

**PUBLIC ACCOUNTS COMMITTEE
(1972-73)**

(FIFTH LOK SABHA)

FIFTY-FOURTH REPORT

[Action taken by Government on the Recommendations of the Public Accounts Committee contained in their 1st Report (Fifth Lok Sabha) on Audit Report (Civil) 1970—Appropriation Accounts (Civil) 1968-69 relating to the Ministries of External Affairs, Industrial Development, Internal Trade and Company Affairs (Department of Industrial Development) and Labour, Employment and Rehabilitation (Department of Rehabilitation)].



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PUBLIC ACCOUNTS COMMITTEE
(1972-73)

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SECRETARIAT

Shri B. B. Tiwari—Deputy Secretary

Shri T. R. Krishnamachari—Under Secretary.

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Fifty-Fourth Report on the Action taken by Government on the recommendations of the Public Accounts Committee contained in their First Report (Fifth Lok Sabha) on Audit Report (Civil) 1970—Appropriation Accounts (Civil) 1968-69 relating to the Ministries of External Affairs, Industrial Development, Internal Trade and Company Affairs, (Department of Industrial Development) and Labour, Employment and Rehabilitation (Department of Rehabilitation).

2. On the 6th June, 1972, an 'Action Taken' Sub-Committee was appointed to scrutinise the replies received from Government in pursuance of the recommendations made by the Committee in their earlier Reports. The Sub-Committee was constituted with the following Members:

1. Shri B. S. Murthy—*Convener*.
2. Shri Ramsahai Pandey
3. Shri M. Anandam
4. Shrimati Savitri Shyam
5. Shri H. M. Patel
6. Shri Shyam Lal Yadav
7. Shri Bhagwat Jha Azad.

3. The draft Report was considered and adopted by the Sub-Committee at their sitting held on the 7th November, 1972 and finally adopted by the Public Accounts Committee on 28th November, 1972.

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

(vi)

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

NEW DELHI;
November 28, 1972.

Agrahayana 7, 1894 (S).

ERA SEZHIYAN,
Chairman,
Public Accounts Committee.

**Defalcation of Public Money in Indian High Commission, U.K.,
Paragraphs 1.9 and 1.10 (S. Nos. 1 and 2).**

1.5. While dealing with a case of defalcation of Public money in the Consular Department of High Commission of India, London, the Committee made the following observations in paragraphs 1.9 and 1.19 (S. Nos. 1 and 2) of their First Report (Fifth Lok Sabha):

"1.9. The Committee find that a detailed audit of the accounts for the period November, 1964 to August, 1968 relating to Consular fees in the Consular Department of the High Commission of India, London, disclosed that approximately £ 9273 (Rs. 169,239) had been defalcated over the period of nearly four years. The Committee regret that Government have yet to assess the exact amount involved. They desire that it should be done without further delay and steps to realise the amounts due, should be taken expeditiously."

"1.9. The Committee observe that Government have decided, for their own reasons, not to make any report of the case to the local police. The Committee would like Government to find out early whether the Cashier (Mr. Sharma) who is stated to be a British passport holder, owns any property in India and if so, whether it can be attached to the extent necessary. It should also be examined as to what further action could be taken against him."

1.6. In their note dated the 14th July, 1972 the Ministry of External Affairs stated as follows:—

"The amount was defalcated by the Cashier by adopting the following two methods:

- (a) Non-remittance of moneys received by the Cashier.
- (b) Short-remittance of moneys received by the Cashier.

The relevant records sent by audit in support of items (a) above have been verified and it is established therefrom that an amount of £ 5343. 9s. 10d. was not remitted by the Cashier to the Treasury. Similarly, it is established from the records that an amount of £ 3,576. 16s. 5d. was short-remitted by him into the Treasury. Thus out of the total amount of £ 9,273 defalcated by the Cashier only a sum of £ 352. 3s. 7d. remains unverified. This amount relates to cases where defalcation was apparent but could

not be confirmed with reference to authentic documents. Verification of this amount is conditioned by following considerations:

- (i) the volume of work is stupendous and additional staff would be required;
- (ii) even if the additional staff is deployed, the possibility of preciseness is remote, and the result may not be commensurate with the efforts.

Therefore, the figure of £ 9,273 reported by Audit as having been defalcated may kindly be taken as fairly accurate.

Mr. Sharma has not assets or property at all either in U.K., or Kenya or in India. It is, therefore, not possible to recover any loss from his property or assets.

As regards the question regarding the action that could be taken against him the following alternatives are available:—

- (i) to prosecute him under the British Laws while registering a complaint with the Police;
- (ii) to persuade him to make reparation in instalment to exact whatever amount is possible.

Besides the cost involved there are some practical difficulties in taking action at (i) above. The prosecution would require a waiver of the inviolability of Mission's official records. The examination of the witnesses by prosecution defence and by the local Police would expose the intimate working of the Mission. There will be adverse and undesirable publicity which will be against the interests of the Government. As regards alternative (ii) above Mr. Sharma of his own volition has agreed to pay £ 10 per month from August, 1971."

17. The Committee note that the Cashier (Mr. Sharma) a British Passport holder has no assets or property either in U.K., Kenya or India and therefore it would not be possible to recover the amount of " 9,273 (Rs. 169,239) defalcated by him. The Cashier on his own volition has agreed to pay £ 10 per month from August, 1971. The Committee are not satisfied with this course, as at this rate a period of over 77 years would be required to recover the whole amount. While the amount that would be recovered would be negligible, the impression that would be created on the rest of the staff would be undesirable. The Committee suggest therefore that based on the report of the Enquiry Officer severe disciplinary action should be taken against the Cashier. There should be no question of compromising with evil. The Committee would like to be informed of the action taken.

Para 1.20 (S. No. 3)

1.8. In paragraph 1.20, the Committee had made the following observation in regard to the fixing of the responsibility of the Accounts Organisation at London:

“The Committee would like to know why no responsibility has yet been fixed for the failure of the Accounts Organisation at London to detect the defalcation earlier.”

1.9. In their note dated 14th July, 1972 the Ministry of External Affairs stated:

“This matter is being examined in detail in consultation with the Enquiry Officer. The Committee will be informed of the results after the examination is completed.”

1.10. In a further note* dated 9th August, 1972 the Ministry stated as follows:—

“The Enquiry Officer in his report has intimated that the faults of the accounts department were mainly technical in nature which have been set right. He has observed that it would not be correct to put the greater burden of blame on the Accounts Department or the Treasury Officials either for the defalcation or for the failure to detect it before 1968. A senior officer of this Ministry, who is at present in London has been asked to examine the contention of the Enquiry Officer with reference to the relevant records. We are awaiting his report.”

1.11. The Committee desire that early decision should be taken as to the precise degree of responsibility of the Accounts Organisation at London for its failure to detect the defalcation in time.

Paras 1.36 and 1.37 (S. Nos. 4 and 5)

1.12. Commenting upon the failure of the High Commission to obtain security deposit from the Cashier, the Committee made the following observations in paragraphs 1.36 and 1.37 (S. Nos. 4 and 5):

“1.36. The Committee are concerned at the successive attempts of the High Commission to frustrate the efforts of Government to impose the condition of obtaining Security Deposit from the Consular Assistant handling cash. Ironi-

*Not vetted by Audit.

cally enough the High Commission has been basing their view that no security was necessary on their feeling that a thorough system of checks and counter-checks to provide adequate safeguards against the possibility of loss of money was available. This, to say the least, was not a responsible attitude to be taken as Audit had been repeatedly pointing out the shortcomings in the system of handling and accountal of cash. The Committee would, therefore, like it to be examined as to how such proposals were initiated without verifying the actual position *vis-a-vis* the Audit remarks."

"1.37. The Committee do not find any reason for the non-recovery of the security deposit even after the receipts of the final orders of Government in March, 1967 as the daily cash transactions amounted to much more than Rs. 200. It was only after the defalcation came to light in Audit that the High Commission thought it fit to obtain financial guarantee in 1969. The Committee would like this lapse to be gone into with a view to taking suitable action."

1.13. In their note dated 14th July, 1972 the Ministry of External Affairs stated:

"1.36. The observation of the Committee has been noted. The High Commission approached the Ministry of External Affairs for the continuance of the exemption of the clerical officer from furnishing a security deposit in their letter No. EST/3-1-18, dated December, 3, 1964, *vide* Appendix I of the First Report of the P.A.C. (1971-72). The Enquiry Officer has stated that the letter of the Establishment Department was based on a Memorandum from the Consular Department; in this letter a misleading impression was given that checks and counter-checks were adequate as far as the Consular Department was concerned. The actual wording is 'the checks and counter-checks that have been instituted in respect of the receipt, and handling, of cash in various Departments of this Mission make the possibility of defalcation by the Officers handling moneys remote.' The Establishment Department here was generalising the position for the whole Mission. There is no evidence to show that the Consular Department especially vouchsafed for the adequacy of their own checks and counter-checks though they have done so in other correspondence with the Ministry. It is an

administrative mistake not attributable to any particular individual."

"1.37. The Recommendation of the PAC has been noted. No notice was taken by the High Commission of the circular letter No. Q/748/1/BFII/66, dated March 23, 1967, (vide Appendix II of the First Report of the PAC 1971-72) issued by the Ministry of External Affairs reiterating the need for security deposit. This was an administrative lapse and detailed instructions have now been issued with a view to taking suitable action vide this Ministry's letter No. Q/BFIV/7340/2/71, dated June 5, 1972 mentioned in Para 1.57".

.. 1.14. The Committee would point out that the lapse cannot be regarded as only an administrative lapse. The Committee had earlier desired that this lapse should be investigated with a view to taking suitable action. A recommendation of this kind should always carry far greater weight. No satisfactory explanation has been vouchsafed for what was clearly a reprehensible lapse, being tantamount to wilful ignoring of clear instructions by the Ministry. In order that similar 'lapses' may not recur, the Ministry should take suitable disciplinary action.

Paragraphs 1.49 and 1.52 (S. Nos. 6 and 8).

1.15. Commenting on the responsibility of the supervisory officers and the Head of the Office (First Secretary) of the High Commission which rendered the defalcation possible, the Committee, in paragraphs 1.49 and 1.52 of their 1st Report had observed as follows:—

"1.49. As admittedly there has been serious laxity on the part of supervisory officers which rendered the defalcation possible, the Committee would urge Government to have the enquiry already stated to have been initiated under the personal supervision of the High Commissioner expedited and appropriate action taken under intimation to them.

1.52. The Committee got an impression that proper and prompt attention was not paid by the High Commission in London to the Audit remarks all these years. They would like Government to examine how far the Head of the Office (First Secretary) has discharged his responsibilities in regard to settlement of audit objections since 1960. The Committee need hardly stress that Audit objections should not be taken lightly in the interest of sound financial management.

1.16. In their note dated 14th July, 1972 the Ministry of External Affairs stated:

"1.49. The recommendation of the P.A.C., has been noted. The enquiry initiated under the supervision of the High Commissioner has since been completed. The report of the Enquiry Officer is being examined with a view to taking suitable action against the officials concerned for laxity on their part. In the case of two officers who have retired from service, payment of gratuity to them has been withheld, pending final outcome. The P.A.C., will be informed of the position after final action has been completed.

1.52. The recommendation has been noted and the High Commission has been requested to pay sufficient regard to the remarks of audit *vide* instructions issued in the Ministry of External Affairs letter No. Q/BFII/7452/39/69-Pt.II, dated September 24, 1970 (Appendix I). On the basis of the facts made available by the Enquiry Officer, action is being taken to assess how far the Head of the Office (First Secretary) has discharged his responsibilities. The P.A.C. will be informed of the final position in this regard."

1.17. In a further note* dated 9th August, 1972 the Ministry stated:

"The enquiry initiated under the supervision of the High Commissioner has since been completed. As a result of this enquiry, explanation from officers were called for. Their replies have since been received and are being examined by the Government with a view to taking suitable action against them. The P.A.C., will be informed of the position after final action is completed."

1.18. The Committee await the further report that is promised, and trust that it will be received at an early date.

Para 1.57 (S. No. 9)

1.19. In paragraph 1.57, the Committee made the following observations on the need to review the system of handling cash in Indian Missions/Posts:

*Not vetted by Audit.

"After going through the details of the case, the Committee have come to the conclusion that the High Commission in London ought not to have entrusted the functions of the cashier and accountant to one individual. This fundamental mistake coupled with laxity in supervisory control largely made the defalcation possible. Some remedial steps have since been taken which include appointment of an India-based official as cashier. The Committee would suggest that the position in this regard in other Missions/Posts abroad be reviewed comprehensively in consultation with Comptroller and Auditor General with a view to rationalising the arrangements for handling cash and leaving no scope for any manipulation".

1.20. In their note dated the 14th July, 1972, the Ministry of External Affairs stated:

"The recommendation of the P.A.C., has been noted. The existing arrangements for handling cash in Missions/Posts Abroad have been reviewed in consultation with the Comptroller and Auditor General of India and suitable instructions have been issued in this regard (Appendix II)."

1.21. The Committee note that in pursuance of their recommendation the arrangements for handling cash in Missions/Posts abroad have been reviewed in consultation with the Comptroller and Auditor General of India and suitable instructions issued in June, 1972. According to these instructions the Head of the Chancery has been made responsible for periodical verification of cash and reconciliation of the cash balance with the bank balance. The Committee suggest that a provision should also be made for surprise checks by the Head of the Chancery.

Poultry Farm at Kondagaon and Industrial Training Institute at Ambaguda—paragraphs 3.30 and 3.41 (S. Nos. 15 and 16).

1.22. While commenting the proposal for the transfer of Poultry Farm at Kondagaon to the State Government of Madhya Pradesh and Industrial Training Institute at Ambaguda to the State Government of Orissa, the Committee observed as follows in paragraphs 3.30 and 3.41:

"3.30. The Committee note that the Dandakaranya Project authorities have taken various measures to improve the working of the Poultry Farm at Kondagaon as a result of which egg production has since improved. The Com-

mittee are, however, concerned to observe that the real purpose of establishing the Farm namely the Poultry development and poultry extension works has not been achieved. During the period 1969-70 and April *1970 to August, 1970 only 80 birds and 574 birds respectively (totalling 654 birds) have been distributed to the settlers while 1900 birds were distributed to tribal blocks during 1969-70. The Chief Administrator, Dandakaranya admitted during evidence that "the response of the settlers being very poor, there would be little use in our continuing it (poultry farm) further". The Committee were informed by the Secretary, Department of Rehabilitation that the question of transfer of the farm to the State Government which had tribal blocks nearby was under consideration. The Committee desire that the matter should be taken up with the State Government as early as possible. The Committee would like to be informed of the outcome."

"3.41. The Committee note that Government have incurred an expenditure of Rs. 17.94 lakhs up to 31st March, 1970 since the Industrial Training Institute, Ambaguda was set up in February, 1965. They are also informed that the intake capacity is not being fully utilized as the response to admissions to the Institute is not very encouraging for various reasons. In the circumstances, the Committee commend the proposal regarding the transfer of the Institute to the State Government of Orissa. The Committee desire that the proposal said to be under the consideration of the Government, should be finalised as early as possible and the Committee informed. The Dandakaranya Project Authorities should spare no efforts to improve the quality of training so that larger number of students are attracted to the institution and what is more, the standard of training should be such as to win the confidence of employers thereby improving employment opportunities for those who successfully complete the training."

1.23. The Ministry of Labour and Rehabilitation (Department of Rehabilitation) in their note dated 1st May, 1972 stated:

"3.30. The question of transfer of the Poultry Farm at Kondagaon to the State Government of Madhya Pradesh is still

*In the original recommendation the figure was misprinted as "April 1969 to 1970".

under negotiation and vigorous efforts are being made to finalise the matter as early as possible. The Public Accounts Committee will be informed as soon as the transfer has taken place.

- 3.41. The question of transfer of the Industrial Training Institute, Ambaguda to the Government of Orissa is still under negotiation and vigorous efforts are being made to finalise the matter as early as possible. The Public Accounts Committee will be informed as soon as the transfer has taken place."

1.24. The Committee desire that the question of transfer of the Poultry Farm at Kundagaon to the Government of Madhya Pradesh and of Industrial Training Institute at Ambaguda to the Government of Orissa should be vigorously pursued with the respective State Governments.

CHAPTER II

RECOMMENDATIONS|OBSERVATIONS ACCEPTED BY GOVERNMENT

Recommendation

The Committee find that a detailed audit of the accounts for the period November, 1964 to August, 1968 relating to Consular fees in the Consular Deptt. of the High Commission of India, London, disclosed that approximately £ 9273 (Rs. 169,239) had been defalcated over the period of nearly four years. The Committee regret that Government have yet to assess the exact amount involved. They desire that it should be done without further delay and steps to realise the amounts due, should be taken expeditiously.

[S. No. 1, (Para 1.9) of Appendix IV to the 1st Report (Fifth Lok Sabha)].

Action taken

The amount was defalcated by the Cashier by adopting the following two methods:

- (a) Non-remittance of moneys received by the Cashier.
- (b) Short-remittance of moneys received by the Cashier.

The relevant records sent by audit in support of item (a) above have been verified and it is established therefrom that an amount of £ 5343.9s. 10d was not remitted by the Cashier to the Treasury.

Similarly, it is established from the records that an amount of £ 3,576, 16s. 5d was short-remitted by him into the Treasury. Thus out of the total amount of £ 9,273 defalcated by the Cashier only a sum of £ 352.3s. 7d remains unverified. This amount relates to cases where defalcation was apparent, but could not be confirmed with reference to authentic documents. Verification of this amount is conditioned by following considerations:

- (i) the volume of work is stupendous and additional staff would be required.
- (ii) even if the additional staff is deployed, the possibility of preciseness is remote, and the result may not be commensurate with the efforts.

Therefore, the figure of £9,273 reported by Audit as having been defalcated May kindly be taken as fairly accurate.

Mr. Sharma who defalcated the money has agreed of his own volition to pay £10 per month from August, 1971 for reparation of the loss caused by him to the Government. The financial position of Mr. Sharma is such that it is not possible to enforce recovery at a higher rate from him.

[Ministry of External Affairs O.M. No. Q|BF|IV|7340|1|71 dt. 14-6-1972].

Recommendation

The Committee observe that Government have decided, for their own reasons, not to make any report of the case to the local police. The Committee would like Government to find out early whether the cashier (Mr. Sharma) who is stated to be a British passport holder, owns any property in India and if so, whether it can be attached to the extent necessary. It should also be examined as to what further action could be taken against him.

[S. No. 2, (Para 1.19) of Appendix IV to the 1st Report (Fifth Lok Sabha)].

Action taken

Mr. Sharma has no assets or property at all either in U. K. or Kenya or in India. It is, therefore, not possible to recover any loss from his property or assets.

As regards the question regarding the action that could be taken against him the following alternatives are available:—

(i) to prosecute him under the British Laws while registering a complaint with the Police.

(ii) to persuade him to make reparation in instalment to exact whatever amount is possible.

Besides the cost involved there are some practical difficulties in taking action at (i) above. The prosecution would require a waiver of the inviolability of Mission's official records. The examination of the witnesses by prosecution, defence and by the local Police would expose the intimate working of the Mission. There will be adverse and undesirable publicity which will be against the interests of the Government. As regards alternative (ii) above Mr. Sharma of his own volition has agreed to pay £10/- per month from August, 1971.

[Ministry of External Affairs O.M. No. Q|BF|IV, 7340|1|71, dated 14-6-1972].

Recommendation

The Committee are concerned at the successive attempts of the High Commission to frustrate the efforts of Government to impose the condition of obtaining Security Deposits from the Consular Assistant handling cash. Ironically enough the High Commission has been basing their view that no security was necessary on their feeling that a thorough system of checks and counter-checks to provide adequate safeguards against the possibility of loss of money was available. This, to say the least was not a responsible attitude to be taken as Audit had been repeatedly pointing out the shortcomings in the system of handling and accountal of cash. The Committee would, therefore, like it to be examined as to how such proposals were initiated without verifying the actual position *vis-a-vis* the Audit remarks.

[S. No. 4, (Para 1.36) of Appendix IV to the 1st Report (Fifth Lok Sabha)].

Action taken

The observation of the Committee has been noted. The High Commission approached the Ministry of External Affairs for the continuance of the exemption of the clerical officer from furnishing a security deposit in their letter No. EST/3.1. 18, dated December 3, 1964, *vide* Appendix I of the First Report of the P.A.C. (1971-72). The Enquiry Officer has stated that the letter of the Establishment Department was based on a Memorandum from the Consular Department; in this letter a misleading impression was given that checks and counter-checks were adequate as far as the Consular Department was concerned. The actual wording is "the checks and counter-checks that have been instituted in respect of the receipt, and handling, of cash in various Departments of this Mission made the possibility of defalcation by the Officers handling monies remote." The Establishment Department here was generalising the position for the whole Mission. There is no evidence to show that the Consular Department especially vouchsafed for the adequacy of their own checks and counter-checks though they have done so in other correspondence with the Ministry. It is an administrative mistake not attributable to any particular individual.

[Ministry of External Affairs O.M. No. Q/BF/IV/7340/1/71, dated 14-6-1972].

Recommendation

The Committee do not find any reason for the non-recovery of the security deposit even after the receipt of the final orders of Government in March, 1967 as the daily cash transactions amounted to much more than Rs. 200/-. It was only after the defalcation came to light in Audit that the High Commission thought it fit to obtain financial guarantee in 1969. The Committee would like this lapse to be gone into with a view to taking suitable action.

[S. No. 5, (Para 1.37) of Appendix IV to the 1st Report (Fifth Lok Sabha)].

Action taken

The Recommendation of the PAC has been noted. No notice was taken by the High Commission of the circular letter No. Q/748/1/BFII/66, dated March 23, 1967. (vide Appendix II of the First Report of the PAC 1971-72) issued by the Ministry of External Affairs reiterating the need for security deposit. This was an administrative lapse and detailed instructions have now been issued with a view to taking suitable action vide this Ministry's letter No. Q/BF/IV/7340/2/71, dated June 5, 1972, mentioned in Para 1.57.

[Ministry of External Affairs O.M. No. Q/BF/IV/7340/1/71, dated 14-6-1972].

Recommendation

The Committee take a serious view of the persistence of certain defects, such as non-remittance of fee received promptly into the Treasury and non-accountal of fee received, even after the defalcation had come to notice which indicates the need for plugging forthwith all loopholes and making supervision more stringent and effective.

[S. No. 7, (Para 1.50) of Appendix IV to 1st Report (Fifth Lok Sabha)].

Action taken

The recommendation of the P.A.C. has been noted. The enquiry Officer has opined that the Consular Department which was already in a mess could not be transformed into an efficient office straight-away, particularly since cashier had to be changed and the Supervisory Officers were under pressure. In April, 1969 it was noticed

that the India-based Officer had accumulated cash without remitting the sum to the Treasury, and that he also neglected to fill in the Fee Cash Book. The High Commission dealt with this lapse at once and belated efforts were made to rectify the error. The India-based cashier has expressed his regret after verbal admonition. The process of reforms in the Consular Department took some time. The situation is better with two cashiers, both India-based, in position. The Senior Executive Officer is attesting the cash book and supervising the remittance statements. There is a machinery now to see if the amounts credited to the Treasury are identical with the amounts collected and shown in the Fee Cash Book. Supervision is more stringent and more effective than before.

[Ministry of External Affairs, O.M. No. Q BF IV/7340/71, dated 14-6-1972].

Recommendation

After going through the details of the case, the Committee have come to the conclusion that the High Commission in London ought not to have entrusted the functions of the cashier and accountant to one individual. This fundamental mistake coupled with laxity in supervisory control largely made the defalcation possible. Some remedial steps have since been taken which include appointment of an India-based official as cashier. The Committee would suggest that the position in this regard in other Missions/Posts abroad be reviewed comprehensively in consultation with Comptroller and Auditor General with a view to rationalising the arrangements for handling cash and leaving no scope for any manipulation.

[S. No. 9, (Para 1.57) of Appendix IV to 1st Report (Fifth Lok Sabha)].

Action taken

The recommendation of the P.A.C. has been noted. The existing arrangements for handling cash in Missions/Posts Abroad have been reviewed in consultation with the Comptroller and Auditor General of India and suitable instructions have been issued in this regard. (Appendix II).

[Ministry of External Affairs, O.M. No. Q BF IV/7340/71, dated 14-6-1972].

Recommendation

The Committee feel that the position regarding repayment of loans is not satisfactory. While the number of defaulters came down from 640—amount Rs. 6.42 lakhs—to 424 involving an amount of Rs. 3.04 lakhs (principal and interest) as on 30th September, 1969, 330 fresh cases of default occurred between 30th September, 1969 to 30th April, 1970. The cases of default include 155 cases (amount outstanding Rs. 1.91 lakhs) which are more than 5 years old. A recent survey has revealed that in 542 cases the loanees have either defaulted or changed their place of business and are not paying their instalments. Out of these cases part recoveries have been effected in 284 cases and recovery proceedings are in progress against the remaining 258 units. The Committee desire that vigorous steps should be taken to recover the outstanding amount from the defaulters and special attention should be paid to the old cases.

[S. No. 10, (Para 2.16) of Appendix IV to the 1st Report (Fifth Lok Sabha)].

Action taken

The number of defaulters regarding the repayment of loans was 424 involving an amount of Rs. 3.04 lakhs (Principal and Interest) as on 30-9-69. 330 fresh cases default also occurred between 30-9-69 to 30-4-70. These cases of defaults included 155 cases (amount then outstanding Rs. 1.91 lakhs) which were more than 5 years old. The number of such cases as on 30-4-71 has come down to 144 involving an amount of Rs. 1.74 lakhs only.

As was revealed in survey then conducted, in 542 cases the loanees had either defaulted or changed their place of business and were not paying their instalments. Out of these 542 cases, 28 cases stand fully paid up and closed, leaving a balance of 514 cases only.

As a result of vigorous steps, part recoveries have been effected in 289 cases and recovery proceedings are in progress in the remaining 225 cases.

The Directorate is pursuing the recovery cases vigorously by:

- (i) Issuing personal call letters to loanees followed by reminders, last one being by registered post.
- (ii) Writing to District Collection Officer to effect recoveries as arrears of land revenue.
- (iii) Sending the cases to Zonal Officers concerned to persuade the loanees in their respective areas to clear off the dues.

(iv) Making references to police authorities and also to Zonal Officers to trace out the untraced loanees.

[Ministry of Industrial Development O.M. No. G.25015(7)-B&A/71, dated 15-11-1971]

Further Information

Position as on 30th June, 1972

2.16. The number of defaulters regarding repayment of loan was 386 involving an amount of Rs. 4.94 lakhs (Principal and interest) as on 8/71. This included 141 cases (Amount 1.90 lakhs) of more than 5 years old. The number of such cases on the basis of accounts compiled for and upto the month of 6/72 has come down to 135 involving an amount of Rs. 1.70 lakhs only. Thus the number of five years old cases not only declined in figures but also in amount with the conclusion that more recovery has been effected during the period 1st September, 1971 to 30th June, 1972. To expedite recoveries the District Collection Officer is being reminded at intervals in the remaining cases.

2. As was revealed in the survey, conducted in 1969, in 542 cases loanees had either defaulted or changed their place of business and were not paying the instalments. Out of these 38 cases further closed, bringing the total closed cases to 148 in all leaving a balance of 394 cases as on the close of 6/72. As a result of vigorous steps the part recoveries are being effected in 179 cases and recovery proceedings are in progress in the remaining cases.

[Ministry of Industrial Development O.M. No. G.25015(7)-B&A/71, dated 4-9-1972].

Recommendation

The Committee have also noticed that some of the loanees have not utilised the loans for the purpose for which they were granted to them. Out of 1998 cases of loans granted from 1959-60 onwards, misutilisation have been reported in 138 cases involving a sum of Rs. 3.96 lakhs. Out of these cases recoveries are stated to have been effected in 35 cases while the remaining 103 cases involving a sum of Rs. 1.87 lakhs are still outstanding and have been referred to the Collector for recoveries as arrears of land revenue. The Committee would like Government to analyse and investigate the reasons for misutilisation of loans by the parties and apply necessary correctives.

[S. No. 11. (Para 2.17) of Appendix IV to the 1st Report (Fifth Lok Sabha).]

Action taken

The cases of misutilisation have been referred to the District Collection Officer for effecting recoveries.

CHAPTER III

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

—NIL—

CHAPTER IV

**RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF
WHICH REPLIES HAVE NOT BEEN ACCEPTED BY COMMIT-
TEE AND WHICH REQUIRE REITERATION**

—NIL—

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

Recommendation

The Committee would like to know why no responsibility has yet been fixed for the failure of the Accounts Organisation at London to detect the defalcation earlier.

[S. No. 3, Para 1.20 of Appendix IV of the 1st Report (Fifth Lok Sabha)].

Action taken

This matter is being examined in detail in consultation with the Enquiry Officer. The Committee will be informed of the results after the examination is completed.

[Ministry of External Affairs O.M. No. QBF/IV/7340/1/71, dated 14-6-1972].

Further Information

The Enquiry Officer in his report has intimated that the faults of the accounts department were mainly technical in nature which have been set right. He has observed that it would not be correct to put the greater burden of blame on the Accounts Department or the Treasury Officials either for the defalcation or for the failure to detect it before 1968. A senior officer of this Ministry, who is at present in London has been asked to examine the contention of the Enquiry Officer with reference to the relevant records. We are awaiting his report.

[Ministry of External Affairs O.M. No. QBF/IV/7340/1/71, dated 9th August, 1972].

Recommendation

As admittedly there has been serious laxity on the part of supervisory officers which rendered the defalcation possible, the Committee would urge Government to have the enquiry already stated to have been initiated under the personal supervision of the High Commissioner expedited and appropriate action taken under intimation to them.

[S. No. 6, Para 1.49 of Appendix IV of 1st Report (Fifth Lok Sabha)].

Action taken

The recommendation of the P.A.C. has been noted. The enquiry initiated under the supervision of the High Commissioner has since been completed. The report of the Enquiry Officer is being examined with a view to taking suitable action against the officials concerned for laxity on their part. In the case of two officers who have retired from service, payment of gratuity to them has been withheld, pending final outcome. The P.A.C. will be informed of the position after final action has been completed.

[Ministry of External Affairs O.M. No. QBF:IV:7340:171, dated 14-6-1972].

Recommendation

The Committee got an impression that proper and prompt attention was not paid by the High Commission in London to the Audit remarks all these years. They would like Government to examine how far the Head of the Office (First Secretary) has discharged his responsibilities in regard to settlement of audit objections since 1960. The Committee need hardly stress that Audit objections should not be taken lightly in the interest of sound financial management.

[S. No. 8, Para 1.52 of Appendix IV of 1st Report (Fifth Lok Sabha)].

Action taken

The recommendation has been noted and the High Commission has been requested to pay sufficient regard to the remarks of audit vide instructions issued in the Ministry of External Affairs letter No. QBF:II:7452:39-69-Pt.II dated September 24, 1970 (Appendix—I). On the basis of the facts made available by the Enquiry Officer action is being taken to assess how far the Head of the Office (First Secretary) has discharged his responsibilities. The P.A.C. will be informed of the final position in this regard.

[Ministry of External Affairs O.M. No. QBF:IV:7340:171, dated 14-6-1972).]

Further Information

The enquiry initiated under the supervision of the High Commissioner has since been completed. As a result of this enquiry explanation from officers were called for. Their replies have since been received and are being examined by the Government with a view to taking suitable action against them. The P.A.C. will be informed of the position after final action is completed.

[Ministry of External Affairs O.M. No. Q|BF(IV)|7340, dated the 9th August, 1972].

Recommendation

The Committee consider it regrettable that only a small portion of 466 acres of land (near Faridabad township) acquired by the erstwhile Faridabad Development Board in 1950 has so far been put to use. A mere 107 acres out of 466 have so far been developed for industrial use and allotted to the industries while the major portion is in the possession of the erstwhile owners. The compensation assessed by the Land Acquisition Collector initially was 4.62 lakhs which amount was deposited by Government in the Treasury in August, 1957, after the Writs filed by the land-owners had been finally dismissed by High Court/Supreme Court. Out of this a sum of Rs. 1.28 lakhs was paid as compensation for 136 acres of land (which included 107 acres allotted to industries) in 1956 in compliance with the order of the High Court. The Committee note that there had been protracted negotiations between the Faridabad Development Board and the owners regarding payment of compensation since 1957 but no avail. Ultimately, the District Magistrate decided to refer the case to the Arbitrator to be appointed under Section 8 of the Requisitioning and Acquisition of Immovable Property Act 1952 for determining the compensation afresh. The arbitrator has to be appointed by the State Government. In the meanwhile, the State Government appears to have evinced keen interest in themselves taking over the land. No arbitrator has been appointed so far although several years have elapsed. The whole case has thus become very much complicated and its progress bogged down. The Committee have been informed that Government have decided to hold a high-level meeting at the Minister's level with the Haryana Government to resolve the stalemate and sort out the various issues involved. The Committee would urge that the projected meeting should be arranged early so that this important matter which has been hanging fire for over 20 years is decided once for all in the interests of all the parties concerned. viz., the land holders, the

State Government and the Central Government. The Committee desire that they should be apprised of the progress made in this behalf.

[S. No. 13, para 3.11 of Appendix IV of the 1st Report (Fifth Lok Sabha)].

Action taken

As recommended by the Public Accounts Committee, meetings at the level of Secretary, Department of Rehabilitation, were held with the officers of the Haryana Government and it was ultimately decided that after retaining the lands and other properties required by the Central Government for its own purposes, the residual assets would be transferred to the State Government under Administrative and Financial arrangements, which are being settled through negotiation. It was also decided that, in the meanwhile, the appointment of an Arbitrator for determining the amount of compensation to be paid for the lands in question should be pursued with the State Government. The Arbitrator has since been appointed by the State Government and the matter is pending before him.

Further progress in the matter will be intimated to the Committee in due course.

[Department of Rehabilitation O.M. No. 4(50) 69-CSC(F), dated 7-9-1972].

Recommendation

The Committee note that the Dandakaranya Project authorities have taken various measures to improve the working of the Poultry Farm at Kondagaon as a result of which egg production has since improved. The Committee are, however, concerned to observe that the real purpose of establishing the Farm namely the Poultry development and poultry extension works has not been achieved. During the period 1969-70 and April 1970 to August* 1970 only 80 birds and 574 birds respectively (totalling 654 birds) have been distributed to the settlers while 1900 birds were distributed to tribal blocks during 1969-70. The Chief Administrator, Dandakaranya admitted during evidence that "the response of the settlers being very poor.

*In the original recommendation the figure was misprinted as 'April 1969 to 1970.

there would be little use in our continuing it (poultry farm) further" The Committee were informed by the Secretary, Department of Rehabilitation that the question of transfer of the farm to the State Government which had tribal blocks nearby was under consideration. The Committee desire that the matter should be taken up with the State Government as early as possible. The Committee would like to be informed of the outcome.

[S. No. 15, Para 3.30 of Appendix IV of 1st Report (Fifth Lok Sabha)].

Action taken

The question of transfer of the Poultry Farm at Kondagaon to the State Government of Madhya Pradesh is still under negotiation and vigorous efforts are being made to finalise the matter as early as possible. The Public Accounts Committee will be informed as soon as the transfer has been taken place.

[Department of Rehabilitation O.M. No. 16(1)/71/DNK, dated 1-5-1972].

Recommendation

The Committee note that Government have incurred an expenditure of Rs. 17.94 lakhs up to 31st March, 1970 since Industrial Training Institute, Ambaguda was set up in February, 1965. They are also informed that the intake capacity is not being fully utilized as the response to admissions to the Institute is not very encouraging for various reasons. In the circumstances, the Committee commend the proposal regarding the transfer of the Institute to the State Government of Orissa. The Committee desire that the proposal said to be under the consideration of the Government, should be finalised as early as possible and the Committee informed. The Dandakaranya Project Authorities should spare no efforts to improve the quality of training so that larger number of students are attracted to the institution and what is more, the standard of training should be such as to win the confidence of employers thereby improving employment opportunities for those who successfully complete the training.

[S No. 16, Para 3.41 of Appendix IV of First Report (Fifth Lok Sabha)].

Action Taken

The question of transfer of the Industrial Training Institute, Ambaguda to the Government of Orissa is still under negotiation and vigorous efforts are being made to finalise the matter as early as possible. The Public Accounts Committee will be informed as soon as the transfer has taken place.

[Department of Rehabilitation O.M. No. 16(1)/71 DNK. dated
1-5-1972].

NEW DELHI;
November 28, 1972.
Agrahayana, 7, 1694 (S).

ERA SEZHIYAN,
Chairman,
Public Accounts Committee.

APPENDIX I

MINISTRY OF EXTERNAL AFFAIRS NEW DELHI

S. Krishnamurti,

Addl. Secretary (Adm.)

No. Q|BF-II|7452|39|69-Pt.II.

September 24, 1970.

My dear High Commissioner,

It has recently been brought to our notice that the observations made by Audit from time to time on various financial and accounting matters are dealt with by the officers of the High Commission in a routine way and in a dilatory manner.

2. In this connection, I should like to stress that, as set out in the Audit Code, Audit necessarily functions in a dual role; firstly, on behalf of the Executive Government to check the compliance by issued by it in the discharge of its responsibility to Parliament, and Government servants subordinate to it, with the rules and orders secondly, on behalf of Parliament to secure that the Executive Government (aided by its subordinates) acts in accordance with the law and also with the views and requirements of Parliament.

3. I feel sure you will agree that it is imperative to pay due attention and regard to the observations of the Audit and settle, locally and quickly, through discussions and consultations with the Director of Audit, the issues raised by them. This will help to ensure expeditious and smooth, disposal of pending matters and should lead to a reduction, in the number of Audit paras. The attempt must, therefore, always be to try and settle as many of the issues as possible locally in consultation with the Director of Audit.

4. I shall, therefore, be grateful if suitable instructions to all Heads of Departments/Offices of the High Commission can be issued *confidentially* enjoining them to take prompt action on all observations of Audit. If any references need to be made to the Ministry,

such references may kindly be made without delay and with full documentation.

With best regards,

Yours sincerely,

Sd/-

(S. KRISHNAMURTI),

Shri Apa B. Pant,
High Commissioner of India,
London.

APPENDIX II

IMMEDIATE

No. Q|BFIV|7340|2|71 (EAI|72|1|27)

GOVERNMENT OF INDIA

Ministry of External Affairs

New Delhi, the 5th June, 1972

SUBJECT:—*Arrangements for handling cash and accounts work.*

Considerable importance is attached by the Public Accounts Committee to the financial aspect of the work of Indian Missions/Posts abroad. An examination of the procedure followed by Missions has shown that in a few Missions the arrangements for handling cash and accounts work need special care and attention by the Officers responsible for supervision and control. With a view to rationalising the arrangements for handling cash and leaving no scope for any manipulation, the following general instructions may be followed scrupulously by all concerned. These instructions are general in nature and do not override the provisions already contained in the rules. A review may be conducted of the existing arrangements of handling cash and the work relating to maintenance of accounts and results communicated to this Ministry, indicating clearly that these general instructions are being followed by them. In case where it is not possible for them to follow any of these instructions due to local conditions, a report may be forwarded to this Ministry (BFIV Sec.) clearly specifying the points on which specific Government orders relaxing the requirements are necessary.

A. Handling of Cash

(i) Moneys received as dues of Government or for depositing in the custody of Government should be brought to account without delay. These moneys should not be removed for investment or for deposit elsewhere than in the bank in which the Government moneys are normally kept.

(ii) Receipt of money should be acknowledged by issue of receipts from the Receipt Books which should be machine numbered and suitably modified if necessary to meet local requirements. The Receipt Books like cheque books must be kept under lock and key in the personal custody of the Officer authorised, by the Head of the Chancery in writing, to sign a receipt. It should neither be signed by a non-gazetted official nor by the official who is entrusted with the work of handling cash. Before a Receipt Book is brought into use the number of forms contained therein should be counted and the result recorded in a conspicuous place in the book over the signature of the Government Officer incharge of the Book.

(iii) All transactions should be attested in the cash book in token of check by a gazetted officer authorised to sign the bills or receipts with reference to cheques issued in payment of bills and acknowledgement of the banks for the amounts deposited with them. The cash Book should be closed regularly and completely checked every day. The Head of the Office should verify the totalling of the cash or have this done by some responsible subordinate other than the writer of the cash book who shall testify the correctness of the total and initial it as correct. The provisions of Rule 77 Central Treasury Rules Vol. I should be strictly followed in regard to the maintenance of the Cash Books.

(iv) The work relating to cash should not normally be handled by the same person who is handling the work of the maintaining the accounts of the Mission. In Missions and Offices in which the number of India-based Ministerial staff is less than two, it would not be possible to bring about separation of the custody of cash from the maintenance of accounts. In such cases, the supervisory officer will have to be more vigilant and it will be his special responsibility to see that the orders and instructions of the Government are carried out by the Accountant/Cashier. The responsibility of periodical verification of physical cash and the reconciliation of the cash balance with the bank balance and submission of the accounts returns etc. to the Accountant General and the Government of India will devolve on the Head of the Chancery. Immediate steps may, therefore, be taken to allocate the work relating to cash and maintenance of accounts to different persons working in the Mission and where it is not possible for the reasons mentioned above, it should be arranged that the work relating to signing of receipts is not allocated to the persons handling cash.

B. Security Deposits

(i) Under the provisions of the General Financial Rules every Government servant whether gazetted or non-gazetted who is entrusted with the custody of cash or stores is required to furnish security for such amount as the Government may prescribe according to the circumstances and local conditions in each case. The basic principle for obtaining the security is whether the Government servant is actually handling cash/stores or is merely jointly responsible for the custody for cash balance/stores.

(ii) No security may be furnished in the following cases:

- (a) Government servant who is entrusted with the custody of the stores which in the opinion of Head of the Mission are not considerable.
- (b) Government servant who is entrusted with the custody of Office furniture, stationery and other articles required for Office management, if the Head of the Mission is satisfied about the safeguards against the loss through pilferage.
- (c) Librarians and Library staff.
- (d) Drivers of Government vehicles.

Persons handling cash should not be exempted from furnishing security deposits except in cases where the amount of cash handled is insignificant and prior Government orders have been obtained for not furnishing security.

C. Submission of monthly accounts

It should be ensured that the accounts of the Mission are submitted on due dates to the authorities concerned. This not only facilitates timely conduct of accounting and audit proceedings by the Accountant General according to the audit programme, but also enables the Mission to exercise effective internal checks which serve as a deterrent against frauds and prevent defalcation. It is emphasised that non-submission of accounts on due dates constitute a serious accounting irregularity and reveals that the transactions are not being recorded in the cash books etc. as and when they occur. Before submitting monthly cash accounts to the Accountant General, an independent monthly reconciliation of the bank balance with the balance shown in the cash book may be made and the reconciliation statement attached with the accounts. Similarly, an independent monthly reconciliation be made in respect of Consular

Receipts deposited daily with the Chancery cashier by the cashier in the Consular Section, with the amounts as shown in the Consular Fee Cash Book and Plus and Minus Memoranda. It should also be verified that the Consular Fee Cash Book is closed regularly and the total receipts during the month as per Consular Fee Cash Book tally with the amounts shown in the monthly cash account of the Mission. The Reconciliation Statement which forms part and parcel of the Plus and Minus Memoranda prepared by the Consular Section and verified as above may be attached with the monthly Cash account as required under the existing orders.

Kindly acknowledge receipt of this letter.

Sd/- A. N. RAO,
Deputy Secretary to the Govt. of India.

APPENDIX III

No. F. 4(9)76-IND|8072-8075

DIRECTORATE OF INDUSTRIES: DELHI ADMN. LOAN SECTION

No.

To

Dated 18th Sept., 1971.

All the Zonal Officers.

SUB.:—*Periodical check-up of the running of the Industrial units.*

The public Accounts Committee of the 5th Lok Sabha while making observations of the mis-utilization of loans granted by this Directorate, have directed the Government to analyse and investigate the reasons for mis-utilization of loans by parties and apply necessary correctives.

The Government of India was informed of reasons for mis-utilization of loans and also told that as regards correctives steps, this Directorate is arranging for the periodical check-up of the running of the industrial units. This would mitigate the chances for mis-utilization of loan as there would be a periodical check-up during the period of currency of the repayment of the loan.

It is, therefore, stressed upon all Zonal Officers that they may take this periodical check-up during the months of June and July every year for which the loan section would be issuing a proforma (specimen copy enclosed) every year, in respect of each industrial units separately which may be filled up after verification of the unit and returned to loan section after check-up in a months time.

Sd/- ZAL NOWSHERWANJI,

Joint Director of Industries (A) Delhi.

APPENDIX- IV

Summary of main conclusions|recommendations

Sl. No.	Para No.	Ministry/Deptt. Concerned	Conclusions/Recommendations
1	2	3	4
1	1.7	External Affairs	The Committee note that the cashier (Mr. Sharma) a British Passport holder has no assets or property either in U.K., Kenya or India and therefore it would not be possible to recover the amount of £ 9273 (Rs. 169,239) defalcated by him. The cashier on his own volition has agreed to pay £ 10 per month from August, 1971. The Committee are not satisfied with this course, as at this rate a period of over 77 years would be required to recover the whole amount. While the amount that would be recovered would be negligible, the impression that would be created on the rest of the staff would be undesirable. The Committee suggest therefore that based on the report of the Enquiry Officer severe disciplinary action should be taken against the Cashier. There should be no question of compromising with evil. The Committee would like to be informed of the action taken.
2	1.11	—Do—	The Committee desire that early decision should be taken on fixing responsibility of the Accounts Organisation at London for the failure to detect the defalcation in time.

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|---|------|----------------|--|
| 3 | 1.14 | —Do— | The Committee would point out that the lapse cannot be regarded as only an administrative lapse. The Committee had earlier desired that this lapse should be investigated with a view to taking suitable action. A recommendation of this kind should always carry far greater weight. No satisfactory explanation has been vouchsafed for what was clearly a reprehensible lapse, being tantamount to wilful ignoring of clear instructions by the Ministry. In order that similar 'lapses' may not recur, the Ministry should take suitable disciplinary action. |
| 4 | 1.18 | —Do— | The Committee await the further report that is promised, and trust that it will be received at an early date. |
| 5 | 1.21 | —Do— | The Committee note that in pursuance of their recommendation the arrangements for handling cash in Missions/Posts abroad have been reviewed in consultation with the Comptroller and Auditor General of India and suitable instructions issued in June, 1972. According to these instructions the Head of the Chancery has been made responsible for periodical verification of cash and reconciliation of the cash balance with the bank balance. The Committee suggest that a provision should also be made for surprise checks by the Head of the Chancery. |
| 6 | 1.24 | Rehabilitation | The Committee desire that the question of transfer of the Poultry Farm at Kundagaon to the Government of Madhya Pradesh and of Industrial Training Institute at Ambaguda to the Government of Orissa should be vigorously pursued with the respective State Governments. |

