

**PUBLIC ACCOUNTS COMMITTEE
1961-62**

FORTY-SECOND REPORT

(SECOND LOK SABHA)

[Appropriation Accounts (including Proforma Commercial Accounts) (Civil), 1959-60 and Audit Report (Civil), 1961]

REPORT

Vol. I



**LOK SABHA SECRETARIAT
NEW DELHI**

March, 1962
Phalguna, 1883 (Saka)

Price: Rs. 4.00 nP.

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SUPPLEMENTARY CORRIGENDA

to

FORTY-SECOND REPORT OF THE PUBLIC ACCOUNTS COMMITTEE
(1961-62) - Vol. I

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
15		2	detailed not	detailed note
19	19 (sub-para 1)	penultimate line	change	charge
23	30	1(heading)	Avoidance	Avoidable
25	33	4	(till February, 1958)	(till February, 1959)
29		14	internal	interval
31	45	3	ex-post	ex-port
33	52	2	explanations	explanation
34	56	1(heading)	inventive	incentive
53		last line	filling	filing
86	196	10	convicing	convincing
87	200	5	50 per cent	42 per cent
101	242	1(heading)	Page 51	para 51, pages 46-47
107	262	14-15	Appendix IIV	Appendix IV
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**COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(1961-62)**

CHAIRMAN

Shri C. R. Pattabhi Raman

MEMBERS

2. Shri Rohan Lal Chaturvedi
3. Shri Aurobindo Ghosal
4. Shri Hem Raj
5. Shri R. S. Kiledar
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19. Shri Mulka Govinda Reddy
20. *Shrimati Savitry Devi Nigam
21. Shri Rajeshwar Prasad Narain Sinha
22. Shri Jai Narain Vyas.

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

*Ceased to be a member of the Committee on the vacation of her seat in Rajya Sabha consequent on her election to the Third Lok Sabha on 28-2-62, *vide* Sec. 69 (2) of the Representation of the People Act, 1951.

INTRODUCTION

I, the Chairman of the Public Accounts Committee, having been authorised by the Committee to present the Report on their behalf, present this Forty-second Report on the Appropriation Accounts (Civil) (including Proforma Commercial Accounts), 1959-60 and Audit Report thereon.

2. The Appropriation Accounts (Civil) (including Proforma Commercial Accounts), 1959-60 and Audit Report, 1961 were laid on the Table of the House on the 5th May, 1961.

3. The Committee examined these Accounts and Audit Report thereon during their sittings held in August and September, 1961.

4. A brief record of the proceedings of these sittings of the Committee has been maintained and forms part of this Report. (printed as Part II of the Report).

5. The Committee also considered the statement showing action taken or proposed to be taken pursuant to the recommendations of the Committee made in their earlier Reports relating to Civil Accounts, at their sittings held during November-December, 1961 and March, 1962. The statement as approved by the Committee has been appended to this Report (Appendix I, Vol. II). Some of the important cases outstanding from the earlier Reports have been dealt with in the body of the Report.

6. The need for expeditious submission of information called for by the Committee in the course of evidence has not yet been appreciated by the Ministries. For instance, the Committee had called for information on a number of points from the Ministries when they examined the representatives of those Ministries in August, 1961. The requisite information has not been furnished yet (March, 1962), although more than seven months have elapsed, *Vide* paragraphs 100 (Ministry of Food), 158 (Iron & Steel Controller's Organisation), 232 and 244 (Ministry of Works, Housing and Supply) in this Report. (The prescribed period is one month for this.) *The Committee strongly disapprove of such delays. The delays hamper the work of the Committee and prevent them from recording their final conclusions in time on the merits of cases. An immediate consequence is that the number of outstanding items*

increases unnecessarily. This dislocates the programme of business of the Committee resulting in avoidable work all-round.

7. *The position in regard to progress of action to be taken pursuant to the recommendations of the Committee is also not satisfactory. Successive Public Accounts Committees in the past have emphasised the need for prompt action. The time-limit of one month laid down by the Committee is not being observed by most of the Ministries. By such delays in taking action, the criticisms and suggestions made by the Committee in respect of some of the important procedural and financial matters lose much of the force.*

In Para 5 of the Introduction to their Twenty-third Report (First Lok Sabha), the Committee of 1956-57 had suggested that a senior officer in each Ministry should be nominated to be responsible for furnishing information called for by the Committee, taking appropriate action on other requests and for dealing with their recommendations. Despite the assurance that the Ministries have noted and implemented the recommendation, the Committee regret to point out that the position remains the same. In quite a number of cases, the delay exceeded two years. The Committee desire that the Ministry of Finance should take a serious view of this state of affairs.

8. *The Committee are also concerned to observe that despite their repeated emphasis on prompt action in disciplinary cases, the position is still far from satisfactory. In one case relating to the Ministry of Rehabilitation, disciplinary proceedings were not initiated even years after the irregularity had come to notice and the Officers concerned retired from service. In another case relating to the Hindustan Steel Ltd., failure to take disciplinary action in time before the officer's retirement had enabled that officer to escape punishment. In yet another case relating to the Ministry of Works, Housing and Supply responsibility for irregularities had not been fixed till December, 1960 though the case related to 1951-52. Such delays, the Committee would like to point out, not only impair the standards of efficiency of public services but also undermine the financial interests of the State. The Committee would, therefore, again urge that disciplinary proceedings should be initiated as soon as an irregularity comes to notice and adequate punishment should be inflicted on guilty officials.*

9. *During the course of their examination of the Audit Report, the Committee came across several cases in which the facts contained in the Audit Report were controverted by the representatives of the*

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Ministries concerned. In these cases, the position had not been explained to Audit within the prescribed time-limit of six weeks after the draft paras were sent to them for factual verification. Nor had it been done even later. *The Committee would once again draw attention to their oft-repeated recommendation that the Ministries and Departments to whom draft Audit paragraphs are sent for factual verification should make every effort to adhere to the prescribed time-limit of six weeks so that the Audit Report is based on incontrovertible facts. If, in exceptional cases, it is not possible to do so, the correct position should be brought to the notice of the Committee through Audit as soon as possible so as to enable them to arrive at proper conclusions without any waste of time.*

10. The Committee considered and approved this Report at their sittings held on the 16th and 17th March, 1962.

11. A statement showing the summary of the principal recommendations of the Committee has been appended to this Report. (Appendix) For facility of reference, these have been printed also in italics in the body of the Report.

12. The Committee place on record their appreciation of the great assistance rendered to them in their examination of these Accounts by the Comptroller and Auditor General of India.

NEW DELHI;
The 17th March, 1962.

Phalguna 26, 1883 (Saka)

C. R. PATTABHI RAMAN,
Chairman,
Public Accounts Committee.

I

FINANCIAL RESULTS OF THE GOVERNMENT OF INDIA (CIVIL GRANTS), 1959-60

During the year 1959-60, the Voted Grants for Civil Expenditure stood at Rs. 1333·21 crores (original Rs. 1237·50 crores and supplementary Rs. 95·71 crores) and appropriations for charged expenditure stood at Rs. 5974·89 crores (original Rs. 5968·51 crores and supplementary Rs. 6·38 crores).

The total expenditure against these grants and appropriations was Rs. 1242·94 crores and Rs. 5810·46 crores respectively. There was thus a net saving of Rs. 254·71 crores over final grants and appropriations (Rs. 96·28 crores on Voted Grants and Rs. 164·43 crores on Charged Appropriation).

2. Out of 132 grants voted by Parliament for the year 1959-60, savings aggregating Rs. 92 crores (about 7 per cent. of the total voted grants) occurred in 123 grants. Supplementary grants totalling Rs. 95·7 crores were voted by Parliament in September and December, 1959 and March, 1960. But, the entire supplementary grants totalling about a crore of rupees taken under four grants and bulk of supplementary grants under other eight grants remained unutilised as will be seen from the following statement:

NOTE.—Of the total expenditure of Rs. 7053·40 crores, Rs. 776·36 crores were on Revenue Account, Rs. 553·73 crores on Capital Account and Rs. 5723·31 crores on disbursement of Loans and Advances.

STATEMENT

No. and Name of the Grant/Appropriation	Original Grant	Supplementary Grant (Amount and month in which obtained)	Saving	Amount surrendered in March, 1960
1	2	3	4	5
	Rs.	Rs.	Rs.	Rs.
A—Entirely unnecessary Supplementary Grants				
34—Miscellaneous Adjustments between the Union and State Governments	18,08,000	1,71,000 March, 1960	4,13,521	Nil
79—Scientific Research and Cultural Affairs	13,06,98,000	34,62,000 March, 1960	80,70,801	58,09,712
107—Capital Outlay of the Ministry of Commerce and Industry	16,25,35,000	13,50,000 September, 1959	64,84,033	59,45,600
134—Capital Outlay on Roads	16,50,00,000	50,00,000 March, 1960	88,90,004	12,54,000
B—Partially unnecessary Supplementary Grants				
18—External Affairs	9,76,16,000	68,12,000 (Rs. 10,00,000 in September, 1959 and Rs. 58,12,000 in March, 1960)	18,08,483	Nil

21—Ministry of Finance	1,48,05,000	6,20,000 March, 1960	2,49,306	36,000
38—Agriculture	10,04,83,000	1,51,02,000 March, 1960	1,49,66,336	1,44,57,562
91—Aviation	7,09,37,000	5,23,81,000 March, 1960	1,09,28,233	50,80,000
94—Miscellaneous Departments and Other Expenditure under the Ministry of Transport and Communications	1,71,17,000	15,00,000 March, 1960	6,37,729	5,21,525
96—Supplies	2,82,75,000	16,92,000 March, 1960	15,04,321	11,00,000
118—Loans and Advances by the Central Government	2,11,99,96,000	16,00,00,000 March, 1960	8,98,80,862	8,65,89,500
129—Capital Outlay of the Ministry of Scientific Research and Cultural Affairs	2,37,85,000	34,62,000 March, 1960	1,89,076	Nil

3. It is observed that in the above cases the Supplementary Grants were mostly taken in the last month of the year *i.e.* March, 1960 and that the savings were also surrendered in the same month. This indicates that Supplementary Grants were obtained without taking into account the savings available within the Grant. *In the Committee's opinion more effective measures for control over the progress of expenditure and assessment of requirements are called for.*

4. During the year under report savings amounted to 6.77 and 2.75 per cent of the final grants and appropriations respectively. The corresponding figures for 1958-59 were 12.93 and 5.06 respectively.

5. The following table shows at a glance the particulars of the original and final grants or appropriations and the expenditure actually incurred against them under the heads:—

- (i) Revenue,
- (ii) Capital, and
- (iii) Loans and Advances

(In thousands of Rupees)

	1959-60		
	Original Grant or Appropriation	Final Grant or Appropriation	*Actual expenditure
Expenditure met from Revenue (Voted)	4,60,60,29	5,06,96,00	4,70,31,87
Expenditure met from Capital (Voted)	5,64,90,21	5,98,25,43	5,53,60,64
Disbursements of Loans and Advances (Voted)	2,11,99,96	2,27,99,96	2,19,01,15
TOTAL (Voted)	12,37,50,46	13,33,21,39	12,42,93,66
Expenditure met from Revenue (Charged)	2,96,99,37	3,03,34,26	3,06,04,26
Expenditure met from Capital (Charged)	15,50	18,29	11,73
Disbursements of Loans and Advances (Charged)	56,71,36,31	56,71,36,31	55,04,29,71
TOTAL (Charged)	59,68,51,18	59,74,88,86	58,10,45,70
Total Expenditure met from Revenue	7,57,59,66	8,10,30,26	7,76,36,13
Total Expenditure met from Capital	5,65,05,71	5,98,43,72	5,53,72,37
Total Disbursements of Loans and Advances	58,83,36,27	58,99,36,27	57,23,30,86
GRAND TOTAL—(CHARGED AND VOTED)	72,06,01,64	73,08,10,25	70,53,39,36

EXCESSES OVER VOTED GRANTS/CHARGED APPROPRIATIONS

6. The actual expenditure during the year exceeded the Grants/Appropriations in 14 cases—under 9 voted grants and 5 Charged Appropriations. The excess involved was Rs. 173.72 lakhs under Voted Grants and Rs. 307.23 lakhs under Charged Appropriations. The Committee have examined the reasons for the excesses with reference to the facts of each case and have submitted a separate Report, recommending the regularisation of those excesses in accordance with the provisions of Article 115 of the Constitution.

II

BUDGETING AND CONTROL OVER EXPENDITURE

7. In the year under report, savings aggregating Rs. 260 crores occurred under 123 and 29 Grants and Appropriations out of 132 and 36 Grants and Appropriations respectively. The comparative position regarding the aggregate savings in the last three years is as follows:—

Year	Amount
	Rs. crores
1957-58	2,25
1958-59	4,43
1959-60	2,60

These figures indicate that over-budgeting has been a regular feature for the last few years.

8. Some of the important cases of large savings under Grants and Appropriations are given below:

No. and Name of Grant	Original and Supplementary Grant/ Appropriations	Expenditure	Saving	Percentage
(1)	(2)	(3)	(4)	(5)
	Rs.	Rs.	Rs.	
<i>Voted Grants</i>				
1. 3—Salt	74,26,000	66,25,009	8,00,991	10·79
2. 6—Ministry of Community Development and Co-operation	27,40,000	23,34,887	4,05,113	14·79
3. 13—Ministry of Education	59,43,000	47,31,823	12,11,177	20·38
4. 22—Customs	3,96,57,000	3,57,26,401	39,30,599	9·91
5. 26—Stamps	2,78,75,000	2,22,46,270	56,28,730	20·19
6. 32—Miscellaneous Departments and other Expenditure under the Ministry of Finance	44,00,24,000	31,82,48,619	12,17,75,381	27·67
7. 44—Public Health	16,53,07,000	14,38,63,003	2,14,43,997	12·97
8. 59—Laccadive, Minicoy and Amindivi Islands	18,83,000	11,65,249	7,17,751	38·12
9. 60—Miscellaneous Departments and Expenditure under the Ministry of Home Affairs	11,66,05,000	7,95,95,471	3,70,09,529	31·74
10. 68—Chief Inspector of Mines	21,53,000	15,46,143	6,06,857	28·19
11. 69—Miscellaneous Departments and Other Expenditure under the Ministry of Labour and Employment	10,52,64,000	7,87,03,615	2,65,60,385	25·23
12. 78—Zoological Survey	11,35,000	6,77,717	4,57,283	40·29

(1)	(2)	(3)	(4)	(5)
<i>Voted Grants—contd.</i>				
	Rs.	Rs.	Rs.	
13. 112—Capital Outlay on the India Security Press	11,00,000	1,36,953	9,63,047	87.55
14. 114—Capital Outlay on Mints	48,54,000	11,51,868	37,02,132	76.27
15. 118—Loans and Advances by the Central Government	2,27,99,96,000	2,19,01,15,138	8,98,80,862	3.94
16. 119—Capital Outlay on Forests	13,97,000	4,61,073	9,35,927	67.00
17. 121—Capital Outlay of the Ministry of Food and Agriculture	45,03,54,000	40,31,49,799	4,72,04,201	10.48
18. 128—Capital Outlay of the Ministry of Rehabilitation	20,20,00,000	14,87,30,791	5,32,69,209	26.37
19. 130—Capital Outlay of the Ministry of Steel, Mines and Fuel	43,86,22,000	36,08,65,008	7,77,56,992	17.73
20. 133—Capital Outlay on Ports	3,03,50,000	1,85,63,724	1,17,86,276	38.83
21. 138—Other Capital Outlay of the Ministry of Works, Housing and Supply	7,14,97,000	4,80,76,184	2,34,20,816	32.76
<i>Charged Appropriations</i>				
22. 97—Other Civil Works	28,23,000	19,85,037	8,37,963	29.68
23. 118—Loans and Advances by the Central Govern- ment	3,12,68,99,000	2,95,46,09,330	17,22,89,670	5.51
24. Repayment of Debt	53,58,67,32,000	52,08,83,61,273	1,49,83,70,727	2.80

9. The Committee noticed that in the Ministry of Health, which deals with an important Social Service, large savings (Rs. 2.14 crores) have resulted due mainly to non-finalisation of the Schemes. The Ministry of Home Affairs also showed large savings (Rs. 3.70 crores) some of which were due to non-implementation of schemes for Welfare of Backward Classes. Non-implementation of housing schemes for Miners by the Central Government and less expenditure on schemes for training of craftsmen, displaced persons, etc., by the State Governments accounted for savings of nearly Rs. 2 crores under Grant No. 69 controlled by the Ministry of Labour. Grant No. 130 relating to the Ministry of Steel, Mines & Fuel showed savings of Rs. 4.17 crores due to delays in progress of oil exploration schemes and certain mining projects. Slow progress in the Industrial Housing Projects and Slum Clearance Schemes also resulted in savings of about Rs. 1.3 crores in the Ministry of Works, Housing & Supply (Grant No. 138).

Ten grants and two Charged Appropriations viz. "Loans and Advances by the Central Government" and "Repayment of Debt" alone were responsible for about 84 per cent of the total saving of Rs. 260 crores during the year.

Obviously, these large savings indicate defective budgeting. The Committee would like to impress upon the Ministries the necessity for estimating their requirements correctly and working up to these estimates with the closest degree of approximation, making a periodical review of the progress of expenditure during the year.

10. In the following cases surrenders were made in excess of total savings in Voted Grants and Charged Appropriations:

No. and Name of Grant or Appropriation		Amount of savings	Amount of surrenders
1	2	3	4
3	Salt (Charged)	36,219	62,500
13	Ministry of Education	12,11,177	12,37,700
16	Tribal Areas	54,64,104	54,78,700
23	Union Excise Duties	14,05,517	17,68,200
26	Stamps	56,28,730	56,45,200
	Grants-in-aid to States	6,12,235	6,15,000
41	Miscellaneous Departments and Other expenditure under the Ministry of Food and Agriculture	34,50,737	34,66,647

1	2	3	4
74—	Ministry of Scientific Research and Cultural Affairs	93,013	94,000
82—	Geological Survey	95,83,707	98,52,735
84—	Miscellaneous Departments and Other Expenditure under the Ministry of Steel, Mines & Fuel	1,63,414	37,06,074
85—	Ministry of Transport and Communications	2,38,977	2,44,500
	Staff, Household and Allowances of the President	3,17,443	4,22,900
117—	Other Capital Outlay of the Ministry of Finance	14,91,81,338	14,92,53,795
118—	Loans and Advances by the Central Govt. (Charged)	17,22,89,670	18,67,32,900
130—	Capital Outlay of the Ministry of Steel, Mines and Fuel	7,77,56,992	7,83,70,043

11. In the following cases, funds were surrendered although there were excesses over the final grant/appropriation:—

No. and Name of the Grant/Appropriation	Excesses over the final grants/ appro.	Amount of surrender
	Rs.	Rs.
35—Pre-partition Payments (Charged)	3,04,059	82,800
97—Other Civil Works	1,01,17,881	81,781
111—Capital Outlay of the Ministry of External Affairs	3,45,979	8,26,300

12. *The instances quoted in paras 10 and 11 above would indicate lack of a proper review of expenditure.*

13. The Committee will now refer to some of the specific cases of over-budgeting and laxity of control over expenditure during the year under report as disclosed in the accounts.

MINISTRY OF EXTERNAL AFFAIRS

Appropriation Accounts (Civil), 1959-60—Vol. VI

(a) Grant No. 16—Tribal areas—Notes 2 and 4, Page 1.

Against the total saving of Rs. 54,64,104 in this Grant, a sum of Rs. 54,78,700 was surrendered. Sub-Heads A. (1)—Pay of Officers and A. 1 (2)—Pay of Establishment at page 2 showed large savings. Similarly, sub-head B-1 Expenditure on Buildings of Militia and Frontier Constabulary at page 2 and sub-head C. 7—Community Projects, etc. at page 7 showed savings in provisions for works expenditure.

It was explained to the Committee that savings under sub-heads A. 1 (1) and A. 1 (2) were due to the non-filling of sanctioned posts. *The Committee, however, notice that under these sub-heads savings of the same order had occurred during 1958-59 also. They, therefore, feel that provision under these heads is not being made on any realistic requirements or data.*

As regards surrenders of Rs. 3,34,700 under sub-head B-Buildings, it was explained to the Committee that in the tribal areas it was difficult to estimate accurately and maintain progress according to plan in spite of best efforts. Lack of means of transportation hindered timely movement of materials. Moreover, the staff there was not of the same calibre as was found in settled areas, though every year there was an improvement.

The Committee note these difficulties. But they feel that such an explanation could not be valid year after year. They could not also get a satisfactory explanation for the surrender of Rs. 5,70,000 out of a provision of Rs. 12,10,000 under sub-head C. 7—Community Project etc. The Committee desire that while framing the estimates, practical difficulties in the execution of schemes in tribal areas should be duly taken into account so as to avoid over-budgeting.

MINISTRY OF FINANCE

Appropriation Accounts (Civil), 1959-60—Vol. I

(b) Grant No. 112—Capital Outlay on the India Security Press—page 139.

As against the original provision of Rs. 11 lakhs there was a saving of Rs. 9.63 lakhs in this Grant. Practically the entire amount provided for land and buildings and about 50% of the amount provided for Plant and Machinery had been surrendered.

It was stated before the Committee that the surrendered amount represented provision for construction of a labour colony, a hospital and some staff quarters. The budget provision had been made much ahead of the commencement of the financial year and at the time of framing the revised estimates, the amount was surrendered, because of delay in construction.

The Committee are surprised at this explanation. Provision of such a large sum for a scheme without ascertaining whether it could be implemented during the budget year was prima facie wrong. In such cases, the proper course for the Ministry was to make a 'token' provision in the budget and approach Parliament later for funds when the schemes had been worked out in detail.

(c) Grant No. 113—Capital Outlay on Currency and Coinage—Sub-head A. 2—Buildings—page 140.

As against the original provision of Rs. 39·94 lakhs under this sub-head, a sum of Rs. 27·68 lakhs could not be utilised.

The Ministry explained the saving as due to slow progress on construction work, which was not anticipated at the time of preparation of the budget estimates. The bulk of the provision (Rs. 31 lakhs) had been made for the construction of a building for the new Currency Press, work on which was already in progress. The Ministry stated that expenditure on this work was not incurred after the Labour Officer pointed out that the building lacked arrangement for cross ventilation. *The Committee are surprised to note that such an obvious defect in the plan of the building went unnoticed at the earlier stages of scrutiny and technical sanction.*

MINISTRY OF HOME AFFAIRS

Appropriation Accounts (Civil), 1959-60—Vol. IX.

(d) Grant No. 52—Statistics—page 20.

The entire saving of Rs. 23 lakhs in this Grant occurred under Group-head A-4—Grants-in-aid, contributions, etc.

The Ministry of Home Affairs attributed the saving to withholding of part of the payment due to the Indian Statistical Institute in connection with the Project of National Sample Survey entrusted to the Institute on contract. On account payment of only 90% of the contract amount of Rs. 52 lakhs was made. The balance was not paid for want of completion certificate before the close of the financial year. Further, another sum of Rs. 15 lakhs had been included in the budget estimate for the year 1959-60 for grants-in-aid towards capital expenditure against which a sum of Rs. 6·50 lakhs only was sanctioned as

on-account payment. The balance was not paid pending verification of the work executed by the Institute.

In reply to a question as to why provision was made in the budget estimates for 1959-60 when the entire amount was not expected to be paid in that year, it was admitted that the provision could have been made more accurately. *The Committee regret to observe that this is another instance of loose budgeting and trust that in future the budget estimates in regard to Grants-in-aid would be more realistic and accurate.*

(e) Grant No. 56—Andaman and Nicobar Islands—Page 211.

The actual expenditure fell short of the final grant (Rs. 3.11 crores) by Rs. 50 lakhs. A large part of the saving occurred under sub-heads C. 1(1)—Timber and other produce removed from the Forest by Government Agency—and C. 4—Development Schemes.

The Ministry explained the savings as due to (i) non-implementation of Forest Development Schemes because of belated receipt and non-procurement of equipment on account of foreign exchange difficulties, and (ii) non-adjustment of debits and non-receipt or non-purchase of stores.

The Committee enquired why schemes involving foreign exchange should at all have been budgeted for and at what stage the difficulty regarding foreign exchange was encountered. It was stated that provision for the schemes was made on the assumption that necessary foreign exchange would be available, although the difficulty to get foreign exchange was already known to them. *The Committee are of opinion that funds for schemes involving a substantial amount of foreign exchange as in the present case, should not have been provided for in the absence of a reasonable prospect of the foreign exchange being made available.*

MINISTRY OF STEEL, MINES & FUEL (DEPARTMENT OF
IRON & STEEL)

Appropriation Accounts (Civil), 1959-60—Vol. XVI

(f) Grant No. 84—Miscellaneous Departments and other Expenditure under the Ministry of S.M.&F.—page 11, Note 1

In the above Grant, a total sum of Rs. 37,06,074 was surrendered while the final saving amounted to Rs. 1,63,414 only.

In evidence, the representative of the Ministry (Department of Iron & Steel) stated that the Grant comprised of a number of items

some of which had not been estimated correctly. He admitted that the variation between the actual saving and surrender should not have been so wide as had occurred in the present case. *The Committee cannot help remarking that this is a clear case of defective budgeting and lack of control over the progress of expenditure. They trust that the Ministry will be more careful in future.*

**MINISTRY OF STEEL, MINES & FUEL (DEPARTMENT OF
MINES & FUEL)**

Appropriation Accounts (Civil), 1959-60—Vol. XVI

(g) Grant No. 82—Geological Survey, pages 3-4.

As against the final Grant of Rs. 2·21 crores under this head, the actual expenditure amounted to Rs. 1·25 crores, resulting in a saving of Rs. 96 lakhs. The entire saving was under Group-head A—Directorate—Establishment charges, pay and allowances of officers, etc. which are standing charges of the Department. In the preceding year also there was a similar saving under this head. The Ministry stated that the original provision was made on the basis of the number of posts of geologists, etc. which were expected to be filled during the course of the financial year. As, however, the expectation did not materialise, the funds provided therefor remained unutilised.

The Committee enquired why the Department could not prepare the estimates more accurately in the light of its experience during the preceding years. They were informed under the existing procedure, accurate budgeting in cases of this type was somewhat difficult. According to the procedure in vogue, action to fill the posts could not be initiated unless prior sanction thereto had been obtained, and provision therefor made in the budget. As it was not always possible to fill the sanctioned posts as envisaged, savings were a natural consequence.

The Committee consider that the existing procedure in this matter needs examination. *They desire that the question should be examined in all its aspect and a suitable procedure evolved in consultation with the Ministry of Finance and Audit.*

MINISTRY OF TRANSPORT & COMMUNICATIONS (DEPARTMENT OF COMMUNICATIONS & CIVIL AVIATION)

Appropriation Accounts (Civil), 1959-60—Vol. XVII

(h) Grant No. 132—Capital Outlay on Civil Aviation, pages 66-67.

There was saving of Rs. 43·72 lakhs in this Grant. This was mainly under the Group-head A—1-Aviation works. According to

the Ministry, stores worth about Rs. 9 lakhs accounted for part of the large saving. A detailed note was promised to the Committee which is still awaited.

III

IMPORTANT OBSERVATIONS ON INDIVIDUAL MINISTRIES

14. In the following paragraphs, the Committee refer to some of the important points that they considered in the course of examination of the Accounts relating to various Ministries.

MINISTRY OF COMMERCE AND INDUSTRY

Extra expenditure in direct hiring of accommodation etc. Para 9 of Audit Report, pages 12-13.

15. In April, 1956 the Development Commissioner, Small Scale Industries hired directly private accommodation at New Delhi with effect from 2nd May, 1956 on a rental of Rs. 1,600 per mensem plus house tax @10 per cent. and also the difference between the lease money payable for residential accommodation and office accommodation. Having agreed to these conditions in a letter issued to the owner of the building, the Commissioner asked the Estate Office on 25th April, 1956 to enter into a formal agreement with the landlord on these terms. The latter referred the matter to the Ministry of Works, Housing and Supply who held that the action of the Development Commissioner in making a direct deal was not correct under the prescribed procedure and that as the construction of the building in question had been completed on the 11th June, 1956 it attracted the provisions of the Rent Control Act, 1952 requiring fixation of rent by the Rent Controller. The Law Ministry held that the Development Commissioner's letter to the owner did not create a legally binding contract as it had not been issued in the name of the President, as required under Article 299 of the Constitution, and that it had not been signed by an officer authorised under the notifications issued thereunder. As such, the provisions of the Rent Control Act could not be invoked. It was, therefore, suggested that the premises should be vacated immediately and a rent per annum equal to 7½ per cent of the Capital cost of construction (being the reasonable rent sustainable in law) might be offered to the landlord for the period of occupancy and that in case the owner filed a suit, it should be defended. This advice was, however, not accepted by the Ministry of Works, Housing & Supply in consultation with the Ministry of Finance as, it might not be desirable to

have recourse to the suggestion made by the Law Ministry in view of the commitment already made.

The building was ultimately vacated on the 31st October, 1957 and a total payment of Rs. 33,286 according to the terms originally agreed in April, 1956 (comprising rent Rs. 28,749, house tax Rs. 2,587 and additional ground rent Rs. 1,950) was eventually made in December, 1957, July, 1958 and March, 1960, for the period of actual occupancy. Assuming Rs. 813 per month as the reasonable rent @7½ per cent of the capital cost of Rs. 1,30,000) an extra expenditure of about Rs. 18,700 was caused to Government.

16. In evidence, the Committee were informed that office accommodation was urgently required for the newly created Department of Small Scale Industries and the user Department was therefore, justified in taking initiative in finding out suitable accommodation. On an earlier occasion, the Development Commissioner had hired two houses in the same locality and the rent of those buildings was accepted as reasonable by the Director of Estates and the latter entered into agreement with the landlord. In the present case, the Director of Estates considered the rent as too high although in proportion to the covered area, it was lower than that paid for the two houses earlier. The Development Commissioner had, therefore, no reason to believe that the rent of the building was high. The Committee were assured that there was no *mala fide* on the part of that officer.

17. *While the Committee recognise that, when accommodation is scarce, the user departments have to take initiative in locating suitable premises, they question the action taken by the Development Commissioner in the present case in having committed Government to certain terms and conditions of lease which was not within his authority to do. The correct procedure would have been to negotiate the lease in consultation with the Director of Estates.*

Outstanding Recommendations

Heavy expenditure on the establishment of a show-room-cum-trade centre—Paras 14 and 15 of Twenty-fifth Report, Vol. I of P.A.C. (1959-69).

18. Considerable interest was evoked in Indian goods exhibited by Government at a fair held in Geneva during September, 1954. Government therefore decided to open a permanent show-room *cum*-sale centre there. Pending the establishment of such a centre, a foreign national who was an employee of the Air India International
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tional was prevailed upon in October, 1954 to organise a firm for the display and sale of goods left over from the fair.

The premises for the permanent show-room-cum-sale centre were obtained on lease for 4½ years in February, 1955. The ground floor of the building was used as a show-room and a portion of the first floor was made available to the firm for the selling business. Formal agreement was entered into with the firm only in March, 1957. The firm was required to use the building exclusively for the purchase and sale of Indian goods; it would conduct wholesale trade in Indian goods supplied through Government and Government Undertakings, while being free to engage itself in retail trade. The agreement with the firm provided for the transfer to them after the 30th July, 1959, of the occupancy rights possessed by Government without recovering any portion of the good-will money of Rs. 2·18 lakhs already paid by Government.

Government had incurred upto 31st March, 1957 an expenditure of Rs. 6,69,365 on the centre including Rs. 2,17,865 on goodwill money and Rs. 1,35,000 on equipment, renovation and furnishing and Rs. 1,96,000 on establishment, rent, local taxes and contingent expenditure etc.

In order to assess the benefits to the country by the opening of the show-room, the Committee (1959-60) had desired to be furnished with certain data. From the notes furnished accordingly, the Committee notice that during the period about 4 years till January, 1959 goods worth about Rs. 6 lakhs only were sold through the show-room. It has been urged that the principal function of the show-room was not so much the retail sales but the dissemination of commercial intelligence in respect of Indian merchandise to Switzerland and the neighbouring European countries. The exports to these countries of products exhibited at the show-room were as follows:—

(in Lakhs of rupees).

1953-54	3·780
1954-55	5·880
1955-56	4·470
April—Dec., 1956	7·770
1957	25·897
1958	34·820
Jan.,—Sept., 1959	32·465

19. In para 15 of their 25th Report the Committee of 1959-60 had observed that the terms of the agreement entered into by Government with the firm were heavily weighted in favour of the firm.

They deferred their comments regarding the handing over of the building to the firm as the question of compensation payable by the firm was under examination by a Departmental Committee. From the note furnished to them the Committee find that the Counsel General was opposed to the transfer of the lease of the property on which Government had spent more than Rs. 3 lakhs. In his opinion it meant the writing off of the goodwill money (Rs. 2.18 lakhs) in a period of 3 to 4 years. Government, however, did not consider it proper to withdraw from their previous "understanding" with the proprietor of Aruna Stores. The Secretary of the Ministry after examining the arrangements in Geneva suggested *inter alia* that on the expiry of the lease in August, 1959, Government would pass on to Aruna Stores, according to Swiss Laws and in consultation with the landlord, such occupancy rights in the whole building as they possessed. From that date Aruna Stores would be responsible for paying full rent of the premises. The firm would also be under obligation (i) to use the building exclusively for business in Indian goods and (ii) to reserve a show-window and some space for effective display of goods and for answering trade enquiries in such a manner as might be found suitable by the Indian Counsel General. The firm had waived its right to change rent for use and occupation of show-window and enquiry counter.

These expectations have not been realised. While, as stated above, a total expenditure of Rs. 6.69 lakhs was incurred by Government upto the 31st March, 1957, and a further expenditure on rent and other taxes and publicity was also incurred after that date, the total sales effected through the show room upto January, 1959, amounted to only Rs. 6 lakhs. As against the heavy liability incurred by Government, even the firm's continuance in the premises was dependent on the consent of the landlord being obtained. The Committee understand from Audit that the Ministry have since intimated that the firm set up by the foreign national vacated the building in March, 1960, as the landlord of the building did not agree to lease to another premises where the firm volunteered to deal exclusively in Indian goods and provide space for the display of Indian goods for publicity purposes, for so long as the foreign national referred to continued as the controlling partner in the firm. The Ministry have also intimated to Audit that even the new premises of the firm were expected to be demolished in the near future and that Government have not considered it worthwhile to accept the offer of space for continuing the show room in the new place or on the ground that it would involve additional expenditure and duplication of staff.

20. The only compensation that could be charged from Aruna Stores was in respect of capital expenditure (Rs. 1,35,000) incurred on installations and equipment in the show-room. The expert Committee had assessed the residual value at a sum of Rs. 9,596·20. "This has been accepted by Government particularly because of the advantages that will accrue from the subsidiary agreement executed with Aruna S. A. namely that the latter would deal only in Indian goods and will reserve a 'show-window' and an Enquiry Counter for the use of the Commercial Secretary without charging any rent. The amount of Rs. 9,596·20 has already been paid by the firm."

The Committee understand that, in reply to an audit note, it has been stated that the Aruna Stores are under no obligation to deal exclusively in Indian goods after shifting to their new premises.

In the Committee's opinion the above facts clearly establish that the agreement with the firm did not serve the purpose in view and did not also safeguard adequately the interests of Government. The transfer of the lease to the firm after a period of 3 years entailed a loss not only of the goodwill money amounting to Rs. 2·18 Lakhs but also heavy depreciation of the capital expenditure on installation and equipment amounting to Rs. 1·25 lakhs.

The foreign firm had been benefited unduly at the expenses of the Government of India.

Khadi & Village Industries Commission

Irregularities in disbursement of grants/loans to a private institution, para 10 of Audit Report pp. 13-14.

21. Without ascertaining the capacity of a new institution to implement the approved schemes, the erstwhile Khadi Board disbursed during December, 1954 to April, 1955 grants and loans aggregating Rs. 52,162 and Rs. 55,063 respectively subject to certain conditions. The institution which had no funds of its own expressed its inability in May, 1955 to implement some of the approved schemes. At the instance of the Board, the institution paid grants and loans to the extent of Rs. 21,475 and Rs. 23,465 respectively to another institution. In July, 1955 the auditors of the institution pointed out its unsatisfactory financial position. In October, 1955 the Board also received an adverse report from a responsible person against the state of affairs in the institution. But the Board disbursed further grants and loans amounting to Rs. 6,000 (Rs. 3000 each) to that institution in March, 1956.

Due to heavy losses, the institution was closed down on 5th September, 1957 when the entire amount of loan viz., Rs. 34,598 and a grant of Rs. 2,460 (spent on unauthorised objects out of the balance grant of Rs. 33,687) was still recoverable from the institution. At the instance of the Khadi & Village Industries Commission (who had succeeded the Board from 1st April, 1957) another institution took over the assets of the defunct institution including buildings and other capital assets (created by it at a cost of Rs. 28,852 out of grants received from the Board) at a price of Rs. 18,438, to be treated as loan repayable by the institution. The Commission had thus suffered a loss of Rs. 45,012.

22. The Committee could not get a satisfactory explanation from the Chairman, Khadi & Village Industries Commission for disbursement of grants and loans totalling Rs. 1.07 lakhs within a period of 5 months to the institution which, admittedly, had only nominal resources of its own. They were assured, however, that funds to various institutions were now being released in instalments as and when required. It was also stated in extenuation that several small scale cottage and village industries were started with small capital by groups of artisans forming themselves into Co-operative Societies. In the initial stages it was difficult to see whether the persons who approached the Commission were really creditworthy. It has, therefore, been decided by the Commission that such work in future should be entrusted to the State Boards who by local contacts could ensure more security.

23. The Committee enquired what safeguards were now being observed by the Commission to ensure proper utilisation of grants. The Chairman of the Khadi Commission stated that the audit staff attached to each zonal office of the Commission now kept a watch in this regard. The staff for the inspection of the institutions had also been strengthened. But the bulk of Commission's work in the field of village industries was conducted through the State Boards. Measures were being devised in consultation with the Financial Adviser for prompt audit of these institutions periodically. *The Committee hope that these steps will prove adequate to the purpose in view. They would also urge the Commission to be more vigilant in future.*

As regards disbursement of further grants and loan of Rs. 6,000 to the institution despite adverse comments on its working, the Chairman of the Commission stated that the amount was released at the instance of the Member Secretary of the Commission who after visiting the place had recommended that a part of the work (opening of flaying centres) having been completed by the institution, it was desirable to release further funds in order that the

grants/loans earlier given might not prove infructuous. The flaying centres thus established were reported to be functioning well. The Committee are unable to accept this plea. They agree with Audit that the loss of Rs. 45,012 suffered by the Commission on this transaction was due to injudicious disbursement of funds from time to time.

Purchase of Khadi for Government requirements, para 11 of Audit Report, pp. 14-15.

(A) Profit made by the Commission not passed on to Government consignees

24. Pursuant to arrangements approved by Government in October, 1953 orders covering all Government requirements of Khadi were placed by the D. G. S & D. on the Khadi and Village Industries Commission at prices quoted by the latter (without independent verification as to their reasonableness or resorting to the normal system of purchase by open tenders). The Commission in turn allocated the demand amongst the certified Khadi Institutions and paid them at rates fixed by it. The Commission had agreed that the scheme would be run on 'no profit, no loss' basis and that any profit accruing thereunder would be passed on to Government consignees through the D. G. S. & D. In respect of supplies made during 1954—59, the Commission made a profit of about Rs. 21 lakhs (after meeting overhead charges). Out of this, an amount of Rs. 2.78 lakhs only had been passed on to the D. G. S. & D.

25. The Committee were informed by Audit that in January, 1961 the Ministry of Commerce and Industry had stated that the Cost Accounts Branch of the Ministry of Finance had already examined the question of fixation of prices by the Certification Committee of the Khadi Commission and of the apportionment of trade discount between the Commission/D. G. S. & D./Government and that the Cost Accounts Officer's report and the Commission's comments thereon, were under discussion between the Ministries of Commerce and Industry, Finance and W. H. & S. The Committee enquired whether Government had come to a decision about the apportionment of the trade discount. The Secretary of the Ministry replied in the negative. *The Committee desire that Government should take an early decision on this matter.*

(B) Reduction in the wholesale trade discount received by the Commission

26. In respect of the period prior to 1st October, 1958, the Commission had obtained a reduced trade discount of 6½ per cent only from the selling institutions although under its Certification Rules it was

entitled to receive wholesale trade discount @ 9½%. The additional benefit which had thus been granted to the institution was estimated at about Rs. 10 lakhs.

27. The Committee enquired whether formal sanction of the competent authority for recovering the trade discount at the reduced rate was obtained. The Chairman, Khadi Commission stated that such discounts were fixed by the Certification Committee which was independent of the Commission. The Certification Committee examined the position from the point of view of the cost structure, the rejections, substandard varieties, the changes in the price of cotton etc., and determined the rate of discount accordingly. He added that the institution had already been paying the discount at the reduced rate and it was not considered desirable to ask them to pay at a higher rate. *The Committee feel that any reduction in the prescribed rate of discount should have the prior approval of the certification Committee.* In reply to a question the Committee were informed that Certification Rules of the Commission had not been approved by Government. *The Committee feel that as the trading activities of the Commission involve large sums of money, it should be examined whether the Certification Rules of the Commission do not require Government approval.*

(C) Overpayment of sale-subsidy to the various institutions

28. The Khadi Commission treated Khadi purchases for supply to Government indentors as 'wholesale' for earning wholesale trade discount and for the purpose of payment of rebate to the consumers. But the sales were treated as 'retail' for the purposes of sale subsidy. The institutions were thus paid sale subsidy @ 3 nP. per rupee in contravention of Government orders and total over-payment upto 1959-60 came to about Rs. 14 lakhs.

29. In evidence the Committee were informed that Audit had calculated the overpayment of Rs. 14 lakhs on the basis of goods supplied, but the actual overpayment was less. An amount of Rs. 6,27,000 had been recovered from some of the institutions. The rest of the cases were being reviewed and steps would be taken to recover the overpayment. *The Committee are concerned to find overpayments of such magnitude. They urge that the review should be completed and the balance of overpayments recovered early.*

Heavy Electricals Limited

Avoidance expenditure in the purchase of Piglead—Para 60(i) of Audit Report, pages 55-56.

30. In September, 1958, the Company invited tenders for the purchase of 65 tons of Piglead (special type of soft lead used for jointing pipes). The tenders were to be opened on the 1st October, 1958.

Fourteen tenders were received. The lowest and second lowest tenderers who quoted Rs. 65 and Rs. 67·37 per cwt. kept their offers open only upto the 4th and 3rd October, 1958, respectively on account of uncertainty of the market due to certain restrictions imposed on the import of the material. The checking and preparation of comparative statement of tenders was completed by the 6th October, 1958, and it was only on the 27th October, 1958 that the Company decided to place the orders on the lowest tenderer who at that stage declined to supply the material at the tendered rates. The other tenderers also expressed their inability to supply the materials ex-stock. The Company issued orders on the 21st May, 1959 for import of Piglead at Rs. 65 per cwt. Meanwhile, to meet urgent requirements, two orders for 22 tons each at Rs. 87 per cwt. ex-stock were placed on the 14th January, 1959 and 11th February, 1959, respectively on the firm which was the lowest tenderer. The delay in the finalisation of the contract thus resulted in an extra avoidable expenditure of Rs. 19,360.

31. In evidence, the Committee were informed that when the tenders were opened on the 1st October, 1958, it came to notice through one of the tenderers that the use of lead yarn instead of piglead would result in savings of 40% in costs. As the Company lacked knowledge in this regard, a reference was made to the Sanitary Organisation of Madhya Pradesh Government to find out the feasibility of the suggestion. After some lapse of time, the Company were informed that lead yarn could be used for repair work but not on new set of pipes. It was, therefore, not possible to place order on the lowest tenderer upto the 4th October, 1958.

The Committee are unhappy to note that lack of correct technical knowledge on the part of the Company had delayed the placing of the order which resulted in an extra expenditure of Rs. 19,360.

Excess expenditure on the construction of Service Tunnel—Para 60 (ii) of Audit Report, pages 56-57.

32. A sum of Rs. 11,36,100 was sanctioned by Government on 22nd August, 1958 for construction of 7,080 rft. of a service Tunnel out of which 5,000 rft. was required to be completed in the first phase. The work was awarded to the lowest tenderer in September, 1958 on 'item rate' basis. Subsequently, it was decided to accelerate the progress of work and complete the remaining 2,080 rft. also within the first phase.

Accordingly fresh tenders were invited on 24th February, 1959 for this work. Three tenders were received on 9th March, 1959 at

74.4 per cent. 81.42 per cent. and 83.2 per cent. respectively above the Bhopal Schedule of Rates, 1955. None of these was, however, accepted. Negotiations were carried on with two other contractors. But this was done on the basis of the highest rate of 83.2 per cent. above the Bhopal Schedule of Rates instead of the lowest percentage of 74.4. Ultimately the work was allotted to the other two contractors only, but at the higher rate. Contracts were accordingly concluded with them in March, 1959. The total quantity of work awarded was also increased by withdrawing 3,000 rft. from the existing contractor in view of his poor progress of work. The extra expenditure involved in respect of 5,080 rft. amounted to Rs. 51,000 approximately.

33. The Committee were informed in evidence that according to the revised decision the construction of the entire 7,080 rft. of tunnel was to be completed by the 31st July, 1959. As the progress of work (till February, 1958) by the contractor who had already been given the work of construction of 5000 rft. was very slow, fresh tenders had to be invited. Of the three tenders received, one was from the contractor who was already doing the work. Another had already got 4 or 5 other works of the Company in hand and his progress had also been unsatisfactory. The third party (highest tenders) was also not suitable as it offered to complete the work in 8 months while the Company wanted the work to be completed in 4½ months. The work was, therefore, entrusted to a fourth contractor who had been working with the Company satisfactorily and was prepared to undertake the work at rates quoted by the highest tenderer.

34. The Committee enquired why a penalty was not imposed on the first contractor for slow progress of work. They were informed that while that contractor was doing the work and the stipulated date of its completion viz. 31st July, 1959 had not expired, a portion of his work was withdrawn and entrusted to a new contractor. It had not been considered whether any penalty could be imposed on him. If legal opinion favoured such an imposition, action would be taken accordingly.

The Committee suggests that legal opinion with regard to imposition of penalty on the first contractor should be obtained early.

Excess payment to consultants, para 60 (iii) of the Audit Report, pages 57-58.

35. The agreement with the firm of Consultants Associated Electricals Industries Ltd., entered into by Government in November, 1955 *inter alia* provided for payment to them by instalments, of a

sum of £400,000 as remuneration for their services. This was a fixed and all inclusive amount, which took into account the remuneration payable to subsidiary firms whose collaboration was, as provided in the agreement, to be secured by the Consultants for the manufacture of static capacitors and hydraulic turbines.

The Consultants entered into an agreement with another foreign firm on 15th January, 1959 regarding the manufacture of static capacitors. Under this agreement the Consultants were to pay or reimburse the subsidiary consultants *inter alia* £6,000 in four instalments of £1,500 each, the first instalment being payable within six months of the receipt of the detailed project report. The subsidiary agreement, however, provided that all payments under the agreement shall be made by the Consultants to the subsidiary Consultants as and when the corresponding payment shall be received from the Government or the Company by the Consultant, and the Consultants shall receive the payment as agent for the subsidiary Consultants. The terms of the subsidiary agreement were approved and accepted by the Company and the Government of India on 15th January, 1959 although they were not a party to it.

In pursuance of the subsidiary agreement, the Consultants demanded from the Company the payment of the first instalment of £1,500 to the subsidiary Consultants and the amount was paid by the Company. Subsequently, however, the Ministry of Commerce & Industry in a letter dated the 21st March, 1959 to the Company questioned the claim of the Consultants for the reimbursement of the payment made under the subsidiary agreement and stated that the intention of this clause was to ensure that no tax liability fell on the Consultants for the payments to be made by them to the Subsidiary Consultants. The Ministry also pointed out that the Consultants had categorically stated in their letter dated 19th June, 1955 to the Enquiry Committee, Heavy Electrical Equipment Project that the lumpsum payment of £400,000 would not be increased on account of their having to secure collaboration from the subsidiary Consultants. The Consultants refused to accept the contention of the Ministry on the plea that the subsidiary agreement, which was finalised on 15th January, 1959 with the approval and acceptance of the Company and the Government superseded the terms of their letter dated 19th June, 1955.

36. The Secretary of the Ministry stated that the letter dated the 19th June, 1955 pertained to the earlier stage of negotiations with the consultants whereas the agreement which was concluded in November, 1955 provided *inter alia* that if the Consultants entered into

some arrangements with other specialist in the field, Government's approval should be obtained thereto. Additional payments consequent on the arrangement referred to, though not specifically provided for in the agreement, could not be ruled out. The intention of the agreement was known to the Government negotiators who were also present when the subsidiary agreement was being discussed. The following statement appearing in a letter dated 5th April, 1956 addressed by the late Ministry of Production to M/s A.E.I. was cited in support of the above statement:

"Subject to the approval of your Agreement with M/s English Electric Co., the Government of India undertook to reimburse you for all payments to the English Electric Co. (U.K.) for which you may be liable under it."

It was added that the Ministry of Law had also confirmed on the 22nd April, 1960 that additional payment was due to the Consultants.

37. The Committee find it difficult to accept the above reasoning. In their opinion, the agreement signed in November, 1955 duly took into account the categorical statement made by the Consultants in their letter of 19th June, 1955 to the Enquiry Committee, Heavy Electrical Equipment Project that the lumpsum payment of £400,000 would not be increased on account of their having to secure collaboration from the subsidiary Consultants. This explains the absence of any provision in the agreement covering additional payments, if any, to be made to the Consultants towards the services of subsidiary Consultants obtained by them. The stipulation that Government's prior approval to the arrangements entered into by the Consultants with other specialists should be obtained, obviously served a different purpose since the remuneration paid to the Consultants was already dealt with specifically in the Agreement. Audit cited the opinion of the Law Ministry obtained in this connection in 1956 that any arrangement between the A.E.I. and other specialists was a matter between them only and that 'any royalty or remuneration payable to M/s B.I.C.C. Ltd. (the subsidiary Consultants) for the permission or authorisation shall be paid by M/s A.E.I. (the Consultants). When M/s A.E.I. pass on the designs, drawings, manufacturing methods and technique to the Government of India, then the payment will be governed by the agreement already recorded.' *In the face of this opinion, it passes the comprehension of the Committee how the subsidiary agreement contemplating additional payment was approved and accepted by the Company and the Government on 15th January, 1959. ..It is also inexplicable how the letter dated 5th April, 1956 came to be issued from the late Production Ministry to M/s A.E.I. In the absence of any evidence to prove the abrogation of the Consultants' letter, dated 19th June, 1955, the Committee feel that the matter*

needs further investigation. It is significant in this connection that the Consultants had claimed that the subsidiary agreement which was finalised on 15th January, 1959 with the approval and acceptance of the Company and the Government had superseded the terms of their letter, dated 19th June, 1955. The Committee understand that the relevant file of the Ministry leading to the conclusion of the main agreement in November, 1955 with the technical consultants is missing for a long time. The matter, therefore, calls for a thorough investigation.

Nahan Foundry Ltd.

Loss in the manufacture of Sarovar Pumps—Para 61, pages 58-59.

38. The Company undertook the manufacture of Sarovar Pumps—a new venture—in 1953-54. Out of 15 such Pumps sold in 1954-55 for Rs. 12,400, 13 Pumps valuing Rs. 8,300 were returned by the purchasers on account of certain defects inherent in their manufacture. The production of Pumps was stopped in July, 1955 when a stock of 78 Pumps had accumulated. This together with spare parts was classified as scrap as per the decision of the Board of Directors taken on the 19th February, 1957. The net resultant loss on this manufacture amounted to Rs. 1,22,998

39. In evidence, the Committee were informed that the manufacture of Sarovar Pumps was undertaken to diversify the production of the Foundry when it had lost its market in West Punjab after Partition. The Pump was designed by the then General Manager of the Foundry. Manufacture of the Pumps was undertaken after a unit tested by the Agriculture Engineer at the Government Farm, Karnal had shown satisfactory results. Investigation of the complaints received in respect of the Pumps sold in 1954-55, however, disclosed that the design itself was defective. It was also felt that the foundry was not in a position to compete with other manufacturers in this line. Further production was, therefore, stopped. But the Pumps for which the cast had already been made were assembled.

40. The Committee enquired about the action taken against the General Manager of the Foundry for the production of defective Pumps. They were informed that after investigating into the matter, Government had taken the view that there were no *mala fides* in this case. The experiments, though unsuccessful, had been launched by the General Manager with the best of intentions to make the Foundry an economic unit. It was at the most an error of judgment on the part of that officer.

The Committee, however, note that the Chairman of the Committee appointed by Government in 1955 to enquire into various issues connected with the working of the Foundry had observed in this regard as follows:—

“The development of Sarovar Pump had not been very scientifically planned. The development from one stage to another had been rather too hurried and scant respect had been paid to the accepted principles of modern methods of designs. The hit and miss process adopted by the General Manager at every stage of manufacture of Sarovar Pumps was unquestionably expensive and out-dated. These pumps were at no stage properly tested. More objectionable still are the sales of these Sarovar Pumps which were at regular intervals discarded in favour of next design. Such pumps being faulty in design and inefficient in working brought a lot of disappointment to the customers. Had these pumps been perfected after adequate tests had been carried out the Foundry would have saved apart from other losses the loss of reputation among the customers that was caused by the sale of pumps on the exaggerated claims made of the results to be expected therefrom.”

41. *While the Committee do not want to make any comment which will discourage experimental zeal and initiative on the part of officers, they feel that technical officers in charge of Public enterprises should see that designs or processes evolved have sufficiently passed the experimental stage to justify expenditure on a large scale. The above observations indicate that the General Manager in his enthusiasm did not exercise ordinary care and prudence in processing the development of the pump. Apparently the tests conducted at the Government Farm, Karnal, were not quite adequate. The Committee, therefore, desire that the matter should be reviewed and responsibility fixed for the lapses.*

National Small Industries Corporation Limited.

Loss in Supply of Shoes to foreign countries—para 62 of Audit Report pages 59-60.

42. (a) In October 1956, the Corporation received through the State Trading Corporation an order for supply of 3 lakh pairs of shoes to Russia, to be completed by February 1957. There were heavy rejections by the Russian Inspectors in the shoes supplied, and due to consequent delay in supply, the order was twice reduced and finally stood in May, 1957 at 2.5 lakh pairs. The date of completion

of the order was also extended to 31st August, 1957. Because of the heavy rejections, the fabricators through whom the Corporation were getting the shoes produced, were reluctant to continue the production. The Corporation, therefore, assured the fabricators that if the shoes were accepted by their own Inspectors, full payment would be made to them even though the Russians did not accept them. Production continued on this understanding. Continuity in production was recommended in the expectation of getting more orders from Russia or of finding new markets. As these expectations, however, did not materialise the National Small Industries Corporation had, in September, 1957 a surplus of 54,594 pairs of shoes. The consignees had deducted a sum of Rs. 27,060 on account of the sub-standard shoes accepted by them. This deduction could not be passed on to the fabricators in terms of their contract with the National Small Industries Corporation as the State Trading Corporation were unable to obtain from the consignees the particulars of sub-standard acceptances.

(b) In July, 1957 the Corporation received another order through the State Trading Corporation for supply of 54,000 pairs of shoes to Poland. The order was placed by that country on the basis of samples sent by the Corporation subject to certain modifications which required clarification. However, on instruction from the State Trading Corporation the National Small Industries Corporation had by then accepted after inspection by their own inspectors, 13,132 pairs from the fabricators without obtaining the requisite clarification from Poland. These shoes were, however, rejected by the buyer's expert. *The Committee feel that the action of the S.T.C. in ordering the manufacture of shoes before the necessary clarification was received, lacked justification.*

The total value of the shoes rejected by Russia and Poland in the above two contracts and lying in stock with the Corporation since September/November, 1957, was Rs. 10,20,360.

43. The Committee were informed in evidence that the main reason for the loss in regard to the supplies to Russia was the manufacture of shoes in excess of requirements. Rejections by Russian inspectors, heavy though they were in the initial stages, did not cause any loss as the rejected shoes were returned to the fabricators. When asked to explain the reasons for the manufacture of surplus shoes and for failure to conform to the time schedule for supplies as per contract, it was urged by the representatives of the National Small Industries Corporation that the export of shoes at that stage was a promotional venture and should not, therefore, be viewed from a commercial angle. Further as the fabrication was done manually

by a large number of small fabricators, there were difficulties in precisely assessing the actual number of shoes which would come upto the standard of specification. For the same reason there were variations in the shoes which though minor were not acceptable to the buyers. The surplus shoes manufactured thus represented partly a cushion to provide against rejections and partly stock to meet further orders from the foreign country.

44. *The Committee are not fully satisfied with the above explanation. Even granting that difficulties, sometimes unforeseen, crop up when a new venture is undertaken, they feel that the manner in which the National Small Industries Corporation had executed this deal indicated lack of planning and fore-thought.*

The Committee are of the view that in any new venture of this kind creation of confidence in the foreign buyer regarding our capacity to fulfil the contract according to the time schedule is of the utmost importance. The Committee trust that this will be kept in view by the State Trading Corporation and the National Small Industries Corporation in their future commercial deals.

State Trading Corporation of India Ltd.

Excess payment to Importer-Distributor—para 64(i) of Audit Report —pages 62-63.

45. A firm appointed in 1956 as importers and distributors for cement quoted the rates of Rs. 4-4 and Rs. 9-4 per ton as distribution charges for deliveries ex-post warehouses and ex-city godowns respectively. However, as Government anticipated that the major portion of the stock would be cleared ex-city godowns the rates were negotiated with the firm and changed *ad hoc* to Rs. 6-8 and Rs. 7-4 per ton for deliveries ex-port warehouses and ex-city godowns respectively, on the assurance from the firm that in the event of the actual expenditure being less than the revised rates, the difference would be refunded to Government. Out of a total quantity of 75,200 tons of cement imported from May, 1956 to October, 1957, 74,432 tons were delivered ex-port warehouses and only 416 tons were delivered ex-city godowns. The payment of distribution charges to the firm at the revised rates resulted in net extra payment of Rs. 96,640 after deducting Rs. 70,000 subsequently refunded by the firm on an *ad hoc* basis.

46. The Committee wanted to know the reasons for awarding the contract to the firm by negotiation and the basis for raising the rate for deliveries of cement ex-port warehouses. The representative of the Ministry stated that cement not having been imported during the

preceding five to six years there were very few firms which had the experience of handling import and distribution of cement. Only two firms were considered to be experienced in the line and they were asked to send their quotations. The firm whose quotations were lower was also considered to be more experienced and was appointed as importers and distributors. As regards the *ad hoc* revision of the rates, the witness stated that this contract was awarded in May, 1956 when the State Trading Corporation had not been established. Owing to the onset of monsoon, it was felt that a greater part of the imports would have to be distributed ex-city godowns. Therefore, it was considered advantageous to get the ex-city godown rate reduced and the revised negotiated rates were accepted after the matter had been examined in detail. However, the policy of Government was later on revised and the distribution of cement was taken over by the State Trading Corporation who instead of sending the imported cement into the city godowns sent it straightaway to destinations ex-port warehouses.

47. The Committee, however, understand from Audit that the policy was under the consideration of the Ministry before March, 1956, whereas the revision of rates was confirmed by the Ministry to the firm on 5th March, 1956. *If so, the revised rates were agreed to without careful examination of the proposals under consideration at the time, which was highly objectionable.*

Loss on export of Tobacco to Russia—para 64(ii) of Audit Report—pages 63-64.

48. In July, 1956 the Government of U.S.S.R. requested the State Trading Corporation to supply 44,80,000 lbs. of Flue-Cured Virginia Tobacco of 1956 crop. However, a contract with M/s Razno-Export, Moscow could be finalised only by 31st January, 1957. In the meantime contrary to expectations, the Russians also entered the Tobacco market independently and executed contracts with three private parties for 2,000 tons of tobacco of similar grade. The full requirements of Russian contract could not, therefore, be secured out of the residual quantities of 1956 crop. On the ground that this was the first order from Russians, the Corporation did not consider it expedient to request them to cancel the balance quantity and procured the required quantities of tobacco from 1957 crop resulting in a loss of Rs. 1,38,958.

49. In evidence, it was stated that as a result of glut in the market for this grade of tobacco Government issued a directive in October, 1956 that the State Trading Corporation should promote its export and stabilise the price. The Committee enquired why there had

been so much delay in finalising the contract with Russia. They were informed that the Russians were reluctant to purchase all their requirements through the State Trading Corporation and wanted to enter the open market themselves. It was only after protracted negotiations that they agreed to buy 2,000 tons of tobacco through the State Trading Corporation but at the same time they purchased about 2,000 tons of tobacco from the open market also. In reply to a question, it was stated that in the absence of export control, no restrictions could be imposed on anyone from operating in the open market.

50. *The Committee are not happy at the way in which the Corporation has set about the work in this deal. Apparently, the Corporation had not kept a watch on the market trends. The plea that the Corporation made good the contracted supplies out of the 1957 crop (at a loss to the Corporation) as it was the first order from the Russians is also not convincing as the Corporation had a strong case to seek cancellation of the quantity which could not be procured from the 1956 crop.*

Trading Account—Chilean Nitrate—comments of C. & A.G. on the Accounts of the State Trading Corporation for 1958-59.

51. The Corporation *suo moto* revised the value of a lost consignment of Chilean Nitrate, which had been insured with the Insurance Pool, from Rs. 27,58,320 (C. & F. plus 10 per cent.) to Rs. 26,55,000 (C. & F. plus 5 per cent.) resulting in less recovery of Rs. 1,02,610 from the Insurance Pool after taking into account the refund of the premium of Rs. 710.

52. The Committee were informed that the official concerned had been charge-sheeted and his explanations was under consideration of the Corporation.

The Committee would like to be informed of the outcome of the disciplinary proceedings.

Sindri Fertilizers and Chemicals Limited.

Loss in the catering section of the South Hostel—Para 63 (i), pages 60-61—

53. In September, 1951, the Government of India sanctioned the continuation of the system of departmental management of the hostel on the condition that the entire cost of catering is recovered from the boarders and that no expenditure, direct or indirect, falls on Government. The Management was also authorised to revise the 2050 (Aii) LS—3.

rates of hostel charges as and when required. Loss to the extent of Rs. 69,000 (incurred upto 31st March, 1951) was written off by the Government of India in August, 1958. Subsequently during the two years upto 31st March, 1953 no Proforma Accounts were drawn up. During the period from 1953-54 to 1958-59 the direct expenditure in the Boarding section of the Hostel exceeded its income by Rs. 1,16,657 in addition to an estimated indirect expenditure of Rs. 36,765 which had not been accounted for in the Proforma Accounts of the hostel. The receipts during the years 1953-54, 1955-56 and 1957-58 did not cover even the cost of provisions consumed. A Committee was appointed in March, 1959 to go into this question and to suggest ways and means of remedying the position.

54. In evidence the representative of the Ministry of Commerce and Industry stated that the loss in the Boarding section of the hostel was mainly due to three factors. Firstly, the percentage of establishment charges incurred on Khansamas, etc. was high. Though the number of visitors who stayed in the hostel was generally not large, it was still necessary to maintain a certain minimum staff as on some days the occupancy of the Hostel was heavy. Secondly in some cases visitors changed their programme at the last minute resulting in wastage of food prepared for them. The visitors did not like to be charged for the food not taken by them. Thirdly minimum stock of provisions had to be kept in reserve and sometimes it had gone waste due to low occupancy during certain periods. The Committee were however informed that certain proposals were under the consideration of the company to improve the financial working of the Boarding Section. The Committee appointed in March, 1959 had also expressed the need for closer supervision.

55. *The Committee find no justification for the heavy loss suffered by the Company in running the Boarding Section of the hostel. It is regrettable that although the income from the Boarding Section was not sufficient in some years to cover even the cost of provisions consumed no effective steps have been taken so far by the Company to improve its financial working. The Committee desire that Government should look into this matter and ensure that loss in running the Boarding Section is minimised.*

*Payment of inventive bonus to the workers of the bagging plant—
Para 63 (ii), page 61*

56. In 1952 an incentive bonus was sanctioned by the Managing Director to the workers of the Bagging Plant. It was, however, found that the standard of performance fixed at 400 bags per team in 1952 was very low, and the actual performance was now about 6 to 9 times the standard fixed in 1952, resulting in payment of bonus ranging

from Rs. 51,000 in 1952-53 to Rs. 1.46 lakhs in 1956-57. Audit had pointed out the need for the revision of minimum level of performance in the Reports for 1952-53, and 1953-54 but no action was taken.

57. In evidence, the representative of the company stated that there had been no change in the mechanism of loading since the standard of performance was fixed in 1952. Therefore, if any change in the system of bonus was made there was a risk of labour trouble and resultant interference with despatches. Further the workers of the bagging plant worked under certain special circumstances. They had to work in an acidic atmosphere and the work, particularly of loading, was strenuous in nature. There was also little chance of promotion for these workers. There was heavy idle time involved at this plant as the pressure of loading depended on the availability of wagons. The bonus in this case should, therefore, be considered a piece rate, the basic wage which was kept very low, being merely the retention price for labour. The Committee, however, note that, as pointed out by Audit, despite idle hours the average monthly wages (including bonus) of the bagging plant labour was much more than that of similar labour (having the same basic wage) at other plants. They are not therefore fully convinced by the explanations in this case. In their opinion, no proper time and work studies had apparently been conducted before fixing the standard of performance. It was pointed out to them that within four months of the introduction of the scheme, the Controller of Accounts of the company observed that either the bonus rates were high or the initial basic rate of output was unduly low and suggested that the matter be examined by an expert so as to ensure that the payments were not exorbitant. Had the matter been examined even at that stage, much of the excess payment could have been avoided by introducing remedial measures in time. As the basic output fixed by the company is unduly low compared to the actual performance, the Committee consider that the matter requires review.

MINISTRY OF EDUCATION

Outstanding Recommendations

Presentation of Audit Reports on the Accounts of Central Universities to Parliament—Para 39 of 18th Report of P.A.C. (1958-59).

58. The question of presentation of Audit Reports on the Accounts of Central Universities to Parliament has been long outstanding before the Public Accounts Committee. The matter first came up before the Committee of 1951-52 who concurred in a suggestion of the then C. & A. G. that the President should cause these Reports to be presented to Parliament. [Vide para 36 of First Report (First

Lok Sabha)]. That recommendation was reiterated by the Committee of 1952-53 in para 85 of their 7th Report (1st Lok Sabha). Pursuant to this, the Committee of 1954-55 were assured by the Ministry of Education that early steps would be taken to make a statutory provision for submitting the Audit Report on the Accounts of Central Universities to Parliament. The Committee of 1957-58 were further informed that even in anticipation of necessary provision in the relevant statutes a decision had been taken by the Ministry of Education, in consultation with the C. & A. G. to place the Audit Reports on the Accounts of the Central Universities before Parliament. Similar assurances were also given on the floor of the House from time to time*. The Committee of 1958-59, accordingly, hoped that early steps would be taken by the Ministry of Education to implement these assurances [Vide para 39 of the 18th Report (Second Lok Sabha)].

59. In a note furnished by the Ministry of Education pursuant to the above observation (Appendix II), it has, however, been stated that for the following administrative reasons, Government did not consider it advisable to present Audit Report on the accounts of Central Universities to Parliament.

- (i) In order to preserve the financial autonomy of the Central Universities, their financial affairs should not be made a subject of public controversy or an issue in party politics.
- (ii) The control over the Universities should be indirect and consistent with their place in the national life.

60. *While the Committee are in no way less anxious than the Ministry to preserve the financial autonomy of the Central Universities, they are unable to share the Ministry's apprehension that presentation of Audit Reports on the accounts of these Universities to Parliament might infringe their financial autonomy or result in making their financial affairs a subject of public controversy. They would, in this connection, draw attention to the following observation of the Committee of 1952-53:*

"The Committee do not in any way want to impair the independence of the Universities. All that they are concerned with is that Parliament should be informed more precisely how the grants-in-aid paid to the Universities are:

*Vide Parliamentary Debate, dated :

- (i) 27th September, 1951
- (ii) 18th December, 1958
- (iii) 20th February, 1959

spent and that they are wisely used." [vide para 85 of the 7th Report of P.A.C. (First Lok Sabha)].

The Committee would, therefore, again urge that, in deference to the long-standing desire of the P.A.C. and the repeated assurances given by Government pursuant thereto, early steps should be taken by Government to present Audit Reports on the Accounts of these Universities to Parliament and to incorporate the necessary provision in the relevant statutes.

MINISTRY OF EXTERNAL AFFAIRS

Audit Report (Civil), 1961—Part I

Extra-expenditure, Para 16, pages 17-18

61. An Indian Mission requested Government in October, 1952 for permission to employ cleaners at the residence of the Head of the Mission at Government expense. Government replied in June, 1953, that this proposal could not be accepted as the requirements of staff for the residence had been taken into account when fixing the *frais* for the Head of the Mission. Despite this, the Mission allotted one cleaner from April, 1955 and a second from January, 1956 at Government expense, to work at the residence of the Head of the Mission resulting in an expenditure of Rs. 29,604 upto 31st March, 1959 on their pay and allowances. In July, 1958 the Mission approached Government for sanction to this arrangement on the ground that the residence was too large for the cost of cleaners to be met by the Head of the Mission out of his *frais*. But that reference was mislaid and a reply thereto delayed. Government issued *ex post facto* sanction on 24th March, 1961 for expenditure incurred upto 30th April, 1961. It was also decided to abolish the two posts from the regular establishment with effect from 1st May, 1961 and to raise the *frais* of the Head of the Mission from that date so that the cleaners might be paid out of the *frais* and not from Government funds.

62. The Special Secretary of the Ministry admitted that the case disclosed lapses for which both the Ministry and the Mission were responsible. Even granting that rejection by the Ministry of the Mission's request in June 1953 was based on incorrect appreciation of the facts of the case, the Committee cannot but deprecate the scant respect paid by the Mission to Government's orders. The unauthorised arrangement was continued for over three years after which *ex post facto* sanction was applied for in July, 1958. *The Committee are surprised that the Finance Ministry should have acquiesced in this situation.*

63. Another aspect which causes concern to the Committee is the delay on the part of the Ministry in sending a reply to the Mission. The plea that the reference made by the Mission in July, 1958 had been mislaid is unconvincing. *The Committee desire that the Ministry might look into this matter and deal appropriately with the officials concerned, as loss of records in such an important Ministry will have serious repercussions.*

Defects in the maintenance of accounts of furniture, etc. in Indian Missions abroad, Para 71, pages 72-73.

64. Local inspections conducted between 1955 and 1959 in several Missions revealed the following types of irregularities:

- (a) excessive purchase of costly articles like dinner and tea sets and special articles of furniture without prior sanction of Government;
- (b) purchases without obtaining competitive quotations;
- (c) non-maintenance of the stock accounts in the prescribed forms;
- (d) omission to record particulars of vouchers of payments, dates of payment, etc. and to indicate proper descriptions of articles to guard against their removal or replacement;
- (e) absence of annual physical verification of stocks;
- (f) failure to investigate and fix responsibility for the losses or to record formal certificates in respect of articles handed over/taken over by the outgoing/incoming officers; and
- (g) excessive supply of furniture at officers' residences without rent.

One or the other irregularity of the types mentioned above was indicated against 22 Missions at Colombo, Belgrade, Paris, Bonn, Brussels, Hague, Prague, Moscow, Rangoon, Dacca, Jedda, New York, Sourabaya, Manila, Bangkok, Geneva, Peking, Ottawa Rio-de-Jeneiro, Vienna, Rome and Santiago.

In 17 Missions physical verification of stock was not done annually.

65. The Committee were informed by Audit that there had been additions to the list of places where physical verification of stock was not being done regularly. *The Committee are concerned to note the extent of default in conducting stock verifications and the prevalence*

of defects in the maintenance of stock accounts in the Missions abroad. They were surprised to learn in the Embassy at Peking where the last audit had taken place in August, 1960, verification of stock had been taken in hand only in August 1961. They are unable to accept the plea that omissions in the annual stock verification were due to absence of special staff for doing this work and that the work was onerous in nature. In their view, the lapses disclosed by Audit indicate lack of proper supervision and control. They feel that in the interests of efficiency and economy such lapses should not be condoned as a matter of course, but should be dealt with firmly.

MINISTRY OF FINANCE

(DEPARTMENT OF ECONOMIC AFFAIRS)

Audit Report (Civil), 1961—Part I

Loss due to non-recovery of service charges from a foreign Government, para 18, page 20.

66. In terms of a Technical Assistance Agreement dated 25th June, 1953 between the Governments of India and U.S.A. the actual expenditure incurred for a period of approximately one year on the services of five foreign engineers for the operation of the Bokaro Thermal Plant built by Damodar Valley Corporation, was to be reimbursed by the Government of U.S.A. up to an amount of Rs. 4,04,762.

The actual expenditure on the engineers amounted to Rs. 3,33,557 but reimbursement was not obtained for any part of that expenditure as the India Supply Mission, Washington was not aware of the arrangement that the expenditure was to be reimbursed by the U.S. Government.

In November, 1958, when an attempt was made by the Government of India to obtain reimbursement from the U.S. Government. they were informed that the agreement had lapsed in May, 1958 and the amount of Rs. 4,04,762 had been reallocated for other purposes.

67. In evidence it was stated that although there had been a failure on the part of the Ministry to inform the I.S.M. Washington that the expenditure was reimbursible by the U.S. Government, there was no net loss to Government as the amount formed part of the totality of U.S. funds available to the Government of India which was not reduced. *The Committee were also assured that steps had been taken to avoid lapses of this kind in future. They hope that such failures which leave an unfavourable impression abroad will not recur.*

Erroneous drawal of commission by authorised agents for the sale of National Savings/National Plan Certifications, etc.—Para 17, pages 18-19.

68. A test audit of commission paid to the authorised agents in Madras, Bombay and Calcutta undertaken in 1959 at the request of Government had revealed various cases of irregular payments to agents (a) on certificates purchased directly by the investors (b) on investments from Provident Fund money etc., (the scheme did not envisage payment of commission in such cases), (c) on investments in respect of which there was a failure to present the receipt books at Post Offices (under the Rules such investment should be deemed as direct investment). There were various other irregularities also.

Under the scheme, agents in the City should ensure a minimum business of Rs. 5,000/- a quarter and failure to do so would entail the termination of the agency. Audit noticed that in Madras this condition had not been enforced even in cases where there was failure in successive quarters.

69. In evidence the Secretary of the Ministry advanced the plea that as Government were anxious to build up business, it was not considered desirable to terminate the agencies of those who had failed to collect the prescribed quota. It was also stated that agencies were being given for a period of three years. As they became due for renewal, the services of unsatisfactory agents would be dispensed with. *The Committee feel that agencies are likely to become slack if they are continued as a matter of course for the full initial term of three years. In their opinion, it is essential to keep the work of the agencies under review from year to year and such of the agencies as are found indifferent or inefficient in getting business should be weeded out as and when considered necessary.*

70. The Public Accounts Committee (1958-59) in paras 58 and 59 of their Eighteenth Report had occasion to comment on certain cases in the Delhi Area, of irregular drawal of commission on the sale of National Savings/Plan Certificates by two authorised agents. They had expressed doubts whether the erroneous drawal of commission by two agents in Delhi area might not be symptomatic of a widespread disease. They were informed by the Ministry of Finance (Department of Economic Affairs) that with a view to finding out whether similar malpractices were prevalent in other areas, special enquiry teams were set up jointly with the P. & T. authorities at 12 major centres. The C. & A. G. was also asked to conduct special audits at Calcutta, Bombay and Madras.

71. The irregularities mentioned in the Audit Report confirm the apprehension of the Committee that the incidence of irregularities was widespread. The Committee inquired what action had been taken against the agencies who had committed irregularities. They were informed that out of 556 cases reported from Calcutta and Madras, further investigation in 189 cases was not made as the investment was less than Rs. 1000/- in each of these cases. Of the balance, it had been possible to establish fraud only in 44 cases which had been reported to the Police and to the P. & T. Board and the agencies had been terminated. Action against the Postal staff involved in the frauds was under contemplation by the P. & T. Department. In 53 other cases where the agents had fraudulently given signatures of the investors, the matter had been referred to the Police. While the Committee appreciate the difficulties in establishing frauds in a conclusive manner for prosecution purposes in such cases, they feel that unscrupulous agencies which cannot be prosecuted can and should be dealt with other-wise. The Committee also desire that departmental action against the Postal officials concerned should be completed early.

72. The Committee inquired whether such irregularities still continued. They were assured that with the introduction of certain change in the scheme with effect from the 1st October, 1960, it was not now possible for any agent to collude with the postal staff and convert a direct sale into an agency sale. The Committee, however, feel that there is no room for complacency in this regard and that mere procedural changes cannot be a substitute for administrative vigilance.

Infrauctuous expenditure on the Silver Refinery Plant due to failure of the suppliers in commissioning, Para 19, pages 20-21.

73. The Silver Refinery Plant, the work on which was completed in December, 1958, had not been taken over from the suppliers even upto January, 1961 due to the repeated failures of the furnace crucibles of the plant. As a result, in addition to the extra expenditure of Rs. 4,34,827 incurred upto February, 1959 due to delays in erection and installation of the plant, expenditure of Rs. 1,44,266 on pay, allowances, etc., of the foreign and local personnel incurred from March, 1959 to January, 1961 had proved nugatory. Further, the outlay on the work had gone up by Rs. 9,03,155 due to additional interest charges from March, 1959 to January, 1961. The question of apportioning the infructuous expenditure between the Government and the foreign suppliers, responsible for the proper/erection, testing and putting into service of the plant under the agreement, had been under Government's consideration since February, 1960.

74. In evidence, the Committee were informed that the foreign suppliers had denied their responsibility and the matter was being considered in consultation with the Ministry of Law. Meanwhile, ten per cent of the payment due to the suppliers had been withheld. An Indian contractor linked with them had played a major part in the erection of the plant and an amount of Rs. 75,000/- due to him had also been held back. The Committee would await the outcome of this case. They learnt that even by August, 1961, the refinery was only working to half of its capacity. The Ministry's representative could not state when the full production capacity would be realised. *While the Committee would watch the attainment of full production capacity of the plant, they would like to invite the attention of the Ministry of Finance to their earlier recommendations contained in para 36 of their 25th Report (1959-60)—Vol. I and para 113 of the 46th Report of the Estimates Committee (1958-59). They regret that no decision on the alternative uses of the silver refinery plant has so far been taken, although considerable time has elapsed since.*

75. *The Committee of 1959-60 were informed that the stocks of Quaternary Alloy Coins would keep the refinery busy for a period of five years only. It is all the more necessary, therefore, that a decision on this question is taken before the available stocks of silver are exhausted so that the plant erected at a cost of over a crore of rupees does not remain idle thereafter.*

Investment in International Finance Corporation, Para 73, page 74.

76. The Government of India is one of the original members of the International Finance Corporation formed in August, 1956 and have invested a sum of \$4,431,000 (about Rs. 2.11 crores) as share capital in the Corporation. The purpose of the Corporation is to help productive private enterprises in underdeveloped countries by movement of funds from capital-exporting countries so as to further their economic development. On 30th June, 1960 the subscribed capital of the Corporation amounted to \$96,506,000. Of this, only about 10 per cent had actually been invested in enterprises in underdeveloped countries and no part of that investment had come to India.

77. The Committee were informed that the Corporation had approved of one loan but the Indian applicant had himself decided not to proceed further. Another case approved by the Corporation had to be dropped as doubts had arisen about the *bona fides* of the party. At present two projects were under finalisation. Government were aware that the Corporation's rate of interest (7 to 8 per cent plus the right of participation in profits and also in shares in

some cases) was unattractive and efforts were being made to reduce the rates. The Committee desire that Government should continue their efforts so that the Corporation could live upto its avowed purpose of helping productive private enterprises in underdeveloped countries. The Committee understand that a change in the Articles of Association had been proposed so as to enable the Corporation to make equity investments. They would like to be informed of further developments in this behalf.

Outstanding Recommendations

Regularisation of expenditure incurred without approval of Parliament or State Legislature on an item adjudged as New Service after the close of the year—Paras 110-111 of the 7th Report.

78. The Public Accounts Committee in para 392 of their Seventh Report (Second Lok Sabha) considered a case which occurred in the State of U.P. wherein a sum of Rs. 10,000 was spent on certain Exhibition (considered to be a new service after the close of the year) from out of the savings available under other heads without obtaining a token Supplementary Grant during the financial year. The Comptroller and Auditor General brought this case to the notice of the P.A.C. as in his opinion "it raised a very important question of principle in relation to Parliamentary control over expenditure". It was held by Audit that as the money had been spent without the authority of law as required under Article 266 (3) of the Constitution, the expenditure must be deemed to have been automatically disallowed and the resulting 'excess' should, therefore, be regularised by the Legislature.

79. When this matter came up before the Public Accounts Committee in January, 1958, the representative of the Ministry of Law explained in evidence that there was no provision in the Constitution at present to regularise such cases of technical excesses which did not result in excesses over the Grant as a whole. The representative of the Ministry of Finance also felt that there was a lacuna in the Constitution in this respect and observed that Government would abide by the ruling of the Public Accounts Committee in the matter. The Committee suggested that the Ministry of Finance might examine, in consultation with the Attorney General, if necessary, whether such cases could be brought within the scope of "exceptional grants" envisaged in article 116(1) (c) of the Constitution.

80. Accordingly the Ministry of Finance (Department of Economic Affairs) submitted a Memorandum to the Public Accounts Committee. (Appendix III). It is seen therefrom that the Attorney General has agreed with the Law Ministry that there is no provision in the

Constitution to regularise by law an "excess" expenditure of this kind. In his opinion, the provisions of Article 115(1) (a) and (b) are not applicable to this case inasmuch as both parts of Article 115(1) (a) contemplate a supplementary, additional or excess grant during the "current financial year" and Article 115(1) (b) contemplates excess expenditure for a particular service over the amount granted for that service for that year (in the present case no grant has been made for this expenditure). He has added that "if it is desired to approach the Legislature for regularising the expenditure the only possible method is to approach it by putting a strained construction on the language of Article 116(1) (c)", although he is doubtful whether "unauthorised" expenditure of this nature could legitimately be a subject of an "exceptional grant" and satisfy the description "which forms no part of the current service of any financial year."

81. The Committee, however, find that prior to the coming into force of the Constitution, the procedure followed in such cases was to expand the usual form of the Resolution for taking the report of the Public Accounts Committee into consideration by the legislature so as to include—

"and that the Assembly do approve the expenditure of
Rs.".*

This procedure was decided upon after careful consideration by the Public Accounts Committee followed by a discussion between the then Chairman of the Committee and the Hon'ble President of the Legislative Assembly. It was also felt at that time that rule 49 of the Indian Legislative Assembly Rules [which corresponds to Article 115(1) (b)] did not cover unauthorised expenditure of this kind and there was a lacuna. The only way to regularise the default was, therefore, to get sanction of the House by moving a resolution in this regard.

82. The unauthorised expenditure in the present case has been incurred on a service adjudged as "new service" without causing any excess over the grant as a whole. In the law made by Parliament every year under Article 114(3) of the Constitution, the amounts authorised are shown according to the Votes (demands) to be appropriated for the services and purposes expressed in the Schedule thereto in relation to the said year. In order to ensure Parliamentary control each demand is split up into a number of sub-heads; (these are not indicated in the Appropriation Act) and the Executive has been vested with power to re-appropriate from one sub-head to another or even open new sub-heads so long as the expenditure contemplated is within the demand. Such a delegation to the Executive

*Para 29 of the Report of the P.A.C. on the Accounts of 1930-31 Part II, Railway Accounts.

does not in any way affect Parliamentary control over expenditure as in these matters Parliament exercises necessary control through the Finance Ministry and the Public Accounts Committee. If, in a case, it turns out that funds have either been reappropriated or utilised for meeting expenditure on an item not contemplated in the demand and such expenditure has been discovered after the close of the financial year, it shall be brought to the notice of the Public Accounts Committee through the Audit Report. The Public Accounts Committee shall bring it to the notice of Parliament, and if they agree with the observations in the Audit Report, they may recommend that Parliament may approve the expenditure. No fresh vote for the expenditure is called for as the money already voted by Parliament for that particular demand has not been exceeded. The Committee are of the opinion that as in the pre-Constitution days, such cases can be brought before Parliament for approval, without violating any of the provisions of the Constitution, by moving a resolution in appropriate terms and getting its approval ex-post-facto to the money spent on such items. However, in cases where by incurring such expenditure, the amount authorised by Parliament for a particular demand (Service) for that year has been exceeded the provisions of Article 115(1) (b) of the Constitution will be attracted, and the excess will have to be regularised under those provisions.

REHABILITATION FINANCE ADMINISTRATION

Outstanding Recommendations

Directions by the Government to their representatives on the Board of Directors of Public Undertakings/Corporations, etc.—Para 76, 18th Report (Second Lok Sabha).

83. Commenting upon the cases of irregularities in the R.F.A. the Public Accounts Committee in para 76 of their 18th Report (Second Lok Sabha) observed that cases had come to the notice of the Committee where Government representatives on the Boards of autonomous bodies failed to warn Government in time regarding the unwise activities or investment etc. of such Boards. The Committee, therefore, desired that Government should impress upon their nominees on autonomous bodies this important aspect of their duties.

84. In a note* submitted to the Committee the Ministry of Finance (Department of Expenditure) stated that the representatives of Government on the Boards of Directors of autonomous corporations and companies are senior officers who, by virtue of their experience and standing, while participating in the deliberations of the Boards are

*Not printed.

expected to ensure, by and large, that the known policies of Government and the objectives and responsibilities entrusted to the corporations are discharged in the most satisfactory manner. In the event of any difference with their colleagues on the Board on any substantial matter, the Government representatives are expected to bring the matter to the notice of the Government but no formal instructions have been issued to them on this matter, nor is it considered necessary or desirable to do so.

85. *The Committee find it difficult to accept the reply of the Ministry in this case. They do not see how the Ministry feel that it is neither necessary nor desirable to issue formal instructions to the representatives of the Government on the Board of Directors of Public Undertakings/Corporations in this regard when the principle underlying the recommendation has been accepted by the Ministry. In the Committee's opinion it is desirable in the interest of both the Government and the Government Directors that formal instructions should be issued enjoining upon the Government Directors that they should apprise Government of matters over which they do not agree with the views or decisions of the Board of Directors.*

MINISTRY OF FOOD & AGRICULTURE

(Department of Agriculture)

Non-enforcement of the terms of an agreement—Para 20 of the Audit Report (Civil), 1961—Part 1, pages 21-22.

86. **The North Andaman Agreement of Licence entered into with a firm in August, 1951 for extraction of timber in the forests of Andaman and Nicobar provided *inter alia* the setting up of certain factories by the licensee firm for which Government were to render all reasonable assistance such as, providing land, securing import permits for getting building materials, machinery, plant, etc. The firm failed to erect the requisite factories within the stipulated period of 48 months of the signing of the agreement which expired on 31st August, 1955. A notice was served on the firm on the 5th May, 1956 to show cause why the penalty provisions of the agreement should not be enforced. On a representation of the firm, made on the 28th May, 1956, the Ministry of Law advised on 20th November, 1956 that as Government had not made formal allotment of a part of the land for erection of the factories and executed a lease deed, the time for erection of the factories should be extended. Accordingly, at a meeting with the firm on 31st January, 1957, it was decided that the time limit for completion of the factories would be extended by 16 months from the date on which the firm were let into peaceful posses-**

sion of the land under a letter of allotment formally executed on behalf of the President by an authorised officer. The firm did not, however, take any effective steps for the erection of the factories and were again served on 18th May, 1959 with a notice of cancellation of agreement. The firm again took the plea that the absence of a sound title to the land was the cause of delay. The Ministry of Law also advised that as Government had failed to make the allotment of land under a letter of allotment formally executed on behalf of the President by an authorised officer, the period of extension of 16 months had not begun to run and that the termination of the contract would be successfully challenged as illegal.

87. The Secretary of the Ministry admitted in evidence that from 1951 to 1955, Government neither took any steps to execute the lease deed for handing over the land to the firm nor did they ascertain the progress in the erection of factories. When the firm asked for licence to import building materials, machinery, plant, etc. it was realised that there had been a failure on Government's side to get a formal lease deed executed. He further explained that the Deputy Commissioner of Andamans had allowed the firm to take physical possession of the land and had issued a letter of allotment therefor. The firm were also paying rent for the land. The Local Administration had, therefore, taken the view that the provisions of the agreement had been complied with by Government. This view was, however, rejected by the Ministry of Law who advised in November, 1956 that Government should formally allot the land to the firm and execute a lease deed. A lease deed was accordingly drafted and the draft was sent to the firm in 1957. But the firm raised some objections and produced a counter-draft after a year. Audit pointed out that according to the Law Ministry the draft deed sent on behalf of Government was also defective as it was not in the name of the President. Nothing further happened till 18th May, 1959, when the firm were again served with a notice of cancellation of agreement. Asked whether the lease deed had since been executed, the Secretary replied in the negative. He added that the firm had not accepted the basis for the calculation of royalty and had sought arbitration.

88. *It is clear from the above that the firm had cleverly evaded their contractual obligation to set up factories by taking advantage of the technical flaw in the implementation of Government's obligations under the contract. The firm could successfully do so because of the woeful lack of supervision on the execution of this contract worth crores of rupees. Despite the advice given by the Law Ministry in*

November, 1956 regarding the legal implications of the matter, it is a pity the draft lease deed sent to the firm in 1957 was patently defective (viz. that it was not in the name of the President). The superficial manner in which this case has been dealt with by the local Administration and the Ministry all these years has led to the present impasse. The Committee strongly urge that responsibility for these lapses should be fixed.

89. The performance of this firm has come under review year after year by this Committee and has consistently been the object of dissatisfaction to them. The Committee enquired whether there were heavy dues outstanding against the firm. The witness stated that royalty on timber extracted by the firm was being collected in advance at the rate of Rs. 50/- per ton. However, as the firm had been able to extract a maximum of only 35,000 tons per annum against the guaranteed quantity of 75,000 tons of timber annually, a sum of Rs. 2.4 crores was due from the firm on the shortfalls as per the terms of the contract. In a note dated 25th August, 1961 submitted to the Committee (Appendix IV) pursuant to their observations in para 111 of the Eighteenth Report (1958-59), they had been informed that apart from the royalty due on the shortfalls, a sum of Rs. 14.94 lakhs was outstanding as royalty as on 31st March, 1960 "on timber exported and consumed in mill" during the three years 1957-58 to 1959-60. Besides, another Rs. 1.12 lakhs was due towards interest on late payment of royalty assessed up to 1959-60. Statements had also been made before the Committee (para 92 of 34th Report of PAC, 1960-61) that there had been a number of breaches of agreement by the firm and the question of terminating the agreement was under the consideration of Government. Indicating the latest position, the witness stated that as the arbitration proceedings were going on, it was considered advisable not to terminate the agreement.

90. *The Committee feel that before the firm went in for arbitration, there was ample time for Government to consider whether or not the agreement could be terminated. In view of the high stakes involved and the irregular practices and defaults on the part of the firm, it is a matter on which the opinion of the Attorney General should be sought regarding the further course of action. The Committee hope that the arbitration proceedings will be expedited. They also desire to be apprised of further developments in this case.*

Unproductive expenditure on timber seasoning plant, para 23, page 24.

91. A timber seasoning plant with a capacity of 850 tons per annum was installed in the Andamans at a cost of about Rs. 2.09

lakhs. The plant commenced working in January, 1957 but was closed down in September, 1957 due to accumulation of stock of seasoned timber. It was, however, restarted in May, 1959. Only a total quantity of 522 tons 40·75 cft. of the timber was processed till the end of March, 1960. Out of this, 344 tons 44·21 cft. valued at Rs. 1,12,000 were awaiting disposal (March, 1960).

92. The representative of the Ministry explained that the plant was installed at the instance of the local P.W.D. who had placed their monthly requirements of seasoned timber at 200 tons. Government agreed to instal a plant of the capacity of only 850 tons annually. The plant was working regularly, but the off-take by the P.W.D. was not as much as the quantity processed at the plant. (According to Audit off-take of the seasoned timber during the last three years was only 20 per cent of the installed capacity of the plant). The production from 1st April, 1960 to 30th June, 1960 was 259 tons and only 45 tons of timber remained undisposed of till date. Due to transport difficulty, the timber could not be brought to the mainland. A firm had, however, been provided with foreign exchange to buy a ship for transporting the timber from Andamans to the mainland.

93. *The Committee are amazed that the estimate of consumption of seasoned timber given by the P.W.D. of Andaman Administration should have proved so awry. It is also surprising why before installing the plant, a proper survey of actual requirements of timber and possibility of their being marketed outside the Territory was not made. The Committee would like to be informed of the outcome of the efforts to procure a ship for transportation of timber from the mainland.*

(Department of Food)

Audit Report (Civil) 1961—P.T. I

Suspected misappropriation of Government money—Para 21, page 22.

94. Special audit of the accounts of securities of an office in June and October, 1959 disclosed loss of cash received as security and other misappropriation aggregating Rs. 40,640.

95. In evidence, the Committee were informed that failure of supervision in enforcing the rules prescribed as regards accountal of security deposits, their conversion into National Savings Certificates and safe-custody of the latter had led to the misappropriation. If so, 2050 (Aii) LS—4.

the Committee are of opinion that deterrent action is called for against the officials responsible for failure to exercise proper checks. They note that the Accounts Officer who under the Rules was responsible for proper custody of cash and the certificates had already retired from service. They understand that prosecution proceedings had been launched against the Cashier and Asstt. Cashier where there was proof of defalcation and departmental action was being taken in respect of other lapses. The Committee desire that departmental action against those responsible for fraud and against the supervisory officers, for failure to discharge their duty should be finalised quickly.

General irregularities in the accounts of the scheme for the purchase of foodgrains

Loss on account of long storage, para 22(a), page 23.

96. According to the Audit Report, there was no systematic arrangement to ensure that the grains received earlier were disposed of first to avoid loss on account of deterioration in long storage. In five depots alone, grain weighing 85,815 mds. valued at about Rs. 17 lakhs stocked during October, 1954 to June, 1958 had not been disposed of (March, 1961). Some of the stocks had been declared sub-standard.

97. The Committee were informed that a continuous check of the quality of stocks was kept by competent technical staff. The disposal of stock was dependent not on its age but on its condition. The varieties of rice stocked were of better quality which had good storage life. The stocks accumulated as the fair price shops did not take them. The Committee enquired whether some of the stocks had become sub-standard. They were informed that certain stocks of 1954, 1955 and 1956 crops had slightly deteriorated but had not become unfit for human consumption, nor had there been any loss in their disposal. It was, however, admitted that about 2000 tons of 'Sela Basmati' rice were awaiting disposal.

98. In the opinion of the Committee, continued retention for more than 7 years of some varieties of foodgrains acquired in 1954 indicates how ineffective the review of stocks has been. If the fair price shops were reluctant to take the stocks, there was no justification for retaining them in the godowns. The Committee feel that it will be in the interest of both the Government and the Consumer if stocks of foodgrains are controlled on the basis of age with due regard to their condition older stocks being disposed of before they deteriorate.

Infructuous movement of foodgrains, Para 22(b), page 23.

99. There were instances of frequent movements of foodgrains from one depot to another, instead of direct movements from the distributing centres, and also of supply of foodgrains to consignees from depots other than those situated nearest to the consignees. In 16 depots alone, during August, 1958 to February, 1960 an expenditure of Rs. 3.67 lakhs had been incurred on railway freight and handling on movements which, according to Audit, could have been avoided with proper planning.

100. It was explained to the Committee that due to the difficulty in correctly presaging the consumer demands in the different areas on the basis of crop forecasts some cross movement of stocks was inherent in the operations. Such movements were being minimised by keeping the bulk of the stocks in port towns, to the extent the means of transport permitted this. A large number of cases referred to in the Audit Report related to the movement of rice from Bihar to West Bengal. The Committee desired in August, 1961 to be furnished with a note indicating (a) the number of cases where foodgrain had to be rushed to other Depots/consignees in the jurisdiction of other depots during the period August, 1958 to February, 1960 justifying expenditure of Rs. 3.67 lakhs and (b) the standing rules/orders about the movement of foodgrains. *This is still awaited (March, 1962). The Committee suggest that cross movements as in the present case should be periodically reviewed and the stocks re-planned in the light thereof.*

Defects in conducting physical verification of stocks and recording results thereof, Para 22(c), page 23.

101. The physical verification of stocks in storage depots was not being conducted on a systematic basis. In many of the depots where only test checks were conducted, the results of such checks were not being recorded properly in the stock ledger.

102. It was stated before the Committee that there was no general failure to conduct physical verification and that the Ministry were satisfied with the procedure. There were individual lapses which were being dealt with. The Committee desired to be furnished with a note giving (a) the number of cases in which rules regarding physical verification of stocks were not observed by officers, (b) cases in which their explanations were called for, (c) departmental action taken against the officers responsible for the lapses, and (d) the number of cases during the period under report in which shortages had been detected and the number of such cases in which

investigations had been completed. *But they regret to observe that the note is still awaited.*

Defective weighment procedure, para 22(d), page 23.

103. According to the standing orders of the Ministry, the consignments of foodgrains were required to be weighed 100 per cent if non-standardised, and 10 per cent if standardised, on arrival at rail-heads and again in the depots. These instructions were, however, not being followed in a large number of cases. The weighment procedure followed on receipt of consignments in the depots was also not uniform.

104. The Committee were informed that the rules could not be observed at certain places because of physical difficulties, e.g. in Calcutta port 100 per cent weighment was physically impossible as the Port Commissioner would not allow the stocks to be kept in the port for long. *The Committee are hardly convinced by this explanation. They see little purpose in such paper orders which, according to the Ministry's own admission, are not practicable. It is time the Ministry modify the rules suitably, keeping in view the interests of Government.*

Appropriation Accounts (Civil), 1959-60—Vol. VII

Grant No. 120—Purchase of Foodgrains—Audit Comments

105. *Item No. 15, Page 123:—Registers are required to be maintained by the Pay & Accounts Officer (Food & Agriculture) for linking the quantities of foodgrains despatched from docks to depots or from one depot to another with the quantity taken on stock by the receiving depot. A test review of some of the linking registers had revealed that a large number of items were outstanding even though the grains had been transferred more than 2 years ago. The number of unlinked items together with the quantity involved outstanding in the books of Pay & Accounts Officer for the grains transferred upto 31-3-59 was 7,935 involving 226 lakh mds. of wheat and rice.*

The Committee were informed that out of 7,935 items only 900 had been completed. Each and every item was being pursued and the work would be completed in another year. *The Committee are not satisfied with the progress of work. They were assured by the Secretary of the Ministry that the work would be expedited. They would watch the progress of work through future audit reports.*

106. *Item No. 2, page 121*:—According to Audit, Government decision about the form of the Proforma Accounts was still awaited.

The Committee were informed that discrepancies between the financial accounts and proforma accounts had since been largely reconciled and that figures had been accepted by Audit. The Secretary of the Ministry proposed to meet the C&AG and finalise the form of proforma Accounts. *The Committee desire that this matter should not be delayed further.*

MINISTRY OF HEALTH

Infructuous expenditure, para 24, page 25—

107. Certain plots of land at Calcutta were partly requisitioned and partly taken on lease on 19th April, 1947 from private parties and local bodies for starting a Medical College and Hospital. After the College and Hospital had functioned for about three years in barracks and temporary structures erected on these plots of land, Government decided in July, 1950 to close them down in stages and to derequisition the plots of land. The winding-up operation began in June, 1951 and ended in December 1952, but Government have not so far been able to restore the lands to the owners as, during the period 1948-1952, displaced persons and other unauthorised persons occupied the lands and barracks, as and when they fell vacant. As Government could not restore vacant possession of the lands to the owners their liability for rent, taxes, etc. still continues. They had paid till February, 1960 about Rs. 11 lakhs on rent alone at Rs. 12,828 per month and Rs. 28,844 on account of electricity and municipal charges. A further sum of Rs. 27,265 was still to be paid by them on account of municipal taxes due upto March, 1960.

The Works, Housing and Supply Ministry approached the State Government in March, 1954 for assistance in evicting the unauthorised occupants. The State Government, however, felt that alternative accommodation could be provided only to those persons who could prove their refugee status; and that the remaining large number of persons who failed to do so should be evicted under the normal law. The State Government, accordingly, provided alternative accommodation to about 91 displaced families but their removal did not result in the complete vacation of any of the barracks or plots so as to enable Government to restore them to the owners.

In August, 1960 the Ministry stated that suits for the eviction of the unauthorised occupants could not be filed so far as the required particulars for the filing of the suits could not be furnished in spite

of attempts made by the State Government to obtain them from the occupants.

108. The Committee enquired in evidence whether after alternative accommodation had been provided to 91 families, any efforts were made by Government to reshuffle the occupants with a view to having some barracks/plots fully vacated. The representative of the Ministry of Health stated that the portions vacated by these families were reoccupied by other unauthorised persons. On the question of passing on the liability for municipal rates to the Rehabilitation Department of the West Bengal Government or the unauthorised occupants, it was stated that the matter had been taken up with the State Government but there were no prospects of that Government sharing the liability. Nor was there any hope of the liability being borne by the unauthorised occupants.

As regards the prospects of early vacation of the plots, it was stated that according to a letter dated the 1st August, 1961 received from the West Bengal Government, particulars of all the occupants had since been collected and were under final check by a Land Acquisition Officer preparatory to the filing of civil suits against them. It was hoped that in a year or two, the barracks and plots would be got vacated.

109. *The Committee are concerned to note that the unauthorised occupation of the property, continuing for over nine years, has cost Government infructuous expenditure of nearly Rs. 14 lakhs in rent and municipal taxes. While the Committee do not underrate the difficulties faced in getting the property vacated, they cannot overlook the fact that the initial process of unauthorised occupation had continued for full four years during which time there had been a failure to initiate adequate preventive measures. Nor was the matter pursued with due vigour and resourcefulness thereafter. The Committee desire that determined efforts should now be made by the Ministry to get the property vacated early. In view of the large infructuous expenditure incurred in this case the Committee would also suggest that the Ministry should examine whether disciplinary action was not called for against the officers who were charged with the responsibility of getting the property vacated.*

MINISTRY OF HOME AFFAIRS

Non-recovery of a loan—Para 25 of Audit Report, page 26—

110. Government sanctioned on 23rd November, 1961 an interest-free loan of Rs. 25,000 to be paid in five equal annual instalments, to the Criminal Tribes Welfare Board (an unregistered private body).

for starting industries in a reclamation colony at Delhi, with the object of providing gainful occupation for the members of a backward community. The first instalment of Rs. 5,000 was paid on 21st March, 1952. Though an amount of only Rs. 5,000 was payable in the next year towards the second instalment, the entire balance of Rs. 20,000 was disbursed on 31st March, 1953.

The terms and conditions for repayment of the loan were not prescribed initially or even before the payment of the second instalment. No security was taken nor was any bond executed. The fact whether the Board had any assets was not enquired into. The matter regarding the execution of an agreement was first taken up in July, 1956, but in December, 1959 it was considered that no useful purpose would be served by finalising the agreement, as the loanee had become defunct.

The amount of the loan was advanced by the loanee to a Co-operative industrial society, which went into liquidation due to mismanagement and ambezzlement of funds. Neither of the bodies started any industries, and the purpose for which the loan was granted was thus defeated. Effective steps were not taken by Government at any time to ensure proper utilisation of the loan and to effect recoveries. Government were considering the question of writing it off.

111. In his evidence before the Committee, the Secretary, Ministry of Home Affairs, admitted that the correct procedure had not been followed in this case. In extenuation, however, he stated that the unregistered body (the Criminal Tribes Welfare Board) which received the loan had been formed by very eminent persons who had espoused the cause of criminal tribes' welfare on which a lot of public attention had been focussed at that time. He could not give any explanation for the non-execution of an agreement regarding the terms of repayment of the loan even before the second instalment of Rs. 20,000/- was paid to the Board. He observed, however, that as the funds had been embezzled the loan could not have been recovered even if the agreement had been executed with the recipient body. He added that the Manager of the Society responsible for embezzlement of the funds had been prosecuted and convicted.

As regards the disbursement of the entire balance of the loan, that is Rs. 20,000|-, instead of the stipulated instalment of Rs. 5,000/- only, the Secretary stated that the entire balance was disbursed at the instance of the Scheduled Castes Commissioner who had reported that the work of the co-operative society (formed

by the Criminal Tribes Welfare Board) was suffering as the amount of Rs. 5,000/- advanced to it was insufficient, compelling it to borrow from other sources at exorbitant rates of interest. He added that after the disbursement of the first instalment it had been verified that the society was engaged in economic activities and was functioning properly.

112. *The Committee feel that apart from the procedural lapses pointed out by Audit, there had been failure to provide special safeguards which were necessary to ensure that the loan advanced was properly utilized. They were assured that precautionary measures had now been taken and checks devised to ensure proper utilisation of funds advanced to various bodies for the uplift of backward classes. They hope that these will be strictly enforced in future. The Committee are of the view that, precautions apart, it is necessary to ensure that private bodies to whom loans are advanced have competent personnel for the proper administration of the funds. If they lack such personnel, the feasibility of lending the services of qualified men should be examined by Government.*

113. While making the above observations the Committee have also in mind the grant-in-aid paid during 1955-56 and 1956-57 of Rs. 13.92 lakhs to the Sarva Seva Sangh which had no proper schemes and personnel to carry out its work for the development of gramdan villages in Orissa and had failed to produce any beneficial results after having spent a sum of Rs. 6.37 lakhs (paras 65—69 of the 25th Report Vol. II, (Second Lok Sabha). The Committee (1959-60) had been informed that further grants to the Sangh had been stopped by the State Government. The Committee have now learnt that the Government of India have sanctioned in February 1961 a grant of 3.76 lakhs for a new scheme, viz. Boipariguda Pilot development project in the Koraput district, which the Government of Orissa are implementing through the Akhil Bharat Sarva Seva Sangh. A sum of Rs. 1.22 lakhs approximately out of the expenditure approved is to be met from out of the unspent balance of the Sarva Seva Sangh originally earmarked for the development of Sarvaswadan scheme. The Committee hope that this experiment will not meet the fate of the earlier experiment of managing the gramdan villages through the Sarva Seva Sangh. In the light of past experience with this Sangh, the Committee would like to know whether a special watch is being kept on the progress of the present project being implemented through the agency of the Akhil Bharat Sarva Seva Sangh.

Use of the V.I.P. Flight of the Indian Air Force, para 72 of the Audit Report, page 73.

114. The Indian Air Force maintains seven aircraft known as the V.I.P. Flight. The rules regarding the V.I.P. Flight contemplate that except the President, the Vice-President, and the Prime Minister, personages such as other Ministers, Chiefs of Staff etc., are entitled to use the aircraft if it is essential to do so but should make use of commercial air services wherever possible. It appeared, however, on a scrutiny that during 1958-59 and 1959-60, 163 flights in all were undertaken by such other personages between places connected by Indian Airlines Corporation Scheduled flights.

115. It was explained to the Committee that any person authorised under the rules to make use of the VIP Flight was competent to demand an aircraft having satisfied himself that he fulfilled the terms as laid down in the rules. During the two years in question such authorised persons undertook 329 air journeys of which the flights which took place between places connected by commercial services were only 143, and not 163 as indicated in the Audit Report. Indicating broadly the circumstances in which the different personages utilised the VIP Flights between places connected by commercial services the Secretary, Ministry of Defence expressed the belief that in almost all the cases the flight had been utilised in public interest. He added that the prescribed hours of flying of each aircraft had not normally been exceeded and no additional expenditure had been incurred.

116. The Committee drew the attention of the Defence Secretary to his statement before the PAC on 10th September, 1960 that the IAF planes were required to do a certain number of flying hours in order to be in operational trim* and enquired whether the number of aircraft earmarked for VIP Flights was not susceptible of reduction, in view of the fact that the prescribed minimum flying hours had not been exceeded. The Secretary replied that no minimum flying hours had been fixed for the IAF planes. For the purpose of ensuring timely attention to maintenance of the aircraft a limit of authorised flying hours was laid down, on completion of which the plane should be sent for overhaul. The authorised flying hours had, therefore, no relation to the fitness of the aircraft. Once the aircraft has been air-tested after every major or minor inspection or modification it can keep fit even if it remained idle.

117. The Committee regret to observe that the evidence earlier given before them did not present the correct picture. In the light

*Paras 125-127, 24th Report (Part II) of P.A.C. (1960-61).

of the observation now made before them, it is clear that every journey undertaken in the VIP Flight entails extra cost to the exchequer.

From the statement detailing 143 journeys performed during the two years between places connected by commercial services (15 of them were undertaken in order to avoid circuitous journeys by the commercial routes) it appears that the VIP Flight has not been as sparingly used as is intended. Considering the cost of the VIP Flight vis-a-vis the cost of a passage in a commercial aircraft, the Committee feel that the implementation of the existing orders on the use of the VIP Flight could better be ensured by obtaining a certificate from each VIP (other than the President, the Vice-President and the Prime Minister, that it was necessary to undertake the journey by the VIP flight in the public interest and it was not possible to utilise a commercial service.

MINISTRY OF INFORMATION & BROADCASTING

Outstanding Recommendations

Contract without agreement—paras 115 and 116 of Eighteenth Report of PAC (1958-59).

118. The sole agency for procuring advertisements for 1954-55, for the Radio Journals 'Vani' and 'Vanoli' was entrusted to a firm on certain conditions but without entering into a written agreement. The firm did not remit the advertisement charges collected by them to Government for a long period and Rs. 14,165 were still outstanding (April, 1959). The minimum advertisement revenue guaranteed by them (Rs. 60,000) for 1954-55 was also not made good as the revenue actually collected by them was Rs. 18,510 only. But the agency was allowed to continue till March, 1955.

119. The Public Accounts Committee (1958-59) expressed their dissatisfaction in allowing the firm to take up work without obtaining the stipulated security deposit and executing a written agreement with the firm. In pursuance of their observations contained in paras 115 and 116 of the Eighteenth Report (Second Lok Sabha), the Ministry of Information and Broadcasting appointed on the 19th January, 1960 a Committee of Enquiry to examine this case. A copy of the report of the Enquiry Committee had been furnished to the Committee.

120. In the Enquiry Committee's opinion "the course of action followed in this case was neither unusual nor unreasonable in the circumstances". That Committee has also observed in its report:

"it is nothing unusual where a tender has been accepted to allow the contract to become operative, even before a formal agreement is executed".

The Committee are amazed at this statement. The notice inviting tenders in this case did not also stipulate any absolute date by which the cash security had to be tendered; even the text of the agreement as approved did not stipulate that the deposit should have been made at the time of execution of the agreement. The finalisation of the text of the agreement had also been unduly delayed. Considering the fact that the firm in question came into existence only after 1950 and nothing was known about their standing or financial resources, the Committee would reiterate their earlier observation that the concerned officers were not alive to the risks involved and acted in an irresponsible manner.

MINISTRY OF IRRIGATION & POWER

Outstanding Recommendation

Disciplinary action against a Chief Engineer and a Superintending Engineer—Para 10 of the 11th Report of PAC (1st Lok Sabha)

121. In para 10 of their 11th Report (First Lok Sabha) on the Hirakud Dam Project, the P.A.C. (1953-54) had desired that very early action should be taken by the Ministry of Irrigation & Power against the officials responsible for the irregularities revealed in the Champhekar Committee Report. In a statement (Appendix I, S. No. 95) furnished by the Ministry of Irrigation and Power pursuant to this recommendation, it has, *inter alia*, been stated that the case regarding the alleged favouritism shown by the then Chief Engineer and Superintending Engineer of the Project to a particular contractor was enquired into by a retired District & Sessions Judge who in his report (November, 1954) recommended that the Chief Engineer should be debarred from re-employment and the Superintending Engineer should be debarred from promotion. As these officers had since reverted to the service of (the lending) State Government, the report of the enquiry officer was forwarded for consideration and appropriate action to the State Government who were told to seek the advice of the Government of India at the appropriate stage if they desired to pass orders of removal or dismissal. The State Government informed the Ministry that warnings to the officers would meet the ends of justice, and that warnings had already been issued.

122. *The Committee desire that in the interest of efficiency of public services, the Central Government should, in consultation with the State Governments, consider the desirability of establishing a convention that in cases of this type where during the period of his deputation a State Government officer serving the Central Government or vice versa is adjudged guilty of having committed in irregularity by an independent judicial officer/committee, the Government lending the services of the said officer will not ordinarily interfere with the recommendations or reduce the punishment suggested by the enquiring officer/committee.*

MINISTRY OF LABOUR & EMPLOYMENT

Outstanding Recommendations

Drawal of a forged bill—para 200 of the Seventh Report of P.A.C. (Second Lok Sabha)

123. In para 200 of their Seventh Report (Second Lok Sabha), the Committee of 1957-58 considered a case in which a sum of Rs. 800 was drawn on a contingent bill from the Bank Sub-Treasury, Asansol by forging the signature of the Sub-Regional Employment Officer, Burdwan. That Committee were informed that the question of responsibility of the State Bank (then Imperial Bank), who actually made the payment, and the apportionment of the loss consequent thereto, would be settled when a decision was reached regarding the interpretation of Rules 352 of the Treasury Rules, West Bengal, Volume I (which corresponds to Rule 430 of the Central Treasury Rules). The Committee of 1957-58, accordingly, desired that the matter should be expedited.

124. In a note furnished by the Ministry of Labour and Employment it has been stated that the Ministry of Finance, in consultation with the Comptroller and Auditor General, have come to the conclusion that the State Bank (then Imperial Bank) cannot be held responsible for the erroneous payment. The view of the West Bengal Government was that the Treasury Officer could not also be held responsible as under the given circumstances, he could not be expected to detect the forgery. The general question regarding the amendment of Treasury Rule 430 and other connected Rules was under the consideration of the Ministry of Finance.

125. *The Committee regret to observe that though more than two years have elapsed since the Committee were first informed regarding the proposal to amend Treasury Rule 430 and other connected Rules, a decision is yet to be taken by the Ministry of Finance. The Committee desire that the matter should be finalised without further delay.*

MINISTRY OF REHABILITATION

Irregularities in the accounts of rural evacuee properties—Para 27, page 27.

126. The Rules made under the Administration of Evacuee Properties Act, 1950 provided that each Custodian of Evacuee Property or the Officers authorised by him to act on his behalf should maintain proper records of the evacuee properties of the migrants to Pakistan. Under Rules 33 and 39 of this Act all immovable property taken possession of by the Custodian had to be recorded in a register in the prescribed form. Similar register had also to be maintained in respect of properties of the intending evacuees.

During the course of local audit of the various offices under the Custodian of Evacuee Properties of Punjab, conducted during the year 1959-60, it was noticed that no authentic records of the agricultural lands, rural evacuee houses and shops had been maintained. There were also no proper rent demand and collection registers showing the rent recoverable from the occupants in respect of land, houses and shops. According to Audit in the absence of complete basic records it had not been possible to check whether the land, houses and shops had been regularly leased out from year to year, whether there had been any unauthorised cultivation of lands and unauthorised occupation of houses and shops and whether sums due to Government had been correctly assessed, recovered and credited to Government account.

The local Managing Officers had furnished to Audit certain statements on the basis of the unsatisfactory records maintained by them. According to the records the arrears of rent and lease money as on 29th February, 1960 recoverable from unauthorised occupants of land/houses and shops would amount to about Rs. 50 lakhs.

127. The Secretary of the Ministry stated in evidence that the basic records of the properties were maintained at the village level. At the tehsil level, only the demand and collection registers were kept. In the absence of the village records, the accounts at the tehsils could not be tallied with basic records during local audit. In reply to a question, however, he admitted that the records of evacuee properties had not been kept in the prescribed form. In extenuation, he explained that when in 1947 about 50 lakh acres of evacuee land and other rural property came into the possession of the Punjab Government a Custodian organisation had to be hurriedly created under the agency of the Punjab Government. The Financial Commissioner of that Government was appointed *ex-officio* Chief Settlement Commissioner for rural areas. Inspection of properties had, however, taken place regularly through district officers of the State Revenue Department.

The village records had also been checked under the directions of the Financial Commissioner of the Punjab Government who was also the senior officer of the Ministry.

128. The Committee were also informed that although at one stage the Ministry were agreeable to prepare the records in the prescribed form, the Ministry of Finance felt that in case the basic village records were quite adequate it would be waste of labour and money to prepare the records, in the prescribed form. It was, therefore, decided that the village level records should be test checked by Audit. Steps would be taken to prepare the records in the prescribed form if the results of test check indicated its necessary.

129. About the collection of arrears, the Committee were informed that about 80 per cent of the total demand had been realised and the outstandings were only Rs. 45 lakhs as against the total demand of Rs. 3 crores. Further these arrears were not due from unauthorised occupants only as mentioned in the Audit para.

130. *The Committee regret to note that despite specific provision in the rules made under the Administration of Evacuee Properties Act, the accounts of the rural evacuee properties had not ab initio been maintained in the prescribed form and it is only now, after the lapse of such a long period, that the Ministry had decided to have the village level records test checked by Audit to ascertain whether these records would serve the required purpose. The Committee would observe that the Ministry was not as vigilant as it should have been in this matter. They desire that the test check by Audit should be expedited. They will reserve their further comments in the matter till they are informed of the outcome of the test check.*

Non-maintenance of Block Accounts of the assets, Para 77, page 76

131. Some schemes providing relief to, and rehabilitation and employment of, East Pakistan displaced persons, contained a stipulation to the effect that assets created out of the expenditure sanctioned would be the property of the Government of India. The Ministry had also issued orders in August, 1957 to the effect that Block accounts of such assets should be maintained by the State Governments and that an up-to-date copy of the list together with a certificate about verification of the physical existence of the assets should be sent every quarter to the Ministry through the State Accountants-General.

Though a period of 3 years had since elapsed, no proper periodical returns of the assets so created had been received by the Ministry from most of the State Governments, and it was also not known whether proper Block Accounts of the assets were being maintained

by the State Governments. The total grants for capital works alone sanctioned by Government of India during the period 1956-57 to June, 1960 exceeded Rs. 2.25 crores. Most of these works were stated to be still in progress.

132. In evidence the Secretary of the Ministry explained to the Committee that it was only through Audit that the Ministry had come to know that the accounts as prescribed were not being rendered by the State Governments. He, however, assured the Committee that the matter would be taken up at a high level to expedite the submission of these returns.

133. *The Committee were surprised that the Government did not watch the implementation of the orders issued by them. They view with concern the non-submission of periodical returns of assets by the State Governments even after a lapse of more than 3 years since the issue of orders. They would urge that effective steps should be taken by the Ministry to ensure prompt submission of these returns by the State Governments and a report submitted to them by the time they next take up the examination of these accounts. Government might consider the feasibility of insisting on receipt of these returns before releasing further instalments of loans/grants to State Governments.*

Outstanding Recommendations

Free issue of ration in the Camps of displaced persons—Para 20 of 7th Report (1st Lok Sabha).

134. In para 20 of their 7th Report (1st Lok Sabha) the Committee recommended that the Ministry should in consultation with Audit undertake a view of the more important audit objections which revealed loss of Government money and gross mismanagement on the part of the administrators of the various camps of displaced persons with a view to finding whether individual responsibility could be fixed and action taken against those persons.

135. From a note submitted to them (Appendix V) the Committee observe that in most of these cases disciplinary action could not be taken against the delinquent officials as in a number of cases the relevant files had either been destroyed or could not be traced in spite of best efforts. In other cases the whereabouts of the staff could not be traced due to the closure of the Camps many years ago.

136. *It is obvious that in most of these cases, responsibility could not be fixed on the delinquent officials as the Ministry failed to take prompt action after the irregularities were noticed. The*

Committee would like to reiterate the recommendation contained in Para 27 of their First Report (1st Lok Sabha and emphasise that action in such cases should be prompt if it is to serve the desired purpose.

Recovery of Rehabilitation Loans—Para 101 of Seventh Report (Second Lok Sabha).

137. In para 101 of their Seventh Report (Second Lok Sabha) the Committee desired to be furnished with a note giving (a) the amount of Rehabilitation Loans given to the States so far, (b) the amount that was due and (c) the amount that had actually been repaid.

138. From a note submitted by the Ministry (Appendix VI) the Committee observe that out of a sum of Rs. 5059·45 lakhs which had become due till 31st October, 1958, there was still a balance of Rs. 2687·97 lakhs to be recovered from the State Governments. Further, pursuant to the acceptance by Government of the recommendation of the Second Finance Commission, with effect from 1st April, 1957 the State would pay to the Union only the amounts of principal and interest actually collected from the displaced persons towards repayment of the loans, including the arrears, if any. Thus the losses, if any, will fall wholly on the Central Revenues and will have to be written off.

139. *The Committee view with concern the heavy arrears in the repayment of rehabilitation loans granted to the displaced persons especially in the eastern region. It has been urged that "a majority of the displaced persons have not yet been able to rehabilitate themselves to such an extent as to be able to repay the loans." If so, a better course would be to grant a moratorium for a reasonable period and then start recoveries. In the matter of recovery of these loans, the initiative of the State Governments will count for much. The decision of the Central Government to accept whatever has been realised by the State Governments, will, in the Committee's opinion, slacken the recovery appreciably. They desire that all such cases should be reviewed periodically. To the extent the loans are considered to be recoverable effective steps should be taken to ensure their expeditious recovery from the displaced persons in accordance with the terms of the loans or to adjust them against their verified compensation claims.*

Irregular advance for purchase of motor car—Para 131 of 18th Report (Second Lok Sabha).

140. In para 131 of their 18th Report (Second Lok Sabha) the Committee considered a case in which an officer of the Ministry

irregularly retained for nearly 10 months an advance of Rs. 10,000 drawn for the purchase of a motor car. The Committee were informed by the Secretary of the Ministry that the officer concerned had been warned but no note of the warning, however, had been kept in his confidential report on the ground that there was no possibility of further promotion to the officer as he was to retire shortly. The Committee, however, observed that such disregard of rules on the part of a senior officer who should set an example of conduct for others called for more severe action; but did not pursue the case further.

141. *The Committee now understand that the services of the officer had been extended for three years after his superannuation. It is surprising why the officer should have been granted extension of service when the Secretary of the Ministry himself had informed the Committee earlier in evidence that as the officer was to retire shortly, a lenient view had been taken of the irregularity committed by him. They feel that the action of the officer who recommended the grant of extension of service to the delinquent officer in disregard of the observations of the Committee was most objectionable. The Committee, therefore, desire that this matter should be pursued.*

Overpayment of compensation to a Displaced Family—Paras 64-65 of 25th Report Vol. I (Second Lok Sabha).

142. In paras 64-65 of their 25th Report, Vol. I the Committee commented upon a case in which one of the six heirs of the head of an undivided Hindu family who died in 1948, was paid compensation in September, 1958 on the basis of higher scale as admissible under rule 19 of the Displaced Persons (Compensation and Rehabilitation) Rules 1955, prior to its amendments on 4th September, 1956. They were informed in evidence that as this case had been finalised before the amended rule came into force, the payment was made according to the old rule in consultation with the Ministry of Law. It was, however, pointed out by Audit that in a similar case the Chief Settlement Commissioner had followed a different procedure. The Committee, therefore, observed that in such matters there should be uniformity in the application of the rule and desired to be informed of the final decision of the Government in the matter.

143. In a note submitted to the Committee (Appendix VII) the Ministry have stated that the stand taken by the Ministry in the case under consideration had been in accordance with the policy followed all along. The decision taken by the Chief Settlement Commissioner in the latter case was not in accordance with the policy of the Ministry and the orders of the Chief Settlement Commissioner had, therefore, been cancelled.

The Ministry hold that cases in which interim payments of compensation have been made before the amendment of Rule 19 will be governed by the amended rule 19 if the final payment is made after 4th September, 1956 (date of amendment) but where a loan has been paid for house building purposes on the security of compensation calculated on the basis of unamended Rule, the calculation of final compensation will be made in accordance with the unamended Rule 19 even if final payment is made after 4th September, 1956. Audit is unable to appreciate why a different treatment should be given to the latter cases, when (i) the calculation of compensation under unamended Rule made prior to 4th September, 1956 was only for the purpose of ascertaining the amount of security for the house building loan and not for making the final payment of compensation, (ii) the loans were adjusted in the accounts under a loan head and not as compensation, (iii) the house building loans were limited to Rs. 8,000 (maximum) even if compensation admissible was more and (iv) the loans were to be adjusted at a later date against the final amount of compensation.

144. The Committee are inclined to agree with Audit in this case. They, therefore, desire that the Ministry should reconsider the matter and intimate to them the final decision of Government without any further delay.

MINISTRY OF SCIENTIFIC RESEARCH & CULTURAL AFFAIRS

Outstanding Recommendations

Continuance of National Research Development Corporation as a separate organization—Para 133 of the 18th Report of PAC (Second Lok Sabha).

145. In para 51 of their Seventh Report (Second Lok Sabha), the Public Accounts Committee (1957-58) had questioned the need for National Research Development Corporation as a separate undertaking to exploit the results of scientific research carried out at various research institutions. They felt that this work could as well be done by the Council of Scientific & Industrial Research. The Committee of 1958-59 were informed that the question regarding the continued existence of the National Research Development Corporation as a separate corporation, in the light of the observations made by the PAC (1957-58), was under the consideration of Government. The Committee, accordingly, desired that the decision in the matter should be expedited.

146. In a note furnished by the Ministry of Scientific Research & Cultural Affairs (Appendix VIII), it has been stated that the main

function of the Council of Scientific and Industrial Research being to encourage and carry out research and development, it would not be desirable to entrust the Council with the commercial exploitation of inventions. This should be the duty of a separate body. Accordingly, instead of considering the question of abolition of the National Research Development Corporation, it was proposed to reconsider the constitution and functions of the Corporation.

147. The Committee regret to note that a decision has not been reached by Government even though more than four years have elapsed since this matter was raised by them. They are not convinced by the arguments advanced for the continuance of the corporation. They are concerned to note from the comments of the C. & A.G. on the Accounts of the Corporation for the year 1960-61 that the Corporation, which has a paid up capital of Rs. 10 lakhs has till the end of 1960-61 incurred a cumulative loss* of Rs. 10,35,391—which exceeds the paid up capital. The Committee understand that Government have already been approached for either a subsidy to make good the deficit incurred by the Corporation to date or to subscribe to further share capital. The Committee, therefore, consider that the necessity for an early decision regarding the future of the Corporation is imperative.

MINISTRY OF STEEL, MINES & FUEL

(Department of Iron & Steel)

Iron and Steel Control Organisation

Avoidable loss due to increase in freight—Para 29, Pages 28-29.

148. On 6th January, 1956, the Iron and Steel Controller placed a contract with a firm for the supply of 1,428 tons of imported steel material at Rs. 770 per ton c.i.f. Indian Ports. The c.i.f. price was based on a freight rate of 90 sh. 6 d. per ton and any variation in freight rates was to be on Government account. The supplies were to be made by April, 1956.

*The loss suffered is as under :

	Rs.
Upto 31-3-1955	52,456
1955-56	64,608
1956-57	1,19,015
1957-58	1,58,000
1958-59	2,36,100
1959-60	1,50,222
1960-61	2,54,990
	<hr/>
	10,35,391
	<hr/>

On 20th January, 1956, the firm sought certain clarification regarding payment, demurrage and inspection, etc. prior to commencement of supplies but the clarification on some of the points was not issued by the Steel Controller till 28th May, 1956, despite repeated reminders from the firm. As no supplies were made by the stipulated date, the delivery period was extended on 28th May, 1956 to 30th August, 1956. The indented quantity was also increased to 1,695 tons. The firm failed to adhere even to the extended delivery period due to alleged shortage of steamer space and delay in inspection by India Store Department, London. Accepting the firm's latter plea, the Iron and Steel Controller extended the delivery period further upto 3rd May, 1957 piecemeal, without reserving the rights to levy liquidated damages for belated shipments, or notifying to the firm that any increase in the ocean freight occurring during the extended period would not be admissible. Freight rates having increased considerably after August, 1956, an avoidable payment of about Rs. 33,000 was made to the firm on account of the increase in freight rate during the extended period of shipment.

149. In evidence it was urged that the main reason for the delay of 5 months in issuing the clarification to the firm was whether there should be an independent inspection of the material to be supplied. This had to be settled in consultation with the various indentors which took time. It was, however, pointed out by Audit that the purpose of this query from the firm was not clear as the terms of the contract stipulated that the Purchase Organisation had the right to get the whole material subjected to independent inspection. Further, according to the Iron & Steel Controller's Organisation, of the material to be supplied by the firm, only 192 tons was of tested quality and 1,428 tons of untested quality, and only the former was subject to Government inspection. *If so, the Committee do not see any justification for the delay of 5 months in replying to the firm.*

150. As regards the failure of the firm to adhere even to the extended delivery date (*viz.* 30th August, 1956), it was stated that after May, 1956, the firm raised further points regarding the manner of inspection to be carried out and tolerances in respect of lengths to be allowed which went on till November, 1956. In reply to a question, it was admitted that the delay could have been reduced.

151. *The Committee deprecate the manner in which the due date had been extended in this case for no valid reasons. In their opinion, it is very necessary to be on guard against such tendency as otherwise Government will be faced with a situation where their planned*

programme of work will be dislocated and the cost thereof will also mount up. They, therefore, would like to impress upon Government that all essential details should be settled before a contract is actually concluded.

*Irregularities in a contract for the procurement of steel material—
Para 30, Page 29.*

152. In order to meet a demand from the Railways, the Iron and Steel Controller placed a contract on 26th October, 1956 with a firm for the import of 10,348 tons of crossing sleeper bars from the Continent by June, 1957. The firm could not effect shipment within the stipulated date, and applied on 2nd August, 1957 for extension of time upto March, 1958. This was not agreed to and the contract was cancelled on 20th August, 1957. In the meantime, as the Railways required the steel urgently, they purchased 8,000 tons directly from another source, at a price which was Rs. 95 per ton more than the price contracted with the defaulting firm and this involved an extra expenditure of about Rs. 7.60 lakhs to the Railways.

The cancelled contract was, however, reinstated by the Iron and Steel Controller in January, 1958 at the original prices with the delivery date of 30th June, 1958 subject to reservation of rights to impose liquidated damages on late shipment. While reinstating this contract, the Controller failed to take into account the general fall in the steel prices prevailing in the Continental market which were about Rs. 150 per ton less than the rate in the original contract. This lapse gave an undue advantage of about Rs. 15 lakhs to the firm. The supplies were actually completed by March, 1959.

153. The Committee enquired why the first contract was cancelled in August, 1957. It was urged before the Committee that due to the serious foreign exchange position then prevailing, Government had directed that extension to contracts for purchase of imported materials should not be given as a matter of course and that foreign exchange liabilities should be limited to the barest minimum. As the Railways went in for direct purchase of the material in question, the Steel Control Organisation cancelled the order. In reply to a question, it was stated that the Iron & Steel Control Organisation did not consult the Railways before cancelling the contract.

154. The Committee were informed by Audit that after cancelling the contract in August, 1957 the Iron & Steel Control Organisation approached the Ministry of Railways in November, 1957 for reinstatement of the contract. The latter while agreeing to the proposal suggested that in view of the falling market in steel, the prices should

re-negotiated with the firm. The Railway Board reiterated this in January, 1958. The Committee enquired why the Steel Control Organisation agreed to the reinstatement of the contract without getting a reduction in rates. The representative of the Department of Iron & Steel stated that the fall in the market did not affect the prices of sleeper bars. As the Railways had purchased crossing sleeper bars in October, 1957 by paying Rs. 95 more per ton although the prices of "flats" were falling in the market, the Steel Control Organisation considered that the original rate for sleeper bars which the suppliers were not willing to reduce was quite advantageous and should be accepted.

155. *The explanation for the reinstatement of the original contract is as unconvincing as for its cancellation. It is not clear why the Iron & Steel Controller should on his own have approached the Railways in November, 1957 for the reinstatement of the contract which was cancelled about 3 months before. (The foreign exchange position could not have improved to warrant action on his part suo motu). Even granting there was need for the supplies, the fact that the contractor was readily agreeable to reinstatement of the original contract (although he was under no obligation to do so) was indicative of the falling market trends, which the Iron & Steel Controller did not appreciate. In reply to a question why the market was not tested afresh, there was no satisfactory reply. The Committee feel that the transaction has not been dealt with in the best interests of Government. They, therefore, desire that the matter should be investigated further with a view to fixing responsibility for the above lapses and the Committee informed.*

Undue delay in the recovery of rebate—Para 31, pages 29-30.

156. In March, 1956, the Iron and Steel Controller entered into an agreement with a foreign firm 'A' for the purchase of steel material for 3 years from 1956 to 1958. The agreement, *inter alia*, provided that if, in any one quarter during the currency of the agreement, the Controller received steel materials from some other firm of a Member country of Brussels Export Convention, at rates lower than the minimum selling price of the Convention in force at that time, the difference in price would be refunded by the firm 'A'. The claim was, however, to be preferred duly supported by documentary evidence within 30 days after the end of that quarter. In the third and fourth quarters of 1958, the Controller procured similar steel materials from firm 'B' of a Member country through its Indian Agents at rates lower than that of firm 'A'.

The rebate for the third quarter which according to the Audit Report amounted to Rs. 4,90,978 could not be claimed from firm 'A' because the Indian Agents of firm 'B' did not furnish the relevant invoices to the Controller in time. Accordingly, on 11th July, 1959 the Indian Agents of firm 'B' were asked to make good the loss but they refused to do so on the ground that no stipulation was made in the course of their negotiations for making available to the Iron and Steel Controller the shipping invoices.

The claim for the fourth quarter of 1958 for a sum of Rs. 9,30,598 was preferred against the foreign firm 'A' on 29th December, 1958, but the firm refused to accept the claim on the plea that the contract with the firm 'B' on the basis of which this claim had been preferred was not concluded in that quarter. The amount had not been realised till December, 1960.

157. It was admitted before the Committee that there had been an omission in not stipulating in the contract with the Agents of firm 'B' for the submission of invoices and other data necessary for lodging a claim for the rebate. The position had, however, since been rectified in the contracts subsequently entered into by the Iron and Steel Controller. As regards the quantum of rebate it was stated that the amount due for the third quarter amounted to about Rs. 1.92 lakhs only and not Rs. 4,90,978, as mentioned in the Audit Report. The figure of Rs. 9,30,598 as the rebate for the fourth quarter was also not correct. They were under verification.

158. *The Committee find it difficult to appreciate how such an obvious provision could have been omitted from the contract by the Iron & Steel Control Organisation which deprived Government of the rebate for the third quarter. They are also not happy about the way the rebates were being calculated by the Iron and Steel Control Organisation. (The original amount of Rs. 4,90,978 for the third quarter was revised first to Rs. 63,320 and then to Rs. 1,92,000). This is a reflection on the working of the Controller's Organisation. The Committee were informed in August, 1961, that the disciplinary aspect of the case was under examination of the Organisation. No report has been received by them yet (March, 1962). They would like to have a report in the matter without any further delay. They would also like to know the progress regarding the recovery of rebate from the suppliers.*

Irregularities in the recovery of surcharge from one of the main producers—Para 32-A, pages 30-32.

159. In August, 1954 one of the main steel producing companies started consuming special grade pig-iron produced by itself for the

manufacture of spun pipes in one of its own foundries. Pending decision about the quantum of surcharge recoverable for the pig-iron so consumed, the Iron and Steel Controller started preferring claims provisionally at the rate of Rs. 20 per ton from December, 1954. In July, 1958, the Ministry issued instructions to the Steel Controller that, as it was not possible for the Company from the technical point of view, to state the different grades of the pig-iron used in the manufacture of spun pipes, this surcharge might be calculated and adjusted provisionally on the basis of average surcharge payable on the pig-iron consumed in other foundries of the Company for the manufacture of castings from 11th June, 1956, subject to re-adjustment on fixation of final selling and retention prices. On 18th May, 1959, Government fixed with effect from 1st August, 1954, Main Producers' selling prices of special grade iron at Rs. 218 per ton at all rail heads in India and the retention price at Rs. 133 per ton ex-works of the Company, necessitating recovery after setting off freight disadvantage of surcharge at the rate of Rs. 70 per ton from 1st August, 1954 to 10th June, 1956 and Rs. 55 thereafter. In December, 1959, the Steel Controller accordingly issued a bill for recovery of surcharge amounting to Rs. 1.15 crores for the period 11th June, 1956 to 31st January, 1959, instead of from 1st August, 1954 onwards.

On 28th March, 1960, the Government in supersession of the earlier orders dated the 18th May, 1959, revised the selling and retention prices of the special grade pig-iron. On 20th August, 1960 Government again cancelled the orders dated 28th March, 1960 and further revised the selling and ex-works retention prices of pig-iron. These revisions (reductions in selling prices and increases in retention prices), especially for the period prior to 11th June, 1956, resulted in reduction of the surcharge recoverable from the Company to the extent of about Rs. 74 lakhs as compared to surcharge recoverable on the basis of Government orders dated 18th May, 1959. The revisions were made by Government on the representations of the Company without examining the books of the Company or reference to Tariff Commission.

160. In evidence, the Committee were informed that the chemical composition of the grade in question had not been initially indicated by the producer concerned, prices were fixed provisionally on the basis of the average of the various grades of pig-iron. Subsequently when the chemical composition of the said grade was indicated by the producers, 'extras' and 'differentials' of this grade as compared to those of base grades were worked out and appropriate prices fixed. The prices so fixed were, in accordance with the usual practice enforced with retrospective effect. In reply to a question, however,

it was admitted that the chemical composition as given by the producer in this case was not verified from the books of the producer. *In the absence of such a verification, the Committee fail to understand how the Ministry had satisfied themselves as to the correctness of the chemical composition of the material, as given by the producer.*

161. It was pointed out by Audit that the provisional surcharge fixed by the Iron & Steel Controller in 1954 was Rs. 20 per ton. Unlike steel products, the prices of the end-products in this case were not controlled, and the said amount of surcharge was therefore added on by the producer to his cost of production and charged from the consumers. The subsequent reductions in surcharge with retrospective effect thus gave additional (perhaps unintended) benefit to the producer. The representative of the Department of Iron & Steel stated that such additional benefits were allowed to the producers of pig-iron by the Tariff Commission and, were, in his opinion, justifiable. *The Committee understand that according to the practice followed in the Department of Customs and Central Excise, benefits of price revisions with retrospective effect were not allowed to the sellers. They feel that this practice should be observed by other Departments of Government in similar circumstances. The Committee would like to have this suggestion examined by Government.*

Irregularities in a contract for the import of pig iron under Technical Co-operation Assistance—Para 34A, page 33.

162. In June, 1957, the Iron & Steel Controller placed a contract on an Indian firm for the import of 22,796 tons of pig iron on c. & f. terms under T.C.A. The contract provided, *inter alia*, that at least 50 per cent of the cargo was to be shipped in U. S. Flag Vessels. The firm, however, shipped the entire contracted quantity in chartered vessels of non-U. S. Flags, the freight for such vessels being on an average lower than that for U. S. Flag vessels. As the contract with the firm was on a c. & f. basis, the firm derived an undue benefit (of about Rs. 4.24 lakhs) by using cheaper non-U. S. Flag Vessels, in deviation of the terms of the contract. The Steel Controller informed the firm on 11th November, 1957 that it would be liable to pay the loss consequential to the breach of the contract. Government, however, decided in March, 1960 not to penalise the firm.

163. In evidence, the Committee were informed that the matter was referred to the Ministry of Law who observed that neither the Agreement nor the accompanying documents specifically stated that if 50 per cent of the goods were not shipped in American Flag Vessels, Government were likely to suffer damages and the contractor would be responsible therefor. As the damages likely to be suffered

by Government in this case were in the nature of special damages, not naturally flowing from the breach, it was essential that the circumstances which would result in the special damages should have been brought to the notice of the contractor, and his assent to bear responsibility therefor expressly obtained. As this had not been done Government had no strong case for recovering the loss, if any, from the Contractor.

164. *The Committee feel that the Iron & Steel Control Organisation had erred in not having provided for a penalty for the breach of the terms of the contract as regards shipment. They are informed that a suitable provision has been inserted in new contracts of this type since entered into by the Steel Control Organisation.*

Ad hoc settlement of subsidy with Railways—Para 79, pages 78-79.

165. Ordinarily, all imports of steel are operated through the Iron and Steel Equalisation Fund. As imported steel costs more than indigenous steel, the Fund subsidises the consumer to the extent of the difference. In view of the very heavy demand of steel required for the Railway Expansion Programme it was decided in December, 1955 that the demand of steel required by the Railways be met only partly from the steel subsidised from the Iron & Steel Equalisation Fund. The tentative share of this subsidised steel was fixed at one-third of the total actual subsidised imports subject to a minimum of 2 lakh tons per year. It was also agreed that even in respect of this subsidised steel, the Railways would pay full landed cost in the first instance and there would be subsequently an overall adjustment between Equalisation Fund and the Railways in respect of the subsidy due.

In June, 1956, the Railway Board pointed out to the Ministry of Commerce and Industry that a suitable procedure had not been prescribed by the latter or the Steel Controller for keeping suitable accounts for making the overall adjustment contemplated above. This was not done in spite of further reminders from the Railways. Subsequently, the Railways pressed for an early settlement of subsidy due to them; and as neither the Steel Controller nor the Railways had maintained any detailed records, Government issued orders on 28th March, 1958 and 30th March, 1959 for making *ad hoc* advance payment of subsidy of Rs. 2 crores (1 crore each in March, 1958 and March, 1959). The Railways claimed a further payment of about Rs. 1.64 crores in final settlement of their claims relating to imports for the period from 1956-57 to 31st March, 1958. In the absence of records either in the Railways or in the Steel Controller's office about the actual quantities of steel supplied, Government agreed to pay on *ad hoc* basis a total subsidy of Rs. 3,58,70,000 on a supply of

2,11,000 tons of steel in the period 1955-58 @ Rs. 170 per ton, as a final settlement of Railways' claim for subsidy. In the absence of records and accounts, the correctness of the amount paid could not be verified in audit.

166. Elucidating the reasons for not maintaining the necessary accounts in the Iron & Steel Control Organisation, the representative of the Department of Iron & Steel stated that the register showing the allocations of steel to the Railways from time to time was the basic record for this purpose; but allocations originally meant for the Railways were, on several occasions, released to non-Railway quota holders and *vice versa*, on grounds of urgency and the register was not kept upto-date. As a result of discussions with the Railways in June, 1957, it was agreed that the Railway Board would direct each Railway consignee concerned to furnish the requisite details along with supporting documents to the Iron & Steel Control Organisation. The Iron and Steel Controller stated that proper accounts were being maintained by the Control Organisation with effect from 1st April, 1958. To a question why the Steel Controller had not discussed the matter with the Railway Board earlier, there was no satisfactory reply

167. *The Committee are not at all satisfied with the above explanation. They regret to find that even after the Railway Board had requested the Steel Controller to devise a suitable procedure for the proper maintenance of accounts in June, 1956, the latter took about a year thereafter to discuss the matter with the Railway Board.*

168. In a note* furnished by the Ministry of Steel, Mines and Fuel (Department of Iron and Steel) it has been observed that the requisite details as regards steel imported by the Railways during 1958-59 and 1959-60 have so far been received from the Southern, Eastern and North-Eastern Railways, the Chittaranjan Locomotive Works and the Integral Coach Factory, Perambur. These are being examined in the Iron and Steel Control Organisation. Statements from other Railways are still awaited. *The Committee do not appreciate this belated effort as, in their view such work of reconstituting/re-compilation of accounts involves larger man-power and effort. They regret to point out that instances of this nature are multiplying in this Organisation which needs scrutiny. The Committee consider that the Railways also are not blameless in this matter. Having known that subsidy was due from the Equalisation Fund, the Railways should have taken steps to maintain proper records for substantiating their claim, if need be. The Committee desire that effec-*

* Not printed.

tive steps should be taken by the Railway Board to ensure that the requisite information is furnished by the other Railways to the Controller without further delay.

169. The Committee understand from Audit that some of the contracts for steel imports entered into by the Railways stipulated that the importers would submit subsidy claims direct to the Iron & Steel Controller; but in the endorsements to the Railway Board, it was added that the subsidy would be paid by the Railways in the first instance, and claimed subsequently from the Steel Equalisation Fund. In the face of this apparent contradiction, the possibility of double payment in case of these contracts could not be ruled out. The representative of the Department of Iron & Steel stated that the number of such contracts was hardly four or five. In these cases too, the possibility of double payment was remote, as the detailed accounts furnished by the importers for claiming subsidy would disclose the true picture. The witness, however, promised to check up all such cases and furnish a further report to the Committee. *The Committee would defer their comments till this report is received from the Department of Iron & Steel.*

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Audit comments on the Balance Sheet of the Steel Equalisation Fund as on 31st March, 1960—Para 2, page 20—Non-recovery of interest on special advances given to M/s TISCO and IISCO.

170. On the recommendations of the Tariff Commission, Government decided on 25th November, 1959, that interest on the special advances of Rs. 20,18,26,480 given to M/s TISCO and IISCO should be charged as from 1st July, 1958 at the rate of 5 per cent. per annum but the actual recovery of the amount might be postponed till a decision was taken regarding a common retention price to all the Main Producers of Iron and Steel both in Private and Public Sectors after 31st March, 1960. Interest amounting to Rs. 2,10,23,592 had accrued on these special advances for the period from 1st July, 1958 to 31st July, 1960 but no final decision for the recovery was taken by Government till November, 1960.

171. The Committee were informed in evidence that the report of the Tariff Commission regarding the retention prices to be fixed with effect from the 1st April, 1960 was still awaited. *The Committee would like to be furnished with a further report in the matter on receipt of the Tariff Commission's recommendations.*

Recovery of outstandings from sundry debtors—Para 3(a), page 20.

172. A sum of Rs. 14.04 crores was recoverable from sundry debtors as on 31st March, 1960 as against Rs. 10.50 crores on 31st March, 1959.

173. The Public Accounts Committee (1959-60) in para 20 of their 26th Report (Second Lok Sabha) had recommended the desirability of reducing the time-lag of recovery and also suggested that "on account" payments made monthly by the Main Producers should represent the amounts due in respect of sale of the previous months. The Committee desired to know the action taken on this recommendation. The representative of the Department of Iron & Steel stated that from the Government's point of view despatches by the producers were the most appropriate basis for recovery and the matter was accordingly taken up with the main producers. The latter, however, argued that they could not reasonably be asked to pay to the Equalisation Fund in respect of the quantities despatched in advance of their being paid for by the consignees. The preference of the producers was, therefore, for payments on the basis of their own collections. The Committee then referred to the suggestion of the C. & A.G. made before the sub-Committee of the P.A.C. (1959-60) on the working of the Iron & Steel Controller's Organisation that the main producers should credit to the Fund every month, as per calculations to be made by themselves, on the pattern of advance payments towards income-tax. They were informed by the Secretary, Department of Iron & Steel that this procedure had been suggested to the main producers who accepted it in principle. But they had not yet observed it in practice. *The Committee would like to emphasise again that a suitable procedure to reduce the time-lag to the barest minimum should be evolved and enforced at an early date.*

Hindustan Steel Ltd.

Extra consumption of raw material and production of low grade pig iron—Para 67 (iii), page 67.

174. Tests conducted in January-April, 1960 at the plant site of the Durgapur Steel Project revealed that the iron ore purchased during that period for the blast furnace was, in most cases, below specifications. The relevant despatch reports, however, indicated that the materials had been certified, before despatch, by the approved analysts as conforming to specifications, and payments for these consignments were also made on that basis.

According to Audit, the poor quality of ore necessitated increased consumption of iron ore and lime-stone per ton of pig iron. For

the first four months of production alone, the value of such extra consumption was about Rs. 6.72 lakhs.

175. In evidence, the representative of the Department of Iron & Steel stated that the poor quality of iron ore in the present case had necessitated increased consumption of lime-stone per ton of pig iron, but not of the ore. The consumption of ore per ton of pig iron was in fact less than the norm laid down in the Project Report. According to him, the figure of Rs. 6.72 lakhs as the value of extra consumption necessitated by poor quality of the ore during the period January-April, 1960 was not correct. The representative of the Hindustan Steel, however, admitted that the test analyses conducted at the destination had indicated a higher silica-alumine ratio besides a higher percentage of fines. Although the ore was not entirely according to specifications, it had to be fed into blast furnaces to keep them going. He also admitted that the pig iron produced by the use of sub-standard ore would vary from the norm and would not be of the right type. As regards the remedial measures since taken, it was stated that the project authorities had posted their representatives at the loading stations to be present at the time of drawing samples. Audit, however, pointed out that the quality of material received from the supplier in question continued to be poor, and that as late as in February, 1961, test analyses indicated that as much as 31 per cent. of the supplies were liable to rejection.

176. During their on-the-spot study visits to some of the steel plants, the Committee were given to understand that it was not only the iron content of the ore that was significant for blast furnace operation, but also the alumine/silica ratio and that a rise in this ratio in the ore was bound to affect production adversely. In their opinion, therefore, it is misleading to consider only the quantity of ore consumed per ton of pig iron. The rates of out-turn and the quality of pig iron are equally important, if not more. It cannot, therefore, be denied that there has been financial loss by the acceptance of poor quality of ore and treating it as up to specifications on the certificates of the public analyst. The Committee regret to note that as late as February, 1961, the sub-standard ore thus accepted was over 30 per cent. They desire that the project authorities should examine the adequacy of the existing checks to avoid acceptance of poor quality ore. They would like to be apprised of the steps taken in this regard before they take up for examination the Accounts for the next year.

Avoidable payment of demurrage—Para 67(iv), pages 67-68.

177. The officials of the Company in London had been sending shipping documents through the Diplomatic Bag of the High Commission, instead of by Air Mail. These documents had to pass

through four different offices before they were received in the shipping office and delivered to the Clearing Agents of the Company at Calcutta. Consequently, on several occasions, these documents had been received by the clearing agents many days after the arrival of the ships, causing considerable delay in the clearance of the consignments. The system of clearing the consignments on indemnity bonds was also not resorted to and a sum of Rs. 5.43 lakhs had to be paid as demurrage charges during the period February, 1958 to January, 1960.

178. In evidence, the Committee were informed by the representative of the Hindustan Steel that shipping documents were sent through the Diplomatic Bag of the High Commission only for about 8 months from the middle of February, 1958. In October, 1958, a new procedure was introduced according to which shipping documents were sent direct to the Calcutta shipping office. It was also stated that the demurrage solely attributable to delay in transmission of documents was only Rs. 30,000 and that the remaining amount (over Rs. 5 lakhs) was due to other factors, the most important being heavy port congestion occasioned by port employees' strike, railway restrictions, etc. As a remedial measure, certain lands in the dock area had been taken by the Company for holding goods in transit. This had brought about a substantial improvement in the clearance of incoming goods. Audit, however, pointed out that according to a report received in August, 1961 the number of cases of late receipt of documents at Calcutta exceeded one hundred. The Committee wanted to know the amount of demurrage claimed by the Port authorities since January, 1960 including the amount solely attributable to late receipt of shipping documents. The representative of the Hindustan Steel promised to furnish the requisite information later. *This is still awaited. The Committee would defer their comments till the information is received from the Department of Iron and Steel.*

Unnecessary purchase of spares—Para 67(vi), page 68.

179. Spare parts valuing Rs. 34,000 were purchased in October, 1957 for earth-moving machinery on grounds of emergency. These were in excess of the requirements and despite the efforts of the Project authorities, could not be disposed of so far.

180. The Committee were informed by the representative of the Hindustan Steel that the Executive Engineer who had been sent to Bombay for making emergency purchases in this case had exceeded his authority, and placed orders in excess of actual requirements.

In a note* furnished by the Department of Iron and Steel at the instance of the Committee, it has been stated that the irregularity was first noticed when the supplying firm pointed out certain discrepancies in the orders pending with them. The firm's letter was dated the 19th March, 1958, which was received by the Project on the 25th March, 1958. The officer left the services of the Hindustan Steel on the 1st September, 1958. No action could be taken against the officer because the case was under correspondence with the suppliers while he was in service and by the time the position became clear, the officer had left the service and his whereabouts could not be found out. Efforts made to ascertain his present whereabouts have not been successful so far.

131. The Committee are not satisfied with the above explanation of the Department of Iron and Steel. They regret that the Project authorities did not initiate any action against the delinquent official for more than five months after the irregularity came to their notice, by which time he had left their service. The Committee would once again draw attention to their oft-repeated recommendation that as soon as an irregularity came to notice, disciplinary proceedings should be initiated and adequate punishment inflicted on guilty persons.

*Infructuous expenditure on the designing of a Hotel—Para 67 (vii)—
Pages 68-69.*

182. In July, 1956, the Ministry entrusted the preparation of designs and detailed drawings of a proposed 300 roomed air-conditioned hotel at Durgapur, to a firm of Chartered Architects for a fee of 4 per cent. of the estimated cost of the building. Although the Project authorities had pointed out in October, 1956 that such a luxurious hotel was not necessary, the Ministry instructed them in November, 1956 to proceed with the scheme. Accordingly, in July, 1957 the Project authorities asked Government for their administrative approval to the expenditure of Rs. 85,64,650 on the entire scheme and invited tenders for the building portion estimated to cost Rs. 50 lakhs. In September, 1957, however, the Ministry decided to postpone the construction of the Hotel and ordered the refund of earnest money to the tenderers.

In June, 1959 the architects claimed a sum of Rs. 2,23,316 as their fee based on the lowest tender of Rs. 55.83 lakhs but the claim was finally settled on payment of Rs. 1.54 lakhs. The proposal to construct the Hotel was given up consequent on the construction of Guest Houses and Hostels. It has been stated in the Audit Report that the entire expenditure of Rs. 1.54 lakhs incurred on this scheme had thus become infructuous.

*Not printed.

183. In extenuation of the decision in 1956 to proceed with the construction of the Hotel despite the Project authorities' opinion, it was urged before the Committee that the original idea of Government was to house the Consultants, foreign technicians and a number of officers of the Project in the Hotel rather than in quarters to be built. This idea was given up later. It was added that the Architects of this Hotel who were also appointed Architects at Bhilai had charged for the designs done for Bhilai a fee of only two per cent., instead of the usual four per cent., in consideration of the fact that the Durgapur Hotel Project had been abandoned. This had resulted in a saving of about Rs. 69,000 on the Bhilai Design.

184. *The Committee do not feel happy over the action of the Ministry in this case. They would advise greater caution and mature consideration in matter involving large outlay as in this case.*

Factual Verification of draft Audit paragraph.

185. During the course of their examination of Audit paras relating to the Hindustan Steel Ltd., the Committee came across several instances in which the facts contained in the paras were controverted by the representatives of the Department of Iron & Steel and the Hindustan Steel. In none of these cases, it was admitted, the correct position had been explained to Audit within the prescribed time-limit of six weeks when the draft paras were sent to them for factual verification. Nor had it been done even later.

186. *The Committee would like to draw attention to their oft-repeated recommendation that the Ministries and Departments to whom draft Audit paragraphs are sent for factual verification should make every effort to adhere to the prescribed time-limit of six weeks so that the Audit Report is based on incontrovertible facts. If, in exceptional cases, it is not possible to do so, the correct position should be brought to the notice of the Committee through Audit as soon as possible at any rate, before they consider the Audit Report so as to enable them to arrive at proper conclusions without any waste of time.*

DEPARTMENT OF MINES & FUEL

National Coal Development Corporation

*Extra expenditure on account of delay in acceptance of tenders—
para 66—pages 65-66.*

187. In February, 1957, tenders were opened for the construction of an office and 52 residential quarters required for a colliery under development in Madhya Pradesh. The estimate for the work was Rs. 3,51,180 while the lowest tenderer quoted Rs. 5,19,950 for the

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work. The rates offered by the lowest tenderer were under negotiation with him for about 4 months by which time he increased his rates by 12 per cent on account of general rise in the prices of material and wages of labour. The contract was given to him on 28th August, 1957 at the increased rates without calling for fresh tenders. The delay in the acceptance of the tender resulted in an extra payment of Rs. 63,054 by the Corporation.

188. In evidence, the representative of the Corporation admitted that due to delay in awarding the contract to the lowest tenderer, increased rates had to be paid. He, however, added in extenuation that as the rates quoted in the lowest tender were higher than the Corporation's estimates (which were based on an insufficient knowledge of the local rates for labour and materials) references were made to the State P.W.D. and the State Electricity Board. The reply received from the State P.W.D. showed that the rates offered by the lowest tenderer were favourable. To ensure further that the rates quoted were not excessive, an attempt was made to ascertain rates paid for a similar construction work at Kargalli in Bihar. All this took about four months. In the meantime, the Labour Appellate Tribunal gave their award which raised the wage payable to colliery labour. Although the award did not apply to building labour, the contractor pleaded that this had affected the wage of building labour also and accordingly raised his quotation by 12 per cent. As there did not appear to be any prospect of lower quotations being received in response to fresh tenders, and a further delay of two to three months in the conclusion of the contract would have resulted in the working season being lost, thus adversely affecting the production targets of the colliery in the Second Plan, it was decided to accept the lowest tender at enhanced rates.

189. *From the facts of the case it is obvious that much of the correspondence could have been obviated had the Corporation prepared the initial estimates with greater care. The Committee trust that the Corporation will profit by this experience and ensure preparation of realistic estimates for works.*

Geological Survey of India

Avoidable expenditure on drilling operations—Para 35 (A)—Page 34

190. To explore the mineral resources in India, deep drilling operations were started on a major scale by the Department during 1955-56. In the year 1959-60, there were several cases of stoppage of

drilling operations for long periods ranging from 31 to 274 days at a stretch. The total drilling days for 18 machines thus lost were 774, involving an expenditure of about Rs. 1.5 lakhs (Rs. 200 per drilling day).

During the second half of 1959, the Department acquired 5 new machines which were allotted to new drilling parties instead of to the existing ones where the work was at a standstill. Moreover, two other machines were lying idle for want of repairs since March/December, 1958.

191. It was explained to the Committee that break-downs were inherent in drilling operations (with four year old drills) which were carried out in remote mountainous regions where no repair facilities were available. Lack of essential spare parts also at times hampered prompt restoration of the drills to working order. The Committee invited the witnesses' attention to the fact that of the drills deployed during the year under review one remained idle for about eight months, two for seven and a half months, another for seven months and yet another for six months. Also, according to the Audit Report the machines would need major overhauls once in two years, necessitating suspension of drilling operations for 4/5 months on an average, depending upon the availability of spare-parts, accessories, release of foreign exchange, etc. The Committee inquired whether instead of deploying all the drills in the field simultaneously. It would not be of advantage to keep one or two machines as stand-by to provide against break-downs so as to make the most economic use of men and machines. It was explained that as against a vast exploration programme the number of drills available was only 26 at present and these were of nine different types. If one machine of each type were to be kept in reserve as stand-by, nine drills would be immobilised which the Department could ill afford. Movement of a drill to the operational sites in difficult terrain was also not easy. Further, the time required for restoring a damaged drill to working order depended on the availability of the particular spare parts required and thus would be uncertain. There was also no guarantee that the drill provided as a replacement would not break-down. Taking all aspects into consideration, the experts of the Department were of the view that at the present juncture no drill need be kept as stand-by. It was added that, if on the basis of two months idle time in a year one-sixth of the equipment had been kept in reserve, the loss in exploration would have been equivalent to 45,000 ft. of drilling valued at Rs. 18 lakhs at the rate of Rs. 40 per ft. (one-sixth of 2,70,000 ft. of drilling done by the Department), as against a loss of Rs. 1.5 lakhs on idle man-hours.

The witness added that the following steps were being taken to rationalise the use of equipment and minimise the time involved in repairs.

The set up of the Geological Survey of India was proposed to be decentralised on a Zonal basis, with headquarters at Calcutta, Lucknow and Hyderabad where major repair workshops would be provided for the servicing of drills ear-marked to each zone. Besides there would be a minor repairs workshop at the Circle Headquarters in each State. Secondly, indigenous production of drills and spares was being encouraged.

192. *The Committee note the measures contemplated by the Ministry to cut the idle-time. They are not, however, fully convinced that the present pattern of deployment of the drills is the best in the circumstances. If break-downs are inherent in the operations as observed by Government, it automatically follows that there should be provision for stand-by. While it may not be feasible to have as many as nine reserves, it will be too sanguine to overlook this need. The Committee have also their doubts as to whether the programme of exploration is not over-ambitious for the available equipment. The Committee, therefore, feel that this question needs examination dispassionately.*

MINISTRY OF TRANSPORT & COMMUNICATIONS

(Department of Transport)

Irregularities noticed in the accounts of a Tourist Office—Para 36 of Audit Report.

193. Certain irregularities in the accounts of Tourist Office, Paris were dealt with in paras 72—76 of the 25th Report of P.A.C. Vol. II (1959-60). The Audit para disclosed further irregularities in the expenditure on renovation, decoration, furnishings etc. Detailed plans for the works were not prepared, quotations not invited, and orders were placed mostly on a single tender basis without proper sanction. No work orders were issued to the contractors and there-

was no evidence to show that the bills and estimates of the firm were checked either by the Tourist Office or the Architect through whom the work was being done. In almost every case the cost of the actual work exceeded the estimates. There were also several instances of uneconomical expenditure. Expenditure on publicity was incurred through an advertising agent who was to claim actual charges payable to Journals but there was no evidence that the advertisement charges paid to him from time to time were checked with reference to the actual insertions or the printed tariffs of the concerned publications.

194. The Committee of 1959-60 were informed in October, 1959 that the Tourist Officer in question had been served with a charge sheet and his explanation was under examination of the Government. The present Committee were informed in evidence that the irregularities mentioned above were also taken into account at the time of framing the charges against the Officer. The case was still under consideration in consultation with the U.P.S.C. *The Committee are concerned that the finalisation of disciplinary action in this case is taking too long a time. They would like to be apprised of the action finally taken in this case.*

They enquired about the existing arrangements to prevent such irregularities in Tourist Offices. They were informed that the foreign service inspectors of the Ministry of External Affairs were asked from time to time (once in two years) to inspect the Tourist Offices. The senior officers of the Ministry also inspected the offices whenever they happened to visit the foreign countries. *The Committee feel that while such inspections, if thorough, can be useful, they are not enough. Steps should also be taken by the Ministry to keep the progress of expenditure in their offices abroad under close review so that Government's directives as regards austerity are not flouted, as had happened in the present case.*

Hindustan Shipyard Ltd—Loss due to delay in accepting the lowest offer—Para 68 (i).

195. In response to quotations invited by the Company through their foreign consultants a firm offered on 31st August, 1956 to supply a galvanising plant with a pickling plant of simple design at a cost of £8,497. The offer was valid upto the 30th November, 1956 but was later extended till 31st January, 1957. On 24th January, 1957 the consultants reported favourably on the firm's quotation, but the Board's approval for the purchase of the plant was not obtained till the 15th April, 1957. Meanwhile, the firm revised its quotation and the Company had to make an extra payment of £412 (Rs 5,493).

196. In evidence, it was urged that after the opinion of the foreign consultants was received the technical officers of the Company further examined the tender documents which took some time. Thereafter, the Board's approval had to be taken which involved further delay. The Secretary admitted that the management had not been vigilant in handling this case. The Committee inquired whether the foreign consultants were informed of the fact that the offer was valid only upto the 31st January, 1957. They regret to observe that this information has not been supplied to them so far. Nor could they get a convincing answer to a question as to why the tender documents were not examined simultaneously by the foreign consultants and the technical officers of the Company. *The Committee regret to observe that the Management of Hindustan Shipyard did not handle this case with due care. It is surprising that the Management went on in a leisurely way without realising that the firm's offer was open for a short period only. Such lapses in a commercial undertaking are deplorable. The Committee were assured that the Ministry had issued suitable instructions to the Company. They hope that such cases will not recur*

Hindustan Shipyard Ltd—Loss in the purchase of Oregon Pine Timber—Para 68 (ii)

197. On the basis of an annual estimated requirement of about 1,000 tons of Oregon Pine Timber, quotations were invited by the Company in March, 1957 for the import and supply of 500 tons on the condition that tenders should be submitted within one month of the tender notice and supplies completed by the end of June, 1957. The tenders were opened on the 10th April, 1957 and the order placed on 7th June, 1957. The timber was received in February, 1958 and meanwhile the Company purchased 90 tons of timber in October and December, 1957 from the stockholders in India at an extra cost of Rs. 48,000. It was urged in extenuation that the requirement of timber was planned on the basis of a normal time lag of 6½ months, as experienced by the Company in respect of earlier supplies, but there were delays in finalising the contract, arranging for the import licence and getting sanction for the release of foreign exchange.

198. *The Committee regret to observe that this is another case in which the Shipyard had to incur extra expenditure due to lack of vigilance and administrative delays for which there was no satisfactory explanation.*

**Purchase of boilers far in advance of requirements—Note 2, Page 73,
Appropriation Accounts, Vol. XVII**

199. Two boilers were imported in June, 1955 at a total cost of Rs. 2,21,965 to replace old boilers of a Suction Dredger in Visakhapatnam Port. The replacement has not yet taken place as the dredger was continuously in operation and could not be spared for the period of about six months required for changing the boilers. Even after arrival of a new dredger in February, 1958 the replacement was not done, reportedly due to pressure of work.

200. In evidence, it was urged that the boilers were purchased to provide against any breakdown of the existing boilers which were 25 years old. In the opinion of the Ministry it was a wise act on the part of the Administration and there was no loss on the whole as subsequently the price of boilers had risen by about 50 per cent. It was brought to the notice of the Committee that the boilers were lying in the open. They, therefore, inquired, about the extent of deterioration caused to them due to long storage. The Ministry submitted a note to the Committee stating that the boilers were being kept in the open on sleepers with 3 inch clearance from the ground. To protect them from weather conditions the boilers were periodically painted both internally and externally. The boilers had been examined by the Mechanical Superintendent of the Port and no deterioration had been detected. *The Committee are not satisfied with this explanation. In their opinion, this is clearly a case where the Port Administration did not assess the requirements of boilers properly in the first instance, which (i) resulted in unnecessary purchase of costly equipment much in advance of requirements, and (ii) created storage problems.*

Inaccurate and fictitious measurements and drawal of funds to avoid lapse of budget grant, Para 38.

201. The Additional Deputy Commissioner (P.W.D.) Mokakchung (N.H.T.A.), in the Naga Hills drew cheques aggregating Rs. 43,100 on 31st March, 1957 for payment to some contractors for five works. The bills were prepared on the basis of measurements recorded in March, 1957. The amount was not, however, immediately disbursed. In November, 1957, the works were re-measured and a sum of Rs. 14,438 only, being the values of works actually done by the contractors, was paid to them. It was found that in two cases the measurements recorded in March, 1957 were fictitious, as the works had not at all been executed. It was explained in September, 1958 that the bills were originally prepared in order to avoid lapse of budget grants, as it was expected that the works would be completed soon.

202. In evidence, the Committee were informed that the works were executed by the Assam Government before the administration of the area was transferred to the Centre. Three officers were held responsible for the irregularities and disciplinary action was being taken against them. The delay in initiating disciplinary action was due to certain legal complications arising from the fact that the officers were under the employment of the State Government when the irregularities were committed. *The Committee are gravely concerned to note the irregularities disclosed in the Audit para. They would like to be informed of the final outcome of this case.*

Department of Communications and Civil Aviation

Non-revision of aerodrome charges and non-assessment of air navigation charges—Para 37.

203. Considerable expenditure is incurred for providing "en route" technical facilities to aircraft flying over the Indian territory, e.g., tele-communications; radio and other aids to navigation; air traffic controls, etc. The 1944 Chicago Convention on International Civil Aviation recognised that suitable charges might be imposed by a country for these services and some countries are levying such charges. The question of recovering suitable charges by Government was taken up by Audit in July, 1960 and the matter was stated to be under consideration. As regards landing and housing charges recovered from the aircraft landing at the aerodromes, the rates were fixed originally in 1937 and revised in 1946. A further revision of these charges was also stated to be under examination of Government.

204. In evidence, the Director General of Civil Aviation informed the Committee that only two countries, viz., Canada and Formosa were levying charges for "en route" facilities from aircraft overflying their countries. Government of India had decided not to levy such charges—one of the reasons being that other countries in Asia might follow suit, in which case, the income obtained through this source would be counter-balanced by payment of similar charges by Indian aircrafts overflying other countries. As regards the landing and housing charges, it was stated that at the time of revising the charges in the year 1946 developments in the foreseeable future, e.g., operation of jet aircraft, had been taken into account. The question of further revising the charges was, however, under examination of Government.

The Committee would urge upon Government to take an early decision in this matter. In their opinion in the context of the large capital outlay in providing these facilities and the rising maintenance

costs there was no justification for continuing the old rates fixed 15 years ago. As regards charges for "en route" facilities, the Committee trust that, keeping in view the expenditure involved, the Ministry of Transport & Communications would keep the position under review.

Indian Airlines Corporation

Delay in disposal of aircraft—Para 69.

205. The Board of the Indian Airlines Corporation decided in December, 1955 to sell 12 Viking aircraft. In March, 1957 two of the Vikings could be offered for immediate sale. Offers were received in the same month from two firms one quoting £25,000 and the other £19,500. Government sanctioned the sale in May, 1957, but permission for export of the aircraft was not accorded till August, 1957. By that time, the two offers had lapsed. Subsequent efforts to sell the aircraft proved unsuccessful and the Corporation decided in January, 1960 to dispose of all the Vikings as scrap at about Rs. 20,000 per aircraft in a package deal.

206. In extenuation of the delay, the Secretary to the Department of Communications and Civil Aviation stated in evidence that the request seeking permission to export the Vikings was received in the Ministry of Communication on 10th April, 1957 and was referred to the Ministries of Defence and External Affairs for concurrence on 17th April. Despite reminders issued to these Ministries by the D.G.C.A., the Ministry of Defence accorded their approval on the 29th July, 1957 and Government sanctioned the export on 3rd August, 1957. Apart from the delay in the issue of sanction for the export of the aircraft, it was pointed out that, the offers were regarded by the Indian Airlines Corporation as too low for acceptance. *The Committee were hardly convinced by this explanation.* It was brought to their notice that the Board of Directors of the Corporation had authorised the Chairman of I.A.C. to dispose of the aircraft at a price not less than £16,000. If so, it is intriguing why the offer of £25,000 was not accepted by the Corporation. *Prima facie the loss in this case is due to inaction both on the part of Government and the Corporation. The Committee desire that the matter should be thoroughly investigated and responsibility fixed.*

207. It has been stated in the Audit Report that the Vikings were withdrawn from service by April, 1958 and an expenditure of about Rs. 3.27 lakhs was incurred by the Corporation on account of hangarage, maintenance and insurance, etc. In evidence, the General Manager of the I.A.C. stated that it was only a national loss as the money was paid by the I.A.C. to the Directorate General of Civil

Aviation. *The Committee are surprised at this casual explanation from the Corporation, a commercial undertaking.*

Infructuous expenditure—Note 4, page 67, Appropriation Accounts, Vol. XVII.

208. A piece of land for the construction of an aerodrome at Jogbani was acquired through the Land Acquisition Officer of the Bihar State. The construction work was objected to during its progress on the ground that there was a grave yard at the site of the work. It was, therefore, decided to divert the runway which resulted in an infructuous expenditure of about Rs. 27,188.

209. In evidence, the Committee were informed that the revenue records did not show any grave yard on the land nor was any objection raised by the local inhabitants at the time the land was notified for acquisition. Subsequently, the work had to be suspended due to a local agitation. On being pointed out that on the 12th November, 1957, 10 days before the land was handed over to the C.P.W.D. for starting construction, a question on this subject was raised in the Lok Sabha, the Secretary to the Ministry promised to look into this matter and furnish a note to the Committee. *The Committee regret to observe that the information is still awaited.*

MINISTRY OF TRANSPORT & COMMUNICATIONS

Outstanding Recommendations

Accounts of Port Trusts—Submission to Parliament of the Audit Reports relating to various Port Trusts—Para 230 of Seventh Report (1957-58).

210. In 1951, Port Trusts' Acts of Madras, Bombay and Calcutta were amended, to provide for the accounts being audited by the Comptroller and Auditor General, at such times and in such manner as might be determined by him. (Prior to this amendment, the C. & A.G.'s audit was on a consent basis). The rectified accounts and the Audit Reports were to be forwarded to the Central Government and to the Port Trusts. The latter arranged for the accounts being published in the local Government Gazettes.

211. The P.A.C. (1951-52) were informed by the then C. & A.G. that he was considering whether his Audit Reports on the accounts of Port Trusts should not be submitted to Parliament. He held the opinion that "where the C. & A.G. was required by an Act of Parliament to undertake the Audit of a Corporation or a statutory body, it would be in the fitness of things that he should report to the

President or the Head of the State, as the case may be, and that provision should be made for placing his Reports before the Legislature". The Committee thereupon desired the question to be examined and a note submitted to them. (C/f para 56 of 1st Report of P.A.C. 1951-52). Since the matter remained unsettled for a long time, the Committee of 1957-58 expressed dissatisfaction over the delay (*vide* para 230 of 7th Report—1957-58).

212. The Ministry of Transport and Communications have since submitted a note on the subject. It has been stated by the Ministry of Transport that:

"The Port Authorities of the Major Ports pointed out that their resources were not part of the Consolidated Fund of India and that the control of the Central Government over their affairs was restricted to matters laid down in the statutes. Further under the respective Statutes, the Central Government had the responsibility and power to pass orders on points of difference between Audit and the Port authorities. This provision ensured that audit reports were given proper consideration by the Port authorities."

The Ministry has accordingly suggested that only that part of the report of the C. & A.G. need be placed before Parliament as relates to the controlling responsibility of Government and that the other part of the report concerning action taken by the Port Trusts under their own powers may continue to be sent to Government, as hitherto.

213. The Committee have carefully considered the various aspects of the case as submitted to them by the Ministry of Transport and Communications. It is clear that the accountability of the Port Trusts to Parliament in respect of the functions entrusted to Government under the various statutes has not been in dispute. If so, presentation of the relevant Audit Reports to Parliament is a concomitant. In the Committee's opinion, presentation of the report of the C. & A.G. on Port Trusts to Parliament should not interfere with the autonomy statutorily vested in the Port Trusts. The Committee will doubtless keep this in view while examining the Audit Reports in question.

MINISTRY OF WORKS, HOUSING AND SUPPLY

Over-payment to a firm—Para 39—Pages 38—40.

214. Quotations were invited by the C.P.W.D. on the 9th March, 1956 for the supply of 319 tons of imported steel of various categories..

The notice stipulated, *inter alia*, the following specifications and conditions:—

- (i) The Steel should have a tensile stress of not less than 28 tons per square inch and should be supplied in standard lengths from ready stock within a week from the date of supply order and delivered at the supplier's godowns at Bombay.
- (ii) The rate payable would be subject to the approval of the Iron and Steel Controller and in case the rates approved by him were lower than those quoted by the suppliers, they would have to refund the difference
- (iii) Payment would be made to the suppliers to the extent of 90 per cent. against delivery and the balance on verification of rates by the Iron and Steel Controller.

On 22nd March, 1956, a firm quoted for 12 items stating that the rates for the six of the items quoted would be subject to the rates prescribed by the Iron and Steel Controller in February, 1956 for the purchase of imported steel. The quotation of the firm was accepted and orders were placed for the supply of certain categories of steel in increased quantities.

The firm submitted a bill for Rs. 2,59,534 on 31st March, 1956 and demanded 90 per cent. advance payment. As steel was required urgently, a sum of Rs. 2,33,581 was paid to the firm on 5th April, 1956 without taking delivery of the steel and without obtaining any security. The firm despatched some steel between 18th April, 1956 and 15th July, 1956. Sample tests carried out in June, 1956 and January, 1957, revealed that the steel was below the tensile stress specified and was comparable only with untested indigenous steel. On the basis of rates fixed by the Iron and Steel Controller for such quality of steel, the firm was entitled to a sum of only Rs. 1,85,680 against the advance payment of Rs. 2,33,581 already made. Efforts made to recover the over-payment of Rs. 48,071 were not successful and in January, 1959 the Department proposed to take the matter to the court. In the meanwhile, the firm moved the court for the recovery of a sum of Rs. 32,371, together with interest thereon, from Government. Government, therefore, decided to contest the claim on counter-defence.

215. In evidence the Committee were informed that according to the agreement, the firm was to deliver the material at its godown at Bombay, but subsequently the Executive Engineer concerned asked it to arrange the despatch of steel to Nasik. When the firm demanded 90 per cent. advance payment before the despatch of the

material. the officer paid the firm on grounds of urgency. It was admitted that had the delivery of steel been taken at the firm's godown and inspected on the spot before despatch to Nasik, the fact that the firm had supplied untested indigenous steel against imported tested steel of higher tensile strength would have come to notice and the over-payment would not have occurred. It has been decided in July 1960 to reduce the pension of the Executive Engineer by one fifth.

216. In reply to a question, the Committee were informed that out of 330 tons of steel procured from the firm only 130 tons had been utilised so far. If so, the Committee do not see how the plea of urgency could arise. In their opinion, the Executive Engineer's direction to the firm to despatch the steel to Nasik amounted to an alteration of the terms of the agreement. Having paid for the steel before its receipt, he did not bother himself about the quality thereof. *The Committee feel that the officer had been let off lightly in this case.*

217. As the over-payment in this case amounted to nearly 25 per cent., the Committee enquired whether there was any warranty clause incorporated in the contract with the firm for safeguarding Government's interests. *They are surprised at the plea that withholding of 10 per cent. payment of the price of the material was considered sufficient safeguard.* They would draw attention to the recommendations in para 49 of their Fifteenth Report (First Lok Sabha) and the instructions issued thereon by Government in Ministry of Finance Office Memorandum No. F.14(11)-EII(A)/56, dated 30th August, 1956 that in all cases warranty clause should invariably be provided in the agreement.

The Committee would like to know why those instructions had not been followed in this case. They would also like to know the result of the Court case.

*Extra expenditure due to non-finalisation of drawings and designs,
Para 40—Page 40.*

218. For the construction of Yojana Bhawan in New Delhi, the tender of a contractor for Rs. 21,23,189 (4.1 per cent. below estimate) was accepted. The work was to be commenced on 13th February, 1956 and completed within 18 months, i.e., by 12th August, 1957. The designs and plans for the building were supplied to the contractor piecemeal upto July, 1957. Only 13 per cent. of the work was completed by May, 1957; and on the plea of inordinate delay in the supply of designs and drawings, etc. by the Department, the contractor claimed on 12th June, 1957 an extra 5 per cent. above his agreement rates for the work done after 12th August, 1957.

The contractor was informed on 31st July, 1957 that he was liable to pay a compensation of Rs. 2,21,416 (10 per cent. of the estimated cost of the work) and that action would be taken to award the remaining work to another agency at his risk and cost if he did not accelerate the work. On the failure of the contractor to proceed with the work, the balance of work, estimated to cost Rs. 20,90,220 was awarded to another contractor for Rs. 21,89,435 (4.7 per cent. above the estimated rates) at the risk and cost of the original contractor. The latter sought arbitration and the award of the Arbitrator was against Government.

219. In extenuation of the reasons for the delay in the preparation of drawings and designs, the Chief Engineer, C.P.W.D., stated in evidence that the structural drawings for foundations of the front and rear wings of the building were made over to the contractor in May, 1956. Later on the whole plan had to be revised as it was discovered that a part of the foundation was filled with soil and there was an old well on the site. Another contributory factor for the delay was the proposal for widening the Old Mill Road which affected the lay-out of the building. The Chief Engineer gave his final decision on this in July, 1956 and the contractor commenced the work on 1st August, 1956. The revision of the drawings took considerable time and when fresh drawings were supplied to the contractor he demanded extra payment.

The Committee find that in the present case although the work was to commence from 13th February, 1956, structural drawings for only a part thereof were made available to the contractor in May 1956.

220. In reply to a question, the Committee were informed by the Chief Engineer that under the rules, all the structural drawings should be completed before calling for tenders but it was always not practicable to do so. Not only there had been a failure on the part of the Department in not observing the rules in this case but it appears from the statement of the Chief Engineer that this is the practice generally. *The Committee are concerned to see such departure from rules. They trust that the Ministry of Works, Housing and Supply would ensure strict observance of Codal rules in this respect.*

Loss due to acceptance of sub-standard work, Para 41, Pages 40-41.

221. The construction of 344 double-storeyed clerks' quarters was awarded to a contractor in October, 1948. The work was completed in October, 1950 at a cost of Rs. 15,18,970.

When the quarters were handed over to a Maintenance Division in May, 1951, it was found that some of the balconies were non-horizontal and that the finishing of terracing had cracked at various

places. This was explained by the Construction Division as a defect in finishing and not a structural defect. At the time of finalising the contractor's claims in October, 1952, the Executive Engineer reduced the claim of the contractor for roofing work by Rs. 7,317 on account of unsatisfactory work instead of getting the detective work redone at the risk and expense of the contractor, as per terms of the contract.

During the years 1955-56 and 1956-57 an expenditure of Rs. 41,206 was incurred on special repairs of the buildings. Towards the end of 1959 a detailed technical inspection of the quarters on the first floor brought to light several structural defects necessitating replacement of roofs of all the first floor quarters at a cost of Rs. 6,13,500.

222. According to Audit the large expenditure on special repairs including renovating the ceiling had been necessitated by acceptance of defective work in 1950 without apparently carrying out detailed technical investigations. Government had decided that no disciplinary action was required to be taken against any of the officers.

223. Disagreeing with the views of Audit the Secretary Ministry of W.H. & S. informed the Committee in evidence that soon after Partition the demand for accommodation was so great that Government wanted to construct the maximum number of quarters with the minimum of cost. The normal specifications had therefore been relaxed which resulted in defects in buildings. As an instance it was pointed out that cinder was used in terracing instead of brick or stone. As a result there was seepage of water which corroded the steel and necessitated reroofing. He admitted, however, that this experiment should not have been undertaken on such a large scale.

224. *The Committee consider it unfortunate that in the name of economy, experiments of doubtful nature have been tried on such a large scale. It was brought to their notice that an enquiry had been ordered by the Minister, works Housing and Supply in this case and the matter was also separately examined by the Chief Technical Examiner. The Committee desired to be furnished with the copies of these reports of enquiry and the final action taken by Government which are still awaited. It should be expedited.*

Acceptance of sub-standard work and avoidable expenditure due to defect in a contract—Para 42, Pages 41-42.

225. Two technical examinations of the construction work of 240 quarters in Rehabilitation Division No. III, conducted by the Chief Technical Examiner in August 1958 and August 1959 revealed certain defects.

The first examination of the work conducted in August, 1958 revealed that the plaster work had been very poorly done and the

small reduction in rates already made by the Executive Engineer from the contractor's bill was inadequate. The second examination conducted in August 1959 further revealed that (i) the strength of the mortar used in brick work was about 60 per cent of the normal stipulated specification and in view of this a reduction of 33 1/3 per cent had been made by the Executive Engineer from the tendered rate (ii) the internal plaster, though totally unacceptable, had already been paid for at full rates in the running bills; and (iii) the external plaster for which payment at full rates was already made by the Executive Engineer was defective and would deserve only 90 per cent of the tendered rate. The total overpayment of Rs. 72,326 as assessed by the C.T.E., was stated to have been recovered from the contractor and disciplinary proceedings had been initiated against the officers responsible for the lapses.

226. In evidence the Secretary, Ministry of Works Housing and Supply admitted that it was a very bad case and action was being taken to fix responsibility for the various lapses on the part of the Executive Engineer and other staff. *The Committee would like to be apprised of the final action taken in this case.*

227. Another fact which attracted the notice of the Committee in this case was the inability of the C.T.E. to detect and report all the defects in construction at the first instance. It was urged by the C.T.E. in evidence that his organisation was not expected to carry out a cent per cent check of works nor was it possible for them to do so because of paucity of time and personnel. The C.T.E. carried out only test checks of works but, in cases like this, where serious defects were detected during test check, a more detailed inspection was carried out. *The Committee are not satisfied with the explanation.* In para 83 of the 25th Report, Vol. I (1959-60) the Committee had desired that C.T.E. should extend his scrutiny to a larger number of P.W. transactions. *In the present case they are of the opinion that having discovered certain defects in the plaster work during test check the C.T.E. should have proceeded with a detailed examination of the work. Had this been done it would have been possible to get the defects rectified by the contractor.*

228. *The cases mentioned in the preceding paragraphs indicate how lack of supervision and technical examination of works executed by contractors had led to acceptance of sub-standard works. The Committee would urged upon the Ministry to take suitable steps to tighten the machinery for supervision of the work of contracts and take deterrent steps against those responsible for sub-standard work.*

Payment to a contractor in advance of work done—Para 43

229. The work of construction of a multi-storeyed building (Krishi Bhawan) was awarded to a firm of contractors on 4th February, 1955. The cement required for the work was to be supplied by Government. Although the Cement registers maintained for the work showed that upto 20th March, 1955, the cement consumed was only 89 tons, cost of 190 tons of cement was recovered from the Second Running Bill of the contractor paid on 31st March, 1955 for work measured on 20th March, 1955. Investigations established that measurements for work included in the Second Running Bill were fictitious and inflated and were recorded before the connected work had actually been executed. The excess quantity of cement showed in the Second Running Bill was made good by subsequent issues of cement.

230. With regard to the disciplinary aspect of this case the Committee were informed that a junior officer was responsible for the irregularity. Being inexperienced the officer had recorded fictitious measurements to avoid lapse of funds. There was no *mala fide*. However, having regard to the satisfactory service rendered by the officer during the subsequent period had been warned for the irregularity. *The Committee find it difficult to accept this. In their opinion tampering with original records and preparation of a fictitious bill were serious offences which deserved deterrent punishment.*

Purchase of stores not required—Para 44.

231. In connection with the construction of a Dairy Building, the 'E' Division of CPWD obtained, through the Director General, Supplies and Disposals, in March, 1959, 10 tons of Acid and Alkali resisting cement at the rate of Rs. 10,080 per ton and 65 tons of Acid resisting cement at the rate of Rs. 700 per ton at a total cost of Rs. 1,47,480 including Railway freight of Rs. 1,180. This was done in spite of the fact that earlier, in February, 1958, a supplying firm had informed the CPWD that, in the opinion of the manufacturers in the United Kingdom, Acid and Alkali resisting cement was not required for setting Cast Iron Crids. A major art of the flooring for which these special types of cement were purchase was, however, done with ordinary Portland Cement with the result that stores costing Rs. 1,28,717 became surplus to requirements.

232. The Committee were informed in evidence that the C.T.E. had inquired into the circumstances leading to the purchase of special cement and his report was under examination by the Ministry. *The Committee defer their comments in this case pending receipt of a detailed note promised to them by the Secretary, Ministry of W.H. & S. in August, 1961. Meanwhile they would urge upon the*

Ministry to expedite the disposal of the surplus cement as it is reported to be deteriorating.

Overpayment to a contractor due to non-observance of rules—Para 46—

233. The final bill of a contractor drawn in March, 1954, about seven years after the completion of a work, revealed an over payment of Rs. 51,157 representing:—

- (i) Difference in the rates for additional, altered and substituted items of work paid on Running Account Bills upto March, 1947 without the previous approval of the competent authority and those ultimately sanctioned in August, 1950—Rs. 48,478.
- (ii) Non-recovery of cost of materials etc. supplied to the contractor—Rs. 2,679.

After setting off a sum of Rs. 14,708 against the sums due to the contractor, the balance of Rs. 36,449 was to be recovered. At the instance of the contractor the case referred to Arbitration in July 1957 and the Award was still awaited. Disciplinary proceedings started in October, 1955 against the Executive Engineer concerned, were dropped in January, 1960 in consideration of all factors and circumstances of the case including the record of the service of the officer.

234. In extenuation of the delay at different stages in the finalisation of the accounts of the contractor the Chief Engineer C.P.W.D. informed the Committee that after the work was completed in 1947 there were many changes in the Department. Most of the officials had migrated to Pakistan.

235. *The Committee are not satisfied with the above explanation. It was brought to their notice that the Executive Engineer made his recommendations in regard to the rates for the additional/substituted items on the 2nd January 1947 but the final rates were approved by the Additional Chief Engineer in August, 1950—after three and a half years. Thereafter it took the Department four years to prepare the final bill. Obviously the entire delay cannot be attributed to changes resulting from Partition. In para 81 of their 25th Report Vol. I (1959-60), the Committee had observed that due and prompt action should be taken in all cases where delay in settling the accounts of a contractor came to notice. They desire that the reasons for inordinate delays in handling this case should be investigated and responsibility fixed.*

**Loss of revenue due to delay in completion of ancillary services:—
para 48, Pages 44-45.**

236. Cases involving delays in the provision of ancillary services in residential buildings which resulted in loss of revenue to Government were reported to the Committee through Audit Reports (Civil), 1959 and 1960, and were dealt with in paras 89 and 191-195 of their 25th and 34th Reports respectively. Two such cases have been mentioned in the Audit para cited above.

In the construction of 568 'H' type quarters at New Delhi the work for the building portion was commenced on the 11th February, 1957 and completed between 10th January and 10th April, 1958. The ancillary services were, however, delayed and were completed on various dates between August, 1958 and May, 1959; consequently the quarters could only be handed over to the Director of Estates for allotment in batches between October, 1958 and May, 1959.

Similarly, the building portion of 102 type II and 160 type II (Special) quarters at Calcutta was completed on 31st December, 1955 and 30th April, 1956 respectively; but the work of providing ancillary services was taken up only in September, 1956. These units were handed over to the Director of Estates in batches between November, 1956 and July, 1957. One unit was handed over as late as February, 1958.

Besides expenditure on watch and ward and payment of house rent allowance to the potential allottees of the quarters the delay in completion of ancillary services resulted in an avoidable loss of revenue in the form of house rent of about Rs. 63,000 in the former case and about Rs. 1,32,000 in the latter. In computing the loss of revenue, a period of two months after the construction of building proper has been taken for the completion of ancillary services.

237. In evidence it was urged that the period of two months for the completion of ancillary services as suggested by Audit was quite inadequate and that a time lag of six months would be reasonable. In order to avoid delays in the provision of internal services like electrical and sanitary fittings the C.P.W.D. were now awarding composite contracts requiring a single agency to do both the construction work as well as installation of ancillaries. As for external services viz. provision of electric and water supply connections, sewerage etc. the C.P.W.D. had to depend on local bodies over whom they had no control.

238. *The Committee are concerned to see such cases recurring year after year. Even granting that a time lag between the construction of a building and the provision of other services is unavoidable*

the Committee feel that by carefully planning and properly phasing the work of contractors the time-lag could be effectively minimised. They desire that the Ministry of W. & S. should take suitable steps to avoid the recurrence of such cases in future.

239. In para 89 of their Twenty-fifth Report the Public Accounts Committee (1959-60) had urged upon the Ministry of W.H. & S. to take proper steps to ensure better coordination between the C.P.W.D. and the Delhi Municipal Authorities, especially in the matter of ancillary services. The Committee were informed in evidence that at a meeting held in 1960 a suggestion was made that a single agency like the C.P.W.D. should be entrusted with both the construction of buildings and provision of ancillary services. The Delhi Municipal Corporation were agreeable to this proposal provided they were given a Grant in lieu thereof to cover the loss of municipal taxes. The Committee regret to observe that a decision is yet to be reached even though two years have passed.

Loss of revenue due to incomplete and improper maintenance of accounts — Para 50.

240. The private parties requiring supplies of un-filtered water for construction of buildings have to enter into an agreement with Government which stipulates, *inter alia*

- (i) Advance payment of 1½ per cent of the estimated cost of the building according to the sanctioned plan.
- (ii) In case of commencement of construction before assessment of the final cost of building, a provisional payment of Rs. 400, subject to final adjustment.
- (iii) In cases of continuance of water supply beyond the expiry of the period stipulated in the agreement or the completion of the construction work, whichever is earlier, additional charge ranging from Rs. 10 to Rs. 40 per month depending upon the cost of the building.

It was noticed during local audit in April, 1960 that in a number of cases the provisional amount of Rs. 400 had been deposited but the additional amounts recoverable had not been assessed and realized. The exact amount from the parties could not be worked out as the accounts were not finalised by the Divisional Officer. The accounts of assessment and realisation of the amounts due were also found to be incomplete in many respects.

241. The Committee were informed that in 77 out of 117 cases referred to in the audit para the outstanding amount had been assessed at Rs. 39,768 and a sum of Rs. 24,000 had actually been

recovered. The Committee desired to be furnished with a note stating the number of outstanding cases of water connections sanctioned during the years 1953-58 and the position of recovery of the outstanding dues. This information is still awaited. *Non-maintenance of proper accounts and failure to revise the rates and recover the dues, from private parties are in the opinion of the Committee, serious lapses for which responsibility should be fixed. It was accepted by the Secretary to the Department that the rates of unfiltered water were fixed 25 years ago, and that they required revision. The Committee would like to know when a decision is likely to be taken in this matter.*

Over payment in a C.P.W. Division Page 51.

71. The work of construction of 1,000 quarters and 200 flats was awarded to two contractors during the year 1948 at an estimated cost of Rs. 23,73,000. They, however, abandoned the work after carrying out a portion of the work. The contracts were rescinded in August, 1949 and February, 1950 respectively. The balance of the work was got executed through other contractors during 1951-52 at the risk and cost of the original contractors. The extra cost recoverable from the original contractors worked upto Rs. 1,01,527. Their accounts were finalised only during 1959-60 and it was found that in addition to the amount recoverable on account of the extra cost, a sum of Rs. 1,36,760 was also recoverable from them on account of (a) non-recovery of hire charges and cost of Government materials and terminal tax and (b) payment made at enhanced rate for substituted items of work. In addition to the above dues, the Executive Engineer had also levied on the contractors, under the terms of the contract, a compensation of Rs. 2,37,300 for non-completion of work.

As efforts made by the Division to recover the above sums proved futile, the question of recovery from one of the contractors had been referred to arbitration. Responsibility for the overpayments and non-recoveries had not been fixed till December, 1960.

243. The Committee were informed that the contractor wanted to place the matter of rates before the arbitrator which was not permissible under the terms of the contract. He had taken up this question to a court of law and the matter was *sub judice*.

244. *The Committee are gravely concerned to see the inordinate delay in handling this case. They would like to be informed of the final outcome of this case. They deplore that no action has been taken up by the Ministry to fix responsibility in the matter. The*

Committee would like to be informed as to how much time it will force to finalise this action. The Secretary promised in August, 1961 to furnish a note on this case which is still awaited. (March, 1962).

Unnecessary locking up of funds—para 52, pages 47-48.

245. Government sanctioned in March, 1956 to the then Delhi State a short term loan of Rs. 20 lakhs carrying interest at 3½ per cent per annum for the purpose of acquiring land under the Low Income Group Housing Scheme.

On 31st March, 1956, the State Government withdrew a sum of Rs. 19,90,000 and lodged it in the current account of a departmental officer (outside Government account) with the State Bank of India. The State Government did not utilise the money for the purpose for which it was intended and with the repeal of the part C States Act the Delhi State was integrated with the union Government on 1st November, 1956. In spite of repeated audit objections the Delhi Administration did not refund the amount into the treasury for a long time. It was only after persistent reminders from Audit that the amount was refunded in four instalments between October, 1957 and September, 1960.

246. In evidence, the Committee were informed that the amount was retained by the Delhi Administration under the impression that the money already advanced by the Central Government could be spent on alternative scheme with their approval. The Delhi Administration accordingly submitted certain proposals to the Ministry of W. H. & S. for the utilisation of a part of the amount and that was the reason for the loan being refunded in instalments. The representative of the Ministry of Finance stated that where States were given grants for certain schemes they virtually had full powers to spend the money on other schemes also.

247. *The Committee are astonished to hear such a statement from the Ministry of Finance. They fully agree with the Comptroller & Auditor General that after the original scheme for which the loan was sanctioned was abandoned the entire amount should have been refunded by the Delhi Administration instead of continuing to keep it outside Government account. Sums could be drawn on other schemes as and when they were finalised. The Committee feel that there should be no scope for doubt in such financial matters. In future the Ministries concerned with sanctioning of grants and loans to States should take proper steps to ensure that the funds are properly utilised by the latter or refunded promptly when not required.*

Chief Technical Examiner's Organisation—Para 53, Pages 48—51.

248. The Audit para gave a resume of the activities of the Chief Technical Examiner's organisation during the half year ending 31st December, 1959. The total figures of the overpayment detected and provisionally assessed, overpayments admitted and the amounts actually recovered since the creation of the organisation (in May, 1957) were as shown below:

Period	Number of cases of over-payments detected	Amount of overpayments detected and provisionally assessed		Overpayments admitted by the Executive Engineer and intimated to AGCR for watching recovery
		Rs.	Number	
6/57 to 12/57	121	3,15,660	13	60,783
1/58 to 6/58	91	3,74,837	48	1,18,164
7/58 to 12/58	149	5,01,972	67	2,26,476
1/59 to 6/59	214	4,63,923	138	1,83,371
7/59 to 12/59	211	4,20,122	126	3,43,811
Total	786	20,76,514	392	9,32,605

An amount of Rs. 2,80,873 less than one third of the admitted overpayments had been actually recovered from the contractors by 31st July, 1960. The para also disclosed some of the important irregularities noticed by the C. T. E.

249. The Secretary, Ministry of Works, Housing & Supply explained to the Committee that the increase in the number of cases of overpayments detected by Chief Technical Examiner was due to the expansion of the activities of the CTE's organisation. He added that the percentage of defective works had actually decreased. During the period June to December, 1957 out of 301 cases examined by the C. T. E., 248 cases were commented upon by him which came to about 82%. This percentage had come down to 73 during July to December, 1958, to 65 during January to June, 1959 and to 52 during July to December 1959. The Chief Technical Examiner expressed the opinion that this indicated an improvement in the quality of work done by the C. P. W. D. In reply to a question, he observed that during July-December 1960 the percentage of cases commented upon was 58. Asked if this percentage indicated a satisfactory position, the CTE explained that arriving at any conclusion on the basis of percentage etc. will not give the correct position.

250. In the absence of any other indicators, the Committee will perforce have to be guided in this matter by the percentage of works

commented upon by the C.T.E. Even with a reduction in the percentage figure, the Committee are not able to share the satisfaction of the C.T.E.; for with the expansion in the activities of the C. T. E., even a smaller percentage thereof might mean a larger number of cases. In para 211 of their 34th Report, the Public Accounts Committee had desired that the C.T.E. should present the results of inspections carried out by him in such a manner as would enable the Committee to come to some conclusions about the working of the C. P. W. D. They desire that this suggestion should be implemented without further delay.

251. The Committee enquired why the C. P. W. D. should take so long a time in recovering from the contractors the amounts of over-payments already admitted by them. The Chief Engineer stated that in many cases the contractors went in for arbitration and recoveries were held up pending the completion of arbitration proceedings. The C. T. E. observed that out of total over-payments of Rs. 38 lakhs detected by his Organisation upto June 1961, the amount admitted was Rs. 23½ lakhs and that actually recovered was Rs. 6.34 lakhs. As regards disciplinary cases it was stated that out of 39 cases, which had been referred to the Ministry of W.H. & S., 25 had since been disposed of. In order to get a correct picture of the position, the Committee desired to be furnished with a detailed note on the subject which is still awaited.

Delay in finalisation of provisional payments—para 56, Pages 52-53.

252. The D.G.S. & D. places a large number of contracts with a price variation clause in regard to freight and customs duty etc. Payments against these contracts are made initially at provisional rates and finalised subsequently. According to Audit there was undue delay in the finalisation of such provisional payments. 327 Acceptances of Tender made involving payments aggregating Rs. 1.10 crores made during the period 1951-52 to 1958-59 were awaiting finalisation. Similarly provisional payments made against 248 rate contracts entered during the period 1942-58 had not been finalised.

253. According to the D.G. S. & D. the following reasons accounted for the delay in finalising the provisional payments:

- (i) Resistance on the part of supplying firms to furnish necessary documents/information to the D.G.S. & D. in those cases where the final settlement was likely to be unfavourable to the firms.
- (ii) Non-receipt of reports from the consignee about the receipt and acceptance of material ;

(iii) cases under dispute which were pending before arbitration/law courts.

A separate wing in the Directorate was now dealing with these cases and it was claimed that substantial progress had been made in the liquidation of arrears.

254. The Committee are alarmed at this state of affairs—cases of provisional payments awaiting settlement even after 10 years had elapsed. They feel that Government had not been firm in dealing with the firms which defaulted in furnishing the requisite information. A time limit should be given to such firms within which they should furnish the requisite information to enable Government to settle their cases. Government might also consider the feasibility of suspending dealings with the firms which are recalcitrant. The Committee would like to be apprised of the progress made by the D.G.S. & D. in the settlement of old cases and the financial effects thereof i.e. extra payments made or recoveries effected from the firms.

The Committee were informed that while old cases were being liquidated, the inflow of new cases was also very large. This in the Committee's view, indicates procedural defects which require immediate attention of Government.

Delay in the finalisation of provisional payments to oil companies
—para 57, pages 53-54.

255. In January, 1961, the D.G.S. & D. entered into five rate contracts with oil companies for the supply of road dressing material e.g. Bitumen and Bitumen emulsion etc. The contracts stipulated payments at provisional rates pending finalisation of the prices on the basis of the cost of production plus an agreed margin of profit. One of the firms went into liquidation in 1952 and the contracts with the other firms were extended from time to time. Later in the years 1955, 1957 and 1959 the provisional rates were revised and it was provided that the provisional payments were subject to final adjustment on the basis of final price formula to be decided upon by mutual agreement between the firms and Government in due course. In September, 1960 Government concluded an agreement with the Companies whereby all payments made to them prior to 1st April, 1959 were treated as final on an *ad hoc* basis. According to Audit it was not possible to state if the *ad hoc* settlement had adequately safeguarded the interest of Government.

256. The D.G.S. & D. informed the Committee that with regard to the supplies made by the firms upto 30th September, 1955 payments had been finalised on the basis of cost of production and the agreed margin of profit. For the subsequent period an *ad hoc*

settlement was reached with the firms. He added that as compared to the price paid for the supplies made prior to September, 1955 the *ad hoc* settlement could be deemed to have resulted in a saving of about Rs. 1 crore to Government. The Secretary to the Ministry, however, admitted that in the absence of information regarding cost of production etc. in respect of the supplies pertaining to the period 1955-59 it was difficult to make a correct assessment in this regard.

257. *The Committee do not know what promoted the Supply Organisation to enter into cost-plus contracts with the oil companies especially when as admitted by the D.G.S. & D. in the course of evidence that the firms were not prompt in furnishing the requisite information in respect of cost of production etc. and the material being a by-product it was difficult to fix its cost.*

258. As regards the firm which went into liquidation the Committee were informed that price for the material supplied by it was assessed on the basis of similar products supplied by another firm. An overpayment of Rs. 1.94 lakhs had been assessed and the question of its recovery had been taken up with the liquidator. *The Committee would like to be apprised of the progress made in the recovery of this amount.*

Non-maintenance of detailed accounts of materials—Para 82.

259. When materials are issued direct to a work, a detailed account, called the material-at-site account, of all materials issued to or returned from the work is required to be kept under the Departmental Rules. The preparation of these accounts fell into arrears during the last War and remained so far long. It was eventually decided in Decemebr, 1955 to dispense with these accounts for the period prior to April 1951 on the condition that a broad comparision of materials issued to works against the estimated quantities would be undertaken and that steps would be taken to prepare the accounts from 1951-52 onwards. The broad comparison had, however, not been undertaken or completed in a large number of cases nor were the accounts from 1951-52 onwards properly maintained.

260. In evidence the Secretary to the Ministry of W.H. & S. apprised the Committee that out of 346 items valued at Rs. 1 crore, 243 items involving (Rs. 72 lakhs) had been cleared.

261. The Committee attach great importance to proper maintenance of accounts of materials as their absence is fraught with all kinds of frauds, misappropriations, etc. They would like to watch the progress made in the finalisation of old cases through subsequent Audit Reports.

MINISTRY OF WORKS, HOUSING & SUPPLY

Outstanding Recommendations

Departmental execution of works, para 237 of 7th Report of P.A.C. (1957-58).

262. A case of expenditure in excess of estimates on the repair and maintenance of certain buildings carried out departmentally by the C.P.W.D. during 1952-1953 was reported in para 11 of Audit Report (Civil), 1956. In the light of the facts placed before them, the Committee (1957-58) observed that the case disclosed a serious situation in regard to the maintenance of initial accounts by the Department, as proper account of repair works was not maintained and even the accounts of the materials were not made available to Audit at the time of inspection and that this indicated loose control of the C.P.W.D. over its sub-Divisions. The Committee felt that the warning issued to the officers responsible for non-maintenance of initial accounts and for laxity of financial control was not sufficient punishment and desired to know whether a note of the warning given had been kept in their character Rolls. In a note (Appendix IIIV to the 18th Report of P.A.C. 1958-59), the Ministry of Works, Housing & Supply stated that a note of warning for not maintaining the initial accounts and for laxity of financial control had been recorded in the character rolls of the officers concerned. The Committee (1958-59), however, desired to be furnished with particulars of officers who were responsible for the various financial and accounting irregularities. Accordingly, a note was submitted to the Committee (Appendix IX). It transpired from this note that disciplinary action had been taken against 4 officers (one S.E. one E.E. & two A. Es) for delaying the regularisation of the excess expenditure through a completion report to the A.C.E. "The officers were warned and copies of these warnings placed on their confidential reports as desired by the P.A.C." As there was a discrepancy between the statement of the Ministry, the Committee felt it necessary to examine the Secretary of the Ministry.

263. In evidence, it was explained to the Committee that the Assistant Engineers who were required to maintain the initial accounts had been punished but officers who supervised their work, namely, the Executive Engineers were not considered blame-worthy. The Committee enquired why the E.E. and S.E. in charge of the work at that time did not submit the completion report and regularise the excess which had already come to notice. There was no satisfactory answer to this. The Committee got the impression that while superior officers (EE & SE) who held charge currently

and were responsible for both the lapses viz. non-maintenance of initial accounts and non-regularisation of the excess, had been let off, those who succeeded them were punished for delay in preparing the Completion Report. They, therefore, asked the Secretary, Ministry of Works Housing and Supply, to review the whole case and apprise them of the results thereof.

264. In a note *to the Committee the Secretary has reiterated the earlier stand taken by the Ministry that no superior officer, Executive Engineer and above, could be considered responsible for the initial lapses viz., improper maintenance of accounts, and lack of financial control over the execution of these works. As regards those who were held responsible for delay in regularising the excess expenditure, the Secretary has exonerated two officers (S. Es) keeping in view the efforts made by them to expedite the matter. The note of warning previously administered to one of these officers has accordingly been expunged from his character roll. The Committee trust that the Ministry will take care to see that such situations do not recur as they will impair the confidence of the services in the impartiality of the Administration.

265. In connection with the non-production of material-at-site accounts to Audit it has been stated in the note:

"According to the CPWD, the material-at-site accounts for the work were maintained but were not produced before the Audit party probably because the Divisional Accountant had failed to call for the accounts for checking and could not produce them in an improper shape. These accounts are not now available in the department. There is, however, satisfactory evidence to show that such accounts did exist. Whether they were being maintained properly cannot be stated at this stage. Non-production of Material-at-site accounts and the failure to call for them from the S.D.O. was no doubt a lapse. It is not, however, correct to infer therefrom that no accounts regarding issue of materials were maintained in the Division or that no control over their issue was exercised. I am, therefore, satisfied that initial accounts of repair works carried out departmentally were maintained. I do not, therefore, consider that penal action against any officer for the omission pointed out by Audit is necessary."

266. *The Committee are unable to share the view taken by the Secretary, Ministry of Works, Housing & Supply. The fact that the*

*Not printed.

material-at-site accounts were not produced before the Audit Party and the said accounts or not available even now, lead to the conclusion that these accounts were not maintained at all. While two Assistant Engineers have already been punished for this lapse, the Committee feel that the Executive Engineer, who failed to keep proper watch has not been blamed for lack of supervision. They do not see why Government is needlessly mild in this particular case. In the opinion of the Committee the case calls for a review. They would like to be apprised of the results of the review.

Arrears of rent—Para 151 of 18th Report (1958-59)

267. The total arrears of rent of Government residences, which stood at Rs. 18.1 lakhs on the 1st March, 1954, went upto Rs. 27.37 lakhs by the end of March, 1956. The bulk of the arrears pertained to premises occupied by Government servants. The Committee were then informed that although in most of the cases house rent had been collected from the Government servants, necessary adjustment had not been made in the accounts of the Estate Office. It was added that as a result of special measures adopted by the Estate Office the outstandings had been brought down to Rs. 10.55 lakhs in December, 1958. The Committee felt that the position was still disquieting and desired to know the reasons for heavy amounts remaining outstanding for years. They desired the Directorate of Estates to gear up the machinery to expedite the clearance of arrears.

268. In a note now submitted by the Ministry of Works Housing & Supply it has been stated *inter alia*:

"In consequence of the huge construction programme in the Five Year Plans, the number of residential and office units for allotment continues to increase considerably; and in recent years, this number has gone sufficiently high but the corresponding increase in the staff engaged on the assessment and recovery of rent of these units has not been adequate to keep pace with the increased volume of work. It has not been possible to augment the staff in proportion to the increase in work due to the fact that the Special Re-organisation Unit of the Ministry of Finance are working out a new rent procedure and the staff required for adopting it."

269. The Committee are concerned to note this. They deprecate the delay in enforcing the recovery of rent and regret to observe that in the meantime adequate administrative arrangements have not been made by the Directorate to liquidate the arrears in the recovery

of rent. The Committee would like to be apprised of the recommendation of the S.R.U. of the Ministry of Finance and the action taken thereon by the Ministry of W.H. & S.

Professional Inspection of Stores—Para 152 of 18th Report.

270. A firm which had acted for a number of years as Analytical Consultants to the India Stores Department, London applied on 11th April, 1951 for an increase of about 25 per cent in their fees. In order to examine the reasonableness of this request, quotations were obtained from other suitable firms. The lowest offer then received was overall 23% lower than the revised rates sought by the Consultants. As at that time, the I.S.D. had contemplated taking up the analysis work in its own laboratory, that Department decided not to change the Consultants and paid the increased fees applied for by the firm. At the instance of Audit, fresh tenders were invited and the firm which had submitted the lowest quotation in 1951, was eventually appointed as Analytical Consultants on the 12th March, 1956. The delay of four years in deciding to appoint the new firm as Analytical Consultants had involved Government an avoidable expenditure of about Rs. 22,000.

271. The Committee (1958-59) were not satisfied with the explanation given for the delay in appointing the new firm and expressed the opinion that the responsibility for the loss lay squarely on the D.G., I.S.D. They desired that the matter should be investigated further and a report submitted to them.

272. In a note now submitted by the Ministry of W.H.&S. it has been stated that the I.S.D. took up consideration of the question of increase in the fees of the Consultants in April, 1951. In July 1951, the Department took up the question of expanding its own laboratory and submitted in September 1952 proposals for the purchase of necessary equipment etc. Meanwhile, alternative accommodation was being searched for the laboratory and the question of its expansion remained pending till February 1954, when it was dropped. As the firm of consultants had served satisfactorily for more than 50 years, and on the performance and technical guidance of the analysis depended the correct supply of stores worth millions of pounds, the Department had to act with caution in effecting a change over. The Ministry has, therefore, considered that due to the complexity of the problem, it would not be advisable to initiate disciplinary action against any of the officers of the India Store Department.

273. The Committee are not satisfied with the explanation for the delay on the part of the I.S.D. in arriving at a final decision not to

set up a departmental laboratory. Even granting that it was not advisable to change the Consultants, pending final decision on the question of setting up a departmental laboratory the Committee see no justification for continuing the old firm of Consultants at higher rates for two years after February, 1954 when the final decision was taken. The Committee regret that the D.G.I.S.D., continued in his own way till 1956, despite objections from Audit in 1953 and 1954.

NEW DELHI;
The 17th March, 1962.

Phalguna 26, 1883 (Saka).

C. R. PATTABHI RAMAN,
Chairman,
Public Accounts Committee

PART II

**Proceedings of the Sittings of the Public Accounts
Committee held in August-September, November-
December, 1961 and March, 1962.**

**Proceedings of the 13th sitting of the Public Accounts Committee
held on Thursday, the 17th August, 1961**

1. The Committee sat from 15-00 to 17-30 hours.

PRESENT

Shri C. R. Pattabhi Raman—*Chairman.*

MEMBERS

2. Shri Hem Raj
3. Dr. Pashupati Mandal
4. Shri S. A. Matin
5. Shri Purushottamdas R. Patel
6. Dr. N. C. Samantsinhar
7. Pandit Dwarka Nath Tiwary
8. Shri Ramji Verma
9. Shri K. K. Warior
10. Dr. Shrimati Seeta Parmanand
11. Shri V. C. Kesava Rao
12. Shri Mulka Govinda Reddy
13. Shrimati Savitry Devi Nigam
14. Shri Rajeshwar Prasad Narain Sinha
15. Shri Jai Narain Vyas

Shri A. K. Roy, *Comptroller & Auditor General of India.*

Shri G. Swaminathan, *Addl. Dy. Comptroller & Auditor
General.*

Shri P. V. R. Rao, *Accountant General, Central Revenues.*

Shri P. K. Rau, *Director of Audit, F.R.S.C.S. & M., New
Delhi.*

SECRETARIAT

Shri V Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

WITNESSES

**Present during the examination of the Ministry of Food & Agriculture
(Department of Food)**

Shri B. B. Ghosh, *Secretary.*

Shri L. O. Joshi, *Chief Secretary, Delhi Administration.*

Shri S. C. Bhattacharya, *Chief Pay & Accounts Officer.*

Present during the examination of the Ministry of Rehabilitation

Shri Dharma Vira, *Secretary.*

Shri M. G. Kaul, *Joint Secretary, Ministry of Finance.*

MINISTRY OF FINANCE

(DEPARTMENT OF ECONOMIC AFFAIRS)

Shri A. R. Shirali—*Additional Budget Officer.*

MINISTRY OF FOOD & AGRICULTURE

(DEPARTMENT OF FOOD)

Audit Report (Civil), 1961—Part I

Suspected misappropriation of Government money, para 21, page 22.

2. Special audit of the accounts of securities of an office in June and October, 1959 disclosed loss of cash received as security and other misappropriation aggregating Rs. 40,640.

3. The Committee were informed by the representative of the Ministry that the misappropriation was not due to absence of proper rules of procedure. Failure of supervision in enforcing the rules prescribed as regards accountal of security deposits, their conversion into National Savings Certificates and safe-custody of the latter had led to the misappropriation. The Chief Secretary, Delhi Administration, added that rules were being followed rigidly now and defects pointed out by special audit had been removed.

4. Asked why the cashier was permitted to keep the Certificates with him instead of depositing them in the Reserve Bank or District Treasury as required under Rule 281(2) of the General Financial Rules, Vol. I, the witness stated that under the rules, the Accounts Officer had to make arrangements for the proper custody of the Certificates. He had failed to do so. When in 1959, the irregularities were detected, he had already retired about a year earlier. At present, however, the securities were kept in the custody of the officer incharge of the section under the double lock system.

5. As regards the action taken against the delinquent officials, the Committee were informed that prosecution had been launched in three cases where there was proof of defalcation. Departmental action was being taken in respect of other lapses. In reply to a question, the witness stated that prosecution proceedings had been launched against the cashier. The Assistant Cashier, who had helped the Cashier, had also been suspended.

6. About the progress made in the departmental enquiry, the Committee were informed that the witnesses were being examined. The retired Accounts Officer had been summoned as the cashier alleged that the money withdrawn had been passed on to him. To a question why prosecution proceedings had not been launched against the retired Accounts Officer, the witness stated that there were two such incumbents drawn from the Defence Accounts Department during the period 1953—59 and that the Anti-corruption Department was trying to find out which of the two officers could be held criminally responsible.

7. The Committee enquired how the defalcation escaped detection for so long. The witness stated that the defalcation came to notice when the security of a claimant for refund could not be traced. The Audit parties also did not find any defalcation till then. At their suggestion, a physical verification was done in 1957-58, but it did not also reveal anything. The Comptroller & Auditor General informed the Committee that the Audit parties had consistently pointed out the undesirability of the cashier holding huge cash balances. The necessity of keeping securities with the Reserve Bank of India was also brought to the notice of the Department in the inspection report for 1951-52. But this was not agreed to on the ground that it would involve considerable labour. The Committee enquired whether the Defence Accounts Department was apprised of the alleged complicity of the Accounts Officer so that his pension case could be withheld. The witness stated that the officer concerned had retired much earlier than the detection of defalcation in May, 1959. The Committee desired to be furnished with information as regards (a) the date on which the Accounts officer retired, (b) the date on which pension was sanctioned in his favour, and (c) the date on which his complicity in the defalcation was suspected.

General irregularities in the accounts of the scheme for the purchase of foodgrains

Loss on account of long storage, para 22 (a), page 23.

8. According to the Audit Report, there was no systematic arrangement to ensure that the grains received earlier were disposed of first to avoid loss on account of deterioration in long storage. In five depots alone, grain weighing 85,815 mds. valued at about Rs. 17 lakhs stocked during October, 1954 to June, 1958 had not been disposed of (March, 1961). Some of the stocks had been declared sub-standard.

9. The Committee enquired about the procedure for reviewing the stock of foodgrains. The Secretary, Department of Food stated

that a continuous check of the quality of stocks was kept by competent technical staff. The disposal of stock was not dependent on its age but on its condition. Finer varieties of rice can be stocked for a longer period than coarse rice. The varieties of rice stocked were of better quality and as the fair price shops did not take them there was accumulation of stocks.

10. When the attention of the witness was drawn to the statement in the Audit Report that some of the stocks were sub-standard, the witness stated that certain stocks of 1954, 1955 and 1956 had slightly deteriorated but had not become unfit for human consumption. All other varieties of rice excepting *Sela Basmati* had either been taken up or were in the process of being taken up by State Governments. As regards the *Sela basmati* rice (about 2,000 tons), the West Bengal Government were not prepared to accept it. Efforts were, however, being made to dispose it of.

11. The Committee enquired whether there had been any loss due to deterioration of rice in storage. They were informed that there had been no loss in the disposal.

Infertuous movement of foodgrains, para 22(b), page 23.

12. There were instances of frequent movements of foodgrains from one depot to another, instead of direct movements from the distributing centres, and also of supply of foodgrains to consignees from depots other than those situated nearest to the consignees. In 16 depots alone, during August, 1958 to February, 1960 an expenditure of Rs. 3.67 lakhs had been incurred on railway freight and handling on movements which, according to Audit, could have been avoided with proper planning.

13. The Committee were informed that certain cross movements were inherent in the operations as possible demands in different areas could only be guessed up to a point on the basis of the anticipated production of foodgrains. In order to minimise cross movements, the bulk, about 50 per cent. and sometimes more, of the imported stocks were kept in port towns in view of the difficulty to presage the consumer demand correctly. But transport difficulties would not permit unlimited stocking of foodgrains in the port towns. Therefore, the remaining stocks had to be distributed to certain areas. Some stocks were also kept in the chronically deficit areas.

14. About the instances of movements of foodgrains referred to above, the witness stated that a large number of cases related to the movement of rice from Bihar to Bengal. One case related to Calcutta where stocks were issued to the State Government from

a slightly far-away depot. That was done during the period of strike by the Central Government employees, when the local officers thought that extra cost was justified. The Committee pointed out that the strike was in July, 1960 but the cases under consideration related to an earlier period and thus the explanation was not relevant. They desired to be furnished with a note indicating (a) the number of cases where foodgrains had to be rushed to other Depots/consignees in the jurisdiction of other depots during the period August, 1958 to February, 1960 justifying expenditure of Rs. 3.67 lakhs and (b) the standing rules/orders about the movement of foodgrains. The witness informed the Committee that the movement of foodgrains was controlled at a very high level and unnecessary movement were avoided.

Defects in conducting physical verification of stocks and recording results thereof, para 22 (c), page 23.

15. The physical verification of stocks in storage depots was not being conducted on a systematic basis. In many of the depots where only test checks were conducted, the results of such checks were not being recorded properly in the stock ledger.

16. The Committee were informed by the witness that according to the instructions, excess of physical balances over ledger balances must immediately be taken into account and recorded in the ledger. But if there is a shortage, it has to be investigated before it is taken into the ledger accounts. He assured the Committee that there was no general failure to conduct physical verification and that the Ministry were satisfied with the procedure. There were individual lapses which were being dealt with. The Committee desired to be furnished with a note giving (a) the number of cases in which rules regarding physical verification of stocks were not observed by officers, (b) cases in which their explanations were called for, (c) departmental action taken against the officers responsible for the lapses, and (d) the number of cases during the period under report in which shortages had been detected and the number of such cases in which investigations had been completed.

17. The Committee enquired about the system of stock verification. They were informed that centrally set up teams verified the stocks once a year. Local officers maintained the stock registers. Sample checks were carried out in the case of standardised bags but non-standardised bags were further weighed. In reply to a question, it was stated that as the programme was drawn up at the Centre, it was in the nature of a surprise check.

Defective weighment procedure, para 22(d), pages 23-24.

18. According to the standing orders of the Ministry, the consignments of foodgrains were required to be weighed 100 per cent. if non-standardised, and 10 per cent. if standardised on arrival at rail-heads and again in the depots. Those instructions were, however, not being followed in a large number of cases. The weighment procedure followed on receipt of consignments in the depots was also not uniform.

19. The Committee enquired about the difficulties in adhering to the rules. The witness stated that weighment rules could not be observed at certain places because of physical difficulties, e.g., in Calcutta port 100 per cent. weighment was physically impossible. The Port Commissioner would not allow the stocks to be kept in the port for long. He, however, agreed that orders should be modified in the light of experience and should take into account the various possibilities of the situation.

20. The Committee enquired whether it was at present possible to fix the responsibility of carriers for losses in transit. They were informed that the railways were the major carriers from whom consignments were received in sealed wagons. In cases where transport was entrusted to contractors, a convoy was provided to escort the supplies. But still loopholes remained to plug which 100 per cent. weighment, if possible, would be very satisfactory.

*Appropriation Accounts (Civil), 1959-60, Vol. VII, Grant No. 120—
Purchase of Foodgrains.*

Audit Comments.

21. *Item No. 12, page 122.*—S.S. Valiant Effort, carrying about 10,000 tons of wheat valued at about Rs. 33·53 lakhs sank on 18-1-1959. A quantity of 624·8 tons was salvaged.

22. *Item No. 13, page 123.*—S. S. Theodora, carrying 10,102 tons of wheat ran aground on 25-8-1958. A quantity of 5,733 tons of wheat was lost. Government claim for losses amounted to Rs. 20·55 lakhs but a guarantee limited to £85,000 (Rs. 11·34 lakhs approx.) only could be obtained from the underwriters. The claim for recovery was stated to be under arbitration (March, 1961).

23. The Committee enquired whether these ships belonged to the 'Liberty' Fleet and if so how they were used on high seas when the condition attached to the 'Liberty' vessels was that they should be used for coastal areas only. The representative of the Ministry stated that the vessels had seaworthy certificates. He was, however, not sure whether these ships were of the 'Liberty' fleet. He added that

after the Suez crisis, a large number of 'Liberty' vessels had been declared seaworthy and put into service although some of them had earlier been reserved for coastal trade.

24. The Committee enquired about the reasons for Government getting only a guarantee for Rs. 11.34 lakhs while their claim for losses amounted to Rs. 20.55 lakhs. The witness stated that the value of the ship was of that order and a guarantee more than that could not be obtained.

25. The Comptroller & Auditor General informed the Committee that under the agreement there was an obligation that 50 per cent. of food stocks imported under P.L. 480 should be brought in American vessels. I.S.M. had tried to obtain C-2 and Victory type ships but not with success. It appeared that incoming ships were bad and since the publication of the Audit Report, there had been two more cases of ships running aground.

26. The witness stated that I.S.M. had been asked to avoid old vessels but it was also a matter of availability of ships and freight rate. If a vessel had a seaworthy certificate and the freight quoted was low it was rather difficult to refuse its use. In reply to a question, the Committee were informed that the question of recoveries was still under arbitration. The Committee desired to be furnished with a note indicating (a) whether the ships involved belonged to the 'Liberty' fleet and had seaworthy certificates or were meant for coastal traffic only and (b) steps taken to guard against such losses in future.

27. *Item No. 15, page 123.*—Registers are required to be maintained by Pay & Accounts Officer (Food & Agriculture) for linking the quantities of foodgrains despatched from docks to depots or from one depot to another with the quantity taken on stock by the receiving depot. A test review of some of the linking registers had revealed that a large number of items were outstanding even though the grains had been transferred more than 2 years ago. The number of unlinked items together with the quantity involved outstanding in the books of Pay & Accounts Officer for the grains transferred upto 31-3-1959 was 7,935 involving 226 lakh mds. of wheat and rice.

28. The Committee enquired about the target date by which all the outstanding items would be completed. The Chief Pay and Accounts Officer stated that out of about 7,000 items only 900 had been completed. Each and every item was being pursued and the work would be completed in another year. In extenuation of the slow progress, the Committee were informed that the transmission of

the accounts return was defective. There was no overall discrepancy but the linking of each item had to be done. The Secretary of the Ministry stated that he would get the work expedited.

29. *Item No. 2, page 121.*—According to Audit, Government decision about the form of the Proforma Accounts was still awaited.

30. The Secretary of the Ministry informed the Committee that discrepancies between the financial accounts and proforma accounts had since been reconciled and the figures had been accepted by Audit. He proposed to meet the C. & A.G. and finalise the form of Proforma Accounts.

MINISTRY OF REHABILITATION

AUDIT REPORT (CIVIL), 1961—PART I

Irregularities in the accounts of rural evacuee properties. para 27, page 27.

31. During the course of local audit in the year 1959-60 of the various offices under the Custodian of Evacuee Properties of Punjab, it was noticed that no authentic records of the agricultural lands, rural evacuee houses and shops had been maintained. There were also no proper rent demand and collection registers showing the rent in respect of land, houses and shops recoverable from the occupants.

32. The local Managing officers had furnished to audit certain statements on the basis of the unsatisfactory records maintained by them. According to these, the arrears of rent and lease money as on 29th February, 1960 recoverable from unauthorised occupants of land/houses and shops would amount to about Rs. 50 lakhs.

33. The Secretary of the Ministry explained that in 1947 when the evacuees left, about 50 lakh acres of land and other rural property came into the possession of the Punjab Government who had been appointed custodians. The Financial Commissioner of that Government was *ex-officio* Chief Settlement Commissioner for rural areas. The basic records of the property were maintained at the village level. At the tehsil level only the demand and collection registers were kept. Inspection of properties had taken place regularly through district officers of the State revenue department.

34. The Committee pointed out that under rules 33 and 39 of the Administration of Evacuees Property Act all immovable property taken possession of by the Custodian had to be recorded in a Register in Form No. 10. Similar registers had also to be maintained in respect of properties of the intending evacuees. The Secretary of the

Ministry stated that the basic records were there, though not in the prescribed form. The Ministry were prepared to maintain the records in the prescribed form but the Ministry of Finance considered that it would be wastage of labour as basic records, although not in the prescribed form, were already available and were quite adequate. He also stated that details prescribed under the rules were more relevant to urban properties than to rural properties.

35. About the collection of arrears, the witness informed the Committee that as against the total demand of Rs. 3 crores only Rs. 45 lakhs were outstanding. Thus about 80 per cent of the total demand had been realised. He also mentioned that the arrears of Rs. 50 lakhs mentioned in the Audit Report was not due from unauthorised occupants only.

36. The Comptroller & Auditor General informed the Committee that there were cases where records even at the village level were not available. The witness stated that those cases referred to PEPSU administration. Unfortunately in the tehsils where Audit had gone records were not available. But now village records were existing everywhere. The village level records would now be test checked by Audit. Steps would be taken to prepare the records in the prescribed form if the results of test check indicated its necessity.

37. The Committee enquired whether there was any arrangement in the Ministry to check up village level records. The witness stated that the Financial Commissioner of the Punjab Government was also the senior officer of the Ministry of Rehabilitation and under his direction the records had been checked. The Ministry were satisfied that the records in the Punjab were well maintained.

Non-maintenance of Block Accounts of the assets, Para 77, Page 76.

38. Some schemes providing relief to, and rehabilitation and empouement of East Pakistan displaced persons, contained a stipulation to the effect that assets created out of the expenditure sanctioned would be the property of the Government of India. The Ministry had also issued orders in August, 1957 to the effect that Block accounts of such assets should be maintained by the State Governments and that an up-to-date copy of the list together with a certificate about verification of the physical existence of the assets sent every quarter to the Ministry through the State Accountants General.

39. Though a period of 3 years had since elapsed no proper periodical returns of the assets so created had been received by the Ministry from most of the State Governments, and it was also not known

whether proper Block Accounts of the assets were being maintained by the State Governments. The total grants for capital works alone sanctioned by Government of India during the period 1956-57 to June, 1960 exceeded Rs. 2·25 crores. Most of these works were stated to be still in progress. The Secretary of the Ministry explained to the Committee that it was only through Audit that the Ministry had come to know that accounts were not being rendered by the State Governments in spite of the stipulation under the schemes and the instructions issued by the Government of India. He assured the Committee that during his next visit to Calcutta he would take up the matter with the State Rehabilitation Secretary and also if necessary, with the State Rehabilitation Minister. Asked about the progress of the capital works, the witness stated that he would go into the whole matter and submit a report to the Committee.

Relief and Rehabilitation of Displaced persons, Para 78(i), Pages 76—78

40. The total expenditure on actual Relief and Rehabilitation of Displaced Persons, in and outside Camps, during the year 1959-60 amounted to Rs. 5,99,88,661 and Rs. 4,19,14,468 respectively. The expenditure on pay and allowances of officers and establishments at Headquarters amounted to Rs. 33,53,530 and that in subordinate offices etc. to Rs. 1,85,03,009 (Total Rs. 2,18,56,539). The percentage of expenditure on the pay and allowances of officers and the establishment, to the expenditure on Relief and Rehabilitation (inclusive of the loans paid to State Governments for establishment among Displaced Persons) was 14·7 in 1959-60 against 11·3 in the previous year.

41. The Committee enquired about the reasons for the increase in the percentage of expenditure on pay and allowances of the officers and the establishment. They were informed that reduction in staff could not be in proportion to the reduction in the other expenditure. Further the more difficult cases of payments and adjustments were to be dealt with now and consequently progress would be slower.

Appropriation Accounts (Civil), 1959-60—Vol. XIV

Grant No. 73—Expenditure on displaced persons and minorities, Page 7.

42. The Committee noticed a saving of Rs. 22·4 lakhs under the voted portion of this Grant and enquired about the reasons for its non-surrender.

43. The witness stated that demand for grant was finalised on the basis of information as to requirements received from the State Accountants General. But not all the amount was required. The saving, however, was less than one per cent of the Ministry's total demand. He, however, agreed that the position should improve.

Grant No. 128—Capital Outlay of Ministry of Rehabilitation, Page 9.

44. The savings in the Grant had been substantial under the sub-heads relating to (i) investments in Rehabilitation Industries Corporation (Rs. 75 lakhs), (ii) Dandakarnya Development Scheme (Rs. 3.65 crores) and (iii) payments to displaced persons (Rs. 90 lakhs).!

45. Referring to the last item, the Secretary of the Ministry stated that the amount (Rs. 90 lakhs) related to payment of Compensation which was not made in cash and therefore it did not represent monetary funds placed at the Ministry's disposal. About the Dandakarnya Development Scheme the witness stated that Government had hoped that people would move to Dandakaranya and money would be spent. But that hope did not materialise. The slow movement of people to Dandakarnya was entirely due to their reluctance and not due to the slow pace of reclamation work there. The pace of work was better than the rate of inflow of displaced persons to the area. When asked the reasons for drawing up of schemes which had no chance of being implemented, the witness stated that those were mainly house building and reclamation schemes. Progress was kept slow as Government did not want the houses and land remaining unutilised. He assured that there would be houses ready when people came.

46. The Committee enquired about the work of the Rehabilitation Industries Corporations. The witness stated that the Corporation at present was under the control of the Ministry of Commerce and Industry. It was setting up a number of Industrial Estates and some industries in the public sector in Bengal for the rehabilitation of displaced persons. Two of the industries would go into operation in the next month or so. The other industries were expected to be set up within a year.

47. The Committee then adjourned till 15.00 hours on Saturday, the 19th August, 1961.

Proceedings of the Fourteenth sitting of the Public Accounts Committee held on Saturday, the 19th August, 1961

48. The Committee sat from 15.00 to 16.45 hours.

PRESENT

Shri C. R. Pattabhi Raman—*Chairman*

MEMBERS

2. Shri Rohan Lal Chaturvedi
3. Shri Hem Raj
4. Dr. N. C. Samantsinhar
5. Pandit Dwarka Nath Tiwary
6. Shri Ramji Verma
7. Shri K. K. Warior
8. Dr. Shrimati Seeta Parmanand
9. Shri V. C. Kesava Rao
10. Shri Mulka Govinda Reddy
11. Shri Rajeshwar Prasad Narain Sinha
12. Shri Jai Narain Vyas.

Shri A. K. Roy, *Comptroller & Auditor General of India.*
Shri G. Swaminathan, *Addl. Dy. Comptroller and Auditor General.*
Shri P. V. R. Rao, *Accountant General, Central Revenues.*
Shri P. K. Sen, *Director of Commercial Audit.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*
Shri Y. P. Passi—*Under Secretary.*

WITNESSES

MINISTRY OF DEFENCE

Shri O. Pulla Reddi, *Secretary.*
Shri J. S. Lall, *Joint Secretary.*
Air Vice Marshall D. A. R. Nanda.

MINISTRY OF HOME AFFAIRS

Shri B. N. Jha, *Secretary.*

Shri Hari Sharma, *Addl. Secretary.*

Shri P. C. Mathew, *Director, Central Statistical Organisation
& Joint Secretary to the Cabinet.*

MINISTRY OF FINANCE

Shri M. G. Kaul, *Joint Secretary.*

Shri A. G. Krishnan, *Under Secretary, Deptt. of E.A.*

MINISTRY OF DEFENCE

Audit Report (Civil), 1961—Part I

Use of the V.I.P. Flight of the Indian Air Force. Para 72, Page 73

49. The Indian Air Force maintains seven aircraft known as the V.I.P. Flight. The rules regarding the V.I.P. Flight contemplate that except the President, the Vice-President, and the Prime Minister, personages such as other Ministers, Chiefs of Staff, etc. are entitled to use the aircraft if it is essential to do so but should make use of commercial air services wherever possible. During 1958-59 and 1959-60, however, 163 flights were undertaken by such other personages between places connected by the I.A.C. scheduled flights.

50. It was explained to the Committee that any person authorised under the rules to make use of the V.I.P. flight was competent to demand an aircraft having satisfied himself that he fulfilled the terms as laid down in the rules. During the two years in question, a total of 329 air-journeys were undertaken of which the flights which took place between the places connected by commercial services were only 143 and not 163 as indicated in the Audit Report. Broadly, these flights were undertaken by the authorised persons for purposes of inspection where in public interest they were preferred to commercial services. As an instance, it was mentioned that the Defence Minister (against whom 37 flights were shown) had very great regard for public time. He undertook flights largely at nights, reaching the other end early in the morning and generally returned the same day after carrying out his inspection. The three Chiefs of Staffs required certain other officers to accompany them on inspection. Sometimes, the wives of the Chiefs of Staff also had to go on inspection to look after the welfare of troops. Special reasons were applicable to the flights undertaken by the Air-Force officers who had to put in a certain number of flying hours so as to earn a "flying bounty". The senior officers of the Air Force sometimes piloted

the aircraft themselves. Even so, not every flight was undertaken by them in an I.A.F. Plane. Often, they had to go from Delhi to a place like Jamnagar which though connected by a scheduled service was via Bombay. Direct flights to Jamnagar were, therefore, undertaken to avoid the waste of public time.

51. The Committee desired to be furnished with a break up of 143 flights during 1958-59 and 1959-60 under the following categories:—

- (i) the number of flights (officer-wise) in order to avoid circuitous route by the commercial planes; and
- (ii) the number of flights by different officers in which the officers were satisfied that it was necessary to go by V.I.P. flight.

52. The Secretary, Ministry of Defence, agreed to furnish the requisite information but reiterated that almost every flight undertaken by the officers and other V.I.Ps was in public interest. He added that the prescribed hours of flying of each aircraft (about 5.00 hours) were not exceeded and no additional expenditure had been incurred.

53. The Committee drew attention of the Defence Secretary to his statement before the P.A.C. on the 10th September, 1960 that the I.A.F. planes were required to do a certain number of flying hours in order to be in operational trim and enquired whether the number of aircraft earmarked for V.I.P. flights was not susceptible of reduction, in view of the fact that the prescribed minimum flying hours had not been exceeded. The Secretary replied that no minimum flying hours had been fixed. Only the authorised flying hours for each aircraft were laid down and these had not normally been exceeded. It was for the purpose of ensuring timely attention to maintenance of the aircraft a limit of flying hours was laid down after which the plane should be sent for overhaul. The authorised flying hours had, therefore, no relation to the fitness of the aircraft. The number of flying hours which an aircraft could put in, depended on the maintenance and availability of spare-parts.

54. In reply to a question whether the number of V.I.P. aircraft was not excessive, it was stated that in 1954 the flight consisted of 4 aircraft. The number was raised to 5 in 1955 and to 7 in 1956. One or two planes were sick for one reason or another. The planes were utilised not only by senior Services Officers and other high Indian dignitaries but also by the visiting foreign dignitaries. It was also

used for training the Air Force personnel in various ways. Often, it was found difficult to provide aircraft from the V.I.P. flight for all the visiting dignitaries. When the demands on the V.I.P. flight were much more than could be met by the existing strength of the flight and the demands were urgent, the I.A.F. diverted some aircraft provisionally from the Transport Fleet. Every effort was, however, made to regulate and phase the air journeys in such a manner so as to utilise the Flight most economically. During the lean season, however, the number of planes might be more than adequate.

MINISTRY OF HOME AFFAIRS

Non-recovery of a Loan—Para 25, Page 26.

55. Government sanctioned on 23rd November, 1951 an interest-free loan of Rs. 25,000 to be paid in five equal annual instalments, to the Criminal Tribes Welfare Board (an un-registered private body) for starting industries in a reclamation colony at Delhi, with the object of providing gainful occupation for the members of a backward community. The first instalment of Rs. 5,000 was paid on 21st March, 1952. Though an amount of only Rs. 5,000 was payable in the next year towards the second instalment, the entire balance of Rs. 20,000 was disbursed on 31st March, 1953.

56. The terms and conditions for repayment of the loan were not prescribed initially nor even before the payment of the second instalment. No security was taken nor was any bond executed. The fact whether the body had any assets was not enquired into. The matter regarding the execution of an agreement was first taken up in July, 1956, but in December, 1959 it was considered that no useful purpose would be served by finalising the agreement, as the loanee had become defunct.

57. The amount of the loan was advanced by the loanee to a Co-operative industrial society, which went into liquidation due to mismanagement and embezzlement of funds. Neither of the bodies started any industries, and the purpose for which the loan was granted was thus defeated. Effective steps were not taken by Government at any time to ensure proper utilisation of the loan and to effect recoveries. Government were considering the question of writing that off.

58. The Committee enquired how a non-registered private body was advanced a large amount of loan and what were the circumstances under which Rs. 20,000 was paid as the second instalment instead of Rs. 5,000. The Secretary, Ministry of Home Affairs agreed that the correct procedure had not been observed in the matter. He

then described the background of the case. During 1949-50, the working of the various Criminal Tribes Acts was examined as a result of which these Acts were ultimately repealed. A lot of public attention was then focused on the welfare of the Criminal Tribes. A proposal was even mooted on behalf of the inmates of a Tribes colony to transfer the administration of the Colony to the Harijan Sewak Sangh who were active in the field of Criminal Tribes Welfare. The proposal, however, did not find favour with Government who felt that a more appropriate course would be to afford economic assistance and means of employment to the Tribes through a body to be set up for the purpose by the Sangh. Consequently, the Harijan Sewak Sangh in consultation with the Servants of People Society, a registered body, set up a Board consisting of very eminent persons. It was on behalf of this Board that the request for economic help was made to the Chief Commissioner on whose recommendation an interest-free loan of Rs. 25,000 payable in annual instalments of Rs. 5,000 each was sanctioned to the Board. The first instalment of Rs. 5,000 was paid in 1952 without any agreement as to how the loan was to be repaid. The A.G.C.R. also did not object to that procedure. All that he suggested was that an agreement about repayment of the loan and other conditions attached thereto should be formulated. The Board on its part set up a Co-operative Society. The then Scheduled Castes Commissioner reported that the work of the Society was suffering as the amount of Rs. 5,000 advanced to it was insufficient necessitating it to borrow from other sources at exorbitant rates of interest. Under these circumstances the entire balance of Rs. 20,000 was paid to the Society.

59. After the first advance was disbursed, Delhi Administration deputed their Director of Industries to make an enquiry as to the soundness and competence of the Co-operative Society to carry out the work. The Director of Industries asked the Assistant Registrar of Co-operative Societies to carry out the inspection. He also sent one of his Superintendents to inspect the workshop set up by the Society. According to the Superintendent, the Society was engaged in the production of handloom fabrics and hosiery. The hosiery section had an investment of Rs. 6,000 and made a monthly profit of Rs. 150. The weaving section with an investment of Rs. 15,000 yielded a monthly profit of Rs. 250. He also reported that for the production of leather goods an additional investment of Rs. 5,000 was necessary and the basket making unit required a further investment of Rs. 3,000. At the same time, the Assistant Registrar reported that the Society was functioning properly. The trouble started later on when the manager of the Society-disappeared with the funds. Consequently, the Society stopped functioning after 1954. That manager was prosecuted and sentenced to three years' imprisonment. The witness

observed that even if an agreement had been entered into, it would not have helped much.

60. In reply to a question, the Committee were informed that Delhi Administration advanced the amounts to the Board who in turn passed them to the Society. But it was difficult to name the person who actually received the amounts. The Committee enquired how Government proposed to recover the money. They were informed that the building and some other immovable property acquired out of the funds advanced to the Board, by Government and by private donors had been made over to Government. The properties were valued at Rs. 1,14,000. The Committee enquired whether before advancing money to the Society, Government had consulted Delhi Administration. The witness stated that at that time it was thought that the Board which was working through the Co-operative Society was a perfectly desirable body for advancing money.

61. The Committee wanted to know whether the Secretary of the Society who was constitutionally responsible for the funds was prosecuted and any investigation conducted against him. The witness replied in the negative. Asked about the reasons for not taking any action against him, the witness stated that the Co-operative Society had ceased to function, and the conviction of the Manager was all that could be done. The Committee enquired whether action had been taken against the officer concerned in the Ministry for failure to take proper precautions before disbursing the loan. The witness stated that the whole matter had been gone into carefully but it was difficult to fix responsibility on a particular officer.

62. The Committee enquired whether in the light of this case rules had been laid down for keeping a watch on the proper utilisation of loan and to ensure its recovery. The witness replied that grants for the uplift of backward classes were made to various bodies and precautionary measures for their proper utilisation had been prescribed.

63. The Committee then referred to the grants made during 1955-56 and 1956-57 of Rs. 13.92 lakhs to the Sarva Seva Sangh which had no proper schemes and personnel to carry out the work for the development of gramdan villages in Orissa (paras 65—69 of the 25th Report, Vol. II, Second Lok Sabha), and wanted to know the latest position. The witness admitted that the Sarva Seva Sangh was one of the organisations which received grants and unfortunately failed. The outstanding amount was adjusted against the grant for the subsequent year. The witness stated that in the case of an organisation which continued to function and received grants year after year, outstandings relating to previous year were adjusted fully against the

grant for the following year. Asked whether the Ministry satisfied themselves with the details of the schemes before advancing fresh grants, the witness replied in the affirmative.

Non-accountal of Civil Court Deposits—Para 26, Pages 26-27

64. A special local audit of the accounts of the Court of the District Judge, Tripura undertaken in April, 1959, revealed that an amount of Rs. 28,806 relating to Civil Court Deposits for the period from 1st July, 1957 to 31st March, 1959 had remained unaccounted for. As certain records were not available, it was not certain whether that was the complete figure of the amount unaccounted for. The shortage had been rendered possible on account of non-observance of rules.

65. Following police investigations into the above shortage, certain cases were pending in the criminal court (February, 1961). The results of departmental enquiry, which had also been instituted, were awaited.

66. The Committee enquired about the present position of the case. The witness stated that the defects in the procedure pointed out by Audit had been removed and the correct procedure was now being followed. The posts of Cashier and Accountant had been separated. One of the Nazirs concerned in the matter had been convicted and sentenced in respect of some cases. Orders of his dismissal had also been passed. Other cases against him were still pending in the court.

67. The Committee understood that the Ministry had reported to Audit in April, 1961 that the question of instituting departmental enquiry would be considered as soon as the pending session cases had been finally decided. They enquired the reasons for not instituting departmental proceedings concurrently with the process of law, as required under Government orders. The Secretary of the Ministry explained that in the case in question the departmental enquiry officer happened to be the District Judge who had to try the criminal case also. So, the District Judge suspended the Nazir and tried the case judicially instead of completing any departmental proceedings against him.

*Appropriation Accounts (Civil), 1959-60 Vol. IX—Grant No. 52—
Statistics, Page 20.*

68. The Committee noticed a saving of Rs. 23 lakhs out of the original grant of Rs. 1.89 crores. The entire savings occurred under Group-head A-4—Grants-in-aid, contributions etc.

69. The representative of the Ministry explained that in 1958 it had been decided that the project work relating to National Sample Survey should be entrusted on contract to the Indian Statistical Institute. Accordingly, on account payment of only 90% of the contract amount of Rs. 52 lakhs was made. The balance was not paid for want of a completion certificate before the close of the financial year. Another sum of Rs. 15 lakhs had been included in the budget estimate for the year 1959-60 for grant-in-aid towards capital expenditure and it was decided that actual payments should be made after verification of the work on its completion. However, a sum of Rs. 6½ lakhs was sanctioned as on account payment. The balance was not paid pending verification of the work executed by the Institute.

70. The Committee enquired why provision was made in 1959-60, if the entire amount was not expected to be paid in that year. The witness stated that provision was originally made on the basis of estimated expenditure but the procedure of payment was made more rigorous in 1959-60. He, however, agreed that the provision could have been made more accurately.

Grant No. 56—Andaman and Nicobar Islands—Page 211.

71. The actual expenditure fell short of the final grant (Rs. 3.11 crores) by Rs. 50 lakhs. A large part of the savings occurred under sub-heads C.1(i)—Timber and other produce removed from the Forest by Government Agency—and C-4—Development Schemes.

72. The Committee enquired whether any schemes had been held up for want of sanction to estimates. The Additional Secretary of the Ministry stated that a saving of Rs. 34 lakhs was due to non-implementation of forest development schemes because of belated receipt of and non-procurement of equipment on account of foreign exchange difficulties. Savings of Rs. 19 lakhs, Rs. 6.86 lakhs and Rs. 5.11 lakhs were respectively due to foreign exchange difficulties, non-adjustment of debits and non-receipt or non-purchase of stores. In extenuation he stated that taking the Union Territories as a whole there was a short fall of only about 2%. The Committee enquired why schemes involving foreign exchange should at all have been budgeted for and wanted to know the stage at which this difficulty was encountered. The witness stated that provision for the schemes was made on the assumption that necessary foreign exchange would be available. The difficulty to get foreign exchange was there from the very beginning, but the Ministry was hopeful that the position would improve. Every few months the position was reviewed.

Proforma accounts of Shipping Department, Note 7, Page 212.

73. According to Audit, the Financial Review and Proforma Accounts of Shipping Department, Andamans had not been prepared by

the Department for the three years 1957-58 to 1959-60, on the ground that the agreement with the Eastern Shipping Corporation had not yet been finalised.

74. The witness explained that there had been delay in the settlement of accounts procedure and terms with the Eastern Shipping Corporation who wanted to examine the receipts and expenditure statement before any settlement. That had been done. Differences had been sorted out and terms finalised. On the basis of the accounting procedure as finalised, a draft agreement had been drawn up in consultation with the Ministries of Law and Finance. The same had been sent to the Eastern Shipping Corporation for acceptance and execution. The preparation of the proforma accounts would be taken up immediately after the agreement had been accepted and executed by the Corporation.

Grant No. 54—Delhi

Unauthorised continuance of certain posts, Note 11—Page 24

75. The States Reorganisation Act came into force on the 1st November, 1956 and with effect from that date Delhi State became a Union Territory. The State Vidhan Sabha became defunct and consequently some posts in the Vidhan Sabha Secretariat became surplus. The Administration, however, sanctioned the continuance of some of those posts from time to time beyond 1st November, 1956 till the incumbents were absorbed in other posts. According to Audit, this was in contravention of the provisions of Sections 130 and 116(1) of the States Reorganisation Act resulting in an expenditure of about Rs. 47,400 to Government.

76. In his evidence, the representative of the Ministry stated that the matter should be examined in the background of Government policy at the time. It was the declared policy of Government that while giving effect to the States Reorganisation Act, retrenchment of staff would be avoided as far as possible. Provision was also made (*vide* Section 115 of the Act) that the terms of service of the various employees would not be effected to their disadvantage without the prior concurrence of the Government of India. Although this provision did not directly apply to the employees of the Delhi State which became a part of the Government of India, it was significant as the intention of Government policy.

77. The witness expressed the view that although the Delhi Vidhan Sabha ceased to exist under Section 130 of the Act, the continuance of certain posts of officers of the Vidhan Sabha was no violation of that Section. He added that according to the provisions of Section 116 of the Act the officers in question could be continued in their

positions without issuing any orders of reappointment in the new set-up.

78. The Comptroller and Auditor General intervened to say that as the Vidhan Sabha ceased to exist on 1st November, the question was what work the officers thereof like Superintendents, Reporters, Translators, etc. were doing thereafter. As regards the legal position, the Law Ministry had upheld the view taken by Audit that consequent on the abolition of the Vidhan Sabha, the various posts of officers of the erstwhile Vidhan Sabha also ceased to exist. The representative of the Ministry agreed that strictly speaking, the officers concerned were not protected by the provisions of the Act. But, in accordance with Government policy they were treated as holders of supernumerary posts and were utilised in various capacities, e.g. two Reporters were utilised in connection with the framing of the Delhi Municipal Corporation Act. The Secretary of the Ministry told the Committee that each one of the officers was gainfully employed and that certificates to this effect were obtained from the Delhi Administration. They were subsequently absorbed in different departments. This process took a little time; but most of them were fixed up during the year 1956 itself.

79. The Committee then adjourned till 15.00 hours on Monday, the 21st August, 1961.

Proceedings of the Fifteenth Sitting of the Public Accounts Committee held on Monday, the 21st August, 1961

80. The Committee sat from 15.00 to 16.45 hours.

PRESENT

Shri C. R. Pattabhi Raman—*Chairman*.

MEMBERS

2. Shri Rohan Lal Chaturvedi
3. Shri Aurobindo Ghosal
4. Shri G. K. Manay
5. Dr. G. S. Melkote
6. Dr. N. C. Samantsinhar
7. Dr. Shrimati Seeta Parmanand
8. Shrimati Savitry Devi Nigam
Shri A. K. Roy, *Comptroller & Auditor General of India.*
Shri G. Swaminathan, *Addl. Dy. Comptroller & Auditor General.*
Shri P. V. R. Rao, *Accountant General, Central Revenues.*
Shri P. K. Sen, *Director of Commercial Audit.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*
Shri Y. P. Passi—*Under Secretary.*

WITNESSES

INDUSTRIAL FINANCE CORPORATION

Shri K. P. Mathrani—*Chairman.*

MINISTRY OF FINANCE

(DEPARTMENT OF ECONOMIC AFFAIRS)

Shri L. K. Jha, *Secretary.*
Shri Shiv Naubh Singh, *Joint Secretary.*
Shri N. C. Sen Gupta, *Joint Secretary.*
Shri Y. T. Shah, *Joint Secretary.*
Shri K. S. Sundra Rajan, *Joint Secretary.*

(DEPARTMENT OF REVENUE)

Shri V. T. Dehejia, *Secretary*.

(DEPARTMENT OF EXPENDITURE)

Shri S. Bhoothalingam, *Secretary*.Shri S. S. Shiralkar, *Joint Secretary*.

MINISTRY OF IRRIGATION & POWER

Shri P. P. Agarwal, *Joint Secretary*.

MINISTRY OF WORKS, HOUSING & SUPPLY

Shri B. D. Kumar, *Deputy Secretary*.

INDUSTRIAL FINANCE CORPORATION

Audit Report (Civil), 1961—Part I*Subvention payable to Government, para 65 (i), pages 64-65*

81. According to Audit, the accounts of the Corporation for the years ending 30th June, 1959 and 1960 showed a net profit of Rs. 35·37 lakhs and Rs. 59·51 lakhs respectively. The amount payable to Government on account of subvention drawn from them in previous years to meet the deficit of guaranteed dividend had been reduced to Rs. 28 lakhs as on 30th June, 1960.

82. The Chairman of the Corporation explained that in order to make up the deficit in the profits for the payment of Rs. 2½ per cent. dividend guaranteed under Section 5 of the I.F.C. Act, the Corporation had drawn subvention from Government during the first 7 to 8 years. Of a sum of Rs. 53,45,490 repayable to Government on 30th June, 1958, about Rs. 25 lakhs had been repaid out of surpluses in the subsequent years and the balance was likely to be repaid during the next 2 to 3 years. The Committee enquired whether the yearly amount payable to Government had been fixed. The witness stated that the Corporation had paid a sum of Rs. 10 lakhs annually and the same sum was proposed to be paid in the current year.

Avoidable loss of Rs. 40,000, para 65 (ii), page 65.

83. A Company's assets from whom Rs. 283,717 were due had been taken over by the Corporation in July, 1954. These were sold for Rs. 1,60,124 in 1955 and 1956. A claim for the recovery of the balance of Rs. 1,65,730 (Principal Rs. 94,488 and interest and other charges Rs. 71,242) was lodged on 11th January, 1956 with the guarantors of the loanee company. The guarantors, however, represented on 24th July, 1956 that out of the above balance a sum of

Rs. 81,600 pertained to the call money not recovered from the shareholders of the loanee company on account of the condition imposed by the Corporation that no steps should be taken during the next five years for recovery of calls in arrear from the defaulting shareholders, since the majority of them were refugees and the enforcement of recovery would deprive them of their entire investment in the company. Accordingly, the Corporation reduced its claim to Rs. 1,25,730 as the amount which could have been recovered from the shareholders came to Rs. 40,000 only.

84. The guarantors could not, however, pay even the reduced claim of Rs. 1,25,730 and the Corporation decided on 8th February, 1957 to compound it and recover a sum of Rs. 50,000 (since recovered) in five instalments as it was felt that the guarantors were in a position to repay the loan only to that extent. The Corporation had lost Rs. 1,32,442 (Rs. 1,15,730 plus Rs. 16,712 on account of interest and other charges from 11th January, 1956 to 30th June, 1960) in the transaction including a sum of Rs. 40,000 on account of its directions to the Company to postpone recovery of the calls in arrear.

85. The Committee wanted to know whether the condition imposed by the Corporation that calls in arrear should not be recovered from the defaulting shareholders was correct in principle. The witness stated that immediately after the Partition, the Company had to shift its headquarters from Amritsar to Lucknow because of non-availability of raw materials like oilseeds in East Punjab. More than 60 per cent. of its shareholders were displaced persons. They could not pay the entire call money and the company wanted to forfeit their shares. The Corporation agreed to advance loan to the company on the condition that calls in arrear should not be recovered from the defaulting shareholders. He urged that even without that condition, the position would not have been different as after two years Government declared forfeiture of shares in such cases illegal.

MINISTRY OF FINANCE

(DEPARTMENT OF ECONOMIC AFFAIRS)

Loss due to non-recovery of service charges from a foreign Government, para 18, page 20

86. In terms of a Technical Assistance Agreement, dated 25th June, 1953 between the Governments of India and U.S.A., the actual expenditure incurred for a period of approximately one year on the services of five foreign engineers for the operation of the Bokaro Thermal Plant built by Damodar Valley Corporation, was to be

reimbursed by the foreign Government up to an amount of Rs. 4,04,762.

87. The actual expenditure on the Engineers reimbursable by the U.S. Government amounted to Rs. 3,33,557 but reimbursement was not obtained from that Government for any part of that expenditure as the India Supply Mission, Washington was not aware of the arrangement that the expenditure was to be reimbursed by the U.S. Government.

88. In November, 1958, when an attempt was made by the Government of India to obtain reimbursement from the U.S. Government, they were informed that the agreement had lapsed in May, 1958 and the amount of Rs. 4,04,762 had been reallocated for other purposes.

89. The witness admitted that the Ministry had failed to inform the I.S.M., Washington that the expenditure in question was to be reimbursed by the U.S. Government. He, however, urged that there was no net loss to Government as the amount formed part of the totality of U.S. funds available to the Government of India which was not reduced. He assured the Committee that steps had been taken to avoid such failures in future. Asked how there was no loss to Government when the amount had lapsed to the foreign Government, the witness stated that what was loss for one purpose was a gain for another purpose as savings at the end of the year were re-allocated to other programmes.

Erroneous drawal of commission by authorised agents for the sale of National Savings/National Plan Certificates, etc.—Para 17, pages 18-19.

90. A test audit of commission paid to the authorised agents in Madras, Bombay and Calcutta undertaken in 1959 at the request of Government had revealed various cases of irregular payments to agents (a) on Certificates purchased directly by the investors, (b) on investments from Provident Fund money, etc., (The scheme did not envisage payment of Commission in such cases), (c) on investments in respect of which there was a failure to present the receipt books at Post Offices (under the rules such investment should be deemed as direct investment). There were various other irregularities also.

91. Agents in the city should ensure a minimum business of Rs. 5,000 a quarter and failure to do so would entail the termination of the agency. Audit noticed that in Madras this condition had not been enforced even in cases where there was failure in successive quarters.

92. The Secretary of the Ministry explained that in the National Savings Movement, Government had to rely not only on permanent officials but also on others working on commission basis. It was not possible to stipulate stringent conditions without detriment to the object in view. It was not considered desirable to terminate the agencies of those who had failed to collect the prescribed quota of business as Government were anxious to build up business. Since 1st October, 1960 the agency was being given for a period of three years. When the agencies become due for renewal, the services of those whose performance was unsatisfactory would be dispensed with. In reply to a question, the witness stated that cases of fraud had been handed over to the Police for investigation and criminal action. These cases were also reported to the P. & T. Board. But to establish a fraud was difficult as in many cases the investors refused to reveal whether the investments had been made by them directly or through some agent.

93. The Committee enquired about the number of cases reported so far. They were informed that out of 153 cases in Madras, 80 were for an investment of less than Rs. 1,000 each and in these cases investigation was not considered worthwhile. In 46 cases investors had admitted that money had been invested through the agents. In 23 cases investors were untraceable. In 4 cases, where the claim was established to be fraudulent, the matter had been reported to police for further action. Meanwhile, the agencies concerned had been terminated. As regards Calcutta, out of 403 cases, 109 were for an investment of less than Rs. 1,000 each. In 105 cases investors had either admitted that the investments had been made through agents or they had disowned the signatures on receipt books. In 40 cases investments through the agents had been completely denied and the matter had been reported to the Police and to the P. & T. Board and the agencies terminated.

94. In 53 other cases where the agents had fraudulently given signatures of the investors, the matter had been reported to the Police. In 64 cases, the investors were untraceable. The Committee desired to be furnished with a note giving (a) the total upto date collections made from the sale of National Savings/National Plan Certificates, (b) the amount of loss suffered by way of irregular drawal of commission on their sale, and (c) the modifications made in the procedure for the payment of commission with a view to preventing the recurrence of such irregularities. They enquired whether those irregularities continued to exist at present. The witness stated that the system had been completely changed with effect from the 1st October, 1960. The payments were made not at the treasury as in the past but at the post office where the investments were also made.

Separate ledgers were maintained for direct investments and for investments made through the agents. He maintained that it was now not possible for any agent to collude with the postal staff and convert a direct sale into an agency sale. Asked about the action taken against the postal staff involved in the frauds, the witness stated that their cases were under investigation by the P. & T. Department.

Infructuous expenditure on the Silver Refinery Plant due to failure of the suppliers in commissioning, para 19, pages 20-21.

95. The Silver Refinery Plant the work on which was completed in December 1958 had not been taken over from the suppliers even upto January, 1961 due to the repeated failures of the furnace crucibles of the plant. As a result, in addition to the extra expenditure of Rs. 4,34,827 incurred upto February, 1959 due to delays in erection and installation of the plant, a further expenditure of Rs. 1,44,266 on pay, allowances, etc. of the foreign and local personnel incurred from March, 1959 to January, 1961 had proved nugatory. In addition, the outlay on the work had gone up by Rs. 9,03,155 due to additional interest charges from March 1959 to January, 1961. The question of apportioning the infructuous expenditure between the Government and the foreign suppliers, responsible for the erection, testing and putting into service of the plant under the agreement, had been under Government's consideration since February, 1960.

96. The Committee were informed in evidence that ten per cent. of the payment due to the foreign suppliers had been held back. But they had denied their responsibility and the case was under the consideration of the Ministry in consultation with the Ministry of Law. In reply to a question, the Committee were informed that the main suppliers of the machinery, a German firm, were responsible for its performance. An Indian contractor linked with them had played a major part in the erection of the plant and an amount of Rs. 75,000 due to him also had been held back.

97. The Committee enquired whether the refinery was working efficiently. The witness stated that production for October and November, 1960 was 9,500 k.gs. and 13,200 k.gs. of silver respectively. The General Manager of the refinery stated that it was working to half of its capacity only. It was difficult to say off-hand when the full production capacity would be realised. There had, however, been a progressive improvement and the production in March, 1961 was 14,174 k.gs. of silver.

98. To a question, the witness stated that the refinery was being run by Indian technicians. Asked about the proposal to convert it into a copper refinery, the witness stated that the plant could be kept going for refining of silver for another five or six years. Thereafter it would willy-nilly have to be used for refining copper—a purpose for which it was not ideally suited. The advice of the Metallurgical Institute, Jamshedpur was that with certain modifications and changes, it could be made suitable for refining copper.

Investment in International Finance Corporation, Para 73, Page 74.

99. The Government of India is one of the original members of the International Finance Corporation formed in August, 1956 and have invested a sum of \$4,431,000 (about Rs. 2.11 crores) as share capital in the Corporation. The purpose of the Corporation is to help productive private enterprises in under-developed countries by movement of funds from capital-exporting countries so as to further their economic development. On 30th June, 1960 the subscribed capital of the Corporation amounted to \$96,506,000. Of this, only about 10 per cent had actually been invested in enterprises in under-developed countries and no part of that investment had come to India.

100. It was stated in evidence that the Corporation had approved of one loan but the Indian applicant had himself decided not to proceed further. At present two projects were under finalisation. Another case approved by the Corporation had to be dropped as doubts had arisen about the *bona fides* of the party. The witness added that the Corporation's rate of interest (7 to 8 per cent plus the right of participation in profits and also in shares in some cases) was rather unattractive and Government of India were themselves not too keen to encourage investment on these terms by the Corporation in India.

101. The Committee enquired whether it was obligatory for Government to invest in the Corporation. A decision to join all the three institutions viz., the International Monetary Fund, International Bank for Reconstruction and Development, and International Finance Corporation was taken together at a time when the quantum of foreign aid that would be available was not known. But in view of economic and political factors, membership of all the three organisations was considered desirable. In justification of the investment, it was added that the Corporation was a part of the set-up from which taken as a whole, India had greatly benefited.

102. To a question the Committee were informed that investments in the Corporation did not fetch any interest. In reply to another question the witness stated that at the last annual conference

a change in the Articles of Association had been proposed so as to permit the I.F.C. to make straight equity investments. The amendment had been circulated to all the member countries for voting, 54 per cent of the votes were already in favour of it. In reply to a question the witness stated that investment terms of the Corporation were not a part of its Articles of Association. The terms thereof were settled by the Corporation after it came into being. Asked about the Indian Government stand at the time the terms of loans were finalised, the witness stated that Government stood for lower rates of interest.

Appropriation Accounts (Civil), 1959-60, Vol. I—Grant No. 23—Union Excise Duties—Page 13.

103. There was a saving of Rs. 14 lakhs (entirely under sub-Head D. 4—other charges) out of the grant of about Rs. 8.09 crores.

104. The Secretary, Department of Revenue stated that the provision under sub-Head D. 4 other charges was reduced by Rs. 22 lakhs of which Rs. 12 lakhs were surrendered due to non-purchase of two sea-going vessels. The purchase could not be effected in the course of the year as the experts of the Navy pointed out that the vessels being of inadequate speed would not be of much use and their specifications could not be finalised with the Navy during the year. Asked as to why the provision was made for ships without their specifications having been finalised, the witness stated that specifications had been prepared by the Department but before placing orders it was considered desirable to consult the Navy in this matter. One could wish, he added, that this should also have been done earlier.

105. Explaining the reasons for the rest of the savings under the sub-head the witness stated that a sum of Rs. 4.46,000 had been provided for giving rewards for the seizures effected in smuggling cases. But the rewards could not be finalised as the cases had to be proved and decided. This resulted in savings. To a question he stated that the provision for rewards was made on the basis of past results and trends in smuggling. In cases like this it was not possible to make an accurate forecast of expenditure.

Grant No. 112—Capital Outlay on the India Security Press, Page 139.

106. Out of the original provision of Rs. 11 lakhs there was a saving of Rs. 9.63 lakhs. Practically the entire amount provided for land and buildings and about 50 per cent of the amount provided for **Plant and Machinery** had been surrendered.

107. The representative of the Ministry stated that the provision had been made for construction of a labour colony, a hospital and some staff quarters. The budget provision had been made much ahead of the commencement of the financial year and at the time of the revised estimates, the amount was surrendered.

Grant No. 114—Capital Outlay on Mints, Page 142

108. Against the original provision of Rs. 48·54 lakhs there was a saving of Rs. 37·02 lakhs (76·27 per cent). Large savings had occurred under sub-heads A(1) (i)—Land and A. 1(3)—Plan and Machinery.

109. The witness stated that included in the provision of Rs. 37 lakhs [under sub-Head A(1) (i)] was a sum of Rs. 22 lakhs payable for land to the Bombay Government, which, it was envisaged at the time of preparation of the Budget towards the end of 1958, would be payable, after going through the usual procedure, in 1959-60. But the Bombay Government pressed for earlier payment. Consequently Rs. 20 lakhs against Rs. 22 lakhs were paid to that Government in two instalments in 1958-59.

*Grant No. 113—Capital Outlay on Currency and Coinage
Sub-head A-2—Buildings—Page 140.*

110. Under this sub-head out of the original provision of Rs. 39·94 lakhs there had been a saving of Rs. 27·68 lakhs. The witness explained that the progress of the construction was slow. This was not anticipated when the budget estimates were prepared. The amount of Rs. 39 lakhs was made up of two items. One of them was for the new Currency Press, work on which was already in progress. Rs. 31 lakhs had been provided for it. But expenditure was not incurred after the Labour Officer pointed out that the building lacked arrangement for cross ventilation.

Grant No. 34—Miscellaneous Adjustments between the Union and State Governments—Note 3, Page 126.

111. Though the actual expenditure fell short of the final grant by Rs. 4,13,521, a supplementary grant of Rs. 1·71 lakhs was obtained in February, 1960.

112. The witness stated that the grant related to the administration of the Petroleum, Explosives and Arms Act and the Carbide of Calcium and Cinematograph Film Rules which were administered by the State Governments on behalf of the Government of India. Under the arrangement, the amounts collected by them were paid to the State Governments as the cost of administering the Acts and the Rules. The estimates were framed on the basis of past receipts and

likely trends in revenue intimated by the Accounts Officers. The actual receipts were, however, less than what had been anticipated.

Appropriation Accounts (Civil), 1959-60—Vol. XVIII

Grant No. 137—Capital Outlay on Building

Infructuous expenditure, Note 4, Page 56

113. An expenditure of Rs. 2,606 was incurred on the excavation of foundations and laying concrete early in 1955 in connection with the construction of 20 flats for officers of the Income-tax Department at Madras. The work was, however, abandoned in March, 1955 owing to a decision to change the layout plan. As a result, the expenditure on the work proved infructuous and was written off by Government in November, 1959.

114. It was explained that originally Government had thought of constructing residential quarters only on the acquired land. Later on they decided to have the office building there. In order to avoid expenditure on purchase of new land the layout plan for the flats was changed.

115. The Committee then adjourned to meet again at 15.00 hours on Tuesday, the 22nd August, 1961.

**Proceedings of the 16th Sitting of the P.A.C. held on Tuesday the
22nd August, 1961**

116. The Committee sat from 15.00 to 17.30 hours.

PRESENT

Shri C. R. Pattabhi Raman—*Chairman*.

MEMBERS

2. Shri Hem Raj
3. Shri S. A. Matin
4. Dr. G. S. Melkote
5. Dr. N. C. Samantsinhar
6. Dr. Shrimati Seeta Parmanand
7. Shrimati Savitry Devi Nigam
8. Shri Rajeshwar Prasad Narain Sinha
Shri A. K. Roy, *Comptroller & Auditor-General of India.*
Shri G. Swaminathan, *Addl. Dy. Comptroller & Auditor-
General.*

Shri P. V. R. Rao, *Accountant General, Central Revenues.*

Shri P. K. Sen, *Director of Commercial Audit.*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

Shri Y. P. Passi, *Under Secretary.*

WITNESSES

MINISTRY OF TRANSPORT & COMMUNICATIONS

(Department of Transport)

Shri G. Venkateswara Ayyar, *Secretary.*

Shri Nagendra Singh, *Joint Secretary.*

Shri H. P. Sinha, *Consulting Engineer (Roads).*

Shri S. N. Chib, *Director General (Tourism).*

Shri S. K. Lahiri, *Director General (Lighthouses and
Lightships).*

Shri S. S. Shiralkar, *Joint Secretary.*

DEPARTMENT OF COMMUNICATIONS & CIVIL AVIATION

Shri M. M. Philip, *Secretary.*

Shri K. M. Raha, *Director General of Civil Aviation.*

Air Vice Marshall P. C. Lal, *General Manager, Indian Airlines Corporation.*

Shri M. S. Bhatia, *Addl. Chief Engineer (II), CPWD.*

MINISTRY OF FINANCE (DEPARTMENT OF E.A.)

Shri A. G. Krishnan, *Under Secretary.*

MINISTRY OF TRANSPORT AND COMMUNICATIONS

(DEPARTMENT OF TRANSPORT)

Irregularities noticed in the accounts of a Tourist Office—Para 36 of Audit Report—Pages 36-37

117. Certain irregularities in the accounts of Tourist Office, Paris were referred to in paras 72—76 of the 25th Report of P.A.C. Vol. II (1959-60). The Audit para disclosed further irregularities in the expenditure on renovation, decoration, furnishings etc. It has been reported that detailed plans for the works were not prepared and orders were placed mostly on a single-tender basis. No work orders were issued to the contractors and there was no evidence to show that the bills and estimates of the firm were checked either by the Tourist Office or the architect. In almost every case the cost of the actual work exceeded the estimates. Expenditure on publicity was incurred through an advertising agent but there was no evidence that the advertisement charges paid to him were checked with reference to the actual insertions or the printed tariffs of the concerned publications.

118. The Committee of 1959-60 were informed in October, 1959 that the Tourist Officer concerned had been served with a charge-sheet and his explanation was under examination of the Government. The Secretary to the Ministry further informed the Committee that the irregularities mentioned in the Audit Report under examination had been taken into account at the time of framing the charges against the Officer. The case had been referred to the U.P.S.C. in November, 1960, whose recommendations were awaited. The officer had been transferred to another appointment connected with the training of subordinate officers in tourism, where he was not required to handle cash transactions.

119. Dealing with the irregularities mentioned in the Audit Report, the representative of the Ministry informed the Committee that the irregularities pertained to the period prior to July, 1957 when the day-to-day control of the tourist officers abroad rested in the Embassies concerned. The estimates for the work of renovations, decorations etc. were prepared by the Tourist Office and approved by the Embassy. Against the estimate of Rs. 1·80 lakhs, however, the Government accorded sanction to an expenditure of Rs. 1·20 lakhs only. In accordance with the practice followed on the Continent the whole work of alterations, decorations etc. was treated as a composite scheme. Six parties (architects) were asked to quote their rates for the scheme. Only two quotations were received of which the lower offer was accepted with the approval of the Embassy. Having accepted the composite scheme it was left to the architect to see how best the work could be carried out. No work orders were therefore issued. His attention having been drawn to the statement in the Audit Report that there was no evidence to show that the bills and estimates of the firm were checked either by the Tourist Office or by the Architect, the witness stated that these irregularities were covered by the departmental enquiry. It was not the Ministry's contention that no blame attached to the Tourist Officer.

120. To a question whether the Ministry had any system of checking such irregularities, the representative of the Ministry stated that the foreign service inspectors of the Ministry of External Affairs were asked from time to time to inspect these Tourist offices. The senior officers of the Ministry also inspected the offices whenever they happened to visit the foreign countries. The witness further explained that the irregularities of the type mentioned in the Audit Report could occur only when new premises were acquired and decorated. The bulk of the expenditure in these offices related to publicity and stringent measures had been adopted to keep a watch over such expenditure.

Inaccurate and fictitious measurements and drawal of funds to avoid lapse of budget grant—para 38 of Audit Report.

121. The Additional Deputy Commissioner (P.W.D.), Mokokchung in the Naga Hills drew cheques aggregating Rs. 43,100 on 31st March, 1957 for payment to some contractors for five works. The bills were prepared on the basis of measurements recorded in March, 1957. In November, 1957 the works were remeasured and it was found that in two cases the measurements recorded in March were fictitious as the works had not at all been executed. It was explained in September, 1958 that the bills were originally prepared in order to avoid lapse of budget grant.

122. In evidence, the representative of the Ministry of Transport and Communications stated that the works in question were executed by the Assam Government. Subsequently the administration of the area was transferred to the Central Government. Three officers (one junior engineer and two overseers) were held responsible for the irregularities mentioned above and disciplinary action had been initiated against them. The delay in initiating disciplinary action in this case was due to certain legal complications arising from the fact that the officers were under the employment of the State Government when the irregularities were committed.

Hindustan Shipyard Ltd.—Loss due to delay in accepting the lowest offer—Para 68(i).

123. In response to quotations invited by the Company through their foreign consultants, a firm offered on 31st August, 1956 to supply a galvanising plant with a pickling plant of simple design at a cost of £8,497. The offer was valid upto the 30th November, 1956 but was later extended till 31st January, 1957. On 24th January, 1957 the consultants reported favourably on the firm's quotation, but the Board's approval for the purchase of the plant was not obtained till the 15th April, 1957. Meanwhile, the firm revised its quotation and the Company had to make an extra payment of £412 (Rs. 5,493).

124. The representative of the Ministry informed the Committee that after the opinion of the foreign consultants was received the technical officers of the company further examined the tender documents which took some time. He added that the purchase being beyond the financial powers of the Managing Director, the Board's approval had to be taken in this case which involved further delay. The Committee inquired whether the consultants were informed of the fact that the offer was valid only upto the 31st January, 1957. The information was not available. To a question why the tender documents were not examined simultaneously by the foreign consultants and the technical officers of the Company, it was stated that the documents, being very bulky, were given to the consultants in original. The Secretary to the Ministry, however, admitted that the Management was not vigilant enough in handling this case. It did not even request the firm to extend the period of its offer beyond 31st January, 1957. Instructions had since been issued to the Company to be more vigilant and avoid such lapses in future. The financial powers of the Managing Director had been increased to Rs. 10 lakhs in respect of purchases for the purpose of ship construction. His powers in respect of capital works, however, remained restricted to Rs. 1 lakh.

Hindustan Shipyard Ltd.—Loss in the purchase of Oregon Pine Timber—Para 68 (ii).

125. On the basis of an annual estimated requirement of about 1,000 tons of Oregon Pine Timber, quotations were invited by the Company in March, 1957 for the import and supply of 500 tons on the condition that tenders should be submitted within one month of the tender notice and supplies completed by the end of June, 1957. The tenders were opened on the 10th April, 1957 and the order placed on 7th June, 1957. The timber was received in February, 1958 and meanwhile the Company purchased 90 tons of timber in October and December 1957 from the stockholders in India at an extra cost of Rs. 48,000. It was explained to Audit that the requirement had been planned on the basis of a normal time lag of 6½ months, as experienced by the Company in respect of earlier supplies, but there were delays in finalising the contract, arranging for the import licence and getting sanction for the release of foreign exchange

126. No specific reply was given by the representative of the Ministry to the question as to why two months' delay occurred in placing the purchase order after the opening of the tenders. He stated, however, that in regard to the delays in this case, he had no reasons to disagree with the statements made in the Audit Report. The general impression of the Ministry was that the working of the Shipyards had progressively improved. The witness further informed the Committee that prior to the year 1957-58 the Company met its full requirements of this type of timber (about 1,000 tons) through imports. In 1957-58, in the context of foreign exchange and other difficulties, efforts were made to find and utilise indigenous timber of more or less the same quality. The import during the year was, therefore, restricted to 500 tons only. The Company had now switched over completely to indigenous timber.

Compensation to officers and crews of ships for War injuries and for War damages to their effects—Para 80.

127. During the Second World War the Government of U.K. sanctioned schemes of awards to the Indian Seamen working in the British Merchant Navy Vessels for injuries, loss of personal effects, detention suffered by them due to enemy action and also to the dependents of the seamen who died during enemy action. The schemes were administered by the Government of India on behalf of the Government of U.K. and payments were made against claims approved by the latter. A financial agreement in this connection was to be reached after the end of the War. After partition, the procedure for collecting the amount from the U.K. Government became complicated. In 1958 an

agreement was reached according to which the date of capitalisation of the continuing pension awards was fixed as 1st January, 1959. It was also agreed that the Government of India would compile the necessary data for preferring the claim for the period upto the 14th August, 1947 and for the subsequent periods the Governments of India and Pakistan would work out their claims separately. It was mentioned in the Audit para that out of the estimated claim of Rs. 83,84,527 for the pre-partition period a claim of Rs. 49,34,237 was preferred against the Government of U.K. and a sum of Rs. 36,82,104 only had been realised upto November, 1960. Against the estimated claim of Rs. 72,14,790 for the post-partition period a claim of Rs. 32,53,322 was preferred to end of November, 1960 and a sum of Rs. 4,96,313 had been realised.

128. In evidence, the Committee were informed that difficulty was in this connection in July, 1960. The progress made thereafter in accordance with the 1958 agreement. An agreement was reached in this connection in July, 1960. The progress made thereafter in the realisation of the outstanding amounts from the Government of U.K. was quite satisfactory. Upto the end of June, 1961 claims aggregating Rs. 1,36,57,000 had been preferred and a sum of Rs. 65,48,000 had already been recovered. Out of a total of 359 cases, claims in respect of only 2 remained to be worked out.

Savings under Grant No. 133—Capital Outlay on Ports—Page 72, Appropriation Accounts, Vol. XVII.

129. Against the final grant of Rs. 3,03,50,000, the Ministry spent only a sum of Rs. 1,85,63,724. The saving of Rs. 1,17,86,276 represented 38·83% of the total Grant. The Committee inquired the reasons for such a large saving. In extenuation the Secretary to the Ministry of Transport stated that expenditure under the Grant related mainly to the Kandla Port, where the work in connection with the extension of the fifth berth had to be suspended due to the condition of the soil, which did not turn out as anticipated on the basis of the earlier experience in regard to construction of four berths. The entire work of construction on the project had to be slowed down due to these reasons which resulted in a shortfall in expenditure.

Purchase of boilers far in advance of requirements—Note 2, Page 73, Appropriation Accounts, Vol. XVII.

130. Two boilers were imported in June, 1955 at a total cost of Rs. 2,21,965 to replace old boilers of a Suction Dredger. The replacement had not yet taken place as the dredger was continuously in operation and could not be spared for a period of about six months required for changing the boilers.

131. In evidence, the Secretary to the Ministry stated that the boilers were purchased to provide against any breakdown of the existing boilers which were 25 years old. It was fortunate that with certain repairs the Port was able to operate the Dredger with the old boilers. In the opinion of the witness, it was a wise act on the part of the administration. There was also no loss as subsequently the price of the boilers had risen by about 42%. The C. & A.G. pointed out that there was a report from the Superintendent of the Port Audit Office in May, 1957 that the boilers were lying in the open. The Committee inquired about the arrangements made for the storage of the two boilers and the extent of deterioration caused to them due to long storage. The witness promised to furnish a note to the Committee.

Excess payment on purchase of coal—Note 3, Page 73, Appropriation Accounts, Vol. XVII.

132. A contract entered into with a foreign firm by the I.S.D., London for the purchase of a suction dredger provided *inter alia* that any consumable stores remaining on board after delivery of the dredger would be taken over at "ruling prices". Accordingly 240 tons of coal were taken over by the Port Administration; and a claim preferred on the basis of actual expenses incurred by the foreign firm towards acquisition and storage of coal was accepted. This exceeded the ruling price by about Rs. 25,760.

133. In evidence, the representative of the Ministry stated that according to the Legal Adviser to the High Commission in U.K. the ruling price meant the price prevailing at the place of delivery i.e. Vizagapatam Port. As the type of coal was not obtainable at the port it was found difficult to fix the ruling price in terms of the contract. He added that the Naval Architects, a private firm, who negotiated the contract had opined that their intention in including the term 'ruling price' was to provide for payment of actual cost.

Infructuous expenditure—Note 4, Page 73, Appropriation Accounts, Vol. XVII.

134. In this case a tide gauge purchased in November, 1953 from a foreign firm at a cost of Rs. 9,547 was discarded as unsuitable for use in the Kandla Port. It was stated that the indenting officer failed to indicate the right type of instrument suitable for operation at the Port. The matter was reported to Government in 1957 who approved in 1959 the disposal of the instrument through the D.G.S. & D. No action could be taken against the officer responsible for the wrong purchase as he retired and left the country in June, 1955. Steps were being taken to fix responsibility for the delay in notifying the disposal of the equipment to the D.G.S. & D.

135. The Committee were informed that the Deputy Port Commissioner responsible for the purchase was an ex-officer of the British Navy, and was engaged on a contract basis. The equipment had not been disposed of by the D.G.S. & D. as yet.

Audit Comments on the Accounts of the Vizagapatam Port for the year 1959-60—Pages 113—115 of Appropriation Accounts, Vol. XVII.

136. (i) *Interest on capital advanced before 1-4-1946.*—Interest on capital advanced by Government prior to 1st April, 1946 had accumulated to a sum of Rs. 3,74,93,169. This was not reflected in the Balance Sheet. The matter was stated to have been under consideration of Government for three years.

137. The Secretary to the Ministry informed the Committee that a decision had been taken that having regard to the overall financial position of the Port, the Port should pay the interest on capital advanced before 1946.

138. (ii) *Rules for the provision of Depreciation.*—The representative of the Ministry stated that the rules for the provision of Depreciation Reserve Fund had been prepared and sent to Audit.

139. (iii) *Stores Balances.*—The maximum and minimum of different items of stores had not been fixed by the Administration even though they had agreed to do so in December, 1959. The Secretary to the Ministry admitted that it was a failure on the part of the Administration. He promised to expedite the matter.

Subventions from Central Road Fund Allocations—Pages 52-53, Appropriation Accounts, Vol. XVII.

140. The accounts of the Central Road Fund disclosed that sums amounting to Rs. 6.20 crores and Rs. 94 lakhs were lying unutilised with the Central and State Governments out of the allocations made from the Fund. Besides the above, the balance in the Fund as on 31st March, 1960 was Rs. 17.33 crores.

141. The Committee inquired the reasons for the allocations remaining unspent to such a large extent. The representative of the Ministry stated that 80% of the annual revenue accruing to the Fund (about Rs. 4 to 5 crores) was allocated to the State Governments on the basis of consumption of petrol in their respective areas. The State Governments sent a list of schemes about three years in advance and indicated the approximate expenditure to be incurred thereon. After the schemes were approved by the Central Government funds were allocated to the State Governments. Thereafter, the preparation of detailed estimates, conducting of surveys and final execution

of works were left to the State Governments concerned. It was because of delays in the execution of the works that the funds allocated to the States remained unspent. The witness added that a couple of years earlier the procedure for allocation of funds was modified to permit the States to submit schemes three years in advance instead of two years as in the past. Some improvement was noticeable as a result. The balance in the Fund which was Rs. 19·7 crores in 1957-58 had come down to Rs. 17·3 crores in 1959-60.

DEPARTMENT OF COMMUNICATIONS AND CIVIL AVIATION

Non-revision of aerodrome charges and non-assessment of air navigation charges—Para 37 of Audit Report

142. Considerable expenditure is incurred for providing "en route" technical facilities to aircraft flying over the Indian territory e.g., tele-communications; radio and other aids to navigation; air traffic controls etc. The 1944 Chicago Convention on International Civil Aviation recognised that suitable charges might be imposed by a country for these services and some countries are levying such charges. The question of recovering suitable charges by the Government of India was taken up by Audit in July, 1960 and the matter was stated to be under their consideration. As regards landing and housing charges recovered from the aircraft landing at the aerodromes, the rates were fixed originally in 1937 and revised in 1946. A further revision of these charges was also stated to be under examination of Government.

143. In evidence, the Director General of Civil Aviation informed the Committee that only two countries viz., Canada and Formosa were levying charges for "en route" facilities from aircraft overflying their countries. The question of levying such charges had been examined by the Government of India and it had been decided not to levy them. If India imposed these charges it was quite possible that other countries in Asia might follow suit, in which case the income obtained through this source would be counterbalanced by similar charges paid by Indian Aircraft to other countries. As regards the landing and housing charges, the witness stated that at the time of revising the charges in the year 1946 the development in the foreseeable future e.g. operation of jet aircraft etc. had been taken into account. The question of further revising the charges was, however, under examination of Government. The 'landing charges' collected by India included the charges for navigation, the services of Airport personnel and the meteorological and telecommunication services. To a question, the D.G.C.A. replied that a study of about 23 countries had indicated that the charges levied by India were equal to or more than the charges

levied in 14 countries. Audit pointed out that the charges collected by India in respect of Viscounts and Dakotas were considerably lower than the charges levied for those aircraft by U.S.A., Burma and others. The D.G.C.A. explained that these types of aircraft were mainly used for domestic services. An increase in the charges would adversely affect the Indian Airlines Corporation.

Delay in disposal of aircraft—para 69

144. The Board of the Indian Airlines Corporation decided in December, 1955, to sell 12 Viking aircraft. In March, 1957, two of the Vikings could be offered for immediate sale. Offers were received from two firms one quoting £25,000 and the other £19,500. Government sanctioned the sale in May, 1957, but permission for export of the aircraft was not accorded till August, 1957. By this time the two offers had lapsed. The Corporation decided in January, 1960 to dispose of all the Vikings as scrap at about Rs. 20,000 per aircraft as a package deal.

145. The delay in the issue of sanction for export of the aircraft by Government had resulted in a loss of about Rs. 6 lakhs on the two Vikings.

146. The Secretary to the Ministry informed the Committee that the request for permission to export the Vikings was received in the Ministry of Communications on 10th April, 1957 and was referred to the Ministries of Defence and External Affairs for concurrence on 17th April. Despite reminders issued to the Ministries by the D.G.C.A. the Ministry of Defence accorded its approval on the 29th July, 1957 and Government sanctioned the export on 3rd August, 1957. Besides this delay in issuing sanction for the export of the aircraft the witness added, there was another factor which accounted for the rejection of the offers in March, 1957. The offers were regarded by the Indian Airlines Corporation as too low for acceptance. On being pointed out that the Board of Directors of the Corporation had authorised the Chairman to dispose of the aircraft at a price not less than £16,000, the witness stated that the offer of £22,000 was not accepted by the Corporation as they expected to get a better offer for the aircraft. The 12 Vikings had ultimately been sold for Rs. 3 lakhs. The attention of the witness was drawn to the fact that the Corporation had spent about Rs. 3·27 lakhs upto April, 1960 on account of hangarage, maintenance and insurance of these aircraft. The General Manager, I.A.C. stated that it was only a national loss as the money was paid by the I.A.C. to the D.G.C.A.

147. Under Grant No. 132—Capital Outlay on Civil Aviation, against a final Grant of Rs. 4,33,27,000 there was a saving of Rs. 43,72,449. The Committee inquired the reasons for such a large saving. The representative of the Ministry stated that an important factor contributing to the shortfall in expenditure was non-receipt of stores worth about Rs. 9 lakhs. He promised to furnish a note to the Committee.

Infructuous expenditure—note 4, page 67, Appropriation Accounts

148. A piece of land for the construction of an aerodrome at Jogbani was acquired through the Land Acquisition Officer of the Bihar State. The construction work was objected to during its progress on the ground that there was a graveyard at the site of the work. It was, therefore, decided to divert the runway which resulted in an infructuous expenditure of about Rs. 27,188.

149. In evidence, the Committee were informed that the revenue records did not show any graveyards on the land nor was any objection raised by the local inhabitants at the time the land was notified for acquisition. Subsequently, the work had to be suspended due to a local agitation. The attention of the witness was drawn to the fact that on the 12th November, 1957 a question on this subject was raised in the Lok Sabha while the land was handed over to the C.P.W.D. only on the 21st November for starting construction. The Secretary promised to furnish a note on the subject to the Committee.

Delay in submission of Notes/Memo. indicating action taken on the earlier reports of P.A.C.

150. The 25th Report of the P.A.C. was presented to Parliament on the 28th March, 1960. Out of 12 recommendations pertaining to the Department of Communications and Civil Aviation, the Department had furnished replies in respect of two paras only and notes on 10 paras were outstanding. The Committee inquired the reasons for the abnormal delay. The Secretary to the Ministry promised to look into the matter and expedite the submission of requisite information to the Committee.

151. The Committee then adjourned to meet again at 15.00 hours on Wednesday the 23rd August, 1961.

**Proceedings of the 17th Sitting of the Public Accounts Committee
held on Wednesday, the 23rd August, 1961**

152. The Committee sat from 15·00 to 17·00 hours.

PRESENT

Shri C. R. Pattabhi Raman—Chairman

MEMBERS

2. Shri Aurobindo Ghosal
 3. Shri S. A. Matin
 4. Dr. G. S. Melkote
 5. Dr. Shrimati Seeta Parmanand
 6. Shrimati Savitry Devi Nigam
 7. Shri Rajeshwar Prasad Narain Sinha
- Shri A. K. Roy, Comptroller and Auditor-General of India.
Shri G. Swaminathan, Addl. Dy. Comptroller and Auditor-General.
Shri P. V. R. Rao, Accountant General, Central Revenues.
Shri P. K. Sen, Director of Commercial Audit.

SECRETARIAT

Shri V. Subramanian—Deputy Secretary.
Shri Y. P. Passi—Under Secretary.

WITNESSES

Present during the examination of the Ministry of External Affairs

Shri B. F. H. B. Tyabjee, Special Secretary
Shri E. Gonsalves, Deputy Secretary
Shri M. G. Kaul, Financial Adviser.*

Present during the examination of the Ministry of Health

Shri B. R. Tandon, Secretary
Lt. Col. V. Srinivasan, Director General, Health Services.
*Shri P. C. Bhattacharya, Financial Adviser
Shri R. K. Mukerjee, Under Secretary, Department of Economic Affairs.

*Ministry of Finance (Deptt. of E.A.)

MINISTRY OF EXTERNAL AFFAIRS

Audit Report (Civil), 1961—Part I

Extra expenditure, para 16, pages 17-18

153. Despite rejection by Government of a proposal for employment of cleaners at the residence of the Head of a Mission, two cleaners were employed by the Mission resulting in an extra expenditure of Rs. 29,604 upto 31st March, 1959. In July, 1958 the Mission approached Government for sanction to that arrangement on the ground that the residence was too large for the cost of cleaners to be met out of frais. But that reference was mislaid and reply delayed. Government issued *ex post facto* sanction for expenditure incurred upto 30th April, 1961. It was also decided to abolish the two posts from the regular establishment and to raise the frais of the Head of the Mission with effect from the 1st May, 1961 so that the cleaners might be paid out of the frais and not from Government funds.

154. The Committee wanted to know ~~how~~ the cleaners were employed in defiance of Government orders. The Special Secretary of the Ministry admitted that it was a mistake for which the Ministry and the Mission were both responsible. Asked whether it was not desirable to employ India-based men for such posts the witness stated that the previous experience with India-based servants was not uniformly good and it did not show much saving either. Although the salary of an India-based recruit (about Rs. 200) was less than that payable in a place like London to a local recruit (about Rs. 350), the difference was largely neutralised by the passage and other concessions applicable to the former. India-based men were also generally reluctant to serve abroad in such posts.

Defects in the maintenance of accounts of furniture, etc. in Indian Missions abroad, para 71, pages 72-73

155. Local inspections conducted between 1955 and 1959 in several Missions revealed irregularities such as (a) excessive purchase of costly articles like dinner and tea sets and special articles of furniture without prior sanction of Government (b) purchases without obtaining competitive quotations (c) non-maintenance of the stock accounts in the prescribed forms (d) omission to record particulars of vouchers of payments, dates of payment, etc. and to indicate proper descriptions of articles to guard against their removal or replacement (e) absence of annual physical verification of stocks (f) failure to investigate and fix responsibility for the losses or to record formal certificates in respect of articles handed over/taken over by the outgoing/incoming officers and (g) excessive supply of furniture at officers' residences without rent.

156. One or the other irregularity of the types mentioned above, was indicated against 22 Missions at Colombo, Belgrade, Paris, Bonn, Brussels, The Hague, Prague, Moscow, Rangoon, Dacca, Jedda, New York, Sourabaya, Manila, Bangkok, Geneva, Peking, Ottawa, Rio-de-Janeiro, Vienna, Rome and Santiago. In 17 Missions physical verification of stock was not done annually. The Committee asked the Special Secretary of the Ministry to name the Missions where stock checking was being regularly done. The witness did not give a specific reply but stated that the Stock Registers were being kept wherever Audit party had not gone. Audit informed the Committee that the list of places, where physical verification of stock was not being done regularly, had become longer. In reply to a question, the Committee were informed that at Peking where the last audit had taken place in August, 1960, verification of stock had been taken in hand. In Paris, stock had been verified only from 1956. In Vienna, verification was done in May, 1959, but could not be done in 1960. It was being done now. The witness pleaded that the omissions in stock verification should be viewed with some indulgence as the Missions were not provided with separate staff for doing this work which was onerous in nature. To a question whether in the computation of staff requirements, the item of work in question was not taken into account, the witness stated that according to his recollection no staff had so far been allowed for this purpose. The Ministry were considering the question whether a Caretaker should not be provided in every Embassy for looking after the stores.

157. The Committee desired to know the circumstances in which, in the Missions at Bangkok and Belgrade, furniture was supplied to some members of the staff at their residences in excess of the scale prescribed by Government without recovery of rent. They were informed that the excess represented extra furniture for which no storage space was available. The furniture had originally been purchased for unfurnished residences and later became surplus when furnished residences were hired.

Appropriation Accounts (Civil), 1959-60—Vol. VI

Grant No. 16—Tribal Areas

Notes 2 and 4—page 1—

158. In this grant against the total saving of Rs. 54,64,104, a sum of Rs. 54,78,700 was surrendered. Sub-Heads A.1(1)—Pay of officers and A.1(2)—Pay of Establishment at page 2 showed large savings. Similarly, sub-head B-1—Expenditure on Buildings of Militia and Frontier Constabulary at page 2 and sub-head C. 7—Community Projects, etc. at page 7 showed savings in provision for works expenditure.

159. It was explained to the Committee that savings under sub-heads A.1(1) and A.1(2) were due to the sanctioned posts remaining unfilled. The Comptroller and Auditor General pointed out that under those sub-heads savings of the same order had occurred during 1958-59 also. Asked about the saving of Rs. 77,325 under sub-head B-Buildings at page 2, the Committee were informed that it was due to non-receipt of estimates. As regards surrenders of Rs. 3,34,700 under that sub-head the witness stated in the tribal areas it was difficult to estimate accurately and maintain progress according to plan in spite of best efforts. Lack of means of transportation hindered timely movement of materials. Moreover, the staff there was not of the same calibre as was found in settled areas, though every year there was an improvement. As regards surrenders of Rs. 5,70,000 out of a provision of Rs. 12,10,000 under sub-head C. 7 at page 7 the witness stated that, he believed there had been considerable improvement in the year 1960-61.

Grant No. 18—External Affairs

Ex-gratia payment. Note 7, page 32—

160. An Officer transferred from Kathmandu to Ottawa was given home leave before proceeding abroad. He was not medically examined before proceeding to take up his new appointment. He fell ill on the way and had to stay with his family in London for treatment from July to September, 1957. In view of the heavy expenditure incurred by the Officer, Government sanctioned an *ex-gratia* payment of Rs. 1,400 to him.

161. The witness admitted that the officer had not been medically examined in the regular manner before being sent abroad. While in Kathmandu, the officer was not well. At Delhi he was admitted to a hospital and was discharged as fit. Subsequent reports from London indicated that but for special X-ray, the tumour from which the officer suffered would not have been detected. In reply to a question he stated that the officer was X-rayed in the hospital at Delhi but it was thought to be a case of an Appendix. The Committee enquired whether the case was brought to the notice of the Foreign Secretary before orders for his posting abroad were issued as required under the rules. The witness replied in the negative. He, however, urged that the malady of the officer was not susceptible of detection by the general medical check-up which was ordinarily given to persons prior to being sent abroad. Therefore, he thought that the course of events would not have been any different had the matter been submitted to the Foreign Secretary.

Grant No. 19—State of Pondicherry*Waiver of recovery, Note 3, page 66—*

162. The recovery of a sum of Rs. 1,786 representing deputation allowance erroneously paid to an officer was waived by Government in November, 1959 on the ground that recovery would cause hardship to him.

163. The Committee were informed that after due examination in the Ministry and with the concurrence of the Ministry of Finance the deputation allowance had been sanctioned in favour of the officer and drawn by him in a *bona fide* manner. It was not considered fair to recover the allowance paid under a proper, though erroneous, sanction.

Grant No. 111—Capital Outlay of the Ministry of External Affairs—Page 69—

164. In this grant, a sum Rs. 8.26 lakhs was surrendered. The actual expenditure exceeded the final grant resulting in an excess of Rs. 3.52 lakhs.

165. The witness explained that after the surrender, unexpected debits were raised resulting in excess expenditure.

166. *Tourist Offices abroad.*—The Committee enquired about the control of the Ministry over the tourist centres abroad. They were informed that tourist centres so far had functioned more or less independently of the control of the Ambassador in their day to day working although pay and allowances of the staff were under his administrative charge. There had, however, been a proposal from the Ministry of Transport that the Tourist Centre in Germany be made part of the Consulate General at Frankfurt. Asked about the financial control, the witness stated that the Embassy's accountant looked into the accounts and budget of the Tourist Centre. His personal opinion was that tourism was not best promoted by offices bound by Government procedures. He felt that a Corporation would be better medium for the purpose. In the particular case of Tourist Office at Frankfurt, however, the difficulty was that if it did not merge with the Consulate General it would be liable to very heavy taxation.

Grant No. 20—Miscellaneous Expenditure under the Ministry of External Affairs*Losses, Write off etc., Note 1, page 68—*

167. A total sum of Rs. 2,63,291 representing irrecoverable advances granted to evacuees from Burma, Malaya, etc. under the scheme of 2050 (Aii) LS—11.

financial assistance to evacuees from war zones was written off during the year 1959-60.

168. The witness explained that the write off had been sanctioned after going through the procedure recommended earlier by the Public Accounts Committee.

Ministry of Health Audit Report (Civil), 1961—Part I

Infructuous expenditure, para 24, page 25—

169. Certain plots of land at Calcutta were partly requisitioned and partly taken on lease on 19th April, 1947 from private parties and local bodies for starting a Medical College and Hospital. After the College and Hospital had functioned for about three years in barracks and temporary structures erected on those plots of land, Government decided in July, 1950 to close them down in stages and to derequisition the plots of land. The winding up operation began in June, 1951 and ended in December, 1952, but Government had not so far been able to restore the lands to the owners as, during the winding up period, displaced persons and other unauthorised persons had occupied the lands and barracks as and when they fell vacant. Government had so far (February, 1960) paid about Rs. 11 lakhs on rent alone at Rs. 12,828 per month and Rs. 28,844 on account of electricity and municipal charges. A further sum of Rs. 27,265 was still to be paid by them on account of municipal taxes due upto March, 1960.

170. The Secretary of the Ministry informed the Committee that the Government of West Bengal had sent information in their letter dated 1st August, 1961 that particulars of all the occupants had been collected and were under final check by their Land Acquisition Officer preparatory to the filing of civil suits against them. There was every hope that in a year or two the unauthorised occupants would be evicted. The Committee desired to be furnished with a detailed note indicating *inter alia* (a) the number of *bona fide* refugees and others in occupation of the barracks (b) efforts made to get those vacated and to pass on the liabilities for municipal taxes on the occupants.

171. The Committee enquired how the removal of 91 families had not resulted in the vacation of any of the barracks or plots and whether Government had made efforts to reshuffle the occupants with a view to have at least some barracks/plots fully vacated. The witness stated that none of the barracks had been completely vacated at any time. Of the plots some had been vacated by the refugees but had been reoccupied by refugees or others during the movement of people

from East Bengal to West Bengal. The unauthorised occupants were unlikely to co-operate with the authorities in any measure for the vacation of any part of the premises. Asked whether efforts were made to pass on a portion of the liability for taxes to the Rehabilitation Department of the West Bengal Government the witness replied in the affirmative but added that there was no prospect of that Government sharing the liability. The Committee inquired why the property could not be transferred to the West Bengal Government. The witness stated that it would not be advisable now to do so when after having borne taxes and other liabilities for years, the possibility of getting the property back was in sight.

172. The Committee enquired why the supply of electricity to the barracks was not stopped in accordance with their orders issued in June, 1954. The witness stated that Government did not do so for humanitarian reasons. In reply to a question, the witness stated that to ensure the safety of the barracks urgent repairs might have been carried out by the CPWD.

Appropriation Accounts (Civil), 1959-60, Vol. VIII

Grant No. 44—Public Health—page 38—

173. In this Grant out of the final provision of Rs. 16·53 crores there was a saving of Rs. 2·14 crores, i.e. 12·97 per cent.

174. The witness explained that under the malaria eradication programme, the T.C.M. was to provide aid for the purchase of materials the cost of which was estimated at Rs. 6·43 crores. The actual cost, however, turned out to be Rs. 5·67 crores resulting in a saving of Rs. 76 lakhs. Similarly about Rs. 7 or 8 lakhs were saved on the purchase of 720 microscopes which were made available at a price cheaper than estimated. Consequently Rs. 5 lakhs were saved on customs duty also. Savings of Rs. 32 lakhs occurred as the Indian Council of Medical Research, during that year decided to hold up assistance to a number of schemes, till national priorities for research programme had been laid down. Nearly Rs. 19 lakhs were saved under the family planning schemes as requests for assistance were small; further as against 50 urban and 25 rural clinics only 32 urban and 12 rural clinics were opened. Contraceptives worth Rs. 13·5 lakhs were not received during the year. Finally Rs. 50 lakhs were saved on the scheme for National Filaria Control Programme as the quality of BHC to be purchased was found to be sub-standard, indented material was not available and bills for some materials were not submitted during the year.

Grant No. 44—Public Health

Central Research Institute, Kasauli, Note 4, page 38—

175. The net cost price per cc. of anti-Venom serum, anti-Diphtheritic serum and anti-rabic serum manufactured in the Institute worked out to 113·71 nP. 214·54 nP. and 109·22 nP. respectively, against the existing sale prices of 0·70 nP., 82·19 nP. and 0·60 nP. per cc. respectively.

176. Explaining the reasons for keeping the prices of these products so low, the witness explained that the year 1959-60 was the first year during which commercial accounts were maintained by the Institute and for the first time the fact that sale price was lower than the cost price was noticed. The price of anti-venom serum had been refixed at just above the cost price from the 24th September, 1960. In the case of anti-rabic serum also the price was proposed to be fixed slightly above the cost price subject to the approval of the Ministry of Finance. As regards the price of anti-diphtheritic the Director of the Institute had advised against fixing the price above the cost price as production was in the initial stages, quantities produced were small and overhead charges were higher than the normal. Further as the serum was used for children, the price was to be kept within the reach of the consumers. The witness explained that the cost price of the serum came out to be Rs. 15·50 for a tube of 10,000 units and it was proposed to fix the price of a tube at Rs. 9 as against the current price of Rs. 6. In reply to a question, the witness stated that some quantity of that serum was prepared at Bombay and Madras also. In reply to further questions the Committee were informed that the serum was mostly sold to Government institutions. The serum was of the highest quality according to the accepted international standards.

**Grant No. 45—Miscellaneous Departments and Expenditure
under the Ministry of Health**

*Sub-head B. 2(1) (3)—Planning Organisation for the Preparation
of Master Plan for Delhi, page 48—*

177. Out of a provision of Rs. 18·50 lakhs about Rs. 1·48 lakhs only had been spent under the above sub-head in this Grant.

178. The witness explained that the Town Planning Organisation had come into existence in 1956 and in the budget for 1959-60 Rs. 10 lakhs were provided for the preparation of the Delhi Master Plan. Later on, that work was transferred to Delhi Development Authority

resulting in a saving of Rs. 10 lakhs. A sum of Rs. 6·50 lakhs was reappropriated to another sub-head out of which there was a saving of Rs. 1,42,000 raising the total savings to Rs. 11·42 lakhs.

Grant No. 43—Medical Services

Outstanding dues recoverable from State Governments and patients, Note 3, page 14—

179. In February, 1961 a sum of Rs. 91,174 was recoverable from different States in respect of the patients sent by them for treatment in the Hospital for Mental Diseases, Ranchi during 1953-54 to 1959-60. Another sum of Rs. 4,789 was outstanding for recovery from certain patients some of whom had already been discharged.

180. The witness explained that sums of Rs. 26,000 and Rs. 60,000 respectively were still outstanding against the Madhya Pradesh Government and Delhi Administration and the matter was under correspondence. The outstandings from private persons were of the order of Rs. 4,000 only. The Committee enquired whether there was not a rule for advance payment of the maintenance charges by patients. The witness stated that when a patient was admitted to the hospital two months maintenance charges were paid in advance and thereafter monthly charges had to be paid before the first of each month. In case a patient stopped paying the maintenance charges he could be discharged but that was not done. It had, however, been found that in the long run, no dues remained unrecovered.

181. To safeguard the interest of Government a Bill was being framed to provide for recovery of these dues from the guardian of a patient.

Property not handed over to the Institute, para 45, 25th Report, Vol. I—

182. From a note (Appendix) furnished to them, the Committee understood that out of 856 quarters constructed for the All India Institute of Medical Sciences 103 were still in possession of the staff of the Safdarjang Hospital.

183. Explaining the latest position the witness stated that about 90 quarters were yet to be handed over to the Institute. He admitted that the process of getting the quarters vacated was not quick enough as these were occupied by the Doctors and Nurses who had to be in the Safdarjang Hospital day and night. The Committee desired to be furnished with a note giving (a) the number of quarters within the premises of the Institute presently occupied by non-Institute staff and steps taken to get the Institute's quarters vacated.

184. The Committee then adjourned to meet again at 15·00 hours on Thursday, the 24th August, 1961.

**Proceedings of the 18th Sitting of the Public Accounts Committee
held on Thursday, the 24th August, 1961**

185. The Committee sat from 15.00 to 17.30 hours.

PRESENT

Shri C. R. Pattabhi Raman—*Chairman.*

MEMBERS

2. Shri Rohan Lal Chaturvedi
3. Shri Hem Raj
4. Shri S. A. Matin
5. Dr. G. S. Melkote
6. Dr. Shrimati Seeta Parmanand
7. Shrimati Savitry Devi Nigam
8. Shri Rajeshwar Prasad Narain Sinha
9. Shri Jai Narayan Vyas
Shri A. K. Roy, *Comptroller & Auditor General of India.*
Shri G. Swaminathan, *Addl. Dy. Comptroller & Auditor
General.*

Shri P. V. R. Rao, *Accountant General, Central Revenues.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*
Shri Y. P. Passi—*Under Secretary.*

WITNESSES

MINISTRY OF WORKS, HOUSING AND SUPPLY

Shri T. Sivasankar, *Secretary.*
Shri N. G. Dewan, *Chief Engineer, C.P.W.D.*
Shri L. G. Selvam, *Chief Technical Examiner.*
Shri K. M. Bhatia, *Addl. Chief Engineer.*

MINISTRY OF FINANCE

(DEPARTMENT OF EXPENDITURE)

Shri P. C. Bhattacharya, *Financial Adviser.*

MINISTRY OF FINANCE (BUDGET DIVISION)

Shri A. G. Krishnan—*Under Secretary.*

186. The Committee took up consideration of the Audit Report (Civil), 1961 relating to the Ministry of Works, Housing & Supply.

Audit Report (Civil), 1961

Overpayment to a firm—Para 39, pages 38—40.

187. Quotations were invited by the C.P.W.D. on the 9th March, 1956 for the supply of 319 tons imported steel of various categories. The steel of the specifications stipulated in the Tender Notice was to be supplied ex-stock within a week from the date of supply order and delivered at the supplier's godowns at Bombay. It was also stipulated that the rates payable would be subject to the approval of the Iron & Steel Controller and in case the rates approved by him were lower than those quoted by the suppliers, they would have to refund the difference; if the approved rates were, however, higher, no excess would be paid over the rates quoted. The suppliers were entitled to claim 90 per cent payment against delivery and the balance on verification of rates by the Iron & Steel Controller. Orders were placed with a firm on the 29th March, 1956 for the supply of certain categories of steel. An advance payment of Rs. 2,33,581/- was made to the firm by the C.P.W.D. on the 5th April, 1956 without taking delivery of the steel. The firm despatched some steel between 18th April, 1956 and 15th July, 1956. Sample tests carried out in June, 1956 and January, 1957 revealed that the steel was below the tensile stress specified (i.e. 28 tons per sq. inch) and was comparable only with untested indigenous steel. On the basis of the rate fixed by the Iron and Steel Controller for such quality of steel, the firm was entitled to a sum of Rs. 1,85,680/- only. Thus, an overpayment of Rs. 48,071/- was made. Efforts made to recover the overpayment were not successful and instead the firm moved the court for the recovery of a sum of Rs. 32,371/- together with interest thereon from Government. Government decided to contest their claim in counter defence. As a disciplinary measure it was decided in July, 1960 to reduce by 1/5th the pension of the Executive Engineer concerned with the deal.

188. In evidence, the Chief Engineer stated that of the 6 tenders received in this case the accepted tender was the most favourable which offered all the categories of the steel required. The Committee enquired why the payment of Rs. 2,33,581 was made to the supplier without taking delivery of the steel and without obtaining any security. The Chief Engineer stated that according to the agreement the firm were required to deliver the steel at their godown at Bombay but they were asked by the Executive Engineer concerned to arrange for the despatch of the steel to Nasik where it

was required for use. The firm demanded 90% advance payment for their bill before despatch, which the Executive Engineer concerned agreed to pay on grounds of urgency, without obtaining an indemnity bond or taking any other precaution. If the steel had been despatched to Nasik by the C.P.W.D. after taking its delivery at the firm's godown at Bombay, no difficulties would have arisen in this case. The witness added that disciplinary action had been taken against the Executive Engineer concerned. Asked to explain how the demand in this case was considered urgent, the witness stated that at that time there was a great shortage of steel and the accepted tender which was the only one offering all the categories of the steel was subject to priority. Having accepted this tender, the C.P.W.D. felt the urgency of obtaining the steel. In reply to a question the witness stated that the entire quantity of the steel was not used immediately; it was procured in bulk to be used as the work proceeded. Out of 330 tons of the steel procured only 130 tons had been used and the balance had been kept in stock pending the decision of the court in the case. Asked how the low quantity steel purchased in this case was used for the purpose intended, the witness stated that the entire quantity of the steel was not of low quality; some of the samples were found to be below the required tensile strength but even that quality could be used to lesser stresses or by reinforcing it with additional steel.

189. The Committee asked why the steel was not tested before accepting delivery. The Chief Engineer stated that usually samples of steel were sent for testing after receipt and that was why only 90 per cent of the price was first paid after delivery. Asked why no penalty clause was included in the agreement in this case, the witness stated that as the strength of untested steel (whether imported or indigenous) was only about 20 per cent lower than that of tested steel, withholding of 10 per cent of the payment was a sufficient safeguard. Asked how the price calculated by the C.T.E. on the basis fixed by the Iron & Steel Controller was so much lower than that quoted by the contractor, the witness stated that this was due to the firm having supplied indigenous untested steel instead of imported steel as per the order on them. The witness added that if the delivery of the steel had been taken at the firm's godown at Bombay, the supply of indigenous steel in place of imported material could have been detected before making payment. The witness agreed that after the receipt of the first instalment at Nasik, the steel should have been immediately tested.

*Extra-expenditure due to non-finalisation of drawings and designs—
para 40, page 40.*

190. For the construction of the Yojana Bhawan in New Delhi estimated to cost Rs. 22,14,160, the tender of a contractor for Rs. 21,23,189 (4.1% below estimates) was accepted. As there was delay in supply of the designs and drawings etc. to the contractor, he declined to proceed with the work at the tendered rates after completing 13% of the work. The balance of the work was awarded at the risk and expense of the contractor to another party for Rs. 21,89,435 (4.7 per cent above the estimated rates). The first contractor sought arbitration and the award of the arbitrator was against Government.

191. The Committee enquired why there had been delay in preparation of the designs, drawings etc. of the building. The Chief Engineer stated that before calling for tenders the architectural drawings and the schedule of specifications and quantities had been prepared. Tenders were called for on the basis of schedule of specifications and quantities. The structural drawings were usually given to contractors as and when these were actually required by them for executing the work. In the present case the structural drawings for the foundations of the front and rear wings of the building had been made over to the contractor on the 4th and 16th May, 1956, respectively, while the work was started on the 1st August, 1956. When the foundations were dug, it was discovered that there was an old well in the site and a certain part of the foundation was filled with soil. These unexpected factors necessitated a complete revision of the plan. The revision of the drawings took considerable time and when fresh drawings were supplied to the contractor, he demanded an extra 5% payment on account of increased rates. The Secretary, Ministry of Works, Housing & Supply stated that another contributory factor for delay was the examination of a proposal (perhaps after the contract was awarded) for widening the Old Mill Road, which might have affected the layout of the building. The Chief Engineer's decision in the matter was conveyed on 13th July, 1956 and the work was commenced on the 1st August, 1956.

192. In reply to a question the Chief Engineer stated that under the rules the C.P.W.D. was required to complete all the structural drawings, etc. before calling for tenders but due to pressure of work it was not always practicable to prepare the drawings much in advance. Structural designs were not necessary for inviting tend-

ers. Tenders could be called for and accepted on the basis of schedules of quantities and specifications as shown in the architectural drawings.

Loss due to acceptance of sub-standard work—para 41—pages 40-41.

193. Certain defects found in 344 double storeyed clerks' quarters by a Maintenance Division at the time of their handing over in May, 1951, were explained by the Construction Division as defects in finishing. The Executive Engineer reduced the claim of the contractor for roofing work by Rs. 7,317. During the years 1955-56 and 1956-57 an expenditure of Rs. 41,206 was incurred on special repairs consisting of removal of terracing and putting mud-phaska with brick covering. Towards the end of 1959 a detailed technical inspection of the quarters on the first floor brought to light several structural defects necessitating replacement of roofs of all the first floor quarters. In June, 1960, Government sanctioned replacement of roofs at a cost of Rs. 6,13,500.

194. The Secretary, Ministry of Works, Housing & Supply stated that the quarters had been taken up for construction soon after the partition, when the C.P.W.D. had been asked by Government to build the maximum number of quarters within the funds available by reducing the cost. The engineers, therefore, agreed to reduce the specifications which resulted in defects in the buildings. The reduction in the specifications was carried to a point where it proved uneconomical. The Chief Engineer stated that the reduced specifications were tried on terracing by using cinders instead of brick or stone. The use of cinders created defective water-proofing of terracing which resulted in the corrosion of the steel and necessitated re-roofing. The Committee asked the justification for reducing the contractor's claim only by Rs. 7,317 by the Executive Engineer while subsequently Government had to sanction replacement of the roofs at a cost of Rs. 6,13,500. The Chief Engineer stated that the amount deducted by the Executive Engineer from the contractor's claim related only to some minor defects in finishing. The structural defects in terracing noticed subsequently which necessitated the replacement of roofing were caused by seepage of water through cinders used in terracing. To a question whether a balcony being of non-horizontal shape was a finishing defect, the witness replied in the affirmative. A structural defect would have brought the balcony down, he added.

195. The Comptroller & Auditor General pointed out that an enquiry had been ordered into this case by the Minister of Works, Housing and Supply and wanted to know the findings of the inquiry

The Secretary, Ministry of Works, Housing & Supply stated that a further inquiry was made into the case by the Chief Technical Examiner after receipt of the report of the Enquiry Committee appointed at the instance of the Minister. Both the reports were examined by the Ministry who came to the conclusion that the construction of buildings on a large scale should be undertaken on the basis of specifications which had stood the test of time and experiments should be restricted to a limited number of houses. The witness added that in this case, bulk of the loss had been incurred because of the acceptance of reduced specifications and not sub-standard work. Explaining the remedial measures taken, the Chief Engineer stated that experimental depots had been set up where new specifications were tried out on a limited scale. When the construction of the quarters in the present case was taken up in 1948-49, most of the literature now available was not there. The literature now available indicated the presence of a deleterious element in cinders which reacted on cement; but this was not known at that time. The Secretary, Ministry of Works, Housing & Supply stated that when the engineers had been asked to reduce the cost of quarters in 1948, they accepted the reduced specifications more or less under duress.

196. The Committee desired to be furnished with a note containing the findings of the Enquiry Committee appointed at the instance of the Minister of Works, Housing & Supply, to investigate this case, findings of the C.T.E. who made a further enquiry, and the final conclusions reached by the Ministry of Works, Housing & Supply.

Acceptance of sub-standard work and avoidable expenditure due to defect in a contract—Para 42, pages 41-42.

197. In this case two technical examinations conducted by the Chief Technical Examiner in August 1958—and August 1959 of the construction work of 240 quarters in Rehabilitation Division No. III, revealed certain defects. The total overpayment of Rs. 72,326 as assessed by the C.T.E. had been recovered from the contractor. The contract did not include the usual condition that the rate for brick work was inclusive of fixing frames, etc. when supplied. Due to delay in supply of frames a payment of Rs. 11,424 had to be made to the contractor for the extra work involved in breaking masonry to fix them.

198. In evidence, the Secretary, Ministry of Works, Housing & Supply stated that this was a very bad case and charges had been framed against the Executive Engineer concerned for the poor quality of the work. The Committee enquired why the C.T.E. did

not make a complete check of the work during his first inspection in August, 1958 while the work was in progress. The Chief Technical Examiner stated that his organisation was not expected to carry out a cent per cent check of works, nor was it possible for them to do so because of paucity of time and personnel. The Organisation carried out only a test check of works. Works of large magnitude were inspected at different stages of their progress. In cases, where serious defects were detected during the test check, a more detailed inspection was carried out. That explained the reasons for carrying out a second inspection in the present case which disclosed further defects.

199. The Committee asked why the defects were not noticed by the C.P.W.D. during the execution of the work. The Chief Engineer stated that in this case, the officers entrusted with supervision had not been discharging their duty properly. The staff concerned who were warned in this case had since been dismissed from service for failure in other cases. To a question whether action against an Assistant Engineer alone met the requirements of the case, the Committee were informed that action against the Executive Engineer concerned was also under consideration. Asked whether the small recovery made from the contractor compensated adequately for the defects in the work, the witness stated that usually contractors were asked to rectify defects found in works but when it was not possible to re-do the work, as had happened in this case, the work was assessed at reduced rates.

200. The Committee enquired about the reasons for the omission of the usual condition from the contract that the rate for brick work was inclusive of fixing frames etc., when supplied. The Chief Engineer stated that supply of frames by the Department being unusual, the need for such a condition in the contract in the present case escaped attention unfortunately. Such a condition was being included in further contracts. The witness added that similar difficulties would not arise after the introduction of the revised contract forms (the present forms had to be pasted with a number of correction slips).

Payment to a contractor in advance of work done—Para 43—pages 42-43.

201. The cement registers maintained for the construction of a multi-storeyed building (Krishi Bhawan) showed that upto 20th March, 1955, the cement consumed was only 89 tons whereas cost of 190 tons of cement was recovered from the Second Running Bill of the contractor paid on the 31st March, 1955 for the work measured

on 20th March, 1955. Investigations into the reasons for this abnormal variation established that measurements for work included in the Second Running Bill were fictitious and inflated and were recorded before the connected work had actually been executed. The excess payment for work not actually done resulted in a temporary financial aid of Rs. 35,600 to the firm not contemplated in the agreement.

202. The Committee enquired about the action taken against the officer responsible for recording fictitious measurements in this case. The Secretary, Ministry of Works, Housing and Supply stated that a junior officer who had put in only one year's service was responsible for the irregularity. The officer had actually no *mala-fide* intention and in his anxiety to avoid lapse of funds he recorded fictitious measurements. The officer's work had been found satisfactory during the subsequent period of his service and so it was decided to warn him for the irregularity and place a copy of the warning in his character roll. In reply to a question the witness stated that the officer was promoted as an Executive Engineer in the normal course after completion of three years' service, while the irregularity came to notice in August, 1958 after his promotion. The Chief Engineer, stated that now, before promoting an officer a clearance was obtained from the Vigilance Branch.

Purchase of stores not required—Para 44, page 43.

203. In connection with the construction of a Dairy Building, out of 10 tons of Acid and Alkali resisting cement and 65 tons of Acid resisting cement obtained in March, 1959 at a total cost of Rs. 1,47,80 material costing Rs. 1,28,717 was not utilised and was declared surplus to requirements. An inquiry was ordered into the circumstances in which such an unnecessarily large quantity of special types of cement was indented.

204. Explaining the present position of the case, the Secretary, Ministry of Works, Housing and Supply stated in evidence that the Chief Technical Examiner who had been asked to inquire into this case had submitted his report recently. It took the C.T.E. 11 months to complete the inquiry as certain facts had to be collected from various sources. In reply to a question the witness stated that according to his information the cement had already deteriorated and was awaiting disposal by the D.G.S. and D.

205. The Committee enquired why the special types of cement were indented for although in February 1958, a supplying firm had informed the CPWD that in the opinion of the manufacturers in U.K. this was not required for setting Cast Iron Grids. The Addl. Chief Engineer stated that this opinion was communicated to the Dairy Development Officer in the Ministry of Agriculture who had also an expert from Newzealand to assist him, but he advised that the contention of the firm was not correct and that the material be procured. The witness added that when the cement was used it did not set. The Secretary Ministry of Works, Housing and Supply promised to submit a note on this case.

Loss of electrical goods—para 45, page 43.

206. During the period July, 1957 to April, 1958 an Electrical Division obtained electrical goods valued at Rs. 74,129 on indents from the Central Electrical Stores Division. A physical check of the stores in the charge of the Section Officer of the Division revealed that these materials were neither actually in his stocks nor were they utilised on the works for which they had been obtained. The matter had been taken to court by the Police and two officials were under trial. One of them could not also account for 215 ceiling fans in another case and that matter was also under investigation.

207. The Committee enquired about the present position of this case. The Chief Engineer stated that the Section Officer had been dismissed and the Assistant Engineer suspended and both were being prosecuted in a court of law. The witness added that there was no defect in the procedure: it was a case of *mala fide* on the part of the officers. Audit pointed out that the Electrical Engineer who indented for the stores was aware that the quantity of the materials drawn by the Assistant Engineer was excessive and cautioned the latter to maintain the accounts but the Assistant Engineer did not comply with the Electrical Engineer's orders. The Committee asked whether any action was taken against the Electrical Engineer. The Secretary, Ministry of Works, Housing and Supply stated that the Electrical Engineer concerned was at that time holding charge of two divisions and was complaining of overwork; shortly thereafter he was transferred to another Division and later he retired from service. The question of fixing responsibility of the Electrical Engineer was being pursued. But the difficulty was that the relevant records were with the court, without which disciplinary proceedings could not be processed. Asked why photostat copies of the records were not taken in pursuance of the earlier recommendation of the Committee, the witness stated that in this case the papers had been taken away by the Special Police Establishment and photostat copies

thereof could not be taken. The witness added that copies of the records could be obtained by the C.P.W.D. from the court by following the prescribed procedure.

Overpayment to a contractor due to non-observance of rules—para 46—pages 43-44.

208. The final bill of a contractor drawn in March, 1954 about seven years after completion of a work revealed an overpayment of Rs. 51,157. A sum of Rs. 14,708 was set off against the sums due to the contractor. The balance of Rs. 36,449 was yet to be recovered. At the instance of the contractor the case was referred to Arbitration in July, 1957 and the award of the arbitrator was still awaited. Disciplinary proceedings were started in October, 1955 against the Executive Engineer concerned, but charges against him were dropped in January, 1960, in consideration of all factors and circumstances of the case including the record of the service of the officer.

209. The Committee enquired why the final bill of the contractor was drawn seven years after the completion of the work and why approval of the competent authority was not obtained in regard to the rates for substituted and extra items of work. The Chief Engineer stated that the case related to the work completed at about the time of the Partition, which resulted in a lot of changes in departmental staff. The work did not proceed in the normal manner. Explaining the reasons for the overpayments the witness stated that certain items done by the contractor which were not covered by the contract had been paid for by the Executive Engineer at provisional rates which were lower than the rates recommended by him to the Chief Engineers, but the rates finally approved by the Chief Engineer were lower. There was no *mala fide* on the part of the Executive Engineer who did not want the work to be stopped.

210. The Secretary, Ministry of Works, Housing and Supply stated that it was a bad case; besides the delay of seven years in finalising the contractor's bill a further period of six years had elapsed and the case had yet to be settled. He admitted that the delay was indefensible and promised to send a note to the Committee.

211. The Committee then adjourned till 15:00 hours on Friday, the 25th August, 1961.

**Proceedings of the 19th sitting of the Public Accounts Committee
held on Friday the 25th August, 1961**

212. The Committee sat from 15.00 to 17.40 hrs.

PRESENT

Shri C. R. Pattabhi Raman—*Chairman*

MEMBERS

2. Shri Rohan Lal Chaturvedi
3. Shri Hem Raj
4. Shri S. A. Matin
5. Dr. G. S. Melkote
6. Shri Ranji Verma
7. Dr. Shrimati Seeta Parmanand
8. Shri Rajeshwar Prasad Narain Sinha
9. Shri Jai Narain Vyas

Shri A. K. Roy, *Comptroller and Auditor General of India.*
Shri G. Swaminathan, *Addl. Dy. Comptroller and Auditor
General.*

Shri P. V. R. Rao, *Assistant General Central Revenues.*
Shri P. K. Rau, *Director of Audit, F.R.S.C.S.H.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary*
Shri Y. P. Passi—*Under Secretary*

WITNESSES

MINISTRY OF WORKS, HOUSING AND SUPPLY

Shri T. Sivasankar, *Secretary*
Shri A. S. Naik, *Joint Secretary*
Shri N. G. Dewan, *Chief Engineer, C.P.W.D.*
Shri L. G. Seivam, *Chief Technical Examiner*
Shri N. E. S. Raghavachari, *Director General of Supplies and
Disposals.*

MINISTRY OF FINANCE (WORKS DIVISION)

Shri P. C. Bhattacharya, *Financial Adviser*

MINISTRY OF FINANCE (BUDGET DIVISION)

Shri R. K. Mukherjee, *Under Secretary*

DELHI ADMINISTRATION

Shri K. L. Rathee, *Housing Commissioner*

213. The Committee took up further consideration of the Audit Report (Civil) 1961 relating to the Ministry of Works, Housing & Supply.

Audit Report (Civil), 1961

Delay in handing over of site resulting in extra expenditure —para 47—page 44

214. In this case due to delay in handing over the site completely to the contractors (though it was got vacated by the time stipulated by the contractors) they did not proceed with the work. Fresh tenders were invited and the tender of another contractor which was higher by Rs. 17,705 was accepted.

215. The Committee enquired about the circumstances in which the entire sites could not be made available to the contractors immediately after their tender was accepted on the 10th September, 1957. The Secretary, Ministry of Works, Housing and Supply stated that the work related to the construction of a school building for the Delhi Administration. The Administration had been asked by the Ministry of Education to give an assurance in writing to the Delhi Improvement Trust that the rent for the schools would be paid in due course. The assurance was conveyed to the Improvement Trust only on 16th October, 1957 and in the meantime the Executive Engineer had been asked by the Director of Education not to proceed with the work. The Delhi Administration took some more time in removing some tents from the site where a school was functioning. In reply to a question the Chief Engineer stated that usually tenders were not invited if the site was not available. In the present case, however, as the school buildings were required urgently by the Delhi Administration, the tenders were invited on the expectation that the sites would be available. While in 21 cases out of 22, construction of schools started in time, there was difficulty in getting the site in this case only. Actually a part of the site had been got vacated by the 1st October, 1957 and the contractors were asked by the Executive Engineer on the 31st October, 1957 to start

the work. But the contractors did not agree to proceed with the work till the entire site was made available to them. The Chief Engineer felt that the real reason for the contractors' refusal to start the work was that after their tender had been accepted they did not consider the deal as attractive.

216. Referring to the undertaking given by the contractors on the 18th November, 1957 that they would start the work if the entire site was handed over to them within a week, the Committee asked why the site was not made available although it had been got vacated by the 25th November, 1957. The Chief Engineer stated that the undertaking had been given by the contractors' representative who was called by the Superintending Engineer on the 18th November, 1957. The contractors visited the site on the 23rd November, 1957 and promised to turn up on the 25th November, 1957 but they failed to do so. The Committee enquired whether any action was taken against the contractors. The Chief Engineer stated that as the work was to be completed within 3 months and for nearly 2½ months the site was not made available to the contractors the Department did not take any action against the contractors. The Secretary, Ministry of Works, Housing & Supply stated that on legal advice it was decided that no action could be taken against the contractors because of delay in handing over the site to them. The Comptroller and Auditor General stated that the Standing Counsel had contended that as no letter had been addressed to the contractors regarding the availability of the site within a period of one month from 18th November, 1957, action against them would not be justified. The Chief Engineer stated that the undertaking given by the contractor could not be considered a legal commitment as it had been signed by one partner only. It was pointed out to him that a document signed by one partner was binding on the partnership. Asked whether any training in Contract Law was imparted to Engineers, the Chief Engineer stated that the Executive Engineers were required to pass a Departmental test in Contract Law the subject being vast the brief training given was not sufficient to enable them to deal with complicated cases.

217. The Committee desired to be furnished with a note stating whether the second contractor had any business connections with the first firm.

*Loss of revenue due to delay in completion of ancillary services—
para 48—pages 44-45*

218. The Audit para disclosed two cases of delay in completion of ancillary services in certain quarters at New Delhi and Calcutta,

which resulted in avoidable loss of revenue in the form of house rent besides expenditure incurred on watch and ward and payment of house rent allowance to the persons who could have been allotted those quarters.

219. In evidence, the Secretary, Ministry of Works, Housing and Supply stated that in New Delhi the installation of the external services viz., electric supply, water supply and sewerage, was the responsibility of the Delhi Municipal Corporation or of the New Delhi Municipal Committee. It had been suggested last year at a meeting held at the instance of the then Home Minister that a single agency like the C.P.W.D. should be entrusted with both construction of buildings and provision of ancillary services. The Municipal Corporation were prepared to agree to the proposal provided they were given a grant for the work executed by the C.P.W.D. on their behalf. In order to avoid delay in completion of internal services, a composite contract for construction work and installation of fittings was being tried out. The Chief Engineer stated that there was an apprehension that such contracts would be sub-let by contractors at lower rates. It would have to be examined whether this innovation resulted in increased costs and whether the advantages were commensurate with the extra cost. In reply to a question the witness stated that a period of two months was not adequate for completion of internal services as the work relating to electrical fittings could not be taken up before the walls dried up. The witness added that since buildings could not be considered fit for allotment without the provision of ancillary services some time-lag should be allowed in calculating loss of revenue to Government by way of rent. He contended that a period of six months would be reasonable for the completion of internal fittings. But as regards the external electric connections etc. for which the C.P.W.D. were dependent on the electrical licensee, even the supply of estimates for the work took 12 months in some cases. The Committee expressed concern over delays in the completion of ancillary services which came up before them year after year. The Secretary, Ministry of Works, Housing & Supply assured the Committee that efforts would be made to minimise the interval. The Committee were also informed by the witness that Audit had calculated the loss of revenue on account of rent on the basis of Rs. 15 per quarter while the actual recoveries came to only Rs. 5 per quarter.

Loss due to 'set' cement—para 49—page 45

220. In Construction Division IV of the C.P.W.D. out of 1,032.5 tons of cement collected for use on the construction of grain

godowns at Hapur, 119.5 tons valued at Rs. 14,131 were found 'set', and unserviceable when the stores were handed over to another division.

221. In evidence, the Chief Engineer stated that the procurement of cement was planned on the basis of requirement of 4000 tons for use in the construction of 9 godowns at the station. No suitable accommodation was, however, available for storing the cement ordered against the initial indents. With great difficulty two small godowns were secured for storage of cement. Later, while the work was in progress the demand for godowns was reduced to 3. Action was thereupon taken not to indent further bags of cement; but the supply already obtained was very much in excess of requirements. Because of inadequate storage accommodation, the cement bags were stacked beyond the height permissible under the standing instruction. The heavy pressure resulted in deterioration of cement in the bags at the bottom. Due to curtailment of the construction work, the turn-over of cement was not quick enough in relation to the quantity stocked. Taking out the bags at the bottom for use first was not practicable as it meant taking all the bags out and restacking them. Asked why no action was taken to prevent the deterioration of the cement after 25 tons were found set in June, 1959, the Chief Engineer stated that quicker utilisation of the cement locally not being possible, the only other course was to transfer the material to some other place where it was required but that was not an economical proposition because of the cost of transportation involved. In reply to another question the witness stated that some percentage of cement always 'set' during the rainy season and a margin of about 1% was considered as reasonable.

222. The Committee enquired about the steps taken to provide adequate storage accommodation for cement. The Chief Technical Examiner stated that normally where construction work was to last two-three years and cement was to be stored for a long period, godowns were built by the CPWD for storage. In the present case it was not economical to build a godown for cement as there was no other construction programme at the station. Adequate storage accommodation was also not available on rent.

Loss of revenue due to incomplete and improper maintenance of accounts—Para 50—page 46

223. It was noticed during local Audit in April, 1960 of the accounts of unfiltered water supplied to private parties for construction of buildings that in most of the cases the final payments recoverable in accordance with the terms stipulated in the various

agreements had not been assessed. A detailed examination of 117 water connections sanctioned during 1953-58 revealed that the additional amount due to Government but not assessed or realised would be substantial in respect of these connections. The accounts of assessment and realisation of the amounts due were found to be incomplete.

224. The Committee enquired about the present position regarding the assessment and realisation of the outstanding dues for supplies of unfiltered water. The Chief Engineer stated that in 77 out of the 117 cases referred to in the Audit para, the outstanding amounts had been assessed. The amount worked out to Rs. 39,768 out of which a sum of Rs. 24,000 had been recovered. The Committee desired to be furnished with a note stating the total number of outstanding cases of water connections sanctioned during 1953-58 and the present position regarding finalisation and recovery.

225. It was suggested by the C & A G that the rates for unfiltered water which were 25 years old should be revised. The Chief Engineer stated that the revision of the present system of obtaining a provisional advance payment of Rs. 400 at the time of sanctioning water connections was under examination. But as regards the rates for water supply there was no case for revision, as the proforma accounts disclosed profits while the scheme was to work on no-profit and no loss basis. The C & A G pointed out that the proforma accounts did not indicate the actual position inasmuch as they included receipts which were still to be realised. The Secretary, Ministry of Works, Housing & Supply stated that in order to do away with the need for final adjustment of the water charges, it was proposed to assess the payments in advance on the basis of the plinth area of buildings. As regards the present arrears steps were being taken to finalise the cases. We agreed that the rates which were 25 years old required revision.

Overpayment in a C.P.W.D. Division—Para 51, pages 46-47

226. In this case, the work of construction of 1000 quarters and 200 flats awarded to 2 contractors during the year 1948 was abandoned by them after carrying out a portion of the work. The contracts were rescinded in August, 1949 and Feb., 1950 respectively and the balance of the work was got executed through other contractors at the risk and cost of the original contractors. The extra cost recoverable from the original contractors worked out to Rs. 1,01,527. Their accounts were finalised during 1959-60 and it was found that a sum of Rs. 1,36,760 was also recoverable on account of cost of material, hire charges and overpayments for substituted items of work.

Besides a compensation of Rs. 2,37,300 for non-completion of work was levied on the contractors. Efforts made to recover the above sums proved futile. The question of recovery from one of the contractors was under arbitration.

227. The Committee enquired about the action taken against the officers responsible for overpayments to and non-recoveries from the contractors. The Secretary, Ministry of Works, Housing and Supply stated that it was a bad case which had come to the notice of the Ministry recently, and promised to furnish a note. Asked to state the progress made in the arbitration proceedings, the Chief Engineer replied that the contractor had also asked for arbitration in regard to the rates which was not permissible under the terms of the contract. The contractor had taken recourse to law and so the arbitration proceedings were pending.

Unnecessary locking up of funds—para 52, pages 47-48

228. Government sanctioned in March, 1956 to the then Delhi State a short term loan of Rs. 20 lakhs carrying interest at 3½% per annum repayable within three years of the date of drawal for the purpose of acquiring land for providing house sites to various co-operative societies under the Low Income Group Housing Scheme. On 31st March, 1956, the State Government withdrew a sum of Rs. 19,90,000 and lodged it (outside Government account) in the current account of a departmental officer with the State Bank of India. The State Government did not utilise the money for the purpose for which it was intended. On 1st November, 1956 the Delhi State was integrated with the Government of India. In spite of objections from Audit, the Delhi Administration did not refund the amount into the Treasury for a long time. The amount was refunded in four instalments between October, 1957 and September, 1960.

229. The Committee enquired why the money was deposited outside Government account by the Delhi State Government. The Secretary, Ministry of Works, Housing & Supply stated that in accordance with the practice obtaining in the erstwhile Delhi State Government, the money was deposited in the Personal Ledger Account of the Land Acquisition Collector for acquiring land. The approval of the Accountant General, Central Revenues had been obtained for allowing this arrangement. Audit pointed out, however, that the A.G.C.R. only carried out the express orders of Government over-ruling the audit objection against keeping the money outside the Government account. The Committee asked why it took the Delhi Administration about four years to refund the amount although it was not utilised for the purpose intended. The

Secretary, Ministry of Works, Housing & Supply stated that the Delhi Administration wanted to utilise the money for certain other similar schemes. The representative of the Delhi Administration stated that the erstwhile Delhi State Government had sought the approval of the Ministry of Works, Housing & Supply to advance the money to certain Cooperative House Building Societies for acquisition and development of land but the Ministry did not agree and advised that land should be acquired and developed by the State Government themselves and then made over to people in the Low Income Group. In July, 1957, the Delhi Administration proposed to utilise Rs. 3 lakhs for acquisition of land in connection with a scheme of 'shifting the flood affected villages near Jamuna to safer sites and Rs. 10 lakhs for acquisition and development of land in Subzimandi. The Ministry sanctioned a sum of Rs. 2.98 lakhs for the scheme of shifting the flood affected villages and Rs. 5 lakhs for acquisition of land in Subzimandi. The Ministry directed that the balance amount of Rs. 11.9 lakhs should be refunded which was done. Later, the proposal for acquisition of land in Subzimandi was dropped, as the Ministry did not approve of the money being given to the Delhi Employees Co-operative Society (admission to which was restricted to the employees of Delhi Administration) unless its membership was opened to everybody, and a sum of Rs. 5 lakhs sanctioned for this purpose was refunded in March, 1958. Out of Rs. 2.98 lakhs sanctioned for the scheme of shifting of flood affected villages, a sum of Rs. 0.82 lakhs being surplus to requirements was refunded in July, 1958. Subsequently it was decided in consultation with Audit that the cost of land for shifting of flood affected villages should be met from the Capital Grant for the Delhi Administration and the balance amount of loan of Rs. 2.16 lakhs should be refunded.

230. The Comptroller & Auditor General pointed out that after the original scheme had been abandoned the entire amount should have been refunded by the Delhi Administration instead of continuing to keep it out-side Government account. Money could have again been drawn as and when a subsequent scheme was approved by Government. The representative of the Delhi Administration stated that the Administration thought that once the money had been advanced by the Central Government it could be utilised by them with the approval of the sanctioning authority. The representative of the Ministry of Finance stated that where States were given grants for certain schemes they had virtually got full powers to spend the money on other schemes also. Asked whether the Finance Ministry considered the procedure followed by the Delhi Administration in this case as appropriate, the witness stated that the Government of India were not happy over the situation.

Chief Technical Examiner's Organisation—para 53, pages 48-51

231. The Audit para disclosed figures of overpayments detected and provisionally assessed by the Chief Technical Examiner's Organisation, overpayments admitted and the amounts actually recovered since the creation of the Organisation in May 1957. Some of the more important cases of irregularities noticed during the half year ending December, 1959, were also mentioned.

232. The Committee enquired about the reasons for the increase in the number of cases detected by the Chief Technical Examiner. The Secretary, Ministry of Works, Housing & Supply stated that the increase in the number of cases of overpayment was due to expansion of the activities of the C.T.E's organisation. Although the number of cases of overpayments detected had increased the percentage of defective works had actually decreased. During the period June to December, 1957 the number of cases examined was 301 and the number commented upon was 248 or 82 per cent. As against these figures, during the next half year, out of 416 bills examined, 316 or 76% were observed upon. The percentage came down to 73 during July-December, 1958, 65 during January-June, 1959 and 52 during July-December, 1959. The progress made by CPWD in the finalisation of the cases was stated to be as under:—

Period	No. of cases of over-payment detected	No. of cases closed
June-December, 1957	121	120
January-June, 1958	91	83
July-December, 1958	149	132
January-June, 1959	214	168

233. The C & A G referred to the observations made in the C.T.E's report that there had been considerable delay on the part of Executive Engineers, Superintending Engineers and in some cases even Additional Chief Engineer in getting defects rectified, recovering overpayments and generally in answering the objections. The Secretary, Ministry of Works, Housing and Supply stated that any difference of opinion between the C.P.W.D. and the C.T.E. arising from the latter's observations was discussed between them at various levels and if it was unresolved the matter was referred to the Ministry through the Chief Engineer for a decision. On his attention being drawn to the recommendation of the Committee that some time-limit should be fixed for the disposal of the observations of the CTE, the witness stated that the matter was under examination.

234. The Committee were informed by the CTE that out of the total overpayment of Rs. 38 lakhs detected by his Organisation upto June, 1961, the amount admitted was Rs. 23½ lakhs and that actually

recovered was Rs. 6.34 lakhs. Asked to state the reasons for slow progress in effecting recoveries, the Chief Engineer stated that in many cases the contractors went in for arbitration and pending the arbitration proceedings recoveries could not be made.

235. Giving his impression about the performance of the CPWD, the Chief Technical Examiner stated that there had been improvement in the quality of work done by the CPWD in that during the half year July-December, 1960, the percentage of the works observed upon had gone down to 58. Asked if this percentage indicated a satisfactory position, the witness stated that any conclusion based on the percentage of the bills observed upon would not give a correct picture. The Committee asked about the action taken on the recommendation made in their 34th Report (Second Lok Sabha) that the results of inspections carried out by the C.T.E. should be compiled and presented in a manner which would enable the Committee to come to some conclusions about the working of the C.P.W.D. and whether the C.T.E. was functioning on right lines. The Secretary, Ministry of Works, Housing & Supply stated that a proforma would be evolved to meet the requirements of the Committee.

236. Asked about the position regarding disciplinary action taken in the case of overpayments detected by the C.T.E., the Secretary Ministry of Works, Housing & Supply stated that out of 39 cases which had been referred to the Ministry 25 had been disposed of. All cases were not, however, brought to the notice of the Ministry. Explaining the reasons for delay in taking disciplinary action, the witness stated that, cases involving major penalties had to be referred to the UPSC who took considerable time in these matters. The accused officers also put obstacles in the fulfilment of the procedural requirements in these cases. The Committee desired to be furnished with information on the following points:

- (i) total number of cases of overpayment detected by the CTE and the amount of overpayment assessed;
- (ii) the number of cases and the amount of overpayment accepted by the CPWD; and
- (iii) the number of cases where disciplinary action was initiated, the number of cases finalised and reasons for delay in the finalisation of the disciplinary cases.

Overpayment to contractors—sub-para (a) of para 53—Page 49

Overpayments due to sub-standard execution of works—sub-para (b) of para 53—page 49

237. The Committee were informed that the action in the cases had not been finalised. The Chief Engineer stated that in the case referred to in sub-para (b) (i), the contention of the CTE that the cement

mortar was sub-standard had not been accepted. As regards sub-para (b) (ii), it had been agreed to between the C.T.E. and the CPWD that overpayment for poor quality of mortar used amounted to Rs. 8,963 which had been recovered.

Working of Enquiry Offices—para 53 (d)—pages 50-51

238. The Committee asked the CTE to elucidate the suggestion made by him that if the existig staff was to continue in the enquiry offices it should be considered whether the works which were now being done under the Annual Repairs contract should not be economically got done through the work charged labour. The CTE stated that in a certain electrical division the staff who was required to attend to complaints only was found excessive. The suggestion had been made with a view to keeping the existing staff fully engaged. and minimising the work done by contractors on annual repairs. Asked whether steps had been taken to improve supervision over labour, the Chief Engineer stated that it had been prescribed that statistics should be maintained for the work done by labour in the course of the day to enable the Section Officers to keep a check on the out-turn. The Committee desired to be furnished with a note containing suggestions of the Chief Technical Examiner for improving the working of the Enquiry Offices and action taken or proposed to be taken by the C.P.W.D. in the matter.

Avoidable payment of Sales Tax—Para 54—pages 51-52

239. In this case orders for purchase of 1,46,000 pulleys were placed on two unregistered firms 'A' and 'B' after inviting tenders. Although the offers were inclusive of sales-tax, two advance Acceptances of Tender issued to firms 'A' and 'B' on 23rd July, 1957 for a quantity of 37,500 and 18,750 pulleys respectively stipulated sales tax in addition. The next day, the Director General Supplies and Disposals received from both the firms, letters demanding sales tax extra on the plea that the sales tax had not been included in their original offers through oversight. It was subsequently discovered on 5th October, 1957 that the capacity of firm 'B' had been under estimated. A second order for the balance quantity of 89,750 pulleys was then placed on firm 'B' on 5th October, 1957. A sum of Rs. 35,699 was paid as sales-tax to the firms of which a refund of Rs. 13,351 paid on the first order was obtained but the refund of sales-tax in respect of the second order was not enforced on the the plea that the order had been placed after receipt of the firm's request for sales-tax extra.

240. In evidence, the Director General, Supplies and Disposals stated that in this case the officer concerned had committed two mistakes. Firstly, at the time of placing the orders, the capacity of

firm 'B' was wrongly assessed. The capacity of the firm at the rate of 500 units per day on the basis of 300 working days a year worked out to 1,50,000 units but it was typed as 15,000 units. The other mistake was that in the hurry of placing the orders and because of non-existence of the sales tax condition in the purchase proposal, the officers presumed that the orders were to be placed with sales tax extra. Actually the offers of the four other firms received in this case were with sales-tax extra but those of firms 'A' and 'B' were inclusive of sales-tax. On receipt of letters from the two firms that there was a mistake in their original offers which should be treated with sales tax extra, the position was re-examined in the light of the fact that the next higher tenderer had declined to supply the balance quantity at the rates offered by the firms 'A' and 'B'. The mistake made in assessment of the capacity of firm 'B' was detected at this stage and a second order for the balance quantity was placed on this firm. When the question of refund of sales tax came up, the firms were informed that the provision of sales tax in the first order was a mistake and that this should be deleted. The firms agreed not to claim sales tax in respect of the first order. But as the second order had been placed after the receipt of the letter from firm 'B' stating that the sales-tax would be extra, no refund was enforced in respect of this order. The witness admitted that if the capacity of firm 'B' had been correctly assessed and the entire quantity ordered in the first instance, no sales tax would have been payable. In reply to a question, the witness stated that *bona fides* of the officer concerned were not suspected. The officer who was a temporary employee had resigned from service.

241. The Committee then adjourned till 15 00 hours on Saturday, the 26th August, 1961.

balance on production of the consignee's receipt and proof of acceptance of stores by him. The following reasons mainly accounted for the delay in finalising the provisional payments:

(i) Resistance on the part of supplying firms to furnish necessary documents/information to the D.G.S. & D. in those cases where the final settlement was likely to be unfavourable to the firms.

(ii) Non-receipt of reports from the consignee about the receipt and acceptance of the material.

(iii) Cases under dispute which were pending before arbitration/law courts.

247. The D.G.S. & D. added that a separate Wing was functioning in the Directorate for the last two years to deal with such cases and substantial progress had been made in liquidating the arrears. On an average, the Finalisation Wing disposed of about 800 cases per month against the fresh arisings of 400 to 500 cases per month. The cases still pending numbered about 1500 of which 60 related to period prior to 1953. The Secretary of the Ministry added that of the 327 acceptances of tender mentioned in the Audit Report, 246 cases were pending finalisation of which 209 related to packing charges provisionally paid to Khadi & Village Industries Commission. The Committee desired to be furnished with a statement showing the progress made by the D.G.S. & D. in finalising cases of provisional payments including *inter alia* the number of cases finalised and the net financial results, i.e. extra payments made to or recoveries effected from the firms. The witness promised to furnish the information.

*Delay in the finalisation of provisional payments to oil companies--
Para 57, Pages 53-54.*

248. In January 1951 the D.G.S. & D. entered into 5 rate contracts with Oil Companies for the supply of road dressing material e.g. Bitumen and Bitumen emulsion etc. The contracts stipulated payment at provisional rates pending finalisation of the prices on the basis of cost of production plus an agreed margin of profit. One of the firms went into liquidation in 1952 and the contracts with the other firms were extended from time to time. Later in the years 1955, 1957 and 1959 the provisional rates were revised and it was provided that the provisional payments were subject to final adjustment on the basis of final price formula to be decided upon by mutual agreement between the firms and Government in due course. In September 1960 Government concluded an agreement with the Companies whereby all payments made to them prior to 1st April, 1959 were treated as final on an *ad hoc* basis. According to Audit it was not possible to state if the *ad hoc* settlement had adequately

safeguarded the interest of Government. Provisionally payments made to a firm which went into liquidation in 1952 were still awaiting finalisation.

249. Stating the latest position the D.G.S. & D. informed the Committee that with regard to the supplies made upto 30th September 1955 payments were finalised as per terms of the contracts i.e. on the basis of cost of production plus an agreed margin of profit. For the subsequent period upto the end of March 1959 an *ad hoc* settlement had been reached with the Oil Companies according to which the provisional payments were treated as final. He added that as compared to the final prices paid in respect of supplies made in 1955 the subsequent provisional payments since treated final were lower and it could be assumed that Government had made an overall saving of about Rs. 1 crore as a result of the *ad hoc* settlement. The Secretary of the Ministry, however, clarified that the saving of Rs. 1 crore was only based on an inference drawn by the D.G.S. & D. after comparing the *ad hoc* payments with the prices paid in 1955. However, in the absence of information regarding cost of production etc., in respect of supplies made during the period 1955 to 1959, it was difficult to make a correct assessment in this regard.

250. The representative of the Ministry of Steel, Mines and Fuel further explained to the Committee the provisions of the *ad hoc* settlement reached between the Government and the Oil Companies. He stated that, as a result of negotiations, Government was able to secure an *ad hoc* reduction of Rs. 19.8 crores (in two stages) for all oil products put together. The possibility of effecting further reduction in the prices was under examination. The witness added that the prices of bitumen were fixed on the basis of invoices of the Companies' consignors. It was difficult to ascertain the actual cost of production of these by-products specially when the foreign firms were reluctant to furnish the requisite information. In reply to a question, the witness admitted that a very small quantity of bitumen was being imported. He added, however, that the oil companies had the protected right to charge for their products refined in India rates at which they could make imported products available in India. The Refinery agreements precluded the checking of their costs. No means were also available for checking the costs of imported products.

251. As regards the firm which went into liquidation in June 1952, the D.G.S. & D. stated that the liquidator was asked to supply details regarding the cost of production etc., to fix the prices but he did not do so. The prices for the material supplied by the firm were, therefore, finalised on the basis of prices paid in respect of similar products to another Company, and an overpayment of about Rs. 1.94 lakhs

had been assessed. The question of recovering this overpayment had also been taken up with the liquidator.

Fraudulent payments—Para 58, Page 54

252. During the period May 1947 to June 1951 the Director of Supplies, Bombay placed 9 contracts on a firm for the supply of reeling waste cotton unteased. The firm was entitled to receive advance 90% payment of the value of each consignment on inspection and proof of despatch and the balance on receipt of the consignee's proof of acceptance of stores. The firm accordingly obtained advance payments on different occasions through claims supported by inspection notes and the number and date of the Railway Receipt under which the material was despatched. Enquiries made from the consignees, however, revealed that some of them had not received the goods while others had received short supplies under Railway Receipts bearing numbers different from those quoted in the firm's advance 90% bills. The firm had thus obtained an extra payment to the extent of Rs. 1,52,310. The firm did not refund the extra payment and the matter was under arbitration since May, 1954. Criminal proceedings started against the firm in 1957 were also pending in a court of law.

253. The Committee enquired if responsibility had been fixed on any Government servant for the excess payment. The D.G.S. & D. stated that it was a clear case of fraud committed by the firm and no official was considered at fault. To a question, he further explained that the inspection notes enclosed with the claims by the firm indicated only the quantities presented for inspection and accepted/rejected by the inspector. Thereafter, the material was packed and despatched by the firm and the inspector was not present at the time of loading. While in certain cases the firm had quoted fictitious numbers and dates of Railway Receipts in others the quantities mentioned were not despatched.

254. The Secretary of the Ministry mentioned that a suggestion had been made to the Railway Board that an extra copy of the Railway Receipt should be issued which the consignor could attach to his claim for 90% payment. The outcome of the proposal was not, however, indicated by him.

Undue price preference allowed to Hindustan Cables Ltd.—Para 59, Pages 54-55.

255. As a result of a decision taken by Government in February, 1954, all requirements of the P. & T. Department for cables are planned by the D.G.S. & D. on the Hindustan Cables Ltd. The decision

envisaged that the price to be paid to the Company would be the cost of production plus a profit margin of 6 per cent, subject to a ceiling represented by the current landed cost of such cables. The ceiling was also subject to suitable revision on the basis of available data about production costs. During the period September, 1954 to June, 1960 orders valued at about Rs. 6 crores were placed on the Company. Since it failed to furnish its cost figures till March, 1961, Government decided to finalise the prices of cables produced upto September, 1957 on the basis of the last lowest landed cost (including customs duty). According to Audit the finalisation of prices without excluding the element of customs duty (about Rs. 75 lakhs) did not seem reasonable. Further, the profit shown by the Company in the accounts of the years 1957-58, 1958-59 and 1959-60 could not be considered as representing the true working results of the Company.

256. In evidence the D.G.S. & D. stated that normally it took about 3 years of production for an industrial concern to arrive at proper standards of costing. The Hindustan Cables started production in 1955 and it was difficult for the company to make a cost analysis for some time. On the basis of the cost figures now supplied by the Company, Government were examining the price to be paid for the cables produced after September, 1957.

257. Referring to the impressions of their brief visit to the Company, the Committee enquired whether by omitting to instal even a wire drawing plant for obtaining the basic raw material for the cables, the Company had not failed to establish conditions for efficient and economical working. The representative of the Ministry of Commerce and Industry explained that it was not advisable to set up a wire drawing plant to achieve the initially laid down target of only 400 miles of cables per annum. The outturn of the Company had, however, increased from 112 miles of cables in 1954-55 to 1,100 miles in 1960-61. The target of production for the year 1961-62 was 1500 miles. The drawing plant had been included in the expansion scheme of the Company and it would be installed by the end of 1962. Referring to the criticism of Government action in having paid the Company upto September, 1957 a price on the basis of the landed cost of imported cables inclusive of customs duty, the witness stated that the raw material used by the Company were imported goods purchased through established importers who had paid customs duty thereon. The cost of the raw materials, according to the Ministry's Cost Accountants Computation constituted 77 per cent of the cost of the finished product. Asked whether the price of cables had not fallen due to increase in the production the witness stated that the cost of raw material had risen in the meantime. There was very little capacity in the country for the indigenous production of these

raw materials and where it existed, the prices were 50 to 200% higher than the landed cost of imported materials. The Comptroller and Auditor General pointed out that whereas Government had paid the Company the customs duty at 37½% (applicable to imported cables), the imported raw materials were subject to a duty of 10 per cent only, and enquired whether Government could not fix the price of these imported materials prior to granting the import licences. The witness expressed the view that a better course might be the establishment of production capacity by the Company itself. To another question he stated that the quality of cables produced at Hindustan Cables was quite good and that no complaints had been received from the user Department.

Action taken by Government on para 237 of the Seventh Report of P.A.C. (1957-58).

258. In para 237 of their Seventh Report the P.A.C. (1957-58) dealt with a case of irregularities noticed in the Accounts of repairs and maintenance works executed departmentally by the C.P.W.D. The Committee observed that the officers responsible for non-maintenance of accounts and for laxity of financial control should have been properly dealt with. In a note (Appendix LIV) to the 18th Report of P.A.C. the Ministry of W.H. & S. stated that a note of warning for not maintaining the initial accounts and for laxity of financial control had been recorded in the Character Rolls of the officers concerned. The Committee (1959-60) were, however, not satisfied with the reply and desired to be apprised of the particulars of officers who were responsible for the irregularities. From a further note submitted to them the Committee learnt that while the Superintending Engineer and the Executive Engineer, who held charge of the division when the works were carried out were not considered to be at fault, those who succeeded them were punished for not regularising the expenditure through a completion report, as ordered by the Additional Chief Engineer in June 1953. It was also stated in the note that, although the material accounts were not made available to Audit at the time of divisional inspection and were also not called for by the Divisional Officer for necessary check, the control over issue of material was exercised through part III of the respective muster rolls. It was considered, therefore, that no lack of control over the issue of materials was involved in this case. As regards the measurement of the different items of works it was felt that some items of works which had been shown as not susceptible of measurement could have been measured and the question of fixing responsibility for this lapse was under examination.

259. The Committee pointed out a discrepancy between the earlier note of the Ministry stating that a note of warning had been

recorded in the records of officers responsible for non-maintenance of accounts and the subsequent statement that the S.E. and E.E. in charge of the works were not considered to be at fault and sought clarification. The C. E., C.P.W.D. explained that the Assistant Engineers who were required to maintain the initial accounts had been punished but the officers who supervised their work were not considered responsible in this regard. The witness further explained that Part III of the muster rolls contained necessary details such as labour, raw material etc. employed on the works and the Divisional Officer was exercising proper control through these reports. As regards non-measurement of items of works which were susceptible of measurement, the C.E. stated that that the matter had been further examined but it was not possible to ascertain at that late stage whether any of the items certified as not susceptible of measurement could have been measured. Instructions had, however, been issued to all concerned stressing that the details in the muster rolls should be completed meticulously and carefully. The Committee inquired why the Executive Engineer who remained in charge of the works upto November, 1953 was not considered responsible for not preparing the completion report ordered by the A.C.E. in June, 1953. The Chief Engineer stated that the accounts of the year closed in October, 1953 and the completion report could be prepared only thereafter. The C. & A.G. pointed out that in this case the preparation of a completion report was only a formality as necessary approval to the excess expenditure had already been accorded by the competent authority—the A.C.E.—when he called for the completion report. The Committee, therefore, inquired why the officers had been punished for delay in submitting completion report when those connected with the execution of the works and other irregularities at the initial stage had been let off. The Secretary to the Ministry promised to review the case and furnish a detailed note to the Committee.

Hindustan Housing Factory—Loss on the purchase of second hand furniture—Para 70 (i)

260. In July, 1958 the Company acquired surplus unserviceable furniture at a cost of Rs. 17,845 from the C.P.W.D. for sale in the market after reconditioning. Before acquisition the furniture was not physically verified with the Survey Report prepared by the C.P.W.D. but examined generally. The Company incurred a further expenditure of Rs. 43,612 on transportation, storage, auctioneer's commission and reconditioning of the furniture. It had realised Rs. 12,459 as hire charges and Rs. 25,592 as sale proceeds of a part of the furniture upto 31st November, 1960 and the remaining stock was valued at about Rs. 7,896.

261. In evidence the representative of the Ministry of W.H. & S. stated that the furniture was purchased at the depreciated book value. He admitted that a proper survey report was not prepared. Out of a total outlay Rs. 61,789 upto 31st March, 1961 the Company had recovered Rs. 47,475 which included a sum of Rs. 5,495 being the cost of furniture in stock. To a question the witness stated that the articles were sold among others to the employees of the Factory at a discount of 10%.

*Hindustan Housing Factory—Losses in the Wood Work Department—
Para 70(ii).*

262. The Company had been continuously incurring losses in the wood work department. The percentage of loss to production had increased from 11.86 in 1955-56 to 21.91 in 1958-59.

263. In evidence, the representative of the Ministry stated that the prices of articles sold by the H.H.F. to the C.P.W.D. were fixed after negotiation and the schedule of rates, which was being amended from time to time, formed the basis of the negotiations. It was always open to the Company not to undertake any work if the rates were not favourable. To a question the witness stated that the question of closing the wood work Department had been considered but it was not found practicable for several considerations. One main reason was that a number of workers would have to be retrenched. He added, however, that the activities of the Department had been curtailed to reduce the loss to the minimum. Meanwhile the staff was being absorbed in other Departments of the Factory.

Non-preparation of Capital and Revenue Accounts of residential buildings—Para 81.

264. In August 1958 Government decided that the preparation of Capital and Revenue Accounts of residential buildings which were discontinued during the War should be resumed for the year 1955-56 and subsequently prepared once in five years. The work, however, could not be taken up as the requisite data had not been supplied to Audit by the C.P.W.D. and the Directorate of Estates. The overall revenue position in 1955-56 in respect of buildings in Delhi|New Delhi was that against an expenditure of Rs. 210 lakhs on interest and maintenance of the buildings Government received only Rs. 97 lakhs by way of rent.

265. In evidence the Secretary to the Ministry stated that the work was of a complicated nature. Some progress had been made

and a part of the information had been furnished to the A.G.C.R. The Chief Engineer C.P.W.D. suggested that the rent data statements which were sanctioned on a five year basis and which contained the requisite information might be utilised by the A.G.C.R. in the preparation of the accounts and that the completion of the registers of buildings in respect of each Division need not be insisted upon. The C. & A.G., however, felt that rent data statements did not serve the purpose in view. The Secretary suggested that the matter should be discussed between the Chief Engineer and the A.G.C.R. With regard to the revenue position of the buildings in Delhi/New Delhi the Secretary stated that the rent recovered from employees was at a subsidised rate.

Non-maintenance of detailed accounts of materials—Para 82.

266. The preparation of the material-at-site accounts fell into arrears during the War and remained outstanding for long. It was eventually decided in December, 1955 to dispense with these accounts for the period prior to 1951 on the condition that a broad comparison of materials issued to works against the estimated quantities would be undertaken and that steps would be taken to prepare the accounts from 1951-52 onwards. The broad comparison had, however, not been undertaken or completed in a large number of cases nor were the accounts from 1951-52 onwards properly maintained.

267. The Secretary to the Ministry apprised the Committee of the latest position. Out of 346 items valued at Rs. 1 crore 243 items (Rs. 72 lakhs) had been cleared.

Losses, Writes Off etc Note 1(1) page 9. Appropriation Accounts, Vol. XVIII.

268. The recovery of an excess payment of Rs. 22,419 made to a Government servant on account of the element of personal pay, which became inadmissible consequent on his confirmation with retrospective effect, was waived by Government. The confirmatory orders were issued in June, 1958 while the officer retired from service in September, 1954.

269. The Secretary to the Ministry informed the Committee that there was some delay in fixing the pay of the officer in the prescribed scale and the recovery of the payment was considered oppressive. To a question the Financial Adviser replied that the confirmatory orders were not delayed deliberately.

Savings over Voted Grants

270. The Committee brought to the notice of the Secretary, Ministry of W.H. & S. the following cases of over-budgeting pertaining to the Grants relating to that Ministry as disclosed in the Audit Report.

Grant No.	Final Grant	Actual expenditure	Saving	Percentage of savings
136-Delhi Capital (Charged)	6,86,000	5,66,455	—1,19,545	17.43%
Outlay (Voted)	7,32,19,000	6,02,39,297	—1,29,79,703	17.73%
137-Capital Outlay on Buildings (Voted)	8,22,46,000	7,01,22,357	—1,21,23,643	14.74%
138-Other Capital Outlay of the Ministry of Works, Housing & Supply.	7,14,97,000	4,80,79,184	—2,34,20,816	32.76%

271. The Committee then adjourned to meet again at 15.00 hours on Monday the 28th August, 1961.

**Proceedings of the Twenty-First Sitting of the Public Accounts
Committee held on Monday, the 28th August, 1961. . .**

272. The Committee sat from 15.00 to 17.30 hours.

PRESENT

Shri C. R. Pattabhi Raman—*Chairman*

MEMBERS

2. Shri Aurobindo Ghosal
3. Shri Hem Raj
4. Shri Purushottamdas R. Patel
5. Shri Ramji Verma
6. Dr. Shrimati Seeta Parmanand
7. Shri Rajeshwar Prasad Narain Sinha
8. Shri Jai Narain Vyas.

Shri A. K. Roy, *Comptroller & Auditor General of India.*

Shri G. Swaminathan, *Addl. Dy. Comptroller & Auditor
General.*

Shri P. V. R. Rao, *Accountant General, Central Revenues.*

Shri P. K. Rau, *Director of Audit, F.R.S.C.S. & M.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

WITNESSES

MINISTRY OF STEEL, MINES & FUEL

(Department of Iron & Steel)

Shri N. N. Wanchoo, *Secretary.*

Shri A. N. Banerjee, *Iron & Steel Controller.*

MINISTRY OF FINANCE

(Department of Expenditure)

Shri K. L. Ghei, *Joint Secretary.*

(Department of Economic Affairs)

Shri R. K. Mukherjee, *Under Secretary.*

AUDIT REPORT (CIVIL), 1961

MINISTRY OF STEEL, MINES & FUEL

(Department of Iron & Steel)

IRON & STEEL CONTROL ORGANISATION

Overpayment of freight—Para 28, pages 27-28.

273. Stores purchased in U.K. and Germany for the Durgapur and Rourkela Steel Plants were shipped to India by Shipping Agents appointed by the High Commission, London. Under the terms of the agreement with the Shipping Agents, claims for freight were to be checked by them. These were paid as preferred, without further scrutiny by the High Commission as checks applied by the shipping agents were considered sufficient. According to the Audit Report this procedure was continued despite objection by Audit in October, 1957 and even after Audit had drawn attention in 1958 and 1959 to over-payments that had been made and Government had passed orders for the institution of a precheck by the High Commission.

274. The Committee enquired why the High Commission was reluctant to introduce a Governmental pre-check of the freight claims. The Secretary, Department of Iron & Steel, stated that the error in the Shipping Agents calculations disclosed by Audit was of the order of 0.4% and 0.3% in the two cases which indicated that the existing check was on the whole satisfactory. However, pursuant to the suggestion of Audit, one executive officer and two subordinate officers were posted to the High Commission in January, 1961 to carry out a counter-check of freight claims before payment. The delay of about 14 months in posting the staff sanctioned by Government in December, 1959 was due to the fact that the office of the High Commission was being reorganised then and there were indications that some of the existing staff in the Commission would become surplus. The High Commission were, therefore, reluctant to recruit further staff from outside. As regards the over-payments pointed out by Audit, it was stated that the whole amount of £5000 had since been recovered.

Avoidable loss due to increase in freight—Para 29, pages 28-29.

275. On 6th January, 1956, the Iron and Steel Controller placed a contract with a firm for the supply of 1,428 tons (which was increased subsequently in May, 1956 to 1,695 tons) of imported steel material at Rs. 770 per ton c.i.f. Indian Ports. The c.i.f. price was based on a freight rate of 90 sh. 6d. per ton and any variation in freight rates was to be on Government account.

276. On 20th January, 1956, the firm sought certain clarification regarding payment, demurrage and inspection, etc. prior to commencement of supplies but the clarification on some of the points was not issued by the Steel Controller till 28th May, 1956 despite repeated reminders from the firm. As no supplies were made by the stipulated date, viz. April, 1956 the delivery period was extended on 28th May, 1956 to 30th August 1956. The firm failed to adhere to the extended delivery period due to alleged shortage of steamer space and delay in inspection by India Stores Department, London. The Iron and Steel Controller accepting the firm's latter plea extended at the request of the firm the delivery period further upto 3rd May, 1957 piecemeal, without reserving the rights to levy liquidated damages for belated shipments, or notifying to the firm that any increase in the ocean freight occurring during the extended period would not be admissible. Freight rates having increased considerably after August, 1956, an avoidable payment of about Rs. 33,000 was made to the firm on account of the increase in freight rate during the extended period of shipment.

277. Explaining the reasons for the delay in issuing clarification to the firm, the representative of the Department of Iron & Steel stated that the main point raised by the firm in January, 1956 was whether independent inspection was required for the materials to be supplied. As no indication in this behalf had been given by any of the indentors (there were four indentors in this case), a reference had to be made to each one of them. There was some delay in the receipt of their replies.

278. As regards the failure of the firm to adhere even to the extended delivery date (viz., 30th August, 1956), the witness stated that after initial clarifications had been issued by the Iron and Steel Control Organisation in May, 1956, further points arose regarding the manner of inspection to be carried out and the lengths in which the material was to be provided. These points were not settled till the 6th November, 1956. Inspection by the India Stores Department could commence only thereafter. Shortage of steamer space at this juncture due to the Suez crisis was a well known fact.

279. The C and A. G. pointed out that in a letter addressed to the contractor as early as the 28th May, 1956, his attention had been invited to the attached Schedule attached to the tender, wherein the lengths had already been indicated. The Committee, accordingly, enquired whether the contractor was not raising these points to gain more time for delivery. The witness stated that as the prices were then rising, no such suspicion arose. Besides, the firm's query related to the tolerances permissible in respect of specified lengths. In reply to another question, the witness stated that the delay in issuing the clarifications to the contractor could have been reduced.

280. Audit pointed out that since the terms of the contract stipulated that the Purchase Organisation had the right to get the whole material subjected to independent inspection, the purport of the firm's queries as regards independent inspection was not clear. The representative of the Department of Iron and Steel and the Iron and Steel Control Organisation stated that of the material to be supplied by the firm, 192 tons was of tested quality and 1428 tons of untested quality. According to the normal practice, only the former was subject to Government inspection (in case of supplies from Europe, by the D.G., I.S.D., London), and not the latter. If so, the Committee wanted to know the purpose of seeking clarification from the indentors whether independent inspection was required or not. The witness pleaded that this was one of the earliest imports by the Iron and Steel Control Organisation.

281. The Committee then enquired why the delivery period was further extended to the 3rd May, 1957 without reserving the right to levy liquidated damages for belated shipments or notifying to the firm that any increase in the ocean freight occurring during the extended period would be payable by the firm. The explanation of the representative of the Department of Iron and Steel was that according to the original contract, variations in freight were to be on Government account. As it was felt that the delay in delivery was due to reasons beyond the control of the contractor, the original arrangement was allowed to stand. In reply to a question, he stated that in the contracts concluded after 1958, variations in freight had been provided for on contractors' account; there was no firm policy prior to that.

*Irregularities in a contract for the procurement of Steel material—
Para 30, page 29.*

282. In order to meet a demand from the Railways, the Iron and Steel Controller placed a contract on 26th October, 1956 with a firm for the import of 10,348 tons of crossing sleeper bars from the Continent. The firm could not effect shipment within the stipulated date viz., June, 1957 and applied on 2nd August, 1957 for extension of time upto March, 1958. This was not agreed to and the contract was cancelled on 20th August, 1957 without enforcing the risk purchase clause of the contract. In the meantime, as the Railways required the steel urgently, they purchased 8,000 tons directly from another source, at a price which was Rs. 95 per ton more than the price contracted with the defaulting firm and this involved an extra expenditure of about Rs. 7.60 lakhs to the Railways.

283. The cancelled contract was, however, reinstated by the Steel Controller at the instance of Railways in January, 1958 at the original prices with the delivery date of 30th June, 1958 subject to reservation of rights to impose liquidated damages on late shipment. While reinstating this contract, the Steel Controller failed to take into account the general fall in the steel prices prevailing in the Continental market which were about Rs. 150 per ton less than the rate in the original contract. This failure gave an undue advantage of about Rs. 15 lakhs to the firm. The supplies were actually completed by March, 1959.

284. The Committee enquired why if the requirement of the Railways were urgent, the first contract was cancelled in August, 1957 without enforcing the risk purchase clause and why the Railways did not purchase directly in the very first instance. The representative of the Department of Iron and Steel stated that it was only with effect from the 1st April, 1957, the Government policy in regard to the import of steel for the Railways underwent a change and they were allowed to make direct steel imports, instead of routing their orders through the Iron and Steel Control Organisation, as was being done previously. Further due to the serious foreign exchange position at about this time, general instructions had been issued by Government that extension to contracts for purchase of imported materials should not be given as a matter of course and that foreign exchange liabilities should be limited to the barest minimum. In August, 1957, when the firm requested for an extension of the period of delivery, the Steel Control Organisation was aware that the Railways were going in for direct purchase of the material in question. Keeping in view this and also the general instructions of the Ministry regarding conservation of foreign exchange, the Steel Control Organisation cancelled the order, instead of extending the period of delivery. In reply to a question, the witness stated that before cancelling the contract, the Organisation had not consulted the Railways and that later on when the latter came to know of it, they protested against the cancellation. The witness admitted that the Organisation should not have cancelled the order without first consulting the Railways.

285. In reply to another question, it was stated that the risk-purchase clause was not enforced in this case as the intention was to cancel the contract, rather than extend it.

286. The Committee were informed by Audit that after cancelling the contract in August, 1957, the Steel Control Organisation approached the Railway Board in November, 1957 for the reinstatement of the contract. The Railway Board were given to understand

by the Iron and Steel Controller that the prices had since considerably fallen. In January, 1958 the Railway Board wrote to the Department of Iron and Steel that by special efforts the local fabricating capacity had been increased and that as the prices had in the meantime gone down, the rate should be re-negotiated, particularly as the contractor had failed to effect delivery within the stipulated period. The Committee wanted to know why the Steel Control Organisation agreed to the reinstatement of the contract without getting a reduction in rates. The representative of the Department of Iron and Steel stated that in October, 1956, the price of flats was \$ 130 per ton; in August—September, 1957, \$ 118 and in January, 1958, \$ 101. Even though the price of flats in September, 1957 was less by \$ 12 per ton than that in October, 1956, the Railway Board purchased the crossing sleeper bars by paying Rs. 95 more per ton. This indicated that there was no correlation between the prices of flats in general and the price of sleeper bars. The Steel Control Organisation, therefore, felt that the original rate which the suppliers were not willing to reduce was quite advantageous and should be accepted. The Committee inquired why the Control Organisation did not invite fresh tenders in January, 1958. The Secretary disclaimed personal knowledge of the reasons in this regard. In reply to a further question he stated that the order for 8,000 tons placed by the Railways in October, 1957 stipulated delivery between 1st April, 1958 to December, 1958. As such, their purchase was not particularly emergent.

287. The Committee desired to be furnished with a note stating, *inter alia*, the prices of crossing sleeper bars in the Continent: in October, 1956, August-September, 1957 and January, 1958.

Undue delay in the recovery of rebate—Para 31. Pages 29-30.

288. In March, 1956, the Iron and Steel Controller entered into an agreement with a foreign firm 'A' for the purchase of steel material for 3 years from 1956 to 1958. The agreement, *inter alia*, provided that if, in any one quarter during the currency of the agreement, the Controller received steel materials from some other firm of a member country of Brussels Export Convention, at rates lower than the minimum selling price of the Convention in force at that time, the difference in price would be refunded by the firm 'A'. The claim was, however, to be preferred duly supported by documentary evidence within 30 days after end of that quarter. In the third and fourth quarters of 1958, the Controller procured similar steel materials from firm 'B' of a Member Country through its Indian Agents at rates lower than that of firm 'A'.

289. The rebate amounting to Rs. 4,90,978 for the third quarter could not be claimed from firm 'A' because the Indian Agents of firm 'B' did not furnish the relevant invoices to the Controller in time. Accordingly, on 11th July, 1959 the Indian Agents were asked to make good the loss but they refused to do so on the ground that no stipulation was made in the course of their negotiations for making available shipping invoices. Due to this omission, Government was put to a loss of Rs. 4,90,978.

290. The claim for the fourth quarter of 1958 for a sum of Rs. 9,30,598 was preferred against the foreign firm 'A' on 29th December, 1958 but the firm refused to accept the claim on the plea that the contract with firm 'B' on the basis of which this claim had been preferred was not concluded in that quarter. The amount had not been realised till December, 1960.

291. The Committee desired to know why no stipulation was made in the contract with the Agents of firm 'B' for the submission of invoices and other data necessary for lodging a claim with the foreign suppliers. The representative of the Department of Iron & Steel admitted that it was an omission which had, however, since been made good in the contracts subsequently entered into by the Iron & Steel Controller. Failure on the part of the Agents to furnish the invoices would now render them liable for penalty. In reply to a question, he stated that the rebate assessed for the third quarter amounted to about Rs. 63,000 and not Rs. 4,90,978 as mentioned in the Audit Report. The witness also contested the figure of Rs. 9,30,598 the rebate assessed for the fourth quarter. According to him, the correct figure in this case was Rs. 3.38 lakhs which firm 'A' had since agreed to pay. In reply to a question, he stated that the above figures were subject to acceptance by Audit. Asked whether the contracts in the present case had, before conclusion, been referred to the Government Solicitor in Calcutta/Ministry of Law, the witness promised to furnish the requisite information later.

292. The witness stated in reply to a further question that the disciplinary aspect of the case relating to the claim for the fourth quarter was under examination.

Irregularities in the recovery of surcharge from one of the main producers—Para 32-A, pages 30—32.

293. The Audit para disclosed that the downward revisions of selling prices and increase in retention prices retrospectively of a

special grade of pig iron produced by one of the main producers of steel for use in the manufacture of spun pipes in one of its own foundries effected on the 28th March and 20th August, 1960 resulted in reduction of the surcharge recoverable from the Company to the extent of about Rs. 74 lakhs as compared to surcharge recoverable on the basis of Government orders dated 18th May, 1959. The revisions were made by Government on the representations of the Company, but without either the cost examination of the books of the Company or by reference to Tariff Commission. In the absence of such an examination and in view of the inability of the Company to state the different grades of pig iron used in the manufacture of spun pipes, it was not clear on what basis the prices, which gave a definite advantage to the Company were fixed.

294. In evidence, the representative of the Department of Iron & Steel stated that selling and retention prices of base qualities of pig iron were fixed by Government on the recommendations of the Tariff Commission. The prices of special qualities were fixed on the basis of these prices, giving due allowance for the 'extras' in their ingredients over those of base qualities. The allowance for these 'extras' was worked out by the Extras Committee of which the Iron & Steel Controller was a member. In the present case, as the chemical composition of the grade in question had not been initially indicated by the producer concerned, prices were fixed provisionally on the basis of the average of the various grades of pig iron. Subsequently, when the chemical composition of the said grade was indicated by the producer, 'extras' and 'differentials' of this grade as compared to those of base grades were worked out, and appropriate prices fixed. The prices so fixed were enforced with retrospective effect. In reply to a question, the witness stated that revisions in prices of base qualities as also of special qualities were almost always effected with retrospective effect. To a question whether the chemical composition as given by the producer in this case was verified from the books of the producer or independently in a Government testing centre, the reply was in the negative.

295. It was pointed out by Audit that the provisional surcharge fixed by the Iron & Steel Controller in 1954 was Rs. 20 per ton. As unlike steel products, the prices of the end-products in this case were not controlled, the said amount of surcharge was added on by the producer to his cost of production and charged from the consumers. The subsequent reductions in surcharge with retrospective effect, therefore, gave additional benefit to the producer. Attention was in this connection drawn to the practice followed in the Customs and Central Excise where the benefits of revisions with retrospective effect were not allowed to the sellers. The representative of the

Department of Iron & Steel stated that such additional benefits—escalations as these were called—were allowed to the producers of pig iron by the Tariff Commission and, were, in his opinion, quite justifiable.

Sub-para (B)—Page 32.

296. Rs. 1.13 crores and Rs. 91 lakhs (approximately) were also recoverable from the Company for the period prior to 1st March, 1960 in respect of adjustment of freight disadvantage and surcharge on spun pipes out of which Rs. 1.88 crores had been recovered and the balance of Rs. 16 lakhs was still recoverable (February, 1961).

297. In evidence, the Committee were informed that the balance of Rs. 16 lakhs had since been recovered.

Purchase of defective Rails—Para 33, pages 32-33.

298. In July and August, 1956, the Iron and Steel Controller placed two contracts valuing Rs. 6,33,90,198 on an Indian firm for the import from Japan of 90,000 tons of rails of quality conforming to Indian Railway Standards specifications, for supply to the Indian Railways for track renewal programme. The contracts provided inspection of the materials by the manufacturer's inspector before despatch accompanied by a certificate issued by him that they conformed to the required specifications. The materials were, in addition, to be inspected by the Inspectors of the Director General of Supplies and Disposals at the place of manufacture prior to shipment.

299. In July, 1958, the Northern Railway reported that two of the rails laid on track on 29th May, 1958 had been detected within 5 days of laying, to have cracked at the rail end. Further examination of these fractured rails by the Railway Metallurgist and the Railway Testing Research Sub-Centre at Chittaranjan in August, 1958 revealed that the failure of the rails was primarily due to defective rolling, all the rails manufactured during the period October, 1957 to January, 1958 being suspect. The investigation also revealed that the rails could not withstand 10 blows from a 10 pound hammer, as provided in the Indian Railways Standard specifications and that quite a few of them failed after receiving only two or three blows. A preliminary estimate was that about 18,000 tons of rails valued at Rs. 1.25 crores might be defective.

300. In the meanwhile, a sum of Rs. 10,57,333 was withheld by the Iron & Steel Controller from the suppliers' bills against defective supplies. A civil suit was instituted in 1960 by the Indian firm for

the amount withheld. The results of the civil suit were still awaited (March, 1961).

301. The Committee were informed in evidence that, before shipment to India, the rails were inspected by the Inspectorate Cell of the Ministry of Works, Housing and Supply stationed in Japan. The defects could not, however, be detected as the specified tests were not adequate enough to reveal the defects. Later on, when the materials were tested at the Railway Testing Research Sub-Centre, Chittaranjan, it was found that a part of the quantity received from the manufacturers had not been rolled properly. While a part of it was outright reject, a substantial part was only slightly defective, and could be used in the Railway sidings, etc. The total quantity declared defective as a result of these tests was 3,234 long tons. The matter was then taken up by the Iron & Steel Controller with the representatives of the suppliers who accepted the results of the tests at the Railway Testing and Research sub-Centre, Chittaranjan. Both the parties agreed that the quantity of the defective rails might be taken in round figures at 3,200 tons only and that in full settlement of this defective supply, a quantity of 1,200 long tons of 90 lbs. 'R' Section first class rails would be shipped by the suppliers before the 31st May, 1961. The quantity had already been shipped by the suppliers.

302. As regards the withholding of the amount, it was stated that the sum of Rs. 10,57,333 had been withheld from the suppliers' bills not for defective supplies, but for high rates. The civil suit filed by the firm was still pending.

303. Before the Committee took up the next item on the agenda, they desired to be furnished with a note giving a break-up of defective rails according to the extent of defects, the estimated loss in value due to these defects and the extent to which the quantity agreed to by the parties (*viz.*, 1,200 long tons of 90 lbs. 'R' Section first class rails) would compensate for this loss.

Irregularities in a contract for the import of pig iron under Technical Co-operation Assistance—Para 34, page 33.

Sub-para A.

304. In June, 1957, the Iron and Steel Controller placed a contract on an Indian firm for the import of 22,796 tons of pig iron on c. and f. terms under T.C.A. The contract provided, *inter alia*, that at least 50 per cent. of the cargo was to be shipped in U.S. Flag Vessels. The firm, however, shipped the entire contracted quantity on chartered vessels of non-U.S. Flags, the freight for such vessels being on an average lower than that for U.S. Flag vessels. As the contract with

the firm was on a c. and f. basis, the firm derived an undue benefit (of about Rs. 4.24 lakhs) by using the cheaper non-U.S. Flag Vessels, in deviation of the terms of the contract. The Steel Controller informed the firm on 11th November, 1957 that it would be liable to pay the loss consequential to the breach of the contract. Government, however, decided in March, 1960 not to penalise the firm.

305. In evidence, the representative of the Department of Iron & Steel informed the Committee that the matter was referred to the Ministry of Law who observed that neither the Agreement nor the accompanying documents specifically stated that if 50 per cent. of the goods were not shipped in the American Flag Vessels, Government were likely to suffer damages and the contractor would be responsible therefor. As the damages likely to be suffered by Government in this case were in the nature of special damages, not naturally flowing from the breach, it was essential that the circumstances which would result in the special damages should have been brought to the notice of the contractor, and his assent to bear responsibility therefor expressly obtained. As this had not been done, it would not be possible for Government to recover the loss, if any, from the contractor. The witness also stated that though the contractor had derived an undue benefit of about Rs. 4.24 lakhs, Government had not suffered any monetary loss, the contract being on c. and f. basis. Also, the breach of the contract had been condoned by the U.S. Government. To a question why the Steel Control Organisation had not provided for a penalty for this breach, there was no satisfactory reply. It was, however, stated that such a provision had been framed for inclusion in new contracts of this type.

306. The Committee then adjourned to meet again at 15-00 hours on Tuesday, the 29th August, 1961.

**Proceedings of the 22nd sitting of the Public Accounts Committee held
on Tuesday, the 29th August, 1961**

307. The Committee sat from 15-00 to 17-45 hours.

PRESENT

Shri C. R. Pattabhi Raman—Chairman.

MEMBERS

2. **Shri Hem Raj**
3. **Shri Purushottamdas R. Patel**
4. **Pandit Dwarka Nath Tiwary**
5. **Dr. Shrimati Seeta Parmanand**
6. **Shri Rajeshwar Prasad Narain Sinha**
7. **Shri Jai Narain Vyas**

Shri A. K. Roy, Comptroller & Auditor General of India.

*Shri G. Swaminathan, Addl Dy. Comptroller & Auditor
General.*

Shri P. V. R. Rao, Accountant General, Central Revenues.

Shri P. K. Rau, Director of Audit, F.R.S.C.S. & M.

Shri P. K. Sen, Director of Commercial Audit

SECRETARIAT

Shri V. Subramanian—Deputy Secretary.

Shri Y. P. Passi—Under Secretary.

WITNESSES

MINISTRY OF STEEL, MINES & FUEL

(DEPARTMENT OF IRON & STEEL)

Shri N. N. Wanchoo, Secretary.

Shri A. N. Banerjee, Iron & Steel Controller.

HINDUSTAN STEEL LIMITED

Shri J. M. Shrinagesh, Chairman.

Shri N. C. Deb, Director (Finance).

Shri K. N. Subbaraman, Director (Construction).

MINISTRY OF FINANCE

(DEPARTMENT OF EXPENDITURE)

Shri K. L. Ghei, *Joint Secretary.*

(DEPARTMENT OF ECONOMIC AFFAIRS)

Shri A. G. Krishnan—*Under Secretary.*

[Shri N. D. Tiwari, Chairman, Public Accounts Committee, Uttar Pradesh Vidhan Sabha also attended the sitting with the permission of the Chairman, P.A.C.]

AUDIT REPORT (CIVIL), 1961

MINISTRY OF STEEL, MINES & FUEL

(Department of Iron & Steel)

IRON AND STEEL CONTROL ORGANISATION

Ad hoc settlement of subsidy with Railways—Para 79, pages 78-79.

308. Ordinarily, all imports of steel are operated through the Iron & Steel Equalisation Fund. As imported steel costs more than indigenous steel, the Fund subsidises the consumer to the extent of the difference. In view of the heavy demand of steel required for the Railway Expansion Programme, it was decided in December, 1955 that the demand of steel required by the Railways be met only partly from the steel subsidised from the Iron and Steel Equalisation Fund and that the balance should be imported by the Railways. The tentative share of this subsidised steel was fixed at one-third of the total actual subsidised imports subject to a minimum of 2 lakh tons per year. It was also agreed that in respect of the subsidised steel, the normal procedure of routing the imports through the Equalisation Fund would not be followed. Instead, it was arranged that the Railways would pay full landed cost in the first instance and there would be subsequently an overall adjustment between the Equalisation Fund and the Railways.

309. In June, 1956, the Railway Board pointed out to the Ministry of Commerce and Industry that a suitable procedure had not been prescribed by the latter or the Steel Controller for keeping suitable accounts for making the overall adjustment contemplated above. This was not done in spite of reminders from the Railways. In the absence of records either with the Railways or the Steel Controller's office about the actual quantities of steel supplied, Government finally agreed to pay on *ad hoc* basis a total subsidy of Rs. 3,58,70,000 to the Railways, representing the subsidy @Rs. 170 per ton on 2,11,000 tons of steel for the period 1955—58.

310. Explaining the difficulties in maintaining proper accounts in the Iron & Steel Control Organisation, the representative of the Department of Iron & Steel stated that allocations to Railways were the only dependable record from which the required figures could be worked out. These were being posted in a register. The register, however, could not be kept upto-date as the allocations originally meant for the Railways were, on several occasions, released to non-Railway quota holders and *vice versa*, on grounds of emergency. He further stated that even if such a record were properly maintained, it would not have been of much use unless other essential details viz. the actual quantity received by the Railways, the date of receipt and the rate of payments were received from the Railways. As a result of discussion with the Railways in June, 1957, it was agreed that the Railway Board would direct each railway consignee concerned to furnish the requisite details along with supporting documents to the Iron & Steel Control Organisation. The Iron & Steel Controller stated that this information was since being received from the Railways, and, on its basis, proper accounts were being maintained by the Control Organisation with effect from the 1st April, 1958. To a question why, after the Railway Board had requested the Steel Controller to devise a suitable procedure for the proper maintenance of accounts in June, 1956, the latter took about a year in asking for the requisite details, there was no satisfactory reply. In reply to another question, it was admitted that the difficulties in the proper maintenance of accounts were not insuperable.

311. The Committee then wanted to know how the *ad hoc* subsidy figure of Rs. 3,58,70,000 for the period 1955—58 had been arrived at. The representative of the Department of Iron & Steel stated that for a certain period the Iron & Steel Control Organisation had no figures at all. The figures given by the Railways for this period were accepted. For certain other periods, the figures of the Steel Control Organisation which were lower were accepted by both the parties. Then arose the question of the rate of subsidy. The average rate of Rs. 170 per ton was accepted for this purpose. In reply to a question, the witness admitted that the settlement being on an *ad hoc* basis, there was possibility of an error one way or the other.

312. The Committee were informed by Audit that some of the contracts for steel imports entered into by the Railways stipulated that the importers would submit subsidy claims direct to the Iron & Steel Controller; but in the endorsements to the Railway Board, it was added that the subsidy would be paid by the Railways in the first instance, and claimed subsequently from the Iron & Steel Equalisation Fund. In the absence of detailed accounts, the possibility of double payment in case of these contracts could not be ruled out.

The representative of the Department of Iron & Steel stated that the number of such contracts was hardly four or five. In these cases too, there was only a remote possibility of double payment as, according to the procedure laid down by the Steel Controller in this behalf, before any payment was made, not only consignee receipts from the relevant Railway consignee but also statements showing quantities, prices and total amounts paid were to be produced by them. From these, it could be verified whether the price paid by the Railways to the importer included the element of subsidy or not. The witness, however, promised to check up all such cases and furnish a further report to the Committee.

313. The Committee then desired to know the present procedure for the import of steel by the Railways. They were informed by the Iron & Steel Controller that according to the procedure in force with effect from 1960-61, before the commencement of each financial year, the Railways informed the Steel Control Organisation of their requirements for the incoming year. To the extent, their requirements could not be met from indigenous sources, clearance permits were issued to the Railways to import direct. The contracts for imports were entered into by the Railways on their own account, and the subsidy was also paid by them in the first instance. The Steel Control Organisation did not make any purchase on behalf of the Railways, though at times, out of sheets and plates purchased in bulk by the Organisation on its own account, some quantity was allotted to the Railways for wagon fabrication. The Committee then enquired about the procedure prevailing during the years 1958-59 and 1959-60 and whether it fully safeguarded against risks of double payment, the witness promised to furnish the requisite information later.

Appropriation Accounts (Civil), 1959-60—Vol. XVI

Ex-gratia Payment—Note 6, page 12—

314. Acquainting the Committee with the background of the case, the representative of the Department of Iron & Steel stated that a rate of \$120 per long ton c. & f. Indian Ports was agreed to be paid. This consisted of two parts—\$102.25 per long ton f.o.b. and \$17.75 as basic freight rate, the variations in the latter rate being on buyer's account. In July, 1956, the firm represented that at the time of making its offer, it did not know the correct position regarding freight, and, therefore, requested for an amendment of the contract to provide for a basic freight rate of \$16.47 per long ton, instead of \$17.75 per long ton, as originally provided. The Iron & Steel Control Organisation did not first agree to this. Later on, however, the firm's request was acceded to, but, at the same time, it was provided that all subsequent variations in the basic freight rate would be on the suppliers' account. The result of this was that against the extra

payment of about Rs. 24,000 made to the firm due to acceptance of a lower basic freight rate about Rs. 15,000* representing freight variation were knocked off.

315. As regards the disciplinary aspect of the matter, the witness stated that no action against the officer concerned was taken as it was felt that he had acted in good faith. Asked whether the said officer, before agreeing to freight reduction, had referred the matter to the higher authorities, the witness stated that he had not done so, as he was under the impression that he was acting within his powers.

316. As to the remedial measures taken to obviate recurrence of such cases, the witness stated that the instructions had been issued by the Ministry in March, 1960 that in future no price variation should be allowed without the concurrence of the Ministry.

Audit comments on the Balance Sheet of the Steel Equalisation Fund as on 21st March, 1960—Para 1, Page 20—

317. The balance of Rs. 25,60,63,730 as per cash book shown in the Balance Sheet could not be certified as correct, as the Iron & Steel Controller had not yet reconciled the figures in the cash book with those of Reserve Bank Payment scroll and the schedule of remittance for the period from 1st April, 1958 to 30th November, 1959.

318. In evidence, the representative of the Department of Iron & Steel stated that till the 31st March, 1958, the transactions of the Steel Equalisation Fund were kept out of the Consolidated Fund of India, and operated by means of a personal ledger account. Deposits were accordingly recorded in a pass book. With effect from the 1st April, 1958, the Steel Equalisation Fund became a part of the Consolidated Fund of India, and the deposits were included in the Reserve Bank receipt scrolls. During the period 1st April, 1958 to 30th November, 1959, the Reserve Bank gave to the Iron & Steel Control Organisation the payment scrolls, but not the receipt scrolls with the result that the balance as per the cash book could not be verified with the Reserve Bank receipt scrolls. Though this verification could not be done, the figures contained in the cash book fully tallied with the Cash Accounts maintained in the Organisation. Indicating the latest position the witness stated that from the 1st December, 1959, both the payment and receipt scrolls were being received from the Reserve Bank and the figures contained in the cash book verified with these scrolls.

*According to Audit, the amount representing freight variation which was avoided by treating the lower freight rate as firm was about Rs. 13,000.

319. Earlier, in reply to the question regarding the reasons for the discontinuance of the pass book system, and the fixation of responsibility therefor, the witness promised to furnish the information later.

Para 2, Page 20—

320. On the recommendations of the Tariff Commission, Government decided on 25th November, 1959, that interest on the special advances of Rs. 20,18,26,480 given to M/s TISCO and IISCO should be charged as from 1st July, 1958 at the rate of 5 per cent per annum and the actual recovery of the amount might be postponed till a decision was taken regarding a common retention price to all the Main Producers of Iron and Steel both in Private and Public Sectors after 31st March, 1960. Interest amounting to Rs. 2,10,23,592 had accrued on these special advances for the period from 1st July, 1958 to 31st July, 1960 but no final decision for the recovery was taken by Government till November, 1960.

321. The Committee were informed that the question of recovery of interest from Messrs. TISCO and IISCO had since been referred to the Tariff Commission who would, *inter alia*, examine whether the said amount of interest should be reflected in retention prices to be fixed with effect from the 1st April, 1960. The report of the Tariff Commission was awaited.

Para 3 (a), Page 20—

322. A sum of Rs. 14.04 crores was recoverable from sundry debtors as on 31st March, 1960 as against Rs. 10.50 crores on 31st March, 1959. In addition, a sum of Rs. 10.85 crores of estimated accrued recoveries was awaiting billing as on 31st March, 1960 against sundry debtors.

323. The Public Accounts Committee (1959-60) in para 20 of their 26th Report (Second Lok Sabha) had recommended the desirability of reducing the time-lag of recovery and also suggested that on account payments made monthly by the Main Producers should represent the amounts due in respect of sales of the previous months. The Committee desired to know the action taken or proposed to be taken on the above recommendation of the Committee of 1959-60. The representative of the Department of Iron & Steel stated that from the Government's point of view despatches by the producers were the most appropriate basis for recovery and the matter was accordingly taken up with the main producers. The latter, however, argued that they could not reasonably be asked to pay to the Equalisation Fund in respect of the quantities despatched in advance of their being paid for by the consignees. The preference of the producers was, therefore, for payments on the basis of collections. The Committee

then referred to the suggestion of the C. & A. G. made before the sub-Committee of the P.A.C. (1959-60) on the working of the Iron & Steel Controller's Organisation that the main producers should credit to the Fund every month as per calculations to be made by themselves payments on the pattern of advance payments towards income-tax. They were informed by the witness that this procedure had been suggested to the main producers who accepted it in principle. But they had not yet observed it in practice. Asked whether it would not be desirable for Government to levy penal interest for delay in payments by the main producers, the witness stated that the reaction of one of the main producers to such a proposition was that Government could levy interest on over-due payments provided they also agreed to compensate similarly the main producers for supplies of stores to Government.

324. The Committee enquired about the latest position regarding the outstandings. The witness stated that the amount recoverable from sundry debtors had been brought down from Rs. 14.04 crores as on 31st March, 1960 to Rs. 6.5 crores as on 1st August, 1961. The amount of Rs. 10.86 crores of estimated accrued recoveries awaiting billing against various sundry debtors as on 31st March, 1960 had also been cleared.

Para 4, page 20—

325. A sum of Rs. 1,03,70,870 was shown under 'unallocated receipts' on the liability side of the balance sheet. This amount lay unallocated to proper heads for a considerable period.

326. The Committee were informed by the representative of the Department of Iron & Steel that the entire amount except about Rs. 18 lakhs had since been allocated to proper heads. It was pointed out by Audit that while allocation appeared to have been done in case of recent receipts, it still remained to be done in case of old items the oldest being of May, 1956. The witness promised to expedite allocation of the balance.

Budgeting and Control over Expenditure.

Grant No. 84—Miscellaneous Departments and other Expenditure under the Ministry of Steel, Mines and Fuel.

Note 1, page 11.

327. In the above grant, as against the saving of Rs. 1,63,414, a sum of Rs. 37,06,074 was surrendered.

328. In evidence, the representative of the Department of Iron & Steel stated that this grant was composed of a number of items

some of which had not been estimated correctly. In reply to a question, he admitted that the variation between the actual saving and surrender should not have been so wide, as in the present case.

Sub-head B-4-transfer to Iron and Steel equalisation fund of net Proceeds of surcharge and Miscellaneous Receipts under Iron and Steel Control Order, 1941, Page 9.

329. As against the final grant of Rs. 25,16,16,000, the actual expenditure amounted to Rs. 25,73,65,154 under the above sub-head resulting in an excess of Rs. 57,49,154.

330. The representative of the Department of Iron and Steel stated that the excess of Rs. 57 lakhs, though considerable in amount, constituted only a small percentage (about 2.25 per cent.) of the final grant. The excess was due to increased receipts of surcharges from the main producers. The witness stated in this connection that accurate forecast in cases of the present type was somewhat difficult, as the main producers usually delayed payment to the Fund.

AUDIT REPORT (CIVIL), 1961 HINDUSTAN STEEL LIMITED

Delay in getting Equipment—Para 67 (i), Pages 66-67.

331. The Rourkela Project had 187 vehicles of various types (excluding tractors) on 31st March, 1959. The maintenance and repair of these vehicles was to be done in a central garage of the Project. Although the project was started in 1955-56 action to provide necessary equipment in the garage was not taken till October, 1957. The Board sanctioned the purchase of equipment amounting to Rs. 1,57,900 in October, 1957, but purchase orders were placed only between August, 1958, and May, 1959 for some items. Equipment worth Rs. 94,000 was received upto May, 1960. For want of complete equipment and delays in its procurement the central garage could not undertake repairs promptly (e.g., 6 vehicles were found to have been lying in the garage unrepared from 1957 or earlier) and repairs had to be got done at private workshops.

332. As regards the 6 vehicles awaiting repairs, it was stated by the Ministry in May, 1960 that action was being taken to assess whether it would be economical to repair these vehicles. Proposals to write off 5 of the vehicles were initiated as late as April, 1960 while the sixth vehicle was still to be overhauled.

333. As the garage did not have sufficient accommodation, vehicles were being parked at the residences of heads of departments, their personal assistants and other staff.

334. The Committee were informed by the representative of the Hindustan Steel Ltd., that all the equipment worth Rs. 1,57,900 sanctioned by the Board of Directors was not purchased as it was felt later on that instead of carrying out all types of repairs at the central garage, it would be more economical if some of the specialised repairs were got carried out at private workshops. As to the present capacity of the garage, he stated that it could undertake all types of repairs except some specialised ones and was sufficiently well-equipped to keep the entire fleet of about 240 vehicles in running order. Asked about the extent of expenditure on repairs carried out at the central garage *vis-a-vis* that in private workshops, he stated that during the three years ending July, 1961, repairs valued at Rs. 27 lakhs had been carried out at the Central garage. As against this, only Rs. 2.95 lakhs had been spent on repairs at private workshops. To a further question whether the said figures included the cost of consumables, such as, tyres, tubes and batteries, the reply was in the affirmative. The witness, however, promised to check up again and submit a further report.

335. The Committee then enquired about the number of officers at whose residences official cars were parked and the justifications therefor. They were informed that the number of such officers was about 20—15 heads of departments and five other officers. As to the justification for this arrangement, it was stated that dead mileage between the garage and officers residences was avoided. Further, as the heads of departments were frequently required to go on duty at night, it was in the interest of work also that cars were parked at their residences. It was, however, added that as keeping of official cars in officer's private garage was considered to be "morally reprehensible" by the public, it was decided to withdraw gradually all these vehicles and park them in temporary sheds to be constructed in the central garage. The work had been awarded to a contractor in July, 1960 and was about to be completed soon. In reply to a question it was stated that if a car was used by a single officer for coming to office from the township and going back—a distance of about six miles either way—he was required to pay Rs. 36 per mensem. If used by two officers each was to pay Rs. 24 per mensem. Besides, the rent of the private garage of the officers was to his account.

336. The Committee were informed by Audit that one official jeep was stolen in December, 1960 from the residence of an officer where it was parked at night unguarded. The case was reported to be under investigation. The Committee enquired about the present position. The representative of the Hindustan Steel stated that the question at present before the Project authorities was whether the loss should

be written off, or recovered from the officer concerned in case it was found to be due to his negligence.

337. In reply to a question regarding the five vehicles whose write-off was initiated by the Project authorities in April, 1960, it was stated that none of them was serviceable; they had been cannibalised to keep the others in working order.

Unsatisfactory state of records and accounts of vehicles—Para 67 (ii), Page 67—

338. The log books of vehicles did not indicate the purpose of journeys, nor recorded the milometer readings before and at the end of a journey. Mileages per gallon had been worked out only in a few cases and even in those cases there had been no attempt to analyse abnormal variations. The history sheets of the vehicles had not been properly kept and details of repairs carried out on each vehicle, and the issue of important accessories like tyres, batteries, etc. were not always available. According to Audit in the absence of systematic records, it was difficult for the management to have a proper control over expenditure incurred on repairs and maintenance and also over the performance of the vehicles.

339. The Committee were informed in evidence that the above-mentioned records were now being properly maintained.

Extra consumption of raw material and production of low grade pig Iron—Para 67 (iii), Page 67

340. Tests conducted in January-April, 1960 at the plant site of Durgapur Steel Project revealed that the iron ore purchased during that period for the Blast Furnace was, in most cases, below specification. The relevant despatch reports, however, indicated that the materials had been certified, before despatch by the approved analysts as conforming to specification, and payments for these consignments were also made on that basis.

341. According to Audit, the poor quality of ore necessitated increased consumption of iron ore and limestone per ton of pig iron. For the first four months of production alone the value of such extra consumption was about Rs. 6.72 lakhs.

342. In evidence, the representative of the Department of Iron and Steel stated that the poor quality of iron ore in the present case had necessitated increased consumption of limestone per ton of pig iron, but not that of ore. The consumption of ore per ton of pig iron was

in fact less than the norm laid down in the Project Report. Supporting this statement by figures, he stated that normally 1.72 tons of iron ore and 0.40 tons of limestone were required to produce one ton of pig iron. In the present case, 1.66 tons of iron ore and 0.47 tons of limestone were used to produce one ton of pig iron. According to him, the figure of Rs. 6.72 lakhs as the value of extra consumption necessitated by poor quality of ore during the period January-April, 1960 was not correct. It was, however, admitted that the Audit computation was intimated to the Durgapur Project authorities on the 7th July, 1960 and had not till date been contested by them. Audit also pointed out that the Project authorities themselves had found that of the ten analysis made in May, 1960, nine were liable to rejection. The representative of the Company elucidated that the test analysis conducted at the destination had indicated a higher percentage of fines and a higher silicalumene ratio. Although the ore was not entirely to the specifications, it had to be fed into the blast furnaces to keep them going.

343. The Committee then enquired whether the Hindustan Steel had examined the question of making recoveries from the suppliers for the poor quality of ore. The representative of the Hindustan Steel stated that the contract did not make any such stipulation; in its terms, the certificate of the public analyst was to be final. In reply to another question whether any action was proposed to be taken against the public analysts for wrong certification, the representative of the Department of Iron and Steel stated that no question of taking any such action would arise unless it could be proved that they had deliberately made wrong certification.

344. The Committee then wanted to know the remedial measures taken in the matter. It was stated that the project authorities had posted their representatives at the loading station to be present at the time of drawing samples. It was, however, added that as the analysis by the public analyst was to be based on sample drawings, it was not necessary that the quality certified by him as standard would actually be found as such by the project authorities in all cases. This would, however, minimise the chances of variation. The representative of the Company could not inform the Committee about the date since when the above practice had been introduced.

Avoidable payment of demurrage—Para 67 (iv), Pages 67-68—

345. The officials of the Company in London had been sending shipping documents through the Diplomatic Bag of the High Commission instead of by Air Mail. These documents had to pass through

four different offices before they were received in the shipping office and delivered to the Clearing Agents of the Company at Calcutta. Consequently, on several occasions these documents had been received by the clearing agents many days after the arrival of the ships, causing considerable delay in the clearance of the consignments. The system of clearing the consignments on indemnity bonds was also not resorted to and a sum of Rs. 5.43 lakhs had to be paid as demurrage charges during the period February, 1958 to January, 1960.

346. In evidence, the representative of the Hindustan Steel stated that shipping documents were sent through the Diplomatic Bag of the High Commission only from the middle of February, 1958 to the middle of October, 1958. In October, 1958, a new procedure was introduced according to which shipping documents are sent direct to the Calcutta shipping office. He further stated that the demurrage solely due to delay in transmission of documents was only Rs. 30,000 and the remaining amount (over Rs. 5 lakhs) was due to other factors, the most important being heavy port congestion occasioned by Port Employees' strike, railway restrictions, etc. He added that as a remedial measure certain lands in the dock area had been taken by the Company for holding goods till they could be transhipped to other areas.

347. The Committee then enquired whether there had been any cases since January, 1960 in which the clearance of consignments had been delayed due to late receipt of shipping documents and if so, how many and the amount of demurrage attributable thereto. The representative of the Hindustan Steel promised to furnish the requisite information later.

Extra Expenditure due to improper design of Turbo Blower—Para 67(v), Page 68—

348. The Turbo Blower at Durgapur was designed to deliver air to the Blast Furnace at a rate of about one and a half times more than the requirement. It was not possible to reduce the rate of blasting and the excess air had to be let out through the snort of the furnace into the atmosphere. An expert, who was specially brought from the United Kingdom in October, 1959 to advise on Blast Furnace operation, stated in March, 1960 (after the blast furnace had been in operation for about 3 months) that quality control and coke consumption were very much tied up with wind volume and due to the high rate of air blowing the cost of air delivered would be almost doubled. According to Audit, the recurring extra cost on blowing out of the air, was about Rs. 8 lakhs per year.

349. In evidence, the representative of the Hindustan Steel stated that there was no defect in the design. The Blower had functioned unsatisfactorily only in the initial stages when the blast furnace worked to about one-third or one-half of its rated capacity. The quantity of air delivered then was more than required. Later on, when the blast furnace worked to full capacity, the Blower functioned quite satisfactorily. In fact the witness added, but for the higher rate of blasting, the higher production of the blast furnace would not have been possible. In reply to a question, the witness stated that no extra expenditure was incurred by the Company due to high rate of blowing. Asked whether the above facts were brought to the notice of Audit when the draft para was sent to the Company for comments, the reply was in the negative.

Unnecessary purchase of spares—Para 67 (vi), Page 68—

350. Spare parts valuing Rs. 34,000 were purchased in October, 1957 for earth moving machinery on grounds of emergency. These were in excess of the requirements and despite the efforts of the Project authorities, could not be disposed of so far.

351. The Committee were informed by the representative of the Hindustan Steel that the Executive Engineer who had been sent to Bombay for making emergency purchases in this case had exceeded his authority, and placed orders in excess of actual requirements. No action against this officer could be taken as he had already (September, 1958), left the service of the Corporation. Asked about the date on which the irregularity came to the notice of the Project authorities, the witness promised to furnish the requisite information later.

352. Enumerating the steps taken by the Project authorities to obviate the recurrence of such cases, the witness stated that a Purchase Organisation had since been set up for making all purchases for the Project. A copy of every purchase order was also endorsed to the Accounts Department. Further, no officer other than a Purchase Officer was now sent to other places for making purchases.

353. As regards the utilisation of surplus spares, the witness stated that they were being utilised from time to time.

Infructuous expenditure on the designing of a Hotel—Para 67 (vii), Pages 68-69—

354. The Company had incurred an infructuous expenditure of Rs. 1.54 lakhs as architects fees paid for designing of a 300 roomed air-conditioned hotel at Durgapur. The Project initiated by the Ministry in July, 1956 was proceeded with against the advice of the Project

authorities in October, 1956 that such a luxurious hotel was not necessary. In September, 1957, however, the Ministry decided to postpone the construction of the Hotel. The proposal to construct the Hotel was given up consequent on the construction of Guest Houses and Hostels.

355. The Committee enquired why the Ministry over-rode the views of the Project authorities in the matter. The representative of the Ministry stated that the original idea was to house the Consultants, foreign technicians and a number of officers of the Project in the Hotel rather than in quarters to be built. He, however, admitted that the initial decision of the Ministry was wrong. He added that the Architects of this Hotel who were also appointed Architects at Bhilai had charged for the designs done for Bhilai a fee of only two per cent, instead of the usual four per cent, in consideration of the fact that the Durgapur Hotel Project had been abandoned. This had resulted in a saving of about Rs. 69,000 on the Bhilai Design. Taking this figure into account, the infructuous expenditure in the present case could be placed at Rs. 85,000.

Disciplinary action against a delinquent official—Para 29 of 36th Report of P.A.C. (Second Lok Sabha).

356. In paras 28—30 of their 36th Report (Second Lok Sabha), the P.A.C. (1960-61) had considered a case in which three quarters constructed by the D.V.C. departmentally developed cracks in the walls and roofs even before their completion in August, 1955. An officer who inspected the buildings in April, 1956 attributed the damage to bad soil while another ascribed it in July, 1957, to poor work on foundations. The construction of another quarter was abandoned at plinth level.

357. During the course of evidence, the Committee of 1960-61 were informed that the explanation called from the Executive Engineer concerned had been examined by the Corporation but it was not considered acceptable. The Executive Engineer who had in the meantime left the service of the Corporation and joined the Hindustan Steel Ltd. was informed accordingly. The Hindustan Steel Ltd. had also been informed of the facts of the case. The Committee enquired about the action taken by the Company in this case. The representative of the Hindustan Steel stated that the said officer was no longer in the service of the Hindustan Steel. He promised to furnish the requisite information later.

358. The Committee then adjourned to meet again at 15·00 hours on Wednesday, the 30th August, 1961.

**Proceedings of the 23rd Sitting of the Public Accounts Committee
held on Wednesday, the 30th August, 1961**

359. The Committee sat from 15.00 to 17.30 hours.

PRESENT

Shri C. R. Pattabhi Raman—Chairman

MEMBERS

2. Shri Aurobindo Ghosal
3. Shri Hem Raj
4. Shri R. S. Kiledar
5. Pandit Dwarka Nath Tiwary
6. Shri Ramji Verma
7. Dr. Shrimati Seeta Parmanand
8. Shrimati Savitry Devi Nigam
9. Shri Rajeshwar Prasad Narain Sinha
10. Shri Jai Narain Vyas

Shri A. K. Roy, *Comptroller & Auditor General of India.*

Shri G. Swaminathan, *Addl. Dy. C. & A.G.*

Shri P. K. Rau, *Director of Audit, FRSCS & M.*

Shri P. K. Sen, *Director of Commercial Audit.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

WITNESSES

Ministry of Steel, Mines & Fuel

(Deptt. of Mines & Fuel)

1. Shri S. S. Khera, *Secretary.*
2. Shri Chhedi Lal, *Joint Secretary.*
3. Shri N. N. Kashyap, *Joint Secretary.*
4. Shri R. C. Dutt, *Managing Director, NCDC.*
5. Shri B. C. Roy, *Director, Geological Survey of India.*

Ministry of Finance (Deptt. of Exp.)

Shri A. V. Venkateswaran, Joint Secretary.

Ministry of Finance (Deptt. of E.A.)

Shri R. K. Mukherjee, Under Secretary.

MINISTRY OF STEEL, MINES & FUEL

(Department of Mines & Fuel)

GEOLOGICAL SURVEY OF INDIA

Audit Report (Civil), 1961

Avoidable expenditure on drilling operations—Para 35 (A)—Page 34—

360. To explore the mineral resources in India, deep drilling operations were started on major scale by the Department during 1955-56. In the year 1959-60, there were several cases of stoppage of drilling operations for long periods ranging from 31 to 274 days at a stretch. The total drilling days for 18 machines thus lost were 774, involving an expenditure of about Rs. 1.5 lakhs (Rs. 200 per drilling day).

361. During the second half of 1959, the Department acquired 5 new machines which were allotted to new drilling parties instead of to the existing ones where the work was at a standstill. Moreover, two other machines were lying idle for want of repairs since March/December, 1958.

362. Explaining the reasons for stoppage of drilling work for long durations, the representatives of the Department of Mines and Fuel stated that most of the drills working during the year under review had been in operation for some years. Further, the drills generally operate in remote mountainous regions where no repair facilities were available. Break-downs were inherent in drilling operations and arithmetical calculation of losses on the basis of drilling days lost would be unrealistic. Further the calculation had not made due allowance for the fact that for two to three months in the year no operations were possible either due to climatic conditions or need for overhauling.

363. The Committee were informed by Audit that of the drills deployed during the year under review, one remained idle for about eight months, two for 7½ months, another for seven months and yet another for six months. As the corresponding field staff could not be fully utilised during this period, the Committee desired to know whether it would not be more economical to keep one or two machines

in reserve to be used as stand-by to meet such contingencies. The explanation of the representatives of the Departments of Mines & Fuel and Geological Survey was that in 1959-60, the Department had 23 drills which were of nine different types. If one machine were kept in reserve for each type, nine drills would have been required to be kept for this purpose. As the equipment available with the Department was extremely limited in relation to the mineral exploration programme, it was felt desirable to deploy all the machines, rather than keep nine in reserve. Admittedly, the present arrangement did at times result in some of the operating staff remaining idle. But the avoidable cost of idle manhours was more than counter-balanced by the extra exploration work done by the machines which might have been kept in reserve. It was stated in this connection that during the past few years, about 270,000 ft. of drilling had been done by the Department. If, on the basis of two months' idle time in a year one-sixth of the equipment were kept in reserve, the loss in exploration work would have been 45,000 ft. valued at Rs. 18 lakhs @ Rs. 40 per foot. It was also stated that though some idle man-power was inevitable in the existing arrangements, every effort was made by the Department to reduce its extent by transferring a part of the idle man-power to other work-sites. Also, in cases where major break-downs occurred after the work had progressed beyond a certain stage, efforts were made to provide drills from other places as soon as possible.

364. As regards other measures proposed to be taken to rationalise the use of equipment and to minimise the time involved in repairs, it was stated that the set-up of the Geological Survey was proposed to be decentralised on a Zonal basis, with headquarters at Calcutta, Lucknow and Hyderabad. Each Zone would have its own drills with a major repairs workshop at the headquarters. Besides, there would be a minor repairs workshop at the circle headquarters in each State. Indigenous production of drills and spares was being encouraged and in the meantime drills and spares were being imported. It was stated in this connection that of the five machines purchased in the latter half of 1959, two were indigenously manufactured. Although these were not up to the requisite technical standards, the Department was keen to give them a trial so as to promote indigenous production of such machines.

*Infructuous expenditure incurred on a drilling party—Para 35 (B)—
Pages 34-35—*

365. In June, 1960, drilling operations were started at Dhanota (Rajasthan) for the investigation of copper, covering a belt of 8 miles where geologically it was necessary to go down to a depth of 420 feet.

Immediately after the operations had started, the Regional Engineer reported that the machine deployed was too small for the type of work required to be done there and stressed the need for allotment of a heavier machine. No decision for replacement of the machine was, however, taken by the Department. On the advice of the Regional Engineer the operations were eventually stopped on 23rd September, 1960 on reaching a depth of 344 feet only. According to Audit, the entire expenditure of about Rs. 27,000 incurred on the operations during the period from June to September, 1960, proved to be infructuous.

366. In evidence, the representative of the Department of Mines & Fuel stated that the machine used at Dhanota was a Joy 7B Drill, with a capacity of 500 ft. Although the Regional Engineer had reported that the machine deployed was too small for the type of work required to be done, he was overruled by his superior officer who felt that the machine was capable of drilling upto the intended depth, viz., 420 ft. The reason why the drill could not go beyond 344 ft. was that its split pin snapped at that point, resulting in its breakdown. The witness, however, added that at this depth such a breakdown could have occurred even if the drill were a heavier one. He also contended that the expenditure incurred on the operation could not be considered infructuous inasmuch as the geological anomaly indicated by the geophysical survey had been resolved before this point was reached. It was found that the anomaly in this case was caused by graphite mineralisation, instead of sulphide mineralisation, as originally thought. Asked whether the drilling operations would have been stopped at 344 ft. had the breakdown not occurred at this point, the witness stated that normally drilling was stopped after an anomaly was resolved.

367. The Committee were informed by Audit that after the drill had broken down in September, 1960, it was repaired and put into operation at another point in the area on the 9th November, 1960. The work had, however, again to be suspended as the machine could not drill beyond 290 ft. From a letter dated the 14th December, 1960, the C. & A. G. read out the following opinion of the Deputy Drilling Engineer concerned regarding the working of this machine on the second hole:

“The drill hole has now reached a depth of 290 feet Bx Size using ‘A’ rods and the engine of the drill is unable to take the load. . . . In my opinion, this drill is most unsuitable to be deployed for works in this area. I consider any further attempt to force the drill to drill deeper risky and totally inadvisable.”

The Committee desired to know the views of the representative of the Department of Mines and Fuel in the matter. The witness stated that the first break-down was caused by the snapping of the split pin which would not have weakened the engine and so, the machine should have been capable of drilling to the depth already reached in the case of the first hole. Asked why it could not drill beyond 290 ft in this case the witness could not give a categorical reply.

*Infructuous expenditure after suspension of a drilling operation—
Para 35(C), Pages 35—*

368. In January, 1958, a Circle Office of the Department recommended that the drilling operations at Warkalai (Madras) should be discontinued as the results obtained were not encouraging. The machine also went out of order on 17th March, 1958 and as a result the drilling operations came to a stand-still. By this date an expenditure of Rs. 38,500 approximately had been incurred. Further, the crew attached to the machine was retained at site upto 3rd week of July, 1958. This resulted in an infructuous expenditure of about Rs. 6,500 by way of pay and allowances of the crew.

369. Explaining the reasons for delay in taking a decision on the recommendation of the Circle Office made in January, 1958, the representatives of the Departments of Mines and Fuel and Geological Survey stated that the decision had to be taken in the light of the sedimentological study of the washes from the drill at the laboratory in Calcutta. The drilling had originally been undertaken in search of lignite in the region where fuel was scarce. As the acceptance of the circle office recommendation would have resulted in abandonment of prospecting in the region for all time to come, the available data had to be minutely studied before taking a final decision. As such the decision could not be taken quickly.

370. As regards delay in redevelopment of the field staff after cessation of drilling at the site, it was stated that three of the nine crew working the drill were transferred to the headquarters on the 1st April, 1958. A part of the staff was also sent to Madras for getting the machine repaired. The remaining men were put on the work of oiling cleaning and preparing an inventory of a large number of small parts at the work-site.

Disposal of obsolete and unserviceable stores—Para 35(D)—Page 35—

371. Obsolete and unserviceable stores estimated to cost several lakhs of rupees were lying in stock for a long time resulting in avoidable expenditure on storage and maintenance and loss by way of deterioration of stores.

372. There was no procedure in the Department to survey, segregate and consider disposal of unserviceable, surplus and obsolete stores from year to year.

373. In evidence, the Committee were informed that excepting stores valued at about Rs. 1,500 which would be repaired/re-conditioned for use, the whole unserviceable stock had since been disposed of. Two of the major unserviceable items were cameras (numbering 69) and tents (numbering 559), which had been disposed of for Rs. 5,250 and Rs. 6,365 as against the book value of Rs. 18,100 and Rs. 1,24,000 respectively. Asked whether the disposal value in these cases was not too low, it was stated that the stores in question had badly deteriorated by long use.

374. As regards the steps since taken to draw up a suitable procedure for survey, segregation and disposal of unserviceable stores, it was stated that a detailed manual was at present under preparation. Pending its finalisation, instructions had been issued by the Department that obsolete and unserviceable stores should be segregated and disposed of, whenever stock-verification took place.

Uneconomic purchase of a property—Para. 35 (E)—Pages 35-36

375. On 20th March 1957, the Department purchased with the approval of the Government certain property at Calcutta for Rs. 1 lakh to be used as store godowns and garages. No survey about the condition and suitability of the building for the purposes was got conducted by the CPWD before its purchase. On 27th March, 1957, the CPWD reported that the general condition of the building was not at all satisfactory and that it could be used only as servants' quarters and garages. An expenditure of Rs. 15,000 had been incurred on general repairs to the building. The building has so far been used as residential quarters for Class IV staff and for garaging a small number of cars. A portion of it, however, remained unutilised (February, 1961) for want of proper repairs.

376. In evidence, the representative of the Department of Mines and Fuel stated that on the 20th March, 1957, only the purchase value was deposited by the CPWD on behalf of the Geological Survey with the Land Acquisition Collector, as required by the prescribed procedure. As, however, the Government could at any time withdraw from the transaction till the possession of the property had been taken over (which had not been done in the present case), the purchase could not be deemed to have taken place on the said date. The award regarding the property was given by the Land Acquisition Collector later, after the CPWD's assessment report had been received and considered by the Department of Geological Survey.

Although the CPWD's report stated that the general condition of the building was not satisfactory, and that a considerable amount would have to be spent on repairs, etc., to make it usable, the Department felt that the property was worth purchasing at that price. The price paid was Rs. 1 lakh against Rs. 1,35,700 assessed by the CPWD as value of the property. As per formal valuation by the Land Acquisition Collector, the property was worth Rs. 1,33,481.

377. As regards repairs, etc. the witness stated that in all Rs. 13,413 has so far been spent by the Department in making the building usable. Of this Rs. 3,453 had been spent on replacement of sanitary installations, Rs. 4,928 on electrical installations and only about Rs. 5,000 on repairs proper. Some further repairs to the building were proposed to be carried out.

378. As for the question whether the purchase could be considered an economic one, he stated that the building had 56 quarters and 17 garages. Of these, 46 quarters and nine garages were already in use. The annual return of the capital invested in the building (including repairs, etc.) by way of saving in rent and house rent allowance came to about 8 per cent. There would be a further increase in the saving, after the remaining quarters and garages were also utilised. In reply to a question, it was stated that the building had been purchased to be used not only for godowns and garages, but also for quarters for class IV staff.

NATIONAL COAL DEVELOPMENT CORPORATION

Extra expenditure on account of delay in acceptance of tenders—

Para 66—Pages 65-66—

379. In February, 1957, tenders were opened for the construction of an office and 52 residential quarters required for a colliery under development in Madhya Pradesh. The estimate for the work was Rs. 3,51,180 while the lowest tenderer quoted Rs. 5,19,950 for the work. The rates offered by the lowest tenderer were under negotiation with him for about 4 months by which time he increased his rates by 12 per cent. on account of general rise in the prices of material and wages of labour. The contract was given to him on 28th August, 1957 at the increased rates without calling for fresh tenders. The delay in the acceptance of the tender resulted in an extra payment of Rs. 63,054 by the Corporation.

380. The representative of the Corporation admitted that due to delay in taking a decision in awarding the work to the lowest tenderer, increased rates had to be paid, but stated in extenuation that as the rates quoted in the lowest tender were higher than the Corporation's estimates and the Corporation did not have sufficient knowledge of the local rates for labour and material, references

were made to the State PWD and the State Electricity Board. The reply received from the State PWD showed that the rates offered by the lowest tenderer were favourable. To ensure further that the rates quoted were not excessive, an attempt was made to ascertain rates paid for a similar construction work at Karagalli in Bihar. All this took about four months. In the meantime, the Labour Appellate Tribunal gave their award which raised the wage payable to the colliery labour. Although the award did not apply to building labour, the contractor pleaded that this had effected the wage of building labour also and raised his quotation by 12 per cent. The Corporation felt that it was not advisable to invite fresh tenders for two considerations. Firstly on account of the expected rise in the wage level, there did not appear to be any prospect of lower quotations being received in response to fresh tenders. Secondly a further delay of two to three months in the conclusion of the contract would have resulted in one working season being lost, thus adversely affecting the production targets of the colliery in the Second Plan. It was therefore decided to accept the lowest tender at enhanced rates. Asked as to what was the percentage of increase in the average wage of the building labour during the period February—August, 1957, the witness promised to furnish the requisite information later.

BUDGETING AND CONTROL OVER EXPENDITURE

Appropriation Accounts (Civil) 1959-60 Vol. XVI

Grant No. 82—Geological Survey, Pages 3-4—

381. During the year under review, as against the final grant of Rs. 2,21,05,000 under the above head, the actual expenditure amounted to Rs. 1,25,21,293, resulting in a saving of Rs. 95,83,707. The entire saving was under Group-head A—Directorate—Establishment charges, pay and allowances of officers, etc. There was a similar saving under this Group-head during the preceding year also.

382. In evidence, the Joint Secretary, Department of Mines and Fuel stated that the original provision was made on the basis of the number of posts of geologists, etc. expected to be filled up during the course of the financial year. As, however, the expectation did not materialise, the funds provided therefor remained unutilised. Asked whether the Department could not have prepared their estimates more accurately in the light of their experience during the preceding years, the witness stated that under the existing procedure, accurate budgeting in cases of the present type was somewhat difficult. He stated in this connection that no action to fill any post could be initiated unless prior sanction thereto has been obtained, and provision therefore made in the budget. As, it was not always

possible to fill the sanctioned posts as envisaged, savings were a natural consequence. The Secretary of the Department was of the opinion that the existing procedure in the matter of selection of posts *vis-a-vis* provision thereof in the budget needed examination.

383. *The Committee then adjourned till 14.00 hours on Friday, the 1st September, 1961.*

**Proceedings of the 24th Sitting of the Public Accounts Committee
held on Friday, the 1st September, 1961**

384. The Committee sat from 14.00 to 17.45 hours.

PRESENT

Shri C. R. Pattabhi Rainan—Chairman.

MEMBERS

2. Shri Rohan Lal Chaturvedi.
3. Shri Hem Raj.
4. Dr. Pashupati Mandal.
5. Dr. G. S. Melkote.
6. Shri Ramji Verma.
7. Dr. Shrimati Seeta Parmanand.
8. Shrimati Savitry Devi Nigam.
9. Shri Rajeshwar Prasad Narain Sinha.
10. Shri Jai Narain Vyas.

Shri A. K. Roy, Comptroller & Auditor General of India.

**Shri G. Swaminathan, Addl. Dy. Comptroller & Auditor
General.**

Shri P. V. R. Rao, Accountant General, Central Revenues

Shri P. K. Rau, Director of Audit, F.R.S.C.S. & M.

Shri P. K. Sen, Director of Commercial Audit.

SECRETARIAT

Shri V. Subramanian—Deputy Secretary.

Shri Y. P. Passi—Under Secretary.

WITNESSES

**[Present during the examination of the Ministry of Food
and Agriculture (Department of Agriculture)]**

Shri K. R. Damle, Secretary.

Shri Krishan Chand, Joint Secretary.

Shri S. Mullick, Joint Secretary.

Shri A. C. Bose, Financial Adviser.

**Shri H. C. Daga, Joint Secretary and Legal Adviser, Min-
istry of Law)**

[Present during the examination of the Ministry of Commerce
& Industry]

Shri S. Ranganathan, *Secretary.*
 Shri K. T. Satarwala, *Joint Secretary.*
 Shri A. S. Bam, *Chairman, Tea Board.*
 Shri Valkunth L. Mehta, *Chairman, Khadi & Village Industries Commission.*
 Dr. P. C. Alexander, *Development Commissioner, Small Scale Industries.*
 Shri P. K. Panikkar, *Director of Exhibition.*
 Shri K. B. Mathur, *Chairman, Heavy Electricals Ltd.*
 Shri K. L. Ghei, *Financial Adviser.*

Ministry of Finance (Department of Economic Affairs)

Shri A. R. Shirali, *Additional Budget Officer.*

MINISTRY OF FOOD AND AGRICULTURE

(Department of Agriculture)

Audit Report (Civil), 1961—Part I

Non-enforcement of the terms of an agreement—Para 20, pp. 21-22.

385. The North Andaman Agreement of Licence entered into with a firm in August, 1951 for extracting timber in the forests of Andamans and Nicobar provided *inter alia* the setting up of certain factories by the licensee firm for which Government were to render all reasonable assistance. The firm failed to erect the requisite factories within the stipulated period of 48 months which expired on 31st August, 1955. A notice was served on the firm on the 5th May, 1956 to show cause why the penalty provisions in the agreement should not be enforced. On a representation of the firm, the Ministry of Law advised on 20th November, 1956 that Government should formally allot the land and execute a lease deed, otherwise the time for erection of the factories should be extended. Extension was accordingly given for 16 months from the date on which the firm was given formal possession of the land. The firm did not, however, take any effective steps for the erection of the factories and were again served on 8th May, 1959 with a notice of cancellation of agreement. The firm again took the plea that the absence of a sound title to the land was the cause of delay. The Ministry of Law

also ruled that as Government had failed to make the allotment of the land under a letter of allotment formally executed on behalf of the President, the period of extension of 16 months had not begun to run.

386. The Secretary of the Ministry admitted that from 1951 to 1955, Government neither took any steps to execute the lease deed for handing over the land to the firm nor did they ascertain the progress in the erection of factories. When the firm asked for licence to import building materials, machinery, plant, etc. it was realised that there had been a failure on Government's side to get a formal lease deed executed. He explained that the Deputy Commissioner of Andamans had allowed the firm to take physical possession of the land and had also issued a letter of allotment therefor. The firm was paying rent for the land. The local administration had, therefore, taken the view that the provisions of the agreement had been complied with by Government. This view was rejected by the Ministry of Law who advised in November, 1956 that Government should formally allot the land to the firm and execute a lease deed. A lease deed was accordingly drafted and the draft was sent to the firm in 1957. But the firm raised some objections and produced a counter-draft after a year. Audit pointed out that according to the Law Ministry the draft deed sent on behalf of Government was also defective as it was not in the name of the President. Nothing further happened till 18th May, 1959, when the firm were again served with a notice of cancellation of agreement. Asked whether the lease deed had since been executed, the witness replied in the negative. He added that the firm had since sought arbitration as they disputed the basis for the calculation of royalty. Asked whether there were heavy dues outstanding against the firm, the witness stated that royalty on timber extracted by the firm was being collected in advance at the rate of Rs. 50 per ton. However, as the firm had been unable to extract the guaranteed quantity of 75,000 tons of timber annually, a sum of Rs. 2.4 crores was due from the firm on the shortfalls as per the terms of the contract.

387. Recalling the earlier statements of the Ministry that there had been a number of breaches of agreement by the firm and that the question of terminating the agreement was under the consideration of Government [cf. Para 92 of the 34th Report of PAC (2nd Lok Sabha)], the Committee enquired about the latest position. The witness stated that as the arbitration proceedings were going on, it was not possible to terminate the agreement. The Legal Adviser explained that as the provisions of the agreement in regard to the calculation of royalty were complicated and the licensee was

contesting the basis of Government's calculations, it was considered advisable to await the arbitrators' award before taking a decision in the matter. Asked whether the opinion of the Attorney General had been taken before deciding on this line of action, the witness replied in the negative.

Unproductive expenditure on timber seasoning plant, para 23, page 24

388. A timber seasoning plant with a capacity of 850 tons per annum was installed in the Andamans at a cost of about Rs. 2.09 lakhs. The plant commenced working in January, 1957 but was closed down in September, 1957 due to accumulation of stock of seasoned timber. It was, however, restarted in May, 1959. Out of the total quantity of 522 tons 40.75 cft. of the timber processed till the end of March, 1960, 344 tons 44.21 cft. valued at Rs. 1,12,000 were awaiting disposal (March, 1960).

389. The representative of the Ministry explained that the plant was installed at the instance of the local P.W.D. who placed their monthly requirements of seasoned timber at 200 tons. Government agreed to instal a plant of the capacity of only 850 tons annually. The plant was working regularly, but the off-take by the P. W. D. was not as much as the quantity processed at the plant. The production from 1st April, 1960 to 30th June, 1960 was 259 tons and only 45 tons of timber remained undisposed of till date. Due to transport difficulty, the timber could not be brought to the mainland. A firm had, however, been provided with foreign exchange to buy a ship for transporting the timber from Andamans to the mainland.

Appropriation Accounts (Civil), 1959-60, Vol. VII

Grant No. 121—Other Capital outlay of the Ministry of Food and Agriculture

Central Tractor Organisation, Note 28, page 138

390. The proforma accounts of the C.T.O. for the year 1959-60 had not been included in the Appropriation Accounts. The supporting records and documents had not been produced to Audit by the Department.

391. The representative of the Ministry stated that the local staff had some difficulty in explaining the accounts to audit. The accounts had since been audited and finally closed. In reply to a question, the Committee were informed that as against the normal

life of 10,000 working hours for a tractor, most of the tractors had put in over 12,000 hours each. In reply to another question, they were informed that as against an investment of about Rs. 16 crores on tractors about Rs. 15 crores had been realised out of their working, and machinery worth about a crore had been sent for disposal.

Grant No. 38—Agriculture

Losses, writes off, etc., Note 9, Page 28

392. In the Central Mechanised Farm, Nandpur out of 1613 tons of wheat bhoosa collected during March-July, 1958 a quantity of 1313 tons valued at Rs. 14,706 was damaged by rains.

393. The representative of the Ministry explained that normally bhoosa was ploughed back as manure to the Government farm in the area. In the year under reference the farm was transferred to J. & K. Government who, however, did not require the bhoosa. The Army authorities also could not lift the same because of heavy rains

Appropriation Accounts (Civil), 1959-60, Vol. I

Grant No. 113—Loans and Advances by the Central Govt.

Grant of loans at concessional rates of interest, Note 3, pages 168-169

394. During 1959-60, 21 loans amounting to Rs. 12,25,69,950 were granted by the Ministry of Food and Agriculture to various State Governments. The interest thereon was chargeable for 15 months while the amount was retainable for 18 months. This, according to Audit was in contravention of Government orders and amounted to grant of interest free loans for a period of 3 months involving interest charges of Rs. 9,57,578 for that period.

395. The Committee enquired about the reasons for the grant of this concession in contravention of Government's decision. The witness stated that the loans were granted for the purchase of fertilisers and grow more food schemes with the approval of the Ministry of Finance. When it was pointed out that such a concession amounted to a grant of subsidy, it had been withdrawn. Henceforth interest would be charged for the entire period of loan.

MINISTRY OF COMMERCE AND INDUSTRY

Audit Report (Civil), 1961—Part I

Infructuous expenditure, para 14, pages 16-17

396. In this case the decision to change the location of a Tea Centre on 2nd April, 1959 from Melbourne, where accommodation

had been hired with effect from 1st September, 1957, to Sydney resulted in an infructuous expenditure of Rs. 16,340 on rent for the office building at Melbourne which was never used. In May, 1957 Government had approved the appointment of an Australian national to hold charge of the Centre. But he declined to accept the offer on 26th May, 1958. On 5th September, 1958 it was decided to appoint an Indian National to the post.

397. The Secretary of the Ministry stated in extenuation that Government started looking for accommodation only after the negotiation had been undertaken with the foreigner for appointment. Consequently there was no lack of planning at that stage. But unfortunately the foreigner declined the appointment at the last minute and thus the hired accommodation at Melbourne remained unused. As regards change in the location of the Centre he observed that at the instance of a visiting Minister to Australia, who had contacted the local traders, the Centre was shifted to Sydney. The Committee desired to be furnished with a note stating (a) whether the Indian Trade Commissioner in Australia had been consulted about the location of the Tea Centre first at Melbourne and subsequently at Sydney and if so, what was his advice in the matter, (b) the date of his joining the post in Australia, and (c) the advantage gained as a result of change in the location of the Centre.

KHADI AND VILLAGE INDUSTRIES COMMISSION

*Irregularities in disbursement of grants/loans to a private institution,
Para 10, Pages 13-14.*

398. Without ascertaining the capacity of a new institution to implement the approved schemes, the erstwhile Khadi Board disbursed during December, 1954 to April, 1955 grants and loans aggregating Rs. 52,162 and Rs. 55,063 respectively subject to certain conditions. The institution which had no funds of its own expressed its inability in May, 1955 to implement some of the approved schemes. At the instance of the Board, the institution paid grants and loans to the extent of Rs. 21,475 and Rs. 23,465 respectively to another institution. In July, 1955 the auditors of the institution pointed out its unsatisfactory financial position. In October, 1955 the Board also received an adverse report from a responsible person against the state of affairs in the institution. But the Board disbursed further grants and loans amounting to Rs. 6,000 (Rs. 3,000 each) to the institution in March, 1956.

399. Due to heavy losses, the institution was closed down on 5th September 1957, when the entire amount of loan viz. Rs. 34,598 and a grant of Rs. 2460 (spent on unauthorised objects out of the balance grant of Rs. 33,687) was still recoverable from the institution. At the instance of the Khadi and Village Industries Commission (which had succeeded the Board from 1st April, 1957) another institution took over the assets of the defunct institution (including buildings and other capital assets created by it at a cost of Rs. 28,852 out of grants received from the Board) at a price of Rs. 18,438 to be treated as loan repayable by the institution. The Commission had thus suffered a loss of Rs. 45,012.

400. The Committee enquired about the basis for giving grants and loans totalling Rs. 1.07 lakhs to the institution within a period of 5 months. The Chairman of the Khadi Commission admitted that the new institution had only nominal resources of its own. Financial assistance was given to it as it had offered to undertake a part of the programme of the Khadi Board. The regional organisers of the Board had made preliminary enquiries about the institution. Asked why further grants and loans of Rs. 6,000 were given to the institution despite adverse comments on its working, the witness explained that the institution had planned the setting up of flying centres for which various preliminaries had been completed. The amount was released at the instance of the Member Secretary of the Commission who after visiting the place had recommended that a part of the work having been completed by the institution, it was desirable to release the funds in order that the grants/loans earlier given might not prove infructuous due to the work remaining incomplete. The witness also informed the Committee that according to the latest reports of the Commission's representative and the Director of Industries, U.P., the flying centres were functioning well. It was also stated that several small scale cottage and village industries were started with a small capital by groups of artisans forming themselves into Co-operative Societies. In the initial stages it was difficult to see whether the persons who approached the Commission were really creditworthy. It had, therefore, been decided that such work in future should be entrusted to the State Boards who could ensure local contacts.

401. The Committee enquired whether the recommendations of the Village Industries Evaluation Committee that release of funds to various institutions should be spread out in accordance with their actual requirements, were being followed by the Commission. The witness replied in the affirmative. Asked how the Commission ensured proper utilisation of grants the witness stated that the audit staff attached to each zonal office of the Commission now kept a watch in this regard. The staff for the inspection of the institution

had also been strengthened. But the bulk of Commission's work in the field of village industries was done through the State Boards. Measures were being devised in consultation with the Financial Adviser for prompt audit of these institutions periodically.

Purchase of Khadi for Government requirements, para 11(A), pp. 14-15

402. Pursuant to arrangements approved by Government in October, 1953 orders covering all Government requirements of Khadi were placed by the D.G.S. & D. on the Khadi and Village Industries Commission at prices quoted by the latter (without independent verification as to their reasonableness or resorting to the normal system of purchase by open tenders). The Commission in turn allocated the demand amongst the certified Khadi Institutions and paid them at rates fixed by it. The Commission had agreed that the scheme would run on 'no profit, no loss' basis and that any profit accruing thereunder would be passed on to Government consignees through the D.G.S. & D. In respect of supplies made during 1954-59, the Commission made a profit of about Rs. 21 lakhs (after meeting their overhead charges). Out of this, an amount of Rs. 2.78 lakhs only had been passed on to the D.G.S. & D.

403. The witness explained that purchase of Khadi by the D.G.S. & D. for Government requirements was part of the programme for encouragement of Khadi industry and it was a transaction between two departments of the Central Government unlike any other commercial purchase made by the D.G.S. & D. Therefore, certain special arrangements had been made with the Commission who alone could supply genuine Khadi. Khadi was sold by the certified institutions and its entire production and price were regulated by the Commission.

404. The Committee were informed by Audit that in January, 1961 the Ministry of Commerce and Industry had stated that the Cost Accounts Branch of the Ministry of Finance had already examined the question of fixation of prices by the Certification Committee of the Khadi Commission and of the apportionment of trade discount between the Commission/D.G.S. & D./Government and that the Cost Accounts Officer's report and the Commission's comments thereon, were under discussion between the Ministries of Commerce and Industry, Finance and W.H. & S. The Committee enquired whether Government had come to a decision about the apportionment of the trade discount. The Secretary of the Ministry replied in the negative. He stated that it could be argued that the profit on the sales to

D.G.S. & D. need not be isolated from the Commission's other trading activities and that the overall working results over a period of years of all the trading schemes should be taken into account. If that was done, the Commission would be justified in saying that the scheme was running on 'no profit, no loss basis'. But if it was the considered view of the Finance Ministry that the transaction between the D.G.S. & D. and the Commission should be isolated and profits thereon divided between them it would be accepted provided the Khadi Commission was allowed servicing charges and interest on its locked up capital. The Chairman of the Khadi Commission added that total profit of Rs. 21 lakhs indicated by Audit did not take into account certain indirect charges. All that had been taken into account was the salary of the people engaged in the godowns, rent of godowns, transport charges, etc.

Reduction in the wholesale trade discount received by the Commission, Para 11(B), Page 15

405. In respect of the period prior to 1st October, 1958, the Commission had obtained a reduced trade discount of 6½ per cent. only from the selling institutions although under its Certification Rules it was entitled to receive wholesale trade discount @ 93/8 per cent. The additional benefit which had thus been granted to the Institution was estimated at about Rs. 10 lakhs.

406. The Committee enquired whether formal sanction of the competent authority for recovering the trade discount at reduced rate was obtained. The witness stated that such discounts were fixed by the Certification Committee which was independent of the Commission. The Certification Committee examined the position from the point of view of the cost structure, the rejections, substandard varieties, the changes in the price of cotton etc. and determined the rate of discount accordingly. He added that the institutions had already been paying the discount at the reduced rate and it was not considered desirable to ask them to pay at a higher rate. The Committee enquired whether Certification Rules of the Commission had been approved by Government. The witness replied in the negative.

Overpayment of sale-subsidy to the various institutions, Para 11(C), Pages 15-16

407. The Khadi Commission treated Khadi purchases for supply to Government indentors as 'wholesale' for earning wholesale trade discount and for the purpose of payment of rebate to the consumers. But the sales were treated as 'retail' for the purposes of sale subsidy. The institutions were thus paid sale subsidy @ 3 nP. per rupee in

contravention of Government orders and total over-payment upto 1959-60 came to about Rs. 14 lakhs.

408. The witness stated that Audit had calculated the over-payment of Rs. 14 lakhs on the basis of goods supplied, but the actual over-payment was less. An amount of Rs. 6,27,000 had been recovered from some of the institutions. The rest of the cases were being reviewed and steps would be taken to recover the overpayment.

Irregularities in the disbursement of grants and loans, para 12, page 16

409. The Khadi Board disbursed in 1956, grants of Rs. 10,500 and loans (partly interest-bearing Rs. 7,720 and partly interest-free Rs. 5,500) of Rs. 13,220 to a private institution subject to certain conditions. The institution did not comply with the prescribed conditions. In July, 1958, the internal auditors of the Khadi Commission reported adversely on its working. But no effective steps were taken by the Commission to ensure the safety of the funds entrusted to the institution, till October, 1959 when the State Registrar of Co-operative Societies was requested to enquire into the matter. As a result of investigations the institution was brought into liquidation. A claim for the recovery of Rs. 23,720 together with interest thereon, had been lodged with the liquidator in August, 1960 and recovery was awaited (March, 1961).

410. The witness explained that the institution concerned was an industrial workers' co-operative society which had failed to function satisfactorily. An agreement was executed by the Society with the Commission, but like other such societies, it had poor resources. As soon as defects in its working came to the notice of the Commission, the State Co-operative Department was asked to enquire into its affairs. Action against the institution could not be taken immediately as an elaborate procedure had to be gone through by the Co-operative Department before it could recommend winding up of the institution. As regards recovery of dues, the Committee were informed that Rs. 4,372 had been recovered and more was expected to be recovered. About the steps taken to guard against recurrence of such losses in future, the witness stated that the Commission had arranged with State Governments for appointment of special Deputy Registrars of Co-operative Societies to keep in touch with the affairs of the Co-operative Societies in various districts. He assured the Committee that such societies were being inspected regularly.

Irregular payment of subsidy, Para 13, Page 16

411. The investigations conducted by the Commission revealed that an amount of Rs. 6.21 lakhs had irregularly been paid to various institutions.

412. The Committee were informed that a sum of Rs. 4.6 lakhs had already been recovered from the various institutions. Some of them had also forfeited their certificates.

Appropriation Accounts (Civil), 1959-60—Vol. II

Grant No. 2—Industries

Loss of a cheque, Note 4, Page 19.

413. A Cheque for Rs. 80,000 drawn on 13th November, 1959 on the State Bank of India, Bombay by the Khadi Commission was stolen and encashed by some unauthorised person. Two clerks of the Commission were arrested and Rs. 74,700 recovered. The Clerks had since been convicted.

414. The Committee were informed by the witness that the accused had preferred an appeal and the amount of Rs. 74,700 was consequently still with the police authorities.

HEAVY ELECTRICALS LIMITED

Audit Report (Civil), 1961—Part I

Avoidable expenditure in the purchase of Piglead, Para 60 (i), Pages 55-56

415. In September, 1958, the Company invited tenders for the purchase of 65 tons of Piglead to be opened on 1st October, 1958. Fourteen tenders were received and the lowest and the second lowest tenderers who quoted Rs. 65 per cwt. and Rs. 67.37 per cwt. kept their offers open only upto 4th and 3rd October, 1958, respectively on account of uncertainty of the market due to certain restrictions imposed on the import of the material. The Company, however, decided to place the orders on the lowest tenderer only on the 27th October, 1958 who at that stage declined to supply the material at the tendered rates as the period of validity of their offer had expired. The other tenderers also showed their inability to supply the materials ex-stock. The Company issued orders on 21st May, 1959, for import of Piglead at Rs. 65 per cwt. Meanwhile, to meet urgent requirements, two orders for 22 tons each at Rs. 87 per cwt. ex-stock were placed on 14th January, 1959 and 11th February, 1959 respectively on the firm which was the lowest tenderer. The delay in the finalisation of the contract thus resulted in an extra expenditure of Rs. 19,360.

416. Chairman of the company explained that when tenders were opened on 1st October, 1958, it came to notice through one of the tenderers that the use of lead yarn instead of piglead would result in

savings of 40 per cent. in costs. A reference was accordingly made to the Sanitary Organisation of Madhya Pradesh Government to find out the feasibility of the suggestion. According to them lead yarn could be used for repair work but not on new set of pipes. It was, therefore, not possible to place order on the lowest tenderer upto the 4th October, 1958.

Excess expenditure on the construction of Service Tunnel, Para 60 (ii), Pages 56-57

417. A sum of Rs. 11,36,100 was sanctioned by Government on 22nd August, 1958 for construction of 7,080 rft. of a Service Tunnel out of which 5,000 rft. was required to be completed in the first phase. The work was awarded to the lowest tenderer in September, 1958 on 'item rate' basis. Subsequently, it was decided to accelerate the progress of work and complete the remaining 2,080 rft. also within the first phase. Fresh tenders were invited on 24th February, 1959 for this work. Three tenders were received on 9th March, 1959 at 74.4 per cent., 81.42 per cent. and 83.2 per cent. respectively above the Bhopal Schedule of Rates, 1955. None of these was, however, accepted. Negotiations were carried on with two other contractors. But this was done on the basis of the highest rate of 83.2 per cent. above the Bhopal Schedule of Rates, 1955 instead of the lowest percentage of 74.4 per cent. Ultimately the work was allotted to the other two contractors only but at the higher rate. Contracts were accordingly concluded with them in March, 1959. The total quantity of work awarded was also increased by withdrawing 3,000 rft. from the existing contractor in view of his poor progress of work. The extra expenditure involved in respect of 5,080 rft. amounted to Rs. 51,000 approximately.

418. The witness explained that 7,080 rft. of tunnel had to be constructed by the 31st July, 1959. The progress of the contractor who had already got construction of 5,000 rft. in hand was very slow. Consequently fresh tenders had to be invited. One of the two lower tenderers was the existing contractor. The other had already got 4 or 5 other works of the Company in hand and his progress had also been unsatisfactory. The third party was also unsuitable as it offered to complete the work in 8 months only. In the course of negotiations, this firm undertook to complete the work in 4½ months provided the tendered rate was enhanced, and some other party entrusted with rock-cutting part of the work. Consequently, the work was entrusted to a fourth contractor who had been working with the Company satisfactorily and was also prepared to undertake the work at rates quoted by the highest tenderer.

419. The Committee enquired about the reasons for not penalising the first contractor for slow progress of work. The witness explained that while that contractor was still engaged in the work and his completion date, viz., 31st July, 1959 had not expired, a portion of his work was withdrawn and entrusted to a new contractor. It was, therefore, doubtful whether any penalty could at all be imposed on him. If, however, legal opinion favoured such an imposition, action would be taken accordingly.

Excess payment to consultants, Para 60 (iii), Pages 57-58

420. The agreement with the Consultant firm, Associated Electrical Industries Limited, entered into by Government in November, 1955 *inter alia* provided for payment to them by instalments, of a sum of £400,000 as remuneration for their services. This was a fixed and all inclusive amount, which took into account the remuneration payable to subsidiary firms whose collaboration was, as provided in the agreement, to be secured by the consultants for the manufacture of static capacitors and hydraulic turbines.

421. The Consultants entered into an agreement with another foreign firm on 15th January, 1959 regarding the manufacture of static capacitors. Under this agreement the Consultants were to pay or reimburse the Subsidiary Consultants *inter alia* £6,000 in four instalments of £1,500 each, the first instalment being payable within six months of the receipt of the detailed project report. The subsidiary agreement, however, provided that all payments under the agreement shall be made by the Consultants to the Subsidiary Consultants as and when the corresponding payment shall be received from the Government or the Company by the Consultants, and the Consultants shall receive the payment as agent for the Subsidiary Consultants. The terms of the subsidiary agreement were approved and accepted by the Company and the Government of India on 15th January, 1959 although they were not a party to it.

422. In pursuance of the subsidiary agreement, the Consultants demanded from the Company the payment of the first instalment of £1,500 to the Subsidiary Consultants and the amount was paid by the Company. Subsequently, however, the Ministry in a letter dated the 21st March, 1959 to the Company questioned the claim of the Consultants for the reimbursement of the payment made under the subsidiary agreement and stated that the intention of this clause was to ensure that no tax liability fell on the Consultants for the payments to be made by them to the Subsidiary Consultants. The Ministry also pointed out that the Consultants had categorically stated in their letter dated 19th June, 1955 to the Enquiry Committee, Heavy Elec-

trical Equipment Project that the lump-sum payment of £400,000 would not be increased on account of their having to secure collaboration from the Subsidiary Consultants. The Consultants refused to accept the contention of the Ministry on the plea that the subsidiary agreement, which was finalised on 15th January, 1959 with the approval and acceptance of the Company and the Government superseded the terms of their letter dated 19th June, 1955.

423. The Secretary of the Ministry stated that the letter dated the 19th June, 1955, pertained to the earlier stage of negotiations with the A.E.I. whereas the agreement was concluded in November, 1955 which provided *inter-alia* that if the Consultants entered with some arrangement with other Specialists in the field, Government's approval should be obtained thereto. Additional payments consequent on the arrangement referred to, though not specifically provided for in the agreement, could not be ruled out. The intention of the agreement was known to the Government negotiators who were also present when the Subsidiary agreement was being discussed.

424. Audit cited the opinion of the Law Ministry obtained in this connection in 1956, that any arrangement between the A.E.I. and other Specialists was a matter between them only and that "any royalty or remuneration payable to Messrs B.I.C.C. Ltd. for the permission or authorisation shall be paid by Messrs A.E.I. when Messrs A.E.I. pass on the designs, drawings, manufacturing methods and technique to the Government of India, then the payment will be governed by the agreement already recorded". The Committee enquired how in the face of this opinion, the subsidiary agreement was approved in 1959. The witness stated that the intention of the negotiators could be clearly seen from the following which appeared in a letter dated 5th April, 1956 addressed by the late Production Ministry to Messrs A.E.I.:

"Subject to the approval of your Agreement with Messrs English Electric Co., the Government of India undertook to reimburse you for all payments to the English Electric Co. (U.K.) for which you may be liable under it."

He added, that the Ministry of Law had also confirmed the view on the 22nd April, 1960 that additional payment was to be made by Government.

Purchase of ultrasonoscope, Para 60 (iv), Page 58

425. An ultrasonoscope required for testing the welding work during the construction of the Training School Workshop was obtained by air from a foreign firm in May, 1958, at a total cost of Rs. 22,701

inclusive of the air freight of Rs. 733 (out of which a refund of Rs. 1581 was awaited from the customs authorities). The instrument was not used till March, 1959. In April, 1959, it was given to the Engineers of the Company for testing the completed welding in the Training School but the Engineers were unable to operate the instrument and it was lying unused.

426. The witness explained that in 1957 the Company had not got civil engineering organisation of their own. Therefore, construction of the Technical Training School was entrusted to the C.P.W.D. Their Additional Chief Engineer asked for the purchase of the instrument which was one of the items provided by the consultants in the project report. But unfortunately the instrument was received without some accessories which reached Argentina by mistake and these were obtained subsequently. Meanwhile, some time had elapsed and the instrument remained unused. He, however, assured the Committee that the instrument would be put to use for testing the work.

MINISTRY OF COMMERCE AND INDUSTRY

Audit Report (Civil), 1961—Part I

Loss in the publication of a weekly bulletin, Para 15, Page 17

427. On the recommendations of an Enquiry Committee Government decided on 23rd June, 1952, to consolidate weekly lists of import licences in the form of printed booklet for use of businessmen on payment. The first bulletin was issued in September, 1952. Half-yearly subscription was fixed at Rs. 75. It was raised to Rs. 115 in January, 1954 and again to Rs. 180 in January, 1957. The supply of complimentary copies was also reduced from 291 to 222. In spite of this there was a loss of Rs. 5.77 lakhs upto 31st March, 1960 on its working although it was intended to run on 'no profit, no loss' basis.

428. The Secretary of the Ministry informed the Committee that the number of complimentary copies had further been curtailed and the bulletin had ceased to run on loss. He urged that to assess profit or loss on the bulletin it was necessary to take into consideration income that accrued from licence fees and the expenditure that was incurred on establishment charges in the office of the Chief Controller of Imports and Exports. Besides, the publication was very useful to various Government Departments especially the Department of Income Tax. Notwithstanding that there had been a profit of Rs. 10,632 and Rs. 17,614 on its publication during the years 1959-60 and 1960-61 respectively.

Delay and irregularities in connection with India's participation in an International Fair, Para 8, Pages 11-12.

429. India participated in an International Fair held at Djakarta from 18th August to 18th September, 1955. The decision to hold the Fair had been brought to the notice of the Indian Embassy at Djakarta on 1st November, 1954 by the Organisers, but it was only on 3rd May, 1955 that the Embassy forwarded their recommendations to the Ministry. The final plan and instructions were issued to the Embassy in the beginning of July, 1955. The exhibits reached Djakarta on 19th August, 1955 and were cleared on 28th August, 1955. The Indian pavilion was completed and opened only on 3rd September, 1955, 16 days after the commencement of the Fair.

430. During the local audit of the accounts of the Embassy, in June, 1960 *inter alia* it was noticed that for the work of construction of the pavilion a higher quotation was accepted without recording reasons therefor.

431. The witness explained that the decision to hold the Fair in November, 1954 was only tentative. No firm decision was available even in April, 1955. Immediately before the date fixed for the exhibition, there was a heavy rain and the exhibition started on the 3rd September, 1955 with only three stalls including that of India. This information, however, could not be furnished to Audit as the Director of Exhibitions, who was in charge of the Exhibition, had gone to Djakarta. The Committee enquired about the reasons for not accepting the lower quotation for the construction of the pavilion. The witness explained that the quotation that was actually accepted was inclusive* of the cost of making show cases, etc. and was on the whole a lower one. He added that figures given in the Audit para were not correct. The correct figures were subsequently furnished to Audit but by that time the Audit report had been printed.

432. Asked about the disposal of the leftover materials, the witness stated that as there was no chance of another exhibition being held in the neighbourhood, goods worth about Rs. 20,000 were sold out. Goods worth Rs. 15,000 were looted at Djakarta but the loss had been made good by the Indonesian Government. Asked about recovery for sales on credit, the Committee were informed that efforts were being made to recover the dues with the help of the Indonesian Government.

*According to Audit the show cases, etc. were got prepared departmentally and the contractor did not include the expenditure on show cases in his estimates for the work.

**Extra expenditure in direct hiring of accommodation, Para 9,
Pages 12-13.**

433. The Development Commissioner, Small Scale Industries hired in April, 1956 directly a private accommodation at New Delhi with effect from 2nd May, 1956 on a rental of Rs. 1,600 per mensem plus house tax @ 10 per cent and also the difference between the lease money payable for residential accommodation and office accommodation. Having agreed to these conditions in a letter issued to the owner of the building, the Commissioner asked the Estate Office to enter into a formal agreement with the landlord on these terms. The latter referred the matter to the Ministry of Works, Housing and Supply who held that the action of the Department in making a direct deal was not correct under the prescribed procedure and that as the construction of building had been completed on 11th June, 1956 it attracted the provisions of the Rent Control Act, 1952 requiring fixation of rent by the Rent Controller. The Law Ministry held that the Development Commissioner's letter to the owner did not create a legally binding contract as it had not been issued in the name of the President, as required under Article 299 of the Constitution, and that it had not been signed by an officer authorised under the Notifications issued thereunder. As such, the provisions of the Rent Control Act could not be invoked. It was, therefore, suggested that the premises should be vacated immediately and a rent per annum equal to $7\frac{1}{2}$ per cent of the capital cost of construction (being the reasonable rent sustainable in law) might be offered to the landlord for the period of occupancy and that in case the owner filed a suit, it should be defended. This advice was, however, not accepted by the Ministry of Works, Housing and Supply in consultation with Finance.

434. The building was ultimately vacated on 31st October, 1957. and a total payment of Rs. 33,286 according to the terms originally agreed in April, 1956 (comprising rent Rs. 28,749, house tax Rs. 2,587 and additional ground rent Rs. 1,950) was eventually made in December, 1957, July, 1958 and March, 1960 for the period of actual occupancy. Assuming Rs. 813 per month as the reasonable rent (at the rate of $7\frac{1}{2}$ per cent of the capital cost of Rs. 1,30,000) an extra expenditure of about Rs. 18,700 was caused to Government.

435. The Secretary of the Ministry explained that although accommodation was to be arranged by the Estate Officer yet in view of scarcity conditions quite often the user offices had to take initiative in finding out suitable accommodation. On an earlier occasion, the Development Commissioner had hired two buildings in the same locality. The rent of those buildings was considered reasonable by the Estate Officer and he entered into agreement with the landlords. In

the present case, the Estate Officer considered the rent as too high although in proportion to the covered area, it was lower than that paid for the two houses earlier. The Development Commissioner had therefore no reason to believe that the rent of the building was high. He assured the Committee that there was no *mala fide* in this case and the accommodation was needed urgently for the staff.

436. The Committee were informed by Audit that while agreeing to the regularisation of the case, the Ministry of Finance suggested that a repetition of 'this kind of thing' should be avoided since that was the second case brought to their notice. The Secretary of the Ministry stated that present case was the first of its kind in his Ministry. He agreed that the prescribed procedure should be complied with. But at times it involved delay due to excessive centralisation in the Estate Office. He was of the view that the Ministries should themselves arrange for their accommodation within the prescribed scale of rent, but he considered that the ceiling of 7½ per cent return that had been fixed for the rent of a building to be hired was not workable.

437. The Committee then adjourned to meet again at 15.00 hours on Monday the 4th September, 1961.

**Proceedings of the 25th Sitting of the Public Accounts Committee
held on Monday, the 4th September, 1961**

438. The Committee sat from 15.00 to 17.50 hours.

PRESENT

Shri C. R. Pattabhi Raman—*Chairman*.

MEMBERS

2. Shri Rohan Lal Chaturvedi
3. Shri R. S. Kiledar
4. Shri G. K. Manay
5. Dr. Pashupati Mandal
6. Shri Purshottamdas R. Patel
7. Dr. N. C. Samantsinhar
8. Shri Ramji Verma
9. Shri K. K. Warior.
10. Dr. Shrimati Seeta Parmanand
11. Shri Mulka Govinda Reddy
12. Shri Rajeshwar Prasad Narain Sinha
13. Shri Jai Narain Vyas

Shri A. K. Roy, *Comptroller & Auditor General of India*.

Shri G. Swaminathan, *Addl. Dy. C. & C.A.G.*

Shri P. K. Sen, *Director of Commercial Audit*.

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary*.

Shri Y. P. Passi, *Under Secretary*.

WITNESSES

(Ministry of Commerce & Industry)

Shri S. Ranganathan, *Secretary*.

Shri K. B. Lall, *Spl. Secretary (Ministry of Finance)*.

Shri C. M. Poonacha, *Chairman, State Trading Corporation
of India Ltd.*

Shrimati M. Chandrasekhar, *Chairman, National Small Industries Corporation.*

Shri K. Ramachandaran, *Resident Director, Fertilizer Corporation of India Ltd., Sindri Unit.*

Shri D. Sandilya, *Chairman, Nahan Foundry Ltd.*

Shri C. S. Shukla, *General Manager, Nahan Foundry Ltd.*
Ministry of Finance

(Department of Economic Affairs)

Shri A. G. Krishnan, *Under Secretary.*

MINISTRY OF COMMERCE & INDUSTRY
NAHAN FOUNDRY LTD.

Loss in the manufacture of Sarover Pumps—Para 61, Pages 58-59.

439. The Company undertake the manufacture of Sarovar Pumps a new venture—in 1953-54. Out of 15 such Pumps sold in 1954-55 for Rs. 12,400, 13 Pumps valuing Rs. 8,300 were returned by the purchasers on account of certain inherent defects in the manufacture. The production of Pumps was stopped in July, 1955 when a stock of 78 Pumps had accumulated. This together with spare parts was classified as scrap as per the decision of the Board of Directors taken on the 19th February, 1957. The net resultant loss on this manufacture amounted to Rs. 1,22,998.

440. In evidence, the Committee were informed that the manufacture of the Pumps was undertaken to diversify the production of the Foundry when it had lost its market in West Punjab after Partition. The Pump was designed by the then General Manager of the Foundry. Manufacture of the Pumps was undertaken after a unit tested by the Agriculture Engineers at the Government Farm, Karnal had shown satisfactory results. Investigation of the complaints received in respect of the Pumps sold in 1954-55, however, disclosed certain inherent defects in the manufacture, the design itself being defective. It was also felt that the Foundry was not in a position to compete with other manufacturers for this product. Further production was, therefore, stopped. But the Pumps for which the cost had already been made were assembled.

441. It was pointed out by the C. & A.G. that a Committee appointed by Government in 1955 to enquire into various issues connected with the working of the Foundry had observed as follows in this regard:

“The hit and miss process adopted by the General Manager at every stage of manufacture of Sarovar Pumps was un-

questionably expensive and outdated. The pumps were at no stage properly tested. More objectionable still are the sales of those Sarovar Pumps which were at regular interval discarded in favour of the next design."

442. The Committee wanted to know the action taken against the General Manager of the Foundry. They were informed that as intimated to the P.A.C. (1956-57), after investigating into the matter, the Government had taken the view that there were no *mala fides* in this case. The experiments were launched with the best of intentions even though the results proved unsuccessful. It should, therefore, be taken as an error of judgment on the part of the officer. The Government considered that due to the peculiar position in which the Foundry was placed the General Manager was justified in taking initiative to diversify the production of the Foundry with a view to making it an economical unit. It was, however, admitted by the Secretary of the Ministry that the Foundry should not have taken up the manufacture of the pumps on a large scale without establishing their utility.

443. The Committee also desired to be furnished with the following information:

(i) What were the qualifications and experience of the General Manager of the Nahan Foundry Limited who was responsible for the preparation of the defective design for the Sarovar Pumps?

(ii) Where is the official concerned working now and in what capacity?

(iii) Whether in the light of the experience gained in this case the Government propose to adopt some measures to ensure that persons with requisite qualifications and experience are appointed to responsible posts in Public Undertakings etc.

(iv) Before taking up the manufacture of the pumps, had the prototype prepared by the Foundry been tested and if so, what was the test report?

National Small Industries Corporation, Limited

Loss in Supply of Shoes to foreign countries—Para 62—Pages 59-60

444. In October 1956, the Corporation received through the State Trading Corporation an order for supply of 3 lakh pairs of shoes to Russia, to be completed by February, 1957. There were heavy rejections by the Russian Inspectors in the shoes supplied, and due to consequent delay in supply, the order was twice reduced and finally stood in May, 1957 at 2.5 lakh pairs. The date of completion of the

order was also extended to 31st August, 1957. Because of the heavy rejections, the fabricators through whom the Corporation was getting the shoes produced, were reluctant to continue the production. The Corporation, therefore, assured the fabricators that if the shoes were accepted by their own inspectors, full payment would be made to them even though the Russians did not accept them. Production continued on this understanding. Continuity in production was recommended in the expectation of getting more orders from Russia or of finding new markets. As these expectations, however, did not materialise the National Small Industries Corporation had, in September, 1957, a surplus of 54,594 pairs of shoes. The consignees had deducted a sum of Rs. 27,060 on account of the sub-standard shoes accepted by them. This reduction could not be passed on to the fabricators in terms of their contract with the N.S.I.C. as the S.T.C. were unable to obtain from the consignees the particulars of sub-standard acceptances. (b) In July, 1957 the Corporation received another order through the S.T.C. for the supply of 54,000 shoes to Poland. The order was placed by that country on the basis of samples sent by the Corporation subject to certain modifications which required clarification. However, on the advice from the S.T.C. requested the Corporation to proceed with the manufacture of shoes without waiting for the clarification from the buyers, so that the shoes could be put up for inspection of the buyer's expert who was to arrive in India in November, 1957. The Corporation had by then accepted after inspection by their own inspectors, 13,132 pairs from the fabricators. These shoes were however rejected by the buyers expert.

445. The total value of the shoes rejected by Russia and Poland in the above two contracts and lying in stock with the Corporation since September/November, 1957, was Rs. 10,20,360.

(a) The Committee wanted to know the reasons for allowing the fabricators to go on with the production of shoes in spite of heavy rejections by the Russians and without taking steps to avoid such defects as had led to rejection. The representative of the Corporation stated that although in the initial stages there were about 40 per cent. rejections by the Russian inspectors, the rejected shoes had been returned to the fabricators. Therefore, the main reason for the loss in this case was not the heavy rejection of the shoes but their manufacture in excess of the requirements. Explaining the reasons for the manufacture of surplus shoes, the witness stated that the export of shoes to foreign countries at that stage was a promotional activity and not a commercial transaction. The fabrication was done manually by a large number of small fabricators. There were also difficulties in assessing precisely the actual number of shoes which would come up to the standard specifications. Therefore, in

order to cover up any shortfall in the manufacture of shoes of requisite specifications within the time schedule the Corporation had to keep a cushion over and above the final order placed by Russia.

446. Asked why the Corporation continued to place orders for fabrication of shoes upto September, 1957 although in accordance with the terms of the contract with Russia, the last date for delivery was February, 1957. It was stated by the Secretary of the Ministry that it was a business risk undertaken by the Corporation in the expectation of getting further orders from Russia.

447. The Committee enquired whether heavy rejections by Russian inspectors did not reflect failure on the part of the N.S.I.C. to ensure a high standard of internal inspection. The witness replied that rejections were due to slight variations which were inevitable in manual fabrication of shoes. The percentage of rejection in the shoes fabricated by the same party sometimes varied from 40 per cent. by one inspector to less than 1 per cent. by another. The buyer was not however agreeable to the imposition of any restrictions due to the human element of error in fabrication on the discretion of his inspectors to reject material not strictly up to specifications. It was, however, added that with the increase in the business with Russia the percentage of rejections had come down.

448. It was also explained to the Committee that the surplus shoes worth about Rs. 10 lakhs, had been sold by the Corporation for about Rs. 5 lakhs. The Corporation had since been able to put this trade on commercial lines and there had been a profit of Rs. 6.16 lakhse during the years 1956-57 to 1960-61 on this account as against a loss of about Rs. 4.9 lakhs on this transaction. The sale of shoes to Russia had also gone up from 1.2 lakhs in 1956 to 2.24 lakhs in 1960-61 and an order for 5 lakhs pairs of shoes had been promised by that country for 1962.

449. The Committee wanted to know why the Corporation did not recover the loss on the sub-standard shoes from fabricators by giving them the particulars of those shoes accepted by Russia at the reduced price. The representative of the Corporation stated that in the initial stages the Russians were not aware that they had to keep a record of the code numbers of the fabricators. Therefore, they could not furnish the full details in all cases. In cases where the Russians had furnished the requisite details the amount had been recovered from the fabricators.

450. Explaining the reasons for the loss on the sale of the surplus shoes the representative of the Corporation stated that consumer demand for such shoes in India was limited to a certain season and meanwhile the stock were deteriorating. Therefore this sale had to be negotiated with some firms only who evinced interest in them and the terms of the sale were the best that could be obtained.

(b) The Committee enquired about the reasons for manufacturing the shoes without obtaining the requisite clarifications from Poland in the other case. The representative of the N.S.I.C. stated that the Corporation had ordered for the fabrication of shoes on specific directions from the S.T.C. and according to the specifications sent by them in writing. However, later on, the buyer's expert proposed basic changes both in the material and construction although he had no right to suggest such drastic changes. The Corporation however agreed to the request in the interest of securing further orders from that country. Asked whether it was difficult to secure orders for shoes from abroad it was stated that the foreign countries were more willing to purchase leather from India than shoes.

Sindri Fertilizers and Chemicals Ltd.

Loss in the catering section of the South Hostel—Para 63 (i)—Pages 60-61.

451. In September, 1951, the Government of India sanctioned the continuation of the system of departmental management of the hostel on the condition that the entire cost of catering is recovered from the boarders and that no expenditure, direct or indirect, falls on Government. The management was also authorised to revise the rates of hostel charges as and when required. During the period from 1953-54 to 1958-59 the direct expenditure in the Boarding section of the Hostel exceeded its income by Rs. 1,16,657 in addition to an estimated indirect expenditure of Rs. 36,765 (approximately) which has not been accounted for in the Proforma Accounts of the hostel. The receipts during these years (except in 1954-55, 1956-57 and 1958-59) did not cover even the cost of provisions consumed.

452. Explaining the reasons for the loss in the Boarding section of the Hostel the representative of the Ministry stated that it was mainly due to three factors. Firstly as the number of visitors who stayed in the hostel was generally not large, the percentage of establishment charges incurred on *Khansamas*, etc. was high. It was, however, necessary to maintain a certain minimum staff as on some days the occupancy of the Hostel was heavy. Secondly, in some cases visitors changed their programme at the last minute resulting in wastage of food prepared for them. The visitors did not like to

be charged for the food not taken by them. Thirdly, minimum stock of provisions had to be kept in reserve and sometimes it had gone waste due to low occupancy during certain periods. He, however, admitted that these reasons did not fully justify the heavy loss suffered in this case and the Corporation proposed to take steps to bring down the expenditure and also to revise the rates for boarding. The proposal to have the boarding arrangements on a contract basis was also under the consideration of the management.

453. In reply to a question the Committee were informed that the Committee appointed in March, 1959 to suggest ways and means of remedying the position in this regard had stressed the need for closer supervision.

*Payment of incentive bonus to the workers of the Bagging Plant—
para 63 (ii), page 61—*

454. In 1952 an incentive bonus was sanctioned by the Managing Director to the workers of the Bagging Plant. It was, however, found that the standard of performance fixed at 400 bags per team in 1952 was very low, and the actual performance was now about 6 to 9 times the standard fixed in 1952, resulting in payment of bonus ranging from Rs. 51,000 in 1952-53 to Rs. 1.46 lakhs in 1956-57.

455. Audit had pointed out the need for the revision of minimum level of performance in their Reports for 1952-53, and 1953-54 but no action was taken. The Committee wanted to know the reasons for the non-revision of the basic standard of performance of loading of bags. The representative of the Corporation stated that the workers of the Bagging Plant worked under certain special circumstances. There was heavy idle time involved at his plant as the pressure of loading depended on the availability of wagons. The basic wage for the loading staff was kept very low. The bonus in this case should be considered a piece rate, the basic wage being merely the retention price for labour. Further, the labour at this plant worked in an acidic atmosphere and the work, particularly of loading was of a strenuous nature. There were also little chances of promotion to these workers. The witness added that as there was no change in the mechanism of loading since the standard of performance was fixed in 1952 there was little justification for the change in the system of bonus and there was a risk of labour trouble and the resultant interference with despatches, if any such change was contemplated.

456. It was pointed out by Audit that in spite of idle hours, the average monthly wages (including bonus) of the Bagging Plant labour was much more than that of similar labour (having the same
2050 (Aii) LS—17.

basic wage) at other plants and the Factory's own officers had pointed out within four months of the introduction of the bonus scheme that proper time and work study should have been carried out before fixing the rate of bonus. The Secretary of the Ministry promised to ask the Board of Management to consider the possible variations which could be effected in this regard.

*Loss on account of poor utilisation of available Coke Oven Gas—
para 63 (iii), page 62—*

457. The total rated capacity of the Coke Oven Plant is approximately 10 to 11 million cft. of gas per day. During the period from February, 1956 to March, 1958 the average gas available for use was about 9 million cft. per day. Of this about 5 million cft. was available daily for use in the boilers. But only about 1 million cft. of gas was utilised daily in the boilers between February, 1956 to September, 1956 and about 3 million cft. between October, 1956 to March, 1958. The rest of the gas (2066 million cft. approximately) was ignited as torch, during this period.

458. The Committee wanted to know the reasons for the non-utilisation of all the available gas. The representatives of the Factory stated that the total capacity of the coke oven plant of 10 to 11 million cft. of gas was originally calculated on the assumption that only high volatile coal would be used. It was however found that the coke produced from this coal was not suitable for use in the gas plant. Therefore, the percentage of high volatile coal was reduced with the result that the maximum quantity of gas that could be obtained was approximately between 8-9 million cft. per day. Out of this, about 5 million cft. of gas was required for heating the ovens, the dryers and other units in the factory. Therefore, the average quantity of gas available for use in the burners of the boilers of the power plant was only in the region of 3.5 to 4.5 million cft. However, due to fluctuations in the pressure of gas in the coke oven plant a uniform supply of gas to the power plant could not be maintained. As the utilisation of gas in the power plant was not envisaged as a permanent feature, a gas holder of adequate capacity for evening out the fluctuations in the pressure of gas was not installed. Only a small gas holder had been installed. Thus certain quantity of gas could not be utilised for some period. The Committee were, however informed that the entire gas was now being utilised for making fertilizers and there was no loss.

State Trading Corporation of India Ltd.

Excess payment to Importer-Distributor—para 64(i) pages 62-63—

459. A firm appointed in 1956 as importers and distributors for cement quoted the rates of Rs. 4/4 and Rs. 9/4 per ton as distribution

charges for deliveries ex-port warehouses and ex-city godowns respectively. However, as the Government anticipated that the major portion of the stock would be cleared ex-city godowns the rates were negotiated with the firm and changed *ad hoc* to Rs. 6/8 and Rs. 7/4 per ton for deliveries ex-port warehouses and ex-city godowns respectively, on the assurance from the firm that in the event of the actual expenditure being less than the revised rates, the difference would be refunded to Government. Out of a total quantity of 75,200 tons of cement imported from May, 1956 to October, 1957, 74,432 tons were delivered ex-port warehouses and only 416 tons were delivered ex-city godowns. The payment of distribution charges to the firm at the revised rates resulted in net extra payment of Rs. 96,640 after deducting Rs. 70,000 subsequently refunded by the firm on an *ad hoc* basis.

460. The Committee wanted to know the reasons for awarding the contract to the firm by negotiation and the basis for raising the rate for deliveries of cement ex-port warehouses. The representative of the Ministry stated that cement not having been imported during the preceding five to six years there were very few firms which had the experience of handling import and distribution of cement. Only two firms were considered to be experienced in the line and they were asked to send their quotations. The firm whose quotations were lower was also considered to be more experienced and was appointed as importers and distributors. As regards the *ad hoc* revision of the rates, the witness stated that this contract was awarded in May, 1956 when the S.T.C. had not been established. It was considered that owing to the onset of monsoon it would be necessary to provide storage over a period of time and thus a greater part of the imports would have to be distributed ex-city godowns. Therefore, it was considered desirable to get the ex-city godown rate reduced and the revised negotiated rates were accepted after the matter had been examined in detail. However, the policy of Government was later on revised and the distribution of cement was taken over by the S.T.C. who instead of sending the imported cement into the godowns sent it straightaway to destinations ex-port warehouses.

461. In reply to a question the Committee were informed that the assurance from the firm regarding the refund of the difference between the actual expenditure and the revised rates agreed to by them was not taken in writing as in that case in the event of any loss to the firm the Government would also have been liable to make good the loss as shown in the books of accounts of the firm.

Loss on export of Tobacco to Russia—para 64(ii)—Pages 63-64—

462. In July, 1956 the Government of U.S.S.R. requested the Corporation to supply 44,80,000 lbs. of Flue-Cured Virginia Tobacco of 1956 crop. However, a contract with M/s Razno-Export, Moscow could be finalised only by 31st January, 1957. In the meantime, contrary to expectations, the Russians also entered the Tobacco market independently and executed contracts with three private parties for 2,000 tons of tobacco of similar grade. The full requirements of Russian contract could not, therefore, be secured out of the residual quantities of 1956 crop. On the ground that this was the first order from Russians, the Corporation did not consider it expedient to request them to cancel the balance quantity and procured the required quantities of tobacco from 1957 crop resulting in a loss of Rs. 1,38,958.

It was explained that the S.T.C. had entered upon this deal consequent on a directive issued by Government in October, 1956, in the context of glut in the market for this grade of tobacco, that the Corporation should promote its export and stabilise the price. The Committee desired to know the reasons for delay in finalising the contract with Russia. The witness stated that the Russians were reluctant to make heavy purchases through the S.T.C. and wanted to enter the open market themselves. It was only after long negotiations that they agreed to buy 2,000 tons of tobacco through the S.T.C. but at the same time they purchased about 2,000 tons of tobacco from the open market also.

463. Asked why the Russians were allowed to operate in the market directly, the witness stated that in the absence of export control it was not possible to impose any discriminatory restrictions in this regard.

464. The Committee enquired what particular advantage was gained in S.T.C.'s participation in the export if the object was to stabilise the market and the Russians were already prepared to buy tobacco of the grade in question, in the open market. The representative of the Ministry stated that as a matter of policy Government wanted to canalise the trade with the state-regulated countries through the S.T.C. It was felt that if the Russians got accustomed to deal with the S.T.C. it would be helpful for the latter to secure further orders from that country in future. It was also added that although there was a loss on this transaction no loss had been incurred on further orders for tobacco from that country.

**Trading Account—Chilean Nitrate—Comments of C. & A.G. on the
Accounts of the Company for 1958-59—**

465. The Corporation *suo moto* revised the value of a lost consignment of Chilean Nitrate which had been insured with the Insurance Pool from Rs. 27,58,320 (C. & F. plus 10 per cent.) to Rs. 26,55,000 (C. & F. plus 5 per cent.) resulting in less recovery of Rs. 1,02,610 from the Insurance Pool after taking into account the refund of the premium of Rs. 710.

466. The Committee were informed that the official concerned had been charge-sheeted and his explanation was under consideration of the Corporation.

467. The Committee then adjourned till 16-00 hours on Tuesday the 5th September, 1961.

Extracts from the Proceedings of the 29th sitting of the Public Accounts Committee held on Friday, the 3rd November, 1961 in so far as they relate to Civil Accounts'

468. The Committee sat from 9-30 to 13-00 hours.

PRESENT

Shri Rohan Lal Chaturvedi—*Chairman**

MEMBERS

2. Shri Aurobindo Ghosal
3. Shri Hem Raj
4. Shri R. S. Kiledar
5. Shri G. K. Manay
6. Dr. Pashupati Mandal
7. Shri S. A. Matin
8. Dr. G. S. Melkote
9. Shri Purushottamdas R. Patel
10. Dr. N. C. Samantsinhar
11. Kumari Mothey Vedakumari
12. Shri Ramji Verma
13. Shri K. K. Warior
14. Dr. Shrimati Seeta Parmanand
15. Shri Lalji Pendse
16. Shri V. C. Kesava Rao
17. Shri Mulka Govinda Reddy
18. Shrimati Savitry Devi Nigam
19. Shri Rajeshwar Prasad Narain Sinha
20. Shri Jai Narain Vyas
21. Pandit Dwarka Nath Tiwary.

Shri G. Swaminathan—*Additional Deputy Comptroller & Auditor-General.*

Shri P. V. R. Rao, *Accountant General, Central Revenues.*

Shri P. K. Sen, *Director of Commercial Audit.*

Shri P. K. Rau, *Director of Audit, F.R.S.C.S. & M.*

During the absence abroad of Shri C.R. Pattabhi Raman, Chairman, Public Accounts Committee, the Speaker directed Shri Rohan Lal Chaturvedi to look after the duties of the Chairman of the Public Accounts Committee.

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

Statement of outstanding recommendations relating to the Department of Atomic Energy—Indian Rare Earths (P) Limited.

469. The Committee took up consideration of the above-mentioned statement and approved the following draft comments:

Excessive expenditure on construction of officers' quarters—Para 165 of 18th Report (Second Lok Sabha).

470. No comments.

Supply of defective plant and machinery by a firm—Para 166 of 18th Report (Second Lok Sabha).

471. The Committee decided to await the final settlement of the case.

Large accumulation of stock—Para 167 of 18th Report (Second Lok Sabha).

472. No comments.

Losses written off—Import of drums—Para 168 of 18th Report (Second Lok Sabha).

473. No comments.

Loss of Rs. 6,500 in the purchase of Hydrochloric acid—Para 169 of 18th Report (Second Lok Sabha).

474. No comments.

Loss due to faulty estimate of actual requirements of certain chemicals—Para 170 of 18th Report (Second Lok Sabha).

475. The Committee desired to know the precise provision made in the agreement subsequently entered.

Statement of outstanding recommendations relating to the Ministry of Irrigation & Power

476. The Committee then took up consideration of the above statement and offered the following comments:

Disciplinary action against delinquent officials—Para 10 of 11th Report (1st Lok Sabha)

477. Pt. 1.—The Committee desired to be apprised of the action taken against the second officer.

Pt. 2.—The Committee felt that the Central Government should, in consultation with the State Governments, consider the desirability of establishing a convention that in cases of this type where a State Government Officer on deputation to the Central Government or *vice versa* was adjudged guilty of committing an irregularity during the period of his deputation by an impartial enquiring officer/Committee, the Government lending the services of the officer, should not ordinarily reduce the punishment suggested by the said enquiring officer/committee.

Part 3.—No comments.

Proposal to construct the Mahanadi Bridge in one season—Action against persons having committed errors of judgement—Para 11 of 11th Report (First Lok Sabha)

478. No comments.

Apportionment of the cost of the Mahanadi Bridge—Para 12 of 11th Report (First Lok Sabha).

479. No comments.

Laying of Champhekar Committee Report on the Table of Parliament—Para 13 of the 11th Report (1st Lok Sabha).

480. No comments.

Serious omissions in cash accounts of an office—Para 122 of 18th Report (Second Lok Sabha).

481. (i)—*Disciplinary action against the supervisory officers concerned.*—The Committee decided to await the final decision in the matter.

(ii) *Instructions regarding conducting of checks prescribed in the Central Treasury Rules and the C.P.W.A. Code.*—No comments.

Low utilisation of the earth moving machinery on the Hirakud Dam Project—Para 123 of 18th Report (Second Lok Sabha).

482. No comments.

Non-arrival of equipment under the Colombo Plan—Para 124 of the 18th Report (Second Lok Sabha).

483. No comments.

Infructuous expenditure due to change in design—Para 55 of 25th Report (2nd Lok Sabha)—Vol. I.

484. No comments.

Statement of outstanding recommendations relating to the Ministry of Rehabilitation

485. The Committee then took up consideration of the above-mentioned Statement and approved the following comments:—

EIGHTEENTH REPORT (SECOND LOK SABHA), VOL. II,
APPENDIX I

S. No. 114, para 20 of 7th Report (1st Lok Sabha)—Free issue of Ration in the Camp of displaced persons

486. The Committee regret to note that in most of these cases the responsibility could not be fixed on the delinquent officials as the Ministry failed to take timely action soon after the irregularities were noticed. The Committee would like to emphasise that the action in such cases should be prompt if it is to serve the desired purpose.

The Committee decided to comment on this case in their next Report on Civil Accounts. They also desired that this case be cited in the general paragraph (to be incorporated in the Report) regarding cases of delay in taking action against delinquent officials.

S. No. 43 para 101 of 7th Report (Second Lok Sabha)—Recovery of rehabilitation loans—

487. The Committee desired that all the outstanding loans should be reviewed and a firm decision taken on the merits of each case either to realise the loans from the displaced persons or to write them off. They decided that this case should be commented upon in the next report of the Committee on Civil Accounts.

S. No. 115, para 205 of 7th Report—Extra expenditure due to delay in payment.

488. Note awaited.

S. No. 116, para 206 of 7th Report—Relief and Rehabilitation of displaced persons.

489. No comments.

S. No. 118, para 208 of 7th Report—Review of the Conduct of various Camp Commandants.

490. The Committee were not satisfied with the way in which this case has been dealt with.

The Committee desired to be informed of the decision of the court in respect of Sabarmati camp.

S. No. 119, para 209 of 7th Report—Officers employed in the various camps against whom disciplinary action was taken for frauds, embezzlements, etc.

491. The Committee desired to be informed of the progress made regarding the recovery of Rs. 12,655|12|9 from the delinquent officials and the decision taken by the State Governments concerned for writing off the irrecoverable amounts.

S. No. 120, para 210 of 7th Report—Relief and Rehabilitation of displaced persons.

492. No comments.

**EIGHTEENTH REPORT (SECOND LOK SABHA), VOL. I,
APPENDIX I**

S. No. 94, para 130—Irregular maintenance of cash and other accounts

493. The Committee find that their observations on the failure of the Officer-in-Charge to keep proper supervision over cash transactions and connected records have not received due consideration. They, therefore, desire that this matter should be reviewed and the action taken against the Officer-in-Charge intimated to them.

S. No. 95, para 131—Irregular advance for purchase of Motor Car.

494. The Committee were informed by Audit that not only did the Ministry fail to take any further action against the delinquent officer but his services were also extended for a further period of three years. They felt that action was called for against the officer who recommended extension of service to the officer concerned.

Twenty-fifth Report (Second Lok Sabha), Vol. I, Appendix I

S. No. 45, para 57, Irregular withdrawal of funds to avoid lapse of grant.

495. No comments.

S. No. 46, para 60—Faridabad Development Board—Loss in the working of the Institute.

496. (i) The matter has been considered in detail in the 37th Report of the P.A.C. (1960-61). |

(ii) No comments.

S. No. 47, para 63, outstanding arrears of rent in respect of evacuee properties.

497. The Committee desired to know the present position of the outstanding recoveries.

S. No. 48, para 65, overpayment of compensation to a displaced family.

498. The Committee decided that a para may be included in the next Report of the Committee on Civil Accounts in this case.

499. The Committee then adjourned. |

Proceedings of the Thirtieth Sitting of the Public Accounts Committee held on Tuesday, the 28th November, 1961.

500. The Committee sat from 15·00 hours to 17·00 hours.

PRESENT

Shri Rohan Lal Chaturvedi—*Chairman*

2. Shri Aurobindo Ghosal |
3. Shri Hem Raj |
4. Shri R. S. Kiledar |
5. Dr. G. S. Melkote
6. Dr. N. C. Samantsinhar
7. Pandit Dwarka Nath Tiwary
8. Shri Ramji Verma
9. Shri V. C. Kesava Rao. |

Shri G. Swaminathan, *Addl. Dy. Comptroller and Auditor General (Report)*. |

Shri P. V. R. Rao, *Accountant General, Central Revenues.*

Shri P. K. Rau, *Director of Audit, F.R.S.C.S. & M.*

Shri P. K. Sen, *Director of Commercial Audit.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

Statement showing action taken or proposed to be taken on the outstanding recommendations of the P.A.C. relating to the Ministry of Education.

501. The Committee took up consideration of the above-mentioned Statement and offered the following comments:

Entrusting of work connected with the production of books for children and neo-literates to a single agency—Para 47 of 7th Report (Second Lok Sabha). |

502. The Committee desired that the matter should be finalised without further delay. |

During the absence abroad of Shri C.R. Pattabhi Raman, Chairman, Public accounts Committee, the Speaker directed Shri Rohan Lal Chaturvedi to Look after the duties of the Chairman of the Public Accounts Committee.

Coordination in respect of literature for the use of neo-literates, children and adults—Para 48 of 7th Report (Second Lok Sabha).

503. The Committee desired that the matter should be expedited.

Payment of grants-in-aid in excess of requirements—Para 36 of 18th Report (Second Lok Sabha).

504. With a view to obviate the accumulation of heavy unspent balances with the Universities, the Committee desired that the University Grants Commission should examine the feasibility of regulating payment of building and other grants by instalments, on the basis of the progress of expenditure as shown in the periodical reports to be submitted by the Universities.

Presentation of Audit Reports on the Accounts of Central Universities to Parliament—Para 39 of 18th Report (Second Lok Sabha).

505. The Committee decided to reiterate their earlier recommendation that Audit Reports on the Accounts of the four Central Universities should be presented to Parliament and that early steps should be taken by the Ministry of Education to introduce necessary legislation therefor.

Control over releases of grants to Welfare Projects and State Advisory Boards—Para 41 of 18th Report (Second Lok Sabha).

506. (a) *Exemption of small institutions from the requirements of submitting accounts audited by Chartered Accountants: No comments.*

(b) *Simplification of procedure regarding grants-in-aid.—The Committee noted that the matter had since been commented upon in para 58 of the 34th Report of the P.A.C. (1960-61)—Part I.*

Deficiency in public contributions—Para 43 of 18th Report (Second Lok Sabha).

507. The matter was considered by the P.A.C. (1960-61) who in para 322 of their 34th Report—Part II desired to be furnished with a note setting forth the latest position in regard to voluntary public contributions. The Committee decided to await the information called for by their predecessor Committee.

Defective control over release of grants-in-aid to Voluntary Welfare institutions and their utilisation—Para 44 of 18th Report (Second Lok Sabha)

508. No comments.

Irregularities connected with publications issued by the Central Social Welfare Board—Para 46 of 18th Report (Second Lok Sabha)

509. The Committee noted that the matter had since been commented upon in para 66 of the 34th Report of P.A.C. (1960-61)—Part I.

Drawal of funds against letters of credit—Paras 3—5 of 25th Report (Second Lok Sabha)—Vol. II

510. The Committee desired to be apprised of the revised procedure regarding payment of funds to N.C.C. Directorate in respect of A.C.C. Camps, as soon as it is finalised.

Para 6 of 25th Report (Second Lok Sabha)—Vol. II

511. The Committee desired to have a further report regarding the clearance of arrears in accounting.

Drawal of advances—Paras 9-10 of 25th Report (Second Lok Sabha)—Vol. II

512. No comments.

Para 11 of 25th Report (Second Lok Sabha)—Vol. II

513. The Committee desired that before the Civil Accounts of the next year were taken up for consideration, they should be informed how far the various measures adopted by the Ministry of Education have achieved the ends in view. In particular, they wanted to be informed of the improvement effected in the Directorate of Extension Programme for Secondary Education.

Statement showing action taken or proposed to be taken on the outstanding recommendations of the Committee relating to the Ministry of Scientific Research & Cultural Affairs

514. The Committee then took up consideration of the above-mentioned Statement, and approved the following comments:

Non-surrender of saving—Para 13(h) of 18th Report (Second Lok Sabha)

515. No comments.

Fixation of ceiling limits for stocking stores in the Photolitho Section—Para 132 of 18th Report (Second Lok Sabha)

516. No comments.

Continuance of National Research Development Corporation as a separate corporation—Para 133 of 18th Report (Second Lok Sabha)

517. The Committee desired that Government should take a decision regarding the future of the National Research Development Corporation before further funds are advanced to it.

Placing of Council of Scientific and Industrial Research on a statutory footing—Para 134 of 18th Report (Second Lok Sabha)

518. No comments.

Overbudgeting—Para 11(h) of 25th Report (Second Lok Sabha)—Vol. I.

519. No comments.

Statement showing action taken or proposed to be taken on the outstanding recommendations of the Committee relating to the Ministry of Labour & Employment.

520. The Committee then took up consideration of the above-mentioned Statement and offered the following comments.

Drawal of a forged bill—Para 200 of 7th Report (Second Lok Sabha)

521. The Committee regretted the delay in taking a decision regarding amendment of T.R. 430 and other connected Rules, and desired that the matter should be finalised without further delay. They also desired that a para on this case should be included in the next Report of the Committee on Civil Accounts.

Savings on account of non-receipt of debits—Para 12(g) of 18th Report (Second Lok Sabha)

522. No comments.

Heavy expenditure on rental—Para 125 of 18th Report (Second Lok Sabha)

523. The Committee desired to be apprised in due course of the opinion of the Ministry of Law on the question whether there was any negligence on the part of the Government Solicitor in rendering his advice.

Para 126 (i)-(iii) of the 18th Report (Second Lok Sabha)

524. No comments.

**Working of the Coal Mines Labour Housing & General Welfare Fund
—Para 3 (Introd.) of 20th Report (Second Lok Sabha)**

525. No comments.

**Constitution of the Coal Mines Labour Welfare Organisation—Para
9 of 20th Report (Second Lok Sabha)**

526. No comments.

**Savings on sanctioned allotments—Paras 13-14 of 20th Report
(Second Lok Sabha)**

527. No comments.

**Laying of Annual Report before Parliament—Para 15 of the 20th
Report (Second Lok Sabha)**

528. No comments.

**Receipts and expenditure of the Coal Mines Labour Housing &
General Welfare Fund—Para 17 of 20th Report (Second Lok
Sabha)**

529. No comments.

**Bhuli & Bijoynagar Townships—Para 22 of 20th Report (Second Lok
Sabha)**

530. (i) No comments.

(ii) *Transport arrangements.*—The Committee desired to be apprised of the final decision on the question of providing Fund's own transport for workers residing at Bhuli (with a contribution from the Colliery Owners' Association).

(iii) *Water Supply arrangements.*—The Committee desired to be apprised of Government's decision on the Advisory Committee's recommendations regarding grant of financial assistance to the Jharia Water Board for its scheme to re-organise and improve the existing water distribution system.

(iv) *Drainage.*—No comments.

**Subsidized Housing Schemes—Para 24 of 20th Report (Second Lok
Sabha).**

531. No comments.

**Present housing conditions in the coal mining areas—Para 27 of 20th
Report (Second Lok Sabha).**

532. No comments.

Para 28 of 20th Report (Second Lok Sabha)

533. The Committee desired to be apprised of Government's decision on the CMLWO's scheme of constructing one lakh cheap houses.

Medical facilities in the coal mining areas—Dispensaries maintained by collieries—Para 32 of 20th Report (Second Lok Sabha).

534. No comments.

T.B. relief to colliery workers—Para 34 of 20th Report (Second Lok Sabha).

535. The Committee desired to be apprised of the outcome of the review of the matter by the CMLWO.

Education facilities in the coal mining areas—Para 36 (i)-(ii) of 20th Report (Second Lok Sabha).

536. The Committee desired to know: (a) the considerations which weighed with the C.M.L.W.O. in taking the decision that the present practice of teaching upto Class II standard in the schools at the miners' institutes would continue;

(b) the outcome of the negotiations between the C.M.L.W.O. and the State Governments concerned for providing larger primary education facilities in the coal mining areas.

Grant of scholarships for further studies—Para 36 (iii) of 20th Report (Second Lok Sabha).

537. No comments.

Adult education—Para 37 of 20th Report (Second Lok Sabha).

538. No comments.

Water supply schemes—Para 39 of 20th Report (Second Lok Sabha).

539. The Committee desired to be apprised of:

(a) the latest position regarding the proposal to amend the National Water Supply and Sanitation Scheme of the Ministry of Health so as to include major coalfields;

(b) the outcome of the efforts made by the Ministry of Labour & Employment/C.M.L.W.O. to persuade State Governments to set up Water Boards and colliery owners to draw up small schemes for financial assistance from the Fund.

Popularisation of pithead baths—Para 41 of 20th Report (Second Lok Sabha).

540. No comments.

Enforcement of Coal Mines Pithead Bath Rules and Mines Creche Rules—Paras 43 & 45 of 20th Report (Second Lok Sabha)

541. No comments.

Social problems in the coal mining areas—Paras 47 & 4 (Introd.) of 20th Report (Second Lok Sabha).

542. No comments.

Maternity and Child Welfare Centres—Para 49 of 20th Report (Second Lok Sabha).

543. No comments.

Overbudgeting—Para 11(g) of 25th Report (Second Lok Sabha)—Vol. I.

544. No comments.

MINISTRY OF WORKS, HOUSING & SUPPLY

545. The Committee observed that in a number of cases the Ministry had not submitted notes/memos indicating action taken on their earlier recommendations. They desired that attention should be drawn to this unsatisfactory position in the Introduction to their next report on Civil Accounts. The Committee approved the following comments on the items included in the Statement:

Extra expenditure on U.S. Stores—Para 118 of 23rd Report (1956-57)

546. Special steps should be taken to finalise the case without further delay.

Departmental execution of Works—Paras 237—239 of 7th Report (1957-58).

547. The Chairman informed the Committee that he had asked the Secretary, Ministry of Works, Housing & Supply to furnish the requisite note on the subject by the 4th December, 1961. The Committee deferred further consideration of the case pending receipt of the requisite note.

Outstanding dues—Para 241 of 7th Report (1957-58)

548. No comments.

*Faulty placement of contract for printing and binding of forms—
Paras 244-45 of 7th Report (1957-58).*

549. No comments.

Unsatisfactory state of Accounts—Para 249 of 7th Report (1957-58).

550. (i) See comments against para 151 of 18th Report. (1958-59).

(ii) Further progress in the recovery of rent may be reported.

*Irregularities in stores transaction—shortage in stock—Para 257 of
7th Report (1957-58).*

551. No comments.

*Misappropriation of Government money by an auctioneering firm—
Para 266 of 7th Report (1957-58).*

552. Note from the Ministry may be awaited.

*Fraudulent drawal of material from Government Stores—Para 312
of 7th Report (1957-58).*

553. No comments.

*554. Loss of Government dues owing to failure to pursue claims—
para 98 of 18th Report (1958-59).*

*555. Loss of Rs. 86,762 owing to failure to pursue claims—Para 99 of
18th Report (1958-59).*

*556. Failure to pursue a claim for Rs. 23,809:50—Para 100 of 18th
Report (1958-59).*

The Committee deprecate the inordinate delay on the part of the Ministry in furnishing notes on these cases.

Safeguarding clauses in contracts—Para 128 of 18th Report (1958-59).

557. No comments.

Black-listing of Contractors—Para 129 of 18th Report (1958-59).

558. (i) No comments.

(ii) The final outcome of the decision to adopt the black-listing orders issued both by the Central Government and State Governments on a reciprocal basis may be reported to the Committee.

Arrears of rent—Para 151 of 18th Report (1958-59).

559. The Committee deprecated the delay in introducing the new procedure for recovery of rent and regretted that in the meantime adequate administrative arrangements were not made by the Ministry of Works, Housing & Supply to liquidate the arrears in the recovery of rent. They would like to be apprised of the recommendation of the S.R.U. of the Ministry of Finance and the action taken thereon by the Ministry of Works, Housing & Supply.

Professional inspection of stores—Para 152 of 18th Report (1958-59).

560. The Committee were not satisfied with the explanation for the delay on the part of I.S.D. in arriving at a final decision not to set up a departmental laboratory. Even granting that it was not advisable to change the Consultants pending final decision on the question of setting up a departmental laboratory the Committee saw no justification for continuance of the old firm of Consultants at higher rates from July, 1954 (when the final decision was taken) till February, 1956. The Committee regretted that the D.G., I.S.D., continued in his own way till 1956, despite objections from Audit.

Hindustan Housing Factory—Meagre Production in the Foam Concrete Department—Para 154 of 18th Report (1958-59).

561. No comments.

Hindustan Housing Factory—Heavy establishment charges during company management—Para 155 of 18th Report (1958-59).

562. No comments.

Hindustan Housing Factory—Loss in a sub-contract given to a petty employee—Para 157 of 18th Report (1958-59).

563. No comments.

Ashoka Hotels Ltd.—Payment at a high rate for work of refilling of plinth basement etc.—Para 159 of 18th Report.

564. Further developments may be awaited.

Ashoka Hotels—Uneconomic expenditure of Rs. 3,14,192 on account of payment of uniform lead of half a mile for the excavated material—Para 160 of 18th Report.

565. Further action proposed to be taken in the matter may be reported.

General working of Ashoka Hotels Ltd.—Para 161 of 18th Report (1958-59).

566. No comments.

Statements of cases in which the lowest tenders were not accepted by the I.S.M. Washington—Para 162 of 18th Report.

567. No comments.

Loss on a contract—Para 163 of 18th Report.

568. No comments.

Road Roller Bulk Procurement scheme—Para 164 of 18th Report.

569. The Committee desired that a decision fixing the final price of a road roller should be taken without further delay.

Unauthorised alteration in specification—Para 80 of 25th Report (1959-60)—Vol. I.

570. Note from the Ministry may be awaited.

Delay in adjustment of a contractor's accounts—Para 81 of 25th Report—Vol. I.

571. Note from the Ministry may be awaited.

C.T.E's. Organisation—Paras 82 to 84 of 25th Report—Vol. I.

572. No comments.

Unproductive expenditure—Para 85 of 25th Report—Vol. I.

573. No comments.

Infructuous expenditure—Para 86 of 25th Report Vol. I.

574. Note from the Ministry may be awaited.

Avoidable expenditure on the disposal of furniture—Para 87 of 25th Report—Vol. I.

575. Note from the Ministry may be awaited.

Loss due to belated release of requisitioned land—Para 88 of 25th Report—Vol. I

576. Sub-para (i): No comments.

Sub-para (ii): The Committee regretted to note that the efforts to collect the information desired by them had proved infructuous.

Paras 89—96 of 25th Report—Vol. I

577. The note from the Ministry may be awaited.

Loss due to discrepancy between the terms of the tender enquiry and the contract—Para 97 of 25th Report—Vol. I

578. No comments.

Paras 98—100 of the 25th Report—Vol. I

579. The note from the Ministry may be awaited.

Avoidable loss due to belated release of requisitioned lands—Paras 13 and 14 of 25th Report—Vol. II

580. No comments.

581. The Committee then adjourned till 15·00 hours on Wednesday, the 29th November, 1961.

**Proceedings of the 31st sitting of the Public Accounts Committee
held on Wednesday, the 29th November, 1962**

582. The Committee sat from 15·00 to 16·30 hours.

PRESENT

- Shri Rohan Lal Chaturvedi—*Chairman*.
2. Shri Hem Raj
3. Shri R. S. Kiledar
4. Dr. G. S. Melkote
5. Dr. N. C. Samantsinhar
6. Pandit Dwarka Nath Tiwary
7. Shri Ramji Verma
8. Shri V. C. Kesava Rao
9. Shri Rajeshwar Prasad Narain Sinha.

Shri G. Swaminathan, *Addl. Dy. Comptroller & Auditor
General*.

Shri P. V. R. Rao, *Accountant General, Central Revenues*.

Shri P. K. Rau, *Director of Audit, F.R.S.C.S. & M.*

Shri P. K. Sen, *Director of Commercial Audit*.

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary*.

Shri Y. P. Passi—*Under Secretary*.

583. The Committee took up consideration of the statements showing action taken or proposed to be taken on the outstanding recommendations by the Ministries of Home Affairs (including Himachal Pradesh and Delhi Administrations), External Affairs, Law and Information & Broadcasting and made the following observations against the various items.

MINISTRY OF HOME AFFAIRS

**EIGHTEENTH REPORT (SECOND LOK SABHA), Vol. I—
APPENDIX I**

S. No. 74, para 110—Marine Department, Andamans—Stock verification and disposal of surplus stores

584. No comments.

S. No. 76, para 112—Government Dairy Farm, Andamans

585. The Committee note the steps taken by Government to make the Dairy Farm, Andamans self-supporting. They recommend that Government should review the working of Dairy Farm in the light of the steps taken and furnish the results thereof to the Committee.

S. No. 77, para 113—Shipping Department, Andamans

586. No comments.

S. No. 78, para 114—Scheme for the supply of consumer and other stores in Andamans

587. No comments.

**EIGHTEENTH REPORT (SECOND LOK SABHA), VOL. II—
APPENDIX I**

S. No. 93, para 173 of the Seventh Report—Fertiliser Deal case

588. No comments.

S. No. 94, para 185 of the Seventh Report—Infructuous expenditure

589. No comments.

S. No. 96, para 187 of Seventh Report—Marine Department, Stores

590. The latest position about the disposal of the remaining stores may be reported to the Committee.

S. No. 97, para 188 of the Seventh Report—Marine Department, Andamans

591. No comments.

S. No. 99—para 191 of the Seventh Report—Heavy shortage of food-grains

592. The Committee desire to be informed of the reasons for non-disposal of a number of cases even after 12 months. They would urge that steps should be taken to ensure that no cases are outstanding for more than 12 months as the delay lessens the deterrent effect of punishment on guilty officials whereas it results in unjust harassment to those who are found innocent.

S. No. 100, para 258 of the Seventh Report—Payment of Railway freight

593. No comments.

TWENTY-FIFTH REPORT, VOL. I—APPENDIX I

S. No. 8, para 11 (f)—Budgeting and Control over expenditure

594. No comments.

TWENTY-FIFTH REPORT—VOL. II—APPENDIX I

S. No. 29, para 57—Overpayment to stevedoring labour

595. No comments.

S. No. 31, para 60—Infructuous expenditure

596. The Committee desire that the requisite information may be furnished without further delay.

S. No. 32, para 61, Bilaspur Commercial Corporation

597. No comments.

S. No. 33, para 62—Rosin and Turpentine Factory, Nahan

598. No comments.

S. No. 34, para 63, Sundry debtors

599. The Committee note that on the 30th June, 1960 total outstandings were Rs. 3,98,501, of which Rs. 3,33,963 had been shown against doubtful debts and Rs. 64,538 was the net balance to be recovered. The Committee desire that action should be taken to clear these outstandings.

S. No. 35, para 64, Shortage of foodgrains

600. The Committee desire that the requisite information may be furnished without delay.

S. Nos. 36 and 37, paras 67-68—Grant-in-aid to Sarva Seva Sangh

601. The Committee desire that the submission of the note may be expedited.

S. No. 38, para 69—Grant-in-aid to Sarva Seva Sangh

602. No comments.

TWENTY-FOURTH REPORT

(1959-60)

DELHI ADMINISTRATION

APPENDIX I AND APPENDIX XI

MINISTRY OF REHABILITATION

S. No. 11 (iii) of Appendix I—Position regarding recovery of rent etc. from displaced persons

603. In the opinion of the Committee, the progress of recovery

has not been satisfactory. They desire that the Ministry should take effective steps to recover the outstanding balance expeditiously.

S. No. 1 of Appendix XI—Incomplete and Improper maintenance of accounts—fixing responsibility for laxity in supervision (para 4 of the 24th Report)

604. Photo-stat copies of the original documents should have been obtained to ensure prompt and adequate disciplinary action.

The Committee would like to await a further report in the matter.

S. No. 2 of Appendix XI—Unsatisfactory state of affairs in the organisation in charge of the houses, tenements, shops, etc. constructed for displaced persons in Delhi (paras 6 and 7 of the 24th Report).

605. The Committee do not appreciate the statement of the Ministry that "the matter has been reconsidered. No further action can be taken in the matter". They would like the Ministry to elucidate why no further action could be taken against the delinquent officials who were guilty of serious lapses amounting to culpable negligence.

S. No. 3 of Appendix XI—Measures to ensure proper upkeep of the accounts and property registers, etc. (para 8 of the 24th Report)

606. The Committee feel that this important work was not being attended to pending decision of the issue between the two Ministries. They would urge that the matter should be expedited and a report regarding the completion of the registers of immovable Government property submitted to them.

S. No. 4 of Appendix XI—Recovery of loans from the displaced persons—(para 11 of the 24th Report)

607. The Committee are surprised that finalisation of the note was held up due to concerned official having gone on leave. They deprecate the delay in the submission of the requisite progress report to them, and feel that the notes received were most unsatisfactory and are indicative of indifferent attention to the recommendation of the P.A.C. They view with concern the delay in this case which amounts to negligence on the part of the officials concerned and the complacency with which the matter was being reviewed by the Ministry. The Committee would like to bring this to the notice of Parliament.

The Committee would like to be apprised of the progress made in finalising the remaining 2,000 accounts.

S. No. 8 of Appendix XI—*Delay in reconstructing the accounts in the office of the Housing and Rent Officer (para 19 of the 24th Report)*

608. The Committee would await a further report in the matter.

MINISTRY OF FOOD & AGRICULTURE (DEPARTMENT OF AGRICULTURE)

S. No. 7 of Appendix XI—*working of the Delhi Milk Supply Scheme (Para 17 of 24th Report)*

609. The Committee now understand that Financial Review and the accounts of the Scheme for five months of its functioning during 1959-60 will be prepared along with the accounts for 1960-61.

MINISTRY OF HOME AFFAIRS

S. No. 20 of Appendix I—*Loss of official papers*

610. No comments.

S. No. 21 of Appendix I—*Overdrawal of large sums of money by altering the amounts in the cheques in the Rationing and Civil Supplies Department.*

611. The Committee would await the final outcome of this case.

MINISTRY OF EDUCATION

S. No. 10—*Appendix I—Opening of current accounts by the Director Women's Section (Social Welfare and Rehabilitation Directorate)*

612. Further report awaited.

S. No. 5 of Appendix XI—*Recovery and remission of Educational Loans advanced to displaced students from West Pakistan—completion of personal ledger accounts, etc. (Para 12 of 24th Report).*

613. Further report awaited.

MINISTRY OF TRANSPORT & COMMUNICATIONS

(DEPARTMENT OF TRANSPORT)

S. No. 16(i) of Appendix I—*Rules for the accounting of Motor Vehicles and taxation receipts, etc.*

614. The promised report on the working of the new system of accounting of motor vehicles and taxation receipts, etc. would be awaited.

S. No. 6 of Appendix XI—Departmental proceedings against the delinquent officials responsible for the irregularities in the accounts of Motor Vehicle Licences, etc. (para 16 of 24th Report).

615. The Ministry's report in the matter would be awaited.

TWELFTH REPORT

1958-59

(HIMACHAL PRADESH ADMINISTRATION)

VOL. I—APPENDIX

Ministry of Home Affairs

S. No. 1 (para 3 of the Report)—Regularisation of excesses.

616. No comments.

S. No. 2(i), para 5 of the Report—Obtaining Supplementary Grants.

617. No comments.

S. No. 2(ii)—para 5 of the Report—Regularisation of excesses.

618. No comments.

S. No. 3, para 9 of the Report—Budgeting & Control over expenditure.

619. No comments.

S. No. 4—Para 10(i) of the Report—Voting unnecessary supplies.

620. No comments.

S. No. 5—Para 10(ii) of the Report—Provision of funds for schemes prematurely.

621. No comments.

S. No. 6, para 10(iii) of the Report—Need for planning in advance.

622. No comments.

S. No. 7—para 10(iv) of the Report—Lack of proper coordination between the Departments.

623. No comments.

S. No. 8(i)—para 12 of the Report—Delay in sanctioning of funds.

624. No comments.

S. No. 8(ii)—para 13 of the Report—Continued appointment of an officer for 4 years without referring the matter to UPSC.

625. No comments.

S. No. 8 (iii)—para 14 of the Report—Withdrawal of funds from the treasury in advance of actual requirements.

626. No comments.

S. No. 9—Para 15 of the Report—Overpayment of Grants-in-aid.

627. No comments.

S. No. 10—Para 17 of the Report—Capital outlay on improvement of Public Health—National Water Supply and Sanitation Schemes.

628. Further report awaited.

S. No. 11—Para 18 of the Report—Withdrawal of money to avoid lapse of grant.

629. No comments.

S. No. 12—Para 19 of the Report—Remission of Audit fees—Amalgamation of Co-operative Societies not economically sound.

630. No comments.

S. No. 13 (i)—Para 23 of the Report—Co-operative credit—Recovery of outstanding dues—Rs. 8,68,466.

631. The Committee desire that all out efforts should be made to recover the outstanding dues. They would await a further report in the matter.

S. No. 13 (ii)—Para 24 of the Report—Co-operative credit—Providing cheap credit to the Agriculturists.

632. The Committee would reiterate the need to provide the agriculturist with cheap credit. They would await a further report in this regard.

S. No. 14—Para 26 of the Report—Co-operative Enquiry Committee.

633. No comments.

S. No. 15 (i)—Para 28 of the Report } Loss in disposal of wheat.
S. No. 15 (ii)—Para 28 of the Report }

634. No comments.

S. No. 16—Para 30 of the Report—Land Revenue

635. No comments.

S. Nos. 17(i) to (iii)—Paras 31 to 33 of the Report—Store Account of State Stamps.

636. No comments.

S. No. 18—Para 34 of the Report—Execution of work without sanctioned estimates.

637. No comments.

S. No. 19—Para 35 of the Report—Stores Accounts and Stock verification.

638. Further report awaited.

S. No. 20—Para 36 of the Report—Store Accounting in PWD.

639. Further report awaited.

S. No. 21—Para 37 of the Report—Excess over reserve limit of stocks.

640. No comments.

S. No. 22—Para 38 of the Report—Losses in Transport Department.

641. No comments.

S. No. 23—Para 39 of the Report—Remedial measures to prevent losses of cash by theft in the Transport Department (Regional & Booking offices).

642. No comments.

S. No. 24—Para 41 of the Report—Unrealised Forest Revenue.

643. No comments.

S. No. 25—Para 42 of the Report—Losses in the Forest Department—Disciplinary aspect of the case.

644. No comments.

S. No. 26(a)—Para 43 of the Report—Recovery of Rs. 5,10,676/- from the Punjab Government.

645. Further report awaited.

S. No. 26(b)—Para 43 of the Report—Recovery from Raja Saheb of Bushahar.

646. No comments.

S. No. 26 (c)—Para 43 of the Report—Recovery of Rs. 4,73,876.36 nP. from M/s. Mangat Ram Roshan Lal Kuthiala.

647. Further report awaited.

S. No. 26 (d)—Para 43 of the Report—Recovery of Rs. 2,45,639.31 nP. from M/s. Spedding Dinga Singh & Co.

648. Further report awaited.

S. No. 26 (e)—Para 43 of the Report—Recovery of Rs. 3,38,023.27 nP. from purchasers of forest produce and contractors on account of advance given to them for working of forests during premerger period.

649. Further report awaited.

S. No. 27—Para 44 of the Report—Exploiting the forest departmentally.

650. No comments.

S. Nos. 28 (i) and (ii)—Paras 45-46 of the Report—Grants-in-Aid.

651. No comments.

S. Nos. 30 to 32—Paras 50 to 52 of the Report—Bilaspur Commercial Corporation.

652. No comments.

S. No. 33—Para 54 of the Report—Himachal Pradesh Transport Service—Review of working.

653. No comments.

S. No. 34—Para 55 (ii) of the Report—Himachal Pradesh Transport Service—Depreciation reserve Fund.

654. Further report awaited.

S. Nos. 35 (i) to (iii)—Para 56 of the Report—Himachal Pradesh Transport Service.

655. No comments.

S. No. 36—Para 57 of the Report—Himachal Pradesh Transport Service.

656. No comments.

S. No. 37—Para 58 of the Report—Kulu Valley Transport (P) Ltd., Mandi.

657. No comments.

S. No. 38 (i)—Para 59 of the Report—Rosin and Turpentine Factory, Nahan—Final outcome of the Arbitration proceedings.

658. Further report awaited.

S. No. 38 (ii)—Para 59 of the Report and S. Nos. 39-40—Paras 60-61 of the Report—Rosin and Turpentine Factory, Nahan.

659. No comments.

MINISTRY OF FINANCE

S. No. 39—Para 48 of the Report—Debt. position—Terms and conditions of repayment of loans and rate of interest.

660. No comments.

VOL. II—APPENDIX I

MINISTRY OF HOME AFFAIRS

S. No. 12—Para 17 of the Second Report of H. P. PAC (1955-56)—Deploy in refunding the amount into the treasury.

661. N comments.

S. No. 15—Para 20 of the Second Report H.P. PAC (1955-56) Progress in the Recovery of old outstanding—Industries Department.

662. Further report awaited.

MINISTRY OF EXTERNAL AFFAIRS

EIGHTEENTH REPORT (SECOND LOK SABHA) VOL. I APPENDIX I

S. No. 26, para 47—Statement showing grants and expenditure relating to each Embassy, High Commission and other Legations, Consulates, etc. for the year 1955-56.

663. No comments.

EIGHTEENTH REPORT (SECOND LOK SABHA), VOL. II

S. No. 25, para 69 of the Seventh Report—administration of the scheme of Assistance.

664. The Committee desire that a target date for finalisation of the work should be fixed and progress of recovery reported periodically to Audit.

TWENTY-FIFTH REPORT (SECOND LOK SABHA) VOL. I
APPENDIX I

.S. No. 5, para 11(b)—*Budgeting and Control over expenditure.*

665. The Committee desire that a suitable procedure to ensure that the debits in respect of supplies and services are adjusted in the accounts expeditiously, should be devised at an early date.

TWENTY-FIFTH REPORT (SECOND LOK SABHA), VOL. II
APPENDIX I

.S. Nos. 10-11, paras 17-18—*Avoidable expenditure.*

666. No comments.

.S. No. 12—para 21—*Infructuous expenditure.*

667. No comments.

.S. No. 13—para 23—*Waiver of recovery.*

668. The Committee regret to note that responsibility for overpayment of the Foreign Allowance could not be fixed due to belated consideration of the question.

.S. No. 14—para 26—*Premature expenditure on the proposed construction of a residence for the Head of a Mission.*

669. The Committee may be informed of further developments in the utilisation of the land in due course.

.S. No. 41, para 75—*Purchase of property and lease hold lands in foreign countries.*

670. The Committee desire that final action taken in the matter may be communicated to them at an early date.

MINISTRY OF LAW

EIGHTEENTH REPORT (SECOND LOK SABHA), VOL. I
APPENDIX I

.S. No. 91, para 127—*Safeguarding clauses in contracts.*

671. Consideration deferred.

.S. No. 92, para 128—*Safeguarding in contracts.*

672. No comments.

MINISTRY OF INFORMATION AND BROADCASTING

EIGHTEENTH REPORT (SECOND LOK SABHA) VOL. I

S. Nos. 83-84—paras 119-120—All India Radio-Financial Review by the Director General.

673. (i) The Committee desire that the proforma accounts should be so drawn up in future as to present a realistic statement of the services for which the A.I.R. gets a return. They find that the deficit as worked out is still considerable. This should be progressively reduced.

(ii) See para 71 of the Twenty-fifth Report (Second Lok Sabha) Vol. II.

(iii) No comments.

(iv) The Committee would watch the effect of the steps taken for reducing the loss on radio publications.

**TWENTY-FIFTH REPORT (SECOND LOK SABHA) VOL. II
APPENDIX I**

S. No. 79, Para 115—Contract without formal agreement.

674. Consideration deferred.

S. No. 80, para 116—Contract without formal agreement.

675. No comments.

S. No. 81, para 117—Losses, writes off.

676. No comments.

S. N. 82, para 118—Physical verification of consumable stores at A.I.R. stations, Hyderabad and Aurangabad.

677. No comments.

S. No. 85, para 121—Anti-piracy campaign.

678. No comments.

**EIGHTEENTH REPORT (SECOND LOK SABHA), VOL. II
APPENDIX I**

S. No. 103—para 194 of the Seventh Report—Radio Publications

679. See remarks against Item No. 1 (iv) above.

**TWENTY-FIFTH REPORT (SECOND LOK SABHA) VOL. II
APPENDIX I**

S. No. 104,—para 195 of the Seventh Report—Commercialisation of the accounts of A.I.R.

680. The Committee feel that review of the AIR by the S.R.U. is taking a long time. They would urge the need for expedition in introducing economy measures to bring down the deficit in the working of the A.I.R. Services.

S. No. 39, para 71—A.I.R.—Financial Review by the Director General.

681. No comments.

Para 334—Constitution of the radio programme Advisory Committees for various stations.

682. No comments.

Suggestion for the discontinuance of the inclusion of the financial stock-taking report of the Calcutta Telephone Automatisation Project in the D.G.'s. Financial Review—Memorandum No. IX—para 62 of 10th Report (1st Lok Sabha.)

683. The Committee considered the above Memorandum and agreed to the request of the D.G., P & T. that as the work on the Calcutta Telephone Automatisation Project had almost been completed, the inclusion of the financial stock-taking Report of the Project in the D.G.'s Annual Financial Review of the P. & T. Department, published with the Appropriation Accounts of the Department, may be discontinued.

The Committee also directed that their decision may be communicated to the D.G.P. & T.

684. The Committee then adjournment till 14.30 hours on Monday the 4th December, 1961.

**Proceedings of the Thirty-third sitting of the Public Accounts
Committee held on Tuesday, the 12th December, 1961.**

685. The Committee sat from 15.00 to 16.45 hours.

PRESENT

Shri C. R. Pattabhi Raman—*Chairman.*

MEMBERS

2. Shri Rohan Lal Chautrvedi
3. Shri Aurobindo Ghosal.
4. Shri Hem Raj
5. Shri R. S. Kiledar
6. Shri G. K. Manay
7. Dr. Pashupati Mandal
8. Dr. N. C. Samantsinhar
9. Dr. G. S. Melkote
10. Pandit Dwarka Nath Tiwary
11. Shri Ramji Verma
12. Dr. Shrimati Seeta Parmanand
13. Shri Mulka Govinda Reddy.

Shri G. Swaminathan, *Addl. Dy. Comptroller & Auditor
General.*

Shri P. V. R. Rao, *Accountant General, Central Revenues.*

Shri P. K. Rau, *Director of Audit, F.R.S.C.S. & M.*

Shri P. K. Sen, *Director of Commercial Audit.*

SECRETARIAT

Shri V. Subbaramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

686. The Committee took up consideration of the statements showing action taken or proposed to be taken on the outstanding recommendations by the Ministries of Information & Broadcasting, Finance, Food & Agriculture and Transport & Communications. They made the following observations against the various items.

MINISTRY OF INFORMATION & BROADCASTING

EIGHTEENTH REPORT, VOL. I

APPENDIX I

S. No. 79, para 115—Contract without agreement

687. The Committee were not satisfied with the findings of the Enquiry Committee. They were surprised to note the observation that it is nothing unusual where a tender has been accepted to allow the contract to become operative, even before a formal agreement is executed. The Committee noted that the notice inviting tenders did not stipulate any absolute date by which the cash security had to be tendered, and even the text of the agreement as approved and sent for execution did not stipulate that the deposit should have been made at the time of execution. This, the Committee felt, was an omission on the part of the Ministry. They also felt that finalisation of the text of the agreement was unduly delayed. In view of the fact that the firm in question was not in existence till 1950 and nothing was known about its standing or financial resources, the Committee desired to reiterate their observation that the Ministry had not proceeded with caution in the matter.

MINISTRY OF FOOD & AGRICULTURE

(DEPARTMENT OF AGRICULTURE)

EIGHTEENTH REPORT, VOLUME II

APPENDIX I

S. No. 95, para 186 of Seventh Report—Profit and Loss Account of Forest Department, Andaman and Nicobar Islands

688. No comments.

EIGHTEENTH REPORT, VOLUME I

APPENDIX I

S. No. 5, para 12(b)—Budgetary control

689. No comments.

S. No. 55, para 89—Payment of grants-in-aid in excess of requirements.

690. No comments.

S. No. 56, para 90—Payment of grants-in-aid in excess of requirements

691. The Committee would watch the working of the alternative procedure.

S. No. 57—para 91—Payment of grants-in-aid in excess of requirements

692. The same as against item No. 4 above.

S. No. 58, para 92—C.T.O.—Government Capital Accounts

693. The Committee desired that the remaining work of reconciliation should be completed at an early date.

S. No. 59, para 93—Transfer to the Fund for the benefit of Cotton Growers

694. No comments.

S. No. 61, para 95—Unnecessary purchase of machinery

695. No comments.

S. No. 62, para 96—Disposal of non-tractor parts not required for use in the C.T.O.

696. No comments.

DEPARTMENT OF FOOD

S. No. 66, para 102—Trading loss on sale of rice

697. No comments.

S. No. 67, para 103—Outstanding Advances

698. The Committee regretted to note that even after a lapse of more than two years since the matter was reported on by the P.A.C. (1958-59) the accounts rendered are still not complete.

S. No. 68, para 104—Loss on the purchase of condensed Milk

699. The Committee felt that the submission of the note had been inordinately delayed. They desired that it should be furnished to them without further delay.

S. No. 75, para 111—Forest Department, Andamans

700. See paras 89-90 of the report.

DEPARTMENT OF AGRICULTURE TWENTY-FIFTH REPORT, VOLUME I APPENDIX I

S. No. 6, para 11(c)—Budgetary control

701. No comments.

TWENTY-FIFTH REPORT—VOLUME II
APPENDIX I

S. Nos. 15—17, paras 28, 29, 31—Delay in execution of a scheme.

702. The Committee would like to watch further progress and the results achieved.

S. Nos. 18-19, paras 34-35—Non-recovery of dues

703. See paras 89-90 of the Report.

S. No. 20, para 38—Avoidable extra expenditure due to diversion of a vessel from Vishakhapatnam to Kakinada.

704. The Committee desired that the submission of the note should be expedited by the Ministry of W. H. & S.

DEPARTMENT OF FOOD

S. No. 21, para 40—Loss due to non-delivery of foodgrains by a transport contractor.

705. The Committee may be informed of (i) action taken against the officials concerned and (ii) whether the decretal amount has been recovered. See also para 8 (Introd.) of the report.

S. No. 22, para 43—Avoidable extra expenditure on the chartering of vessels

706. No comments.

S. No. 23, para 45—Unprofitable outlay on Buhler Grain Discharging Plant

707. The Committee understood from Audit that the plant had been shifted to Kandla. They would like to know whether it was working satisfactorily.

S. No. 24, para 48—Loss due to belated diversion of food shipment.

708. No comments.

S. Nos. 26-27, paras 52-53—Non-recovery in full of contractual dues from four firms.

709. No comments.

S. No. 28, para 55—Proforma Accounts of imported foodgrains

710. No comments.

S. No. 31, para 60—Infructuous expenditure

711. The Committee desired that the action taken in the matter should be communicated to them at an early date.

MINISTRY OF FINANCE

EIGHTEENTH REPORT, VOL. II

APPENDIX I

S. No. 39, para 88 of 7th Report—Taxes on Income including Corporation Tax

712. The Committee would watch the progress made in the realisation of outstanding demands of income tax through future Audit Reports.

S. No. 40, para 92 of 7th Report—Consumable stores at Alipur Mint.

713. No comments.

S. No. 41, para 95 of 7th Report—Physical verification of the Balance of stores

714. No comments.

EIGHTEENTH REPORT, VOL. I

APPENDIX I

S. No. 1, para 4, (Introd.)—Budgetary Control.

715. No comments.

S. N. 2, para 5 (Introd.)—Budgetary Control.

716. No comments.

S. No. 3, para 11—Budgetary Control

717. No comments.

S. No. 4—para 12—Matching Grants to States

718. No comments.

S. Nos. 27—30, paras 49—53—Loss in the working of the Bank

719. The Committee desired that the submission of the requisite note should be expedited.

S. No. 31—para 54(i)—Grant of interest free loans by Government to TISCO and IISCO.

720. No comments. See para 171 of the Report, Part I.

Para 54(ii)—Practice of allowing a period of moratorium to new units.

The submission of the note should be expedited.

S. No. 32, para 56—Sundry Debtors

721. The submission of the note should be expedited.

S. No. 33, para 57—Review of Stores and capital outlay position at Alipore Mint.

722. The submission of the note should be expedited.

S. No. 34, para 59—Erroneous drawal of commission by authorised agents for the sale of National Savings, National Plan Certificates.

723. The Committee would like to know the results of efforts being made to recover the amount from the sureties.

S. No. 35, para 60—Audit of Income-tax receipts

724. No comments.

S. No. 36, para 61—Measures taken to check the evasion of income-tax

725. No comments.

S. No. 37, para 62—Income-tax cases

726. No comments.

S. No. 38, para 63—Clearance of outstanding Audit objections.

727. No comments.

S. No. 39, para 64—Purchase of chancery building

728. No comments.

S. No. 40, para 65—Control over grant-aided bodies

729. The Committee felt that when Government placed large amount at the disposal of *Ad Hoc* bodies, whether registered or not, they should see that the bodies were equipped with proper machinery for implementation of the schemes and for proper accounting for the expenditure. If they were unable to procure the services of

qualified personnel from the open market, Government should lend the services of such personnel to them.

S. No. 60, para 94—Wasteful expenditure on air freight

730. No comments.

Para 389—Opium Factory, Gazipur—Store Account

731. No comments.

TWENTY-FIFTH REPORT, VOLUME I
APPENDIX I

S. No. 1, para 6 (Introd.)—Budgetary Control

732. No comments.

S. No. 2, para 2—Budgetary Control

733. No comments.

S. No. 3, paras 6 & 7—Budgetary Control

734. No comments.

S. No. 4, para 9—Budgetary Control

735. No comments.

S. Nos. 29-30, paras 35-36—Extra expenditure incurred due to delay in the erection and installation of a silver refinery plant

736. The Committee viewed the delay in the submission of the information with concern. They desire that the submission of notes should be expedited.

S. No. 31, Para 37—Loss due to shortage of metal in a Mint

737. The requisite information should be furnished without delay.

S. No. 32, Para 38—Gurantees given by the Central Government

738. No comments.

S. No. 33, Para 39—Outstanding demands of income-tax revenue

739. See remarks against item No. 1 under 18th Report, Vol. I, II above.

S. No. 34, Para 40—Clearance of outstanding objections.

740. No comments.

S. No. 35, Para 41—Payment of advances by Government to Private Firms, Public Undertakings, etc.

741. No comments.

MINISTRY OF TRANSPORT & COMMUNICATIONS

(DEPARTMENT OF TRANSPORT)

15th REPORT (1954-55)

Scheme for the purchase and construction of Lighters (Group Head EE)—Para 66

742. Further developments should be reported to the Committee.

7TH REPORT (1957-58)

Infructuous expenditure on account of demurrage payable in respect of Bhilai Steel Plant Imports—Para 213

743. No comments.

Submission to Parliament of the Audit Report relating to various Port Trusts—Para 230

744. The Committee desired that being important instrument of Parliamentary Control, the Audit Reports on Port Trusts should be laid before Parliament.

Hindustan Shipyard Ltd.—Defective Construction of certain ships—Para 233 of 7th Report (1957-58), Para 150 of 18th Report (1958-59) and Paras 83 and 84 of 25th Report Vol. II (1959-60).

745. No comments.

Overdraft with the State Bank—Para 235 of 7th Report

746. No comments.

18TH REPORT (1958-59)

Delay in the execution of the contracts for new vessels—Para 146

747. No comments.

Hindustan Shipyard Ltd.—Losses in the Shipyard—Para 147

748. No comments.

Unsatisfactory Method of fixing prices—Para 148

749. No comments.

Surplus Stores—Para 149

750. No comments.

25th Report—Vol. II (1959-50)—Loss due to belated diversion of food shipment—Para 49

751. No comments.

Irregularities noticed in the Accounts of a Tourist Office—Paras 74—76

752. Para 74(i). Further developments should be reported to the Committee.

(ii) & (iii). No comments.

Para 75

753. No comments.

Para 76

754. Further report might be awaited.

Construction of an oil jetty—Para 79

755. No comments.

Excess payment to a contractor—Para 81

756. Further developments might be reported to the Committee.

DEPARTMENT OF COMMUNICATIONS AND CIVIL AVIATION***Recoveries from the Chinese (KMT)—Government—Para 227 of 7th Report (1957-58).***

757. A note from the Ministry might be awaited.

EIGHTEENTH REPORT (1958-59)***Non-recovery of insurance value of aircraft loaned to a flying club—Para 142***

758. A note from the Ministry might be awaited.

Air India International Corporation—Bad and doubtful debts—Para 143

759. No comments.

Regulation for officers and employees of the Corporation not prescribed—Para 144

760. No comments.

Avoidable loss of Rs. 4 lakhs—Para 145

761. No comments.

TWENTY-FIFTH REPORT (1959-60)

Losses, writes off, etc.—Para 86

762. The Committee felt that in the light of the information given by the Ministry of Transport & Communications the earlier stand taken by the Ministry of W. H. & S. that "the loss was not due to defective or unsatisfactory storage condition" was not justified.

Infructuous expenditure on Watch and Ward and non-recovery of ground rent—Para 89

763. The Committee were not satisfied with this explanation. They considered it obvious that there was no urgency for the purchase of the buildings which remained unutilised for over six years and then demolished. They would like to be informed of the reasons for delay in preparation of the survey report.

Paras 91—108 of 25th Report, Vol. II

764. The Committee deprecated the delay on the part of the Department in furnishing notes on the above-mentioned paras. They desired that this should be commented upon in the introduction to their report.

765. The Committee then adjourned.

**Proceedings of the 34th Sitting of the Public Accounts Committee
held on Wednesday, the 13th December, 1961.**

766. The Committee sat from 15.00 to 16.00 hours.

PRESENT

Shri C. R. Pattabhi Raman—*Chairman.*

MEMBERS

2. Shri Rohan Lal Chaturvedi
3. Shri Aurobindo Ghosal
4. Shri Hem Raj
5. Shri S. A. Matin
6. Dr. G. S. Melkote
7. Dr. N. C. Samantsinhar
8. Shri Ramji Verma
9. Dr. Shrimati Seeta Parmanand
10. Shri Mulka Govinda Reddy
11. Shri Rajeshwar Prasad Narain Sinha
12. Shri Jai Narain Vyas

Shri G. Swaminathan, *Addl. Dy. Comptroller & Auditor
General.*

Shri P. V. R. Rao, *Accountant General, Central Revenues.*

Shri P. K. Sen, *Director of Commercial Audit.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

767. The Committee took up for consideration statements of outstanding recommendations relating to the Industrial Finance Corporation, Rehabilitation Finance Administration and Ministry of Finance (item relating to New Service).

MINISTRY OF FINANCE
(DEPARTMENT OF ECONOMIC AFFAIRS)
EIGHTEENTH REPORT, VOL. II
(APPENDIX I)

S. No. 46, Paras 110-111 of the 7th Report—Regularization of expenditure incurred without approval of Parliament or State Legislature on an item adjudged as 'New Service' after the close of the year.

768. The Committee considered the Memorandum prepared by this Secretariat on the subject and agreed that the only way to regularise the default in question was to move a resolution in the House explaining the circumstances of the case and getting its retrospective approval to the money spent on such item. The Committee desired that a separate paragraph on the lines indicated in the Memo. should be incorporated in the Report proper.

Industrial Finance Corporation

S. No. 59—Para 137, 7th Report—Grant of excessive pay to the Corporation's employees posted to the loanee companies.

769. The Committee regret to note that there had been undue delay in finalising the staff regulations of the I.F.C. which are under consideration of the Corporation for the last four years. They would like to be informed of the action taken by the Ministry of Finance to ensure expeditious compliance with the recommendation of the Committee. Further, the fact that the staff regulations as a whole are pending finalisation should not hold up unduly a decision on the recommendations made by the P.A.C. on a specific issue namely fixation of ceiling in respect of pay granted to Corporation's employees posted to loanee companies.

S. No. 62—Para 142, Percentage of establishment charges of the I.F.C.

770. (i). No comments.

Eighteenth Report (Second Lok Sabha)—Vol. I, App. I, S. Nos. 49—54, Paras 79—87

770(ii). No comments.

Rehabilitation Finance Administration

Eighteenth Report (Second Lok Sabha)—Vol. I, App. I, S. Nos. 41—43—Paras 66—71

770. (iii) No comments.

S. No. 44, Para 73—Loans advanced in spite of adverse reports by the local authorities/State Government or Field Staff

771. The Committee are not satisfied with the explanations furnished by the Ministry in this case. In their opinion, by sanctioning loans in disregard of the advice given by local authorities/their own field staff, the Administration had failed to safeguard the interests of the Exchequer.

S. No. 45, Para 75, Omission to incorporate important terms and conditions in the letters of sanction of loans

772. No comments.

S. No. 46—Para 76—Irregularities in the administration of loans and recovery proceedings

773. (i) No comments.

(ii) The Committee approved a draft para prepared in this case for incorporation in the main body of the Report.

S. No. 47—Para 77—Under-charge of rent from officers of R.F.A.

774. The Committee note that the Ministry of Works, Housing and Supply have issued standing instructions in the matter and have also asked the other Ministries concerned to implement them in regard to accommodation under their administrative control. It is left to that Ministry to ensure that the instructions of Government are duly followed by all concerned.

S. No. 48—Para 78—Provision for bad and doubtful debts

775. No comments.

Paras 42-43 of 25th Report (Second Lok Sabha)

776. No comments.

777. The Committee then adjourned till 16.00 hours on Thursday, the 14th December, 1961.

**Proceedings of the 39th Sitting of the Public Accounts Committee
held on Friday, the 9th March, 1962.**

778. The Committee sat from 10.30 to 11.30 hours.

PRESENT

Dr. Shrimati Seeta Parmanand—*Chairman*

MEMBERS

2. Shri Rohan Lal Chaturvedi
3. Shri Aurobindo Ghosal
4. Shri G. K. Manay
5. Shri S. A. Matin
6. Shri Purushottamdas R. Patel
7. Pandit Dwarka Nath Tiwary
8. Shri Ramji Verma
9. Shri Lalji Pendse
10. Shri Rajeshwar Prasad Narain Sinha
11. Shri Jai Narain Vyas.

Shri G. Swaminathan, *Addl. Dy. Comptroller and Auditor
General (R)*.

Shri P. V. R. Rao, *Accountant General, Central Revenues.*

Shri P. K. Sen, *Director of Commercial Audit.*

Shri P. K. Rau, *Director of Audit, FRSCS & M.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

779. In the absence of Shri C. R. Pattabhi Raman, Chairman, Public Accounts Committee, the members of the Committee present chose Dr. Shrimati Seeta Parmanand to act as Chairman for the sitting of the Committee in accordance with Rule 258(3) of the Rules of Procedure and Conduct of Business in Lok Sabha.

MINISTRY OF HEALTH

*Statement of Outstanding Recommendations relating to the Ministry
of Health*

780. The Committee took up consideration of the above-mentioned statement and offered the following comments.

EIGHTEENTH REPORT (SECOND LOK SABHA)*Overbudgeting—Para 13 (d)*

781. (i) *Grants for medical purposes—No comments.*

(ii) *All India Medical Institute—No comments.*

(iii) *Family Planning.*—The Committee decided to watch the working of the revised procedure for giving of grants to State Governments.

National Water Supply and Sanitation Programme—Para 105

782. No comments.

Financial results of the manufacture of vaccines and sera at the Central Research Institute, Kasauli—Para 106

783. No comments.

Commercialisation of the Accounts of the Central Research Institute, Kasauli—Para 107 of 18th Report and Para 681 of the 34th Report (Second Lok Sabha)—Part II

784. The Committee regretted the delay in the commercialisation of the Accounts of the Institute and desired that the matter should be finalised without further delay.

Financial review of the working of the Medical Store Depots and Factories—Para 108

785. The Committee decided to await the Report of the Mudaliar Committee and the action taken thereon by Government.

Eviction of a tenant from the premises of the Medical Stores Depot, Bombay—Para 109

786. The Committee desired to be apprised of further developments in the matter.

Twenty-fifth Report (Second Lok Sabha)—Vol. I—Overbudgeting—Para 11 (e)

787. The requisite information is still awaited.

Absence of coordination in the Building Project of the All India Institute of Medical Sciences—Para 44

788. No comments.

Para 45—

789. The requisite information is still awaited.

Property not handed over to the Institute—Para 46

790. The Committee were concerned to note that as many as 93 quarters of the Institute were still in occupation of the non-Institute employees. They desired that effective steps should be taken by Government to get these quarters vacated and handed over to the Institute.

Infructuous expenditure on hire of trucks—Para 50

791. The requisite information is still awaited.

Avoidable payment of interest charges—Para 52

792. The Committee offered the following comments:

“The Committee are not happy over the manner the Delhi Administration and the Deputy Commissioner’s Office had acted in this case. After requesting the Central Ministry of Health for expenditure sanction in July, 1954, the Administration did not bother to know the outcome of their request for about three years till the matter was pressed by the landowner. Nor did the Deputy Commissioner’s Office with whom the matter was continuously pursued by the claimant keep any track of its request made in April 1954. The plea of over-work in the Deputy Commissioner’s Office advanced by the Ministry for the above lapse is hardly tenable.”

Para 53

793. The Committee desired to be informed of the decision of the Ministry of Food and Agriculture in due course regarding the addition of a proviso to section 34 of the Land Acquisition Act to the effect that interest will not be payable where the person claiming interest had been guilty of any default or negligence.

794. The Committee then adjourned to meet again at 15.00 hours on Monday, the 12th March, 1962.

Proceedings of the 40th Sitting of the Public Accounts Committee held on Monday, the 12th March, 1962.

795. The Committee sat from 15.00 to 16.25 hours.

PRESENT

Shri C. R. Pattabhi Raman—*Chairman.*

MEMBERS

2. Shri Hem Raj
 3. Dr. Pashupati Mandal
 4. Dr. G. S. Melkote
 5. Shri Purushottamdas R. Patel
 6. Pandit Dwarka Nath Tiwary
 7. Shri K. K. Warior
 8. Dr. Shrimati Seeta Parmanand
 9. Shri Rajeshwar Prasad Narain Sinha
 10. Shri Jai Narain Vyas
- Shri G. Swaminathan, *Additional Deputy Comptroller and Auditor General.*
- Shri P. V. R. Rao, *Accountant General, Central Revenues.*
- Shri P. K. Rao, *Director of Audit, Food, Rehabilitation, Supply, Commerce, Steel and Mines.*
- Shri P. K. Sen, *Director of Commercial Audit.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

796. The Committee took up consideration of the Statement showing action taken or proposed to be taken on the outstanding recommendations by the Ministry of Commerce and Industry. They made the following observations against the various items.

SIXTEENTH REPORT (FIRST LOK SABHA)

1. Para 111—*Price of indigenous penicillin as compared with the imported penicillin.*

797. No comments.

TWENTY-THIRD REPORT (FIRST LOK SABHA)

2. *Para 31—Purchase and Sale of Japanese Cloth Amount Recoverable from M/s. Banwarilal and Co.*

798. No comments.

EIGHTEENTH REPORT, VOL. II (SECOND LOK SABHA)

3. *Item 5, App. I—Co-ordination Committee for Small Industries.*

799. The Committee would like to know the latest position in this regard.

4. *Item 9, App. I—Printing of the pamphlet entitled 'The New India, Your Market'.*

800. The Committee would like the Ministry to come to an independent judgment and fix responsibility on the Officer(s) concerned.

5. *Item 11, App. I—Adjustment of the balance of Rs. 30,490.11 due from the mills.*

801. The Committee feel that the accounts should be closed. Credits, if any received later, may be adjusted separately.

6. *Item 13, App. I—Settlement of the claims of undivided Government of Bengal and the old Delhi Administration.*

802. The Committee would like the Ministry to take steps to expedite settlement of this matter.

7. *Items 15 & 16, App. I—Working of the National Instruments Ltd.*

803. The Committee would like to watch the progress through future Audit Reports.

8. *Item 17, App. I—Departmental Enquiry.*

804. No comments.

EIGHTEENTH REPORT, VOL. I (SECOND LOK SABHA)

9. *Paras 17 and 18 (i)—Working of the Silk Board*

805. The new Committee might appoint a sub-Committee to go into the working of the Silk Board;

10. *Para 18 (ii)—Annual Reports on the working of the autonomous Boards.*

806. The Committee reiterate that Annual Reports on the working of every autonomous Board receiving non-lapsing grants from Government should be laid on the Tables of both the Houses of Parliament.

11. *Para 18 (iii)—Small/revolving credits to the States for financing various Schemes.*

807. No comments.

12. *Para 20—Finalisation of matters connected with accounts of subsidy on production and Sale of Khadi.*

808. The Committee are unable to accept the explanation of the Ministry that the Irregularities were mainly consequential on certain decision taken by the former Board..... as it could not be verified by Audit. They reiterate their earlier recommendation that suitable disciplinary action should be taken against the officials responsible for the irregularities. They would also like the agreement form to be finalised at an early date.

13. *Para 22 (i)—Participation by the trade in various fairs and exhibitions.*

809. The Committee are not satisfied with the reply of the Ministry that their recommendaion has been noted. They would like to know whether the procedure has since been reviewed and action taken as a result thereof.

14. *Para 22 (ii)—Expenditure of Rs. 1.25 crores incurred by Government.*

810. The Committee are dissatisfied about the manner in which this case has been handled. They feel that there must be a time limit with regard to the closing of the accounts failing which Government should institute an Enquiry.

15. *Para 28—Defective Clauses of the old agreement with the Swiss firm.*

811. No comments.

16. *Para 31—Guaranteed purchase of American Cotton*

812. No comments.

17. *Para 32—Economic utilisation of perennial spring of brine at Maigal.*

813. The Committee would like to know further progress made in this regard.

18. *Para 34—Installation of the Washery plant at Sambhar.*

814. The Committee would like to know the latest position in this regard.

TWENTY-FIFTH REPORT, VOL. I (SECOND LOK SABHA)

19. *Paras 14—16—Show-room at Geneva.*

815. See paras 18—20 of the Report.

20. *Paras 17-18—Running of various emporia.*

816. (i) See para 40 of the 34th Report (Second Lok Sabha).

(ii) To be considered by the Committee.

(iii) No comments.

21. *Para 19—Financial procedure followed by the Commission.*

817. The Committee would like to know whether financial regulations have been finalised by the Commission.

22. *Para 20—Operation of grants-in-aid by the Commission.*

818. The Committee would like to watch the progress through future Audit.

23. *Para 21—Working of Coir Board*

819. No comments.

24. *Para 22—Loss and infructuous expenditure due to delay in the disposal of exhibits.*

820. No comments.

25. *Para 23—Amalgamation of the Trade Marks Registry and the Patent Office.*

821. The Committee would like to know the latest position in the matter.

822. The Committee then adjourned to meet again at 14.30 hours on Tuesday, the 13th March, 1962.

Proceedings of the 41st Sitting of the Public Accounts Committee held on Tuesday, the 13th March, 1962.

823. The Committee sat from 14.30 to 16.00 hrs.

PRESENT

Shri C. R. Pattabhi Raman—*Chairman*.

MEMBERS

2. Shri Hem Raj.
3. Dr. Pashupati Mandal
4. Dr. G. S. Melkote
5. Shri Purushottamdas R. Patel.
6. Dr. N. C. Samantsinhar
7. Pandit Dwarka Nath Tiwary
8. Shri K. K. Warior
9. Dr. Shrimati Secta Parmanand
10. Shri Lalji Pendse
11. Shri Rajeshwar Prasad Narain Sinha

Shri G. Swaminathan, *Addl. Deputy Comptroller & Auditor General (R)*.

Shri P. K. Rau, *Director of Audit, F.R.S.C.S. & M.*

Shri P. K. Sen, *Director of Commercial Audit.*

Shri P. V. R. Rao, *Accountant General, Central Revenues.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Draft Forty-first Report on Excesses over Voted Grants and Charged Appropriations disclosed in the Appropriation Accounts (Civil), 1959-60.

824. The Committee considered and approved the above-mentioned Report subject to certain modifications here and there.

The Committee authorised the Chairman to present the Report to Lok Sabha. They also authorised Shri R. P. N. Sinha to lay a copy of the Report on the Table of Rajya Sabha.

Statement of Outstanding Recommendations relating to the Ministry of Steel, Mines and Fuel.

825. The Committee then took up consideration of the above-mentioned Statement, and offered the following comments.

DEPARTMENT OF MINES & FUEL
SEVENTH REPORT (SECOND LOK SABHA)

Non-realisation of stowing excise duty on coal and coke transported by means other than rail—para 224

826. No comments.

Delay in disposal of Government building—para—226

827. The Committee desired that the matter should be finalised at an early date and a report submitted to them.

EIGHTEENTH REPORT (SECOND LOK SABHA)

Losses in the working of State Collieries—para 140

828. The Committee desired to be furnished with the following information:

- (i) to what extent, the efforts made by Government have resulted in the reduction of losses;
- (ii) What decision has been taken regarding the advisability or otherwise of continuing the working of the collieries showing perpetual losses.

Briquetting of Coal Dust—para 141

829. The Committee desired to be apprised of the outcome of the experiments proposed to be carried out at the Central Fuel Research Institute for preparing binderless briquettes under controlled oxidation at a high pressure briquetting press.

19th Report (Second Lok Sabha) on the working of the Coal Mines Safety and Conservation Fund

Working of the Coal Board—Para 4 (Introd.).

830. No comments.

Collection of excise duty on coal and coke by means other than rail—Para 13.

831. The Committee desired that Government should re-examine the desirability of appointing some special staff to carry out surprise inspections with a view to ensuring that there was no movement of coal by means other than rail except under proper authority and consequently no evasion of the Central cesses.

Budgeting and control over expenditure—Paras 15, 16 and 17.

832. No comments.

*Central Government's control over the operations of the Fund—
Paras 18 and 19.*

833. No comments.

*Stowing for safety and conservation—Paras 5 (Introd.), 22, 23, 25,
28 and 31.*

834. No comments.

Washing of coal—Para 33.

835. No comments.

Blending—Paras 6 (Introduction) and 36.

836. The Committee desired to have a further report regarding the Coal Board's Scheme for introducing blending as a regular programme.

Pegging policy—Para 39.

837. No comments.

*Consumption of superior qualities of coal by the Railways—Paras 7
(Introduction) and 42.*

838. No comments.

Research Activities—Para 44.

839. The delay in transfer of the research work of the Board to the Central Mining Research Station, Dhanbad was too long. The Committee felt that had this been done earlier, a part of the infructuous expenditure incurred on the junior investigating staff could have been avoided.

Grading of coal—Paras 6 (Introduction) and 46.

840. The Committee desired to be furnished with a further report regarding the simplification of procedure for drawing of samples.

*Extraction of coal under Railway lines and sidings and under Jharia
and Barakar Towns—Para 50.*

841. No comments.

*Functions and responsibilities of the Coal Board vis-a-vis those of the
Chief Inspector of Mines—Para 52.*

842. No comments.

Coal Board vis-a-vis Coal Controller's Organisation—Para 53.

843. No comments.

DEPARTMENT OF IRON & STEEL

EIGHTEENTH REPORT (SECOND LOK SABHA)

Loss due to delay in preferring claims with the Railways—Para 29.

844. The Committee offered the following comments:—

"The Committee are pained that the Iron & Steel Control Organisation did not investigate the matter fully for years after the non-receipt of wagons at the destination came to its notice. In their opinion, the present case is illustrative of the fact that with the efflux of time, it becomes increasingly difficult to spot delinquent officials and to take action against them. The Committee trust that care will henceforth be taken by the Organisation to ensure that investigations are initiated soon after irregularities came to its notice."

Payment to the Resident Engineer—Para 135.

845. The Committee desired to be apprised of the progress in the recovery of Rs. 28,011 from the consultancy fees to the Combine.

Loss through premature borrowings—Para 136.

846. (i) The Committee hoped that the Hindustan Steel Ltd. would henceforth prepare the estimates more realistically.

(ii) No comments.

Measures against pilferage of stores at the Steel Projects—Para 137.

847. (i) *Construction of perimeter walls:*

No comments.

(ii) *Stock verification:*

The Committee desired to be furnished with a further report re: the position of stock verification at the three Steel Projects. They also wanted to be informed whether the shortage of 6 items valued at Rs. 16.16 lakhs under Group 'B'—Other Deptts. in Rourkela during 1959-60 had been investigated and if so, with what results.

(iii) *Improvements effected in the storage of materials:*

No comments.

Training of Indian Engineers—Para 138.

848. No comments.

TWENTY-FIFTH REPORT (SECOND LOK SABHA)—VOL. I*Losses arising from delay in laying of railway tracks—Para 67.*

849. The requisite information is still awaited.

Extra expenditure on the purchase of electric shovels—Paras 69-70.

850. The requisite information is still awaited.

Delay in the completion of Blast Furnace—Para 73.

851. The Committee offered the following comments:—

“While the Committee note the Hindustan Steel’s anxiety to have the blast furnaces commissioned according to schedule, they are unable to understand why the Company should have itself borne the liability for the extra expenditure of about Rs. 30 lakhs instead of passing it on to the defaulting contractor whose failure to employ extra plant and machinery, as per the terms of the Contract, was principally responsible for the work falling into serious arrears”.

852. *Paras 74-75.*—The requisite information is still awaited.

Contract for the foundations and civil engineering work for the Rolling Mills.

853. (i) *Para 77.*—The Committee approved the following comments:—

“The Committee are not satisfied with the explanation of the Ministry of Steel, Mines & Fuel (Deptt. of Iron & Steel). In this connection, they would invite attention to the views of the Estimates Committee expressed in para 107 of their 33rd Report (1958-59) that the difficulty regarding the timely procurement of the equipment arose because of inadequate planning. The Committee trust that the Hindustan Steel will benefit by its experience in the present case.”

(ii) *Para 78.*—No comments.

(iii) *Para 79.*—No comments.

TWENTY-SIXTH REPORT (SECOND LOK SABHA)

Outstanding dues from two main producers of Steel—Paras 8, 9 and 10.

854. The Committee offered the following comments:—

"Although nearly two years have elapsed since the Committee of 1959-60 had urged upon the Iron & Steel Control Organisation to proceed with the work of recovering the outstandings from the main producers with utmost expedition, much headway has not yet been made in the matter. The Committee desire that the matter should be finalised without further delay."

Non-finalisation of 'advance' and 'on account' payments of subsidy to importers of Iron & Steel—Paras 14, 15, 16 & 17.

855. The requisite information is still awaited.

Amounts due from sundry debtors of the Steel Equalisation Fund—Para 20.

856. The Committee noted that a draft para on the subject had been included in ensuing Draft Report on Civil Accounts.

Irregularities connected with import of steel on subsidy basis—Para 24.

857. The requisite note is still awaited.

Delay in effecting recoveries—Paras 28 and 29.

858. The requisite information is still awaited.

Undue financial concession to a Steel Company—Para 31.

859. The Committee desired to be informed of further progress in the adjustment of the remaining amount due from the Company (about Rs. 30 lakhs).

NAHAN FOUNDRY LTD.

Implementation of the recommendations of the expert ad hoc Committee—Para 38 of 7th Report and Item No. 14 of 18th Report—Vol. I^F (Appendix II).

860. No comments.

Reconstruction of the capital structure of Nahan Foundry Ltd.—Para 33 of 18th Report and para 24 of 25th Report—Vol. I^F.

861. No comments.

Goods on consignment lying unsold for a long time—Para 25 of 25th Report—Vol. I.

862. No comments.

Large outstandings under loans and advances—Para 26 of 25th Report—Vol. I.

863. The Committee decided to watch the position through future Audit Reports.

SINDRI FERTILIZERS AND CHEMICALS LTD.

Twenty-Fifth Report (Second Lok Sabha)—Vol. I

Rated capacity not achieved according to the original estimates—Para 28.

864. The Committee noted that this matter has been dealt with in detail in the 120th Report of the Estimates Committee (Second Lok Sabha).

Extra expenditure incurred in the construction of electric repair and instrument shop building—Para 29.

865. No comments.

Extra expenditure on the purchase of coal for the Coke Ovens—Para 31.

866. The Committee felt that this matter should be pursued further with the suppliers and the Coal Controller to persuade the suppliers to agree to the payment by the company (for the supplies of coal) on the results of quality analysis carried out by the company and such a provision should be reinserted in the purchase orders to avoid the recurrence of the losses as mentioned in this case.

Shortage of coke—Para 32.

867. The Committee decided to watch the position through future Audit Reports.

Payment of heavy demurrage charges—Para 33.

868. No comments.

Methanol Plant at Sindri—Para 34.

869. The Committee desired to be informed of the disposal of the Methanol Plant.

870. The Committee then adjourned till 15-00 hrs. on Friday, the 16th March, 1962.

**Proceedings of the Forty-Second Sitting of the Public Accounts
Committee held on Friday, the 16th March, 1962.**

871. The Committee sat from 15-00 to 17-30 hours.

PRESENT

Shri C. R. Pattabhi Raman—*Chairman.*

MEMBERS

2. Shri G. K. Manay
3. Dr. N. C. Samantsinhar
4. Shri Ramji Verma
5. Shri K. K. Warior
6. Shri Rajeshwar Prasad Narain Sinha
7. Shri Jai Narain Vyas

Shri G. Swaminathan—*Addl. Dy. Comptroller & Auditor
General.*

Shri P. K. Rau, *Director of Audit, F.R.S.C.S. & M.*

Shri P. V. R. Rao, *Accountant General, Central Revenues.*

Shri P. K. Sen, *Director of Commercial Audit.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

872. The Committee took up consideration of their draft Forty-second Report on the Appropriation Accounts (Civil), 1959-60 and Audit Report (Civil), 1961 and approved, subject to certain modifications here and there:

- (i) Chapter I—Financial Results of the Government of India (Civil Grants), 1959-60;
- (ii) Chapter II—Budgeting and Control over Expenditure; and
- (iii) Draft paras relating to the Ministries of Commerce and Industry (Heavy Electricals Ltd., Nahan Foundry, National Small Industries Corporation and State Trading Corporation of India, Sindri Fertilizers & Chemicals Ltd.), Education, External Affairs, Finance, Food and Agriculture and Home Affairs.

873. The Committee then adjourned till 10-30 hours on Saturday, the 17th March, 1962 to take up further consideration of the draft paras relating to other Ministries.

Proceedings of the Forty-third Sitting of the Public Accounts Committee held on Saturday, the 17th March, 1962

874. The Committee sat from 10-30 to 13-00 hours.

PRESENT

Shri C. R. Pattabhi Raman—*Chairman*.

MEMBERS

2. Shri Purushottamdas R. Patei
3. Dr. N. C. Samantsinhar
4. Shri K. K. Warior
5. Dr. Shrimati Seeta Permanand
6. Shri Lalji Pendse
7. Shri Rajeshwar Prasad Narain Sinha
8. Shri Jai Narain Vyas

Shri G. Swaminathan, *Addl. Deputy Comptroller and Auditor General*.

Shri P. K. Rau, *Director of Audit, F.R.S.C.S. & M.*

Shri P. V. R. Rao, *Accountant General, Central Revenues*.

Shri P. K. Sen, *Director of Commercial Audit*.

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary*.

Shri Y. P. Passi—*Under Secretary*.

875. The Committee resumed consideration of their draft Forty-second Report on the Appropriation Accounts (Civil), 1959-60 and Audit Report (Civil), 1961 and approved, subject to certain modifications, draft paras relating to the Ministries of Commerce and Industry (main Ministry and Khadi and Village Industries Commission), Health, Information & Broadcasting, Irrigation & Power, Labour & Employment, Rehabilitation, Scientific Research & Cultural Affairs, Steel, Mines & Fuel (Deptt. of Iron & Steel including Hindustan Steel Ltd.), Deptt. of Mines & Fuel (including National Coal Development Corporation), Transport & Communications and Works, Housing & Supply.

876. The Committee authorised the Chairman to present the report to Lok Sabha. The Committee also authorised Shri Rajeshwar Prasad Narain Sinha to lay the Report on the Table of Rajya Sabha

877. The Committee then adjourned.

APPENDIX I

Summary of Main Conclusions/Recommendations

Sl. No.	Para No.	Ministries/Departments concerned	Conclusions/recommendations
1	2	3	4
1	6 (Intro)	All Ministries	<p>The need for expeditious submission of information called for by the Committee in the course of evidence has not yet been appreciated by the Ministries. For instance, the Committee had called for information on a number of points from the Ministries when they examined the representatives of those Ministries in August, 1961. The requisite information has not been furnished yet (March 1962), although more than seven months have elapsed. The Committee strongly disapprove of such delays. The delays hamper the work of the Committee and prevent them from recording their final conclusions in time on the merits of cases. An immediate consequence is that the number of outstanding items increases unnecessarily. This dislocates the programme of business of the Committee resulting in avoidable work allround.</p>
2	7 (Intro)	Do.	<p>(i) The position in regard to progress of action to be taken pursuant to the recommendations of the Committee is also not satisfactory. Successive Public Accounts Committees in the past have emphasised</p>

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the need for prompt action. The time limit of one month laid down by the Committee is not being observed by most of the Ministries. By such delays in taking action, the criticisms and suggestions made by the Committee in respect of some of the important procedural and financial matters lose much of the force.

(ii) In para 5 of the Introduction to their Twenty-third Report (First Lok Sabha), the Committee of 1956-57 had suggested that a senior officer in each Ministry should be nominated to be responsible for furnishing information called for by the Committee, taking appropriate action on other requests and for dealing with their recommendations. Despite the assurance that the Ministries have noted and implemented the recommendation, the Committee regret to point out that the position remains the same. In quite a number of cases, the delay exceeded two years. The Committee desire that the Ministry of Finance should take a serious view of this state of affairs.

3 8 (Intro) All Ministries

The Committee are also concerned to observe that despite their repeated emphasis on prompt action in disciplinary cases, the position is still far from satisfactory. Inordinate delays in initiating disciplinary action not only impair the standards of efficiency of

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			<p>public services but also undermine the financial interests of the State. The Committee would, therefore, again urge that disciplinary proceedings should be initiated as soon as an irregularity comes to notice and adequate punishment should be inflicted on guilty officials.</p>
4	3	<p>Finance</p> <hr/> <p>All Ministries</p>	<p>It is observed that in the cases referred to in para 2, the Supplementary Grants were mostly taken in the last month of the year <i>i.e.</i>, March, 1960 and that the savings were also surrendered in the same month. This indicates that Supplementary Grants were obtained without taking into account the savings available within the Grant. In the Committee's opinion more effective measures for control over the progress of expenditure and assessment of requirements are called for.</p>
5	7	Do.	<p>The comparative figures of savings for the years 1957-58 to 1959-60 indicate that over-budgeting has been a regular feature for the last few years.</p>
6	9	Do.	<p>Large savings referred to in paras 8 and 9 indicate defective budgeting. The Committee would like to impress upon the Ministries the necessity for estimating their requirements correctly and working up to these estimates with the closest degree of approximation, making a periodical review of the progress of expenditure during the year.</p>

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7	12	<u>Finance</u> All Ministries	The instances of surrenders made in excess of total savings would indicate lack of a proper review of expenditure.
8	13 (a)	<u>External Affairs</u> <u>Finance</u>	<p>(i) It was explained to the Committee that savings under sub-heads A. 1(1) and A. 1(2) of Grant No. 16—Tribal Areas—were due to the non-filling of sanctioned posts. The Committee, however, noticed that under these sub-heads savings of the same order had occurred during 1958-59 also. They, therefore feel that provision under these heads is not being made on any realistic requirements or data.</p> <p>(ii) It was explained to the Committee that in the tribal areas it was difficult to estimate accurately and maintain progress according to plan in spite of best efforts. Lack of means of transportation hindered timely movement of materials. Moreover, the staff there was not of the same calibre as was found in settled areas. The Committee note these difficulties. But they feel that such an explanation could not be valid year after year. They could not also get a satisfactory explanation for the surrender of Rs. 5,70,000 out of a provision of Rs. 12,10,000 under sub-head C. 7.—Community Projects etc. The Committee desire that while framing the estimates, practical difficulties in the execution of schemes in tribal areas should be duly taken into account so as to avoid over-budgeting.</p>

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9	13(b)	Finance . . .	The Committee are surprised at the explanation given for over-budgeting in this case. Provision of a large sum for a scheme without ascertaining whether it could be implemented during the budget year was <i>prima facie</i> wrong. In such cases, the proper course for the Ministry was to make a 'token' provision in the budget and approach Parliament later for funds when the schemes had been worked out in detail.
10	13(c)	Do. <hr/> W H & S	The Committee are surprised to note that an obvious defect (lack of arrangements for cross ventilation) in the plan of the building for the new currency press went unnoticed at the earlier stages of scrutiny and technical sanction.
11	13(d)	Home Affairs <hr/> Finance	The Committee regret to observe that the case referred to in this para is another instance of loose budgeting and trust that in future the budget estimates in regard to Grants-in-aid would be more realistic and accurate.
12	13(e)	Home Affairs <hr/> Finance <hr/> All other Ministries	The Committee are of opinion that funds for schemes involving a substantial amount of foreign exchange as in the present case, should not have been provided for in the absence of a reasonable prospect of the foreign exchange being made available.
13 14	13(f)	SM & F (I & S) <hr/> Finance	The Committee cannot help remarking that the case referred to in this para is a clear case of defective budgeting and lack of control over the progress of expenditure.

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			They trust that the Ministry will be more careful in future.
14	13(g)	SM & F ----- (M & F) ----- Finance	The Committee desire that the question of revising the existing procedure for filling of posts and making provision therefor in the budget should be examined in all its aspects and a suitable procedure evolved in consultation with the Ministry of Finance and Audit.
15	13(h)	T & C ----- Communications & Civil Aviation	A detailed note regarding saving under Grant No. 132—Capital Outlay on Civil Aviation—was promised to the Committee, which is still awaited.
16	17	C & I ----- W H & S	While the Committee recognise that, when accommodation is scarce, the user departments have to take initiative in locating suitable premises, they question the action taken by the Development Commissioner in the present case in having committed Government to certain terms and conditions of lease which was not within his authority to do. The correct procedure would have been to negotiate the lease in consultation with the Director of Estates.
17	20	C & I	In the Committee's opinion the facts disclosed in the case of the establishment of a show room-cum-trade centre clearly establish that the agreement with the firm did not serve the purpose in view and did not also safeguard adequately the interests of Government. The transfer of the lease to the firm after a period of 3 years entailed a loss not only of the goodwill money amounting to Rs. 2.18 lakhs but also heavy

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			depreciation of the capital expenditure on installation and equipment amounting to R. 1,25 lakhs. The foreign firm had been benefited unduly at the expense of the Government of India.
18	23	C & I ----- Khadi Commission	<p>(i) The Committee hope that measures being devised for prompt audit of the institutions periodically will prove adequate. They would also urge the Commission to be more vigilant in future.</p> <p>(ii) The Committee are unable to accept the plea for disbursement of further grants and loans to the institution, despite adverse comments on its working. They agree with Audit that the loss of Rs. 45,012 suffered by the Commission on this transaction was due to injudicious disbursement of funds from time to time.</p>
19	25	C & I ----- Khadi Commission	The Committee desire that Government should take on early decision regarding the apportionment of the trade discount.
20	27	Do.	<p>(i) The Committee feel that any reduction in the prescribed rate of discount should have the prior approval of the Certification Committee.</p> <p>(ii) The Committee feel that as the trading activities of the Commission involve large sums of money, it should be examined whether the Certification Rules of the Commission do not require Government approval.</p>

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21	29	C & I ----- Khadi Commission	The Committee are concerned to find over-payments of large magnitude. They urge that the review of remaining cases of over-payment of sale-subsidy should be completed and the balance of over-payments recovered early.
22	31	C & I ----- Heavy Electricals Ltd.	The Committee are unhappy to note that lack of correct technical knowledge on the part of the Heavy Electricals Ltd. delayed the placing of the order which resulted in an extra expenditure of Rs. 19,360.
23	34	Do.	The Committee suggest that legal opinion with regard to imposition of penalty on the first contractor should be obtained early.
24	37	C & I ----- Law	In the face of the opinion of the Ministry of Law, it passes the comprehension of the Committee as to how the subsidiary agreement contemplating additional payment was approved and accepted by the Company and the Government on 15th January, 1959. It is also inexplicable how the letter dated 5th April, 1956 came to be issued from the late Production Ministry to M/S A.E.I. In the absence of an evidence to prove the abrogation of the Consultant's letter dated 19th June, 1955, the Committee feel that the matter needs further investigation. It is significant in this connection that the Consultants had claimed that the subsidiary agreement which was finalised on 15th January, 1959 with the approval and acceptance of the Company

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and the Government had superseded the terms of their letter dated 19th June, 1955. The Committee understand that the relevant file of the Ministry leading to the conclusion of the main agreement in November, 1955 with the technical consultants is missing for a long time. The matter, therefore, calls for a thorough investigation.

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C & I
 Nahan Foundry Ltd.

While the Committee do not want to make any comment which will discourage experimental zeal and initiative on the part of officers, they feel that technical officers in charge of Public enterprises should see that design or processes evolved have sufficiently passed the experimental stage to justify expenditure on a large scale. Observations of the Enquiry Committee referred to in para 40 indicate that the General Manager in his enthusiasm did not exercise ordinary care and prudence in processing the development of the pump. Apparently the tests conducted at the Government Farm, Karnal were not quite adequate. The Committee, therefore desire that the matter should be reviewed and responsibility fixed for the lapses.

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42(b)

C & I
 S.T.C.

The Committee feel that the action of the State Trading Corporation in undertaking the manufacture of shoes before the necessary clarification was received, lacked justification.

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27	44	C & I <hr/> NSIC <hr/> STC	<p>The Committee are not fully satisfied with the explanation for the manufacture of surplus shoes and for failure to conform to the time-schedule. Even granting that difficulties, sometimes unforeseen, crop up when a new venture is undertaken, they feel that the manner in which the National Small Industries Corporation had executed this deal, indicated lack of planning and forethought. The Committee are of the view that in any new venture of this kind creation of confidence in the foreign buyer regarding our capacity to fulfil the contract according to the time schedule is of the utmost importance. The Committee trust that this will be kept in view by the State Trading Corporation and the National Small Industries Corporation in their future ecommercial deals.</p>
28	47	C & I <hr/> STC	<p>The Committee understand from Audit that the policy regarding distribution of cement was under consideration of the Ministry before March, 1956, whereas the revision of rates was confirmed by the Ministry to the firm on 5th March, 1956. If so, the revised rates were agreed to without careful examination of the proposals under consideration at the time, which was highly objectionable.</p>
29	50	do.	<p>The Committee are not happy at the way in which the Corporation has set about the work in this deal. Apparently the Corporation had not kept</p>

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			a watch on the market trends. The plea that the Corporation made good the contracted supplies out of the 1957 crop (at a loss to the Corporation) as it was the first order from the Russians is also not convincing as the Corporation had a strong case to seek cancellation of the quantity which could not be procured from the 1956 crop.
30	52	C & I . . . S. T. C.	The Committee would like to be informed of the outcome of disciplinary proceedings in the present case.
31	55	C & I . . . Sindri Fertilisers & Chemicals Ltd.	The Committee find no justification for the heavy loss suffered by the company in running the Boarding Section of the hostel. It is regrettable that although the income from the Boarding section was not sufficient in some years to cover even the cost of provisions consumed, no effective steps have been taken so far by the company to improve its financial working. The Committee desire that Government should look into this matter and ensure that the loss in running the Boarding Section is minimised.
32	57	do. . .	The Committee note that despite idle hours the average monthly wages (including bonus) of the bagging plant labour was much more than that of similar labour (having the same basic wage) at other plants. They are not, therefore, fully convinced by the explanations advanced for the non-revision of the standard of performance of the workers of

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the Bagging plant. In their opinion, no proper time and work studies had apparently been conducted before fixing the standard of performance. It was pointed out to them that within four months of the introduction of the scheme, the Controller of Accounts of the Company observed that either the bonus rates were high or the initial basic rate of output was unduly low and suggested that the matter be examined by an expert so as to ensure that the payments were not exorbitant. Had the matter been examined even at that stage, much of the excess payment could have been avoided by introducing remedial measures in time. As the basic output fixed by the company is unduly low compared to the actual performance, the Committee consider that the matter requires review.

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Education

While the Committee are in no way less anxious than the Ministry to preserve the financial autonomy of the Central Universities, they are unable to share the Ministry's apprehension that presentation of Audit Reports on the accounts of these universities to Parliament might infringe their financial autonomy or result in making their financial affairs a subject of public controversy. They would, in this connection, draw attention to para 85 of the 7th Report of P.A.C. (1952-53).

The Committee would, therefore again urge that, in deference to the long-standing

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			desire of the P.A.C. and the repeated assurances given by Government pursuant thereto, early steps should be taken by Government to present Audit Reports on the Accounts of these Universities to Parliament and to incorporate the necessary provision in the relevant statutes.
34	62	External Affairs <hr/> Finance	The Committee are surprised that the Finance Ministry should have acquiesced in creation of two posts of cleaners <i>ex post facto</i> to work at the residence of the Head of the Mission and to raise the frais of that Head of the Mission resulting in an expenditure of Rs. 29,604 on their pay and allowances.
35	63	External Affairs	Another aspect which causes concern to the Committee is the delay on the part of the Ministry in sending a reply to the Mission. The plea that the reference made by the Mission in July, 1958 had been mislaid is unconvincing. The Committee desire that the Ministry might look into this matter and deal appropriately with the officials concerned, as loss of records in such an important Ministry will have serious repercussions.
36	65	External Affairs	The Committee were informed by Audit that there had been additions to the list of places where physical verification of stock was not being done regularly. The Committee are concerned to note the extent of default in conducting stock verifications and the prevalence of defects in the maintenance of stock accounts in the Missions abroad. They

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were surprised to learn that in the Embassy at Peking where the last audit had taken place in August, 1960, verification of stock had been taken in hand only in August, 1961. They are unable to accept the plea that omissions in the annual stock verification were due to absence of special staff for doing this work and that work was onerous in nature. In their view, the lapses disclosed by Audit indicate lack of proper supervision and control. They feel that in the interest of efficiency and economy such lapses should not be condoned as a matter of course, but should be dealt with firmly.

37 67

Ministry of Finance
(Department of Economic Affairs)

In evidence, it was stated that although there had been a failure on the part of the Ministry, to inform the I.S.M. Washington that the expenditure was reimbursable by the U.S. Government, there was no net loss to Government as the amount formed part of the totality of U.S. funds available to the Government of India which was not reduced. The Committee were also assured that steps had been taken to avoid lapses of this kind in future. They hope that such failures which leave an unfavourable impression abroad will not recur.

38 69

Do.
D.G. P & T

The Committee feel that agencies are likely to become slack if they are continued as a matter of course for the full initial term of three years. In their opinion it is essential

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			to keep the work of the agencies under review from year to year and such of the agencies as are found indifferent or inefficient in getting business should be weeded out as and when considered necessary.
39	71	Do. D.G. P & T	The irregularities mentioned in the Audit Report confirm the apprehension of the Committee that the incidence of irregularities was widespread. While the Committee appreciate the difficulties in establishing frauds in a conclusive manner for prosecution purposes in such cases, they feel that unscrupulous agencies which cannot be prosecuted can and should be dealt with otherwise. The Committee also desire that departmental action against the Postal officials concerned should be completed early.
40	72	Do.	The Committee were assured that with the introduction of certain changes in the scheme with effect from the 1st October, 1960, it was not now possible for any agent to collude with the postal staff and convert a direct sale into an agency sale. The, Committee however, feel that there is no room for complacency in this regard and that mere procedural changes cannot be a substitute for administrative vigilance.
41	74	Ministry of Finance (Department of Economic Affairs)	While the Committee would watch the attainment of full production capacity of the Silver Refinery Plant, they would like to invite the attention of the Ministry of Finance

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			to their earlier recommendations contained in para 36 of their 25th Report (1959-60)-Vol. I and para 113 of the 46th Report of the Estimates Committee (1958-59). They regret that no decision on the alternative uses of the silver refinery plant has so far been taken, although considerable time has elapsed since.
42	75	Ministry of Finance (Department of Economic Affairs)	The Committee of 1959-60 were informed that the stocks of Quarternary Alloy Coins would keep the refinery busy for a period of five years only. It is all the more necessary, therefore, that a decision on this question is taken before the available stocks of silver are exhausted so that the plant erected at a cost of over a crore of rupees does not remain idle thereafter.
43	77	Do.	(i) The Committee desire that Government should continue their efforts so that the International Finance Corporation could live upto its avowed purpose of helping productive private enterprises in underdeveloped countries. (ii) The Committee understand that a change in the Article of Association had been proposed so as to enable the Corporation to make equity investments. They would like to be informed of further developments in this behalf.
44	82	Do.	The Committee are of the opinion that as in the pre-Constitution days, cases of expenditure incurred without approval of Parliament on an

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45	85	Finance <hr/> Rehabilitation Finance Administration	<p>item adjudged as 'New Service' after the close of the year can be brought before Parliament for approval, without violating any of the provisions of the Constitution, by moving a resolution in appropriate terms and getting its approval. <i>ex post facto</i> to the money spent on such items. However, in cases where by incurring such expenditure, the amount authorised by Parliament for a particular demand (Service) for that year has been exceeded, the provisions of Article 115(1)(b) of the Constitution will be attracted, and the excess will have to be regularised under those provisions.</p> <p>The Committee find it difficult to accept the reply of the Ministry regarding the necessity of issuing instructions to the representatives of Government on the Boards of Directors of Public Undertakings/Corporations. They do not see how the Ministry feel that is neither necessary nor desirable to issue formal instructions to the representatives of the Government on the Board of Directors of Public Undertakings/Corporations when the principle underlying the recommendation has been accepted by the Ministry. In the Committee's opinion it is desirable in the interest of both the Government and the Government Directors that formal instructions should be issued enjoining upon the Government Directors that they should apprise Government of matters over which they</p>

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			do not agree with the views or decisions of the Board of Directors
46	88	Food & Agriculture (Deptt. of Agriculture)	It is clear that the firm had cleverly evaded their contractual obligation to set up factories by taking advantage of the technical flaw in the implementation of Government's obligations under the contract. The firm could successfully do so because of the woeful lack of supervision on the execution of this contract worth crores of rupees. Despite the advice given by the Law Ministry in November, 1956 regarding the legal implications of the matter, it is a pity the draft lease deed sent to the firm in 1957 was patently defective (<i>viz.</i> , that it was not in the name of the President). The superficial manner in which this case has been dealt with by the local Administration and the Ministry all these years had led to the present impasse. The Committee strongly urge that responsibility for these lapses should be fixed.
47	90	Do.	The Committee feel that before the firm went in for arbitration, there was ample time for Government to consider whether or not the agreement could be terminated. In view of the high stakes involved and the irregular practices and defaults on the part of the firm, it is a matter on which the opinion of the Attorney General should be sought regarding the further course of action. The Committee hope that the arbitration proceedings will be

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			expedited. They also desire to be apprised of further developments in this case.
48	93	Food & Agriculture (Dept. of Agriculture)	The Committee are amazed that the estimate of consumption of seasoned timber given by the P.W.D. of Andaman Administration should have proved so awry. It is also surprising why before installing the plant, a proper survey of actual requirements of timber and possibility of their being marketed outside the Territory was not made. The Committee would like to be informed of the outcome of the efforts to procure a ship for transportation of timber from the mainland.
49	95	Food & Agriculture (Department of Food)	The Committee desire that departmental action against those responsible for fraud and against the supervisory officers, for failure to discharge their duty should be finalised quickly.
50	98	Do.	In the opinion of the Committee, continued retention for more than 7 years of some varieties of foodgrains acquired in 1954 indicates how ineffective the review of stocks has been. If the fair price shops were reluctant to take the stocks, there was no justification for retaining them in the godowns. The Committee feel that it will be in the interest of both the Government and the consumer if stocks of foodgrains are controlled on the basis of age with due regard to their condition, older stocks being disposed of before they deteriorate.

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51	100	Food and Agriculture (Deptt. of Food)	<p>(i) The Committee desired to be furnished with a note indicating (a) the number of cases where foodgrain had to be rushed to other Depots/consignees in the jurisdiction of other depots during the period August, 1958 to February, 1960 justifying expenditure of Rs. 3.67 lakhs and (b) the standing rules/orders about the movement of foodgrains. This is still awaited.</p> <p>(ii) The Committee suggest that cross movements of foodgrains from one Depot to another should be periodically reviewed and the stocks re-planned in the light thereof.</p>
52	102	Do.	<p>The Committee desired to be furnished with a note giving (a) the number of cases in which rules regarding physical verification of stocks were not observed by officers, (b) cases in which their explanations were called for, (c) departmental action taken against the officers responsible for the lapses, and (d) the number of cases during the period under report in which shortages had been detected and the number of such cases in which investigations had been completed. But they regret to observe that the note is still awaited.</p>
53	104	Do.	<p>The Committee were informed that the rules could not be observed at certain places because of physical difficulties, e.g. in Calcutta port 100 per cent weighment was physically impossible as the Port Commissioner would not allow the stocks to be kept in the port</p>

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			for long. The Committee are hardly convinced by this explanation. They see little purpose in such paper orders which, according to the Ministry's own admission, are not practicable. It is time the Ministry modify the rules suitably and lay down a workable procedure which can be enforced, keeping in view the interests of Government.
54	105	Food and Agriculture (Deptt. of Food)	The Committee were informed that out of 7,935 unlinked items of foodgrains despatched from docks to depots or from one depot to another, only 900 had been completed. Each and every item was being pursued and the work would be completed in another year. The Committee are not satisfied with the progress of work which they would watch through future Audit Reports.
55	106	Do.	The Committee desire that the finalisation of the form of Proforma Accounts should not be delayed further.
56	109	Health	The Committee are concerned to note that the unauthorised occupation of the property, continuing for over nine years, has cost Government an infructuous expenditure of nearly 14 lakhs in rent and municipal taxes. While the Committee do not underrate the difficulties faced in getting the property vacated, they cannot overlook the fact that the initial process of unauthorised occupation had continued for full four years during which time there had been a failure to initiate adequate preventive measures. Nor was the matter

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pursued with due vigour and resourcefulness thereafter. The Committee desire that determined efforts should now be made by the Ministry to get the property vacated early. In view of the large infructuous expenditure incurred in this case the Committee would also suggest that the Ministry should examine whether disciplinary action was not called for against the officers who were charged with the responsibility of getting the property vacated.

57 112 Home Affairs

The Committee feel that apart from the procedural lapses pointed out by Audit, there had been failure to provide special safeguards which were necessary to ensure that the loan advanced was properly utilised. They were assured that precautionary measures have now been taken and checks devised to ensure proper utilisation of funds advanced to various bodies for the uplift of backward classes. They hope that these will be strictly enforced in future. The Committee are of the view that, precautions apart, it is necessary to ensure that private bodies to whom loans are advanced have competent personnel for the proper administration of the funds. If they lack such personnel, the feasibility of lending the services of qualified men should be examined by Government.

58 113 Do.

The Committee have learnt that the Government of India

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have sanctioned in February, 1961 a grant of Rs. 3.76 lakhs for a new scheme, *vis.*, Biopariguda Pilot development project in the Koraput district which the Government of Orissa are implementing through the Akhil Bharat Sarva Seva Sangh. A sum of Rs. 1.22 lakhs approximately out of the expenditure approved is to be met from out of the unspent balance of the Sarva Seva Sangh originally earmarked for the development of Sarvaswadan scheme. The Committee hope that this experiment will not meet the fate of the earlier experiment of managing the gramdan villages through the Sarva Seva Sangh. In the light of past experience with this Sangh, the Committee would like to know whether a special watch is being kept on the progress of the present project being implemented through the agency of the Akhil Bharat Sarva Seva Sangh.

59 117 Home Affairs

The Committee regret to observe that the evidence earlier given before them did not present the correct picture. In the light of the observation now made before them, it is clear that every journey undertaken in the VIP Flight entails extra cost to the exchequer.

From the statement detailing 143 journeys performed during the two years between places connected by commercial services (15 of them were undertaken in order to avoid circuitous journeys by the commercial routes) it appears

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that the VIP Flight has not been as sparingly used as is intended. Considering the cost of the VIP Flight *vis-a-vis* the cost of a passage in a commercial aircraft, the Committee feel that the implementation of the existing orders on the use of the VIP Flight could better be ensured by obtaining a certificate from each VIP (other than the President, the Vice-President and the Prime Minister) that it was necessary to undertake the journey by the VIP Flight in the public interest and it was not possible to utilise a commercial service.

60 120

Information and Broad-
casting

The Committee are amazed at the opinion expressed by the Committee of Enquiry that there was nothing unusual where a tender had been accepted to allow the contract to become operative, even before a formal agreement was executed. The notice inviting tenders in this case did not also stipulate any absolute date by which the cash security had to be tendered ; even the text of the agreement as approved did not stipulate that the deposit should have been made at the time of execution of the agreement. The finalisation of the text of the agreement had also been unduly delayed. Considering the fact that the firm in question came into existence only after 1950 and nothing was known about their standing or financial resources, the Committee would reiterate their earlier observation that the concerned

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			officers were not alive to the risks involved and acted in an irresponsible manner.
61	122	Irrigation and Power, Home Affairs and other Ministries.	The Committee desire that in the interest of efficiency of public services, the Central Government should, in consultation with State Governments, consider the desirability of establishing a convention that in cases of this type where during the period of his deputation a State Government officer serving the Central Government or <i>vice versa</i> is adjudged guilty of having committed an irregularity by an independent judicial officer/committee, the Government lending the services of the said officer will not ordinarily interfere with the recommendations or reduce the punishment suggested by the enquiring officer/committee.
62	125	Labour and Employment <hr/> Finance	The Committee regret to observe that though more than two years have elapsed since the Committee were first informed regarding the proposal to amend Treasury Rules 430 and other connected Rules, a decision is yet to be taken by the Ministry of Finance. The Committee desire that the matter should be finalised without further delay.
63	130	Rehabilitation	The Committee regret to note that despite specific provision in the rules made under the Administration of Evacuee Properties Act, the accounts of the rural evacuee properties had not <i>ab initio</i> been maintained in the prescribed form and it is only now, after the

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lapse of such a long period, that the Ministry had decided to have the village level records test-checked by Audit to ascertain whether these records would serve the required purpose. The Committee would observe that the Ministry was not as vigilant as it should have been in this matter. They desire that the test-check by Audit should be expedited. They will reserve their further comments in the matter till they are informed of the outcome of the test-check.

64 133 Rehabilitation/Finance/All other Ministries

The Committee were surprised that the Government did not watch the implementation of the orders issued by them. They view with concern the non-submission of periodical returns of assets by the State Governments even after the lapse of more than 3 years since the issue of orders. They would urge that effective steps should be taken by the Ministry to ensure prompt submission of these returns by the State Governments and a report submitted to them by the time they next take up the examination of these accounts. Government might consider the feasibility of insisting on receipt of the returns before releasing further instalments of loans/grants to State Governments.

65 136 Rehabilitation/All other Ministries

It is obvious that in most of the cases, relating to free issue of ration in the camps of displaced persons, responsibility

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could not be fixed on the delinquent officials as the Ministry failed to take prompt action after the irregularities were noticed. The Committee would like to reiterate the recommendations contained in para 27 of their First Report (First Lok Sabha) and emphasise that action in such cases should be prompt if it is to serve the desired purpose.

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Rehabilitation

The Committee view with concern the heavy arrears in the repayment of rehabilitation loans granted to the displaced persons especially in the eastern region. It has been urged that "a majority of the displaced persons have not yet been able to rehabilitate themselves to such an extent as to be able to repay the loans." If so, a better course would be to grant a moratorium for a reasonable period and then start recoveries. In the matter of recovery of these loans, the initiative of the State Governments will count for much. The decision of the Central Government to accept whatever has been realised by the State Governments, will, in the Committee's opinion, slacken the recovery appreciably. They desire that all such cases should be reviewed periodically. To the extent the loans are considered to be recoverable effective steps should be taken to ensure their expeditious recovery from the displaced persons in accordance with the terms of the loans or to adjust them against their verified compensation claims.

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67	141	Rehabilitation	<p>The Committee understand that the services of the officer responsible for irregular retention of advance for purchase of motor car had been extended for three years after his superannuation. It is surprising why the officer should have been granted extension of service when the Secretary of the Ministry himself had informed the Committee earlier in evidence that as the officer was to retire shortly, a lenient view had been taken of the irregularity committed by him. They feel that the action of the officer who recommended the grant of extension of service to the delinquent officer in disregard of the observations of the Committee was most objectionable. The Committee, therefore, desire that this matter should be pursued.</p>
68	144	Do.	<p>The Committee are inclined to agree with the views of Audit in para 143 of this Report regarding application of rule 19 of the Displaced Persons (Compensation and Rehabilitation) Rules, 1955. They, therefore, desire that the Ministry should reconsider the matter and intimate to them the final decision of Government without any further delay.</p>
69	147	SR & CA	<p>The Committee regret to note that a decision has not been reached by Government even though more than four years have elapsed since this matter was raised by them. They are not convinced by the arguments advanced for the conti-</p>

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nuance of the Corporation. They are concerned to note from the comments of the C. & A.G. on the Accounts of the Corporation for the year 1960-61 that the Corporation, which has a paid-up capital of Rs. 10 lakhs has till the end of 1960-61 incurred a cumulative loss of Rs. 10,35,391, which exceeds the paid-up capital. The Committee understand that Government have already been approached for either a subsidy to make good the deficit incurred by the Corporation to date or to subscribe to further share capital. The Committee, therefore, consider that the necessity for an early decision regarding the future of the Corporation is imperative.

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151

SM & F (I & S)

Iron & Steel Controller's
Organisation

The Committee deprecate the manner in which the due date had been extended in this case for no valid reasons. In their opinion, it is very necessary to be on guard against such tendency as otherwise Government will be faced with a situation where their planned programme of work will be dislocated and the cost thereof will also mount up. They, therefore, would like to impress upon Government that all essential details should be settled before a contract is actually concluded.

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Do.

The explanation for the reinstatement of the original contract is as unconvincing as for its cancellation. It is not clear why the Iron and Steel Controller should on his own have approached the Railways

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in November, 1957 for the reinstatement of the contract which was cancelled about 3 months before. Even granting there was need for the supplies, the fact that the contractor was readily agreeable to reinstatement of the original contract (although he was under no obligation to do so) was indicative of the falling market trends, which the Iron and Steel Controller did not appreciate. In reply to a question why the market was not tested afresh, there was no satisfactory reply. The Committee feel that the transaction has not been dealt with in the best interests of Government. They, therefore, desire, that the matter should be investigated further with a view to fixing responsibility for the above lapses and the Committee informed.

72 158

SM & F (I & S) ■

Iron and Steel Controller's Organisation

The Committee find it difficult to appreciate how an obvious provision such as the submission of invoices and other data necessary for lodging a claim could have been omitted from the contract by the Iron & Steel Control Organisation which deprived Government of the rebate for the third quarter. They are also not happy about the way the rebates were being calculated by the Iron and Steel Control Organisation. This is a reflection on the working of the Controller's Organisation. The Committee were informed in August, 1961 that the disciplinary aspect of the case is under examination of the Organisation. No report has

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			been received by them yet (March, 1962). They would like to have a report in the matter without any further delay. They would also like to know the progress regarding the recovery of rebate from suppliers.
73	16	<u>SM & F (I & S)</u> Iron & Steel Controller's Organisation	(i) The Committee fail to understand how, in the absence of a verification of the chemical composition of the grade in question from the books of the producer, the Ministry had satisfied themselves as to the correctness of the composition of the material, as given by the producer.
	161	<u>SM & F (I & S)</u> <u>Finance</u> All other Ministries	(ii) The Committee understand that according to the practice followed in the Department of Customs and Central Excise, benefits of price revisions with retrospective effect were not allowed to the sellers. They feel that this practice should be observed by other Departments of Government in similar circumstances (including the Department of Iron and Steel in the present case). The Committee would like to have this suggestion examined by Government.
74	164	SM & F (I & S)	The Committee feel that the Iron and Steel Control Organisation had erred in not having provided for a penalty for the breach of the terms of the contract as regards shipment. They are informed that a suitable provision has been inserted in new contracts of this type since entered into by the Steel Control Organisation.

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75	167	<u>S M & F (I & S)</u> <u>Iron and Steel Control-</u> <u>ler's Organisation</u>	<p>(i) The Committee are not at all satisfied with the explanation for non-maintenance of proper Accounts in the Iron and Steel Control Organisation. They regret to find that even after the Railway Board had requested the Steel Controller to devise a suitable procedure for the proper maintenance of accounts in June, 1956, the latter took about a year thereafter to discuss the matter with the Railway Board.</p>
	168	Do.	<p>(ii) The Committee do not appreciate the belated effort to reconstitute/recompile accounts as this involves larger manpower and effort. They regret to point out that instances of this nature are multiplying in the Iron & Steel Control Organisation which need scrutiny.</p>
		<u>SM & F (I & S)</u> <u>I & S Controller's Or-</u> <u>ganisation †</u> <u>Railway Board</u>	<p>(iii) The Committee consider that the Railways also are not blameless in the present case. Having known that subsidy was due from the Steel Equalisation Fund, the Railways should have taken steps to maintain proper records for substantiating their claims, if need be. The Committee desire that effective steps should be taken by the Railway Board to ensure that the requisite information is furnished by the Railways (other than those mentioned in this para) to the Iron and Steel Controller without further delay.</p>
	169	D.J.	<p>(iv) In evidence, the representative of the Department of Iron and Steel promised to check up all cases of the type referred to in this para (in</p>

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			<p>which there might be a possibility of double payment) and furnish a further report to the Committee. The Committee would defer their comments till this report is received from the Department of Iron and Steel.</p>
76	171	<p>SM & F (I & S) <hr/> I & S Controller's Organisation <hr/> Railway Board</p>	<p>The Committee were informed in evidence that the report of the Tariff Commission regarding the retention prices to be fixed with effect from 1st April, 1960 was awaited. The Committee would like to be furnished with a further report in the matter on receipt of the Tariff Commission's recommendations.</p>
77	173	<p>SM & F (I & S) <hr/> I & S Controller's Or- ganisation</p>	<p>The Committee would like to emphasise again that a suitable procedure to reduce the time-lag in effecting recoveries from the sundry debtors of the Steel Equalisation Fund to the barest minimum should be evolved and enforced at an early date.</p>
78	176	<p>SM & F (I & S) <hr/> Hindustan Steel Ltd.</p>	<p>(i) In the opinion of the Committee it is misleading to consider only the quantity of iron ore consumed per ton of pig iron. The rates of out-turn and the quality of pig iron are equally important, if not more. It cannot, therefore, be denied that there has been financial loss by the acceptance of poor quality of ore and treating it as up to specifications on the certificates of the public analyst.</p>

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	<p style="text-align: center;">SM & F (I & S)</p> <hr/> <p>Hindustan Steel Ltd.</p>		<p>(ii) The Committee regret to note that as late as February, 1961, the sub-standard iron ore accepted by the Durgapur Project authorities was over 30%. They desire that the Project authorities should examine the adequacy of the existing checks to avoid acceptance of poor quality ore. They would like to be apprised of the steps taken in this regard before they take up for examination the Accounts for the next year.</p>
79	178	Do.	<p>(i) The Committee wanted to know the amount of demurrage claimed by the Port authorities since January, 1960 including the amount solely attributable to late receipt of shipping documents. The representative of the Hindustan Steel promised to furnish the requisite information later. This is still awaited. The Committee would defer their comments till the information is received from the Department of Iron and Steel.</p>
80	181	Do.	<p>The Committee regret that the Project authorities did not initiate any action against the delinquent official for more than five months after the irregularity came to their notice, by which time he had left their service. The Committee would once again draw attention to their of-repeated recommendation that as soon as an irregularity came to notice, disciplinary proceedings should be initiated and adequate punishment inflicted on guilty persons.</p>

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81	184	<u>SF & F (I & S)</u> Hindustan Steel Limited	The Committee do not feel happy over the action of the Department of Iron and Steel in instructing the Project authorities to proceed with the construction of the Hotel in November, 1956. They would advise greater caution and mature consideration in matters involving large outlay as in this case.
82	186 & 9 (Intro)	<u>Do.</u> All other Ministries	The Committee would like to draw attention to their oft-repeated recommendation that the Ministries and Departments to whom draft Audit paragraphs are sent for factual verification should make every effort to adhere to the prescribed time limit of six weeks so that the Audit Report is based on incontrovertible facts. If, in exceptional cases, it is not possible to do so, the correct position should be brought to the notice of the Committee through Audit as soon as possible, at any rate before they consider the Audit Report, so as to enable them to arrive at proper conclusions without any waste of time.
83	189	<u>SM & F (Deptt of M&F)</u> NCDC	From the facts of the case it is obvious that much of the correspondence could have been obviated had the National coal Development Corporation prepared its initial estimates with greater. The Committee trust that the Corporation will profit by this experience and ensure preparation of realistic estimates for works.
84	192	<u>SM&F (Deptt of M&F)</u> Geological Survey of India.	The Committee note the measures contemplated by the Geological Survey of India to cut the idle time. They are not

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however, fully convinced that the present pattern of deployment of the drills is the best in the circumstances. If break-downs are inherent in the operations as observed by Government, it automatically follows that there should be provision for stand-by. While it may be feasible to have as many as nine reserves, it will be too sanguine to overlook this need. The Committee have also their doubts as to whether the programme of exploration is not over ambitious for the available equipment. The Committee, therefore, feel that this question needs examination dispassionately.

85	194	Transport & Communications (Deptt. of Tpt.)	Co-	(i) The Committee are concerned that the finalisation of the disciplinary action in the case of irregularities noticed in the accounts of a Tourist office is taking too long a time. They would like to be apprised of the action finally taken in this case.
		Do.		(ii) Steps should be taken by the Ministry to keep there progress of expenditure in their offices abroad under close review, so that Government's directives as regards austerity are not flouted.
86	196	Do.		The Committee regret to observe that the Management of Hindustan Shipyard did not handled the case of purchase of galvanising plant with due care. It is surprising that the Management went on in a leisurely way without real-

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			ising that the firm's offer was open for a short period only. Such lapses in a commercial undertaking are deplorable. The Committee hope that such cases will not recur.
87	198	Transport and Communications <hr/> (Deptt. of Tpt.)	The Committee regret to observe that the purchase of Oregon Pine Timber is another case in which the Shipyard had to incur extra expenditure due to lack of vigilance and administrative delays for which there was no satisfactory explanation
88	200	Do.	In the opinion of the Committee the Port Administration did not assess the requirements of boilers properly in the first instance, which (i) resulted in unnecessary purchase of costly equipment much in advance of requirements and (ii) created storage problems.
89	202	Do.	The Committee are gravely concerned to note the irregularities disclosed in para 38 of Audit Report viz. inaccurate and fictitious measurements and drawal of funds to avoid lapses of budget grant. They would like to be informed of the final outcome of this case.
90	204	Do. <hr/> (Deptt. of Comm. and Civil Aviation).	(i) The Committee would urge upon Government to take an early decision in the matter of revising landing and housing charges for aircraft. In the context of the large capital outlay in providing these facilities and the rising maintenance costs there was no justification for continuing the old rates fixed 15 years ago.

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			(ii) As regards charges for "en route" facilities to aircraft flying over Indian territory, the Committee trust that keeping in view the expenditure involved, the Ministry of Transport and Communications would keep the position under review.
91	206	Transport and Communications. <hr/> (Deptt. of Comm. and Civil Aviation).	<i>Prima facie</i> the loss in the disposal of Vikings is due to inaction both on the part of Government and the Corporation. The Committee desire that the matter should be thoroughly investigated and responsibility fixed.
92	207	Do.	The Committee are surprised at the casual explanation from the Corporation, a commercial undertaking that the expenditure on account of hangarage, maintenance and insurance etc. was only a national loss.
93	209	Do.	The Committee regret to observe that the information in connection with infructuous expenditure on construction of an aerodrome is still awaited.
94	213	Do.	In the Committee's opinion, presentation of the reports of the C & A G on Port Trusts to Parliament should not interfere with the autonomy statutorily vested in the Port Trusts. The Committee will doubtless keep this in view while examining the Audit Reports in question.
95	216	WH & S	In the opinion of the Committee the Executive Engineer's direction to the firm to despatch the steel to Nasik amounted to an alteration of the terms of

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			the agreement. Having paid for the steel before its receipt, he did not bother himself about the quality thereof. The Committee feel that the officer had been let off lightly in this case.
96	217	W. H. & S.	The Committee would like to know why instructions issued by the Ministry of Finance that in all cases warranty Clause should invariably be provided in the agreement had not been followed in the case referred to in the Report. They would also like to know the result of the court case.
97	220	Do.	The Committee trust that the Ministry of Works, Housing and Supply would ensure strict observance of Codal rules regarding preparation of drawings and designs.
98	224	Do.	The Committee consider it unfortunate that in the name of economy, experiments of doubtful nature have been tried on such a large scale. The Committee desired to be furnished with the copies of the reports of enquiry in the case of loss due to acceptance of sub-standard work and the final action taken by Government which are still awaited. It should be expedited.
99	226	Do.]	The Committee would like to be apprised of the final action taken in the case relating to acceptance of sub-standard work and avoidable expenditure due to defect in a contract.
100	227	Do.	The Committee are of the opinion that having discovered certain

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			defects in the plaster work during test check, the CTE should have proceeded with a detailed examination of the work. Had this been done it would have been possible to get the defects rectified by the contractor.
101	228	W. H. & S.	The cases mentioned in paragraphs 221-228 of Report indicate how lack of supervision and technical examination of works executed by contractors had led to acceptance of sub-standard works. The Committee would urge upon the Ministry to take suitable steps to tighten the machinery for supervision of the work of contracts and take deterrent steps against those responsible for sub-standard work.
102	230	Do.	In the opinion of the Committee tampering with original records and preparation of a fictitious bill were serious offences which deserved deterrent punishment.
103	232	Do.	The Committee defer their comments in the case of purchase of special cement for a Dairy Building pending receipt of a detailed note promised to them by the Secretary, Ministry of Works, Housing and Supply in August, 1961. Meanwhile they would urge upon the Ministry to expedite the disposal of the surplus cement as it is reported to be deteriorating.
104	235	Do.	The Committee desire that the reasons for inordinate delays in handling the case of overpayment to a contractor due to non-observance of rules should be investigated and responsibility fixed.

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105	238	W. H. & S.	The Committee are concerned to see such cases recurring year after year. Even granting that a time lag between the construction of a building and the provision of other services is unavoidable the Committee feel that by carefully planning and properly phasing the work of contractors the time-lag could be effectively minimised. They desire that the Ministry of W.H. & S. should take suitable steps to avoid the recurrence of such cases in future.
106	239	Do.	The Committee regret to observe that a decision on the suggestion that a single agency should be entrusted with work of construction of buildings and provision of ancillary services is yet to be reached even though two years have passed.
107	241	Do.	<p>(i) Non-maintenance of proper accounts and failure to revise the rates and recover the dues from private parties are in the opinion of the Committee serious lapses for which responsibility should be fixed.</p> <p>(ii) The Committee would like to know when a decision is likely to be taken in the matter of revision of rates of unfiltered water.</p>
108	244	Do.	The Committee are gravely concerned to see the inordinate delay in handling the case mentioned in para 242 of Report. They would like to be informed of the final outcome. The Committee deplore that no action has been taken by the Ministry to fix responsibility in the matter.

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			They would like to be informed as to how much time it will take to finalise this action.
109	247	W. H. & S.	<p>(i) The Committee fully agree with the Comptroller and Auditor General that after the original scheme for which the loan was sanctioned was abandoned, the entire amount should have been refunded by the Delhi Administration instead of continuing to keep it outside Government account. Sums could be drawn on other schemes as and when they were finalised.</p> <p>(ii) The Committee feel that there should be no scope for doubt in such financial matters. In future the Ministries concerned with sanctioning of grants and loans to States should take proper steps to ensure that the funds are properly utilised by the latter or refunded promptly when not required.</p>
110	250	Do.	The Committee desire that their suggestion made in para 211 of the 34th Report should be implemented without further delay.
111	251	Do.	In order to get a correct picture of the position, viz., over-payments etc. the Committee desired to be furnished with a detailed note on the subject which is still awaited.
112	254	Do.	(i) The Committee are alarmed at this state of affairs—cases of provisional payments awaiting settlement even after 10 years had elapsed. They feel

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			<p>that Government had not been firm in dealing with the firms which defaulted in furnishing the requisite information. A</p> <ul style="list-style-type: none"> • time limit should be given to such firms within which they should furnish the requisite information to enable Government to settle their cases. Government might also consider the feasibility of suspending dealing with the firms which are recalcitrant. The Committee would like to be apprised of the progress made by the D.G.S. & D. in the settlement of old cases and the financial effects thereof. <p>(ii) The inflow of new cases in the Committee's view, indicates procedural defects which require immediate attention of Government.</p>
3	257	W. H. & S	<p>The Committee do not know what prompted the Supply Organisation to enter into <i>cost-plus</i> contracts with the oil companies especially when (as admitted by the D.G.S.&D. in the course of evidence) the firms were not prompt in furnishing the requisite information in respect of cost of production etc. and the material being a by-product it was difficult to fix its cost.</p>
114	258	Do.	<p>The Committee would like to be apprised of the progress made in the recovery of the overpayment made to the firm which went into liquidation.</p>
115	261	Do.	<p>The Committee attach great importance to proper maintenance of accounts of materials as their absence is fraught with all kinds of frauds, misappropriations etc. They would like to watch the progress made in the finalisation of old cases through subsequent Audit Reports.</p>

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116	264	W. H. & S.	The Committee trust that the Ministry will take care to see that such situations (Punishing officers without proper enquiry) do not recur as they will impair the confidence of the services in the impartiality of the Administration.
117	266	Do.	The Committee feel that the Executive Engineer, who failed to keep proper watch over maintenance of material-at-site accounts has not been blamed for lack of supervision. They do not see why Government are needlessly mild in this particular case. In their opinion the case calls for a review. They would like to be apprised of the results of the review.
118	269	Do.	The Committee deprecate the delay in enforcing the recovery of rent and regret to observe that adequate administrative arrangements have not been made by the Directorate to liquidate the arrears in the recovery of rent. They would like to be apprised of the recommendation of the S.R.U of the Ministry of Finance and the action taken thereon by the Ministry of Works, Housing and Supply.
119	273	Do.	Even granting that it was not advisable to change the Consultants, pending final decision on the question of setting up a departmental laboratory, the Committee see no justification for continuing the old firm of Consultants at higher rates for two years. The Committee regret that the D.G., I.S.D. continued in his own way till 1956, despite objections from Audit in 1953 and 1954.

43. The S. S. Book Emporium, 'Mount-Joy' Road, Basavangudi, Bangalore-4.
61. Mitral & Company, 85-C, New Mandi, Muzaffarnagar.
78. Hind Book House, 82, Janpath, New Delhi.

ORISSA

44. The Cuttack Law Times Office, Cuttack-2.
- 44a. Ekamra Vidyababan, Eastern Tower Room No.3, Bhuvaneshwar-3, Orissa.
62. Shalig Ram & Sons, Booksellers, Madar Gate, Aligarh.
63. Universal Book Company, 30, Mahatma Gandhi Marg, Allahabad.
79. The Imperial Publishing Company, 3, Faiz Bazar, Daryaganj, Delhi-6.
80. Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi.

PUNJAB

45. The English Book Depot, 78, Jhoke Road, Ferozepore Cantt.
46. The Krishna Book Depot, Publishers, Booksellers, Stationery and News Agents, Main Bazar, Pathankot.
47. Minerva Book Shop, The Mall, Simla-1.
48. The New Book Depot, 76, The Mall, Simla-1.
49. (Vacant).
64. Firma K. L. Mukhopadhyay, 6/1A, Ban-chharam Akur Lane, Calcutta-12.
65. M. C. Sarkar & Sons (Private) Limited, 14, Bankim Chatterjee Street, Calcutta-12.
66. Thacker Spink & Company (1933) Private Ltd., 3, Esplanade East, Calcutta-1.
67. W. Newman & Company Limited, 3, Old Court House Street, Calcutta.
81. Jain Book Agency, Connaught Place, New Delhi.
2. J. M. Jains & Brothers, Mori Gate, Delhi-6.
83. Lakshmi Book Store, 42, M. M. Janpath, New Delhi.
84. Mehra Brothers, 50-G, Kalkaji, New Delhi-19.
85. M. Gulab Singh & Sons, Private Limited, Press Area, Mathura Road, New Delhi.
86. The New Book Depot, P.O. Box No. 96, Connaught Place, New Delhi.

WEST BENGAL

RAJASTHAN

50. "Bookland", 663, Madar Gate, Ajmer (Rajasthan).
51. K. M. Agarwal & Sons, Railway Book Stall, Udaipur.
- 51a. Information Centre, Govt. of Rajasthan, Tripolia, Jaipur City, Rajasthan.
387. Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1.
87. People's Publishing House, Rani Jhansi Road, New Delhi-1.
89. Rama Krishna & Sons, 16-B, Connaught Place, New Delhi.
90. Sikh Publishing House Private Limited, 7-C, Connaught Place, New Delhi.
91. The United Book Agency, 48, Amrit Kaur Market, Paharganj, New Delhi.
- 91a. Kitab Mahal (W.D.) Private Ltd. 28 Faiz Bazar, Delhi.

JAMMU & KASHMIR

68. The Kashmir Book Shop, Residency Road, Srinagar, Kashmir.
69. Students Stores, Raghunath Bazar, Jammu-Tawi.

DELHI

52. A. H. Wheeler & Company Private Limited, 15, Elgin Road, Allahabad.
53. British Book Depot, 84, Hazratganj, Lucknow.
54. B. S. Jain & Company, 71, Abupura, Muzaffarnagar.
55. Friends Book House, M.U., Aligarh.
56. Goel Traders, 100-C, New Mandi, Muzaffarnagar.
57. Kitabistan, 17-A, Kamla Nehru Road, Allahabad.
58. Law Book Company, Sardar Patel Marg, Allahabad.
59. Laxmi Narain Agarwal, Hospital Road, Agra.
60. The Loyal Book Depot, Chhipi Tank, Meerut.
70. Atma Ram & Sons, Kashmere Gate, Delhi-6.
71. Bahri Brothers, 188, Lajpat Rai Market, Delhi-6.
72. Bookwell, 4, Sant Narakari Kingsway, Delhi-9.
73. The Central News Agency, 23/90, Connaught Circus, New Delhi.
74. City Book Sellers, Sobhanganj Street, Delhi.
75. Dhanwantra Medical & Law Book House, 1522-Lajpat Rai Market, Delhi-6.
76. The English Book Shop, 7-L, Connaught Circus, New Delhi.
77. Freeland Publications Private Limited, II-A/16, Lajpat Nagar, New Delhi.

MANIPUR

92. Shri N. Chaoba Singh Newspaper Agency, Ramial Paul High School, Anzete, Imphal, Manipur.

AGENTS IN FOREIGN COUNTRIES

U.K.

93. The Secretary Establishment Department, The High Commission of India, India House Aldwych, LONDON W.C.-2.



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