shown to S. S. I. Units at that time and, even now, no preference is being shown to them.

2 In the present case, consequent upon the declaration of national emergency in November, 1962, demands amounting to 23,07,761 pairs of boots ankle were received from the Defence Services. It may be mentioned that this was a very large demand when compared to the normal annual purchase of about 4 lakhs of pairs for the Defence Services. The delivery required in respect of these demands was as follows:—

	Pairs
Between Dec. 1962 and March, 1963 . . . . .	6,62,437
Between April, 1963 and Sept., 1963 . . . . .	6,37,557
Between Oct., 1963 and April, 1964 . . . . .	5,12,228
Between May, 1964 and Sept., 1964 . . . . .	4,95,539

3. As the requirement was much in excess of the available capacity in the country, a meeting was held on the 3rd December 1962 with the representatives of all likely S. S. I. suppliers. The firm were asked to accept the last Purchase Price of Rs. 18.40 per pair but they wanted a higher price of Rs. 20.50 per pair. After some persuasion, they agreed to a price of Rs. 19.10 per pair subject to the condition that the same price would be offered to large scale manufacturer, excise duty chargeable to large scale unit being allowed extra. This price was to be applicable for replacement of orders and delivery upto the end of December 1963. Two suppliers offered to supply at Rs. 19/- per pair. The offer of one of these firms however, could not be accepted as they failed to submit an acceptable sample.

4. As a result of the above mentioned negotiations, it was possible to place orders on 16 S. S. I. firms for 9,81,000 pairs.

5. A considerable quantity, however, still remained to be covered. Accordingly, discussions were held with a large scale manufacturer on the 10th December 1962. They also agreed to accept the same price of Rs. 19.10 per pair plus excise duty for an order of 3,00,000 pairs. Similarly, an order for 1,80,000 pairs was covered on M/s. Y another large scale manufacturer at the same price. In all, 14,61,000 pairs were ordered but a substantial quantity still remained to be covered.

6. It is considered that, strictly speaking, no concession was allowed to large-scale units. The same fixed price of Rs. 19.10 was allowed to S. S. I. units as well as large-scale units. The excise duty was allowed in addition. It was, however a different matter that the S. S. I. units did not have to pay a any excise duty. It also needs to be mentioned that negotiations were first held with S. S. I. units and all the available capacity was covered on them. It was only because the S. S. I. units could no supply the entire demand that it became necessary to tap the large-scale units. In the circumstances, there was no option but to place orders on large-scale units also.

7. The S. S. I. units have not been deprived on any advantage. The price was fixed after negotiations with them, and, therefore, their entire capacity was booked. No order was placed on a large-scale units at the cost of S. S. I. unit. If S. S. I. had to pay an excise duty, the same would have been allowed to them also.

8. It may be mentioned that while 9.81 lakh pairs were covered on 16 S. S. I. units, it was possible to cover 4.8 lakh pair on 2 large-scale units. Further, upto the end of September 1963 while the two large-scale units supplied 4,18,377 pairs S. S. I., Units could supply only 6,08,448 pairs. In view of the urgency of the requirements it was as well that orders were also placed on the large-scale units.

#### **Recommendation**

The Committee are surprised to note that in September, 1963, the small scale producers and one of the large scale firms on whom orders had been placed were also allowed an *ex-gratia* increase of Re.1/- per pair on all supplies to be effected by them on or after 1st September, 1963. The Committee find no justification for this *ex-gratia* increase in the date of delivery was extended beyond September, as stated in evidence, as there was a back log.

If there was a back-log it was due to the failure of the firms to keep to the delivery schedule.

[Sl. No. 49 (Para 4-22) of Appendix XXIII of 68th Report (Third Lok Sabha)].

#### **Action taken**

The increase of Re. 1 per pair was allowed only on the quantities which were scheduled for delivery on or after the 1st September, 1963 and not on the backlog. The increased amount was allowed to be claimed only after the supplies due upto the 31st August, 1963 had been made and paid for.

#### **Recommendation**

The Committee learn with surprise that no time was fixed for the release of yarn by the Textile Commissioner to the contractors. Copies of A/Ts whenever placed were endorsed to the Textile Commissioner and the firms on whom A/Ts were placed for blankets made of shoddy admixture, approached him for release of necessary yarn. It is apparent that the Textile Commissioner was not addressed at any stage by the Ministry in this regard nor was there any specific clause in the contract to show that the Textile Commissioner was bound to supply yarn to the contractors within a stipulated period for completing the contracts. This disclosure together with the fact that there was no specific clause in the contract but only Special Instructions, about release of yarn by the Textile Commissioner indicate that the office of the D. G. S. & D. never realised that the method adopted by them in placing the contracts could only result in delay in supplies. As a matter of fact, owing to delay in supply of raw-materials (shoddy) some of the firms expressed their inability to supply the blankets within the stipulated period and asked for extension which could not be refused. The lapses in this case defeated the purpose of urgent purchases. As a result, the Government gave the extensions ignoring the price trend in the market. This resulted in incurring extra expenditure of Rs. 27 lakhs which could have been avoided with a little care and fore-thought.

[Sl. No. 52 (Para 4-39) of Appendix XXIII of 68th Report (Third Lok Sabha)].

The Committee fail to understand how the purchase organisations of the Government of India with so many years' experience could be so careless in drafting their agreements which contained serious lacunae. Such a situation required to be remedied forthwith.

[Sl. No. 52 (Para 4-40) of Appendix XXIII of 68th Report (Third Lok Sabha)].

#### **Action taken**

A perusal of A/Ts would reveal that under clause 'Special Instructions' a sub-clause has been incorporated Directing the firms to approach the Textile Commissioner for release of raw-materials who was authorised in that behalf to do the needful and in the endorsement to the A/T Textile Commissioner was requested to issue necessary orders for release of requisite quantity of raw-materials sufficient for manufacture of the ordered quantity of blankets in the contract. In the face of these stipulation in the A./T, any further correspondence either with the Textile Commissioner or the firm was unnecessary unless any specific difficulty in the matter was brought to the notice of D. G. S. & D. by any of them. It would be pointed out that special instructions or any other sub-clause under that heading are as much binding on the parties concerned as any other clause in the contracts.

No time limit for the release of yarn by the Textile Commissioner to the contractors was specified, as being in the know of the precarious supply position of raw-materials and the large demands of blankets, it was presumed that the Textile Commissioner might not be able to adhere to the specific date in the matter of release of raw-materials and his failure to do the needful by the specified date might result in legal implications in rendering the contract void on that date. As such it was considered expedient and desirable not to fix time limits for the release of yarn by the Textile Commissioner.

From the performance position of the 12 contracts for blankets, it would be observed that against 7 of these, supplies were completed within the delivery period originally stipulated or refixed without reservation of rights under the terms of the contract and against 3 contracts, the outstanding quantities were cancelled for repurchase at cheaper rates. It was only in respect of the remaining 2 contracts that the supplies were delayed. In one of these two cases the delay was only 6 days which were regulated without liquidated damages and in the other case, liquidated damages amounting to Rs. 100/- were levied in terms of the contract.

From the foregoing it would be observed that there has not been any abnormal delay in the execution of these contracts. Even if there have been delays, it is not because of any lapses or lacunae in the drafting of the contracts but because of the acute shortage of raw-materials and consequent delay in release thereof by the Textile Commissioner. However with a view to avoid delay in the release of raw-materials by the Textile Commissioner following remedial measures have been taken/are being taken.

- (1) Deputy Director (Projects) in the office of D. S. (Tex) has been nominated to work as a Liaison Officer with the Textile Commissioner's office at Bombay in respect of contracts placed by D. S. (Tex.) Bombay as also the D. G. S. & D. vide Memo No. C. S. I. A. /53(21)/1, dated 1-6-1967 (copy enclosed).
- (2) So far as the question of release of yarn and tops by the Textile Commissioner is concerned, the matter has been taken up with the Ministry of Commerce to fix a suitable drill.

In addition a Directorate of Planning has been set up in the office of D. G. S. & D. with effect from 22-9-1966 with a view to organise market research and keep the Directorate concerned posted with the price trends. Instructions have also been issued vide Office Order No. 153 dated 14-12-1966 (copy enclosed) that while recommending extensions in delivery dates, the purchase officer should record that he has satisfied himself that there has been no downward trend in price.

MEMO No. C. S. I. A./53(21)/1

**DIRECTORATE GENERAL OF SUPPLIES & DISPOSALS**

**(Coordination Supplies Section IA)**

*New Delhi-1, dated 1-6-1967*

**SUBJECT:—Liaison with the Tex. Commissioner's Office—Instructions regarding—**

In para 111 of the Audit Report (C), 1966 regarding purchase of woollen drawers, the Public Accounts Committee has commented on delay in getting

to the licences issued by the Textile Commissioner and has recommended that in order to ensure finalisation of contracts and their implementation, there should be proper coordination between various Departments and Organisations of the Government which should work as a team and see that delays at intermediate stages are eliminated.

In pursuance of the above recommendation, it has been decided that the Dy. Director (Progress) with the Office of the D. S. (Tex.) should act as a Liaison Officer with the Tex. Commissioner's Office at Bombay for D. S. (Tex) as well as for contracts placed by TWL Dte. at H. Qrs. requiring liaison work with the Textile Commissioner.

Necessary action may please be taken accordingly.

Sd/-

(S. K. JOSHI),

Dy. Director (Cdn. Supplies).

To

1. D. S. (Tex) Bombay/D. S. & D. Bombay.
2. Dy. Director (Prog), Office of the D. S. (Tex) Bombay.
3. D. S. (TWL Dte.)
4. Audit Cell.
5. Admn. Branch.

Copy:—

**DIRECTORATE GENERAL OF SUPPLIES & DISPOSALS  
(CO-ORDINATION SUPPLIES SECTION, IB)  
NEW DELHI-1.**

OFFICE ORDER NO. 153.

Dated 14-12-1965

SUBJECT.—Market trend of prices—Procedure for considering requests from suppliers for extension of delivery period.

Under the existing procedure vide para 232-A(V) of the D G S & D Manual of office procedure, supply officers should take into account the market trend in prices at the time of granting extension in delivery period of contracts and should take advantage of any downward trend in prices. It has now been decided that the fact that the Supply Officer has satisfied himself that there is no downward trend in price should be clearly recorded in their proposals for extension in delivery period of contracts.

Sd/-

(M. M. PAL)

Deputy Director (CS-II)

*Standard Distribution*

(On file No. C. S. I. B./29(8)/III/66.

Copy forwarded for information to: O. & M. Unit.

Case No: 17(28)/66-O. & M. refers

**Recommendation**

The Committee regret that even after going through the note submitted about justification for allowing extension of delivery periods in certain contracts beyond December, 1963 and for placing orders contemplating deliveries

beyond December, 1963 without testing the market, they are not convinced of the arguments advanced. The note also does not specifically state whether the original orders applied to purchases only upto 31-12-1963 or they applied also to supplies beyond December 1963. The Committee would, therefore, like this matter to be properly investigated and the result communicated to them.

[S. No. 53—Para 4·49—Appendix XXIII of 68 Report (Third Lok Sabha).

#### **Action taken**

The intention of negotiations conducted with the trade was to stabilise and fix a ceiling so that no orders were placed within the period January-December 1963 at a price higher than the negotiated price. Further the demand were so huge that the same could not be met during the period January-December 1963. As against a total requirement of about 34·4 lakhs of blankets during December 1962 to December 1963, DGS&D was initially able to book a quantity of 6·9 lakh Nos. only. Thus in the midst of the emergency there was no option but to book whatever capacity available within the ceiling prices fixed with a view to cover as much quantity as was possible from time to time even for deliveries, beyond December 1963. In this connection it may be brought out that possibility of covering additional quantities at the agreed rates was discussed by DG with representatives of two firms when they met him on 13-9-1963 and as a result of these discussion, both these firms telegraphed on 19-9-1963 to confirm their agreement to accept orders for certain quantities at the ceiling negotiated prices for deliveries between January, 1964 and December 1964 and it was felt that it was a creditable achievement. It may also be important to draw attention to the break-up of cost of manufacturing Barrack Blankets as furnished by one of the representatives later to DG at Bombay on 1-11-1963. According to this break up of cost, cost of yarn comprising of 40% shoddy, 45% Indian wool and 15% nylon alone worked out to Rs. 9·44 per kg. Barrack Blankets on an average, weight 4·75 lbs. and in this break up it was assumed that about 3 kg. of yarn is required per blanket. Based on this, it was brought out that the total manufacturing cost per blanket will be Rs. 36·22. From this it was clear that a ceiling price of Rs. 29·10 fixed by us was more than reasonable and no down ward trend in the manufacturing costs was evident till then.

#### **Audit Observation**

(i) No minutes recording the gist of discussions with the representatives of the two firms leading to the placement of the contracts for supplies during January-December 64 are on record.

(ii) In the absence of the relevant file which is reported (January, 1968) to be with the Special Police Establishment, the manufacturing cost worked out to be Rs. 36·82 per blanket could not be verified in audit.

#### **Recommendation**

The Committee regret that even after going through the note submitted about justification for allowing extension of delivery periods in certain contracts beyond December, 1963 and for placing orders contemplating deliveries beyond December, 1963 without testing the market, they are not convinced of the arguments advanced. The note also does not specifically state whether the original orders applied to purchases only upto 31-12-1963. or they applied



also to supplies beyond December, 1963. The Committee would, therefore, like this matter to be properly investigated and the result communicated to them.

[S. No. 53(Para 4-49) of Appendix XXIII of 68 Report (III Lok Sabha)]

### Department's Reply

The intention of negotiations conducted with the trader was to stabilise prices and fix a ceiling so that no orders were placed within the period January-December 1963 at a price higher than the negotiated price. Further the demands were so huge that the same could not be met during the period January-December 1963. As against a total requirement of about 34.4 lakhs of blankets during December 1962 to December, 1963, DGS&D was initially able to book a quantity of 6.9 lakh Nos. only. Thus, in the midst of the emergency there was no option but to book whatever capacity available within the ceiling prices fixed with a view to cover as much quantity as was possible from time to time even for deliveries beyond December 1963. In this connection it may be brought out that possibility of covering additional quantities at the agreed rates was discussed by DG with representatives of two firms when they met him on 13-9-1963 and as a result of these discussion, both these firms telegraphed on 19-9-1963 to confirm their agreement to accept orders for certain quantities at the ceiling negotiated prices for deliveries between January 1964 and December 1964 and it was felt that it was a creditable achievement. It may also be important to draw attention to the break-up of cost of manufacturing Barrack Blankets as furnished by one of the representatives later to DG at Bombay on 1-11-1963. According to this break-up of cost, cost of yarn comprising of 40% shoddy, 45% Indian wool and 15% nylon alone worked out to Rs. 9.44 per Kg. Barrack Blankets on an average weight 4.75 lbs. and in this break-up it was assumed that about 3 Kgs. of yarn is required per blanket. Based on this, it was brought out that the total manufacturing cost per blanket will be Rs. 36.22. From this it was clear that a ceiling price of Rs. 29.10 fixed by us was more than reasonable and no downward trend in the manufacturing costs was evident till then.

### Audit Observation

(i) No minutes recording the gist of discussion with the representatives of the two firms leading to the placement of the contracts for supplies during January-December, 1964 are on record.

(ii) In the absence of the relevant file which is reported (January, 1968) to be with the special Police Establishment, the manufacturing cost worked out to be Rs. 36.83 per blanket could not be verified in audit.

### Further information required

(i) *As the reply of the Ministry does not clarify the point of the Committee whether the original order also applied to purchase beyond December, 1963, please furnish a note clarifying this position.*

(ii) *Audit has stated that in the absence of the relevant file which is reported to be with the Special Police Establishment, the manufacturing cost worked to be Rs. 36.82 per blanket could not be verified. Please furnish a note mentioning the points under investigation by S. P. E.*

### Government's Reply

(i) The intention was to stabilise the price for blankets, whose production was short in comparison with the demands received for a period of

one year which would mean that *any coverage* during that year should not be done at a price higher than the negotiated agreed ceiling price. This may be apparent from the following established facts:

- (a) In the proposals it was clearly stated that total value of the coverage on the basis of demand on hand viz. 34.4 lakhs of Barrack Blankets at the agreed rates would amount to Rs. 11.34 crores and this commitment was duly noted and approved by the Ministry of Finance.
- (b) As against a total requirement of about 34.4 lakhs of blankets during December, 1962 to December 1963, the DGS&D initially able to book a quantity of 6.9 lakhs Nos. only. In the midst of Emergency, there was no option but to book whatever capacity was available within the ceiling prices fixed with a view to cover as much quantity as possible from time to time even for deliveries beyond December 1963. In this connection it may be brought out that possibility of covering additional quantities at the agreed rates was discussed by the DG with the representatives M/s. Digvijay and M/s. Brij Textiles when they met him on 13-9-1963. Although no record was kept of these discussions, it is evident from the telegrams dated 19-9-1963 of both the firms, communicating their agreement to accept orders for certain quantities at the ceiling negotiated prices for deliveries between January 1964 and December 1964 that these negotiations did take place. This is further evidenced from the break up of the manufacturing cost furnished by M/s. Brij Textiles on 1-11-1963.

In view of this and the fact of a steady rise in price of indigenous wool during the year 1963., it was considered expedient to accept whatever offers were available for supply during 1964 at the 1962-63 ceiling rates.

(ii) The precise purpose for which the file No. DS (WS)/GW/63 was called for by S. P. E., Bombay, was not indicated by them to the D. G. S. & D.

However, this file was specially obtained by DGS&D from the Central Vigilance Commission and a copy of the note containing the break up of the manufacturing cost of Rs. 36.22 per blanket by M/s. Brij Textiles and another firm, which was handed over to DGS&D on 1-11-1963 was taken from the records and is enclosed.

N. P. DUBE

New Delhi,  
December, 1968  
[43(32)/68-PI]

Joint Secretary to the Government of India

Copy of note indicating the manufacturing cost Page No. 137 of  
File No. DS(WL)GW/63.

**Worked out cost of Manufacturing Barrack Blankets—Weight 4.75 lbs.**

1. SPINNING Basis :	Shoddy 40%;	
	Indian Wool 45%, Nylon 15%	
Shoddy :	Cost per lb. cif. 20d. i.e. 1.12 nP. on	
	the basis of yield 80% worked out cost	
	per lb. . . . .	Rs. 1.39
	Admixture required 40% . . . .	Rs. 0.56

*Indian Wood*

Cost per lb 2.50 on the basis of yield 70% value of wool per 1 lb.	Rs. 3.25	
Admixture required 45%		Rs. 1.47
Nylon : CIF Cost 63d, i.e.	Rs. 3.50	
duty @ 27½%	Rs. 0.96	
Excise duty @ Rs. 1.33 per Kg.	Rs. 0.60	
	<hr/>	Rs. 5.06
Admixture 15%		Rs. 0.75
Add : Overhead charges, or rag pulling, cleaning, sorting spinning etc. per lb.		Rs. 1.50
		<hr/>
Arrived cost of yarn per lb.		4.49
Cost per Kg.		9.44
		<hr/>

2. *WEAVING :*

Cost of 3 Kg. yarn required average for manu- facture of barrack blanket 4.75 lbs. weight	Rs. 28.32
Excise duty chargeable on the above quantity of yarn @Rs. 0.80 nP. per Kg.	Rs. 2.40
Weaving charges including conversion & overhead expenses per Blanket	Rs. 3.00
Finishing charges, including milling raising, rotary pressing, stentering, per Blanket	Rs. 2.00
Packing charges per blanket	Rs. 0.50
	<hr/>
Total arrived cost per blanket	Rs. 36.22

Price allowed by us : Rs. 29.10.

This was given to me by Shri Grover of Model Mills  
and Brij Textiles at Bombay on 1-11-63.

*Sd/-*

N. R. S. RAGHAVACHARI,  
5-11-63.

*Sd/-*

H. V. KARVE, 9-11-63.

**Recommendation**

The Committee are unable to appreciate what purpose the imposition of Rs. 100/only as liquidated damages in a contract valued at Rs. 5.70 lakhs could serve. If there was failure on the part of the firm in terms of the contract, proper damages should have been levied. If, on the other hand, the firm was not at fault, there was no justification for levying any liquidated damages token or otherwise.

[Sl. No. 54 (Para 4.53) of Appendix XXIII of 68th Report (III Lok Sabha)]

**Action taken**

A/T No. TWL-1/27313-N/II/9139 dated 10-9-63 was placed on the mills for supply of 20,000 Nos. of Barrack Blankets Shoddy admixture

@Rs. 28.50 per blanket for delivery at 4,000 Nos. per month and to be completed by March, 1964. The A/T was placed at the fixed rate vide the decision taken with the approval of DDG. The firm could not supply any stores within time i. e. by March, 1964 due to non receipt of yarn from Textile Commissioner, Bombay. There was a yarn assistance clause in the A/T. At their request the delivery period was extended till 30-9-1964. This extension was granted with R/R with the approval of ADG. By the end of September, 1964 the firm supplied about 12,000 Nos. and came forward for further extension of 3 weeks only stating that due to heavy rains heavy damage had been caused to their mills. The yarn was to come from Jodhpur and due to heavy rains there was transport difficulty. The matter was referred to the Ministry of Law for advice as to whether the extension can be refused. But in view of the reasons stated by the firm, the Ministry of Law did not agree as advised by them, the D/P was again extended till the 20th November, 1964 with R/R. This action was approved by A. D. G.

The firm tendered the balance quantity for inspection on 18-11-1964 i. e. within the extended delivery date. However, the despatch as effected on 27-12-64 and accordingly the firm came up with a request for the regularisation of delay in supplies. Thereupon the matter was referred to the indenter to ascertain if he had suffered any loss/inconvenience due to delayed supplies. His reply not having been received within the specified time, it was presumed that no loss/inconvenience had been suffered by the indenter due to delay in supplies as per provision in para 232(2) of the Manual of Office Procedure for Supplies and Disposals. While considering the question of regularisation of delivery period, the then Control Officer (Fin.) recorded as under:—

As we have received no reply from the indenter to our letter asking him to intimate whether he has suffered any loss/inconvenience, it may be presumed that he has not suffered any loss/inconvenience.

We are in the midst of a crusade against all old cases, Hence we cannot afford to write again to the Indenter and remind him to reply to our letter asking him for no loss certificate.

Firm's reasons for delay may be seen, some of which are not without force. As much regularisation of delivery period with adhoc token liquidated damages of Rs. 100/- would meet the ends of justice.

Delivery period was accordingly regularised till 17-12-1964 with the penalty of Rs. 100/- as token liquidated damages.

#### Audit Observations

Even if intimation from the indenter regarding any loss suffered by him due to delay in supplies had not been received, it was not correct the part of the Purchase Organisation to presume that no loss had occurred due to the delay. By granting extension, the Purchase Organisation incurred potential loss representing the difference between the contract prices (Rs. 29.00 per blanket) and the market prices prevailing at the time of grant of extension (Rs. 23.20 to Rs. 25.50 per blanket), which were lower than the contract prices.

### Recommendation

The Committee are not aware whether while giving extension the DGS&D has reserved the right to claim decrease in price and not to sanction any increase if it takes place in the extended period as required under the provisions of the DGS&D Manual. The Committee would like to know the factual position in this regard and in case the extensions were given in disregard of the provision of the D. G. S. & D. Manual, they would like to know the action taken against the delinquent officers.

[S. No. 58 (Para 4.79) of Appendix XXIII to 69th Report (Third Lok Sabha).

### Action Taken

(i) The delivery date was stipulated in the A/T as follows:—

“31-8-65 (Shipment Ex-works U. K. in 2-3- month from date of receipt of import licence).”

The date of 31st August, 1965 was, therefore, not a firm date but only a notional date and subject to the fulfilment of the conditions set out within brackets.

(ii) Import licence for C. I. F. value of Rs. 5,77,500 was issued on the 16th August, 1965. The firm arranged for shipment of 35 tons against the import licence on the 30th Sept., 1965. There was thus no delay in effecting shipment of this quantity.

(iii) On account of F. O. S. price having gone up, the import licence value had to be increased to enable the firm to import the balance quantity. After receipt of fresh foreign exchange sanction on 31-5-65 from the indenter, the revised import recommendation certificate for revised C. I. F. value of Rs. 8.50 lakhs was issued on the 4th April, 1966 as further amended on 18-5-1966. The import licence on the basis of this certificate must have been issued after this date. The balance quantity of 20 tons was, however, shipped on the 27th May, 1966. This quantity was, therefore, also shipped within the delivery period as specified in the A/T.

(iv) It will be seen from the above that the shipment was made by the firm in accordancy with the provisions of the A/T. The actual delivery dates had, therefore, to be refixed without reserving the Government's right not to allow any increase in price to the firm during the extended delivery period.

### Recommendation

The Committee are not satisfied with the manner in which the contract for the import of tungsten was handled by the D. G. S. & D. right from the beginning. Some of the failures and lapses are that:—

(i) There was unconscionable delay of about 5 months in taking purchase decision which resulted in an extra expenditure of Rs. 81,400.

(ii) There was failure on the part of the dealing officer to refer one of the three tenders to the inspection Directorate although the point about the grade of the material was of importance.

- (iii) There was failure to make a proper and correct comparison of prices and as a consequence price finalisation was not done and orders were placed with the firm whose rates were higher, resulting in an extra expenditure of Rs. 3.18 lakhs.
- (iv) The verification of the price of 13sh. 6d. as quoted by the firm 'B' was not done before the placing of the order because of a flaw.

[S. No. 58 (Para 4-80) of Appendix XXIII to 68th Report (Third Lok Sabha)].

#### Action taken

*Lapses (i) and (ii)* Necessary action has been or is being taken against the officers concerned.

(iii) The officer concerned retired from Government service on the 31st July, 1965 and it is therefore not possible to take any action against him.

(iv) (a) The advance A/T was placed on the firm on the 30th November, 1964. The confirmatory A/T was issued to the firm on the 24th December, 1964. The firm intimated the price of 13sh. 6d. per lb. in their letter of 29th December, 1964. It will, therefore, be seen that the contract had already been placed before the firm intimated the price of 13sh. 6d.

(b) It may be mentioned that the firm's original tender was subject to F. O. B. price variation clause and due to oversight this clause was not included in the advance as well as confirmatory A/T. In their letter of the 29th December, 1964, the firm pointed out this omission and stated that they were unable to accept the order until the price variation clause was included in the contract. This was accordingly done by an amendment letter dated the 19th January, 1965.

(c) The price variation clause was provided in the contract as follows:

"The current F. O. B. U. K. price on which the offer is based is 9sh. 1.1/2d per lb tungsten content less commission at 2%. If there is any change in this price at the time of shipment from the U. K., the difference will be to the purchaser's account."

It will be seen that in view of this price variation clause, the final F. O. B. price will be that prevailing at the time of shipment from U. K. The price of 13sh. 6d. mentioned by the firm was merely to indicate that the prices had gone up but otherwise it had not relevancy to the contract. It was, therefore not necessary to verify the correctness of this price.

Note containing further information required by the Action Taken Sub Committee of the Public Accounts Committee in respect of S. No. 58 (Para 4-80) of Appendix XXIII of their 68th Report (3rd Lok Sabha)

REFERENCE:—Lok Sabha Sectt. D. O. No. 2/1/86/68/PAC dated 19-11-1968.

#### Further Information

Please furnish a note indicating whether disciplinary action in respect of lapses pointed out in the contract has been finalised.

#### Government's Reply

As regards lapse (i), D. G.'s displeasure has been communicated to the Assistant Director concerned.

As regards lapse (ii), the explanation of the Assistant Director of Supplies could not be called for as he was absent without authority. Departmental proceedings were initiated against him for this unauthorised absence. As a result thereof, he was dismissed from Government service with effect from 16-10-1967.

#### Recommendation

Since the basis of payment to the Standard Telephone and Cables Ltd. in this case is a certificate to be given by the B. P. O., the Committee feel that a suitable method should be evolved forgetting a clear and satisfactory certificate from the B. P. O. If necessary an opinion from the Ministry of Law may be taken and the case taken up again with the B. P. O. The mode of fixation of the prices and the various factors taken into consideration for that should be clearly spelt out whenever a certificate is received from the B. P. O. The Committee also cannot help observing that such a vague clause regarding assessment of the price payable to the Standard Telephones and Cables Ltd. was included in the contract which was to be in force for a period of 20 years. The Committee hope that due care will be taken in future to avoid inclusion of such vague clauses in agreements.

[Sl. No. 60 (Para 4-103) of Appendix XXIII to the 68th Report (Third Lok Sabha)].

#### Action Taken

1. The question of the B. P. O. furnishing a more comprehensive certificate of prices was taken up with them by *the I. S. M., London*. The B. P. O. have expressed their inability to disclose the prices paid by them for corresponding cables as these are to be kept as confidential between them and the tenderers. They have, however intimated the procedure they follow in certifying the prices for the D. G. S. & D. An extract from their reply is reproduced below:

"In all our contracts for the supply of cables, we specify that copper and lead are to be covered at prices ruling two days after the date which we ask the Contractor to supply. In the case of copper the price under present arrangements is an average of 30% at spot cash price and 70% at the three months' price. These prices are published in the Press and elsewhere. Providing the order date is known, the copper and lead prices can be checked or we could do this for you as we have this information readily available. As already stated in my letter dated 17th May, 1965 we can certify prices that would be acceptable to the Post Office adjusted by the percentages laid down in your Agreement. Given the date of order to fix the raw material prices, we proceed as follows:—

- (a) We select the nearest equivalent B. P. O. Standard Cable and the latest known price therefore adjusted for the requisite material prices.
- (b) We assess the differences in the quantities of materials to meet the requirements of the cable ordered.
- (c) We assess the differences in Labour requirement.

- (d) We then price (b) and (c) from the costs data and knowledge of manufacturing techniques held in the Department and apply as necessary to (a)".

2. As recommended by the Committee, the opinion of the Ministry of Law in regard to evolving a suitable method for getting a clear and satisfactory certificate from the B. P. O. was taken up with the Ministry of Law. From the opinion expressed by the Ministry of Law it can be seen that the Agreement with the firm only requires that the prices quoted by the firm should be the same as are acceptable to the B. P. O. plus 2½%. It does not contemplate any satisfaction by the purchaser regarding the price. The result is that the Government is bound to place order for 25% of their requirements, so long as the firm is willing to supply at the same prices as are acceptable to the B. P. O. plus 2½%. The Government have no right to specify the method that should be followed by the B. P. O. in this regard.

#### **Recommendation**

The Committee desire that the Ministry of Finance should examine the above aspect in consultation with Audit and H.C.L. to determine as to whether the extra cost on 25% of the purchases made from Standard Telephones and Cables Ltd. under the provisions of this agreement should be borne by H.C. L. or by P. & T. Department.

[S. No. 61 (Para 4·106) of Appendix XXIII of 68th Report (Third Lok Sabha)].

#### **Action Taken**

The recommendation whether for the higher cost involved in the 25% reserved purchase of cables requirements envisaged in the Consultancy Agreement concluded with M/s Standards Telephones & Cables Ltd., U. K. for setting up the Rupnarainpur Cable Factory, the P. & T. Department should be made to pay more or the Hindustan Cables Ltd. should be debited, has been considered. The following factors are relevant in this context:

- (i) The purchases obligatory under the agreement with the S. T. C., are made to meet the P. & T. requirements. For such purchases, H. C. L. does not come into picture;
- (ii) In fixing the prices of cables supplies to the P. & T. Department by H. C. L., purchases from the S. T. C. do not come into picture;
- (iii) The pricing formula for the company's products purchased by P. & T. Department has been all along on a 'cost plus' basis; and
- (iv) Debiting the extra cost of the purchase of cables from the S. T. C. to the H. C. L. will only have the effect of raising the prices payable by P. & T. to H. C. L. for the cables manufactured by the latter since the company has no margin for absorbing this amount.

It may not be quite appropriate to pass on the burden of extra cost involved in the 25% reserved purchase from S. T. C. to H. C. L., since these purchases undoubtedly only go to implement the P. & T. schemes, the magnitude of which, in fact, determine the actual quantum of such purchases also. Even if H. C. L. is made to make this payment, the only logical course to treat this payment would be to reckon it as part of production cost for that



year. In this way since the pricing formula of H. C. L.'s products so far has been on a 'cost plus' basis, ultimately the burden would be transferred to the P. & T. Department itself. Incidentally it may be mentioned that if the higher cost involved in the reserved purchases since 1957 is to be debited to H. C. L., the benefit of lower cost derived by such purchases till 1957 would have also to be given to company. It may also be noted that the collaboration agreement signed in November, 1949, is valid only for 20 years *i.e.*, till November, 1969. Having regard to all the factors, it is considered that any change in the arrangement will be of no consequence from the financial angle either to H. C. L. or to P. & T. Department.

### Recommendation

In the opinion of the Committee, a purchase could have been made from amongst the quotations received in response to the first tender enquiry, by negotiations, if necessary, thus avoiding an extra expenditure of Rs. 37,000/-. The Committee desire that D. G. S. & D. and D. G. O. F. (the indenter in this case) should examine this case further and fix responsibility for the extra expenditure. The Committee also desire to be apprised of the final action taken in the matter.

[Sl. No. 64 (Para 4-125) of Appendix XXIII of the 68th Report (Third Lok Sabha)].

### Action taken

The position regarding this transaction has already been fully explained in the note which was forwarded to the P.A.C. under this Department's No. 43(16)/65 PI dated 30-9-1966. In view of the circumstances explained therein and the fact that, as a result of the second tender enquiry, it was possible for the D. G. S. & D. to meet the indenter's requirements at an overall cost of Rs. 5,17,998/- as against Rs. 6,05,212/- which would have been paid if the offer against the first enquiry had been accepted, this Ministry is of the view that the question of fixing responsibility does not arise.

2. In this case, Audit has made the following observation:

"It has been stated that with the second tender enquiry it was possible to meet the indenter's requirements at an overall cost of Rs. 5,17,998/- as against Rs. 6,05,212 which would have been paid for machines and accessories against the first tender enquiry. The reduction in the overall cost is not relevant as this represents merely the cost of certain spares which were eventually not purchased. The second tender enquiry detailed a specification which correspond, in essential details, to that of the model (*viz.* KB-3) which had been offered by the firm against the first tender enquiry and all the 22 items (including the 12 items required as per the revised specifications drawn up by the Director General, Supplies and Disposals) of the spares offered by the firm against the first tender enquiry also. The Director General, Supplies and Disposals could, therefore, have made the purchase of the machines with the reduced number of spares (*viz.* 12 Nos.) from the quotation of the firm received in response to the first tender enquiry, by negotiations, if necessary, thus avoiding an extra expenditure of Rs. 37,000/-.

3. The Department would, however, like to point out that it is not the question as to what would have been possible but the question as to what actually happened if the machines against the first tender enquiry, had been accepted. In the first tender enquiry, all the 22 items were specified, they were offered by the firm and they would naturally have been accepted. In fact, the indenter had recommended the acceptance of all the items. At that stage, the question of trying to reduce the number of accessories was not raised and would not have been considered.. It is only when the revised specifications were drawn up that the question of the number of accessories was also examined and it was decided that the number could be reduced from 22 to 12. The matter, therefore, needs to be considered in the context of the circumstances which were prevailing at the time of the first tender enquiry and not in the light of the knowledge available as a result of the second tender enquiry. The position, therefore, is that if the purchase had been made on the basis of the first tender enquiry, then all the 22 items of accessories would have been purchased. It was only as a result of the revision of the specification on the occasion of the second tender enquiry that the number of accessories was reduced. The Department is, therefore, definitely of the view that it would be quite reasonable to hold that as a result of the second tender enquiry, there has been reduction in the overall cost.

#### Recommendation

The Committee considered it extremely unfortunate that even in the case of an operational indent for Defence requirements, the difference of views between the indenter and the D. G. S. & D. was not satisfactorily resolved in the initial stages, necessitating calling of fresh limited tender enquiry. They hope that such cases would not recur.

[Sl. No. 64 (Para 4-126) of Appx. XXIII of 68th Report (Third Lok Sabha)]

#### Action taken

The recommendations have been noted. Certain remedial measures have been taken as set out below:—

- (i) Instructions were issued *vide* D. O. No. DG/106/64 dated 18-6-64 to all Technical Officers in the D. G. S. & D. (Inspection Wing) to the effect that in case of indents for plant and machinery items broad specification should, if necessary, be prepared and got approved by the Indenter. In case the Indenter insists upon the particular specification given in his indent, he should be requested to furnish a proprietary articles certificate. These instructions were re-circulated to all the Technical Officers in the D. G. S. & D. (Inspection Wing) on 29-7-1960.
- (ii) The D. G. O. F. has issued instructions to all Ordnance Factories to the effect that names of at least three likely suppliers should be indicated in indents for machine tools, *vide* his letter No. 122/E/M-1 dated 22-9-64 (copy enclosed).
- (iii) Instructions have been issued in the D. G. S. & D. *vide* Routine Note No. 20 dated 28-6-1965 to the effect that Inspection Wing should sort out technical particulars with the Indentors on receipt of indents *i. e.* before invitation of tenders. After tender opening, the Inspection Wing may, if necessary, consult the Indentors

on technical points requiring clarification by the Supply Wing. These instructions also provide that in case of difference of opinion between the I/Wing and the Indentor, the matter should be referred to the D. G. T. D. for advice.

**ANNEXURE**

No. 122/E/M-1

Government of India

Ministry of Defence

Directorate General Ordnance Factories

6, Esplanade East,

Calcutta-1,

*Dated 22-9-1964*

To

The General Manager,  
(All Factories).

**SUBJECT:—**Placement of Indents.

In view of difficulties experienced, particularly by the purchasing organisations in progressing of indents due to absence of any indication in indents regarding likely suppliers of machine tools proposed to be procured against such indents, it has been decided that in the remarks column of each indent, at least a panel of three names and addresses of likely suppliers, whose supplies are generally upto the indentor's standard specifications, should invariably be indicated.

2. The above instruction will apply in case of indents both in respect of indigenous as well as imported machine tools. This may please be brought to the notice of all concerned in your factory, particularly who are responsible for placement of indents.

Kindly acknowledge receipt.

Sd/- P. V. Ramachandran

A. D. G./P. & M.

for *Director General, Ord. Factories.*

**Copy to:—**

1. The Deputy Director (Procurement), Factories, Planning Cell, Ministry of Defence, Room No. 99, 'G' Block, New Delhi.
2. Section P/Project (4 Copies).
3. Section P/V.
4. Section P/E. P.
5. Section P/TA.

### Recommendations

The Committee regret to find the manner in which the contractual obligations were violated at each stage in this case as detailed below:—

- (i) The letter of credit had to be opened with the overseas suppliers instead of with the contractors (Indian Firm) and the Inspection clause had to be deleted from it at the behest of the suppliers as a special case.
- (ii) The contract was entered into on behalf of the Railway Board who needed the goods urgently and yet when the extension of delivery was conceded, the Railways were not consulted in advance and the Director General, India Supply Mission in his own discretion gave the extension.
- (iii) The sum of Rs. 77,660 was claimed from the firm as liquidated damages for failure to execute the contract satisfactorily. When even under the Indian usage a sum of Rs. 1.53 lakhs should have been claimed for that. According to the provision in the contract the amount which could be claimed as liquidated damages came to Rs. 15.25 lakhs.
- (iv) The liquidated damages were scaled down without any request in writing from the firm on the basis of a verbal protest lodged by a representative of the firm. As a result, the Ministry recovered Rs. 7,766 plus \$ 623 *i. e.* Rs. 10,700 as against Rs. 77,660 claimed originally.
- (v) At the time of scaling down the liquidated damages no account was taken of the loss suffered by Railways for late delivery of material since the Railways could not assess their loss with any degree of accuracy.

From the above the Committee observed that adequate steps were not taken to safeguard financial interest of Government in this case. The deletion of inspection clause from the letter of credit had no basis except that India Supply Mission showed a special favour to the firm. The firm's argument that the inspection certificates were delayed abnormally had no basis as there was no such complaint from any other similar firm either in the U. K. or on continent.

[Sl. No. 69 (Para 4-179) of Appendix XXIII of 68th Report (Third Lok Sabha)].

The Committee also regret to note that the Railway Board could not assess precisely the damage/loss suffered by them as a result of delay in receipt of supplies in this case. The very fact that a large quantity of steel involved in this case was required for the manufacture of wagons could have given some basis to the Railways to work out the amount of the losses suffered by them. It is unfortunate that the Railways did not calculate the loss for claiming the liquidated damages. The net result of all this has been that the firms delayed abnormally the supply of materials and were also let off by a levy of nominal damages *ie.* Rs. 7,766 against Rs. 1.53 lakhs leviable under the Indian usage and Rs. 15.25 lakhs which could be claimed as liquidated damages under the terms of contract.

[S. No. 69 (Para 4-180) of Appendix XXIII of the 68th Report (Third Lok Sabha)].

### Action taken

#### Para 4.179

The position regarding the contracts placed on the firm has already been fully explained in the note which was sent to the Public Accounts Committee with this Ministry's O. M. No. 2/1/66-Admn. II dated the 2nd September, 1966. The various points mentioned in this recommendation have also been fully examined in great detail in that note. However, in respect of the points raised in this recommendation, the following comments are also submitted:—

- (i)(a) In so far as the question of the opening of the letter of credit is concerned, it is submitted that the transaction was being financed from the D. L. F. loans and therefore, according to the procedure prescribed for that loans the letter of credit had to be opened in favour of foreign supplies to whom the payment was to be made in foreign currency. The firm were only the agents of the foreign suppliers and, if the letter of credit had been opened in their favour, it would not have been possible for Government to claim reimbursement of the expenditure incurred from the D. L. F. loans. It may be further mentioned that the firm had also stipulated in their tender that their offer was made strictly on the understanding that the letter of credit would be opened in their favour or in the favour of their nominees. It is, therefore, submitted that there was nothing irregular in opening the letter of credit in the name of the foreign supplier.
- (b) As regards the inspection clause, it is submitted that this clause was not deleted from the contract but only a relaxation was allowed in the payment procedure. According to clause 5 of Appendix B of the contract, Director General, India Supply Mission, London Inspector's inspection certificate was required to be furnished by the firm along with invoices to the Account officer for payment. On the 8th December, 1959, the representative of the firm saw the Director General, India Supply Mission, Washington and represented that Director General, India Supply Mission, London Inspectors took considerable time to furnish the inspection certificates and requested that payments should be made on the basis of a certificate produced by the firm along with other relevant documents to the effect that "the goods shipped have been inspected and passed by the Director General, India Supply Mission, London." On the same date, the representatives of the firm also handed over a letter to India Supply Mission, Washington making the same request. In another case, the Director General, India Supply Mission, London, had admitted to the India Supply Mission, Washington that delay was being caused in the issue of inspection certificates by their inspectors. In view of this, India Supply Mission, Washington considered the request of the firm as reasonable and agreed to relax the payment procedure. India Supply Mission, Washington informed the Accounts Officer that payments against these contracts should not be held up in case the inspection certificates from Director General, India Supply Mission, London were not submitted by the suppliers along with shipping documents. In order, however, to safeguard Government's interest, it was

provided that the commercial invoices should, without fail, bear the following certificates:—

“That the material covered by the invoice has passed the test and inspection of Director General, India Supply Mission, London inspectors who have certified that the material conforms in every way to the contract’s specifications and is packed in accordance with the contract’s requirements as embodied in para 1(a) of clause 5 of the appendix B of the contract.”

In addition to the above the firm were required to furnish the following certificates:—

“The Director General, India Supply Mission, London, inspection certificates have not yet been received by the Mills, but the material has passed the test and inspection of the Director General, India Supply Mission, London, inspectors and we undertake full responsibility to furnish the same as soon as received from the Director General, India Supply Mission, London. In case, the Director General, India Supply Mission, London, certificates show rejection of any material which has been shipped, we undertake to replace such material free of cost including transportation both ways.”

It will be seen from the above that while allowing relaxation in the matter of submission of inspectors’ inspection certificates along with invoices, adequate safeguards were adopted to protect Government’s interest. It has to be noted that, in actual practice also, Government has not been put to any loss on account of this slight relaxation in payment procedure. It may be further pointed out that the plea of the firm that the inspection certificates were being delayed was accepted because India Supply Mission, Washington were already aware that such delay was occurring the Director General, India Supply Mission, London had also admitted this fact. In fact, when the firm’s request was examined it was noted that complaints had been received from another firm also that the inspection certificates were not being received from the Director General, India Supply Mission, London, in time. The statement made to the Public Accounts Committee and reproduced in Para 4-163 of Public Accounts Committee’s 68th Report “there was no such complaints from other firms in England or the continent” was intended to convey that while complaints from other firms regarding the delays in inspection did exist on record, none of them had complained that the clause with regard to payment terms as already stipulated in the contracts be modified.

(ii) The Railway Board had more than once expressed urgency their requirements. These stores were required by them for the manufacture of wagons for which a target date was laid down. The position of steel during 1959-60 was tight and prolonged deliveries were being offered by the suppliers. If the India Supply Mission, had cancelled the orders, they would have had to pay higher prices without achieving earlier deliveries. It was in these circumstances, that the first extension of delivery was granted as it was considered that there was no other alternative. Further, consultation with the Railway Board before granting this extension would have been a mere formality as subsequently the Railways had agreed to further extensions in delivery whenever references were made to them subject of course, to reservation of rights to recover levy liquidated damages.

(iii) & (iv) The position regarding the liquidated damages has been fully explained in the note referred to above. It seems that in arriving at an amount of Rs. 15,24,809/-, Audit had based their calculations on the delay between the delivery dates originally stipulated in the contract and the actual dates of delivery. On the other hand, in arriving at the figure of Rs. 77,660, India Supply Mission, Washington, had proceeded on the basis that 31st December, 1960 should be regarded as the date of delivery and the liquidated damages should be leviable only in respect of shipments made after that date. The reasons for adopting the date of 31st December, 1960 have already been fully explained in the note submitted to the Public Accounts Committee and need not be reiterated here. As no actual loss was claimed by the indenter, in accordance with the normal procedure followed in such cases an amount representing 10% of the liquidated damages was recovered. It is submitted that in recovering the liquidated damage from the firm, the normal practice prevailing in the D. G. S. & D. was followed and no special consideration was shown to the firm.

(v) The point primarily concerns the Railway Boards. In view of the fact that the Railway Board had clearly stated that it was not possible, for them to ascertain the loss suffered, the Mission was not in a position to take this fact into accounts.

2. It is submitted that in the matter of the opening of the letter of credit, no favour was shown to the firm. Also, the inspection clause was not deleted but only a slight relaxation was allowed in the payment procedure because India Supply Mission, Washington, were aware that there were delays in the issue of inspection notes. In doing so, however, the financial interest of Government was fully safeguarded.

#### *Para 4.180*

In so far as the question of assessment of the loss by the Railways is concerned, the Railway Board, have already sent their reply to the Public Accounts Committee *vide* their O. M. No. 67-B(c)-PACIII/68, dated the 26th July, 1967. As regards the question of the amount of liquidated damages the position has been fully explained in the reply in respect of para 4.179.

#### **Audit Observations**

##### *Para 4.179, Sub-para (iii) & (iv)*

The contention that in recovering the liquidated damages from the firm, the normal practice prevailing in the Director General of Supplies and Disposals was followed and that no special consideration was shown to the firm is not tenable. As stated in para 124 of Audit Report (Civil), 1966, the application of the Indian usage and custom did not arise as in this case the contracts were governed by the laws of the State of New York, where an accurate assessment of loss was not essential for claiming recovery of liquidated damages (*viz.* Rs. 15.25 lakhs) due under the terms of the contract.

#### **Recommendation**

“The Committee also regret to note that the Railway Board could not assess precisely the damage/loss suffered by them, as a result of delay in receipt of supplies in this case. The very fact that a large quantity of steel involved in

this case was required for the manufacture of wagons could have given some basis to the Railways to work out the amount of the losses suffered by them.”

[S. No. 69 para(4-180) Appendix XXIII to 68th Report, (Third Lok Sabha)].

#### **Action taken**

The Committee's observations are noted. The Ministry of Railways would, however, like to respectfully submit that the essential requirement in this case was to assess the actual loss in a manner and in such detail as would stand scrutiny in a Court of Law. Owing to the large number of items involved and the various factors (each one of which it was difficult, if not impossible, to assess accurately) and the circumstances under which the items were meant to be used, the above mentioned essential requirement could not be effectively fulfilled. So far as the future is concerned, if any wagon builder, under similar circumstances, prefers claims on the Railways—which did not happen in this particular case—, it will be ensured that such wagon builder establishes the actual loss claimed, so that the Railways would be in a position to recover such loss as may be legally admissible from the suppliers.

This has been seen by Audit.

[Vide -Min. of Rly. (Rly. Bd.) O. M. No. 67-B(c)-PACIII/68 dated 26-7-67].

#### **Recommendation**

The Committee find that since 1962-63 when the open market purchase of parachutes was resorted to, the price for the same tended to fall year after year viz. from Rs. 134.50 in 1962-63 to Rs. 78.38 in 1964-65. From these figures the Committee are inclined to infer that there was enough local potential for the production of parachutes in the country and if the market had been correctly tested prior to 1962-63 perhaps the Government could have saved a lot instead of depending on the supplies made by the Army authorities which were costlier. That the price of parachutes in the local market was falling due to competition was known to the Administration, because in 1962-63 itself the prices had fallen from Rs. 134.50 to 114.50 and during 1963-64 it had further fallen to Rs. 102.00. In the opinion of the Committee the prices and requirements of supply dropping equipment were not assessed realistically.

[S. No. 80 Para 5.42 of 68th Report—Third Lok Sabha].

#### **Action taken**

From the year 1955-56 to 1958-59 the parachutes required for para-dropping of Assam Rifles stores used to be procured by them directly from Army sources and the Director of Supply and Transport, NEFA, Jorhat used to take these over from the Ground Liaison Officer of the Assam Rifles at Jorhat. The civilian requirement of parachutes actually started from the year 1957-58 and till the year 1961-62, these were also procured like the Assam Rifles requirements from the same Army Sources. At that time, the Army/I. A. F. used to supply these parachutes from large defence stocks of “eighteen feet” parachutes of World War II manufacture. Only from about the later part of 1961, there were indications that the Army would not be in a position to meet the N.E. F. A. Administration's requirements of parachutes in full. In fact, the requirement of



parachutes for the year 1961-62 was only partially met and as many as 29,292 parachutes were not supplied by the Army. In October, 1961, the Army authorities made it clear that they would not be able to supply any more parachutes. As a matter of fact, the Army had in the meanwhile, switched over to "28 feet" parachutes which were not economical for use by Administration. The Army's offer of imported Russian parachutes at a cost of Rs. 1,500/- to Rs. 2,000/- each was not also acceptable to the Administration. It was in these circumstances, that the D. G. S. & D. was approached by the NEFA Administration to indicate whether there were firms in India who could manufacture parachutes. They replied in December, 1961 that there were no such firms who were registered with them for the supply of parachutes. Meanwhile, the Organisation of the Director of Supply & Transport, N.E.F.A. with the help of the Chief Inspector of Textile and Clothing, Ministry of Defence (C. G. D. P.), Kanpur, was able to get a few proto-type samples manufactured through open trade sources. After considerable experiments a few successful samples were produced and tried out and were also found suitable in all respects.

2. It will thus be seen that there were no ready sources of supply of parachutes in the open market and only after some proto-type were fabricated could orders be placed in the open market on the basis of competitive tender. As long as the Army source of supply was regular, it was not considered necessary to tap other sources for the supply of these specialised equipment. Therefore, the Administration could not anticipate the existence of local potential for the production of parachutes in the country prior to 1962-63. As budget was finalised well ahead of the finalisation of contract for the supply of parachutes and other accessories and as the number of parachutes required is assessed on a probable tonnage to be lifted during the next financial year, it was not possible for the Administration to make a realistic assessment of either the likely reduction of the prices of parachutes as a result of competition in the supply of these items or the actual number of parachutes required.

#### **Recommendation**

The Committee feel that the trend of falling prices was not taken due note of while preparing the budget as is evident from the fact that the saving in expenditure due to reduction in the cost of supply dropping equipment came to Rs. 20·81 lakhs.

[Sl. No. 80, Para No. 5·43 Appendix XXIII of 68th Report—Third Lok Sabha].

#### **Action taken**

The trend of falling prices could not be taken into account while preparing the budget because as stated in reply to the P. A.C.'s observation in para 5·42 the budget estimates were prepared much in advance of the floating of tenders and finalisation of contract for the supply of parachutes.

#### **Recommendation**

The Committee feel concerned over the steady increase in expenditure on the Planning Commission. The Committee desire that the Staff Inspection Unit of the Finance Ministry should examine both the Administrative and Technical Wings of the Commission to find out (i) whether any economy is

possible in the staffing pattern especially after the finalisation of each Plan, (ii) whether there is any duplication in the work done in the Commission and the Administrative Ministries and (iii) how far the scheme of officer oriented set up had added to the efficiency and resulted in economy.

[Sl. No. 82, (Para 5-54) of Appendix XXIII to the 68th Report—Third Lok Sabha].

#### Action taken

The Administrative and house-keeping Divisions of the Planning Commission had been subjected to a thorough and detailed study by the Staff Inspection Unit in September, 1965. The final recommendations made by the S. I. U. have been implemented except for one post, the decision in regard to which is still under consideration. As a result thereof, 45 posts in officer and ministerial grades were reduced from the strength of the Commission. A further measure of economy in expenditure and reduction in working force in the sanctioned strength of the Planning Commission has been brought forth recently when the Finance Ministry imposed a cut of Rs. 5 lakhs for the remaining part of the current financial year 1967-68. Consequently, a few senior posts consisting of 3 Deputy Secretaries have already been abolished and a sizeable number of technical and administrative posts are not being filled unless urgent and compelling reasons necessitate otherwise.

2. In para 33 of its Interim Report submitted to the Prime Minister, the Administrative Reforms Commission observed as under on the question of staffing of the Planning Commissions Secretariat:—

“We feel that the present staffing of the Commission leaves much to be desired and there is also considerable scope for pruning. Our Study Team has come to this conclusion and we fully endorse its views. In any case, there is no reason why the Commission should give the appearance of being, in several respects, parallel to Ministries and Departments of Government; on the other hand, its Secretariat should be efficient and business-like body which would be an example to, rather than an imitation of the ministerial set-up. Its procedures should be streamlined and simplified; red-tape should be ruthlessly cut down; its functioning should be officer-oriented and it should derive as much information as possible from the existing Government Departments rather than necessarily have separate parallel sources of information of its own.”

The Final Report of the Administrative Reforms Commission and Government's decisions thereon are still awaited. The Study Team of the Administrative Reforms Commission has been simultaneously looking into the staffing pattern, areas of duplication of work, staff strength and composition in the light of the functions of the Planning Commission. Action for re-organisation etc. of the concerned Divisions of the Commission will follow the decisions taken by Government on the recommendations of the Administrative Reforms Commission.

3. It will thus be noted that the scrutiny of the working of the administrative and technical wings of the Planning Commission, as envisaged in the P.A.C. recommendations, has been partly completed and partly is in progress. Another scrutiny simultaneously by the Staff Inspection Unit at this stage may not, therefore, be necessary. The position which may finally emerge

after the implementation of the Government's decisions on the recommendations of the Administrative Reforms Commission will be communicated to the Lok Sabha Secretariat for the information of the Public Accounts Committee.

G. C. BAVEJA,

• Joint Secretary to the Government of India.

[Planning Commission U.O. No. F. 10(2)/67-Adm. I, dated the 26th December, 1967.]

GOVERNMENT OF INDIA  
PLANNING COMMISSION

*Further information desired by the Action taken Sub-Committee of the Public Accounts Committee on the points arising out of the replies of Government on the recommendations contained in Serial No. 82 of the 68th Report of the Public Accounts Committee (Third Lok Sabha)*

S. No.	Para of Report	Ministry/ Department concerned	Points raised by the Action Taken Sub-Committee of the Public Accounts Committee	Replies
1	2	3	4	5
82	5-54	Planning Commission	<p>(i) Action taken on the Report of the Administrative Reforms Commission on organisational set up of Planning Commission.</p> <p>(ii) Whether the Staff Inspection Unit of the Ministry of Finance has undertaken the study of the Planning Commission as desired by Public Accounts Committee.</p>	<p>(i) &amp; (ii) An Internal Reorganisation Committee under the Chairmanship of a Member of the Planning Commission is reviewing the working and staffing of the Planning Commission both independently and in the light of the recommendations of the Administrative Reforms Commission. As a result of the deliberations of this Committee, 77 posts have already been abolished and an annual saving of Rs. 11 lakhs effected. The Report of the Administrative Reforms Commission on Organisational set up</p>

1	2	3	4	5
				of the Planning Commission is still under the consideration of the Internal Reorganization Committee of the Planning Commission who are going into the question of locating further areas where economy could be affected and identifying the areas requiring improvements in the methods of work. As already stated, therefore, another scrutiny simultaneously by the Staff Inspection Unit at this stage may not be necessary.

*Sd/-*

G. C. BAVEJA,

*Joint Secretary to the Government of India.*

#### **Recommendation**

While the Committee appreciate the difficulties in formulating the Fourth Plan, they cannot help observing that the delay in the finalization of the Plan has been too much and cannot be justified.

[S. No. 83, para 5-57 of 68th Report—Third Lok Sabha].

#### **Action taken**

The Draft outline of the Fourth Plan is being reviewed in the context of the changes in the economic situation that have taken place since it was published. The impact of the drought, the slackening of industrial activity, the latest price trends and the erosion of public resources available for the Plan are being assessed. After the review has been completed, it will be placed before the N.D.C.

In the meantime the Annual Plan for 1967-68, the second year of the Fourth Plan has been finalised. The Annual Plan for 1967-68 has been laid on the Table of both Houses.

The two successive droughts and the reduced growth in industrial production had their impact on the growth of public revenues. Furthermore, diversion of resources towards meeting the considerable expenditure on scarcity relief and rehabilitation had become an immediate necessity. At the same time, grant of additional dearness allowances on account of the continued rise in prices of essential commodities had increased the cost of administration and had made inroads into the financial resources available to the States and the Centre for the Plan.

The erosion of resources at the Centre due to increase in dearness allowance sanctioned for Central Government employees since the publication of the Draft Outline of the Fourth Plan is expected to cost about Rs. 200 crores over the five year period of the Plan. The erosion in State's resources on account of the increases in dearness allowance and other emoluments for State Government employees etc. as well as the land revenue concessions announced by the State Governments since the completion of the discussions with them, on the resources estimates for the Fourth Plan is estimated at about Rs. 600 crores for the Fourth Plan period. Besides, the food subsidy announced by the Kerala and Madras Government is expected to cost Rs. 6 crores and Rs. 11 crores a year respectively.

In the context of a policy for stabilization and overall budgetary restraint, projects and programmes included in the Draft Outline will have to be scrutinised with even more care now. Priorities will have to be defined according to strict criteria after a thorough examination of likely costs and expected benefits. Furthermore, in view of the slow progress in the implementation of Plan projects and progress in the initials of the Fourth Plan period, it is obvious that some of the Fourth Plan targets set down in the Draft Outline may not be fully realized. The views of the newly elected State Governments have also to be taken into account and they require time for reviewing their own projects and programmes. In view of these considerations the Planning Commission is currently engaged in a series of studies, in consultation with Union Ministries and State Governments, in reformulating the Fourth Plan proposals. The essentiality of each project/programme, their content and scope is being thoroughly examined and more realistic targets are being worked out.

(Planning Commission U.O. No. 10/17/66 Plan dt. 2-8-1967).

### **Recommendation**

The Committee are sorry to note that the Security Paper Mill, Hoshangabad which was scheduled to be commissioned in the middle of 1965 has not yet been completed. The case indicates lack of proper planning which is regrettable.

The Committee hope that the revised schedule of commissioning the Mill according to which two of the four machines are expected to commence trial runs by March-April, 1967 and the other two machines by about June-July, 1967, will be adhereto.

[S. No. 85—Paras. 5.66, 5.67 of Appendix XXIII to 68th Report—Third Lok Sabha].

### **Action taken**

A note indicating the position is enclosed. (Annexure).

### **ANNEXURE**

#### **MINISTRY OF FINANCE**

(Department of Economic Affairs)

*Note regarding the commissioning of the Security Paper Mill, Hoshangabad*

When the note dated 30-12-1966 indicating the position of the construction and setting up of the Security Paper Mill, Hoshangabad was furnished,

it was expected that it would be possible to commence trial runs on the first two machines of the Mill by March-April, 1967 and on the other two machines by about June-July, 1967. The first two machines actually commenced trial runs on 7th and 9th June, 1967 and are now in regular production. The trial runs of the other two machines are now expected to commence in August-September, 1967. The slight delay has been due to some unexpected difficulties. Chief among these has been the delayed delivery of the Process Steam Plants on account of a go-slow campaign in the factory of the suppliers and the delayed receipt by the latter of certain steam pipes from their pipe suppliers. There has also been delay in the receipt of shipment and clearance in the Bombay docks of some parts required for the erection of the fourth machine.

S. S. SHIRALKAR,

*Addl. Secretary to the Govt. of India.*

## CHAPTER IV

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

#### Recommendation

The Committee desire that the Government should take an early decision on the Committee's recommendations suggesting that a practical trial should be given to the healthy principle enunciated in Article 292 of the Constitution regarding fixation of a limit by a Parliament on public borrowings.

(S. No. 3 of Appendix XXIII to their 68th Report—Third Lok Sabha).

#### Action taken

A memorandum containing Government's final views has already been sent to the Lok Sabha Secretariat *vide* this Ministry's M. No. F. 4(41)-W. & M./65 dated 28-1-67. This fact was also intimated in the action taken statement on the 52nd Report of the Committee *vide* this Ministry's O.M. No. F. 8(26)-B/66 dated 16-2-1967.

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#### ANNEXURE

No. F. 4(41)-W. & M./65

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

(Department of Economic Affairs)

New Delhi, the 28th January, 1967

#### MEMORANDUM

SUBJECT :—Fifty-second Report of the Public Accounts Committee (Third Lok Sabha)—Statutory Control over Government's borrowings.

The Public Accounts Committee in para 2.13 of their Fifty-second Report (Third Lok Sabha) have made the following recommendation :

“The Sub-Committee find it difficult to appreciate the stand taken by Government on this issue. In view of the provisions contained in Article 292 of the Constitution and the fact that such statutory limits do exist in other countries and that the debt of the Government of India has been steadily increasing, the Committee would like to reiterate their earlier recommendations on this subject.”

2. The reasons for which the Government of India found it difficult to accept the recommendation of the Public Accounts Committee in the matter of fixing limit on the borrowing powers of Governments were explained in the two memoranda submitted to the Committee earlier, once in December

1964 and again in January, 1966. These are, however, briefly recounted below :

- (i) The constitutional provisions regarding Government's borrowings is permissive and not mandatory (Article 292).
  - (ii) Broad limits of the net borrowings proposed over a Plan period through domestic market loans, from Reserve Bank, and through budgetary receipts corresponding to external assistance are generally indicated in the Plan documents.
  - (iii) The borrowings proposed during the ensuing financial year by various categories are shown distinctly in the Budget presented to Parliament. The budget documents, of course do not indicate the timing as well as the terms and conditions of the proposed borrowing nor would it be possible to do so—even if there is to be any statutory provision in regard to limits etc.
  - (iv) Parliament has ample opportunity to discuss the proposed borrowings by Government (a) over a Plan period and (b) also during the ensuing financial year when it discusses the Plan and the annual Budget. Moreover, in the ultimate analysis Government's borrowings from all sources are limited by the supply granted by Parliament, the requirements for which cannot be raised through sources like Revenue etc.
- (v) Limits on borrowings from Reserve Bank present a special problem. These vary not only from year to year but even from time to time during a year itself, according to circumstances, needs and other considerations. It is only the net borrowing over any year which is of significance but any enactment in regard to limits would have to be with reference to the maximum amount of borrowing at any time and not the net over the year and this would be misleading.
- (vi) Limits on external borrowings would be even more difficult. The extent of such borrowings depends on the prevailing circumstances and involves patient negotiations. It would not be desirable or even practicable to put limits on such borrowings having regard to the factors which affect external assistance.
  - (vii) If borrowings from Reserve Bank and foreign loans are left out, any legislative approval for the residuary borrowings will have little significance.
  - (viii) If notwithstanding the foregoing consideration statutory limits are thought necessary, these would have to be sufficiently wide so that the need for frequent amendments to the statute does not arise. On the other hand, such wide limits—which are by and large already set by the Plan documents and the annual Budgets—will serve no practical purpose. Statutory limits would, therefore, confer no advantage but on the other hand, hamper the flexibility which is now available.

3. The recommendation made by the Public Accounts Committee in para 2·13 of their Fifty-second Report has been carefully considered. Government's orders have also been obtained keeping in view the recommendation



in para 2·52 of the same Report. The reasons for which the Committee have reiterated their earlier recommendation are considered below:—

- (i) The position regarding Article 292 of the Constitution has been explained in the earlier paragraph.
- (ii) The position regarding statutory limits on Government's borrowings in other countries has been explained in the Memorandum submitted to the Committee in December, 1964. In particular, it might be stated that in the United Kingdom the National Loans Act 1939 and the Annual Consolidated Fund and Appropriation Acts empower the Treasury to raise any money required for meeting the supply which has been granted and in addition a sum not exceeding £250 million besides the money required for the repayment of maturing securities or any treasury bills or ways and means advances. In addition, the annual Appropriation Acts also give statutory authority to borrow temporarily for meeting the appropriation voted by Parliament. Further, the Treasury may borrow without any specified limit for purposes connected with the country's foreign exchange position, such as the provision of additional Sterling capital in the Exchange equalisation Account and the maintenance of the value of the United Kingdom's subscription to I. M. F. and the I. B. R. D. These provisions in effect mean that the limits on Government's borrowings in U. K. are very wide.
- (iii) Regarding the increasing debt of Government, it may be stated that Government borrows both internally and externally to meet the requirements of investment for purposes of development as envisaged in the Five-Year Plans. Recourse is taken to internal borrowings not only as an alternative but as a supplement to taxation. Similarly, external borrowings are made in order to finance the imports necessary for development, which cannot be met out of export earnings, and they cannot be discontinued till the country's export potential is built up with such assistance. The increasing debt of the Government should not therefore be a consideration for imposing a statutory limit on borrowings—at any rate, at this stage of the country's development. In any case, the requirements in this regard consistent with expectations are already set out in the Plan documents which (including the strategy of development through internal savings and external borrowing of the order indicated). Parliament has full opportunity to consider—taking account on the one hand the increasing burden of repayment and on the other the consequences of doing without the whole or part of the foreign assistance available.

In the circumstances, Government continue to be of the view that no real advantages will be secured by prescribing statutory limits on Government's borrowings and that such limits, if imposed would not only not result in greater control but might on the other hand hamper the flexibility now available.

#### **Recommendation**

In the note (Appendix VI) furnished at the instance of the Committee, it is stated that "No percentage of overhead expenditure was prescribed while sanctioning grants to voluntary organisations other than Bharat Sewak  
M 32LSS/69—8

Samaj." The Committee are surprised to note this. They do not understand why, when it was decided that the overhead charges should not exceed 5 per cent to 7 per cent of the gross expenditure in the case of Bharat Sewak Samaj, it has not been made applicable in all other cases.

[S. No. 19, Para 2-28, Appendix XXIII to 68th Report (Third Lok Sabha)].

#### **Action taken**

It is no doubt true that while conveying orders to the Bharat Sewak Samaj in June, 1964 that the supervisory charges should not exceed 5 to 7 per cent, similar instructions to cover other organisation were not issued as there is need to maintain elasticity in this respect to suit the varying conditions of operations of other organisations.

#### **Recommendation**

The Committee are of the view that the practice of sanctioning a grant for a financial year and then allowing extension of time to spend the amount in the next year should not be resorted to and on so much of the grant should be paid during any financial year as is likely to be expended during the year.

(S. No. 26—Para 2.49—Appendix XXIII—Third Lok Sabha).

#### **Action taken**

The Committee's view in this regard has been noted and necessary action is being taken accordingly as far as possible. Each case is being decided on its facts and merits.

#### **Recommendation**

The Committee would like to be informed of the number of Family Planning Orientation Camps held in various States by different Voluntary Organisations during the last three years. The Committee are also of the opinion that it is desirable to have periodical reports from the State Authorities about the effect of such camps being held.

[S. No. 26, para 2.50—Appendix XXIII to 68th Report (Third Lok Sabha)].

#### **Action taken**

The required information is given in the attached statement (Not printed). The views of the Committee regarding periodical reports have been noted.

#### **Recommendation**

Since the recovery at the rate of rupee one per tonne had been made by the main producers during the period March, 1964 to August, 1964 and the same has been passed on to the Joint Plant Committee for its organisational expenses, the Committee feel that a recovery should be made from the Joint Plant Committee for the expenditure incurred on the establishment of the Iron and Steel Controller doing the work of the Joint Plant Committee during the period March, 1964 to July, 1964.

[Sl. No. 37 (para 3-7) of Appendix XXIII to the 68th Report (Third Lok Sabha)].

### Action taken

The points raised in the P. A. C. paragraphs mentioned above relate to:—

- (i) Recovery of money from Joint Plant Committee for the services rendered by the Iron & Steel Control Organisation during the period from March, 1964—July, 1964;

Regarding the point at (i) above it may be mentioned that Joint Plant Committee started functioning with effect from 1st March, 1964. To start with they took up the work relating to fixation of prices of decontrolled categories of steel, administration of freight Equalisation fund etc. The work relating to the planning of the indents has in the nature of things to be continued by the Iron & Steel Controller for sometime till Joint Plant Committee established itself with the full complement of staff. As soon as the Joint Plant Committee established itself more fully and had the necessary staff, etc., to deal with the work relating to planning of indents, the work was transferred to this Organisation. In the circumstances, there does not appear to be any justification for levying any charge on the Joint Plant Committee on account of the planning work done by the Iron & Steel Control during the intervening period which was essentially a transitional phase.

### Recommendation

From the note furnished by the Ministry the Committee find that the position of arrears in respect of the period upto 31-12-1965 outstanding against sundry debtors as on 30-6-1966 was as follows :—

	Position as on 30-6-66
	Rs.
(i) Dues from Main Producers . . . . .	15,18,418·73
(ii) Dues from Controlled Stockholders . . . . .	1,87,818·20
(iii) Dues from Re-rollers . . . . .	23,94,215·77
(iv) Dues from firms Re-imported Steel . . . . .	1,11,43,126·53
(v) Sundry Dues . . . . .	8,301·53

[S. No. 40 para 3·22—of Appendix XXIII of 68th Report (Third Lok Sabha)].

### Action taken

The date "31-12-1965" as given in the Para seems to be a typographical error as the outstanding position of arrears as on 30-6-1966 indicated in the Para is in respect of the period upto 31-3-1965 and not upto 31-12-1965. There has since been some further reduction in the outstanding arrears and the position as on 30-6-1967 is given below :—

	Position as on 30-6-67
	(In lakhs Rs.)
(i) Dues from Main Producers . . . . .	5·40
(ii) Dues from Controlled Stockholders . . . . .	1·80
(iii) Dues from Re-rollers . . . . .	15·76
(iv) Dues from firms regarding imported steel . . . . .	94·23
(v) Sundry dues . . . . .	Nil.

### Recommendation

The Committee are glad to note that as against the outstanding of Rs. 787.73 lakhs against sundry debtors on 31-3-1965, the Ministry had succeeded in liquidating the arrears substantially and on 30-6-1966 a sum of Rs. 152.51 lakhs only was outstanding against the sundry debtors.

[S. No. 40 Para 3-23 of Appendix XXIII of 68th Report (Third Lok Sabha)].

### Action taken

The outstandings of Rs. 787.73 lakhs against Sundry Debtors on 31-3-1965 were reduced to Rs. 152.51 lakhs on 30-6-1966 and the same have since been further reduced to Rs. 117.19 lakhs as on 30-6-1967.

### Recommendation

The Committee, however, find that the progress of the recovery of the dues has not been uniform in all the 5 categories mentioned above. While there has been substantial recovery in the case of dues from the main producers and re-rollers, sufficient progress has not been made in the case of recovery of dues from controlled stockists and on account of the recovery of surcharge on imported steel from different firms. In the case of recovery of surcharge on imported steel, an amount of Rs. 215.90 lakhs was outstanding on 31-3-1965 and on 30th June, 1966, an amount of Rs. 111.43 lakhs as still outstanding. Similarly, in the case of dues from controlled stock holders, an amount of Rs. 1.88 lakhs was outstanding on 30th June, 1966, as against Rs. 2.64 lakhs on 31-3-1965. The Committee desire that vigorous efforts should be made to ensure expeditious recovery of all these outstanding. The Committee also desire that in order that the arrears do not pile up, a suitable time limit should be fixed for submission of the claims by the firms. They would also like to reiterate their observation contained in para 6-20 of their 54th Report (Third Lok Sabha) in this regard. They hope the Ministry would take a decision on this case soon.

[S. No. 40—Para 3-24—of Appendix XXIII of 68th Report (Third Lok Sabha)].

### Action taken

It has been observed by the Committee that sufficient progress has not been made in the case of recovery of dues from controlled stockists and on account of the recovery of surcharge on imported steel from different firms.

As for recovery of dues from controlled stockholders, the amount of Rs. 1.86 lakhs outstanding on 30th June, 1966, as mentioned in the Para, has since been further reduced to Rs. 1.80 lakhs as on 30-6-1967. This amount of Rs. 1.80 lakhs is covered by 8 cases, out of which one case involving a small amount of Rs. 8.10 is covered by firms' counter claims on revaluation account. The present position in regard to the remaining 7 cases is that those have either already been referred to the Court or are being processed for taking Court action for recovery of the dues. An analysis of these cases may be given as under :—

- (i) Two cases involving an amount of Rs. 0.73 lakhs are *subjudice* in the Court of Law.

- (ii) One case involving an amount of Rs. 0.30 lakhs is with the Official Liquidator, Bombay.
- (iii) In respect of three cases involving an amount of Rs. 0.76 lakhs, it has already been decided to institute suits against the firms concerned. Out of three cases, in one case Government dues are covered by firm's Security deposit to the extent of Rs. 25,000.
- (iv) One case involving an amount of Rs. 0.01 lakh has been referred to Deputy Legal Adviser, Calcutta, for advice in the matter of filing a suit against the firm concerned.

It would thus appear that in all these cases recovery action has to await decisions by Court/Liquidator.

Regarding recovery of surcharge on imported steel, the amount of Rs. 111.43 lakhs outstanding on 30-6-1966 as mentioned in the Para has since been further reduced to Rs. 94.23 lakhs as on 30-6-1967. The amount outstanding on account of surcharge is largely due to the following factors :—

- (i) Deficiencies in documentation.
- (ii) More and principle of calculation adopted by the Iron and Steel Control and of the parties are quite different and disputes and differences have arisen.
- (iii) According to the Iron and Steel Controller's books, in most of the cases net sums are due to the Equalisation Fund after considering parties' counter claims, whereas according to the parties it is the Equalisation Fund that has to pay money to them.
- (iv) Claims and counter claims arising out of imports which were not always backed by regular valid contracts or there were other deficiencies.

The settlement of surcharge claims to a large extent depend on the settlement of various parties' claims against the Government and/on settlement of huge deficiencies in documentation and other irregularities. The deficiencies in documents and wanting information, however, are matters over which Iron and Steel Controller has no power to waive. Each case had to be referred to the Ministry of Iron and Steel for a formal waiver of the Government to be obtained. To avoid this situation, a High Powered Committee was formed by the Government on 30th August, 1965, consisting of the Iron and Steel Controller, Deputy Financial adviser at Calcutta and Price and Accounts Officer to deal with the claims in relation to various imports. Full powers of Government have been delegated to this Committee to examine and settle the pending cases of payments due to and due from Government in connection with the imports, if necessary by *ad hoc* decision across the table. The powers also include the discretion on behalf of the Government to waive deficiencies and discrepancies as well as production of documents, if the Committee are otherwise satisfied regarding validity of the claim. It has so far been possible for this Committee to meet 43 times and give decisions in a large number of cases.

The table given in Annexure 'A' enclosed shows the progress so far made by High Powered Committee in the settlement of pending cases.

Apart from finalising the cases through the High Powered Committee, steps are also being taken to process cases in respect of certain firms through Court/Arbitration, because in all these cases it was felt that the disputes and differences were so wide that decision taken by the High Powered Committee would not be acceptable to the parties and ultimately Government would have to resort to Arbitration/Court action for finalisation of their cases. Out of the amount of Rs. 94.23 lakhs referred to above, an amount of Rs. 53.07 lakhs pertains to M/s. Amin Chand Payare Lal group of firms and M/s. J. S. Cohen & Co., and cases in relation to these firms in addition to M/s. B. R. Herman and Mohatta against whom there were no outstanding dues on surcharge account as on 31-3-1965 have been decided to be referred to Arbitration/Court. Accordingly, Iron and Steel Controller has already started taking Arbitration/Court action against these firms for realisation of the amounts due from them. There is no knowing how much time will be required by Court/Arbitrators in finalising and giving decision in all these cases.

Incidentally, it may be mentioned that out of Rs. 173 lakhs being the total amount of surcharge due on imported steel as on 30-6-1967, an amount of Rs. 122.82 lakhs pertains to M/s. Amin Chand Payare Lal Group of firms, M/s. B. R. Herman and Mohatta and M/s. J. S. Cohen & Co., and the balance amount pertains to other parties. As stated earlier the cases in relation to the above Group of firms have already been decided to be referred to Arbitration/Court. Accordingly, in respect of claims against 12 contracts for Rs. 43.52 lakhs, papers have already been handed over to the Government Solicitor for filing suits against the parties. In addition, for claims against 7 contracts involving Rs. 30.74 lakhs arbitrators have already been appointed to settle the disputes in regard to the amount of surcharge recoverable. The rest of the cases involving an amount of Rs. 48.56 lakhs are in the process of being finalised for being considered for reference to arbitration/Court.

Thus all possible steps are being taken for recovery of the outstanding amount of surcharge through High Powered Committee as well as through Arbitration/Court. The Committee's recommendation in this respect for making vigorous efforts to ensure expeditious recovery of all these outstandings has been noted.

As for the Committee's recommendation for fixing a suitable time limit for submission of the claims by the firms and reiteration of their observation in this respect as contained in Para 6.20 of their 54th Report (Third Lok Sabha), it may be mentioned that a note on the above para has since been submitted to Lok Sabha Secretariat on 25-11-1967 after having been duly vetted by audit.

## ANNEXURE

## No. of Cases

	No. of cases decided by the Committee till June, 1967	No. of cases finalised by the I. & S. C. till June, 1967	Forwarded to Audit till June, 1967	Admitted by Audit till June, 1967	Under Audit as at the end of June, 1967	Held up in Audit as on 30-6-67	In transit as on 30-6-67	Amount involved in cases objected to in Audit (in lakhs of rupees)	No. of cases pending finalisation by the I. & S. C. as at the end of June, 1967
1	2	3	4	5	6	7	8	9	10
Subsidy claims	904	902	762	680	34	4	44	0.67	1,824
Surcharge claims	520	455	455	373	66	10	6	17.82	1,359
Others	356	344	316	279	17	15	5	0.75	233

### Recommendation

From another statement furnished by the Ministry, the committee find that in some cases the claims and counter claims of the firms and Government pertained to the year as early as 1959-60. This does not indicate a satisfactory State of Affairs. The Committee desire that suitable steps should be taken by the Government to settle these old cases.

[S. No. 40—Para 3·25 of Appendix XXIII to 68th Report—(Third Lok Sabha)].

The Committee would also like to watch the progress of recovery through future Audit Reports.

[S. No 40—Para 3·26 of Appendix XXIII to 68th Report—(Third Lok Sabha)].

### Action taken

The Committee's recommendations have been noted. Effective steps have been taken to settle the outstanding claims and counter claims and the progress of recovery will be intimated to the Public Accounts Committee in due course.

### Recommendation

The Committee are distressed to find that the procedure for remitting to Government Accounts of the Money realised by handling Agents as cost of the Steel Imported by the Government of India under Development Loan Fund Agreements was not followed properly. They are surprised to be informed in evidence that for some time the Handling Agents were permitted first to deduct their own share of the cost of Handling and then remit the balance amount to Government Accounts. The Handling Agents apparently took advantage of this and kept to themselves what was not really due to them. The Committee feel that adequate steps/measures were not taken to ensure that realisations were credited to Government Account promptly and the Handling Agents took advantage of this.

[S. No. 44—Para 3·47—Appendix XXIII to 68th Report—(Third Lok Sabha)].

### Action taken

In terms of the Handling Contract, the Handling Agents were required to make remittance of the sale proceeds at Col. 1 price to the Iron and Steel Controller, the realisation made during a week being remitted on the following Monday. As regards the supplies at imported price, the Handling Agents were required to realise landed cost from the consignees and remit the C. & F. value to the Iron and Steel Controller within 7 days from the date of despatch. Even though Government permitted the Handling Agents to adjust their remuneration and handling bills against the cost of the materials to be remitted to the Government, this could not possibly have had the result of handling Agents keeping to themselves what was not due to them. After all, the remuneration is only a small amount as compared to the total amount representing the cost of the materials due to the Government. Since the shipping documents were received



in the Iron and Steel Control and sent to the Handling Agents for arranging clearance and despatch, Iron and Steel Control was really aware that money payable to the Government was not being remitted. As a matter of fact, the question of payment of the money by the Handling Agents was constantly under correspondence with them.

The main reasons as to why in spite of Government's attempt for recovery, the same could not be successfully enforced were three-fold, as detailed below :—

- (i) The Bank Guarantees as required under the rules were not taken for a sum of Rs. 39.48 lakhs as has already been pointed out by the Committee in Para 3.49.
- (ii) the actual sale value of the imported steel in many cases was more than the amount for which the Bank Guarantee was taken mainly due to the following reasons :
  - (a) Statutory Col. 1 prices became higher at the time of actual supply of the materials to the consignees, while the Bank Guarantees were obtained at lower prices.
  - (b) Bank Guarantees were obtained on the basis of prices for net weight, while supplies were actually made on the basis of gross weight.
  - (c) The element of "Place Extras" in respect of wire and wire products was not taken into account at the time of obtaining Bank Guarantees.
  - (d) Where materials of different sizes with different Col. 1 prices were involved, the sale prices was estimated, in the absence of detailed particulars of the materials, on the basis of average price.
  - (e) Calculations were made in some cases on the basis of Col. 1 price while supplies were made at landed cost.
- (iii) Most of these major Handling Agents, who were handling D L F imports, were verily the same who were importers/handling agents of tender/bulk purchases. A large number of their subsidy claims arising out of such purchases were still lying outstanding with the Iron and Steel Control mainly due to deficiency in documentation. A very large number of them were under audit objections for one reason or the other. In many cases the parties when called upon to pay the D.L.F. dues to the Government, took the stand that since their subsidy claims, which were older in age, were still lying outstanding with the Iron and Steel Control, they were unable to pay the D.L.F. dues. They requested that their subsidy claims after finalisation should be adjusted against the D.L.F. dues of the Government. It was ultimately decided in August, 1962, that the Handling Agents might be allowed to adjust their

subsidy claims on account of imported steel against the sale value of D.L.F. steel realised from the consignees. This facility to the Handling Agents was, however, withdrawn later on.

#### Recommendation

The Committee also do not appreciate the plea taken by the Secretary Iron and Steel in evidence that the total outstandings according to Ministry was only Rs. 63.15 lakhs and this represented barely 2.8 per cent of the total deals amounting to 22.74 crores. The Committee feel that such an attitude is more likely to lead to delays in effecting recoveries. The Committee desire that vigorous steps should be taken to effect recoveries in this case.

[S. No. 44—Para 3.48—Appendix XXIII to 68th Report—(Third Lok Sabha)].

#### Action taken

The Committee's recommendation that vigorous steps should be taken to effect recoveries has been noted. The total amount still to be recovered from the Handling Agents is Rs. 89.93 lakhs as on 30-6-1967. After taking into consideration the outstanding counter-claims of the Handling Agents amounting to Rs. 23.89 lakhs and an amount of Rs. 1.18 lakhs creditable to them on account of short landing, the net outstanding amount comes to Rs. 64.86 lakhs. As regards the steps taken to effect recoveries, it has been decided that realisation of Government dues should be made through Arbitration/Court Action in relation to M/s. Aminchand Payaral Group of firms, M/s. B. R. Herman and Mohatta and M/s. J. S. Cohen & Co. Out of the aforesaid outstanding amount of Rs. 89.93 lakhs, a sum of Rs. 67.35 lakhs pertains to the above group of firms. In relation to this sum, arbitrators have already been appointed in 10 cases for claims worth Rs. 18.25 lakhs and in 17 cases papers have been handed over to the Government Solicitor for filing suits involving an amount of Rs. 25.82 lakhs. Regarding the balance amount of Rs. 22.58 lakhs due from other parties, recovery is being progressively made either in cash or by adjustment against their admitted claims. If these prove a bottleneck in any case, arbitration/court action will have to be taken.

#### Recommendation

The Committee are further perturbed to note that while appointing Handling Agents the Ministry failed to ensure that the Agents furnished Bank Guarantees as required under the rules and consequently a sum of Rs. 39.48 lakhs remained uncovered by Bank Guarantees. The most disturbing aspect of the case is that the Department remained so indifferent to this question that they even did not know till recently that such a thing had happened. The Public Accounts Committee (1965-66) in para 6.16 of their 54th Report (Third Lok Sabha) had already expressed their dissatisfaction of similar cases and had impressed upon the urgency of streamlining the procedure prevailing in the office of the Iron and Steel Controller. The Committee feel that the present cases should also be referred to the Departmental Committee suggested in para 6.18 of their 54th Report with a view to examining the circumstances leading to the non-observance of the prescribed rules and also to fix responsibility for such lapses.

[S. No. 44—para 3.49—Appendix XXIII to 68th Report—(Third Lok Sabha)].

### Action taken

As regards non-furnishing of Bank Guarantees for a sum of Rs. 39.48 lakhs, action has been initiated to fix responsibility. The explanations furnished by the various officers concerned are currently under consideration. The Committee's comments that the Department remained indifferent to the question of a sum of Rs. 39.48 lakhs remaining uncovered by Bank Guarantees and that the Department even did not know till recently that such a thing had happened do not seem to be corroborated by facts. As a matter of fact Iron and Steel Control was already aware that a large sum of D.L.F. dues was uncovered by Bank Guarantees because the Shipping documents had to be released to the Handling Agents without obtaining Bank Guarantees. It came to the notice of the Ministry in 1962 when Iron and Steel Controller came up with the request for regularising his action through a Government sanction. In so far as the submission of these cases to the Departmental Committee suggested in Para 6.18 of P.A.C.'s 54th Report is concerned, the cases were reported to the Committee of inquiry (Steel Transactions) set up in pursuance of the recommendations contained in the 50th Report of the PAC and the files were requisitioned by the Committee. Copies of the Report submitted by the Committee and the Resolution embodying Government's decision thereon were placed on the Tables of the Lok Sabha and the Rajya Sabha on the 10th May, 1968. In the circumstances, it was felt that there was no further need to refer this case to the Departmental Committee.

### Recommendation

The Committee are not satisfied with the procedure adopted in placing further orders. It was stated in evidence that no quotations were invited on the plea that owing to emergency there was no time to go through all the formalities. Factually this claim is not sustainable the first order was placed in December, 1962 while the second order was placed in July, 1963, and the third order in November, 1963 and in between these, there was enough time to call for tenders and complete the usual formalities.

[Sl. No. 48 (Para 4.17) of Appendix XXIII of 68th Report (Third Lok Sabha)].

### Action taken

As mentioned against serial No. 47 only 14,61,000 pairs could be ordered as a result of negotiations held in December 1962. About 9,00,000 pairs still remained to be purchased. It was necessary to find other sources of supply. It has to be appreciated that while the capacity of S.S.I. Units had been fully booked, there was still additional capacity available with M/s. X who could make supplies at the rate of 1,00,000 pairs per month. Negotiations were, therefore, held with the firm at the level of the Minister, and ultimately two orders were placed on this firm on 29-7-63 for 4,00,000 pairs at Rs. 20.10 plus excise duty.

2. The position in July, 1963, referred to in the PAC's recommendation, therefore, was that S.S.I. units had been completely booked but about 9 lakhs pairs still remained to be covered and the only other source of supply available at that time was M/s. X. There was, therefore, hardly any occasion to go in for open tender at this stage. It may be further men-

tioned that the supplies from S.S.I. units were not forthcoming according to schedule and in some cases, supplies had not even started. Against 9,81,000 pairs for which orders were placed on S.S.I. Units in December, 1962, only 2,39,513 pairs were delivered up to the end of May, 1963. Five firms has supplied absolutely nothing. Before placing an order on M/s. X, the Ministry of Defence were consulted as to whether it was essential to place a contract on this firm in the light of the urgency of the requirements. That Ministry reiterated that they required supplies at the rate of 1,75,000 pairs per month and as the capacity of other sources was not sufficient, there was no option but to award a contract to M/s. X.

3. As regards the position in November, 1963, the requirements of boots ankle for the period October, 1963 to April, 1964 was 4,46,184 pairs. Most of the small-scale units still carried large quantities of backlog. The procedure to be adopted for coverage of this quantity was examined in the Ministry of Supply in consultation with the Ministry of Finance and it was decided to cover this quantity on small-scale units and large-scale units at the rate of Rs. 20.10 per pair which had been recently allowed to M/s. X. by negotiations. The reason for placement of orders on negotiated basis instead of tenders was that there was marked increase in the price of raw-materials and it was considered that there was no possibility of getting lower rates as a result of tenders. This was also confirmed by the Director of Industries, U.P. Accordingly, orders for 3,65,000 pairs were placed—1,50,000 on M/s. X and the rest on small units on the 22nd/28th November, 1963.

#### Audit Observation

The statement in para 3 that there was marked increase in the price of raw materials and that it was considered that there was no possibility of getting lower rates as a result of tenders has no basis as the Director General, Supplies and Disposals did not test the market prices through a tender enquiry. The tender enquiries issued later did, in fact, belie this apprehension and showed that at least since October, 1963 onwards, there was a downward market trend :—

Tenders opened on 19-10-1963 . . . . .	Orders placed at rates from Rs. 18.99 to Rs. 19.50 per pair.
Tenders opened on 4-4-1964 . . . . .	Orders placed at rates running from Rs. 18.37 to Rs. 18.49. Even firm 'A' had quoted the rate of Rs. 18.49 per pair.

#### Recommendation

The Committee also do not find any justification for avoiding the calling of tenders on the assumption that the orders being large as compared with the capacity to supply, there was the chance of the prices going up, as no check was also made to see whether the prices quoted were reasonable or they were on the high side and what was the market trend at that time. Although the Secretary of the Department of Supply and Technical Development stated in evidence that as a result of analysis made the opinion expressed was that the market did not really indicate a downward trend, the Committee feel that in October 1963, the market trend did show that the price level was going down as was evident from the limited tenders invited at that time and yet when the orders were placed in November, 1963, this fact was completely ignored and the orders were placed at higher rates. During the course of evidence when this issue was raised

the witness stated, "We shall look into the matter. There might have been an error of judgement. But we shall certainly look into the matter so that this sort of thing does not happen in future". The Committee also find that the Ministry failed to take advantage of the lower prices when, on completion of the contract by 5 firms at lower rates, the Ministry failed to enquire from them if they could supply more. During the course of evidence the witness explaining the position stated, "that, as I said, we should have asked."

[Sl. No. 48 (Para 4.18) of Appendix XXIII of the 68th Report (Third Lok Sabha)].

#### Action taken

As regards the tenders opened in October, 1963, the position is that the order placed on M/s. Z in December 1962 for 21,000 pairs at Rs. 19·10 per pair for delivery by September 1963 was cancelled and a limited tender enquiry for effecting risk purchase was issued. Tenders were opened on the 19th October, 1963 and the prices ranged from Rs. 18·28 to Rs. 22 per pair]

2. The question is whether the tenders opened in October, 1963 really revealed a lower trend in prices which would have justified further purchases being made on the basis of tenders only. In all 25 tenders were received on this occasion. Out of 19 firms on whom orders were placed in December, 1962, as many as 13 firms quoted against this tender. Of these firms one firm quoted Rs. 20/- per pair and another firm quoted Rs. 19·50 per pair, while all other firms quoted Rs. 20·10 per pair or more. The performance of the firm which quoted Rs. 20/- per pair had not been found to be satisfactory and no further order was placed on them. If there was any lower trend in prices, it is reasonable to assume that all these firms would have quoted lower prices. The fact that, out of these firms, only two firms quoted slightly lower prices would indicate that no lower trend in prices was noticeable.

3. Out of 25 firms who tendered, only 8 firms quoted prices lower than Rs. 20·10 per pair. Of these, three firms were not considered satisfactory, and no orders were placed on them. The combined capacity of the remaining five firms was only 20,000 pairs per month. It will be seen that these were very small firms and that their capacity was very limited, and when the demand in hand was about 4-1/2 lakh pairs, the prices quoted by these small firms could not be regarded as an indication of the price trend.

4. As regards the question of placing further orders on the five firms who quoted lower rates in October, 1963, the position is that the capacity of these firms was actually booked up to March, 1964. The question of placing further orders on these firms after their completing the contracts supplied did not arise because, when the position was reviewed in March, 1964 it was felt that the total demand in hand had considerably dwindled and was only approximately 3·67 lakh pairs and the urgency had also become less. It was, therefore, thought fit to go out for tender on an L.T.J. basis with a view to taking advantage of the fact that considerable capacity would become idle with certain units from April 1964 onwards.

### Audit Observation

The Department's statement in para 3 of their reply in regard to 8 out of the 25 firms who had tendered in October 1963, that the prices quoted by them could not be regarded as an indication of the price trend in view of the larger demand in hand does not seem to be tenable as no check, as already stated under para 4-17 above, was made to see whether the prices earlier quoted were reasonable or not and what the market trend at that time was. The fact that a quantity of 65,890 pairs was covered at lower rates from Rs. 18.99 to Rs. 19.50 per pair as a result of tenders opened on 19-10-1963 did go to indicate downward market trend. This fact seems to have been ignored by the Director General (Supplies and Disposals) while placing orders at higher rates in November, 1963, on negotiated basis.

### Recommendation

The Committee feel that after the acute state of emergency was over the Ministry should have studied the market trend thoroughly and ascertained from those who had supplied the boots at cheaper rates about their capacity to supply more before placing fresh orders at higher rates. In the opinion of the Committee this was an obvious failure on the part of the Ministry. The Committee hope that the Department would be more careful in placing orders in future in similar circumstances.

[Sl. No. 49 (Para 4-21) of Appendix XXIII of the 68th Report (Third Lok Sabha)].

### Action taken

From the position explained against Sl. No. 48, it will be seen that, at the earlier stages, it was considered necessary to take every possible step to book all the available capacity for the manufacture of shoes. The lower offers which became available in October, 1963 were also fully utilised. In April, 1964, as soon as the position had eased, it was decided to go in for tenders.

### Audit Observation

There seems to be no basis for the Department's statement that all the available capacity for the manufacture of shoes had been booked as the Director General, Supplies and Disposals had not actually ascertained from the firms who had supplied boots at cheaper rates whether—and, if so, how many pairs they would be able to supply. It is in view of this that the Public Accounts Committee have expressed the hope that the Ministry would be more careful in placing orders in future in similar circumstances. The Department have not stated categorically in their reply the action they propose to take in this recommendation of the Committee.

### Recommendation

The Committee feel that the Government failed to take advantage of the prices going down from October, 1963 onwards, when there was delay in the delivery of goods on the part of some of the parties. The

Government should have either cancelled the orders, made a risk purchase or re-negotiated the price but they did neither of these.

[Sl. No. 50 (Para 4-25) of Appendix XXIII of 68th Report (Third Lok Sabha)].

#### **Action taken**

The position regarding the prices thrown up in October, 1963 has been explained.

#### **Audit Observation**

As stated in the Audit para the delivery periods in respect of certain acceptances of tender were extended in 1964, from December, 1963 to March, 1964 without securing any reduction in the contract prices or levying any liquidated damages. The Department's reply does not cover the point raised by the Public Accounts Committee as to why the purchaser did not take advantage by securing reduction in prices if, after conclusion of the contracts, the suppliers failed to supply the stores within the stipulated delivery periods, particularly when there was a fall in the market prices as stated in Para 4-17 and 4-18 above.

#### **Recommendation**

They are surprised to note however that extension was given to Firm 'A' against two different orders due to delay in inspection and delay in giving packing instructions. The Committee desire that responsibility for this delay should be fixed and prompt action taken against the delinquent officers.

[Sl. No. 50 (Para 4-26) of Appendix XXIII of 68th Report (Third Lok Sabha)].

#### **Action taken**

The disciplinary aspect is being examined and the result will be communicated in due course.

#### **Recommendation**

The Committee also find from the statement that in one case (S. No. 14) the A.T was cancelled on 26-9-1963 and entire quantity repurchased on 12-11-1963 at lower rate. Therefore, it is quite clear that the market trend of price level had actually gone down even towards the end of 1963.

[Sl. No. 50 (Para 4-27) of Appendix XXIII of 68th Report (Third Lok Sabha)].

#### **Action taken**

The position regarding the prices in October, 1963 has already been explained against Sl. No. 48.

DIRECTORATE GENERAL OF SUPPLIES & DISPOSALS  
 (CO-ORDINATION SUPPLIES SECTION 1B)  
 NEW DELHI-1.

*Routine : Note No. 24.*

*Dated : 27-5-1966.*

**SUBJECT :** *Negotiation with firms—Necessity of indicating in contracts the terms and conditions agreed to in the negotiation.*

A case has come to notice where the Purchase Section concerned failed to include in the A/T certain terms and conditions mutually agreed to during negotiation with the firm prior to the placement of the contract. This has resulted in a lot of complications and had given rise to an unwelcome situation.

2. Purchase Officers are requested to ensure that in future, undertakings given in negotiations are strictly adhered to and are invariably stipulated in the resultant A/T.

(A. BYATTACHARJEE),  
*Deputy Director (CS-II).*

Standard Distribution

on file No. CSIB/29/6/III/66



## CHAPTER V

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

#### Recommendation

The Committee would like the Ministry to ensure that so long as the guarantee given by Government on the loan is operative, the financial interests of the Public exchanger are fully safe-guarded. They also desire that in view of the sound financial position of the company the question of cancellation of the guarantee given by Government on the loan taken from the State Bank of India should be taken up with the Bank.

[S. No. 13—Para 1-58—of Appendix XXIII of 68th Report (Third Lok Sabha)].

#### Action taken

The question of cancellation of the guarantee given by the Central Government has been examined in consultation with the State Bank. While the balance sheet as at 30th June, 1968 shows some improvement in the financial position of the company, a clear picture of its present position can be had on perusal of the balance sheet as at 30th June, 1966, which is yet to be published as also a copy of its proforma accounts for the year ended 30th June, 1967. The State Bank of India has observed that the question of continuation of the guarantee by the Government cannot be directly related to the improvement shown by the company in its working results. This is because the advance of Rs. 95 lakhs granted to the company under the previous management was called up by the Bank and on default made by the company and the provisos guarantors to repay the outstanding on the account, the bank filed a suit in 1957 (suit No. 2027 of 1957) against the company and the guarantors. However, the Government requested the bank in 1958 to withhold taking any steps for the realisation of the amount due from the company and to continue the credit facilities granted to it to enable the company to carry on its business. At the suggestion of the Government, the bank continued the advance and had refrained from taking any further steps for the realisation of the amount. Having regard to these considerations, Government agreed to guarantee the advance on 4-9-1959 which is being continued. The bank has further pointed out that it is necessary that the various litigations pending against the company should be taken into consideration in examining whether the bank could be asked to continue the advance solely against stocks and without Government guarantee. As at 30th June, 1965 the contingent liability of the company in respect of the suits filed against it, in respect of issue of forged scrips amounted to Rs. 89.32 lakhs which is very high in relation to its tangible net worth of Rs. 120.12 lakhs. The bank has further observed that the safety of the advance cannot be judged purely with reference to the security at present available, should the company face a crisis, realisation of security, especially in an engineering complex, would pose serious difficulties. Apart from the foregoing consideration,

the bank has pointed out that the company's further management and financial position is still uncertain. According to the bank the advance granted to the company cannot be considered to be a normal banking proposition and continuance of the advance would not really be advisable for the bank unless it is protected by the Government's guarantee. The considerations advanced by the bank in support of the continuance of the present guarantee have considerable force, and Government considers that cancellation of guarantee would create insurmountable difficulties for the company.

2. Recently, the Central Government have agreed to the Company's request to provide further guarantee for an amount of Rs. 32.78 lakhs. The additional guarantee is to consist of (a) a counter guarantee for Rs. 15 lakhs in addition to the existing cash credit of Rs. 95 lakhs, this counter guarantee being valid for a period of one year from the date of withdrawal of the amount; and (b) a guarantee of Rs. 17.78 lakhs in respect of the equipment, *i.e.* Horizontal Boring Machine, to be purchased and mortgaged to the State Bank of India, this guarantee being valid for a period of five years but being progressively reduced by an annual amount of Rs. 2,80,000 plus interest thereon.

The necessity of the first guarantee has arisen out of the current economic situation, marked by an all round financial stringency, lack of orders and increasing costs by way of rise in wages and salaries. The company at present is engaged in executing large contracts for government departments and undertakings extending over long periods. It takes quite a long time in getting the values of the work done realised. No doubt *ad.hoc* payments are received by the company for the value of the work done but there are two time-lags for receiving those payments, namely (i) billing has to be done necessarily for value of work less than the actual value of work done and (ii) the payments are delayed by at least two to three months necessitated by a detailed check of contracts, estimation of value of steel work done in terms of tonnage involving elaborate clerical work. Further under the prevalent system of Government payment only 90% of the value of the work done is realised and the balance of 10% is payable only after the work is fully completed. In most cases such payments are not available to the company even after six months of completion of the work. For example, last year the company executed a work for the Hindustan Rourkela Plant and submitted its final bill for payment in December, 1966 but the payment was held up resulting in locking up of Rs. 10 lakhs. On the other hand, the company is unable to get credits to the same extent from its suppliers. Further bills cannot be submitted in respect of part work done unless that part is a self-contained one. The condition of payment in most cases are very rigid and no payment is made unless the work has been done to the entire satisfaction of the concerned authorities.

The company has represented that because of the aforesaid circumstances it would not be possible for it to pay wages from month to month unless it has got sufficient facilities for drawing from the bank in case its bills are held up for some reason. The company has been under the management of the Court and indirectly under the management of the Government for over 10 years. It will go against the Government if at this stage the company is compelled to suspend its activities owing to lack of funds to meet its immediate obligations.

Regarding the Horizontal Boring Machine, the company could not further postpone the purchase of this machine if it had to continue in the field as manufacturers of rubber mill machinery. Though at present the company manufactures 72% of rubber mills manufactured in the organised sector in the country, of late there has been a great change in the demand pattern and some of the clients of the company are stated to have started switching over to other mills equipped with improved techniques of manufacture. The company cannot undertake to manufacture bigger and sophisticated rubber mill machinery without the Horizontal Boring Machine. Due to the financial stringency the company is not in a position to meet the cost of this machine from its own sources. It is stated that the State Bank of India have informed the company they would not be able to deal with its case purely on merits since it is surrounded by a large amount of litigation relating to the duplication of shares done by the erst-while managing agents. The company has stated that with the profits arising out of the installation of this machine it would be in a position to meet its re-payment liabilities without any strain. It has therefore, stressed that the need for these loans is very urgent. In the circumstances it has no alternative but to approach to the Central Government to approve of its proposal to guarantee the additional amount for its smooth and efficient working.

3. As mentioned in Paragraph 1.57 of the 68th Report of the Public Accounts Committee, the arrangement made for management of the company is conducive to securing the financial interests of the public exchequer. However, this Department is actively considering, in consultation with the Ministry of Law the question of taking over the control of the company by acquiring genuine shares thereof. The appropriate proposal will be placed in due course before the Cabinet for a decision. The delay is partly due to the fact that the proposal involved the question as to how the spurious and genuine shares could be distinguished and also the determination of the value of the shares of the company.

The Note has been vetted by the A.G.C.R.

#### Further Information

**SUBJECT :** Note containing additional information arising of the Ministry's reply to Serial No. 13 of Appendix XXIII to Public Accounts Committee's 68th Report (Third Lok Sabha).

**Ref :** Lok Sabha Secretariat's D.O. No. 2186 68- PAC dated the 19th November, 1968.

*Point No. (i)*

*Reply*

The latest position of loans guaranteed by Government and the extent to which guarantees have been involved.

The total amount guaranteed by the Government in respect of loans sanctioned by the State Bank of India is Rs. 127.78 lakhs. This includes Rs. 17.78 lakhs in respect of a term loan of Rs. 14 lakhs sanctioned by the

*Point No. (i)**Reply*

**State Bank in December 1967. On re-payment of first instalment of the principal of that loan and on payment of interest on that loan, the liability of the Government under this guarantee has now been reduced to Rs. 13.79 lakhs.**

*Point No. (ii)*

**Whether the management of the company has been taken over by Government.**

*Reply*

The proposal to obtain control of the company by acquisition of all its shares is under active consideration of the Government. In order to implement this proposal, a firm of Chartered Accountants were appointed in 1968 to value the shares of the company. The report from the auditors has since been received and steps are being taken to reach a final decision of the Government in the matter.

The company continues to be managed by a Board of Directors appointed by the Calcutta High Court under a scheme sanctioned by it. Out of 6 Directors of the Board, 3 are Government officials. The Chairman is a senior Chartered Accountant appointed by the High Court on the suggestion of the Government. One other Director is the Managing Director of a Government company.

*Point No. (iii)**Reply*

**Whether there has been any improvement in the working of this company.**

Since the guarantee was executed in 1959 the company has been improving its financial position by reinvesting its profits in business. During the year ended 30th June 1967 the company made a profit of Rs. 15.91 lakhs after providing for depreciation but before providing for Taxation and development rebate. The total loans advanced by the State Bank is not only secured by current assets which stood at Rs. 153.52 lakhs as at 30th June 1967 but also by mortgage of net fixed assets excluding goodwill of Rs. 89.33

1

2

lakhs (net of depreciation). The company has however recently approached the Government for further assistance in raising working funds as it is experiencing shortage of cash due to various reasons including delays in finalisation of its claims, investment in fixed assets and increase in turnover. The company has further stated that during the year ended 30th June 1968 it has invested in fixed assets Rs. 31,29,209/- only part of which (Rs. 14 lakhs) was financed by the term loan advanced by the State Bank of India in December 1967.

On a request from the Company, the Government of India have agreed to extend the period of guarantee under the Tripartite Agreement for a further period of six months with effect from 11th December, 1968.

This Note has been vetted by the Accountant General, Central Revenues, New Delhi vide his U.O. No. RR37-1/67-69/1056 dated the 20th March 1969.

(A. C. BOSE),  
Joint Secretary to the Govt. of  
India.  
24-3-1969.

F.16(55)CL.1/68.

### Recommendation

The Committee are surprised to find from the note (Appendix VI submitted that the percentage of gross expenditure incurred by the Bharat Sewak Samaj on supervisory charges during 1964-65 came to 21% of the gross expenditure although in June, 1964 formal orders were issued that supervisory charges should not exceed 5% to 7%. This indicates that the Samaj who had incurred about 22% of the gross expenditure on supervisory charges in 1962-63 had against spent 21% of the gross expenditure on supervision charges in 1964-65 thus violating the orders of Government issued in June, 1964 restricting the expenditure to 5% to 7%. The Committee learn from the notes (Appendix IV) that the Samaj has been asked to refund the excess expenditure incurred on supervisory charges. The Committee would like to be informed of the final recovery of this excess from the Samaj.

[Sl. No. 22—Para 2·36—Appendix XXIII—to 68th Report Third Lok Sabha].

### Action Taken

In consultation with the A. G. C. R. the matter is being pursued further with the Bharat Sevak Samaj who have been asked to provisionally refund Rs. 19,259 subject to further audit of the relevant accounts.

### Recommendation

The Committee regret to learn that the Ministry of Information and Broadcasting, the administrative Ministry, continued to release the grants to the Bharat Sevak Samaj as directed by the Planning Commission without the Samaj submitting their consolidated accounts as required under the Financial Rules and as per recommendation of the P.A.C. in their 34th Report (Third Lok Sabha) within a period of six months given to the Samaj for submission of their consolidated accounts.

While the Committee are glad to be assured by the Secretary of the Ministry of I. & B. that no further grants would be released to the Samaj until the provision of the G.F.R. were complied with by that body, they would impress upon the Ministry that an organisation which received huge grants from Government should be in a position to comply with the requirements and conditions of the grant. The greater the delay in obtaining the consolidated accounts the greater will be the difficulty in getting them.

[S. No. 31 of Appendix No. XXIII to the 68th Report of the PAC for the year 1966-67].

### Action taken

The Jan Jagaran Vibhag of the Bharat Sevak Samaj were paid grant-in-aid during the year 1965-66 in two instalments, the first instalment of Rs. 2,00,000 was paid in August, 1965 and the second instalment of Rs. 68,253.43 was paid in March, 1966. The first instalment paid to the Samaj was within the period of six months allowed by the P. A. C. The second instalment had to be paid to the Samaj so that the activities which were planned in advance and were being implemented by them during that year did not come to a standstill. No further grant has been paid to the Samaj thereafter. The question of preparation and submission of consolidated accounts by the Bharat Sevak Samaj is being actively pursued by the Planning Commission who is the coordinating agency in the matter of grants to the Samaj. The Planning Commission set up an Accounts Cell to assess the state of accounts of the Construction Service of the Samaj. The Account Cell has since submitted its report but this does not show encouraging picture of the construction accounts. The matter is being further examined by the Planning Commission in consultation with the Ministry of Finance.

### Recommendation

The Committee are not convinced with the argument that due to change in the convenership of the Samaj, it was difficult for them to prepare their consolidated accounts. The Committee fail to understand as to how the change in conveners could be a hindrance to the preparation of consolidated accounts of the Samaj. If such a contention is accepted, the Committee wonder whether in that case the Ministries of Government would ever be able to enforce compliance of the financial rules from recipients of grant-in-aid.

The Committee are also not satisfied with the procedure adopted by the Ministry of Information and Broadcasting regarding Submission of the consolidated accounts by the Samaj. Apart from the Planning Commission, it is mainly the responsibility of the Administrative Ministries releasing the grants to take up this matter direct with the grantee.

[Sl. No. 32 of Appendix XXIII to the 68th Report of the P. A. C. for the year 1966-67].

#### **Action taken**

The observation made in sub-para 1 above has been noted.

This Ministry agrees that it is the responsibility of the grant giving agencies to call for the statement of consolidated accounts from the grantee. The fact is that the Bharat Sevak Samaj has been receiving grants from the various Departments in the Government for different purposes. With a view to ensuring proper coordination in the matter of grants given by the various Ministries to the Bharat Sevak Samaj and to avoid overlapping and duplication a sub-Committee of the Co-ordination Committee on Public Cooperation was set up in October, 1963 in the Planning Commission and all the Ministries giving grants to the Samaj were represented on that Sub-Committee. The representatives of the Ministry of Finance and Bharat Sevak Samaj are also represented on the aforesaid Sub-Committee. It was considered that it would prove more effective if instead of each Ministry/Department writing to the Samaj for submitting consolidated accounts, this work should be entrusted to the Sub-Committee of the Coordination Committee on Public Cooperation. The Sub-Committee met several times to consider the question of consolidated accounts when representatives of the Ministries etc. concerned with the grants to the Samaj were present. Whatever accounts were submitted by the Samaj, were examined by the Sub-Committee and discrepancies brought to the notice of the representative of the Samaj. Two meetings were held at Secretaries level to consider this question. A representative of this Ministry has been attending the meetings of the Sub-Committee. It would thus be seen that this Ministry have always been anxious to be associated with the work of calling further consolidated accounts from the Samaj.

If, on the other hand, each Ministry were to take up the matter of obtaining consolidated accounts from the Samaj, individually, it would have taken still a longer time as the Bharat Sevak Samaj were submitting accounts piecemeal and every time references between the Departments concerned for verification of figures etc. were inevitable. It may be added that this Ministry has since informed the Samaj that no further grant would be released to them unless they have submitted complete consolidated accounts to the Government and that they have been accepted as satisfactory. The Planning Commission have set up an Accounts Cell to assess the state of accounts of the construction service of the Bharat Sevak Samaj. The Planning Commission feel that if the construction accounts are linked with the general accounts, the Samaj will not be able to furnish the consolidated accounts in a satisfactory form. The Planning Commission are now considering further course of action to be taken in the matter. This Ministry is in continuous touch with the Planning Commission.

#### **Recommendation**

The Committee regret to find from the Minutes of the Sub-Committee of the Coordination Committee on Public Cooperation held on 5th May,

1966 that while the issue of grants to wipe out the deficit, reduction in the percentage of matching grants to be raised and non-curtailement of allocations for Plan publicity to the Bharat Sevak Samaj was decided upon, there was no insistence to ensure the submission of consolidated accounts of the Samaj.

[Sl. No. 34—Para 2·94—Appendix XXIII to 68th Report—(Third Lok Sabha)].

#### Action Taken

The consolidated accounts was not an item on the agenda of that Meeting of the sub-committee. As indicated under the recommendation at Sr. No. 32, the Sub-Committee has had several meetings to consider specifically the question of submission of consolidated accounts by the Bharat Sevak Samaj. The Planning Commission have set up an Accounts Cell to assess the state of accounts of the construction service of the Bharat Sevak Samaj. On the basis of report submitted by that Cell, the Planning Commission feel that if the construction accounts are linked with the general accounts, the Samaj will not be able to furnish the consolidated accounts in a satisfactory form. The Planning Commission are not considering further course of action to be taken in the matter.

#### Recommendation

The committee desire that expeditious measures should be taken to finalise the provisional payments. They feel that implementation of their recommendation contained in para 6·20 of their 54th report would go a long way to solve such problems arising out of delay in submitting claims.

[Serial No. 41 (Para 3·29)— of Appendix XXIII to 68th Report (Third Lok Sabha)].

#### Action taken

The provisional payments made up to 31-3-1965 awaiting finalisation as at the end of October, 1965 were Rs. 58·24 lakhs involving 1,060 cases. As on 31-5-1967 this has been reduced to Rs. 12·72 lakhs involving 235 cases. The yearwise break-up of the above 235 cases is indicated below:—

Year	No.	Amount
		Rs.
1962-63 . . . . .	6	11,478
1963-64 . . . . .	72	4,98,271
1964-65 . . . . .	157	7,62,507
<b>TOTAL . . . . .</b>	<b>235</b>	<b>12,72,256</b>

The recommendation of the Committee that expeditious measures should be taken to finalise the provisional payments has been noted. In this connection, it has since been decided by Government on 6-6-1967 that the High Powered Committee constituted to deal with the claims and counter-claims of different parties in connection with imports (including D. L. F. and T. C. A. imports) should also be delegated the full powers of Government to examine and settle all the pending cases of payments due to and due from Government regarding supply of steel and acquisition of billets by the



**Registered Re-rollers.** Accordingly all such pending cases including cases of provisional payments will be placed before the High Powered Committee for decisions.

A note explaining action taken on the basis of recommendation contained in para 6.20 of 54th Report is being submitted separately with reference to that report.

#### Further Information

“Outcome of the consideration of pending cases of provisional payments by the High Powered Committee and also showing the latest position of the matter.”

#### Reply of Government

Out of the 235 cases of provisional payments reported in November, 1967, 194 cases have since been finalised. The year-wise break up of these 194 cases is indicated below:—

Year	No.	Amount
		Rs.
1962-63 . . . . .	5	6,580
1963-64 . . . . .	60	464,527
1964-65 . . . . .	129	713,511
<b>TOTAL</b> . . . . .	<b>194</b>	<b>1,184,618</b>

There were 41 cases pending as on 28-11-1968. The year-wise break up of these cases is given below:—

Year	No.	Amount
		Rs.
1962-63 . . . . .	1	4,898
1963-64 . . . . .	12	33,744
1964-65 . . . . .	28	48,996
<b>TOTAL</b> . . . . .	<b>41</b>	<b>87,638</b>

#### Recommendation

The Committee regret to find that even though nearly a decade has passed not much progress could be made by the ministry in effecting recovery from the controlled stockists and a sum of Rs. 98,000 still remains outstanding. The Committee need hardly to emphasize that the matter should be pursued with greater vigour and with a sense of urgency. They would also like to be informed of the results of the arbitration cases.

[Sl. No. 45—Para 3.55—Appendix XXIII to 68th Report—(Third Lok Sabha)].

#### Action taken

The subject matter concerning para 107 of the Audit Report (Civil) 1966 reflected in the recommendations of P. A. C. at para 3.55 was referred to the Committee of inquiry (Steel Transactions).

At the time that the Committee of Inquiry (Steel Transactions) considered this subject, the outstanding amount was only Rs. 73,765 due from M/s. Bombay Steel Supply (Private) Limited and action had been pursued based on the remarks contained in para 3.55 of the P.A.C. in the 68th Report (1966-67). An extract of the relevant recommendation of the Committee of Inquiry (Steel Transactions) is given below:

“This relates to recovery of an amount of Rs. 73,765 from M/s. Bombay Steel Supply (Private) Limited, Bombay, against whom legislation is being taken” (p. 167).

The final result of the legal proceedings will be intimated when available.

#### Recommendation

Another aspect of which the Committee take serious notice is that as stated in the note of the Ministry, “the date of application from firm to release of yarn to the Textile Commissioner, the date on which the Textile Commissioner released yarn and the date on which the firms already received the yarn are not readily available on A/T files.” The Committee are unable to understand how, in the absence of this vital information, the D. G. S. & D. satisfied themselves that the yarn was not received by the firms in time, and that their requests for extension were justified. They desire that an inquiry should be held in this case by the Ministry without further delay to find out the lapses and irregularities and responsibility fixed therefore.

[Sl. No. 52 (Para 4.41) Appendix XXII 168th Report—(Third Lok Sabha)].

#### Action taken

All the 12 cases have been scrutinised. Delivery period was extended in three cases due to non-availability of yarn. Out of these cases, there is only one case where raw-material assistance was not an implied condition. Explanation of the purchase officer concerned was called for, which has been received and is under consideration. A further report will be submitted to the P. A. C. on this subject.

Note containing further information required by the Action Taken Sub-Committee of the P. A. C. in respect of S. No. 52 (Para 4.41) of Appendix XXIII of their 68th Report (Third Lok Sabha).

*Reference*:—Lok Sabha Secretariat D. O. No. 2/1/86/68/P. A. C. dated 19-11-1968.

#### Further information

Please intimate the decision taken on the explanation of the Purchase Officer.

#### Government's reply

The disciplinary aspect of the case is under examination and a decision is expected to be reached shortly.

N. P. DUBE,

*Joint Secretary to the Government of India*

*New Delhi*

*December, 1968,*

43(32)/68-PI

### Recommendation

It has been disclosed that the Ministry could not levy penalties for delay in completing the contracts in certain cases owing to delay in inspection of the materials. The Committee would like the Ministry to investigate the reasons for delays in inspection of the material and fix responsibility for the same.

[S. No. 54—Para 4.55—Appendix XXIII to 68th Report—(Third Lok Sabha)].

### Action taken

The purchase cases were scrutinized. Out of the 12 cases D/P had to be extended in 2 cases on account of delay in inspection. In one case there was delay of 21 days which is considered as normal. In the second case, there was a delay of about 10 weeks and the question of fixing the responsibility for this delay is being examined. A further report will be submitted to the P. A. C. in this respect.

Note containing further information required by the Action Taken Sub-Committee of the P. A. C. in respect of S. No. 54 (Para 4.55) of Appendix XXIII of their 68th Report (Third Lok Sabha).

*Reference:—Lok Sabha Secretariat D. O. No. 2/1/86/68/P. A. C. dated 19-11-1968.*

### Further Information required

Please furnish a note indicating whether the question of fixing responsibility for delay in the second case has been finalised.

### Government's reply

The case has been examined from the vigilance angle. The delay in inspection was due to the fact that the report on the samples drawn by the inspector from the first lot offered for inspection on 25-4-1964 and delivered to the Chief Inspector of Textiles and Clothing, Kanpur, on 21-5-1964, was received only on 2-6-1964. The inspection could be arranged only after receipt of the test report. This was done on 6-7-1964 because it was not possible for the Northern India Inspection Circle to depute an inspector, as the inspection staff was pre-occupied with the inspection of more urgent stores required against some operational orders at cutstations. In the circumstances no action was taken against the Inspector.

### Recommendations

The Committee regret that according to the evidence given all the efforts of the Department to get the license issued by the Textile Commissioner expeditiously were of no avail.

The Committee feel that Government should ensure for future that with regard to finalisation of contracts and their implementation there is proper co-ordination between various Departments and Organisations of the Govt. which should work as a team and see that delays at intermediate stages are

eliminated. If this is ensured it will minimise unnecessary expenditure involved in delayed supplies or purchase of supplies at higher rates.

[Sl. No. 57 Para 4·67 ;& 4·68 of Appendix XXIII of the 68th Report (Third Lok Sabha)].

#### **Action taken**

The Dy. Director (Progress) in the Directorate of Supplies (Textiles), D. G. S. & D., Bombay has been nominated to work as liaison Officer with the Textile Commissioner's Office at Bombay in respects of the contracts placed by the D. G. S. & D. The procedure for the release of yarn and tops against Contracts placed by the D. G. S. & D. is being revised by the D. G. S. & D. in consultation with the Textile Commissioner's so as to prescribe a suitable drill for the purpose.

#### **Recommendation**

[The Committee would like to know the final outcome in this regard. Sl. No. 59 —Para 4·82—of Appendix XXIII to 68th Report (Third Lok Sabha)]'

#### **Action Taken**

The claim preferred by the firm is under examination and the final outcome will be intimated to the Public Accounts Committee as soon as the firm's claim has been finalised.

#### **Further Information required**

Please intimate the final outcome of the claim preferred by the firm.

#### **Government's reply**

The firm preferred a claim for Rs. 6,80,773/- on account of increase in the price against the A/T but on examination, an increase of Rs. 1,34,644/- only was admitted. Accordingly the same was allowed to the firm *vice* amendment letter issued on 23-7-1968. The firm have, however, acknowledged the amendment letter under protest and have represented again for admitting the entire claim. The firm's protest is being examined in consultation with the Ministry of Law.

#### **Further information required**

Please furnish a note showing the action taken against the officers concerned, pursuant to the Report of the C. B. I.

#### **Government's reply**

Pursuant to the report of the C. B. I., the matter was examined in consultation with the Central Vigilance Commission and the following actions have been taken:—

- (1) The Deputy Director of Supplies has been warned to be careful in future.
- (2) The Assistant Inspecting Officer has also been warned to be careful in future.

- (3) No action could be taken against the Asstt. Dir. of Supplies concerned as he had resigned from Govt. Service.
- (4) The firm has been blacklisted permanently with effect from the 16th October, 1969.

#### Further information required

Please furnish a note showing the latest position about the recovery of damages.

#### Government's reply

The latest position about the recovery of damages is as under:—

##### *Position regarding recovery from M/s. Wazir Uddin & Sons, Aligarh*

A/T No. S. M. H.2/5642-N/4213-P/III/B/7900, dated 18-6-1964 was placed on this firm for 4000 Nos. stirrup pumps, at the rate of Rs. 44.62 each. In view of breach of contract on the part of the firm, the A/T was cancelled at their risk and expense. After Consultation with the Ministry of Law, the firm were called upon on 12-7-1965, to deposit a sum of Rs. 50,102/-, by way of general damages by 31-7-1965 at the latest, fulfilling which the same would be recovered from their pending bills. There being no response from the firm, the Pay and Accounts Officer, New Delhi, was asked to effect recovery from the pending bills. It was, however, possible to recover a sum of Rs. 68/- only from the firm.

In order to determine the prospects of recovery through legal proceedings, D. M., Aligarh and S. P. Aligarh were requested to furnish a report on the financial standing of the firm. As per the S. P. Aligarh report dated 1-12-1965, the premises of the firm had been closed down for the last three years and the whereabouts of Shri Usman, son of late Shri Waziruddin, were not known.

##### *M/s West End Machinery Mart, New Delhi :*

A/T No. SMH2/5642--N/III/B/7899, dated 18-6-1964, was placed on this firm for 5000 Nos. stirrup pumps at the rate of Rs. 53.50 each. This A/T was similarly cancelled at the risk and expense of the firm, in view of the breach of contract on their part. After consultation with the Ministry of Law, the firm were called upon, on 12-7-1965, to deposit a sum of Rs. 17,340 on account of general damages, by 31-7-1965. The P. & A. O., New Delhi, was also advised to deduct the sum from their pending bills, if any. The P & A. O. reported on 14-10-1965 that no recovery could be effected.

With a view to determine the prospects of recovery from the firm through legal proceedings, S. P. Delhi and D. M. Delhi were requested to find out the assets of the firm. On 14-3-1966, Deputy Commissioner, Delhi, intimated that the firm failed to produce the required documents before the Tehsildar and it was therefore not possible to make the necessary verification. The matter was also taken up with the Ministry of Finance, Company Law Board, New Delhi, who reported on 24-5-1966 that the financial position of the firm was not very sound and that its net loss for that year amounted to Rs. 1,61,487.80.

While the matter was being considered further, the case was referred again to the Ministry of Law in another connection. In their Note dated

3-10-1966, the Ministry of Law advised that fresh efforts should be made to ascertain the market rate of the store ruling on the date of breach, at the place of delivery (Aligarh). (This was because the general damages worked out earlier were on the basis of rate of M/s. American Spring & Pressing Works, Bombay, who had quoted at Rs. 56.90 each on F. O. R. Bombay basis). At that stage, the files were seized by S.P. E., New Delhi and have been made available only on 18-11-1968 after several reminders.

Accordingly, in the light of the advice of the Ministry of Law, the following actions have since been taken:—

- (i) Registered/Likely suppliers have been requested to furnish the market rate of the stores prevailing on or about the date of breach, viz., 30-6-1964, on F. D. R. Aligarh basis.
- (ii) The Pay & Accounts Officer, New Delhi, has been asked to intimate if there is any change in the position and whether there are any prospects of recovery from the pending bills of the firms at present.
- (iii) The authorities concerned have been requested to furnish fresh reports on the present assets and liabilities of the defaulting firms.

On receipt of the above information, the question of recovery will be processed further.

**M. R. MASANI,**

*Chairman.*

*Public Accounts Committee.*

NEW DELHI

April, 28, 1969

Baisakha 8, 1891 (Saka).

## APPENDIX I

### *Recommendations in respect of which replies are outstanding*

S. No. of recommendation	Paragraph No.	Ministry/Department concerned
46	3·58	Iron & Steel
67	4·144	Supply
68	4·156	Law
70	4·190— 4·196	Supply & Technical Development
71	4·198— 4·199	Do.

## APPENDIX II

### *Summary of Main Conclusions/Recommendations*

Sl. No.	Para No.	Ministry/Department Concerned	Recommendation
1	2	3	4
1.	1-4	Iron and Steel Law Supply & Technical Development.	The Committee hope that replies to the outstanding recommendations and final replies in regard to those recommendations to which only interim replies have so far been furnished will be submitted to them expeditiously after getting them vetted by Audit.
2.	1-11	Ministry of Finance	The Committee have carefully considered the arguments put forward by Government for not accepting their repeated suggestion that a practical trial should be given to the healthy principle enunciated in Article 292 of the Constitution for fixing a limit by Parliament on Public borrowings. The country is now committed to planning on a five year basis. This necessarily presupposes a long term assessment of resources needed for developmental effort and the extent to which such resources should be raised through additional taxation, borrowing and deficit financing. It should, therefore, be possible to work out with a reasonable degree of approximation a workable limit on borrowings for purpose of incorporation in a statute as contemplated in Article 292 of the Constitution. The Committee would like Government to reconsider their position in the light of the foregoing considerations.
3.	1-14	Health and Family Planning.	The Committee note that Government have not prescribed any ceilings for regulating supervisory charges of organisations to be defrayed by grants-in-aid given to them. In order to ensure that the grants given to voluntary organisations are purposefully used, the Committee would suggest that while sanctioning large grants Government should specify appropriate ceilings for expenditure on administration and supervisory charges to be met out of grants-in-aid.
4.	1-17	Ministry of Health and Family Planning.	From the statement furnished by the Department of Family Planning, the Committee note that the number of Family Planning Orientation Camps organised by various voluntary organisations to whom grants were given has consistently fallen short of the targets. As against a sanction of



1	2	3	4
			<p>1240 camps in 1964-65, 923 in 1965-66 and 1455 in 1966-67, the number of camps actually organised were 1094, 788 and 1101 respectively. This suggests that a substantial portion of the grants given to these organisations remained unutilised during these years. The Committee would like Government to keep track of the performance of these organisations with a view to ensuring that funds released to them are purposefully and effectively utilised in furtherance of the Scheme.</p>
5.	1-21 1-22	Department of Iron and Steel	<p>The Committee are not satisfied with the reply of the Government. A levy at the rate of Rs. 1 per ton was made on main producers from 1st March, 1964 onwards to defray the organisational expenses of the Joint Plant Committee set up to look after the work, of planning, production and distribution of steel, with the abolition with effect from 1st March, 1964 of price control on a major number of Steel items. The Joint Plant Committee, however, started doing the work of planning only with effect from 1st August, 1964 and till then the Iron and Steel Controller was discharging this item of work entrusted to the Joint Plant Committee. A recovery for the expenditure incurred by the Iron and Steel Controller for doing the work of the Committee during the period 1st March, 1964—31st July, 1964, would have, naturally to be made from the Joint Plant Committee.</p> <p>The Committee would recommend that this may be done without further delay.</p>
6.	1-25 1-26	Department of Iron and Steel.	<p>The Committee note that as against a sum of Rs. 152.51 lakhs due for realisation from various parties as on 30-6-1966 in respect of transactions relating to Iron and Steel Equalisation Fund amount outstanding as on 30-6-67 was Rs. 117.19 lakhs. The Committee are not satisfied particularly with the progress made in recovery of surcharge on imported steel (i.e., the difference between landed cost of imported materials plus remuneration and the statutory price) from various parties. As on 30th June, 1966 the amount due on this account for the period upto 31-3-1965 was Rs. 111.48 lakhs. As on 30th June, 1967 it was 94.23 lakhs. The total amount of surcharge outstanding as on 30-6-67 was Rs. 173 lakhs, out of which an amount of</p>

1	2	3	4
			<p>Rs. 122.82 lakhs pertained to M/s. Amin Chand Pyarelal Group of firms, M/s. B. R. Herman and Mohatta and M/s. J. S. Cohen &amp; Co. The Committee note that these cases are being referred for arbitration/court proceedings. The Committee desire that necessary action to refer these cases to arbitration/court should be taken expeditiously.</p> <p>The Committee also desire that the finalisation of pending cases by the High-Powered Committee which was set up for this purpose in August, 1965 should be speeded up.</p>
7.	1:30 1:31 1:32	Department of Iron and Steel.	<p>The Committee note that a sum of Rs. 89.93 lakhs on account of sale proceeds of imported steel was awaiting recovery from the handling agents as on 30-6-67. The Committee hope that efforts will continue to be made to effect recoveries expeditiously.</p> <p>The Committee note that the bulk of the outstandings (Rs. 67.35 lakhs) pertained to the Amin Chand Pyarelal Group of firms, M/s. B. R. Herman and M/s. J. S. Cohen &amp; Co. and that arbitration proceedings have been initiated in some cases, while in others, the question of filing suits is under consideration. The Committee would like in this connection to invite a reference to their observations in paragraph of their Sixty Eighth Report (Fourth Lok Sabha).</p> <p>The Committee also desire that action should be taken against officers responsible for failure to obtain Bank Guarantees from Handling Agents.</p>
	1:35	Department of Supply	<p>In view of the fact that the Director General of Supplies and Disposals did not test the market by a tender enquiry before placing contracts for further requirements of boots in July, 1963 and November, 1963, the Committee find it difficult to accept the Ministry's contention that there was marked increase in prices of material and that therefore there was no possibility of getting lower rates by going in for tenders. The fact that 65,890 pairs were purchased at lower rates as a result of tender opened on 19th October, 1963 would also appear to suggest that market trends were favourable. The Director General of Supplies and Disposals should have considered this fact while placing the order at higher rates in November,</p>

1	2	3	4
9.	1-38	Department of Supply	<p>1963, on negotiated basis. The Committee are also not satisfied with the explanation of the Ministry for not cancelling the orders where there was a delay so as to take advantage of lower prices in the market, that became discernible from October, 1962 onwards. The Committee desire that suitable instructions should be issued to ensure that negotiated contracts are not placed in future without fully ascertaining the state of the market.</p> <p>The Committee desire that action against the officers responsible for the delay in inspection and in giving packing instructions should be expedited.</p>

