

PUBLIC ACCOUNTS COMMITTEE 1962-63

EIGHTH REPORT

(THIRD LOK SABHA)

[Appropriation Accounts (Civil), 1960-61 and Audit
Report (Civil), 1962]



**LOK SABHA SECRETARIAT
NEW DELHI**

March, 1963

Phalguna, 1884 (Saka)

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PUBLIC ACCOUNTS COMMITTEE

(1962-63)

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SECRETARIAT

Shri H. N. Trivedi—Deputy Secretary.

Shri Y. P. Passi—Under Secretary.

INTRODUCTION

As authorised by the Public Accounts Committee, I hereby present this Eighth Report on the Appropriation Accounts (Civil), 1960-61 and Audit Report, 1962, etc. which were laid on the Table of the House on the 4th June, 1962.

2. In this Report the Committee have dealt with matters arising from the Accounts, etc., relating to the Civil Ministries, other than those already dealt with in their Sixth and Seventh Reports (1962-63).

3. The Committee examined these Accounts and Audit Report at their sittings held in September and October, 1962 and January and February, 1963.

4. This Report was considered and approved by the Committee at their sitting held on the 8th March, 1963.

5. A brief record of the proceedings of these sittings has been maintained and forms part of this Report (Part II).*

6. A statement showing the summary of the principal conclusions/recommendations of the Committee has been appended to this Report (Appendix IV). For facility of reference, these have been printed in thick type in the body of the Report.

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

8. The Committee would also like to express their thanks to the Secretaries and officers of the various Ministries/Departments of the Government of India for the co-operation extended by them in giving information to the Committee during the course of evidence.

NEW DELHI;
The 8th March, 1963.

Phalgun 17, 1884 (Saka).

MAHAVIR TYAGI,
Chairman,
Public Accounts Committee.

*Not printed (One cyclostyled copy laid on the Table and five copies placed in the Parliament Library).

I

I. Financial Results of the Government of India (Civil Grants), 1960-61

The table given below shows the amount of Original and Supplementary grants and appropriations, the actual expenditure during the year 1960-61 and the savings:

(In crores of rupees)

	Total Grants/ Appropri- ations	Actual Expendi- ture	Savings	Percentage (3 to 2)
	1	2	3	4
Grants Voted by Parliament—				
Original—1,39.32				
Supplementary—91.52	1,400.84	1,281.82	119.02	8.5
Appropriations to meet the expenditure charged on the Consolidated Fund of India—				
Original—6,006.01				
Supplementary—9.18	6,015.19	5,634.30	380.89	6.3
TOTAL	7,416.03	6,916.12	499.91	6.7

Savings in Voted Grants and Charged Appropriations—

2. The overall saving of Rs. 499.91 crores may be analysed as follows:—

(In crores of rupees)

	Savings	Excesses	Net savings taking all voted grants/ charged appropri- ations.
Voted Grants	125.20 (in 120 grants)	6.18 (in 11 grants)	119.02
Charged Appropriations	380.89 (in 34 appropri- ations)	.0032 (in 3 appropri- ations)	380.89

In 54 grants the savings exceeded 10 per cent. of the funds provided and in 21 of these cases the savings exceeded 20 per cent.

3. *Excesses over Grants.*—There were excesses in 11 grants aggregating Rs. 6.18 crores, and in 3 appropriations aggregating Rs. 31.697

against nil provision. The Committee have examined these excesses and recommended their regularisation by Parliament in the manner prescribed in Article 115 of the Constitution in their Third Report (Third Lok Sabha).

4. *Supplementary Grants/Appropriations.*—During the year 37 supplementary grants totalling Rs. 91·52 crores were voted by Parliament. 10 supplementary appropriations aggregating Rs. 9·18 crores were also obtained in the charged section of the grants.

The supplementary provision totalling Rs. 15·44 crores proved entirely unnecessary in 11 cases as the expenditure did not even come up to the original grant or appropriation. In 8 of these cases, the supplementary provision had been obtained as late as in February, 1961.

Further, the supplementary provision proved excessive under 12 grants or appropriations; while the supplementary provision under these totalled Rs. 12·50 crores, the amount utilised was Rs. 7·8 crores.

The supplementary provision, however, proved inadequate in 5 other cases. In these cases the supplementary grants totalled Rs. 26·93 crores and the total excess under these grants over and above the supplementary grants amounted to Rs. 5·99 crores.

II. Budgeting and Control Over Expenditure

5. *Total savings.*—The percentage of savings in the total grants and appropriations for the 5 years ending 1960-61 is given below:—

(In crores of rupees)

Year	Total of Voted Grants and Charged Appropriations	Amount of saving	Percentage
1956-57	4279	650	15·2
1957-58	5499	221	4·0
1958-59	6892	443	6·4
1959-60	7308	255	3·5
1960-61	7416	500	6·7

The position in 1960-61 showed some deterioration as compared with the three earlier years.

During evidence, the representative of the Ministry of Finance stated that out of the total saving of Rs. 500 crores during the year 1960-61, an amount of Rs. 394 crores was only a national saving, as it related to "repayment of debt". This saving was mainly due to less floatation of treasury bills than anticipated partly because of receipts (amounting to Rs. 240 crores) from PL 480 which were originally used to be deposited in the State Bank of India. **The Committee desire that the**

present procedure of including savings under floatation of treasury bills which were grossed up four times for inclusion in the budget should be reviewed in consultation with the Comptroller & Auditor General.

In extenuation of savings which was a perennial problem and practically universal in all the Ministries, the representative of the Ministry of Finance stated that in the context of the development plan, the projection of basic expenditure was spread over a period of five years; annual allocation were made out of the planned expenditure. The administrative Ministries did not like interference by the Ministry of Finance in reducing the annual allocations as that might result in slowing down development programmes.

The representative of the Ministry of Finance added that another aspect of the problem was that at present there was no concept of balancing the revenue budget with taxation and capital budget with loans. The targets of taxation and borrowing were also fixed over a period of five years, and as such gap between estimates and expenditure was not really a matter of concern in the present kind of economy. The savings only reduced the amount of deficit financing.

While the Committee appreciate the Finance Ministry's point of view, they feel that the question should not be looked at from this angle. Large savings are indicative of bad budgeting as they clearly prove the inability to spend usefully the funds to the extent anticipated. In the context of the development plans it becomes all the more necessary that the administrative ministries should frame their estimates more realistically so that Parliament is not asked to vote for funds which cannot be utilised. The year 1960-61 being the last year of the Second Five Year Plan should have made up the shortfalls in the planned expenditure of the earlier years.

6. The Committee will now deal with a few selected cases of savings under the individual ministries.

Ministry of Food & Agriculture

Grant No. 37—Forest—Final Grant Rs. 280 lakhs and Savings Rs. 36·96 lakhs.

Grant No. 38—Agriculture—Final Grant Rs. 1054·02 lakhs and Savings Rs. 87·83 lakhs.

Grant No. 40—Animal Husbandry—Final Grant Rs. 280·99 lakhs and Savings Rs. 46·41 lakhs.

The Committee were informed that savings were partly due to delay in execution of certain schemes by the State Governments who

received Central assistance. The Government satisfied themselves through progress reports that the schemes were executed according to the approved plan.

The question of utilisation of Central assistance to States was dealt with in para 18 of the Eighth Report (Second Lok Sabha) of the Public Accounts Committee. The Committee were thereupon informed that a new procedure had been devised to ensure that the provision made in the budget was utilised by the State Governments. **The Committee feel concerned to find that savings continue to occur in the schemes executed by the State Governments. They desire that the system should be reviewed with a view to providing for realistic estimates in this behalf in the budget placed before Parliament.**

Ministry of Rehabilitation

Grant No. 127.—Capital Outlay of the Ministry of Rehabilitation—Group Head B(1)—Dandakaranya Development Scheme.

7. There was a saving of Rs. 1·89 crores as compared to the original grant of Rs. 4·30 crores under this head which had been stated to be due to the slow progress of work. The slow progress was attributable to the arrival of less number of displaced persons in Dandakaranya.

The Committee feel concerned to note shortfall under this important scheme. They suggest that the Ministry should take all possible steps to publicise the scheme in order to attract more displaced persons.

Ministry of Transport & Communications (Department of Transport)

Grant No. 132—Capital Outlay on Ports.

8. There was a saving of Rs. 87·84 lakhs over the total grant of Rs. 290·22 lakhs. The savings were stated to be due to less expenditure than estimated on the Ports at Kandla and Visakhapatnam. At Kandla a provision was made for two additional berths. On a re-assessment of the traffic, however, the work on the sixth berth was stopped which resulted in saving. At Visakhapatnam after the work was started it was found that the condition of the soil was different from what was anticipated and the scheme had to be reviewed. **The Committee feel that the estimates could have been more realistic with proper assessment of traffic in case of Kandla port and detailed survey of soil in the case of Visakhapatnam port.**

Department of Communications & Civil Aviation

Grant No. 90—Aviation—Final Grant Rs. 694·20 lakhs and Savings Rs. 203·83 lakhs.

Grant No. 131—Capital Outlay on Civil Aviation—Final Grant Rs. 459·60 lakhs and Savings Rs. 107·06 lakhs.

Grant No. 134—Other Capital Outlay of the Ministry of Transport & Communications—Final Grant Rs. 1362·27 lakhs and Savings Rs. 177·25 lakhs.

9. The Secretary, Department of Communications and Civil Aviation explained that savings occurred mainly in expenditure on (i) procurement of stores from abroad and (ii) construction works. In regard to the procurement of stores from abroad, the witness stated that the existing procedure was dilatory. Under the system before entering into any commitment for foreign exchange a provision was required to be made in the budget estimates. Later, due to various reasons, either the supplier was not able to deliver the goods in time or the requisite debits were not raised within the financial year, which resulted in savings.

The Committee suggest that the present procedure should be reviewed to remove difficulties. At the time of making budget provision for imported equipment, the possibility of their procurement within the financial year should be carefully examined; otherwise, only a token provision should be included in the budget to be followed by a supplementary grant, if necessary. The Committee also feel that closer coordination between indentors and suppliers will also ease matters. They would reiterate the recommendations contained in para 5 of their Report on the Accounts for 1947-48 (Post-Partition) and para 15 of the First Report (First Lok Sabha).

Ministry of Works Housing & Supply

Grant No. 135—Delhi Capital Outlay—Final Voted Grant Rs. 685·88 lakhs and Savings Rs. 182·13 lakhs.

Grant No. 136—Capital Outlay on Buildings—Final Voted Grant Rs. 983·84 lakhs and Savings Rs. 129·53 lakhs.

10. The Secretary of the Ministry of Works, Housing & Supply, stated that the extant procedure for commencement of works, preparation of estimates etc. was defective and unless it was simplified cases of non-utilisation of funds were bound to recur. In reply to a question, the witness stated that it took normally six to nine months to start construction work after the requisite sanction was accorded.

The Committee feel concerned over the large savings in works expenditure coming to their notice year after year. The Committee desire that the present procedure should be reviewed with a view to

removing bottlenecks in commencement and progress of works. The Committee also suggest that in case of new schemes where there are no reasonable chances of executing works during the financial year due to difficulties like acquisition of land etc. only a token provision should be included in the budget.

Ministry of External Affairs

Grant No. 16—Tribal Areas—Final Grant Rs. 1027.74 lakhs and Savings Rs. 108.79 lakhs.

11. There was a saving of Rs. 79 lakhs due to non-implementation of the scheme of standardisation of Assam Rifles. The Director (Finance) of the Ministry of External Affairs stated that the question of standardisation had to be decided in consultation with the various ministries and also the Standardisation Committee of the Ministry of Defence. He admitted that the time taken in this behalf was unusually long, even though the scheme was sanctioned more than a year ago. A similar position existed in regard to education under the same grant. The witness stated that it was difficult to get the right type of men for the interior but a system had been introduced to encourage large number of tribal students by grant of scholarships to them so that they went back to work in their areas.

The Committee feel that enough attention is not being paid to the tribal areas. They suggest that a small advisory committee consisting of members of Parliament from the area may be constituted to advise Government on these matters.

Surrender of Savings

12. Under the rules, savings occurring within a grant/appropriation are required to be surrendered as soon as the possibility of such savings is envisaged without waiting till the end of the year.

During the year, out of the total savings in all grants and appropriations amounting to Rs. 499.91 crores, a sum of Rs. 492.95 crores was surrendered. Of this, a sum of Rs. 489.45 crores was surrendered in March, 1961.

The representative of the Ministry of Finance stated that the necessary instructions had already been issued to the administrative Ministries for exercising strict budgetary control and surrendering savings immediately they were foreseen. **The Committee are far from happy over the practice of surrendering funds in the last month of the financial year. They desire that serious notice should be taken of the disregard of the instructions issued by the Ministry of Finance in this behalf.**

II

IMPORTANT OBSERVATIONS ON INDIVIDUAL MINISTRIES

13. 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, etc.

MINISTRY OF COMMERCE AND INDUSTRY

Exhibition of Indian Goods abroad, pages 35 to 37, para 18.

Exhibitions of Indian Goods abroad.—As a measure of export promotion, the Ministry organises exhibition of Indian goods abroad and also arranges for India's participation in Trade Fairs. The defective planning and execution of the arrangements connected with some of the exhibitions held in the past had been a subject of comment by the Public Accounts Committee in the past. [See paragraph 22 of their 18th Report (1958-59)].

During the years from 1959-60 to 1961-62 Government organised participated in about 45 such exhibitions and fairs involving an expenditure of Rs. 8.23 lakhs in India and Rs. 41.32 lakhs abroad (Total Rs. 49.55 lakhs). About 15 of these came under local audit during the course of inspection of the Indian Missions.

The Committee desired to know the reasons for the delays in despatch of exhibits for display in the exhibitions abroad resulting in unnecessary loss to the Government. The Additional Secretary of the Ministry of Commerce & Industry stated that there were many difficulties in regard to the collection of exhibits, getting them packed, sending them to the port and despatching them through the right steamer. If all this was arranged too much in advance, the expenditure on storage and insurance in India and abroad would be pretty high. He maintained that in the totality of circumstances such delays could not be avoided in a few exhibitions. He further stated that after it was decided to participate in an exhibition, all the Commodity Boards, Export Promotion Councils, individual firms, etc. were informed about the decision with detailed programme. Besides, keeping in view the timing of the exhibition and the availability of steamer facilities, a time-table was drawn up by which all the exhibits should reach the port. In most of the cases, the exhibits were received in time but in some cases they were delayed on account

of the circumstances beyond the control of Government. Further, if all the exhibitors did not send their exhibits in time, efforts were made to fill the gap a little later to ensure that all the exhibits reached in time for that exhibition. With regard to selection of articles, it was stated that the parties concerned were free to decide as to which articles they should exhibit.

Some of the points which came to notice of Audit are mentioned below:—

- (a) Instances of exhibits being received too late for display were noticed in four cases.

Out of 131 packages of exhibits despatched for the Lyons Fair, held from 4th April to 14th April, 1959, 26 packages reached the place only on the 3rd April, and 4 packages were received there after the fair was over.

In the 1959 International Trade Fair in Tokyo, held from 5th May to 22nd May, 1959, 34 packages of exhibits were received on the 14th May, 11 packages on the 20th May and 19 packages still later.

In the Canadian National Exhibition, Toronto, held from 26th August to 12th September, 1959, 10 packages of exhibits reached the place only on the 17th August and were returned unopened to India.

In the Izmir International Fair, 1960, held from 20th August to 20th September, 1960, the bulk of the goods meant for the Fair were received there after the Fair was over.

- (b) In one case after taking an initial decision to participate in a fair and entering into financial commitments the arrangement was cancelled at the last moment.

In this case the Turkish Government allotted an import quota of \$9,00,000 and the Indian Mission at Ankara entered into a contract with a local firm for the organisation of the Izmir International Fair 1961; but the matter was not ultimately pursued further as the terms of the contract were found unacceptable to the State Trading Corporation who had been entrusted with the export of the exhibits.

- (c) In the Lyons Fair 1959, Brno Trade Fair 1959, and Tokyo International Trade Fair 1959, it was noticed that proper stock registers and inventories of exhibits had not been kept. It was not possible for audit to verify the ultimate disposal of all the exhibits received.

Lyons Fair

Giving the facts of the case, the witness stated that 106 packages containing the exhibits reached there in time and 5 packages reached during the period of the fair and the exhibits were displayed. It was added that none of these packages reached their destination after the Fair was over; but there was some delay in their receipt because of delay in sailings—one ship scheduled to sail on the 26th February actually sailed on the 4th March and another scheduled to sail on the 10th March left two days later. There was also congestion at the port of Genoa. With regard to delay on the part of individual parties, the Committee were informed that 30 cases were received late for shipment by the first sailing. Therefore, one case was airlifted by the party itself to Paris and it was despatched to Lyons. It was further stated that transport and shipping charges except air freight were shared by Government and the owners of the articles.

International Trade Fair

The witness stated in extenuation that out of 45 packages, 34 packages reached Tokyo on the 14th May, 1959 and the material was displayed from the 14th to 22nd May, 1959. The remaining 11 cases reached Tokyo on the 20th May, 1959 and were not released by the Customs and therefore the exhibits could not be displayed. With regard to delay in despatch of articles, it was stated that the first sailing which was scheduled for the 26th March, materialised a fortnight later i.e. on the 6th April. The second consignment was sent by the second boat which started earlier than the first but reached Japan later and as such both voyages were delayed. The Mission in Tokyo, however, got the first shipment cleared at the earlier port of call. It was transported by road and put on display.

The Canadian National Exhibition, Toronto.

The Committee enquired why the packages were not opened. The representative of the Ministry stated that the 10 packages in question were actually received at Toronto on 25th August, 1959, i.e. a day before the opening of the Exhibition. They were not displayed because the Mission there did not find it possible to disturb the display already arranged.

Izmir International Fair.

Explaining the position in this regard, the representative of the Ministry stated that a Turkish firm named Itimat Ticaret Evi had entered into an agreement with the Indian Ambassador in Turkey in March, 1960 to organise the Indian Pavilion, and to sign specific

contracts with the State Trading Corporation for purchasing Indian goods. The representative of the firm visited India during April, 1960 for selecting and placing orders for the purchase of goods against the Fair Quota. He added that the reasons for certain goods reaching Izmir after 20-9-1960 were (i) the order of the firm for the exhibits was received late and (ii) the infrequency of direct sailings to Izmir. In this particular case, although the goods reached late, they were taken charge of by the importers and disposed of under the Fair Quota.

In this connection, attention of the Ministry was invited by the Committee to their earlier recommendation contained in para 22 of the Eighteenth Report (Second Lok Sabha) Vol. I which reads as follows:—

“The Committee are not satisfied with the explanation given by the Ministry. They do not understand why Government could not inform the traders well in advance so that last minute rush of work which necessarily involved avoidable expenditure on account of air-lifting of exhibits etc. could be avoided. They, therefore, suggest that Government should review the whole procedure in the light of the experience gained so far in order to ensure better results.”

In extenuation the witness stated that the Annual Programmes of Exhibitions and Fairs abroad were decided in advance, regular meetings with the representatives of the Export Promotion Councils, Commodity Boards, etc. were held thereafter the budget provision was made and all concerned were informed accordingly. The Committee, however, desired to be furnished with a detailed note with regard to the fairs held abroad during 1959-60 giving information about (a) selection and receipt of exhibits, (b) difficulties in shipping, etc. (c) financial commitments, (d) maintenance of Stock Registers and (e) disposal of exhibits (The note is awaited).

The Committee are not quite satisfied with the explanation furnished to them regard to delays in despatch of exhibits and are unhappy to note that in spite of their earlier recommendations, delays are still occurring.

The Committee feel that if any useful purpose is to be served by participating in International Fairs and Exhibitions, the Government would be well advised to induce the private trade and industry to take a more active part, both financially and administratively in such exhibitions abroad, so that they may also feel as active participants. The Ministry should also fix a time-limit within which all the exhibits

properly packed should reach the port and the participants, who should be notified sufficiently in advance, told that no exhibits would be accepted beyond that date.

The Ministry should also issue strict instructions to officers concerned and to Missions abroad where such exhibitions are held that a proper register/inventory of all the articles should be maintained, so that a proper check can be exercised on the disposal of exhibits.

Sanctioning estimates in excess of requirements: Page 36, para 18(c) (i)

14. In two cases the amounts sanctioned by the Ministry for expenditure abroad were in excess of requirements as estimated by the Missions themselves as shown below:—

	Amount estimated by the Mission	Amount sanctioned by the Ministry	Actual Expenditure
	(In lakhs of rupees)		
(a) Buenos Aires Exhibition, 1959	0.40	1.22	.40
(b) Wholly Indian Exhibition, Saigon, 1959.	0.19	1.06	.18

The Ministry have stated (March, 1962) that in these two cases, the estimates were examined by junior officers, who did not have adequate experience and technical knowledge.

In the case of Buenos Aires Exhibition, 1959, the surplus funds retained with the Mission amounted to Rs. 82,000 and depreciated in value by Rs. 9,233 as a result of fluctuations in the rates of exchange between rupee and the local currency.

In the same exhibition, out of goods valued at Rs. 87,692 sent from India, sales to the local people amounted only to Rs. 204. Goods worth, Rs. 2,221 were sold to the Embassy staff after waiving the recovery of the usual incidental charges @10 per cent. The decision to hold the exhibition had been taken in spite of a report from the Indian Embassy that the economic situation in the country was very fluid and that austerity measures with an extremely restricted import policy had been introduced in January, 1959.

The Committee desired to know the reasons for issue of sanctions by the Ministry for expenditure which was more than the estimated

requirements. The representative of the Ministry admitted that the sanctions given were very much in excess of the estimates made by the Mission. He added that this happened because the Ministry felt that the estimates were probably not correctly made in view of the fact that expenditure on similar fairs had been high. The officers responsible did not, however, know of the particular circumstances in which the Missions had sent their estimates and the senior officers in charge of exhibitions were away from the headquarters.

The Committee are unhappy to note that sanctions for such expenditure are issued without proper examination of facts and figures and without consulting the Missions concerned about the details on which estimates were based. They hope that a suitable procedure will be evolved to ensure that such cases are not repeated.

Disposal of Exhibits: Page 37, para 18(c) (iii).

15. During the period from 1951 to February, 1958, exhibits worth Rs. 18.79 lakhs had been purchased for display abroad. Out of those, goods costing Rs. 10.73 lakhs were held by various Missions and those worth Rs. 3.22 lakhs were returned to India.

As the stocks accumulated with the Embassies and trade centres were deteriorating in quality, enhanced powers were given in 1959 to the Heads of Missions for their disposal; and monthly reports showing the progress of disposal were called for. Reports are, however, not being furnished to the Ministry by several of the Missions. The physical verification reports for 1959-60 had also not been received from some of the Missions till March, 1961.

The Ministry informed Audit in March, 1962 that the Missions were being regularly reminded to expedite the disposal of the old stocks; and that after some more time, action would be taken to write off the undisposed stocks.

The representative of the Ministry informed the Committee in extenuation that whatever articles were exhibited in the fairs could not be disposed of on the spot by terms of participation. If every thing was sent back, then again there were difficulties of cost of transport etc. He added that instructions had been issued to the Missions to try to dispose of the exhibits as expeditiously as possible to avoid unnecessary loss to Government. To a question whether anything out of goods costing Rs. 10.73 lakhs held by various Missions abroad had been disposed of, the witness stated that goods worth Rs. 5 lakhs had been disposed of. It was further added that some goods had been purchased for decoration purposes. With regard to stock lists, it was stated that they were not being supplied by the Missions regularly and some reports were still outstanding.

To a question whether there was any special Section dealing with exhibitions, the witness stated that there was a Directorate of Exhibitions in the Ministry of Commerce and Industry which was the principal body to organise exhibitions abroad. The Export Promotion Councils or the Commodity Boards including the Handloom Export Organisation had their own nuclei but not for the purpose of physical participation abroad in the sense of constructing buildings etc. The Committee, however, desired to be furnished with a note stating as to how many Exhibition Sections were there in the various Branches of the Ministry of Commerce and Industry and how much expenditure had been incurred on these Sections, separately. (The note is awaited).

The Committee do not appreciate the manner in which these matters are being handled. They suggest that effective steps should be taken to ensure that exhibits are disposed of as quickly as possible to avoid incurring of loss on that account. Before disposal of the exhibits abroad, it should be ascertained whether the cost of re-transporting them back to India would be less, than the loss likely to be suffered by such disposal. Missions abroad should be asked also to furnish the Ministry with stock lists of exhibits regularly.

Physical verification of exhibits lying in the Directorate of Exhibitions, page 37, para. 18(c) (iv).

16. A departmental physical verification of the stores lying at the Headquarters of the Directorate of Exhibitions conducted from January, 1960 to May, 1960 after an interval of 5 years since the date of the previous verification showed that—

- (a) the stock registers were defective and incomplete with unauthenticated entries. The value of stores was not indicated in several cases,
- (b) the articles had not been stored properly according to classification. Costly shawls, brocades and delicate handicrafts were placed along with hard substances like blocks and ores, wooden or brass-ware, etc., rendering the former unworthy of display in future,
- (c) obsolete and unserviceable goods had not been disposed of.

The Ministry informed Audit in March, 1962 that the stock registers were being completed and the action was being taken for disposal of obsolete and unserviceable goods.

The Committee desired to know the reasons for the irregularities mentioned in the Audit para. The representative of the Ministry while giving the background of the unsystematic storage of goods,

stated that goods were lying in boxes in the same condition in which they were received from the Missions, pending settlement of insurance claims etc. To a question as to why five years were taken to settle this matter, the witness stated that revised stock registers had been prescribed but their forms were not available for quite sometime; but they were re-doing the verification in accordance with the new prescribed forms of Stock Registers.

The Committee are unhappy over the lethargic and inefficient manner in which the Directorate of Exhibitions is functioning. It is surprising that even after a lapse of five years, pending insurance claims have not been settled owing to non-availability of forms. Nor have any accounts of the contents of the packages etc. been maintained. The Committee desire that a thorough investigation into the affairs of the Directorate should be made, responsibilities fixed for such slackness in performing the duties and suitable disciplinary action taken against the officers concerned.

The Committee further desire that a survey of the work done by the various Exhibition Sections under the Ministry of Commerce and Industry should be made early in order to avoid any duplication of work by abolishing/merging some of them, if necessary.

The Committee would also like the Ministry to review the position regarding the Government participation in Exhibitions and Fairs in order to ascertain whether any beneficial results, in the shape of increase in the sale or export of commodities or otherwise have flowed from such activities. Thereafter the question of curtailment of these activities to the extent possible should be examined so as to conserve foreign exchange and other expenditure.

Short recovery of water charges, page 38, para. 19.

17. The Delhi Administration purchases filtered water in bulk from the Delhi Municipal Corporation, and supplies it to units situated in the Industrial Estate at Okhla, New Delhi on "no profit, no loss" basis. During the period from April, 1959 to the end of October, 1961, the amount assessed for recovery from the consumers fell short, by Rs. 32,055, of the payments made to the Corporation. This short assessment was attributed to defects in the working of some of the sub-meters installed in the units and also to the fact that no meter-reader was appointed to record readings correctly and to keep the sub-meters in proper repair.

Government informed Audit in January, 1962 that action was being taken (a) to recover the entire amount of water charges paid to the Corporation from the allottees either on the basis of the floor area

or on some other rational basis and (b) to replace the existing defective meters.

The Committee desired to know whether the short recovery of water charges was due to failure on the part of Supervisory Officers. The representative of the Ministry while giving background of the case stated that the Okhla Industrial Estate was constructed by the National Small Industries Corporation who handed it over to the Delhi Administration and as such the latter were responsible for running the estate. In the absence of water meters, the actual recovery of water charges was on an *ad hoc* basis. The bill of the Corporation came much later and it was only then that the discrepancy was found. To a question it was stated that out of a sum of Rs. 32,055 about Rs. 12,000 had since been recovered. The rest would also be recovered as the tenants had agreed to pay. It was further added that water meters were also being installed and very shortly the basis of collection would be systematic and put on a proper footing.

The Committee feel that had the meters been installed in time, the short recovery of Rs. 32,055 could have been avoided. They hope that the balance of the dues will be recovered early and a report submitted to them.

Purchase of Stores in advance of requirement, page 38, para. 20.

18. (i) Between December, 1957 and July, 1958, items of machinery worth about Rs. 66,000 were purchased direct, as an emergency measure, in relaxation of the normal procedure of purchase through the Director General of Supplies and Disposals, in connection with the scheme for the establishment of an industrial extension centre at Bhubaneswar. The land required therefor could not, however, be purchased till August, 1960, and the work of the construction of buildings had not yet been taken up till April, 1962.

(ii) Similarly, in the case of another centre proposed to be established at Nabadwip (West Bengal), machinery and other equipment worth Rs. 71,332 and Rs. 28,198 were purchased direct during the years 1958-59 and 1959-60 respectively; the workshop building had not been completed till April, 1962.

It may be mentioned that in the above cases the purchases were made direct by the Department on grounds of emergency instead of utilising the Stores Purchase Organisation. The possibility of deterioration of the machinery and equipment which are lying idle cannot be ruled out.

The Committee desired to know the present position of both the cases. The representative of the Ministry informed the Committee

that both the cases were of the same category. While giving the background leading to the decisions in both the cases, he added that round about 1956, the Government of India launched a programme of development of Small-scale Industries and decided to establish Small Industries Service Institutes at a number of centres, and also a number of Extension Centres which were supposed to meet the requirements of small artisans and small industrialists. With a view to execute this programme expeditiously, it was decided in consultation with the Ministries of Works, Housing and Supply and Finance that the necessary machinery upto the extent of Rs. 90 lakhs might be purchased directly but other formalities like calling tenders, checking of prices etc. were to be observed. The witness, however, admitted that in the two cases under examination, there had been delay in acquisition of land and construction of buildings; but the machinery had been maintained properly and kept under supervision and there was no reason why they should really deteriorate. To a question whether steps were taken to acquire land before the order for the machinery was placed, the witness replied in the affirmative.

The Committee are not satisfied with the explanation furnished to them. They feel that if a sense of urgency or emergency really existed, Government should have taken special steps to acquire the land in time and started the construction of the building according to schedule. The Committee would like to be informed when the construction of buildings is completed in both the cases.

Delay in completion of departmental enquiries, pages 38 and 39, para. 21.

19. (A) Two officers of the office of the Chief Controller of Imports and Exports were arrested and suspended in January and July, 1950 respectively on charges of alleged forgery. Police investigations were completed in 1953 and thereafter court proceedings resulted in their conviction in the lower courts on 15th March, 1955. On appeal, these officers were acquitted by the High Court in October, 1955.

During the three years of police investigation departmental proceedings were not initiated as required under Government orders of November, 1935. Action was initiated only in August, 1967, and it took nearly a further period of three years to complete the action. The officers were reinstated in service with effect from 27th July, 1960 and 10th August, 1960 respectively. In the meantime, the former had already attained the age of superannuation on 4th September, 1957 and remained under suspension for about three years after that date. He retired from service with effect from the date of reinstatement, 27th July, 1960.

An expenditure of about Rs. 96,000 was incurred by way of subsistence allowance paid to these officers, during the period of suspension which extended to ten years.

It has been stated that departmental proceedings could not be initiated prior to 1957 owing to non-availability of the final report from the police and that other relevant documents were in the court.

It has since been decided that the officers should not be paid anything more than the subsistence allowance for the period of suspension.

(B) Associated with the above case, were three subordinate officials of the same office who had also been under suspension since 1950. Departmental proceedings against these officials were, however, initiated only in August, 1958. On the basis of the Enquiry Officers' report, one of the three officials was reinstated with effect from 9th January, 1961 while the other two were reinstated with effect from 17th May, 1961 and allowed to retire on the same day, having already attained the age of superannuation. The manner in which their period of suspension should be treated had not yet been decided till February, 1962.

The Committee desired to know the facts of these cases. The representative of the Ministry stated that these officers were arrested in 1950. The case remained with the police for about three years, and thereafter it went to the court and the order of acquittal was passed by the High Court in October, 1955. In spite of persistent efforts, it took about two years to obtain the papers from the police. Thereafter, it was referred to the enquiry officers who gave their report in 1959. The officers were under suspension drawing a subsistence allowance all the time. They were not reinstated from an earlier date but only at the end of the period of suspension. To a question as to why departmental action was delayed, the Secretary of the Ministry stated that the then rule was that departmental action should not be taken until after the police case was over. That position had since changed. It was suggested to the Ministry by Audit that in order to avoid delay, photostat copies of the records should have been taken, and departmental enquiry started. The witness stated that it would also have taken much longer to get copies.

The Committee invite attention of the Ministry to their earlier recommendation contained in para. 181, Vol. I of the Seventh Report (Second Lok Sabha) and hope that the Ministry of Home Affairs will review the position in order to ensure that disciplinary cases are disposed of as expeditiously as possible so as to be really effective.

**MINISTRY OF COMMUNITY DEVELOPMENT AND
CO-OPERATION**

Appropriation Accounts (Civil) 1960-61

Page 98, Grant No. 7-A, 1(3)—Other Grants.

20. While discussing the over-budgeting under this grant, the Secretary of the Ministry stated that there was a system of co-operative training for the benefit of the employees of co-operative institutions. Training Centres with lecture halls, hostels etc. were run by State Governments or Cooperatives unions and the Government of India gave assistance to them in the shape of stipends etc. Quite often there were shortfalls in the number of trainees and the lecturers which resulted in considerable savings. The money in the shape of stipends and a portion of the other costs were given by the Central Government to the State Governments who passed them on either directly to their own institutions or to the State Co-operative Unions concerned. He disclosed further that while in some States the utilisation of the money was to the extent of 90 to 95 per cent in some States it was much less. One of the reasons of the shortfall in the number of trainees was stated to be that the scheme was that the trainees who were already working in some Government Departments should get their salaries in addition to the stipend in order to maintain themselves and their families. But a number of State Governments refused to pay the salaries and therefore the trainees did not turn up.

The Committee feel unhappy to note that the States do not appear to be keen to utilise the money provided for by the Centre for the training in the system of co-operatives. They desire that this matter may be looked into quickly and those States who persistently fail to take suitable measures for utilisation of the funds should not be allowed further funds in such matters in future and budget provision should also be reduced to that extent.

*Page 99, Grant No. 7-B, 1(2) B. 1(2) (1)—Post Intensive Phase—
Grants to State Governments.*

21. A sum of Rs. 82 lakhs was withdrawn from this head during the year and taken to the Intensive Phase. In evidence, explaining the reasons for the extension of Intensive Phase of Stage I Blocks beyond their normal period of operation, the Additional Secretary of the Ministry stated that this was due to less expenditure on Stage II Blocks i.e., blocks in the post-Intensive Stage. In this connection the Committee desired to know the utility of the post of Social Educational Organiser. The Additional Secretary stated that the

functions of this officer had not been appreciated by anybody including the Ministry of Community Development and Co-operation. This officer was required to discuss matters with villagers and prepare their mind for the acceptance of certain projects. In many States the job of this officer was being combined with some other jobs.

The Committee are not convinced of the utility of the post of the Social Educational Organiser. They trust the Ministry will take up this matter urgently and either merge the duties and functions of this officer with another or abolish the post altogether.

Page 100—Grant No. 7-B. 3(1) (8) (1)—Grants to State Governments.

22. In this case there was a saving of Rs. 35 11 lakhs. In the year 1959-60 also a provision of Rs. 10 lakhs remained unutilised under this head. At the instance of the Committee, the Ministry furnished a note stating that in November 1958 it was agreed in principle to grant Central assistance to States for the training scheme of Panchayat Secretaries to the extent of 50 per cent of the cost of the scheme. Accordingly, a budget provision of Rs. 10 lakhs was made in the budget estimates for 1959-60. In January 1959, it was felt that the State share of expenditure on the scheme on a matching basis would burden their already depleted finances. In April 1959, the desirability of meeting the entire expenditure on the scheme by the Central Government was mooted. A provision of Rs. 36 lakhs was accordingly made in the budget estimates for 1960-61. After further consideration the decision to implement the scheme on a tapering scale of central assistance was taken in June, 1960.

In evidence, the details of this case were given in order to explain the delay in taking a decision and it was stated that the State Governments had to be consulted and their proposals invited before the scheme could be taken up for implementation. The final decision taken in June was that the Central share of non-recurring expenditure would be 75 per cent and the State share 25 per cent in the case of expenditure not exceeding Rs. 5,000 per centre. With regard to recurring expenditure not exceeding Rs. 275 per trainee in the first and second year, the share of the State and the Centre was on 50 per cent basis tapering on the third and fourth year etc. In reply to a question as to why Parliament could not be appraised of the final decision in time, it was stated that the matter was under consideration and a final decision was taken only in June, 1960 when the budget provision had already been approved by Parliament.

The Committee would like the Ministry of Finance to examine whether it would not be desirable to keep the Parliament informed when the basis and pattern of central assistance to the States as originally approved by Parliament subsequently undergoes a change.

Page 101, Grant No. 7-B, 3(2) (4) (2)—*Production of literature—Basic and Cultural Literature for Neoliterates.*

23. In a note submitted to the Committee at their instance, it was stated by the Ministry that according to the prescribed procedure, competitions were organised to get suitable books on the selected subjects for supply to rural libraries free of cost. Mostly due to poor quality of entries and the poor response from the authors/publishers sufficient number of good books could not be selected for purchase which resulted in over budgeting.

It was stated in evidence that in the manuscript stage the books examined by a Popular Literature Committee appointed by the Ministry of Education. But against 61 entries, only two books could be selected for the first year and against 41 entries for the second year, only seven books could be selected.

In the opinion of the Committee, the production, purchase or translation of books should not be undertaken by the Ministry of Community Development and Co-operation. This function should better be left either to the Ministry of Education or to the Ministry of Information and Broadcasting who are in a better position to ensure the correctness of the facts contained in the books.

Report of the Community Development Evaluation Mission, appointed under the U.N. Programmes of Technical Assistance, 1958—Page 14 para. 73.

24. In the Report of a Community Development Evaluation Mission in India appointed under the U.N. Programme of Technical Assistance which was prepared by M. J. Coldwell, R. Dumont and M. Read in August 1959, the following significant criticism was made:

“Very often the grant-in-aid policy weighs so heavily on the whole programme that the fulfilment of targets by Block Development Officer and other staff is measured by the amount of money spent.”

The attention of the Ministry was drawn to this criticism and it was asked whether any change in the grant-in-aid policy had been effected in the light of this criticism. It was stated in evidence that with the introduction of panchayat raj there had been a great deal

of devolution of power to the local bodies and the emphasis on targets had also changed.

The Committee would like the Ministry to lay stress on the actual execution of the programme and the achievements made and not on the amount of money spent on the programme. The Ministry should also make periodical assessment of the physical targets achieved so that a watch may be kept on the progress made in different spheres.

MINISTRY OF EDUCATION

Audit Report (Civil), 1962

Central Social Welfare Board—Transactions kept outside the Consolidated Fund of India—Page 33, Para 17.

25. The financial transactions of the Central Social Welfare Board, which does not have a separate legal existence as a statutory body or a registered society, legally form part of the transactions of Government and should, according to the Constitution, be accounted for within the Consolidated Fund of India. According to Audit, the transactions of the Board have, however, been kept outside the Consolidated Fund. The Ministry of Education had informed the Public Accounts Committee in 1959 that the status of the Board (which was constituted by a Resolution of Government) was under consideration.

During the course of evidence, the Secretary, Ministry of Education, stated that the budget estimates of the Board figured as an independent sub-head in the Demands of the Ministry, and were placed before Parliament for approval every year. The Comptroller and Auditor General pointed out that:—

“since the Board had no legal entity, distinct from Government, giving of Grants to the Board was not only constitutionally irregular but also fraught with risk in cases of default. The Secretary, Ministry of Education, agreed that the existing position was ‘anomalous’.”

The Committee enquired why the Board was not placed on a statutory footing at the time of its establishment in 1953. The Secretary to the Ministry stated that as the need for the Board then was urgent, and it was to be the first organisation of its kind in the country, it was decided to establish it on an experimental basis under a Resolution. Subsequently, the working of the Board was watched, and it was decided to accord statutory status to the

Board. The witness admitted that there had been delay in bringing in a Bill for the purpose. The reason for this was that before doing so, the legal position had to be examined and the State Governments had also to be consulted. As to the present position, the witness stated that a draft proposal had been prepared, and would shortly be placed before the Cabinet for approval.

The Committee were subsequently informed by the Ministry of Finance (Expenditure) that the administrative Ministry, in consultation with the Ministry of Finance, had decided that the Central Social Welfare Board should be made a registered body and the Board had been asked to implement the decision.

The Committee regret to observe that, though more than nine years have elapsed since the Board was set up, it is yet to be placed on a statutory footing. The Committee endorse the views of the Comptroller and Auditor General that, till the Board was accorded a distinct legal entity, giving of grants to the Board was not only constitutionally irregular, but also fraught with risk in cases of default. The Committee are not sure whether the registration of the Board under the Societies Registration Act, as it stands at present, will adequately safeguard the interests of Government. The Committee, therefore, suggest that the question of placing the Board on a statutory footing should be pursued.

26. The Committee referred to the grants given by the Board to voluntary welfare institutions and desired to know whether the Board had formulated any principles therefor. The Secretary to the Ministry stated that a grants-in-aid committee, appointed by the Board, had suggested conditions and criteria for giving of such grants. The recommendations of the committee had been approved by the Board and the Ministry of Education. Asked how the Board ensured that grants given to welfare institutions were utilised for the intended purposes, the witness stated that every institution receiving such grants was required to furnish a utilisation certificate signed by a chartered accountant/Government servant. The Comptroller and Auditor General pointed out that, according to the accounts of the Board for the year 1957 onwards, such certificates were pending in respect of a large amount. The witness stated that, according to the practice now followed, submission of utilisation certificates was insisted upon before releasing further grants. As a result, the position had considerably improved. The Committee desired to be furnished with a detailed statement in the matter. **This is still awaited. The Committee would defer their comments till the requisite information is received from the Ministry.**

27. The Committee enquired about the utilisation of the jeeps owned by the Board. The Secretary, Ministry of Education, stated that, as the welfare activities of the Board were conducted mostly in rural and inaccessible areas, and the majority of workers were living in urban areas, the use of jeeps appeared to be necessary. It was however, ensured that the jeeps were used only for the activities of the Board. The Committee desired to be furnished with a statement showing expenditure on purchase and maintenance of jeeps for the last three years. The witness promised to submit the statement later. The Committee also desired to have another statement giving a year-wise break-up of expenditure of the Board since its inception. The witness promised to furnish this statement also later.

The Committee regret that neither of the statements has yet been received. The Committee, therefore, defer their comments on these aspects of the question. In the meantime, in view of the paramount need of economy, in the background of the national emergency, the Committee would like the Ministry to explore the possibility of curtailment of expenditure incurred by the Central Social Welfare Board.

Irregular creation of posts on higher scales of pay—pages 39-40, para 22.

28. During 1957-58, the Delhi Administration opened several Higher Secondary Schools with classes only upto IX and created posts of trained post-graduate teachers in the scale of Rs. 200—400, instead of in the scale of Rs. 120—300, as allowed by the orders of the Ministry of Education, issued in 1950. The irregularity was pointed out by Audit in September 1957 and the Administration was also advised in December 1957 to stop payments in the higher scale pending any clarification which they might seek from the Ministry. This advice was not acted upon and the matter remained under consideration for nearly three years until September 1960, when the Ministry of Education confirmed their earlier orders according to which the scale of Rs. 200-400 was inadmissible in the cases referred to. Despite repeated requests, no action was taken to stop the irregular payments and to work out and recover the over-payments made. Twenty more teachers were appointed even after the issue of Audit objection.

During the course of evidence, the Secretary, Ministry of Education, admitted that the creation of posts of teachers in the scale of Rs. 200-400 was irregular, and not allowed by the orders of the Ministry of Education. The irregularity came to the notice of the Ministry in January, 1958, who issued a clarificatory letter in July, 1958. The Delhi Administration did not, however, stop payment in the higher grade and contended that classes IX to XI should be treated

as one integrated stage. In September, 1960, the Ministry confirmed their earlier orders according to which posts of teachers upto Class IX were to be in the grade of Rs. 120—300. The Comptroller and Auditor General referred to the recommendation of the Public Accounts Committee made in para 21 of their Report on the Accounts of 1946-47 (pre-partition) according to which Audit view should have been accepted, pending clarification by the Ministry. Asked why the Delhi Administration had not stopped payment in the higher grade, pending the Ministry's decision, as required by the above-mentioned recommendation of the Public Accounts Committee, the Secretary, Ministry of Education, admitted that it was a mistake on the part of the Delhi Administration not to have done so.

The Committee are not happy over the manner in which the Delhi Administration had acted in this case. In their opinion, it was improper on the part of the Administration to have created posts in higher scale of pay than that allowed by the orders of the Ministry of Education issued in 1950. If the creation of posts in the higher grade was considered essential, orders of the competent authority should have been obtained. Even if the initial error had been made, the Administration should have, in accordance with the recommendation of the Public Accounts Committee made in para 21 of their Report on the Accounts for 1946-47 (pre-partition), provisionally stopped payment in the higher scale in September, 1957, when the irregularity was pointed out by Audit. The Committee, however, regret to observe that the Delhi Administration not only failed to do this, but also made 20 more appointments in the higher scale which was contrary to the orders of Central Government. They understand that the Ministry of Education have asked the Administration to fix responsibility in the matter. The Committee would like to be informed of the action taken in the matter. They would also like the Ministry of Finance to impress upon the spending authorities the need for strict compliance with the above-mentioned recommendation of the Public Accounts Committee.

In reply to a question whether the irregularity had since been set right, it was stated that posts in the higher grade would have to be created for the period in question. The Committee would like to have a further report in the matter.

Avoidable Extra Expenditure—Pages 40-41, para. 23.

29. An officer of the Ministry of Education, who joined the Indian Embassy, Washington, in May, 1960, as Second Secretary (Education), was allowed the diplomatic rank of First Secretary, and in addition, foreign allowance and house rent allowance at the rates admissible

to a First Secretary, although his predecessor was given only the rank without any allowances at the increased rates. The decision regarding the more liberal treatment allowed to this officer was taken by the Ministry of External Affairs, who, however, added that the Officer's representational grant should be that of a Second Secretary only.

Subsequently in June, 1960, when the Education Ministry received the report that the officer had taken over charge as First Secretary, they pointed out to the Mission that he was actually holding the post of a Second Secretary. It was also clarified by the Ministry of External Affairs that their earlier decision granting foreign allowance and house rent allowance at the higher rates had been taken on the assumption that a post of First Secretary was available for him in the Education Department of the Mission.

The letter from the Ministry of Education, making it clear that the officer should hold the post of Second Secretary, was received in the Mission on the 14th June, 1960, but two days later, on the 16th June, 1960, he entered into a lease deed for a house for a period of two years at the rate of three hundred dollars per month admissible to an officer holding the rank of First Secretary. Government regularised this arrangement as a special case in February, 1961.

Regarding the grant of foreign allowance at the higher rate, the Ministry did not find it possible to upgrade the post on administrative grounds, but at the same time waived the recovery of the excess foreign allowance paid to the officer upto the end of August, 1960, on the ground that it had been drawn in good faith and that the recovery would have caused undue hardship to him.

The loss to Government on account of the grant of the higher rates of allowance, even after the receipt of the revised clarificatory orders by the Mission, worked out to Rs. 10,661.

During the course of evidence, the Committee were informed that the Ministry of Education had recommended to the Foreign Service Board of the External Affairs Ministry the name of an Assistant Education Officer in the former Ministry for appointment as Second Secretary in the Education Department of the Indian Embassy in Washington, with the Local Rank of a First Secretary. In the notification, however, the appointment of the said officer was shown as that of First Secretary. The officer was accordingly paid foreign and house rent allowances at the rate admissible to a First Secretary. Later on, when the Ministry of Education came to know

of the error, they issued a letter making it clear that the Officer concerned should hold the post of Second Secretary. This letter was received in the Indian Embassy in Washington on the 14th June, 1960. As to why the said officer entered into a lease deed for a house even after this date, it was stated that a verbal commitment had already been made. It was pleaded that, having made the commitment, it would have been improper for the Embassy not to have honoured it. In reply to another question, it was stated that the recovery of excess payment made to the officer concerned was waived by the Ministry on the ground that it had been drawn by the officer in good faith.

The Committee regret to observe that the mistake in the notification issued by the External Affairs Ministry, which showed the appointment of the officer concerned as First Secretary, had entailed to Government an extra avoidable expenditure of over Rs. 10,000. The Committee consider this as unfortunate. They trust that care will, henceforth, be taken by the Ministry concerned to ensure that mistakes of this type do not recur. The Committee hope that such non-recovery would not be allowed to become a precedent for future.

The Committee also feel that even after the Education Ministry had pointed out to the Mission that the officer concerned was not entitled to the residence for which negotiations were being conducted, it should have, instead of further proceeding in the matter, referred the case to the Ministries concerned and taken their specific approval to the proposed lease-deed. This, unfortunately, was not done.

Non-accountal of cash drawn from the Bank—page 57, para 42.

30. It was the practice in the office of the Central Social Welfare Board under the Ministry of Education to draw 'self' cheques in favour of the Drawing Officer for amounts required for disbursement of pay and allowances, etc., such cheques being subsequently endorsed in favour of the cashier for encashment. These cheques (and sometimes the cash after the cheques were so cashed) remained in the hands of the cashier for long periods outside the Government account. This incorrect procedure was brought to the notice of the office by Audit through the Inspection Report issued in February, 1957 and in October, 1958. The irregular procedure, however, continued unrectified and at the time of physical verification of cash in June, 1961, by a new Drawing Officer, a shortage of cash was noticed. Further enquiries showed that a "self" cheque drawn on 1st March, 1961, for Rs. 5,635 and another "self" cheque drawn on 1st April, 1961, for Rs. 5,706 had been encashed on 26th June, 1961

and 29th June, 1961, respectively and the amounts had not been credited in the cash book, the money having apparently been misappropriated.

A special audit, conducted recently at the instance of the Board/ Administration, has brought to light other irregularities in regard to maintenance of cash book which are under investigation by the Ministry.

The Secretary, Ministry of Education, stated in evidence that the irregular practice of drawing 'self' cheques for disbursement of pay and allowances was allowed by the then Chairman of the Central Social Welfare Board. When the audit objection regarding this practice came to the notice of the Ministry of Education, they disapproved of the practice and directed the Board to discontinue it. The directive of the Ministry was, however, not carried out by the Board. As a result, the then Secretary of the Board was reverted to his parent Department, viz., the Ministry of Finance. As regards the cases of misappropriation referred to in the audit para, the witness stated that these cases came to light in June, 1961, after the said Secretary had been reverted. A preliminary enquiry was held by the Board which established a *prima facie* case for investigation.

The Committee take a serious view that an organisation, like the Board, fed by Government grants, should have persisted in following irregular procedure, resulting in defalcations, regardless of objections by audit and directives by Government. The Committee trust that the Ministry of Education will, henceforth, be more effective in ensuring not only proper utilisation of their grants, but also strict compliance with their directives, by the Board.

31. The Committee were informed that with a view to obviating the recurrence of cases of the present type, a number of measures had since been introduced to improve the accounting and cash procedure in the Board. **The Committee trust that the introduction of these measures will result in the achievement of the end in view.**

32. The Committee enquired about the action taken against the delinquent officials. They were informed that the cashier concerned was suspended on 1st August 1961 and the matter was reported to the Special Police Establishment. The court delivered the judgment on the 31st July, 1962, holding the cashier guilty of charge. It had also commented upon laxity in supervision which had facilitated the commission of the crime. As regards departmental action, it was stated that the Special Police Establishment, to whom the

case had been referred, had requested the Ministry not to hold any departmental enquiry simultaneously, as it might prejudice their investigation. Now that the court judgment had been received, departmental proceedings were proposed to be initiated and suitable action taken against the delinquent officials. The facts of the case would also be forwarded to the Ministry of Finance for necessary action against the Ex-Secretary of the Board. **The Committee desire that the matter should be finalised at an early date and a report made to them.**

Irregularities in connection with departmental construction of buildings—pages 68-69, para 54.

33. During 1957-58 and 1958-59, the Education Department, Tripura, undertook departmentally the construction of certain buildings (water works for some basic schools, boarding houses and library buildings) although they had no technical staff to carry out or supervise the construction. In two of these cases, the estimated cost was in excess of Rs. 10,000 each and the administration apparently overlooked the requirements of the rule that such works should be entrusted only to the Public Works Department. No proper record of measurements was maintained and, in one case, the contractor was himself asked to maintain measurement books. In the case of six works, no formal agreements were executed with the contractors. No earnest money or security deposit was taken; funds were withdrawn from the Treasury during the last few days of the financial year in excess of the amounts required for payment to the contractors concerned, apparently to utilise the budget allotment.

In extenuation of the irregularities referred to in the Audit para, the Secretary, Ministry of Education, stated that, as the need for the buildings was urgent and the local Public Works Department was not properly equipped to execute the works, the Education Department, Tripura, had to undertake the construction of the buildings departmentally. Although the construction activity was not supervised by the technical staff of the P.W.D., it was done by the Principal of the Polytechnic Institute, a Civil Engineering Graduate equivalent of the rank of Executive Engineer. As regards non-maintenance of measurement records, the witness stated that this could not be done, as there was no technical staff in the Directorate. The payments had, however, been made to the contractor after due verification of the works by the technical staff of the Electrical & Mechanical Division who had also issued completion certificates. Asked how the Electrical & Mechanical Division had verified the work in the absence of measurement books, there was no satisfactory reply.

While the Committee appreciate the circumstances in which the Education Department, Tripura, had to undertake departmental construction of buildings, they see no justification on the part of the Department for withdrawing excessive funds from the Treasury during the last few days of the financial year as also their failure to execute formal agreements with contractors or take earnest money or security deposit from them. The Committee are also unable to understand how, in the absence of measurement books, the Department could ensure that the payments made to the contractors were in conformity with the actual work done by them. The Committee trust that care will, henceforth, be taken by the Department to obviate the recurrence of such irregularities.

Irregular retention of funds outside Government Account—Page 185, para 134

34. Amounts totalling Rs. 1.28 lakhs were drawn by an officer of Ministry on the 22nd March and 31st March, 1952, against certain sanctions for loans to co-operative craft schools societies and kept in a current account outside the Government account. After disbursing an amount of Rs. 1.13 lakhs over a period of nearly three years upto January 1955, the balance of Rs. 14,500 was ultimately refunded to Government only on the 3rd March, 1959, i.e., after seven years from the date of withdrawal. The co-operative crafts schools did not make any payment either towards the repayment of the principal or on account of interest.

No steps to recover the loans from the parties concerned were taken. Government stated (September, 1961) that these loans as well as other loans amounting to Rs. 2.27 lakhs disbursed, during 1949—51, had been given to enable the institutions to improve their financial conditions, and that, as the improvement had not been achieved, Government were considering the question of converting the loans into outright grants. Under the terms of the sanction, the loans were repayable with interest at 3 to 4 per cent over a period of 8 to 10 years.

During the course of evidence, the Committee were informed that the scheme for starting co-operative craft schools in Delhi was sponsored by the Ministry of Rehabilitation and later on transferred to the Ministry of Education. Under the scheme, loans were given to the Board of Administration of Co-operative Craft Schools, New Delhi—an *ad hoc* Board—by two Ministries: Rs. 2,36,000 by the Ministry of Rehabilitation of Rs. 1,27,850 by the Ministry of Education. These loans were sanctioned by the Ministry of Rehabilitation, before the transfer of the Scheme to the Ministry of Education. As regards the craft schools started under the scheme, it was stated that five schools had since closed down, seven had been taken over by

Government and three had been converted into ordinary schools. Asked how the buildings of the schools since closed were being used, it was stated that the information was not readily available. In reply to another question, it was stated that the amount of Rs. 1.13 lakhs was disbursed by the officer concerned upto January, 1953, and not January, 1955, as stated in the Audit para.

In the opinion of the Committee, it was irregular on the part of the officer concerned to have drawn funds from the Treasury, and to have retained them for long durations outside Government account, in contravention of the Treasury Rules. The Committee also observe that, before sanctioning the loans, the Ministry concerned had failed to make a proper assessment regarding the capacity of the loanee to repay the loans, in accordance with the terms of the sanction. Further, the purpose for which the loans had been granted had also not been fully achieved, inasmuch as 8 of the 15 craft schools, had either been closed down or converted into ordinary schools, and the remaining taken over by Government. The Committee now desire that such of the buildings of the schools, since closed down, as are not being properly utilised, should be disposed of, and the realised amount adjusted against the outstanding loans.

Audit of Accounts of Bharat Sewak Samaj—para 70 of 34th Report (Second Lok Sabha) of P.A.C.

35. In para 70 of their 34th Report (Second Lok Sabha), the Public Accounts Committee (1960-61) considered the arrangement of audit of the accounts of the Samaj by untrained persons and considering the size of grants given to the Samaj (over Rs. one crore) suggested that the Samaj should have some system of internal audit by qualified auditors, appointed for the purpose, with the approval of the Comptroller and Auditor General.

Giving his views on the above recommendation of the Public Accounts Committee (1960-61), the Secretary, Ministry of Education, stated that the Bharat Sewak Samaj was conducting about 1,500 labour and social service camps in a year in villages throughout the country. The actual expenditure on each camp was certified by local officials such as Block Development Officers, Inspectors of Schools, Headmasters and Principals of Government Schools and Colleges, on the basis of vouchers and records, which were generally in regional languages. These accounts were scrutinised by the officials of the Samaj (headed by a retired Under Secretary of the Ministry of Finance) at the Central Office of the Samaj. Considering the fact that the expenditure on most of the camps ranged from Rs. 350 to Rs. 800, the appointment of Chartered Accountants for auditing the accounts of each camp would not be commensurate with the expenditure involved. In cases where the expenditure per camp

exceeded Rs. 3,000 audit was already being conducted by Chartered Accountants, appointed by the Samaj. In view of this, the Ministries of Education and Finance felt that the present arrangements might continue subject to the introduction of the following two improvements:—

- (i) A set of clear instructions should be issued to the local officers certifying expenditure on the basis of vouchers so that their job was competently done.
- (ii) The Accounts Officers at the Samaj Headquarters should undertake a test-audit of a few camps each year.

The Samaj was being requested by the Ministry to give effect to the above suggestions.

While agreeing with the views of the Ministry that the appointment of chartered accountants for auditing the accounts of each camp would not be commensurate with the expenditure involved, the Committee feel that it would be useful to have the accounts of a group of camps audited every year in rotation. The Committee would also like to reiterate their earlier recommendation that the auditors for this purpose should be appointed with the approval of the Comptroller and Auditor General, who should further be authorised to issue directions to the auditors in regard to the manner in which the accounts shall be audited. The Committee also suggest that in view of the large scale grants that are being given to the Bharat Sevak Samaj, the feasibility of associating one of the officers of the Ministry of Finance with the Samaj to tender advice in financial matters may also be examined.

MINISTRY OF EXTERNAL AFFAIRS

Accounts of the High Commission of India, Karachi, pages 41 to 43, para 24.

Infructuous expenditure on the purchase of plots, page 41, para 24(a).

36. In May 1952, the High Commission purchased from the Karachi Municipal Corporation, four plots (measuring 10,470 sq. yds.) at a cost of Rs. 3·03 lakhs for the construction of a Chancery Building and residential quarters for officers and staff. Subsequently in April 1955, the site was not considered suitable for the Chancery; and a building for Chancery was constructed on another plot purchased in August, 1955 at a cost of Rs. 2·69 lakhs. Considering the distance of the old plots from the new site and the time likely to be taken for the construction of the quarters, it was decided, in September, 1955, to purchase three buildings for providing residential accommodation and to dispose of the plots purchased initially. The

plots could not, however, be sold as a clear title thereto had not been obtained by the Mission. Expenditure on ground rent at the rate of Rs. 2,547 per annum is being paid to the Karachi Municipal Corporation. The Ministry stated in January, 1962 that as the plots had been obtained at diplomatic concessional rates, no difficulty with regard to title, etc. could be anticipated and that the matter has been taken up with the Pakistan Government.

The Committee enquired about the reasons for incurring infructuous expenditure on the purchase of plots of land by the High Commission of India for constructing their own building at Karachi. The Special Secretary of the Ministry stated that Government of Pakistan itself had offered to the High Commission of India these plots measuring about 10,000 sq. yards at a concessional rate of Rs. 20 per square yard for constructing their own buildings. On account of extreme paucity of accommodation, both office as well as residential, it was decided with the prior approval of the Government of India to purchase these plots and construct Chancery, the Deputy High Commissioner's residence, and 30 residential units for officers and staff. The Karachi Municipal Corporation at the time of hand-over of the plots, failed to give any documents of title. Subsequently it was felt that that area was rather too distant to be suitable for Chancery and office purposes. Besides, the height of the buildings in that area which was a residential locality, was restricted to two or three storeys whereas for Chancery or office buildings four or five storeys were intended. In the meantime the Pakistan Government decided to shift the Capital to Islamabad. The President of Pakistan had, however, given an assurance that none of the diplomatic missions in Karachi would be allowed to suffer financially because of the projected move to Islamabad. It was hoped that almost all the money paid for these plots would be recovered. To a question regarding title to the land, the witness stated that the Ministry of Law had been consulted in this matter, when these complications began to develop and they were of the opinion that what had occurred should be deemed to be an outright sale.

The Committee feel that in all such cases the Ministry of Law should be consulted, at the initial stages so as to avoid complications later. The Committee would like to be informed of the final disposal of plots which could not be utilised for the purpose for which they were purchased.

Non-maintenance of furniture accounts, page 42, para 24(c)

37. No proper accounts were kept by the Mission in respect of—

- (i) furniture (both serviceable and unserviceable) and other stores transferred to the Mission on the closure of the

offices of the Deputy High Commissioner, Lahore and the Assistant High Commissioner, Hyderabad in July, 1958.

- (ii) certain other properties including articles of furniture belonging to other persons which came into the possession of the Mission.
- (iii) various articles of furniture purchased by the Mission from time to time for their normal use.

It was noticed during local audit (March, 1961) that a part of the surplus furniture referred to in items (i) and (ii) above was distributed for safe custody amongst the officers and staff and the rest was stored wherever space was available. The furniture was badly damaged in storage and had eventually to be disposed of at a loss, the extent of which has not been assessed.

The Ministry informed Audit in January, 1962 that the bulk of the serviceable items of furniture was utilised after repairs and that care was being taken to ensure that all items purchased were entered in the Stock Register in future.

The Committee enquired as to why no proper accounts were kept by the Mission in respect of furniture etc. transferred to Karachi on the closure of the office at Lahore and Hyderabad in July, 1958. The Special Secretary stated that on account of time factor involved, all this had happened, but care was taken to send two officers from Delhi to Lahore to dispose of some items, which fetched a decent price, but the rest of the furniture had to be sent to Karachi. It was also considered that with the closure of the office of the Deputy High Commissioner at Lahore and Hyderabad, there would be some increase in the staff in Karachi and the surplus furniture could be utilised there. To the question as to why no inventory was made when the furniture was sent, the witness stated that it was done in such a hurry that even that could not be done as only a week's time was available. The offices were asked to pack up everything that was worth saving and send them on to Karachi. It was admitted, however, that no list of furniture was prepared at the time of despatch or at the time of receipt of the furniture. The Special Secretary of the Ministry, however, admitted that something should have been done to prepare proper lists and stock registers.

The Committee feel that proper lists and stock registers should have been maintained when the furniture was originally received and also when it was transferred to another place. Non-maintenance of such registers shows laxity on the part of supervisory officers. They would reiterate their recommendation in para. 65 of their 42nd Report (Second Lok Sabha) and desire that the Ministry

of External Affairs should take steps to satisfy itself that at least now stock registers for furniture etc. are maintained by all the Indian Missions abroad and that the stocks are verified physically at regular intervals and reconciled.

Consular Accounts, pages 42 and 43, para 24 (d)

38. An examination of the accounts of Consular receipts showed that the procedure prescribed by Government for maintenance of consular accounts had not been followed. No proper account was kept by the Mission of the receipt books received by them, those utilised from time to time and the balance in hand. There was also no proper account of the Visa forms sold to the public. The amounts realised from the public on account of telegram charges were disproportionate to the charges incurred. No receipts were issued for the amounts collected and the balances due for refund to the parties were kept with the Mission outside Government account, for very long periods.

The Committee desired to know as to how in the absence of proper accounts, it was ensured that there was no misappropriation of the Consular receipts in the past. The Special Secretary of the Ministry accepted that there was some procedural shortcoming in the maintenance of these accounts but the fact remained that after the closure of offices in Lahore and Hyderabad, the volume of work relating to Visas at Karachi increased very much but there was no proportionate increase in staff. To a question as to why the prescribed procedure in this respect was not followed, the witness admitted that owing to misunderstanding of the rules no proper account of visa forms sold to the public had been kept. With regard to the accounts of telegram charges it was stated that this work had since been taken in hand thoroughly and all the drawbacks had been made up and procedures properly established by opening registers and increasing the supervisory staff. To a question whether the amounts realised far in excess from the parties for telegrams had been refunded, the witness replied in the affirmative. He further added that complete and detailed instructions to the Missions on the subject were already there.

The Committee are unhappy to note that in spite of the fact that complete and detailed instructions with regard to maintenance of accounts had already been issued by the Ministry of External Affairs some of the Missions did not observe them. They would like the Ministry to enjoin upon the Missions the importance of strictly observing such instructions.

Delay in submission of adjustment T.A. bill and non-refund of excess advanced, page 43, para 25.

39. (a) An officer of the Indian Foreign Service drew advances of Rs. 8,000 and Rs. 161 in September, 1959 and February, 1960 respectively towards travelling allowance on his transfer from Ghana to Shanghai. The officer reached his new headquarters at Shanghai on 25th February, 1960 but had not submitted his adjustment T.A. bill till January, 1962 on the ground that he was representing against the Government's decision in regard to the carriage of personal effects by air.

The non-submission of the adjustment bill for a long time is in contravention of the rules on the subject.

(b) Similarly, another officer drew advance of Rs. 7,333 and Rs. 2,515 in January, 1960 and April, 1960 respectively towards travelling allowance on his transfer from Addis Ababa to Bangkok. The officer reached his new Head Quarters at Bangkok on 1st May, 1960, but submitted the adjustment T.A. bill for Rs. 7,152 only in March, 1961. The excess advance of Rs. 2,696 had, however, not been refunded by him till March, 1962. It was stated in March, 1962 that the officer did not refund the excess amount as a larger amount of money was due to him from Government on another account for which sanction was awaited; no action has been taken against the officer for the irregularity.

The Committee enquired about the facts of the case. The Special Secretary of the Ministry informed the Committee that the officer concerned was transferred from Ghana to Shanghai which was a long journey. Since he had to pass through India, he took some leave to stay at home. He was given an advance of travelling allowance of Rs. 8,000. In view of the fact that air journey was cheaper than travel by sea, air journey was sanctioned to him.

The witness stated that when an air passage was sanctioned, officers were allowed to carry 100 lbs. of luggage, inclusive of the free allowance of 66 lbs. In the present case, the officer carried only 34 lbs. extra luggage. To a question as to why the matter was delayed for about 2½ years, the witness stated that that was due to some family difficulties of the officer concerned.

With regard to the other case wherein another officer drew advance of Rs. 7,333 and Rs. 2,515 in 1960 and out of it an amount of Rs. 2,696 was drawn in excess, the witness informed the Committee that the matter had been examined thoroughly. The first advance was to meet the expenses of travel from Addis Ababa to Bangkok for himself, his family and servants. The officer was held up in Singapore for 13 days because of difficulty in air passage between Singapore and Bangkok. The second drawal was on account of the hotel expenses etc. and it was advanced by the Indian Mission in

Singapore. When it was pointed out that holding Government money pending settlement of a claim was not the correct procedure, the witness accepted that the officer was entirely wrong in not refunding the excess amount. To a question whether any action had been taken against the officer concerned, the witness stated that the mistake was pointed out to him and he had been pulled up for the same. The money had, however, been refunded by him.

The Committee take a serious note of the disregard of the financial rules by officers in high position who are expected to set examples in such matters for other staff. They hope that the Ministry will take suitable measures to avoid a recurrence of such cases in future.

Embezzlement in an Indian Mission abroad, page 58, para 43.

40. During 1956—59, two locally recruited messengers of an Indian Mission abroad were entrusted with the entire work (right from obtaining stationery to the stage of getting the postal receipts) in connection with the despatch of news bulletins, issued by the Information Wing, to different addressees. In December, 1959, it came to light that only a few copies of the bulletins were being despatched to the addressees; and that the messengers misappropriated a total amount of Rs. 62,653 out of the advances given to them from time to time for purchase of postal stamps by altering the value of the stamps purchased in the postal receipts. Legal proceedings were initiated against them and they were sentenced to imprisonment. A sum of Rs. 600 was paid to the Mission by one of the messengers under the orders of the court.

A franking machine was brought into use with effect from 1st September, 1960 and steps were taken to improve the working of the Information Wing.

No responsibility has been fixed for slackness in supervision of the work of messengers over a long period from 1956 to 1959. Apart from the amount misappropriated the entire effort and expenditure involved in the production and printing of the bulletins themselves over a period of three years became futile.

The Committee desired to know whether action had been taken against the officer concerned. Explaining the facts of the case, the Special Secretary of the Ministry stated that the embezzlement in question had taken place in the Indian Mission at Bonn. The Information Wing of the Mission had engaged a German messenger. He and his accomplice had a system by which they were carrying on fraud over a period of two or three years. The Mission used to

send out 650 copies of their bulletin each week. The messengers concerned actually despatched 150 copies only; but by committing forgery they showed a figure of 650 on the postal receipt and charged for stamps accordingly.

To a question as to why the Ministry had taken three years to call for an explanation and fix responsibility for lack of supervision when the misappropriation came to notice in December, 1959, the witness stated that the judgement of the court had not yet been received and that was expected to reveal the full facts of the case. He, however, added that it was proposed to take action against the officers who had failed to show sufficient vigilance in this regard.

To a question whether it was ensured that all 650 copies of the bulletins were actually printed, the witness stated that the bulletins were not printed in the press but stencilled.

The Committee are perturbed over the negligence on the part of the supervisory officers in not exercising proper checks and taking things for granted which facilitated the embezzlement. They regret to note that there has been some delay in finalising action against the delinquent officers. The Committee recommend that a thorough investigation of this case should be made, responsibility fixed and suitable action taken against the delinquent officials. The Committee would also like to be apprised of the results of this investigation.

Loss of consular fees in an Indian Mission abroad, pages 58 and 59, para 44.

41. A case of misappropriation of consular fees by the Third Secretary of an Indian Mission abroad came to light in July, 1960 while investigating the cause of fire in a safe in the consular section. A subsequent examination of the statement of account of the funds handled by this officer showed that there was shortage of Rs. 11,380. Against this, a sum of Rs. 1,476 was adjusted out of the sale proceeds of his car, leaving a net loss of Rs. 9,904 to Government. The officer was ultimately dismissed from service in September, 1961.

The fraud was rendered possible by the lack of effective control in the Mission and failure to conform to the procedure laid down by Government for the accounting of consular fees. The consular receipts were not deposited with the main cashier who maintained the main cash book of the Mission. The receipts were not deposited in the Bank on the same or the next day; and even when money was credited to the Bank at irregular intervals, the entire receipts upto

date were not credited. Large amounts of consular fees were allowed to be accumulated for several months both with the Consular Assistant and the Third Secretary. Audit had drawn attention to these defects and to the bad state of accounts of the consular section in November, 1958.

The Committee desired to know as to what action had been taken against the supervisory officer concerned. The Special Secretary of the Ministry admitted that this was a very sad case where a young officer who was on probation, committed this embezzlement. This took place in July, 1960. The officer was immediately recalled home and suspended. He was finally dismissed from service. The supervisory officer—the head of the Chancery—had also been charge-sheeted, but his explanation was awaited.

The Committee would like to observe that if prompt and adequate action had been taken when Audit pointed out bad state of accounts of the consular section in November, 1958, this subsequent embezzlement could have perhaps been avoided. The Ministry should examine this aspect of the case also. The Committee would also like the case against the supervisory officer to be decided expeditiously and the Committee be apprised of the same.

Misappropriation of Government funds in a Mission abroad, page 59, para. 45.

42. Several pages of the cash book relating to the accounts of an Indian Mission abroad for the period July to September, 1961 were reported as missing in September, 1961 by the Cashier of the Mission at the time of handing over charge to his successor on transfer. Further investigations conducted immediately thereafter showed that all the vouchers for September, 1961, which were in the Cashier's custody, were also missing. Apart from this, certain burnt pages of the cash book and vouchers were found in the fire place (situated adjoining to the Cashier's room) of the Chancery.

The cash book was reconstructed for the missing period viz., July (payments from 18th July, 1961), August and September, 1961 from the available records, etc. A comparison of the cash book balance thus arrived at with the actual cash in the cash box disclosed a misappropriation of about Rs. 1.54 lakhs. The Cashier had been working in the Mission from 7th November, 1958.

It may be mentioned that the Mission was keeping cash balances much in excess of requirements for current disbursements. The risk involved in keeping such heavy cash balances in hand had been pointed out by Audit during local inspection in April-May, 1961. The

cash balance with the Mission, however, increased from Rs. 54,469 on 1st April, 1961 to Rs. 1.78 lakhs on 30th September, 1961.

The Committee enquired about the present position of the case. The representative of the Ministry stated that with regard to the case of Cashier, the position was that the matter had been referred to the Special Police Establishment who had sent an officer to Moscow to investigate the case. That officer had recently submitted his report and further action was being taken according to prescribed procedure. As far as the supervisory officer who were of the rank of the First Secretary were concerned, their explanations had been called for. It was further added that according to the advice of the Ministry of Home Affairs disciplinary proceedings against the supervisory officers had been held up till the settlement of the case of the Cashier which was *sub judice*. When the Comptroller and Auditor General pointed out that the Ministry could not proceed against the officer being prosecuted but the supervisory officers had nothing to do with the court case, the witness promised to have the matter examined.

The Committee enquired as to why the Mission was keeping cash balances much in excess of requirements for current disbursements. The witness stated that one of the charges levelled against the supervisory officers was that they did not follow the advice of the audit. He accepted that had some of the supervisory officers been very vigilant, these cases would not have taken place at all.

The Committee are unhappy to note that in this case also the supervisory officers have failed to discharge their duties efficiently and vigilantly. They hope that the supervisory officers will come up to expectations and streamline the working of the various Indian Missions abroad. They hope that action against the Supervisory officers concerned would be completed soon and the Committee apprised of the same.

Defalcation of Government funds in a Mission, pages 59 and 60, para-46.

43. The audit of the accounts of an Indian Mission in November, 1960 showed that a cheque issued and accounted for by the Mission in June, 1960 was for Rs. 9,000 while the debit received from the Bank separately for the encashed cheque was Rs. 19,000. A subsequent analysis of the outstanding items under suspense showed that in respect of 3 other cheques debited in the Mission's accounts for Rs. 14,972 in September, 1959, corresponding credits were not traceable in the Mission's cash account. The discrepancies were reported to the Mission and subsequently to the Ministry in February, 1961.

In March, 1961, the Mission reported that a locally recruited accounts clerk of the Mission had misappropriated Government funds totalling Rs. 24,972 by changing the amount of the cheque issued in June, 1960 and fraudulently encashing the three cheques for Rs. 14,972 in September, 1959.

In February, 1962, the Ministry stated that the same clerk had committed a further defalcation of Rs. 12,000 in December, 1960 by forging the signature of the drawing officer on the Reserve Bank of India draft purported to have been issued by the Mission in his favour. His services were terminated in December, 1960 and criminal proceedings were instituted by the local police. This loss was not reported to Audit by the Mission as prescribed by Rules.

The Ministry informed Audit in February, 1962 that action in respect of other defalcations would be taken after the clerk was convicted by the local court and that investigations were being conducted with a view to fixing responsibility on the supervisory officers.

The Committee enquired about the present position of the case referred to in the Audit para. The Joint Secretary of the Ministry informed the Committee that the person concerned was an Indian recruited locally, and he was being prosecuted in Sikkim and that the explanation of the supervisory officer had been called for and that further action was pending till investigations of the case were completed. To a question as to why the Audit was not informed about it, the witness stated that that was another irregularity for which the explanation of the Trade Agent had been called for. To a question as to when the Ministry got the information for the first time and when the explanation of the Trade Agent had been called for, the Committee were informed that the fraud was detected by the Trade Agent, Yatung on the 23rd November, 1960. He reported the matter to his superior Officer—Political Officer, Sikkim on 1st December, 1960. On an enquiry made by the Political Officer, Sikkim, on 3rd December, 1960 the Ministry of External Affairs, advised him on 7th December, 1960 of the action to be taken in regard to institution of criminal proceedings against the local Accounts Clerk who committed the forgery, and reporting the matter to the Accountant General, Central Revenues, in accordance with para. 20 of G.F.R. Vol. I.

The Ministry of External Affairs informed the A.G.C.R. about the forgery of Rs. 12,000 on the 15th February, 1962. On the 20th February, 1962, the Political Officer, Sikkim was asked to explain the circumstances in which the action required to be taken under Para. 20 of G.F.R. Vol. I was not taken, after ascertaining the same

from the Indian Trade Agent. The Ministry informed the A.G.C.R. on the 22nd February, 1962 that the provisions of G.F.R. Vol. I appeared to have been overlooked in this case and the Political Officer, Sikkim was asked to send the necessary report direct. The final report was sent by the Political Officer, Sikkim to Audit on 6th April, 1962.

The Committee are surprised to note that although the Ministry got the information about this case as early as December, 1960, they informed the Accountant General, Central Revenues, only in February, 1962 and that the explanation of the supervisory officer was also called for as late as February, 1962. They hope that action against the defaulting officers for the irregularities and lapses will be completed early and they will be informed about it in due course.

MINISTRY OF FINANCE . . .

Grant of loans at concessional rates of interest—pages 185-86, para. 135.

44. In May, 1957, Government issued orders that all loans granted or renewed would bear interest at normal rates to be determined in the light of the market conditions from time to time, the period of loans and other relevant considerations. The orders also stipulated that where the normal rate was too high and a concession was justified, it should take the form of a direct subsidy. In November, 1958, Government further decided that where the accepted policy was to grant loans at concessional rates of interest and it was difficult to work out the financial effect of the concession and adjust it as a subsidy, a token provision should be made in the budget for obtaining the specific approval of Parliament for the grant of the concession. These orders were not followed by the Ministry of Scientific Research and Cultural Affairs, and the Ministry of Education who granted interest free loans to eighteen educational institutions totalling Rs. 38.09 lakhs during 1960-61. On the basis of the borrowing rate of interest of 4 per cent. during the year, these loans involved a monetary concession of Rs. 25.90 lakhs during the currency of the loans. In none of these cases, the specific approval of Parliament was obtained by means of a token provision in the budget.

Referring to the loans given by the Ministry of Scientific Research and Cultural Affairs, the representative of the Ministry of Finance stated that at the time of sanctioning the loans, the question as to whether these should bear interest had not been decided. It was decided only in August, 1960 that the loans should continue to be granted free of interest. Therefore, no provision could be made in

the Budget for 1960-61. However, provision in this regard had been made in the Budget Estimates for subsequent years. The Secretary, Ministry of Finance, admitted that it was a lapse on the part of the Ministry of Scientific Research and Cultural Affairs in not having obtained specific approval of Parliament by a supplementary grant during 1960-61. The representatives of the Ministry of Scientific Research and Cultural Affairs also admitted the mistake.

The Committee take a serious view of the lapse on the part of the Ministry of Scientific Research and Cultural Affairs in not having taken the specific approval of Parliament for interest free loans by a supplementary grant during the year 1960-61; for this involved a contravention of an important principle of Parliamentary Control over expenditure. They desire that the Ministry of Finance should issue necessary instructions to all the Ministries to prevent recurrence of such cases.

Central assistance to States for raising emoluments of their low paid employees—page 187, para. 137.

45. The Government of India formulated in May, 1957 a scheme for affording assistance to State Governments to enable them to raise emoluments of their low paid employees, including those of local bodies. The scheme was effective from 1957-58 to 1960-61. The scheme envisaged initial payments on a provisional basis and prescribed that the State Governments should obtain statements from the concerned authorities, indicating how the actual amount of assistance admissible had been computed and forward them to the respective Accountants General for test check and for final adjustment of the provisional payments already made. The total provisional payments made upto 1960-61 amounted approximately to Rs. 55 crores but only nine State Governments furnished the prescribed statements to Audit by April, 1962, but even in these cases, the information was incomplete.

The Committee were informed during evidence that out of total provisional payments made upto 1960-61 to various States amounting to Rs. 52.67 crores, the State Governments had furnished the prescribed statements to Audit only in respect of an amount of Rs. 12.73 crores upto September, 1962. No information had been received in this regard from four States. The representative of the Ministry of Finance, however, agreed that the procedure in this regard was too

elaborate, as had been represented by some State Governments, and was required to be reviewed with a view to avoiding unnecessary details.

The Committee feel concerned to note that the requisite statements have yet to be received in respect of more than three-fourths of the provisional payments made to the various States under the scheme. They desire that the Ministry of Finance should take vigorous steps to expedite the final adjustment of the provisional payments. If delay in submission of the information by the State Governments is due to difficulties in procedure, this should be simplified in consultation with the Comptroller and Auditor General. The Committee would like to be informed in due course of the progress made in making adjustments.

Delay in finalisation of Pension and Provident Fund final payment cases—pages 192-93, para. 142.

46. (a) With a view to minimising delays in the finalisation of pension cases, the Ministry of Finance issued instructions in March 1959 stating that (i) in each department and office, an officer of appropriate rank should be specifically charged with the responsibility of initiating action in due time regarding the completion of pension records and documents, (ii) he should have a list prepared every six months of all officials, who would attain the age of superannuation within the next twelve to eighteen months and (iii) all administrative authorities should take steps for the preparation and submission of pension papers, one year in advance of the date of retirement, without waiting for the formal application for pension from the official concerned. During 1960-61, out of 1956 pension cases of Central Government officers received in Audit offices, 1163 cases (59%) were received after the date of retirement and 367 out of these were received one year after retirement. The departments were also not prompt in rectifying the omission etc. pointed out by Audit in the pension papers received by them. On the 1st September, 1961, 528 cases were under correspondence with the departments for more than three months after the date of retirement.

(b) An analysis of the reasons for the delays in final payment of provident fund balances showed that in several cases, the Administrative authorities had not been able to furnish all the required particulars. For instance, out of 1700 claims received during 1960-61 in respect of 12 Ministries the requisite information was received in 267 cases only after 3—6 months beyond the date of retirement, while for another 253 claims, it was received more than six months after retirement.

During the course of evidence, the Secretary, Ministry of Finance stated that delay in submission of pension cases to Audit Department was due to fulfilment of procedural requirements, such as verification of service, issue of sanction etc. which in some cases took considerable time. During the last few years there had been difficulties in verification of service of persons previously serving in Pakistan or erstwhile Indian States. Another reason for the delay was that officers were not very keen about applying for pensions one year before the date of retirement, as laid down in the rules, in the hope of getting extensions. The Comptroller and Auditor General pointed out that according to the instructions issued by the Ministry of Finance, the administrative authorities concerned were required to take steps for the preparation and submission of pension papers one year before the date of retirement without waiting for a formal application from the official concerned and added that these orders were not being followed. Even in the case of Ministry of Finance itself out of 621 pension cases received during 1960-61, 367 cases were received in Audit after the date of retirement of the officers concerned.

The representative of the Ministry stated that in order to avoid delay in completion of service records it was proposed to permit employees to ask for a duplicate copy of the service book, who might take interest in the various entries being made in them regularly. Asked about the desirability of making it compulsory for each employee to have a duplicate service book, the witness stated that the suggestion would be considered but added that it might create some other difficulties. The witness added that the question of expeditious finalisation of pension cases was under constant review. Recently an officer of the rank of S.A.S. Accountant was deputed to make a case study of 80 pension cases in the Office of the Accountant General, Central Revenues, and as a result of this study certain instructions had been issued to all Ministries to avoid delays.

The Committee feel concerned over delays in finalisation of pension and provident fund cases, which are mainly attributable to non-submission of papers to Audit in time, incomplete records and protracted correspondence over making clarifications. It is regrettable that even in the Ministry of Finance, about 60% of pension cases (i.e., 367 out of 621) were not forwarded to Audit in 1960-61 before the retirement of the officers, even though, according to the Ministry's own orders necessary papers are required to be prepared and submitted to Audit one year before the date of retirement.

The Committee were assured that the procedure was kept under constant review and instructions were issued from time to time for

the expeditious finalisation of cases. The Committee desire that serious notice should be taken of disregard of these instructions. It should be particularly ensured that service documents of officers are kept up-to-date to avoid difficulties at the time of retirement. It is needless to over-emphasize that Government should aim at avoiding financial hardship to pensioners and their dependents, resulting from delays in settlement of their cases.

Delegation of Powers by administrative Ministries to lower authorities

47. The Public Accounts Committee, in para 13 of their Eighth Report (Second Lok Sabha) on Budget Estimates and Financial Control, had recommended *inter alia* that every officer with delegated financial powers should submit a monthly schedule of sanctions issued by him to the authority immediately superior to him to enable that authority to watch that the delegated powers had been properly exercised. This recommendation of the Committee was accepted by Government and brought to the notice of all Ministries who were also requested to devise a suitable procedure for the implementation of the recommendation, by the Ministry of Finance in 1959.

In a note submitted to the Committee in March, 1962 (Appendix I), the Ministry of Finance stated that since the above decision was taken, there had been some informed criticism, against the working of the Government machinery, which had emphasised the importance of greater delegation of authority in speeding up decisions and ensuring timely execution of projects and programmes. In pursuance of these objectives, a number of changes had been introduced towards decentralisation and delegations of authority considered essential for the purpose.

In this connection, the Ministry of Finance proposed to the Committee for consideration that instead of submission of monthly returns of all the sanctions issued, it would be sufficient if the returns were submitted quarterly and confined, on a selective basis, to a few important items of delegated authority where there might be some scope for misuse or irregular exercise of such powers. In addition periodical inspections by superior authorities and audit conducted in the normal course would provide further opportunities for reviewing the exercise of the delegated authority. It was further stated that in regard to selection of items to be included in the returns, the matter was proposed to be left to the administrative Ministries or the Heads of Departments who would prescribe the type of sanctions exercised by the subordinate authorities which they would like to be

reported to them. These arrangements were proposed to be reviewed after a year.

The Committee approved the aforementioned proposals made by the Ministry of Finance at their sitting held on 17th August, 1962 and desired that similar arrangements should be introduced in respect of financial powers further delegated from time to time. The Ministry of Finance have accordingly issued instructions on the 26th October, 1962 in this regard to all the Ministries etc. with the request that the position should be reviewed by the Ministries etc. after a year and the result thereof intimated to the Ministry of Finance by the end of March 1964 at the latest. **The Committee would like to be apprised of the results of the introduction of these arrangements in due course.**

MINISTRY OF FOOD & AGRICULTURE

(DEPARTMENT OF AGRICULTURE)

Loss in running brood lac farms, page 44, para 27 (a)

48. In fourteen brood lac farms run by the Indian Lac Cess Committee, the total revenue realised during 1959-60 amounted to Rs. 14,483 against an expenditure of Rs. 45,917. It was stated by the Department in January, 1961 that the loss was due to the fact that most of the farms were in infancy and that it took three years for a farm to become revenue-earning.

Four out of the fourteen farms had, however, been working for more than three years at the commencement of 1959 and on the basis of trees planted for producing brood lac, the expected annual revenue of the four farms should have been Rs. 29,940, but the revenue actually earned by them during 1959-60 was only Rs. 8,827. It was stated that the shortfall in revenue was due to natural calamities as also on account of the sale of brood lac at concessional rates.

The Committee desired to know whether it was justified to run this business after incurring such losses. The Special Secretary of the Ministry stated that it was not a commercial venture but it was meant to subsidise the supply of brood lac, which was equivalent to seed in agriculture, to cultivators who were paying a higher price which had come down from Rs. 50 to Rs. 45 a maund. It was further stated that the fall in revenue was due to some natural calamities like severe hot weather. Besides, these farms were expected to serve as field for demonstration to the trainees. They also aimed at increasing production of lac in the

country. The production of lac had gone up from 10·14 lakh maunds in 1958-59 to 14 lakh maunds in 1960-61. The brood lac farms were responsible for supplying about 1,000 maunds of Rangini and 300 maunds of Kusumi brood lac to different States. Some quantity was also sent to Andamans for trial.

With regard to the details of investment and actual working of the farms, the Committee were informed that investment was in the shape of planting host-trees, looking after them and rearing the brood lac. It was not expected that there would be profits at least in the near future. It was also stated that there was a Lac Research Institute in Ranchi. India was the most experienced country as far as lac was concerned and people from other countries like Indonesia came here for study. To a question regarding increase in quantity and improvement of quality resulting in more profits to tribal people, the Committee were informed that reports revealed that those objects had been achieved and that yield of brood lac per acre as also area of cultivation had also increased.

While appreciating the difficulties owing to which there had been shortfall of revenue, the Committee hope that all possible steps will be taken to improve the financial working of the brood lac farms so that revenue could be increased to the extent possible.

Infructuous Expenditure, page 44, para 27 (b)

49. For the construction of an air-conditioned godown at Calcutta, a plot of land was taken on lease by the Committee with effect from 1st September, 1958 on a monthly rent of Rs. 379 less a rebate of 5 per cent for prompt payment. Although more than 2½ years have elapsed since the date of taking over the land, neither the agreement for the land taken on lease nor the plans and estimates of the godown have been approved. This delay in the construction of the godown resulted in an infructuous expenditure of about Rs. 12,200 in the shape of rent for the land from September 1958 to June 1961.

The Committee enquired as to why land was acquired when the plans and estimates etc. had not been approved. The Special Secretary of the Ministry stated that it was not possible to get any land immediately by acquisition. The delay in building the godown, was due to delay in the preparation of plans and estimates, although every possible precaution was taken to start the preparation of plans etc. as soon as the land was taken on rent. The construction had since started and the godown would be completed by August 1963. It was

further stated that the C.P.W.D. was first asked to prepare the estimates in June 1958 and the site-plan was prepared in September 1958. The revised estimates were, however, submitted in September 1959, the administrative approval was given in November 1959 and the expenditure sanction was given in August 1960. There was some delay in giving the expenditure sanction and the reason was that original estimate of Rs. 8 lakhs (when the plans and estimates were prepared by the C.P.W.D.) went upto Rs. 15 lakhs. The matter had, therefore, to be referred back to the governing body of the Indian Central Lac Committee for additional funds etc., which took about 8 months.

The Committee are not satisfied with the explanation furnished to them for the delay extending over some years in preparation of estimates and construction of the godown which was intended to be completed in 1958-59. They recommend that plans and estimates should be prepared and finally approved before schemes are taken up for execution. They would like to be informed as soon as the construction of the godown is completed.

Avoidable expenditure on diversion of a ship, pages 44-45, para 28

50. An extra expenditure of £ 4000 (Rs. 53,333) was incurred on freight in respect of a cargo of 6,000 tons of Ammonium Sulphate owing to the defect in the arrangements for the diversion of the ship from Bombay (the port to which the cargo was originally consigned) to Cochin.

The Regional Director, Food, Bombay, who received an intimation on the 14th June, 1957 that the ship was expected to call at Bombay on 3/4th July, 1957, advised the Ministry, on the 3rd July, to arrange for the diversion of the ship in view of heavy congestion at Bombay Port without, however, specifying an alternative port for diversion. The Ministry, on their own initiative, arranged for the discharge of the ship at Bhavnagar Port without extra freight. The Regional Director, however, reported on 5th July, 1957 that Bhavnagar Port was unsuitable for discharge due to non-availability of storage accommodation and difficulty of transport. He, however, negotiated with the local agents of the ship owners and obtained from them an agreement letter dated 16th July, 1957 which provided for diversion to Cochin Port "subject to the full reservation of rights by the owners for the diversion". In August 1957 the ship-owners demanded a sum of £4350 as extra freight for diversion of the ship from Bhavnagar to Cochin, though no extra freight charges for diversion were contemplated in the negotiation between the Regional Director, Food and the local agents. As the Regional Director, Food had accepted an indefinite commitment in regard to "full

reservation of rights by the owners for the diversion", the Ministry was unable to resist the claim of the ship-owners which was settled in April, 1958 by payment of £ 4000.

The additional payment might have been avoided, if the suitability of alternative ports had been considered in the early stages and a decision taken after necessary enquiry so that the diversion could have been arranged without extra freight, as was actually done in regard to diversion to Bhavnagar port.

The Committee enquired under what circumstances the extra expenditure was incurred. The Secretary of the Ministry stated that this had happened just after the Suez Crisis when the Suez Canal was opened and a large number of ships came into Bombay Port all of a sudden. The fertilisers which were brought by the ship were destined to go to Punjab, Rajasthan and other places in the north India and that is why Bombay Port was selected. When the Regional Director informed the Ministry that there was heavy congestion in Bombay Port, it was considered that the best port for landing this cargo would be either Bhavnagar or Kandla. At that time Kandla had three food ships on the way. Instructions were, therefore, sent for the diversion of the ship to Bhavnagar, but due to Bhavnagar port being unsuitable for discharge owing to non-availability of storage accommodation and difficulty of transport the Regional Director diverted this ship to Cochin.

To a question as to why the Regional Director did not suggest an alternate port when he knew that Bhavnagar port was not suitable the witness accepted that there was a little omission on the part of the Regional Director. It was further stated that had the ship remained in queue for landing at Bombay, demurrage would have to be paid. It was, however, pointed out by the Comptroller and Auditor-General that the Regional Director in his correspondence had said as follows:—

"Regarding additional charges claimed by the vessel for diversion, I might add that at no stage the Shipping Agents raised the question of additional charges and our understanding throughout was that diversion has been agreed to without any additional charge whatsoever"

In reply, the witness stated that in this case there were two diversions and that the D.G.I.S.D. who was the charterer of the ship had also advised about the liability for payment and hence the payment was made.

The Committee desired to know whether any legal opinion was taken before making payment of extra freight charges for diversion

of the ship, and if so, what that legal opinion was. The information is still awaited.

The Committee are not convinced by the arguments advanced by the Ministry for the extra expenditure on freight in this case. In their opinion, the extra expenditure of £4000 could have been avoided, if in the shipping contract itself alternative ports had been mentioned or suitability of the port for discharge of the cargo in this case was decided in advance of the arrival of the ship. It is unfortunate that cases of extra expenditure incurred on diversion of ships are occurring year after year either under the Department of Food or under the Department of Agriculture as would be clear from paras 36—38 of 25th Report, Vol. II (1959-60) and paras 96-97 of the 34th Report (1960-61) of the Public Accounts Committee. The Committee desire that suitable instructions should be issued in this matter in consultation with the Ministry of Transport & Communications (Department of Transport) and any contravention thereof resulting in avoidable expenditure suitably dealt with.

MINISTRY OF FOOD & AGRICULTURE (DEPARTMENT OF AGRICULTURE)/MINISTRY OF WORKS, HOUSING AND SUPPLY

World Agriculture Fair, 1959

Letting out of exhibition grounds without finalising the terms and conditions—pages 56 & 57. para 41.

51. The World Agriculture Fair was held under the auspices of Bharat Krishak Samaj from 11th December, 1959 to 29th February, 1960. On the 1st April, 1960 during Supplementaries to Starred Question No. 1223, Members desired to know in the Lok Sabha whether the Comptroller & Auditor-General would audit the accounts of the Fair. The Speaker observed that if any further elucidation was necessary, he would have no objection if the Public Accounts Committee looked into this matter. He also desired that the Minister should place all the material before the Public Accounts Committee as soon as possible and the Committee would send a Report to the House. A statement containing a copy of the accounts promised in reply to the question referred to above was laid on the Table of the House on the 23rd March, 1962. The Public Accounts Committee examined these accounts while considering para 41 of the Audit Report (Civil), 1962.

It was disclosed in the Audit para that in July 1959 the Exhibition Grounds at Mathura Road, New Delhi were handed over to the

Bharat Krishak Samaj for holding the World Agriculture Fair (1959) while the terms and conditions of allotment were still under consideration of Government. In November 1959 Government asked the Samaj to execute the draft licence deed, but the Samaj raised some objections and did not execute the document. A claim of Rs. 35.58 lakhs representing licence fees for the land and buildings occupied by the Samaj was preferred in February 1960 on the basis of the terms of the draft licence. The Samaj has so far paid a sum of Rs. 3.30 lakhs only (March 1962). The Samaj has not accepted the basis of assessment adopted by Government. The matter is stated to be receiving urgent attention of Government.

The Committee desired to know in brief the background of this matter. The Secretary, Ministry of Works, Housing and Supply stated that Government did not allow any body to take possession of Government land without terms having been settled well in advance and some agreement having been entered into as an assurance that the rent would be paid. But the Bharat Krishak Samaj which was a well known organisation and which was presided over by a very distinguished person, was in a hurry to make arrangements for a very big fair and that was why possession of the land was given without terms having been settled in advance. There was no correspondence but an oral understanding that it would pay rent at the same rate as was paid by the Industries Fair. He further stated that the Samaj was reminded on a number of occasions to enter into an agreement about the rent. Besides, meetings were also held at various levels. Ultimately the Financial Adviser of the Ministry of Food and Agriculture was requested to prepare a draft memo. of agreement indicating the rates of rent that should be charged from the Samaj. These rates were not accepted by the Samaj. In the meantime, the fair was held and concluded. Against the demand for Rs. 35.58 lakhs, payment of Rs. 3.30 lakhs had been received. In addition, the Ministry held some cash and material worth about Rs. 4 lakhs belonging to the Samaj. The Samaj had not repudiated liability to pay rent. They simply argued that the charges were excessive. The Ministry had no intention to write off the dues and they were trying to realise the balance through the good offices of the Ministry of Finance. He also added that if necessary, penal action might have to be considered.

To a question under what circumstances the Samaj donated a sum of Rs. 13,03,000 to organisations which were not connected with the activities of the Fair, the Secretary, Ministry of Agriculture stated that the Bharat Krishak Samaj was a private society and he did not know about their activities in detail.

Asked whether the Samaj was a registered body or not before these transactions took place, the Committee were informed that that the Bharat Krishak Samaj came into being in August 1962* and till then it was called as the All India Farmers' Council. In this connection the Committee desired to have a detailed note indicating the circumstances under which the exhibition ground was lent for the World Agriculture Fair specifying therein whether the Ministry of W.H. & S. had entered into any agreement (written or verbal) with the All India Farmers' Council or the Bharat Krishak Samaj before renting the land for the Fair. The note received from the Ministry (with the Audit comments thereon) is enclosed as Appendix II.

With regard to the fact that the Ministry did not ask for an advance from the Samaj, the witness admitted that a mistake had been committed in not taking any advance and in not entering into a written agreement; otherwise such difficulties would not have occurred.

When it was pointed out that the Samaj had advanced about Rs. 17 lakhs to the C.P.W.D., Municipal Corporation of Delhi and Delhi Electric Supply Undertaking but the accounts in respect thereof had not been settled, the witness stated that out of this sum, the Ministry had with them about Rs. 1.73 lakhs, new material worth about Rs. 35,000 and old material worth about Rs. 2 lakhs and they would not release the same till the accounts were settled.

To a question whether the Ministry were aware that the Govt. Deptts. and the State Governments were making pre-payments of rent while the Samaj wanted the land free of rent, the witness stated that they knew that the rent was being demanded from the Govt. Deptts.

The Committee then desired to know what was the consideration on which the grant of Rs. 2 lakhs was given to the Samaj. The witness stated that it was a Government assistance to the fair which was thought to be a useful activity. No further thought was given to the problem at that time.

In view of the fact that the grant was sanctioned by the Ministry of Agriculture and that the President of the Samaj himself was the Minister of Agriculture, the Committee enquired whether it was under his own orders that the grant was given or the orders of some other Minister were obtained. The Secretary, Ministry of Agriculture stated that a note which did not pass through office at the sanctioning stage, was put up by the Minister of Agriculture to the

*According to Audit the Bharat Krishak Samaj came into being in April, 1958.

Minister of Revenue and Civil Expenditure in the Ministry of Finance seeking approval of the latter to the proposal of giving a grant of Rs. 2 lakhs to Bharat Krishak Samaj.

During examination, it also transpired that the Bharat Krishak Samaj was functioning from the premises of the Krishi Bhavan without paying any rent. The room in which they were accommodated belonged to I.C.A.R. who had paid for that block and as such the question of realisation of rent did not arise. In reply to a question whether Government could sub-let their premises to other organisations, the Committee were informed that the Minister who was doing the work of the Samaj was occupying a room in the I.C.A.R. Wing and he obtained another room for his staff who were attending to the work of the Samaj.

It was brought to the notice of the Committee that when another grant of Rs. 3 lakhs was given to the Samaj the sanction read as follows:

"I am directed to convey the sanction of the President for the payment of a grant of Rs. 3 lakhs to the Bharat Krishak Samaj, Delhi for incurring expenditure connected with the organisation of the World Agriculture Fair. The grant is subject to the following conditions.

- (1) The Samaj will maintain proper accounts which will be open to scrutiny at any time by the Government of India.
- (2) The amount would be returnable to Government should there be a net surplus of Rs. 5 lakhs or more (as certified by the audit authorities) left with the Samaj on the results of the World Agriculture Fair."

The Committee enquired as to why the financial assistance was not being given to such organisations by way of a loan after examining their detailed schemes, etc. The witness appreciated the view point and stated that if it had been foreseen at that time that there would be profits, that might have been done.

The disclosures made in evidence and in the note furnished by the Ministry of W.H. & S. at the instance of the Committee are revealing. In the opinion of the Committee the entire transaction resulting in the government dues of over 30 lakhs of rupees remaining unrecovered was vitiated from the very beginning by the fact that the then Minister of Agriculture who was Chairman of the Bharat Krishak Samaj made verbal commitments which were not redeemed by the Samaj. The Ministry of W. H. & S. were hustled into allowing occupation of the ground and lands without any written agreements to the Bharat Krishak Samaj which was also not a registered

society under the Society Registration Act 1860 at the time the Exhibition Ground was lent to them. While the Chairman of the Samaj himself suggested in May 1959 that the use of land and structures should be allowed on the same terms and conditions on which the Indian Industrial Fair had been allowed in 1955, the Secretary of the Fair suggested in July 1959 alternative lower rates. In September 1959, at the instance of the Ministry of Finance a draft Agreement was prepared and it was sent to the World Agriculture Fair for execution on 18th November 1959. But by about July 1959, the World Agriculture Fair had already entered the Exhibition Grounds and started work. The Minister of W. H. & S. wrote to the Chairman of the Samaj on 3rd December 1959 informing him that Secretary of the Fair had not come for discussion and execution of the Agreement and requesting him to take immediate steps to execute the Agreement and furnish a written receipt to the effect that the grounds and structures had been over by the Fair from 11th July 1959. Instead of doing these, a request was made by the Secretary of the Fair, that no rent should be charged and execution of the agreement not insisted upon. When the Minister of Works, Housing & Supply wrote to the Chairman of the Samaj on 2nd February 1960 that there was no question of foregoing rent, the Chairman of the Samaj, who had earlier suggested about the terms and conditions of rent as in the case of Indian Industries Fair in 1955, now himself suggested that no rent should be charged. To this the Minister of WH&S did not agree and on 21st February 1960 again requested that the Agreement should be signed without any more delay. The Fair ended on 29th February, 1960.

It is interesting to note that when a copy of the draft Agreement was sent to the Bharat Krishak Samaj on 18th November, 1959, a copy was sent simultaneously to Ministry of Law who pointed out on 8th December, 1959 that the reference had been made to them "at the eleventh hour" and that it would not be proper for them to offer any advice "in the matter which appeared to be highly irregular". They also pointed out that the Samaj was an unregistered and unincorporated body and not a "Juridical Person", and that they would not normally advise the execution of an agreement with such a body. They further advised that it would be expedient for the Government to grant a licence and not a lease to the Bharat Krishak Samaj.

The Committee were informed that the Samaj had not repudiated the liability. But the Committee do not know from what assets the Samaj will pay the outstanding amount of Rs. 32.28 lakhs. It is of great significance that while the legitimate dues of Government have not so far been paid, the Samaj has already made donations of Rs. 13.03 lakhs in cash for purposes apparently unconnected with the

running of the Fair (including Rs. 4 lakhs to World Agriculture Fair Memorial Scholarship Endowment Fund; Rs. 2½ lakhs to World Agriculture Fair Memorial Shivaji College).

Apart from the highly irregular way in which the whole matter has been dealt with as will be apparent from these facts, the Committee find the following objectionable features:

- (i) No written agreement was obtained from the party before allowing them possession of the grounds and land etc.
- (ii) No advance or security was taken from the party.
- (iii) There was no serious attempt to stop the Samaj from going ahead with the Exhibition in order to make them execute the Agreement.
- (iv) Deptts. of Govt. and Govt. Corporations were not cautioned that no payments should be made to the Fair authorities pending the execution of an agreement with them.
- (v) No enquiry appears to have been made about the credentials of the Samaj before entering into negotiations with them presumably on the ground that the President of the Samaj was then the Minister of Agriculture.
- (vi) Although the Fair had ultimately made a huge profit, Government gave a grant of Rs. 2 lakhs to the Samaj at the instance of the Minister of Agriculture who himself put up a note to the Minister of Revenue and Civil Expenditure on this behalf.
- (vii) The Samaj, a private body, was allowed the occupation of a room in the Government building in which the Ministry of Agriculture was located, free of rent.

The Committee recommend that in cases where financial assistance is to be given to societies or organisations which resort to profit making, it should be in the form of loans and not grants.

The Committee desire that the entire question of financial transactions with the World Agriculture Fair should be looked into by the Government as it involves important principles which are of vital interest to the proper working of the Government. It would be advisable for the Government to lay down certain broad and healthy conventions and formalities to be observed by persons holding high official position when they are either participants or patrons of non-official organisations which have any financial dealings with the Government.

The Committee would also like to be informed about the recovery of Government dues from the Bharat Krishak Samaj.

MINISTRY OF FOOD AND AGRICULTURE

(Department of Agriculture)

Delhi Milk Supply Scheme

Savings over voted Grants, para 15 (iv) (a), page 30, Audit Report (Civil), 1962.

52. Grant No. 120—Group Head C. 12—Capital Outlay of the Ministry of Food and Agriculture.

Total Grant	Actual Expenditure	Saving
(figures in crores of Rupees)		
2.95	1.25	1.70

With a view to having a proper appraisal of the working system of the Delhi Milk Supply Scheme, the Public Accounts Committee visited the Central Dairy of the Scheme located at West Patel Nagar, New Delhi on the 23rd September, 1962 for an on-the-spot study. The Chairman, Delhi Milk Scheme, informed the Committee that the Scheme which was a Second Five Year Plan Project, had as its object the re-organisation of the milk supply of the Capital with a view to assuring a remunerative market to the milk producers on the one hand, and supplying good wholesome milk at a reasonable price to the consumers on the other. The savings were stated to be due to slower tempo of work resulting in less purchase of milk. It was further stated that the Delhi Milk Scheme started functioning on 1st November, 1959 and the budget estimates were framed only few months earlier. It was expected that a further number of Milk Collection and Chilling Centres would start functioning and it would be possible to procure more milk through them but as it did not materialise, the scheme had to begin with only one centre at Muradnagar on 29th October, 1959. The combined proforma accounts for the period from 1st November, 1959 to 31st March, 1961, i.e., first 17 months of the Scheme, which had been compiled and audited by the Director of Commercial Audit showed that the scheme incurred a net loss of Rs. 5,01,777 during the period. The loss was stated to be due to much higher overheads and was likely to disappear with the increase in daily throughput of the milk handled by the scheme. The Committee have been informed by the Ministry that the final accounts of the Delhi Milk Scheme for the year 1961-62 which have since been audited, have also revealed a net loss. The accounts of 1962-63 have not yet been finalised.

The Committee suggest that early steps should be taken to increase the throughput as originally envisaged so that the scheme works on 'No profit, No loss basis', as intended by Government

MINISTRY OF FOOD AND AGRICULTURE

(Department of Food)

Purchase of Foodgrains

Schemes for the purchase of foodgrains, pages 70—74, para. 55.

53. The Scheme of State Trading in foodgrains which was introduced in 1943-44 continued during the years 1959-60 and 1960-61. During the year 1960-61, an expenditure of about Rs. 243 crores was incurred on the Scheme. The *pro forma* accounts for this year had not, however, been prepared by the Ministry up to March, 1962 due mainly to (i) non-receipt of complete stock returns from Regional Directors and (ii) non-reconciliation of differences between the stock accounts and sale accounts.

The *pro forma* accounts for 1959-60 prepared by the Ministry are reproduced in Appendix II of the Audit Report (Civil) 1962. During the year 1959-60, wheat was imported from the U.S.A., Canada and Australia; rice was imported from Burma and the U.S.A. In addition, rice and paddy amounting to 9.60 lakh tons were procured on Government account in the States of Madhya Pradesh, Punjab, Andhra Pradesh and Orissa. The quantity of wheat procured internally was very small (111 tons).

The Public Accounts Committee (1961-62) were informed* that the form of *proforma* account for the State Trading Scheme relating to the purchase of foodgrains would be finalised by the Ministry in consultation with the Comptroller and Auditor General. In pursuance thereof it was decided that considering the objectives of the scheme of Government purchase and distribution of foodgrains, it was not necessary to publish a regular balance sheet and profit and loss account on strictly commercial lines, but that the present *proforma* accounts should be amplified in certain respects to achieve the end in view. In particular, information was to be furnished regarding the total outstanding recoveries on account of sale of foodgrains and the total advances recoverable from the State Governments. It was also emphasised that there should be a reconciliation between the *proforma* accounts and the financial accounts every year. The Committee, therefore, desired to know about the latest position in this

*See para. 106 of the Forty-Second Report (1961-62).

regard. The Secretary of the Ministry stated that the various accounts relating to 1959-60 referred to by Audit were under process of reconciliation and most of them had been reconciled and Audit informed accordingly. Proforma accounts for 1960-61 were in the process of reconciliation. Action had also been taken to ensure timely preparation and reconciliation of accounts in future.

The Committee would like to watch the results of the action taken in this regard. They need hardly impress upon the Ministry the importance of timely preparation and reconciliation of accounts. They hope that these accounts will soon be brought up-to-date. The Committee would like the Ministry to take suitable measures to eliminate such delays in the preparation of proforma accounts in future.

Opening stock.

54. The figure for opening stock for 1959-60 as shown in the accounts is higher than the quantity of physical stock in hand at the depots for the following reasons:—

- (a) Transit losses for the period prior to 1959-60 have yet to be worked out and reduced from closing stock of the previous year.

Similar transit losses during 1959-60 as worked out in February 1962, at the instance of Audit have amounted to Rs. 1.05 crores and have been included in the accounts; but most of these cases are still to be investigated and formally written off.

- (b) Although the closing balance of the proforma accounts for 1958-59 has been adopted as the opening balance of 1959-60 there are discrepancies awaiting investigation in the closing balances for 1958-59 and the opening balances for 1959-60 in the accounts of individual depots. In 4 of those cases, the opening balances for 1959-60 are less by 7872 tons than the closing balances of the previous year.

It was stated in evidence that all the items were being located and adjusted in the accounts in hand. The delay in finalising the process was explained as due to the recasting of accounts in some regions.

The Committee would like the Ministry to complete the investigations into the various transit losses incurred during 1959-60 (amount-

ing to Rs. 1.05 crores) at an early date. They desire that suitable steps be taken to reduce the period taken in the investigation of losses.

Sale and inter-depot movements.

55. (a) Sales accounts and despatch advices for such sales covering 30.16 lakh mds. of foodgrains shown in the depot accounts as despatched upto 31st March, 1960 had not been received by February, 1962. Of this quantity 14.50 lakh maunds relate to despatches during 1956-57 and earlier years. These have not been investigated and the corresponding credits traced.

Sale accounts and despatch advices covering 9.88 lakh maunds received upto 1959-60 have not yet been linked with the issues shown in the stock books of the depots concerned.

(b) As regards despatches from docks to depots and from one depot to another, the number of unlinked items as at the end of March 1962 for grains transferred prior to the commencement of 1960-61. is about 20,000 and involves over 3 crores of maunds, valued at about Rs. 45 crores.

(c) The accuracy of the rates charged by the Regional Directors for sales cannot be verified, as no separate stock accounts are being received in the Accounts Office for each variety of rice, the rates of which vary from Rs. 16 to about Rs. 26 per maund.

To a question regarding sale accounts, the Committee were informed that there was something wrong in the accounting of the Bombay region relating to the period from 1954-55 to 1958. After 1958, the accounts had been generally set right. During this period, the Bombay region was consolidating all their depot accounts in the Regional Director's Office and preparing some sort of master accounts etc. In this process they made some mistakes. An effort was, therefore, being made to make a reconciliation of the overall position.

The Committee were informed that out of 20,000 unlinked items on account of inter-movements, only 1399 items still remained.

The Committee would like to see these arrears cleared at an early date. They also desire that the accounting of the Bombay Region for the period from 1954-55 to 1958 should be set right, reasons for the confused state of affairs investigated, and responsibility fixed.

Losses.

(1) *Losses in transit.*

56. A few instances of transit losses requiring investigation are given below:—

Despatches to	Loss	Remarks
Depots in Bihar	2·17 lakh mds.	The loss is 7·36% of the total quantity despatched
Depots in Assam	66,030 maunds.	The loss is 2·32% of total quantity despatched.
Depots in Tripura	35,200 maunds.	The loss (including storage loss) works out to 5% of the quantity handled.

It was stated in evidence that with regard to losses in the Depots in Bihar a special cell had been appointed which had started functioning only last year. As a result they have been able to reduce the items on which claims could have been made to the Railways. The items were despatched generally from Calcutta or Visakhapatnam and during transit they were sometimes diverted to another Depot; they were not received in this Depot but were accounted for in another depot. Similarly there were also losses due to the fact that when they left Visakhapatnam there was no cent. per cent. weighing. In Assam also similar reasons operated. So far as Tripura was concerned, one despatch went via Pakistan where there was a transshipment and another despatch went all the way on Indian routes. It was found out after investigation that in this case the contractor was responsible. He had been dealt with. There were certain losses due to floods also.

It was further stated that with a view to clearing up cases of transit losses quickly, separate special cells for each region under an Assistant Director had been established. It was a Board consisting of three officers. The Chairman of the Board was an officer not below the rank of a Deputy Director.

The Committee desire that further steps should be taken to reduce the losses of foodgrains at various stages of transit so that the over all losses are reduced to the minimum. They would also like the cases of losses to be cleared as early as possible.

(2) *Losses at Ports.*

57. A number of discrepancies are usually noticed between the number of bags unloaded at a port, as per discharge tally, and the number of bags cleared from the port area as per despatch tally. Such differences in case of ports at Madras and Visakhapatnam for the years 1959 to 1961 are given below:

	1959	1960	1961	Total
	(Bags)	(Bags)	(Bags)	(Bags)
Madras Port	27,336	4,725	31,784	63,845
Visakhapatnam (April 1959 to Dec. 1961)			32,065	32,065
			Grand Total	95,910

No discharge tally is taken at Calcutta port. The difference in Madras and Visakhapatnam ports during 1961 was thus of the order of about Rs. 14.78 lakhs in value. The difference between the discharge tally and despatch tally represents the number of bags lost in the port area but no action is taken in such cases beyond writing off the cost of empty bags, on the ground that the port is a protected area and that the port authorities will not bear such losses. The entire expenditure on the tally clerks (Rs. 40,000 a year in Madras port alone) apparently serves no purpose.

In connection with the loss of foodgrains at port, the Committee were informed that foodgrains came in bulk and they were emptied in the transit sheds in the docks and then they were handled by the clearing agents. At Bombay, the foodgrains were emptied at the port itself, filled in standardised bags and despatched to depots and thus it was known how much each bag contained. While in Calcutta, because of the shortage in port space, this practice was not followed and Stevedores were entrusted with this work. If there was any shortage, they had to pay for the loss. This practice had also been challenged by them on the advice of the Advocate General of the West Bengal and hereafter it would not be possible to recover any shortages from stevedores also. The procedure differs from port to port according to the circumstances.

The Committee are not satisfied with the position as it exists at present. Since most of the losses occur in the case of bulk grain, the Committee would like the Ministry to take up the matter with the Port Trusts concerned about their responsibility in the matter so that these losses could be avoided to the extent possible. The duties entrusted to the tally clerks and justification for their retention should also be carefully examined.

Storage.

58. Sums of Rs. 1·07 crores and Rs. 1·11 crores were spent on hiring of private godowns for the storage during the years 1959-60 and 1960-61, respectively. This expenditure on storage, and losses due to defective and inadequate storage and frequent inter-depot movement of foodgrains from small godowns may be expected to diminish when the construction of Government godowns is completed.

Asked about the position of the private godowns and construction of government godowns, the Committee were informed by the Secretary of the Ministry that there was a programme for the construction of godowns in the Third Five Year Plan. Upto the end of March, 1962 godowns of the capacity of 1·32 million tons had been constructed and for the remaining demand, private godowns had to be hired, which were kept under the control and management of the Government.

The Committee are glad to know that a programme for the construction of godowns in the Third Plan has been made. They hope that this programme will be implemented as scheduled, and that losses due to defective and inadequate storage would be eliminated as a result thereof.

Advances.

59. Detailed account of Rs. 2·77 crores were awaited for advances made to West Bengal Government for the purchase of foodgrains, but cleared from the accounts in 1955-56 on receipt of intimation from the Ministry that the grains had been received in the depot. Similar accounts for Rs. 6·40 lakhs and Rs. 2·96 lakhs were awaited from the Punjab Government for advances cleared from accounts in 1957-58 and 1958-59, respectively.

The Committee desired to know the latest position in this regard. The Secretary of the Ministry stated that in respect of advances paid to State Governments of West Bengal and Punjab, the position was that former Government proposed to make a mercy appeal to the Centre while in the case of the latter, the amount due had been cleared by adjustment of accounts on presentation of bills.

The Committee would like the Ministry to settle the accounts with the West Bengal Government at an early date.

Demurrage Charges.

60. In the course of discussion, the Committee desired to know the demurrage charges being paid by the Ministry on ships. It was stated in evidence that amount on this account was being reduced

year by year. The various causes for it were, non-availability of sufficient number of wagons to clear foodgrains from the docks, difficulty about berths, unloading etc. and negligence on the part of the contractor for which there was a provision in the agreement that the Regional Director was authorised to bill him for the cost of demurrage after due investigation of each case.

To a question whether some senior officer investigates into each case of demurrage payment, the witness admitted that there was a lacuna and that the matter required very close attention.

The Committee would like the Ministry to keep a very close watch on the expenditure on demurrage so that it might be kept to the minimum.

Discrepancies in the sale and stock account of foodgrains at the Bombay Depot—pages 74-75, para. 56.

61. In Audit Comment No. 3—at page 107 of the Appropriation Accounts, 1956-57, Vol VII—on Pro Forma Accounts of the scheme for the Purchase of Foodgrains, it had been stated that the sale accounts and the stock accounts had not been received/checked by the Pay and Accounts Officer of the Ministry of Food and Agriculture. A check of the accounts of the Bombay Region by a special cell of the Pay and Accounts Officers, created in November, 1958, disclosed a number of discrepancies in these accounts some of which are detailed below:—

- (i) In certain cases, the quantities shown as issued in the stock accounts were not traceable in the corresponding issue statements, and vice versa; the net difference in the two sets of the figures is about 34,000 tons valued at approximately Rs. 1.44 crores excess issued as per the stock accounts during March, 1954 to April, 1957;
- (ii) the realisation from various parties, and the amounts debited to various recipient State Governments did not conform exactly to the quantities supplied to them. The net difference between the quantities supplied and those for which realisations were made or amount debited is about 1.05 lakh tons valued at Rs. 4.72 crores during March, 1954 to April, 1957;
- (iii) in some of the stock accounts, certain issues had been shown as "not accounted for during the earlier months". These quantities could not be traced in the issue statements/sale accounts in the absence of any record of the relevant particulars;

- (iv) in some of the issue statements, the supplies were stated to have been made to various private parties without indicating the names of the individual parties as mentioned in the corresponding sale accounts. The recoveries made from the private parties concerned could not therefore be checked with reference to the sale accounts; and
- (v) short realisation of Rs. 10.19 lakhs and Rs. 26,276 respectively from two flour mills on account of wheat supplied to them from the Central Storage Depot, Bombay, during March, 1954 to March 1955. It was stated in March, 1962 that the outstanding amounts have since been accounted for, but no satisfactory evidence of recovery of Rs. 4.01 lakhs out of Rs. 10.19 lakhs had been produced to Audit till May, 1962.

Although it is now more than three years since the irregularities were reported, Audit has been informed (December 1961) that it has been decided to undertake a broad reconciliation between quantities shown as issued in the stock accounts, the quantities shown in the sale accounts and the quantities for which money has been realised from the State Governments and other recipients before a final decision is taken about the recasting of accounts for the entire period from 1st April 1954 to 31st March, 1956.

The Committee enquired about the reasons for the various discrepancies as pointed out in this para of the Audit Report. The Chief Pay and Accounts Officer stated that the net difference amounting to 34,000 tons valued at approximately Rs. 1.44 crores represented the difference between the issue of stores in the Stock Account and the corresponding issue statement. This also included storage loss. But these 34,000 tons had been traced subsequently by an overall settlement. It was further stated that those discrepancies mainly related to the year 1957 and earlier. After 1957 each item of shortage or excess reported was being looked into.

Regarding short realisation of Rs. 10.19 lakhs and Rs. 26,276 respectively from two mills on account of wheat supplied to them from the Central Storage Depot, Bombay, during March, 1954 to March 1955, it is mentioned in the Audit Report that the outstanding amounts had since been accounted for; but no satisfactory evidence of recovery of Rs. 4.01 lakhs out of Rs. 10.19 lakhs had been produced to Audit till May, 1962. The Committee enquired about the latest position and they were informed that the amount of Rs. 4.01 lakhs comprised two items—one was of Rs. 3,84,252 representing the supply made to the Defence Department and the other Rs. 16,731 representing value of stock erroneously shown as issued in excess to the flour mill. The matter was under investigation.

The Committee recommend that the investigations into this case should be completed quickly and responsibility fixed for the serious lapses in this case. They further recommend that in future every case of shortage should be investigated and responsibility fixed on the defaulting officer instead of adjusting the same against any excess discovered.

MINISTRY OF HEALTH

Grant of study-leave in relaxation of rules—pages 45-46, para 29.

62. In 1954, study leave for six months was sanctioned to an ex-IMS Officer, attached to the Directorate General, Health Services. It was stated in the order that the leave could be allowed at any time after 26th July, 1954, when it might be possible to spare his services. The officer applied for permission to avail himself of the leave in March 1960 (that is, about six years later) and Government allowed him to proceed on study leave with effect from 22nd June, 1960, i.e., 17 months prior to his final date of retirement.

The officer did not undertake any course of study but utilised the leave to visit certain hospitals under a programme approved by the Director General, Health Services. The Ministry have stated that this period should be regarded as utilised on inspection of a special class of work within the scope of the Study Leave Rules. Out of the study leave of six months granted to the officer, study allowance was granted to him for about 5 months as certified by the Medical Adviser to the High Commissioner in the United Kingdom.

According to the Rules, study leave is not admissible unless the officer could serve Government for at least three years after his return from leave. In this case the officer proceeded on leave preparatory to retirement from 15th May, 1961, after serving for about 3 months on return from the study leave. Apart from the leave salary paid during the period of study leave, there was an additional expenditure of Rs. 6,965 representing study allowance and cost of passages. In addition, foreign exchange to the extent of Rs. 5,500 was released to him on his personal account.

During the course of evidence, the Secretary, Ministry of Health, stated that under the rules governing the conditions of service of ex-IMS officers, such officers were entitled to the privilege of study-leave within four years after the date of promotion to the rank of a Major. The officer concerned became entitled to this privilege in 1944. Normally, the privilege would have expired in 1948, but, because of War, the time-limit within which the study-leave could be availed of, was extended to 1954. The Officer concerned applied for study-leave in 1954. Government sanctioned the leave but added

that, in the public interest, the services of the officer could not be spared for the time being. It was recorded that the leave could be allowed to the officer at any time after 26th July, 1954, when it might be possible to spare his services. The officer applied for permission to avail himself of the study-leave in March 1960, and Government allowed him to do so with effect from 22nd June, 1960, i.e., 17 months prior to his final date of retirement. As the services of this officer would have been available to Government for a period not exceeding 11 months, as against the minimum period of three years stipulated by the rules, the matter was referred to the Ministries of Health and Finance for relaxation of the Rule. The Ministries concurred in the proposal, in consideration of the assurance given to the officer in 1954. Asked whether any public interest was served by relaxation of the Rule, the witness stated that the officer concerned studied public health administration problems of different countries and gave reports on them. He also looked into the problems of Indian medical students in the United Kingdom. It was however agreed that it would have been better if the study leave had been given earlier.

The Committee observe that the officer concerned in this case served Government for a period of only three months after return from the study leave, as against at least three years' service under Government, stipulated by the Rules. The Committee note the Ministry's promise to allow leave to the officer at any time after July, 1954. They, however, feel that the promise should have been made 'subject to admissibility under the Rules'. During the course of evidence, the Committee were assured by the Secretary, Ministry of Health, that no relaxation of these rules would be allowed in future. The Committee trust that the Ministry will keep this assurance.

MINISTRY OF HOME AFFAIRS

Defective maintenance of accounts in the office of the Deputy Commissioner, Delhi—pages 46-47, para 30.

63. (a) In the office of the Deputy Commissioner, Delhi it was noticed in January, 1961 that large amounts of undisbursed pay and allowances of the staff, part of which had been drawn in September, 1959, had not been refunded into the treasury as required under the rules and that during the period April, 1959 to November 1960 the average cash balance at the end of each month amounted to Rs. 7,019. No details of such balances were worked out and kept on record. The amounts were irregularly utilised, along with other miscellaneous receipts, towards contingent expenditure of the office or for advances for such expenditure. On 7th January 1961 a sum of Rs. 11,422 was outstanding with various officials, the oldest item being from 28th July, 1959.

It was explained (July, 1961) that the advances were paid for urgent purchases in public interest. Out of Rs. 12,100 advanced to certain officers for flood and fire relief work between 23rd August, 1960 and 21st November 1960 accounts for Rs. 10,241 (which included Rs. 5,742 outstanding against two lower division clerks) had not been rendered till 7th January, 1961. No mention of these advances was made in the certificates of physical verification of cash done periodically.

The Committee enquired about the circumstances under which large amounts of undisbursed pay and allowances remained unre-funded into the Treasury. The Chief Commissioner, Delhi stated that ordinarily, if there was an emergency and funds were needed, the District Magistrate under special powers could withdraw amounts from the treasury and make available those funds; but in the present case the Deputy Commissioner had authorised various people to utilise the undisbursed amounts lying with the cashier for emergencies like floods, for which funds were required. It was, however, admitted that this was irregular and there had been a breach of prescribed rules. Necessary warnings had been given to adopt the correct procedure, in future. To a question whether any periodical physical verification of the cash which remained undisbursed was done, the witness replied in the negative. When it was pointed out that an amount of Rs. 11,422 remained outstanding with various officials for a considerable period, the witness stated that the amount had actually been spent by the officials but there had been a failure on their part to render the accounts promptly. However, the accounts had since been rendered and the amounts adjusted accordingly. It was also admitted that there was a failure on the part of the officer concerned in not checking up the accounts. Asked why large amounts were advanced to lower division clerks and whether any action had been taken to fix responsibility for this irregularity, the Chief Commissioner stated that as the expenditure to be incurred was of an emergent nature viz., giving relief to villagers on the spot and as the disbursing officers (Tehsildars) could not leave their place of duty, the clerks had been asked to bring the money for disbursement.

The Committee are not convinced of the reasons advanced in these instances of irregularities. There was firstly a serious failure to observe the prescribe rules for the handling of cash. It is unfortunate that the cashier who should have been well up in such matters acted in contravention of the rules. Secondly, there was no periodical check of the amounts which remained undisbursed nor were the accounts ever checked. All these go to show that there was also a failure on the part of the supervisory officers whose primary

duty it was to ensure compliance with the rules. In the opinion of the Committee, mere issue of instructions in monetary matters is not enough; it is necessary to ensure that rules and instructions extant are actually followed in practice and any breach thereof is suitably punished.

The Committee are also not happy that large amounts of cash were entrusted to low paid employees for disbursement. They would like the Ministry of Finance to examine this matter and issue necessary instructions on the subject so that such cases do not recur.

64. (b) Other important irregularities were also noticed in the office of the Deputy Commissioner, Delhi which are dealt with in the following paragraphs:

- (i) Out of Rs. 1,14,471 drawn in March, 1960 for contingent expenditure, a sum of Rs. 90,337 remained undischursed on 1st April 1960 and about Rs. 8,000 at the end of December, 1960.

The Chief Commissioner stated in evidence that the amount had been drawn in March for making payment to certain firms and for the fees of some lawyers. As the parties concerned did not turn up to receive payments by the 31st March this irregularity had occurred. It was admitted that there had been breach of the prescribed rules in keeping the undischursed amount till December 1960 instead of returning the same to the Treasury at the end of the financial year. The Committee were also informed that the balance of Rs. 8,000 had since been adjusted. In order to avoid the recurrence of such cases, orders had been issued that payments, except for petty amounts, should be made by cheques or bank drafts instead of in cash.

In reply to a question, the witness stated that the amount had been kept in the locker and proper entries had been made in the cash book. Further as the amount had been drawn for making specific payments, there were little chances of temporary misappropriation as the possibility of the creditors turning up for payment at any time could not be ruled out.

The Committee regret to note that in this case also there was breach of the prescribed rules. It was irregular from the very beginning on the part of officials concerned to have kept the money after the close of the year instead of returning it to the Treasury. It is unfortunate that officials dealing with cash and money should show such disregard of financial rules.

(ii) There were three drawing and disbursing officers and only two cash books. The rules required that every officer should maintain a cash book so that he might be responsible for a correct account of moneys handled by him.

In explaining the case, the witness stated that in fact there were only two drawing and disbursing officers. Under the rules they were permitted to delegate powers to two other officers. Therefore, whereas the receipt side was signed by both the officers—the original authority and the authority to whom the power had been delegated—the expenditure side was signed only by the officer who had incurred the expenditure. The defect had, however, been removed and now there were only two disbursing officers having two cash books.

The Committee trust that the rules prescribed for ensuring responsibility for correct account of money handled by individual officers would not be contravened in future.

(iii) The account of the permanent imprest of Rs. 22,955 had not been kept properly. No acknowledgements were on record for the amount stated to have been advanced to Tehsildars and Magistrate some years back.

While admitting the mistake, the witness stated that the advances had since been accounted for and necessary certificates furnished to the Accountant General, Central Revenues.

The Committee are surprised that no acknowledgements had been kept on record for the moneys advanced. They desire that strict orders should be issued for following the rules properly.

(iv) Amounts on account of security deposits, sale proceeds of property, arms licence fee etc. were not deposited into the Treasury promptly. Out of Rs. 24,964 available on 31st March, 1960, a sum of Rs. 1,462 only was deposited on that date, while a sum of Rs. 20,604 was deposited on 8th April, 1960.

Explaining the reason for the delay in this regard the witness stated that actually the payment was received on the 31st March 1960. There was a time lag of seven days in obtaining approval of the Deputy Commissioner to the contract, as the amount could be deposited into the treasury only after the contracts had been approved. During the intervening period the amount had been kept in 'double lock' in the office of the Nazir, after making necessary entries in the prescribed register. It was, however, pointed out by the Comptroller and

Auditor General that under the rules, any amount received has to be deposited in the public account immediately irrespective of the approval of the contract by the authorities concerned. The Secretary of the Ministry informed the Committee that with a view to solve this problem instructions had since been issued whereby any body who came to deposit the money with the Deputy Commissioner had to deposit it with a challan in the Treasury, direct.

Explaining the action taken against the delinquent officials involved in these audit paras, the witness stated that out of five Nazirs involved in these cases, criminal proceedings were in progress in the case of one Nazir whereas departmental action was pending against others. The report of the enquiry officer was still awaited. As regards nine other officials responsible for failure to exercise proper checks, the various State Governments from whom the officers were obtained on deputation would be requested to take suitable departmental action. In reply to a question, the Committee were further informed that one of these officials had died and the other had retired.

Explaining the various measures taken to avoid recurrence of such cases the witness stated that the main reason for the irregularities was non-observance of existing rules, which was not noticed by the superior officers also. Instructions had, therefore, been issued providing for submission of certain returns to ensure that proper inspections were carried out by various officers as prescribed under the rules. Further, previously the work of the Nazarat was in charge of officers who had to perform both administrative and judicial functions. These two functions had since been separated and the Deputy Collector in-charge of Nazarat would not be entrusted with any judicial or other duties so that the responsibility could be squarely fixed on him.

The Committee trust that with the measures now taken such cases would not recur.

(v) In a number, of cases, payee's acknowledgements were not available for payments shown in the cash book, while in some other cases, the dates of payment shown in the cash book differed from the dates shown in the acknowledgements.

The Committee desire that steps should be taken to prevent such irregularities in future.

(vi) Out of 67 rooms provided in the New Court Buildings constructed in 1958, only 9 chambers were occupied by the lawyers during 1959-60. It was stated that the lawyers were not interested to have chambers, firstly as they were situated at a distance from the main

building and secondly because the rent of Rs. 50 was considered to be on the high side.

As on 31st March 1960, a sum of Rs. 7,696 on account of arrears of rent was outstanding, in some cases for 4 or 5 years, against the allottees of the chambers in the court compound at Kashmere Gate, although under the rules, the rent was required to be collected in advance.

The witness stated that the amount was mostly outstanding against 71 lawyers who were in occupation of these rooms in the court compound. The President and the Secretary of the Bar Association were approached to settle the matter and it was expected that it would be possible to settle the matter soon. When pointed out that under rules, the rent was required to be collected in advance, the witness stated that this rule had come into force only recently and the rent was now being recovered in advance.

The Committee may be appraised of the realisation* of the outstanding rent when effected.

(vii) Furniture had been hired by the Deputy Commissioner since 1956 at an annual rent of Rs. 6,000 to Rs. 8,000 without the sanction of the Chief Commissioner, which is still awaited. No assessment of the requirements appears to have been made to see if outright purchase would not be more economical.

It was stated in extenuation that the offices of the Deputy Commissioner were in old buildings in Kashmere Gate and when the Tis Hazari Building was constructed, the furniture in the new building was to be provided by the C.P.W.D. when the possession was given. The possession of the building was given in bits and the Deputy Commissioner decided to hire the furniture without prior approval of the Chief Commissioner. It was added that necessary sanction was issued only a few days back. It was, however, admitted by the witness that it was irregular on the part of the officer concerned to have incurred expenditure without regular sanction.

The Committee trust that such irregularities will not recur.

The Committee are unhappy to note the unsatisfactory state of affairs in regard to financial matters in the office of the Deputy Commissioner, Delhi. The officers and staff failed in their duty, showed considerable negligence, and indulged in breach of rules which was facilitated by the lack of adequate supervision. The Committee hope that special steps will be taken to ensure tighter

supervisory control and better understanding of the rules so that such irregularities especially in money matters are not repeated in future.

Loss of cash and jewellery, pages 47 to 49, para 31.

65. The unsatisfactory position in regard to the maintenance of initial records in the Malkhana accounts of a Union Territory was pointed out to the Administration in a number of audit inspection reports from 1949-50 onwards. A special audit of accounts of the Malkhana was conducted from August 1959 to March 1960 at the instance of the Administration and irregularities of the following nature were noticed:—

(i) Proper accounts were not maintained of cash and other items received in the Malkhana; and there was a general failure to follow the safeguards prescribed in the rules in regard to the preparation of monthly statements of sale proceeds credited into the treasury and verification of entries in the statement with the corresponding entries in the property registers; cash deposits were not credited into treasury, but were very often tied up in bundles along with other articles of deposited property and kept outside the double lock; the cash deposited in the Malkhana was not accounted for in the District Nazir's cash book, etc.

(ii) No instructions were issued in regard to classification, custody, and storage in a systematic manner of articles received in the Malkhana.

(iii) During the period of 11 years from 1948 to 1959, no physical verification had been conducted by the Officer-in-charge of the cash and jewellery nor were other properties inspected periodically as required under the rules.

(iv) A comparison of the book balances of cash, jewellery, etc. (as roughly worked out by the Audit Party) with the actual physical balances (on the basis of Departmental verification held between July 1959 and March 1960) indicated a shortage of cash to the extent of Rs. 23,830 and a shortage in jewellery of the value of Rs. 9,000 approximately.

(v) Shortages were also noticed in items like foreign currency notes, mutilated Indian currency, forged currency notes etc.

(vi) Arms and other properties had been auctioned on several occasions, but receipted treasury challans were not available in support of the sale proceeds amounting to Rs. 1.28 lakhs stated to

have been deposited into Treasury, nor were sufficient details available for tracing the credits in the Treasury accounts.

(vii) No steps had been taken to prevent deterioration of various articles due to bad storage conditions, etc. It has not been possible to assess the loss on this account, but it was noticed that valuable articles were found to have been auctioned at abnormally low prices, e.g. three cars were sold for Rs. 216, Rs. 275 and Rs. 275 respectively, one truck for Rs. 300, two trucks for Rs. 520 each, one sewing machine for Rs. 13, one wrist watch for Rs. 2.50 and two radio sets for Rs. 15. There were also several instances of Jewellery auctioned at very low prices.

The Committee desired to know the circumstances in which the shortages etc. in question occurred. At the outset the Chief Commissioner admitted that there had been various lapses on the part of the officials concerned with the Malkhana Accounts. Explaining the circumstances under which the various irregularities had occurred, the Secretary, Ministry of Home Affairs stated in extenuation that consequent upon the Partition, the work in the office of the Deputy Commissioner had increased manifold and the existing staff was unable to cope with the increased work. However, as a result of thorough checking of these accounts by Audit, it would now be possible to put things in proper order and such lapses were not likely to recur.

In reply to a question, the Committee were informed that the exact amount of shortages of cash and other items noticed in the Malkhana were—cash Rs. 13,513, gold ornaments 23 tolas 8 mashas and 7 rattis, silver 724 tolas, certain foreign currency notes such as of Pakistan, U.S.A., Japan etc. and mutilated currency notes (Rs. 74). These shortages had occurred mainly due to non-observance of the prescribed rules regarding maintenance of proper accounts.

The Committee then enquired whether the Treasury challans in support of the balance of the sale proceeds amounting to about Rs. 23,000 had been traced. The witness stated that the specific challans item wise for the amount had not been traced. It was, however, on record that an amount of Rs. 22,471 had been deposited in the Treasury on account of sale proceeds of unclaimed property.

To a question about the reasons for various articles being sold at abnormally low prices, the Chief Commissioner stated that it was noticed from the records that most of these items were very old and

in a deteriorated condition with several parts missing. It was added that although no proper evaluation had been done for these articles before auctioning, the auction had been done according to the rules and the articles given to the highest bidder. It was, however, pointed out that according to the information available with audit, certain articles e.g. guns, revolvers, etc. had been sold to certain persons occupying high position at very low prices without auction.

While appreciating the difficulties caused by the abnormal situation created in the wake of partition, the Committee cannot regard it as a valid justification for the various lapses mentioned above on the part of the officials concerned with the Malkhana accounts, which went on unabated, for such a long time. They also consider it unfortunate that for the guidance of the auctioning officers no proper evaluation of the property to be auctioned was done. In regard to the sale of guns, revolvers etc. to certain persons occupying high position at very low price without auction, the Committee were given to understand that this was an old legacy which had continued since the British days. The Committee suggest that such practices which would give an impression of specially favoured treatment to persons occupying high positions should be stopped forthwith. The Committee also desire that early steps be taken to set matters right and to finalise departmental action against the officials responsible for the various irregularities enumerated above.

Loss due to non-revision of rates of royalty, pages, 49-50, para. 32.

66. Agreement were entered into by the Andamans Administration with two firms stipulating that for a period of 3 years commencing from 1st November 1955 the firms could purchase for export, produce of the reserved areas in the Andaman and Nicobar Islands, subject to payment of royalty at such rates as might be fixed from time to time, by the Chief Commissioner. Pending the fixation of rates by the Chief Commissioner, the agreement provided that the rates of royalty for copra and betel nuts (among other items) would be Rs. 3-50 and Rs. 8-69 respectively per 100 lbs.

With the coming into force of the Andaman and Nicobar Islands (Protection of Aboriginal Tribes) Rules, 1957, the agreements were replaced by licences under the Act on a yearly basis with effect from 2nd April, 1957 on the same terms as in the agreements. A third firm was also sanctioned a licence on similar terms on 3rd May, 1957.

In August 1958, the Chief Commissioner referred to a decision taken in 1955 that the rates of royalty for copra and betel-nuts should be fixed annually between 10 to 12 per cent of the average selling

prices of 1 maund of the commodities in Calcutta during the preceding twelve months as quoted by the West Bengal Directorate of Agriculture. He directed the Deputy Commissioner to take action accordingly.

The rates of royalty were not revised till 1st April, 1960 when the rates for copra and betel-nuts were fixed on an *ad hoc* basis at Rs. 7.00 and 17.37 respectively per 100 lbs. i.e., at double the rates which were effective from 1st November 1955.

The market prices in Calcutta of copra and betel-nuts during the period 1956-58, as intimated in March 1958 by the West Bengal Directorate, indicated that if the royalty had been revised annually from April 1956 and fixed at the minimum of 10 per cent of the average prices at Calcutta as originally contemplated, an extra amount of Rs. 60,000 would have been recoverable. Information for working out the loss for subsequent period upto 31st March, 1960 is not available.

The Committee desired to know the reasons for non-revision of the rates of royalty. Explaining the reasons for the delay, the representative of the Ministry stated that the rates of royalty could not be revised during 1956-57 and 1957-58 as information about the prevailing selling prices of the commodities in Calcutta during these years was not received from the Director of Agriculture, West Bengal, in spite of efforts made by the Administration. Subsequently as the Government had under examination a scheme of forming a central cooperative society consisting of all the co-operative societies in the Nicobar Islands the question of upward revision of royalty was deferred. However, due to certain reasons, the scheme did not materialise and the proposal was dropped in November, 1959. Therefore, the rates of royalty were revised from 1st April, 1960.

It was pointed out by the Comptroller & Auditor General that from the records it was observed that there was a letter dated the 11th December, 1956 from the Director of Agriculture Marketing, West Bengal to the Deputy Commissioner, Andaman and Nicobar Islands communicating the Calcutta prices for the period November 1955 to March 1956. However, as the witness was not aware of this fact, the Committee desired to be informed of the correct position in this regard. The Ministry have since informed the Committee that the Ministry was not aware of the fact that Calcutta prices for copra and betel-nuts for the period November 1955 to March 1956 were communicated by the Director of Agriculture Marketing, West Bengal to

the Chief Commissioner in December 1956. After ascertaining the source of this information from the A.G.C.R., New Delhi, the Andaman & Nicobar Administration were asked to intimate the correct position. The Administration, after ascertaining the position from the Deputy Commissioner, have now intimated that it was true that the Joint Director, Agriculture Marketing, West Bengal communicated Calcutta Market prices for copra and betel-nuts for the period from November 1955 to March 1956 to the Deputy Commissioner in December 1956. The Chief Commissioner, Andamans has been asked to fix responsibility for the lapse in supplying incorrect information.

In reply to a question whether any action was taken by the Administration to examine the accounts of the licencees for the purpose of fixing the price of these commodities, the witness stated that the books of accounts had been examined every year by the Assistant Commissioner.

The Committee feel unhappy over the manner in which this case has been dealt with. The revision of rate of royalty was deferred on the ground that a scheme for forming a Central Cooperative Society was under examination. But this scheme fell through. It is not understood, therefore, why when the large margin of profit earned by the merchants were known, steps were not taken earlier to revise the rate of royalty so that the benefit could go to the tillers of the soil.

The Committee also recommend that while giving evidence, the representatives of the Ministry should come fully prepared and furnish complete information to the Committee as far as possible. They would reiterate the recommendation made in para 72 of their First Report (1951-52).

Loss on stitching of uniforms—pages 50-51, para 33.

67. A contract for the stitching of uniforms for police personnel in Delhi was awarded on the 5th September, 1960 to a firm whose tender was the lowest. Although the firm failed to deposit a security of Rs. 5,000 as required by the terms of the contract, they were allowed to start the work and the first instalment of cloth was issued to them on 9th September, 1960. In October 1960, the Survey Committee of the Department rejected the uniforms stitched by the firm as they were not of the approved pattern and the workmanship was poor. The firm was unable to rectify the tailoring defects. The contract was consequently terminated on the 16th December 1960 by which time cloth and other material worth Rs. 7,015 issued by the Department had been consumed. In the absence of security deposit,

no damages for the loss due to rejection of the uniforms could be recovered from the firm. No steps had been taken (March 1962) for the recovery of the cost of the damaged cloth or for the disposal of the rejected uniforms.

The Committee enquired about the reasons for issuing cloth to the contractor without obtaining the security deposit from him. The witness stated that cloth was issued to the tailoring-master in view of the urgent need of the uniforms and in the hope that he would deposit the security money as he had promised to do so in a day or two. It was also disclosed that in this case, in order to save the middle-man's profit, the Department had entered into a deal direct with the tailoring-master rather than through a contractor. The man who actually did the work, quite often had no financial resources to make the deposit and that was how these difficulties arose. However, he (tailoring-master) was not in a position to deposit the security. It was added that recently the matter was discussed with the Inspector General of Police and he had informed that the uniforms could be utilised. The loss, if any, would be recovered from the surety.

The Committee desire that such action as the award of contract and the issue of cloth to contractor without obtaining the security deposit which was contrary to financial rules, should not be repeated. They may be informed of the amount of loss incurred and the amount recovered from the surety.

Defalcation of Security Deposits—page 60, para 47.

68. In the Office of a Superintendent of Police it was noticed during annual departmental check of the stock of Receipt Books conducted in January 1961 that the counterfoils of 69 Receipt Books, issued to a constable from 2nd July, 1960 onwards for the collection of security money (against release of cycles to offending cyclists) had not been deposited with the challan clerk as required under departmental orders. Further investigations showed that a sum of Rs. 17,250, collected by the constable in those Receipt Books for the release of 3,450 cycles had not been accounted for. The matter was taken to court by the Police in June 1961 and the constable is reported to be under trial.

It has been stated (February 1962) that the officers found responsible for negligence and slack supervision are being proceeded

with departmentally and that instructions have been issued to prevent recurrence of such losses.

In evidence, it was stated that the system of collecting money from the offenders directly by the police was a defective one and this bad practice which had been in force in Delhi had been stopped. As regards the action taken against the officers found responsible for slack supervision and negligence, it was stated that one of them was being prosecuted and in the case of the other criminal intent not having been proved, departmental proceedings had been started against the person. One of the offenders was a constable and the other one a head constable. Departmental action had not yet been finalised.

The Committee regret to note that such defalcation had been going on unchecked in the Police Office for a period of six months. While the Committee are glad that the defective system has been remedied, they would like to be informed about the final outcome of the case.

Misappropriation in Himachal Pradesh—Revenue Department, page 231—Appendix XV.

69. An official who was not authorised to collect any Government dues, collected a sum of Rs. 7,494 from the 15th January, 1956 to 30th May, 1959 on account of re-payment of taccavi loans, land revenues and other miscellaneous Government dues, but did not deposit the amount into the Treasury. The official was suspended from service from the 6th June, 1958 but continued to collect government dues even during suspension. He was prosecuted in a court of law in some of the cases and was convicted in September 1961. The other cases are reported to be under police investigation. No action against the supervisory officers has so far been taken (January 1962).

Asked how the official continued to collect Government dues even during suspension, the representative of the Ministry stated that as the suspension had not been notified, the public remained unaware about his suspension. The officer concerned had been convicted in court. The Committee were also informed that action was being taken against the Tehsildar concerned who was the supervisory officer in the field.

The Committee are sorry to note the careless manner in which a responsible officer like the Tehsildar acted in this case. It is also

surprising that the suspension of the officer was not notified by Government for the information of the public. They recommend that serious view should be taken of such negligent acts and suitable disciplinary action taken against the delinquent officers.

MINISTRY OF INFORMATION AND BROADCASTING
Audit Report (Civil), 1962

Page 236. Appendix XV Item (ii)—Infructuous expenditure incurred on production of blocks, etc., for a brochure on inaugural ceremony of a building.

70. A sum of Rs. 1,005 was spent on production of blocks etc. for bringing out a brochure on inaugural ceremony which was to be performed for the terminal building at Santa Cruz Airport which belonged to the Civil Aviation Department. The work was abandoned. The work was taken up at the instance of the Director General, Civil Aviation and the charges on this account were to be met by the Civil Aviation Department. Efforts were therefore made to realise the dues from that department; but it was finally decided that the cost might be met by the Ministry of Information and Broadcasting.

The Committee find no justification for spending money on ceremonial functions like the inauguration of Government Buildings and Projects, especially in the present juncture, and hope that expenditure on this account would be substantially curtailed, if not altogether avoided. The Committee understand that under the Delegation of financial powers recently made by the Finance Ministry, the Administrative Ministries have been given full powers to incur expenditure on this account. The Committee are of the view that it would be advisable to impose a suitable ceiling beyond which no expenditure should be incurred on such ceremonial occasions.*

Page 156, para 112 (Annexure C), items 14 and 16.

71. During the year 1958-59 the loss suffered by All India Radio excluding "Customs Revenue" was Rs. 1,58,85,182. The loss was reduced during 1959-60 to Rs. 1,38,98,121. In 1960-61 also the loss amounted to Rs. 1,32,68,000. The Committee desired to know what steps had been taken to further reduce the losses incurred by the All India Radio. The Secretary of the Ministry urged before the Committee that the All India Radio should not be treated as a commercial

*The Committee are glad to be subsequently informed that the Ministry of Finance have already recently issued instructions that on inaugural and social functions, the expenditure should not exceed Rs. 500/- in all, including expenditure of a contingent nature like printing of invitations, provision of shamianas, refreshments, garlands, photographs etc.

concern. The only source of their income was the licence fee and some advertisements in the programme journals. With regard to securing more advertisements, the Director of Advertising and Visual Publicity stated that canvassers had been appointed in Bombay, Calcutta and Madras and they gave minimum guarantee on the basis of which their commissions and other payments were made. Efforts were being made to get more and more advertisements. The Advertisement revenue had been doubled from about Rs. 3.5 lakhs to Rs. 6.5 lakhs during the last six years.

The Committee desired to know how many complimentary copies of each publication brought out by the Ministry of Information and Broadcasting were distributed. The Director of Publications stated that free copies to the extent of 5% of the print order were distributed. With regard to sale arrangement, the Director added that the journals were sold through news agents. To a question as to which journal was incurring the greatest loss, the witness stated that it was the English journal 'Akashwani'. He further added that with the exception of one Radio journal, which was paying, all others were incurring losses. The Committee desired to know if printing of some of these journals could be suspended or some or all combined together. The witness stated that that was not possible.

To a question whether the All India Radio programmes were advertised in newspapers in addition to the programme journals, the witness stated in the affirmative. To the enquiry whether this action was hindering the wide circulation of the programme journal, the witness replied in the affirmative. The Committee desired to be furnished with a list showing the names of magazines and journals which were produced by the various Ministries other than the Ministry of Information and Broadcasting (A.I.R.) and the cost involved, amount of sale realised and total expenditure thereon for the last three years.

With regard to duplication of publicity through vans, etc. by the Centre, the State Governments and Community Development Blocks, the witness stated that the officers concerned were in constant touch with each other to avoid duplication of effort.

While it is for Government to decide whether the All India Radio should continue to be treated as a commercial organisation or not, the Committee would like the Ministry to devise ways and means through which the losses at present suffered by the All India Radio could be reduced to the minimum extent possible. They feel that by securing more advertisements for the Radio journals, by increasing their sale and by further reducing the distribution of complimentary copies of the journals, this aim could be achieved to some extent. In this con-

nection they would like the Ministry to examine the special and attractive features in the Bengali journal which is paying its way, so that those could be introduced with suitable modifications, where necessary, in other journals so as to boost up their sale.

MINISTRY OF IRRIGATION & POWER

Transactions kept outside the Consolidated Fund of India—pages 33-34, para 17.

72. The financial transactions of the Central Board of Irrigation and Power, which does not have a separate legal existence as a statutory body or a registered society, legally form part of the transactions of Government and should, according to the Constitution, be accounted for under the Consolidated Fund of India. The transactions have, however, been kept outside the Consolidated Fund and the estimated expenditure of the Board is not included in any of the demands placed before Parliament.

The Committee enquired about the constitution and functions of the Central Board of Irrigation and Power. The representatives of the Ministry of Irrigation and Power stated that the Board has been set up under a Resolution of the Government of India and functioned independently. The Board consisted of Chief Engineers from the Central and State Governments who automatically became its members; there was no non-official on the Board. The Board was an advisory body and its function was to coordinate research work in the field of engineering, including irrigation and Power.

The annual budget of the Board was of the order of Rs. 3 to 4 lakhs. The Board received a lumpsum grant (Rs. 17,500) from the Central Government and contribution from the State Governments which varied, from time to time, according to the activities of the Board in particular States. The accounts of the Board were kept outside the Consolidated Fund of India. The question of the future status of the Board had been examined, in consultation with the Ministry of Finance and the Ministry of Law; and the Board was asked in 1962 to get itself registered under the Societies Registration Act. The Comptroller and Auditor General pointed out that the Board, as it was constituted at present, was not a "juridical person". The Secretary, Ministry of Irrigation and Power, agreed that the legal position of the Board was not well established. For this reason, the Board had been advised to get itself registered as a society. The matter was considered by the Board, who wanted some clarifications

The Committee feel concerned at the delay in according a distinct legal entity to the Board. As pointed out in para 25 of this Report, giving of grants to the Board so long as it was not endowed with such an entity, was not only constitutionally irregular but also fraught with risk in cases of default. The Committee, therefore, desire that the needful should be done without any further delay.

The Committee enquired whether it was ensured that the grants given to the Board were properly spent. The representative of the Ministry stated that the Board was independent in the matter of spending grants and the amount was paid to the Secretary of the Board, who was appointed in consultation with the Ministry of Irrigation and Power. The Committee desired to be furnished with a detailed note stating *inter alia*, the constitution, functions and activities of the Board; the procedure for incurring expenditure and the arrangements for maintenance of accounts and audit thereof. This is still awaited. **The Committee, would, therefore, defer their comments on this aspect of the matter till the requisite information is received from the Ministry.**

National Projects Construction Corporation—pages 130-131 and Auditor's Report on the Annual Report of the Corporation for 1960-61, page 16.

73. It was stated in the Auditors' Report on the Accounts of the Corporation for the year 1960-61 that the working of the year under report showed a low margin of net profit of 0.9 per cent on the value of work done, as against the margin of 5 to 5½ per cent of net profit, reserved at the time of preparation of estimates for giving tenders. The low profit was due to very low profit at Kosi and losses at Chambal, Palaitha and Chambal Shampur units and was attributed to disputed measurements which had been ignored in preparing the accounts, mistakes in framing estimates, mistakes in measurements by Project Authorities, excessive issue or consumption of materials and low efficiency of machinery.

In evidence, the Committee desired to know the detailed reasons for the low margin of net profits (0.9 per cent) during the year 1960-61, as against the estimated profit of 5 to 5½ per cent. The Secretary, Ministry of Irrigation and Power and the Managing Director, National Projects Construction Corporation, stated that during the initial years of the working of the Corporation, the margin of profit had not come up to the expectations because of their inexperience about contract work. In the year 1960-61, low percentage of profit was due to less volume of work and low return or loss on certain contracts. In their

keenness to get contracts, the Corporation gave low quotations in some cases. The working of the Corporation was improving. The witness added that the construction works, being of a continuing nature extending over a number of years, their financial results should be considered on the basis of average for all these years rather than a particular year.

The reasons mentioned in the Auditor's Report for the low margin of profit (0.9 per cent) during 1960-61, as against the estimated profit of 5 to 5½ per cent are a matter of concern. The Committee suggest that the matter should be carefully examined by the Ministry with a view to taking suitable remedial measures. The Committee hope that the Corporation will succeed in showing better financial results in future as assured by their representatives.

*Introduction of Administrative Audit in the River Valley Projects—
Para 197 of the 7th Report (Second Lok Sabha).*

74. The Administrative Audit system envisages the establishment of an organisation in each Project, independent of the Project executive, for carrying out an internal audit of 'Project transactions. Its aim is to secure economy in expenditure and ensure better technical and financial control of Projects under execution. The need for an early introduction of the system in the Centrally-financed River Valley Projects had been repeatedly emphasised by the Public Accounts Committee since 1950-51. Pursuance to this long-standing recommendation of the Public Accounts Committee, the Ministry of Irrigation and Power issued a letter in January, 1959 to the Centrally-financed Projects to place the question of introduction of Administrative Audit before the Control Boards. It was also stated in this letter that the Government of India had accepted the recommendation of the Public Accounts Committee and were of the view that the introduction of this system was highly desirable.

During the course of evidence, the Committee enquired about the present position regarding the introduction of the system in the Centrally-financed projects. The Chairman, Central Water and Power Commission, stated that the suggestion had been accepted by the State Governments only partially. Most of the States had set up inspection and control directorates or divisions to check that the quality of the work done departmentally was upto the standard or that materials were not wasted, etc. But estimates of works were not subjected to such a scrutiny. In reply to a question, the witness stated that these inspection bodies worked under the control of the

Chief Engineers and not under an independent authority. The Comptroller and Auditor General pointed out that unless these inspection bodies worked independently, like the Chief Technical Examiner in the Central Public Works Department, they could not serve any real purpose. The Chairman, Central Water and Power Commission stated that the suggestion had not been accepted by any Control Board in this form. The Committee asked the reasons for not accepting their recommendation *in toto*. The Secretary, Ministry of Irrigation and Power, promised to furnish a note to the Committee, in the light of the comments received from the various project authorities. This is still awaited.

It has all along been the concern of the Public Accounts Committee that large funds provided by the Central Government for the execution of River Valley Projects should be spent not only in accordance with the terms of the sanction, but also in the most economical and efficient manner. It was with this end in view that the Public Accounts Committee have repeatedly urged for an early introduction of the Administrative Audit system in the Centrally-financed projects. The Committee, however, regret to observe that though the system was considered highly desirable by the Ministry of Irrigation and Power, it had not yet been introduced in *toto* in any of the Centrally-financed projects. The Committee reiterate their views regarding the need for an early introduction of the system in the Projects, on the lines of the Chief Technical Examiner's Organisation in the C.P.W.D. at the Centre. This recommendation assumes added importance in view of the following observations of the Third Finance Commission after a detailed examination of the financial working of multi-purpose river valley, and other major irrigation Projects:

"We are disappointed to find that in a number of cases the returns are insufficient to meet even the working expenses and in the majority of cases insufficient to cover the additional incidence of interest liability."

MINISTRY OF LABOUR & EMPLOYMENT

Employees State Insurance Corporation

Administrative Expenses—Audit Report on the Accounts of the Corporation for the years 1959-60 and 1960-61.

75. The Employees State Insurance Corporation (ESIC) was set up in October, 1948 under Section 3 of ESI Act, 1948, for providing benefits to the employees of the factories and establishments, covered under the Act in cases of sickness, maternity and employment injury.

A broad analysis of the income and the expenditure of the Corporation during the years 1959-60 and 1960-61 is given below:—

(in lakhs of rupees)

	1959-60	1960-61
<i>Income</i>		
Employers' Special Contribution	319	374
Employees' Contribution	408	501
Interest on Investment	59	67
Miscellaneous Income	1	1
	Total	Total
	787	943
<i>Expenditure</i>		
Payment to State Govt. as Corporation's share of expenses on medical care	219	249
Cash and other benefits to insured persons and their dependents	307	349
Administrative Expenses	90	100
	Total	Total
	616	698

The percentage of the administrative cost to the total contributions (Employers' Special Contribution and Employees' Contribution) was 12.50 per cent. in 1959-60 and 11.4 per cent in 1960-61. (The percentage of administrative cost to the total contribution during 1958-59 was 10.84 per cent). The percentages of administrative expenses to the total expenditure for the years 1959-60 and 1960-61 work out to 14.6 and 14.20 respectively.

During the course of evidence, the Director General of the Corporation stated that the administrative expenses were largely conditioned by the need to provide adequate number of local offices for making payments to employees, scattered all over the country. According to the experience of the Corporation as also of the employers and employees, large local offices, though more economical, did not function in the best interests of the workers. Some of the larger local offices were, therefore, bifurcated. Another reason for

high establishment charges was that the scheme had been extended even to some small areas, where the number of workers was small. It had also been the effort of the Corporation to provide adequate staff in these local offices, with a view to avoiding unnecessary inconvenience to workers.

While the Committee appreciate the need for opening more local offices for the convenience of workers, they feel that the percentage of administrative expenses to total expenditure (14.20 for 1960-61) is on the high side, particularly, when it is remembered that about 40 per cent. of the total expenditure of the Corporation comprises payments to State Governments on account of the Corporation's share of expenses on medical care. The Committee trust that the matter will be kept under constant review with a view to effecting maximum possible economy in establishment charges, without any detriment to the amenities provided to the employees.

Accumulated surplus in the Income and Expenditure Accounts

76. The Balance Sheet of the Corporation as on 31st March, 1961, showed that there was an accumulated carry-forward of the surplus in the income and expenditure account to the extent of Rs. 20.42 crores. This, apparently, represented an unallocated surplus as there were separate funds for meeting future liabilities, e.g., Permanent Disablement Benefit Fund, and Dependents Benefit Fund, the balances in which amounted to Rs. 1.25 crores and Rs. 0.39 crores respectively on 31st March, 1961.

During the course of evidence, the Committee desired to know the reasons for accumulating heavy surpluses, instead of utilising the funds for the benefit of the employees. The Director General of the Corporation stated that out of the total surplus, expenditure to the tune of about Rs. 11 to 12 crores had been sanctioned for the construction of hospitals and dispensaries. The actual expenditure, however, amounted to about Rs. 3.5 crores so far. The delay was, mainly, occasioned by difficulties in acquiring land and procuring raw materials, as also by shortage of technical personnel. The witness, however, assured the Committee that the Corporation, as well as the State Governments, were anxious that there should be no accumulation of surplus.

The Committee feel concerned at the extent of unspent balances lying with the Corporation (Rs. 20.42 crores on 31st March, 1961). While the Committee are glad to be assured of the Corporation's anxiety in the matter, they observe that the pace of utilisation has,

hitherto, been painfully slow. The Committee desire that effective steps should be taken to ensure maximum utilisation of the funds for the purposes intended in the Act.

Audit Report on the Accounts of the Corporation for 1959-60—Expenditure incurred in setting up local offices (Calcutta Region), para 5 of Audit Report.

77. The Corporation decided in July, 1959, in consultation with the Government of West Bengal, to extend the Scheme to two districts, namely, 24 Parganas and Hooghly, from January, 1960. For this purpose, 25 local offices were set up in different parts of the two districts during 1959-60 of which 18 were in rented buildings.

The Scheme could not be implemented on the date originally decided upon due to non-completion of medical arrangements by the Government of West Bengal. The position was reviewed by the Corporation in March 1960, and a decision was taken that the arrangements already made by the Corporation for implementing the Scheme should be allowed to continue and the question of implementation be taken up with the West Bengal Government. The Scheme has, however, not been implemented so far.

Seven of the 18 rented premises were surrendered by the Corporation during 1960-61 six during 1961-62 and the remaining five are still being retained for local offices.

A sum of Rs. 5.17 lakhs was spent by the Corporation upto 31st March, 1962 towards rent, stationery, furniture, salaries of staff, etc. for setting up the local offices in these two districts. In September, 1962, it was stated that the equipment and furniture were being diverted to other offices and that most of the staff had been diverted to other offices of the Corporation.

Explaining the background of the case, the Secretary, Ministry of Labour and Employment, stated that in July, 1959, it was decided by the Government of West Bengal, at a high level, that the scheme should be extended to these areas early in 1960. Under the Scheme, the responsibility for the provision of medical facilities, such as dispensaries and hospitals, was that of the State Government and the responsibility for providing local offices for cash payment to employees that of the Corporation. There had to be a synchronisation of both these arrangements. After the decision had been taken, the Corporation went ahead with its programme and acquired accommodation by November, 1959. The State Government could not, however, arrange for dispensaries and hospitals. In the absence of hospital

accommodation, the trade unions were not agreeable to the extension of the scheme to these two districts. Since the decision to extend the scheme had been taken at a very high level, the Corporation did not want to cancel the work immediately and decided that the Chairman of the Corporation might have further discussions with the Chief Minister of the State and the trade unions. As the trade unions insisted on their objection the scheme could not be implemented. In reply to a question, the Director General, admitted that it was 'most unfortunate' case.

The Committee regret to observe that due to non-implementation of the scheme, as per agreed arrangements, bulk of the expenditure incurred by the Corporation on setting up local offices in the Region has become infructuous. The Committee trust that the Corporation will benefit from its experience in the present case, and be more careful, while setting up such offices in future.

Outstanding Income—Audit Report on the Accounts of the Corporation for the year 1960-61.

78. The outstanding income as on 31st March, 1961, due for recovery, stood at Rs. 82 lakhs. The amounts were due to be recovered from employers in respect of factories covered by the Scheme.

In evidence, the Director General of the Corporation stated that the outstandings included both employers' contributions as well as employees' contributions. The total amount had come down to Rs. 42 lakhs, out of which the amount outstanding on account of employers' contributions was Rs. 24.4 lakhs. The witness further stated that in the case of public undertakings, there was a little delay in recovering the dues. But it was paid, by and large, by the end of the year. As to difficulties in recovering employers' contributions, it was stated that certain processes had to be gone through. In some cases, recovery certificates had to be issued. In reply to a question, the witness stated that the standing committee reviewed the position twice a year, and certain steps had been taken as a result of which there had been some improvement.

While the Committee are glad to be informed that the amount of outstandings on account of contributions has considerably come down, they observe that the amount still remaining to be recovered is quite large. They desire that further efforts should be made by the Corporation to ensure expeditious recovery of this amount. They further desire the Corporation to examine the feasibility of reviewing the existing procedure for recovery, with a view to obviating the accumulation of such heavy outstandings in future.

Mica Mines Labour Welfare Fund

Appropriation Accounts—page 376, Note 1.

79. The following table gives a brief account of the transactions of the Fund during 1958-59, 1959-60 and 1960-61:—

	1958-59	1959-60	1960-61
Opening Balance on 1st April	1,78,92,047	1,91,54,846	2,05,04,999
Receipts during the year	26,35,164	30,83,161	27,35,361
Payment during the year	13,72,365	17,46,273	24,99,780
Closing balance on 31st March	1,91,54,846	2,04,91,734	2,07,40,580

Commenting upon the working of this Fund, the Estimates Committee (1959-60), in para 91 of their 90th Report (Second Lok Sabha), regretted that while there were large accumulated balances, the amenities provided to the miners were far from adequate. They understood in this regard that not even a single house had been constructed for mica miners under any of the schemes of the Mica Mines Labour Welfare Organisation. (Para 95 of the Report *ibid*).

Explaining the reasons for heavy accumulation of unspent balances, the Secretary, Ministry of Labour and Employment, stated in evidence that the mine owners did not come forward to make use of the facilities provided by the Fund. This was mainly due to the fact that, unlike coal mines, most of the mica mines were short-lived.

As to the measures for increased utilisation of funds, the witness stated that the three Advisory Committees (one each for the States of Bihar, Andhra and Rajasthan) had drawn up schemes for the construction of Hospitals and Welfare Centres. The Committee pointed out that, according to para. 95 of the 90th Report of the Estimates Committee, not a single house had been constructed under any of the schemes of the Mica Mines Labour Welfare Organisation. While admitting that the position was largely so, the Secretary to the Ministry added that a few houses had been constructed in Bihar; and there was a scheme to construct 500 houses in that State.

The Committee feel concerned to observe that while the amenities provided to the mica miners are far from adequate, the funds collected by the levy of the cess with the avowed object of financing

schemes for their welfare remain largely unutilised. The fact that during the last sixteen years, the Mica Mines Labour Welfare Organisation has been in existence, only a few houses should have been constructed indicates that the Organisation has not attended to the problem with the zeal expected of a welfare organisation. The Committee would, in this connection, invite attention to para. 17 of their Twentieth Report (Second Lok Sabha) on the working of the Coal Mines Labour Welfare Fund wherein they observed: "If earmarked funds are not being properly utilised for the purposes underlying the levy over a period of years, the Committee feel that the continuance of the levy will be looked upon as an unnecessary burden by the tax-payers". The Committee trust that the Ministry and the Organisation will address themselves to the matter with a view to ensuring the maximum utilisation of the funds for the purposes intended in the Act.

Misappropriation of cash—page 231, Appendix XV.

80. In a Welfare Organisation in Madhya Pradesh, it was noticed that out of a total sum of Rs. 5,248 drawn during the period 8th February, 1957 to 30th October, 1958, only a sum of Rs. 948 had been accounted for in the cash book. The balance of Rs. 4,300 had been misappropriated. The office clerk was suspended on 2nd January, 1960. He was dismissed from service on the 31st August, 1961, as he had been absconding since 22nd February, 1961. The information about the action taken against the supervisory officer was awaited.

During the course of evidence, the Secretary to the Ministry admitted that there had been delay in the completion of departmental proceedings against the delinquent official, but added, that certain legal formalities had to be observed. He, however, promised to look into the matter to find out if there was any avoidable delay. As regards action taken against the supervisory officers, the witness stated that the disciplinary authority concerned had issued only a warning to these officers. This was, however, not considered adequate by the Ministry and the matter was under review. The Committee would like to have a final report in the matter.

The Committee regret the delay in finalising departmental proceedings in this case. They hardly consider it necessary to point out that such delays are not in the financial interests of the State as they involve in some cases payment of avoidable subsistence allowance to delinquent officials. The Committee trust that care will, henceforth, be taken by the Ministry of Labour and Employment to ensure expeditious disposal of disciplinary proceedings.

MINISTRY OF SCIENTIFIC RESEARCH & CULTURAL AFFAIRS

Stores and Stock Accounts of the Map Record and Issue Office, Dehra Dun—page 90, para 69.

81. Given below is a synopsis of the Stores and Stock Accounts of Departmental Maps of the Scientific Research and Cultural Affairs (Map Record & Issue Office, Dehra Dun).

(In lakhs of rupees)

Opening Balance	Receipts	Issues	Closing balance
17·92	5·59	6·90	16·61

During the course of evidence, the Secretary to the Ministry stated that the maps were of different types and were required for us in future. It was economical to get them printed once in large numbers rather than getting them reprinted. He also stated that the wastage of maps, while in stock, was negligible, and a physical test-check was conducted every year.

It was pointed out by the C. & A.G. that in Calcutta Office out of 2,40,000 maps issued in 1960-61, 1,90,189 maps were issued to the Army Units, 15052 to other Survey of India Units and only 35,131 were sold to the other Departments and the public. Asked whether, in view of limited sale of these maps to the public, it was necessary to have an elaborate staff for cost accounting work, the representative of the Ministry stated that even in the case of Government Departments, book adjustments had to be made. Further, even though the sale of the public might be limited, under the existing procedure, the price had to be fixed. It was, however, suggested by the C. & A.G. that in such cases, an *ad hoc* price could be fixed for the purpose of sale.

The Committee observe that the maps sold to the general public constitute a small proportion of the total number of maps issued by the Map Record & Issue Office, Dehra Dun. The Committee, therefore, suggest that the question of fixing *ad hoc* prices of these maps and thereby effecting economies in the maintenance of cost accounting staff for determining the cost of these maps, may be urgently examined by the Ministry. The extent of savings in annual recurring expenditure as a result of this measure may be intimated to the Committee.

National Research Development Corporation—pages 132-133 and Annual Report of the Corporation (1962).

82. In para 51 of their Seventh Report, the P.A.C. (1957-58) had questioned the need for NRDC as a separate undertaking to exploit 2826 (aii) LS—7

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. In a note furnished by the Ministry, it was 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. The P.A.C. (1961-62) considered the Ministry's reply and were not convinced by the above argument. They observed that the Corporation which had a paid-up capital of Rs. 10 lakhs had, till the end of 1960-61, incurred a cumulative loss of Rs. 10,35,391. The Committee, therefore, consider that the necessity for an early decision regarding the future of the Corporation was imperative.

It was observed from the 8th Annual Report of the Corporation (1962) that the Corporation had incurred a further loss of Rs. 3,65,649 during 1961-62, raising the cumulative loss to Rs. 14,01,040.

In extenuation of the losses suffered by the Corporation, it was urged that the work done by the Corporation was more of a developmental and promotional nature than a commercial nature. The main function of the Corporation was to study laboratory researches, to examine the scope of their commercial exploitation and to grant licences to manufacturers for their utilisation in return for royalty. It was stated in this regard that the utilisation of laboratory researches was not a simple matter. Considerable effort and expenditure had to be incurred in determining their scope and carrying out market surveys, pilot plant trials, consumer acceptability trials, scaling up and preparation of project reports (containing essential details about cost of production, plant and machinery required and its availability, total capital investment and returns on the investment), before any entrepreneur could be induced to take up their commercialisation. The industry all over the world, being profit-motivated, was not interested in taking up innovations unless they were given a turn-key job. It was urged that taking into consideration the fact that annual expenditure on research in the country was of the order of Rs. 20 crores, an accumulated loss of about Rs. 14 lakhs over a period of 8 years for determining the usefulness of the researches carried out, their development and commercialisation could not be considered unreasonable. The main thing to consider was that the revenue from research had been progressively increasing and during the year 1961-62, it was Rs. 3,71,643 as against Rs. 1,83,786 in 1960-61. The value of production based on processes licensed by the Corporation in 1961-62 was approximately Rs. 1 crore and it was anticipated to be of the order of Rs. 2 crores in 1962-63. It was also

stated that the working of the Corporation compared favourably with the parallel organisation in the U.K. In the case of U.K., NRDC retained 100 per cent of revenue and only gave awards to the inventors which worked out on an average 15 per cent against 70 per cent payment made by the Corporation, in India. Still NRDC, U.K. had incurred a bigger 'cumulative loss' i.e. £4 million from 1949-50 to 1961-62.

While the Committee do not, in any way, minimise the utility of the work done by the Corporation, the question that has all along exercised their mind is whether there is need for a separate organisation to do this work—much less an organisation run on commercial lines. During the course of evidence, the Committee were informed that an expert committee was being appointed to examine the question of the constitution and working of the Corporation. The Committee would like the Ministry to examine, whether in cases of this type, it was necessary to appoint an expert committee, involving considerable time and expenditure. The Committee urge that a decision regarding the future constitution, scope and functions of the Corporation should be taken without any further delay.

Council of Scientific and Industrial Research

Manufacture of Tapioca Macaroni—para 2 of Audit Report on the accounts of the C.S.I.R., for 1960-61

83. In 1956, a plant costing about Rs. 2.00 lakhs was purchased by the Central Food Technological Research Institute, Mysore, for large-scale manufacture of tapioca macaroni from tapioca flour. The plant had a manufacturing capacity of 1 ton per day, but total production from 1956 to 1960 amounted only to 163 tons of tapioca macaroni and 17 tons of wheat macaroni respectively. The production was slowed down in 1959-60 and completely stopped in January 1961, as the Government of Kerala, who were the main buyer of the produce, closed down their propaganda work on the product. Thus the plant was not worked to its full capacity and did not serve the purpose for which it had been initially obtained.

In evidence, the Committee were informed that the project was launched at the instance of the Kerala Government. However, due to some public agitation, the successor Government in that State was not interested in the plant. Asked whether the plant could not be utilised by other State, it was stated that the process had been largely publicised. But as tapioca had been used as a popular food in

Kerala, the chances of its utilisation in that State were greater than in other States.

The Committee regret to observe that the plant purchased by the Central Food Technological Research Institute, Mysore, at a cost of Rs. 2 lakhs for large-scale manufacture of Tapioca Macaroni has not been utilised for the intended purpose since January, 1961. The Committee desire that efforts should be made for the maximum utilisation of the plant, failing which steps should be taken for its disposal.

Transfer of Plant to a private Party—para 3.

84. In May, 1960, a plant for the production of multipurpose food was transferred from the Central Food Technological Research Institute, Mysore to Coimbatore with a view to its ultimate sale to a private firm. Without, however, executing a written agreement or fixing any agreed sale price to be paid for the plant, it was installed in the premises of the intending purchaser and run by the staff of the Institute on trial for a period of 6 months at the cost of the Council. From the 16th April, 1961 the plant was worked by the party but the terms of sale had not yet been finalised and no payments towards the cost of the plant had been received from the purchaser till March 1962. The cost of the unit which was transferred to Coimbatore worked out to Rs. 42,485.

The Committee were informed that the price of the plant had been fixed at Rs. 44,407. The party to whom the plant had been sold was a big firm in Kerala. It had already paid Rs. 8,000 and, according to a letter received from the firm, the balance would be paid in the month of March. **The Committee would like to be informed when the full recovery of the amount due is effected.**

MINISTRY OF STEEL AND HEAVY INDUSTRIES
(DEPARTMENT OF IRON AND STEEL)

Iron and Steel Control Organisation

Audit Report (Civil), 1962

Iron and Steel Equalisation Fund—pages 80-81, para 62.

85. The Receipts and Payments relating to the Iron and Steel

Equalisation Fund from 1st April, 1957, to 31st March, 1961, are shown below:—

(In crores of rupees)

Year	Receipts	Payments	Cash balance at the end of the year
Opening balance	17.77
1957-58	6.85	24.62	...
1958-59	23.70	16.23	7.47
1959-60	25.74	7.60	25.61
1960-61	31.81	17.29	40.13

The Fund was started on 1st February, 1943, when a system of average equalised prices was established for finished steel, to ensure the sale of steel at uniform selling prices by re-rollers to all customers and by main producers to controlled stockists.

The average equalised prices were fixed at rates higher than the main producers' commercial prices and were normally lower than the prices which re-rollers were allowed to retain as cost of the finished materials produced by them. The difference between the commercial price and the average equalised price was realised from the main producers and credited as surcharge to the Equalisation Fund, while the re-rollers were paid, out of the Fund, a subsidy equal to the difference between their retention prices and the average equalised prices.

The scope of the Fund was subsequently extended to cover imported steel also, the difference between the price of such steel and the average equalised price being subsidised from the Fund.

With the growth and development of the steel industry, the requirements of steel are being met mostly from indigenous sources and a comparatively small quantity has now to be imported by the Iron and Steel Controller from abroad. The world steel prices have also declined and on certain types of steel, the landed cost is lower than controlled selling price, with the result that no subsidy becomes recoverable. The payment of subsidy on imported steel which was of the order of Rs. 18.50 crores during the year 1957-58 has now declined to Rs. 2.57 crores in the year 1960-61. The credit balance in the Fund is, therefore, increasing steadily. The total

amount at the credit of the Fund (including amounts accrued but not realised) as on 31-3-1962 was Rs 84.79 crores as against Rs. 59.47 crores as on 31-3-1960 and Rs. 74.10 crores as on 31-3-1961. The actual cash balance as on 3-3-1962 was Rs. 52.79 crores as against Rs. 25.61 crores as on 31-3-1960 and Rs. 40.13 crores as on 31-3-1961.

During the course of evidence, the Secretary to the Department of Iron and Steel stated that the object of ensuring uniformity in the sale price of steel throughout the country was being served even now but owing to a fall in the prices of imported material, the credits to the Fund exceeded debits thereto. It was now proposed to utilise the balance in the Fund to finance the outlay of the Third Five Year Plan. On being asked whether it was appropriate on the part of Government to raise funds in excess of requirements, the Secretary to the Ministry stated that the existing practice had not been challenged so far by any one.

The Committee observe that with the gradual growth of the steel industry in the country, fall in imports and decline in world prices of certain categories of steel, credits to the Iron and Steel Equalisation Fund now far exceed debits thereto; and only a part of the accruals is now spent on ensuring uniformity in steel prices in the country—the purpose for which the Fund was created. This has resulted in accumulation of heavy unspent balances (cash balance Rs. 52.79 crores as on 31-1-1961). The balances are likely to increase further with the full utilization of the installed capacity of the existing steel plants and setting up of new ones. It has been stated by Government that the Steel Equalisation Fund will be one of the important sources of revenue for the Third Five Year Plan. (The contribution of the Fund for the Plan period is estimated at Rs. 105 crores). While the Committee appreciate the need for tapping all possible sources for financing the Plan, they do not consider it correct in principle that a Fund kept outside the Consolidated Fund of India for the specific purpose of equalising prices, and operated by a Departmental Officer through a Personal Ledger Account in the Reserve Bank should serve as a medium for accumulating large surplus funds by the fixation of selling prices at a level higher than necessary for the real purpose of the Fund. Further, undue delays in recovering outstandings due to the Fund as also longstanding differences with the main producers indicate that the working of the Fund is not quite satisfactory. The Committee would, therefore, like the Ministry of Steel and Heavy Industries to examine, in consultation with the Ministries of Finance and Law, whether the time has not come to make a thorough review of the constitution, scope and working of the Fund.

Outstanding Recoveries—pages 81-82.

86. A sum of Rs. 21·35 crores was recoverable from “sundry debtors” as on 31st March, 1961, against Rs. 24·91 crores at the close of 31st March, 1960. The Public Accounts Committee, in para 20 of their 26th Report, recommended the desirability of reducing the time-lag in recovery and also suggested that ‘on account’ payments made every month should represent the approximate amounts due in respect of the sales of the previous month. The matter was stated to be under correspondence between the Government and the main producers.

The amount shown as outstanding against the main producers in the books of the Iron and Steel Controller was yet to be formally accepted by them. Steps had been initiated only recently (February, 1962) for the reconciliation of the difference between the figures shown in the books of the Iron and Steel Controller and those according to records of the main producers from the inception of the scheme.

The Committee inquired about the reasons for the accumulation of large sums outstanding against main producers and the progress made in the recovery of the amounts. The Secretary stated that the producers also had certain counter-claims on the Fund. On 1st October, 1962 the gross amount to be recovered was Rs. 21·12 crores and their counter-claims by and large, offset this amount. The claims of the producers were mainly (i) Rs. 12½ crores due to increase in retention price recently allowed to the main producers with retrospective effect, (ii) excise duty (Rs. 1½ crores), and (iii) freight adjustments approximating Rs. 10 crores. Thus practically nothing remained to be recovered from the producers. On being asked as to why recoveries were not effected during the past five years, the witness stated that whenever the firms were asked to deposit the dues they put forth counter-claims against the Fund. As regards progress made in reconciliation of differences between the Iron and Steel Control Organisation and the main producers regarding outstanding due to the Fund, it was stated that verification of accounts in respect of outstandings due from the IISCO (one of the main producers) was in progress; the work was expected to be completed within about two months. The work relating to verification of accounts in respect of dues from the TISCO—the other main producer—would be taken up in the middle of November, 1962.

While the Committee note that the outstandings due to the Fund may now be largely off set by the counter-claims preferred by the main producers (bulk of which are of a recent origin), they cannot

help expressing regret at the failure of the Iron and Steel Control Organisation to effect timely recovery of longstanding dues to the Fund (Rs. 21.12 crores). They observe in this regard that though the Scheme had been in operation since 1943, necessary steps to reconcile differences between the figures as shown in the books of the Organisation and those shown in the records of the main producers since the inception of the Scheme had been initiated only recently. The Committee desire that the matter should be finalised without any further delay.

As regards current accruals, the Committee inquired in evidence whether a better system could not be evolved to effect the adjustments and recovery of amounts more expeditiously. The Secretary stated that an arrangement had been made with TISCO according to which the Company had agreed to pay a sum of Rs. 60 lakhs per month, subject to adjustments to be made later on. A similar arrangement was also made with IISCO who, however, discontinued the practice after some time. The Committee desire that the matter should again be taken up with the Company, with a view to obviating any further accumulation of outstandings. They would like to have a further report in the matter.

Special advances—page 82.

87. Special advances amounting to Rs. 20.18 crores were initially given from the Equalisation Fund, interest-free in instalments, from 1954-55 to 1957-58 to M/s. TISCO and IISCO for financing the cost of expansion of their works. On the recommendation of the Tariff Commission, the Government decided on 25th November, 1959, that interest on these special advances should be charged from 1st July, 1958, at the rate of 5 per cent per annum, but that the actual recovery should be postponed till a decision was taken regarding a common retention price to be allowed after 31st March, 1960 to all the main producers of iron and steel in the private and public sectors. Interest of Rs. 3.11 crores has accrued on these special advances for the period 1st July, 1958 to 31st March, 1961. The Tariff Commission's recommendation about the retention price from 1st April, 1960, was, however, still awaited.

Explaining the circumstances under which interest-free loans were granted to the TISCO and IISCO for the purpose of augmenting their output, the Secretary to the Ministry stated that according to the agreement with the companies, interest on the advances and the principal amount was to be made out of an element to be given to them in the price of steel. As this element had not been included in the existing price, the manner in which the interest could

be recovered was under examination of Government. **The Committee would like to be informed of the decision taken in the matter.**

Outstanding dues from importers—page 82, para 63.

88. The surcharge payable by importers of steel to the Iron & Steel Equalisation Fund in cases where the imported prices are less than the controlled selling prices is required to be paid within 14 days of the issue of the final claim bills by the Iron and Steel Controller. On 31st March, 1960, a sum of Rs. 1.72 crores was recoverable from the private importers on this account. At the end of March, 1962, the outstandings were Rs. 72.32 lakhs, of which Rs. 2.43 lakhs related to 1958-59, Rs. 42.37 lakhs to 1959-60 and Rs. 8.59 lakhs to 1960-61.

During the course of evidence, the Committee were informed that the amount of outstandings recoverable from importers of steel on account of 'surcharge' had been reduced to Rs. 45.5 lakhs. Against this amount, there were claims of the importers aggregating Rs. 38 lakhs and the net amount to be recovered was Rs. 7½ lakhs only. The claims of importers arose out of removal charges, extra and heavy lift charges, over-time charges etc. which had not been taken into account in the original bills. In reply to a question, it was stated that the claim of importers had not been verified by Audit, but the Iron and Steel Controller had satisfied himself about them. On being pointed out that under the rules, the importers were required to make payment within 14 days of the issue of the claim, the witness clarified that the period of 14 days was reckoned from the date of presentation of final claim.

While the Committee are glad to be informed that the amount of outstandings on account of surcharge on imports has been considerably brought down, they are unable to appreciate why, in some cases, it should not have been possible for the Iron and Steel Control Organisation to recover outstandings from importers even three to four years after they had fallen due, when, according to the Rules, the surcharge was required to be paid within 14 days of the issue of the final claim. The Committee desire that effective steps should be taken to recover the balance from the importers by the earliest possible date. They further desire that the time-limit laid down under the Rules should, henceforth, be strictly complied with. They would, in this connection, like the Organisation to examine the feasibility of introducing the system of bank guarantees against which the dues from importers could be adjusted well within time.

Contracts placed with a black-listed firm—pages 82—86, para 64.

89. In paragraph 134 of their 34th Report (1960-61) the Public Accounts Committee referred to irregularities resulting in heavy

losses in connection with contracts entered into with a black-listed firm and recommended that it was a fit case to be investigated further for the fixation of responsibility for their regularities noticed.

A review of all the subsidy bills made available by the Iron and Steel Controller in respect of 42 contracts for the import of 2,47,709 tons of steel, valued at Rs. 14.36 crores, out of a total of 69 contracts (including 7 for T.C.A. Steel) valued at Rs. 27.82 crores placed on them during the period June, 1955 to January, 1957 for the import of steel, showed that the firm completed the shipment according to the stipulated date of delivery only in four contracts; in other cases the delivery was delayed for periods ranging from 3 months to beyond a year and a quantity of 39,408 tons is still outstanding. The break-up of the supplies is given below:

Total quantity contracted for	2,47,709 tons
Quantity supplied within the stipulated delivery period.	64,530 tons
Delayed shipments :	
Within 3 months	59,062 tons
Between 4 to 6 months	44,063 tons
Between 7 months and 1 year	8,020 tons
Beyond 1 year	41,001 tons
Balance still to be supplied (September, 1962)	**1,52,146 tons 39,408 tons

**Includes excess supply of 8,375 tons made against certain contracts.

The contracts placed by the Iron and Steel Controller are generally subject to the condition that in the event of failure to adhere to the shipment period prescribed, the Iron and Steel Controller would be entitled to recover from the firms liquidated damages at the rate of 2 per cent per month or part of a month, in respect of the quantity outstanding for shipment. It was noticed that the Iron and Steel Controller preferred claims for liquidated damages or token liquidated damages in only 5 cases involving recovery of about Rs. 10 lakhs, against which no recovery had been effected.

The orders for the black-listing of this firm were withdrawn in January/February, 1957. 11 contracts for a quantity of about 43,027 metric tons and 7,045 tons of a total value of Rs. 2.95 crores were placed after this withdrawal, during the period July, 1957 to Septem-

ber, 1960. The records of the Iron and Steel Controller did not indicate the position of shipments made against one of these contracts involving a quantity of 5,800 long tons.

The position in respect of the other 10 contracts entered into with this firm was as under:—

	M/Tons.	L/Tons.
Total quantity contracted for	43,027	1,245
Quantity supplied within the stipulated delivery period	33,839	907
Delayed shipments :		
Within 3 months	3,840	241
Between 4 to 6 months	136	...
Between 7 months and 1 year	...	12
Beyond 1 year	1,206	...
Balance still outstanding	4,006	85

During the course of evidence, the Committee drew attention to the fact that although the contracts provided for imposition of penalties for delayed supplies, the Iron and Steel Controller had preferred claims (worth Rs. 10 lakhs only) in five cases only and that, even in these cases, no recovery had been effected so far. The Secretary, Department of Iron and Steel stated that it was difficult to recover liquidated damages in all cases. Each case was to be decided on its merits, in consultation with legal authorities, and a Committee of officers of Audit, Iron and Steel Controller's Organisation and the Finance Ministry had been formed to examine these cases.

From the facts of the case as mentioned above, the Committee are led to the conclusion that the performance of the firm in relation to their contractual obligations had been highly unsatisfactory. [Out of 42 contracts, placed on the firm during the period June, 1955 to January, 1957 (the records in respect of which were examined by Audit), the firm completed shipment according to the stipulated date of delivery only in four cases; about one-sixth of the ordered material is still outstanding, even five to six years after the stipulated date of delivery.] The Committee further observe that although the firm had failed to adhere to the prescribed time-schedule in 38 cases out of 42, claims for liquidated damages or token liquidated damages had

been preferred only in five cases, and, even in these cases, no recovery had so far been effected. The Committee cannot but regret the sluggish manner in which the Organisation had proceeded in the matter of invoking the penal provisions of the contracts. This state of affairs, the Committee would like to caution, might not only involve Government in heavy financial losses, but also dislocate the planned programme of Government involving the use of contracted material. The Committee, therefore, desire that special attention should be paid by the Ministry of Steel & Heavy Industries to the matter with a view to ensuring that the interests of Government are not jeopardised in any way on account of any lapse or laxity on the part of the Organisation. The Committee also consider it needless to emphasise that before fresh contracts are awarded to a contractor, his past performance should invariably be taken into account and no preferential treatment should be given to any particular firm.

As regards extensions in delivery date granted to the firm from time to time, the Secretary, Ministry of Steel and Heavy Industries (Deptt. of Iron & Steel), stated that such extensions were normally granted by the Iron and Steel Controller after taking into consideration (a) the supply position, (b) the price situation, and (c) the needs of the indenter. Asked whether the falling prices of the material were taken into account at the time of granting extensions, the Secretary to the Ministry stated that it was generally the practice. The Committee desired to be furnished with a note giving the price contracted for, the prevalent price and that allowed to the firm at the time of granting each extension. The witness promised to furnish the requisite information later. **This is still awaited. The Committee would defer their comments on this aspect of the case till the requisite information is received from the Ministry. Meanwhile, it is hoped that Government would look into this case.**

Case A, page 84.

90. Two further cases of irregularities are mentioned below in respect of the contracts placed with this firm. In one of these cases, against a contract entered into in August, 1955 for the supply of 10,085 tons of imported tested steel rounds by November, 1955 to meet certain urgent demands, the firm supplied only 4,024 tons by September, 1958 and failed to supply the balance. A sum of Rs. 1.50 lakhs representing the difference between the controlled selling price recovered by the firm from the consignees and the landed cost (which was lower than the controlled price) was refundable under the terms of the contract and creditable as surcharge to the Iron and Steel Equalisation Fund. The firm failed to refund this amount. The recovery was forgone by the Iron and Steel Controller by treating

the supply as one made outside the contract, which was cancelled in February, 1961, nearly two and a half years after the part supply had been made.

A belated claim of Rs. 23·49 lakhs was preferred against the firm in February, 1961 in respect of the entire quantity of 10,085 tons covered by the contract, representing the difference between the contract price and the higher market price ruling on the 29th February, 1956—the last permissible date for shipment under the contract as finally extended. The settlement of this claim is awaited.

During the course of evidence, the Committee were informed that the firm had asked the Organisation for the withdrawal of their claim of Rs. 23·49 lakhs on the ground that the Government did not make any purchase or import of steel under alternative arrangements. The legal aspect of the matter was now under examination.

The Committee are surprised at the manner in which the Iron and Steel Control Organisation had acted in this case. They fail to understand why the Organisation should have treated the part supply made by the firm upto September, 1958 as 'one made outside the contract', and forgone recovery of surcharge amounting to Rs. 1·50 lakhs creditable to the Iron and Steel Equalisation Fund under the terms of the contract. Nor have the Committee been able to appreciate why the Organisation should have taken five years to prefer claim or liquidated damages, after the last permissible date for shipment under the contract, as finally extended. The matter warrants investigation. The Committee desire that vigorous efforts should now be made to recover the liquidated damages from the firm. They would like to have a further report in the matter.

Case 'C'—pages 85-86.

91. On the 30th August, 1956, the firm made an unsolicited offer to the Iron and Steel Controller for the supply of 1,590 tons of steel material, of which 660 tons were to be from imported finished stock and 930 tons were to be rolled in India from imported billets. Against this offer, a formal contract for a quantity of 1,380 tons was placed on the 29th September, 1956, stipulating payment of a subsidy equal to the difference between the contract prices and the controlled prices, from the Iron and Steel Equalisation Fund, although material rolled in India was not mentioned in the Iron and Steel (Control) Order, 1956, as eligible for such subsidy.

Out of a total of 1,228 tons supplied by the firm, a quantity of 685 tons had been rolled by the firm in India. The Steel Controller

approached the Government on the 19th February, 1957 for their *ex-post-facto* approval for the payment of subsidy on this quantity. The Ministry of Finance, however, did not agree and desired that the cost of imported raw material and conversion cost might be examined with a view to ascertain the margin of profit that had accrued to the supplier on the contracted prices. This examination could not be conducted because of the failure of the firm to produce the relevant documents; and in terms of the acceptance of tender, an *ex-post-facto* sanction had to be issued by the Government on the 17th November, 1961 entitling the firm to a payment of subsidy of about Rs. 94,000.

The extent of loss suffered by the Government in the transaction could not be ascertained in the absence of any examination of the production cost of the firm.

During the course of evidence, the Committee enquired about the circumstances under which the subsidy of Rs. 94 thousand was given to the firm even though it was objected to by the Ministry of Finance. The Secretary to the Ministry explained that it was an urgent demand and orders were placed on the firm pending negotiation of prices. The formal contract was entered into on 29th September, 1956. The Ministry of Finance, to whom the case was referred, had suggested that a cost examination be conducted of the quantity rolled in India. However, the matter was referred to the Ministry of Law, who opined that the intention of the contract was to pay the prices fixed after negotiations. The amount of subsidy was, therefore, paid as a contractual obligation. The Iron and Steel Controller added that a cost analysis had since been attempted and it was considered that the price paid to the firm for the material rolled in the country was not more than the cost of the imported finished product. Further, Government was also able to save foreign exchange in this deal.

The Committee are not satisfied with the above explanation. They feel that it was irregular on the part of the Iron and Steel Control Organisation to have stipulated payment of subsidy on the material rolled in India when, under the Iron and Steel (Control) Order, 1956, no such material was eligible for subsidy.

To examine the matter further, the Committee desired to be furnished with the following information:—

- (i) What reasons were given by the firm for not producing documents regarding cost of imported raw material and cost of conversion, as desired by the Ministry of Finance?

(ii) Was the delivery period adhered to by the firm in this case?

This information is still awaited. The Committee would, therefore, defer their comments on this aspect of the case till the requisite information is received from the Ministry.

92. The Committee referred to para. 134 of the 34th Report (Second Lok Sabha), wherein, commenting upon the placement of contracts of the order of over Rs. 27 crores on this firm, the P.A.C. (1960-61) had observed that it was a fit case to be investigated further for fixation of responsibility for the irregularities noticed. The Committee enquired as to what action had been taken on the above recommendation of the P.A.C. (1960-61). The Secretary to the Ministry stated that as the then Controller had died three years ago, nothing further could be done.

The Committee are hardly satisfied with the above explanation. They would, in this connection, like to point out that the idea underlying the aforesaid recommendation of the Public Accounts Committee (1960-61) was that not only the then Controller but also all other officers, who were responsible for the lapses revealed in the Organisation's dealings with the firm, should be suitably dealt with, so that cases of the type did not recur. After going through the irregularities revealed in this Audit para. as also in paras 30 and 31 of Audit Report (Civil), 1961, the Committee are now more than ever convinced of the need for such an investigation. They, therefore, desire that early effect should be given to the aforesaid recommendation of the Public Accounts Committee (1960-61).

Loss due to delay acceptance of tender; delay in supply—pages 86-87, para. 65.

93. To meet a demand from the State Government of Rajasthan for 844 long tons of high tensile angles required for the Chambal Project, tenders were invited by the Iron and Steel Controller and opened on the 1st September, 1958, but a purchase decision could not be taken immediately thereafter pending clarification from the State Government regarding the availability of quota certificates. As the offers were valid for acceptance up to the 15th September, 1958 only, extension up to the 30th September, 1958 was obtained from the tenderers.

Although the necessary clarification was furnished to the Iron and Steel Controller on the 20th September, 1958, a purchase decision was not taken in spite of two telegraphic reminders received from the State Government on the 28th and 29th September, 1958. It has

been stated that the clarificatory letter reached the dealing section on 29th September, 1958, although it had been received in the office on the 23rd September. The tenders were asked on the 29th September, 1958 to extend the validity period of their offers further, upto 8th October, 1958. The lowest tenderer demanded an increase of Rs. 40 per ton in his price and an order was placed on this basis on the 3th October, 1958, since his offer remained the lowest in spite of the price increase. The delay in taking a purchase decision thus resulted in an extra expenditure of Rs. 33,760.

The firm completed the supplies only by the 30th June, 1960 against the stipulated date of 20th November, 1958. On an enquiry from the Steel Controller on the 30th March, 1960, the indenter reported in March, 1961 that he had suffered a loss of about Rs. 4.24 lakhs (including Rs. 3.11 lakhs on account of assumed loss of revenue and Rs. 0.44 lakhs on account of interest on capital) due to delay in the supplies and also complained that the firm had supplied mild steel instead of steel of high tensile strength.

In evidence, the Secretary to the Ministry admitted that it was a bad case and that appropriate steps had since been taken to obviate the recurrence of such delays. The liquidated damages for delay in supplies could not be claimed from the suppliers as the contract had been entered in the name of the President of India, whereas the loss was suffered by the State Government on whose behalf the material was purchased. The witness admitted that it was due to a legal lacuna in the agreements.

The Committee are unhappy over the manner in which this case had been handled by the Iron and Steel Control Organisation. They observe that although the clarificatory letter from the indenter had been received in the Organisation on the 23rd September, 1958, it did not reach the dealing Section till the 29th September, 1958. This, in the opinion of the Committee, betrayed not only a lack of proper sense of urgency on the part of the officers who initially received the letter but also a lack of proper co-ordination between the different Sections of the Organisation.

The Committee further observe that although the firm had delayed the completion of supplies by over 19 months, the liquidated damages for delay in supplies and consequential loss suffered by the consignee (amounting to about Rs. 4.24 lakhs) could not be recovered from the firm as the contract had been entered into in the name of the President of India, whereas the loss had been suffered by the State Government on whose behalf the material was purchased. The Committee consider this legal flaw in the Agreement as highly unfortunate.

They would, however, like to point out that although, in view of this flaw, liquidated damages might not have been legally recoverable from the suppliers, they were, in accordance with the spirit of the Agreement, morally bound to pay the damages. The Organisation should have, therefore, taken up the matter with the firm, and used their influence to persuade them to pay the damages; failing which, the Organisation should have considered the question of stopping further dealings with the firm, for having resiled from a commitment.

94. As regards remedial measures in the matter, it was stated that a suitable procedure to be followed in such cases on the lines followed by the D.G.S. & D. was now under consideration of the Organisation. The Committee desire that an early decision should be taken in the matter.

As regards the indenter's complaint that the firm had supplied mild steel, instead of steel of high tensile strength, it was stated that there had been some correspondence between the indentors and the firm. Only one particular size of angles appeared to be defective which the suppliers were willing to replace. The Committee would like to have a further report in the matter.

*Payment of higher price for urgent supply which did not materialise—
page 88, para 67.*

95. In connection with four contracts for the supply of some 1,900 tons of steel which were entered into in September, 1957 on a spot-tender basis for delivery ex-stock or ex-jetty, the agreed rates were higher than the market rates and involved an extra expenditure of Rs. 4.34 lakhs. The supplies were not, however, made immediately. 1,100 tons were received over a period of 3 months; the supply of the remaining 800 tons was completed only in December, 1958.

No action was taken to cancel the quantity of 800 tons which was unduly delayed or to revise the contract rates to accord with the further fall in market prices which had occurred in the meantime. This resulted in an additional loss of Rs. 1.52 lakhs to Government.

During the course of evidence, the Secretary, Department of Iron and Steel stated that the impression gathered from the Audit para that only 1,100 tons of steel was supplied within three months from the date of placing the order and the balance (800 tons) was supplied after a year was not quite correct. The order was placed in October, 1957 and within four months (upto January, 1958), the contractors supplied about 1450 tons of the material. The rest was supplied in small quantities every month, the last consignment being in

December, 1958. He added that had open tenders been called, the material could not have been procured so soon.

The Committee observe, that an additional payment of Rs. 4.34 lakhs was made by the indentores in this case on considerations of ex-stock/ex-jetty delivery. As, however, the period of actual supply in respect of more than 40% of the material ranged between 4 to 14 months, the object underlying the additional payment was partly defeated. In extenuation of delay in supply, it was urged during the course of evidence that arrangements for the transportation of the material were to be made by the indentors. To examine the matter further, the Committee would like to be informed to what extent the delay in supply could be attributed to failure on the part of the indentors to make timely transport arrangements.

Defective inspection of sleepers—pages 88-89, para. 68.

96. In respect of four contracts entered into between March, 1956 and March, 1957 for 85,000 tons of imported steel sleepers valued at about Rs. 6 crores, certain defects were noticed in July, 1957, by which time the firm had already supplied 43,000 tons valued at Rs. 2.90 crores. It was reported that the sleepers were not in accordance with the drawings in that the holes in the sleepers were at right angles to the horizontal and not vertical to the incline of the rail seat. The firm, however, contended that the supplies made by them were in accordance with drawings, that the goods had been inspected and passed by the Director General, India Store Department, London and that they had been accepted by the Railways without any protest.

In December, 1959, i.e., more than two years after the defect was reported, the Iron and Steel Controller consulted the Government Solicitor, who was of the view that "the sleepers had been accepted and used without making any protest to the suppliers. There appears to be no provision in the contract under which suppliers may be held responsible or a penalty imposed at this stage for the alleged deviation in quality". Negotiations with the firm were continued and in January, 1961, a technical opinion was obtained by the Railway Board from their Research, Design and Standards Organisation, who stated that "the performance of these sleepers, while not unsatisfactory on the whole, was likely to lead to a slight reduction in the useful life of the sleepers. But this reduction, in all probability, will not exceed a couple of years, on the average". It was suggested by this Organisation that a reduction of about 3% in the price of steel sleepers would cover the possibility of reduction in the life of the sleepers and also extra cost on special keys which may have to be

used in place of standard keys. A settlement was reached in July, 1961, when the suppliers, while maintaining that they had satisfied the terms and conditions of the contract, agreed to supply, free of cost, to the Railways, 1,290 tons of crossing sleeper bars.

In extenuation of the delay of more than one year in reporting the defects noticed in the sleepers the Financial Commissioner, Railway Board, informed the Committee that although the shipments had started in April, 1956, the supplies reached Indian Ports in the later part of the year. Thereafter, it took sometime for the sleepers to be sent to the different Railways. He added that the defects were noticed by the Railway Administration soon after the sleepers were received by them and a complaint was sent to the Iron and Steel Controller in July, 1957. In reply to another question, the witness stated that although the sleepers were not strictly according to the drawings and specifications, the defects were not very serious and the sleepers had been used without much extra expenditure having been incurred thereon. He added that the settlement reached with the supplier, according to which the Railway received, free of cost, 1,290 tons of crossing sleeper bars, was quite reasonable. In reply to a question, the witness stated that the contract did not include any 'Warranty Clause'.

While the Committee are glad to be assured that the settlement reached with the suppliers, according to which the Railways had been supplied, free of cost, 1,290 tons of crossing sleeper bars, was quite reasonable, the Committee cannot help expressing regret at the defective inspection by the India Store Department, London. The Committee understand that the question of fixing responsibility for this lapse was under consideration. The Committee would like to have a further report in the matter.

Another aspect of the matter which causes concern to the Committee is that in such a big contract, as the present one, involving an amount of Rs. 6 crores, the Iron and Steel Control Organisation had failed to take even the elementary safeguard of providing for 'Warranty Clause' in the contract. They trust that the Organisation will be more careful, while entering into such contracts in future.

MINISTRY OF WORKS, HOUSING AND SUPPLY*

Land and Development Office, New Delhi—pages 54-55 para 38 of Audit Report.

97. The Land and Development Office deals with the allotment of Nazul lands in Delhi to different parties on temporary or perpetual

*The work is now being dealt with by the Ministries of Works, Housing & Rehabilitation and Economic and Defence Co-ordination.

lease. Cases of non-recovery of lease money, ground rent and damages for unauthorised occupation of government lands were pointed out during successive annual local audits of the accounts of the Office. It was noticed that, although under the rules ground rents in respect of leased lands were to be deposited in advance, rents to the extent of Rs. 15 lakhs were in arrears in April 1960. Cheques (some of which were received in 1959 and were already time-barred) for a total amount of Rs. 7 lakhs tendered by the lessees in settlement of their dues were lying uncashed. It was also reported that in many cases of temporary allotment of lands, the allottees continued to occupy the lands for years after the allotted period without an renewal of the lease or payment of ground rent. No watch was kept over regular realisation of rents, nor was any action taken to evict the unauthorised occupants. The para in the Audit Report also cited a few typical cases of irregularities. In one case a sum of Rs. 21,725 by way of ground rent for temporary lease of land allotted to an association for an exhibition from September, 1951 to May, 1952 was still outstanding. In September 1958 the address of the surviving patrons and directors of the Association were obtained, but the question of filing a suit for the recovery of the dues was not finalised. (February 1962). In another case penalty and additional ground rent amounting to Rs. 13,427 in cases of violation of the terms of the lease had not been recovered so far.

The Secretary of the Ministry of Works, Housing and Supply admitted that the Land and Development Office had not been functioning satisfactorily for some time because a number of decisions on many important matters which related to realisation of damages and rents had not been taken in the Ministry. It was urged in the course of evidence that the Land and Development Office had revised/increased the rents unilaterally which were not accepted by the lessees. While the lessees were prepared to pay the original rent, Land and Development Office did not accept payment on the advance of the Ministry of Law, who opined that acceptance of the dues even under protest would affect the recovery of rent at enhanced rates in case disputes were referred to Courts of Law. The cheques, which were lying uncashed, pertained to cases under dispute and they had since been either cashed or renewed. The Committee were assured that the working of the Land and Development Office had since been rationalised and such contingencies would not recur. **The Committee feel concerned to note that the unsatisfactory state of affairs of the Land and Development Office was allowed to persist even though it was pointed out in successive Audit Inspection Reports. If the Ministry of Law had advised that the acceptance of the dues would prejudice Government case in recovering enhanced rents through a Court of**

Law, it is not clear how the acceptance of cheques and keeping them in the office indefinitely without crediting the amount to Government would have safeguard Government's position in any way. In fact it has now been stated that the cheques have now been encashed or renewed without enhancing the rent or proceeding against the parties for breach of the agreements. They would suggest that a thorough departmental inquiry should be undertaken into the working of this office so as to place on a satisfactory footing the management of Government property entrusted to it and to fix responsibility for past mismanagement. As regards the two cases of non-recovery of dues mentioned above, the Committee were informed that it was not possible to recover the ground rent in the first case, as the Association had gone into liquidation. Action had, however, been taken to fix responsibility for this loss. The other case was stated to be still under examination of Government. The Committee would like to be informed of the final outcome of these cases.

Arrears of Rent—Pages 55-56, para 39 of Audit Report.

98. The total arrears of rent due upto 31st March, 1961 in respect of government property in Delhi and Simla under the control of the Director of Estates was as under on 1st December, 1961:—

(In thousands of rupees)

	Arrears pertaining to				Total
	1957-58 and earlier years	1958-59	1959-60	1960-61	
Government servants	871	295	297	573	2036
Government Departments	72	27	187	76	362
Foreign Missions	27	18	14	18	77
Others	15	44	69	155	383
Accommodation at Simla	8	2	1	1	12
Markets (transferred to Directorate of Estates from 1-4-58)	240	96	60	17	413
	1333	482	628	840	3283

In addition, there were arrears of recoverable damages from various unauthorised occupants amounting to Rs. 1.52 lakhs.

The unsatisfactory state of affairs regarding the recovery of rents was examined by the Public Accounts Committee on more than

one occasion. In para 269 of their Forty-second Report the Committee had referred to the revised rent procedure devised by the Special Reorganisation Unit in the Ministry of Finance for the purpose and deprecated the delay on the part of the Ministry of Works, Housing and Rehabilitation in introducing the new procedure. During the course of evidence the Committee were informed that the recommendations of the Special Reorganisation Unit were examined in the Ministry in consultation with the Comptroller and Auditor General and it was considered that some of them were not practicable. Another Committee of officers of the Ministries of Works, Housing and Rehabilitation and Finance had been set up to examine the problem with a view to evolving a simpler system for recovery of rents. As regards the arrears of rent, it was explained that there were certain practical difficulties in having cent per cent realisation of rents. While rents had been recovered from the salaries of government servants, in most of the cases the Departments concerned had either not furnished the requisite advice or it had been misplaced in transit. A Special Squad of officers had since been organised in the Estate Office which would go to the various Departments and ascertain the correct position regarding these recoveries. The Secretary to the Ministry expressed the hope that the position would improve in the accounts of subsequent years. **The Committee regret to observe that, despite their observations/suggestions in the earlier years, Government has not been able to take suitable measures to improve the position, even though more than nine years have elapsed since the matter was for the first time brought to their notice—Vide Audit Report, 1954. They further learnt in evidence that a committee was set up in September 1961 to enquire into the working of the Directorate of Estate and examine the accumulation of large arrears of rent, but it did not function at all. They trust that the new committee which has since been set up to simplify the procedure for recovery of rent, will not meet with the same fate. They would like to be informed of the recommendations of the Committee and the action taken thereon.**

Loss of Revenue due to Quarters remaining vacant—Page 56, para 40.

99. Under the scheme of providing residential accommodation to industrial workers at subsidised rates, construction of 1,380 quarters was completed in May, 1957. Electric connection to the houses could not be given by the Delhi Electric Supply Undertaking before the end of August 1958. After some of the units were allotted and occupied it was noticed that the water pressure of a tube-well was insufficient to reach the first floor and the storage tanks as a result of

defective boring and also because no overhead tank had been provided at the pumping station. Further allotment of quarters was therefore suspended. To augment the water supply fifteen hand-vided at the pumping station. Further allotment of quarters was arranged from the Delhi Corporation in August 1959 and the allotment of quarters was finally completed by January, 1960. The delay of more than one year in providing electric connections, defective boring of the tube-wells and the omission to provide overhead tanks led to a loss of rent to the extent of about 3.43 lakhs.

During the course of evidence the Committee were informed that the main reason for the loss of revenue was insufficient co-ordination between the Central Public Works Department and the Municipal authorities in the matter of provision of water supply and electricity. A scheme was now under examination of the Ministry according to which the Central Public Works Department would carry out the work on behalf of the Municipal Committee/Corporation and the accounts would be settled subsequently. **The Committee are hardly satisfied with this explanation. Many such cases resulting in loss of revenue due to lack of sufficient co-ordination between the Central Public Works Department on the one side and the local bodies on the other have been reported to the Committee during the last three years. In para 239 of their Forty-second Report (1962) the Committee had expressed 'dissatisfaction' and had observed that no decision could be reached in that matter, even though more than two years had passed. They regret the casual manner in which this matter is being pursued by the Ministry.**

100. As regards the defective provision of water supply which was under examination, it was urged in evidence that the tube-well was not defective. It was able to give the expected water supply, but there had been an initial mistake in assessing the requirements. On being asked why an overhead tank was not provided, it was stated that it was a temporary arrangement and they wanted to keep the expenditure to the minimum. The provision of an overhead tank would have cost about Rs. 20,000. **The Committee regret to observe that the scheme was not properly planned, otherwise with a small additional expenditure in the first instance a loss of revenue to the extent of Rs. 3.43 lakhs would have been avoided.**

Works executed by the Central Public Works Department—Expenditure incurred without Specific Budget provision/sanctioned estimates—Page 61, para 48(a).

101. An expenditure of Rs. 458.92 lakhs was incurred on 135 works during the year 1960-61 on works costing over Rs. 2 lakhs each with-

out specific budget provision. These included 40 works estimated to cost over 5 lakhs each. 13 works included in the 135 works referred to above were not also covered by sanctioned estimates. The expenditure incurred on them amounted to Rs. 68·80 lakhs.

In evidence, it was urged before the Committee that the Ministry had powers to utilise savings arising within the sanctioned Grants on other works provided they did not constitute a "New Service", notwithstanding the fact that the works were not included in the list of works originally submitted to Parliament along with the budget estimates. It was added that under the existing financial set up there were no restrictions as to monetary limit or otherwise on the powers of reappropriation exercised by the Ministries.

As regards the case mentioned in the Audit Report the Secretary to the Ministry stated that in most of the cases (90 per cent) expenditure was incurred on works which were already in progress. It was possible, therefore, that approval of Parliament had been obtained in respect of the works in the earlier years.

The Committee propose to deal with the general question of fixation of a limit on expenditure on works not included in the budget estimates separately in a subsequent report.

With regard to the statement of the Ministry that the approval of Parliament would have been obtained for these works at one stage or the other, the Committee desired to be furnished with a note indicating—

- (i) works for which specific approval of Parliament had been obtained in the earlier years; and
- (ii) works which were never mentioned in the estimates presented to Parliament.

They regret to observe that the information is still awaited.

Works for which Specific Budget Provision was made but which were not taken up, page 61, para 48 (b).

102. 42 works costing more than Rs. 5 lakhs each for which specific budget provision of Rs. 155·18 lakhs was made in 1960-61

were not taken up for execution during the year. The Committee examined the following instances referred to in the Audit Report:—

Name of the works	Provision made in the budget
1. Purchase of Prabhat Studio at Poona (Estimated cost Rs. 16 lakhs).	Rs. 5 lakhs
2. International Students House, New Delhi (Estimated cost Rs. 5.79 lakhs)	Rs. 3 lakhs
3. Acquisition of land on eastern side approach road—G.T. Road—to site of new proposed bridge over River Jamuna. (Estimated cost Rs. 6.52 lakhs)	Rs. 5 lakhs

The Committee were informed in evidence that, although the works were included under the grant controlled by the Ministry Works, Housing and Rehabilitation, they were controlled by different Ministries. Dealing with the cases individually the witness informed the Committee that the proposal to purchase Prabhat Studio was initiated by the Ministry of Information and Broadcasting and administrative approval was accorded on 1st January, 1960. A sum of Rs. 5 lakhs was provided in the budget, as it was anticipated that the deal would be finalised in the course of the year. The whole transaction was, however, concluded in the previous year, viz., 1959-60 and the funds provided for the year 1960-61 proved to be unnecessary.

As regards the International Students House, New Delhi, the Committee were informed that the estimates had to be revised on the advice of the Delhi University and there was delay in the finalisation of plans. The work, therefore, could not be taken up during the financial year.

In the third case, regarding acquisition of land to site the new bridge over the River Jamuna the alignments of the approach road were changed and the estimates had to be revised. **The Committee are hardly satisfied with these explanations. In their opinion the instances referred to above clearly indicate that Parliament was approached for funds without proper assessment of the progress of works and their needs. They trust that a greater care would be exercised in future to obviate recurrence of such cases.**

Cases under Arbitration and Litigation—page 62, para 48(c).

103. The number of cases referred to arbitration and disposed of from year to year was as under:—

Year	Receipts	Disposals
1958	167	54
1959	168	78
1960	195	110
1961	245	160
TOTAL	775	402

At the close of 1961, 373 cases were outstanding, out of which 7 related to 1958, 26 to 1959 and 104 to 1960.

The Committee were informed that another officer was appointed as an arbitrator and the number of outstanding cases had been reduced from 373 to 264. A hope was expressed that the position would improve further. **The Committee would like to watch the results through subsequent Audit Reports.**

Chief Technical Examiner's Organisation, pages 62—64, para 49.

104. The position in regard to assessment of overpayments detected by the Chief Technical examiner from 1957 to 1960, the extent to which they had been accepted by the Central Public Works Department and the recoveries effected upto March 1962 was as follows:—

Year	Amount of overpayments assessed.		Amount of overpayments accepted by the C.P.W.D.		Amount of overpayments accepted by the C.P.W.D. upto 31-12-1960 but not recovered upto March 1962	
	No.	Amount	No.	Amount	No.	Amount
1957	121	3.16	13	0.61	1	0.20
1958	240	8.77	115	3.50	10	1.54
1959	425	8.84	264	5.27	79	3.33
1960	292	15.38	339	9.74	101	6.94
	1078	36.15	731	19.12	191	12.01

(In lakhs of rupees)

Allowing for 244 items which had since been dropped by the Chief Technical Examiner a balance of 103 items covering Rs. 13.51 lakhs were stated to be pending consideration and acceptance by the Central Public Works Department (March, 1962). These included twenty-five items reported in 1959 or still earlier.

Taking the figure of Rs. 9.74 lakhs for overpayments accepted by the C.P.W.D. during 1960, the amount covers the following types of irregularity:—

	Rs
(1) Substandard execution of works	3,27,073
(2) Excessive measurements	95,581
(3) Unauthorised financial benefit to contractors—	
(a) Work not executed but paid for	
(b) Non-recovery/reduced recovery of hire charges of machinery and not effecting panel recovery for materials excess issued	3,64,631
(c) Extra items not admissible.	
(4) Use of inferior quality of materials	1,43,654
(5) Miscellaneous	43,431
	9,74,370

The para in the Audit Report indicated the type of irregularities to which attention had been drawn by the Chief Technical Examiner's report for the year 1960.

As regards the disciplinary aspects of the cases it was reported that against 834 cases of overpayments detected since 1957 covering Rs. 32.64 lakhs, 53 cases were reported by the Chief Technical Examiner for disciplinary action. Out of these 21 cases were finalised by March, 1961 resulting in imposition of penalties on 41 officers as under:

Nature of punishment	No. of officers awarded punishment.		
	Executive Engineers	Assistant Engineers	Section Officers
Warning or censure	8	12	6
Stoppage of increment	5	6
Reduction in pay/pension	2	1	1
	10	18	13

In evidence, the Committee were informed of the latest position with regard to these cases. Out of 103 cases of overpayments which were pending consideration and acceptance by the Central Public Works Department, 61 cases had been disposed of. As regards the 53 cases reported for disciplinary action 33 cases in all had been finalised till October, 1962. The punishments awarded to the delinquent officials ranged from administration of warning to dismissal from service. Looking to the nature of irregularities referred to earlier, the Committee got the impression that in most of the cases the punishments awarded were rather mild and were not commensurate with the lapses on the part of officials. The Secretary of the Ministry agreed to submit a summary of cases where the Chief Technical Examiner had recommended disciplinary action. The Committee would, therefore, await this information. They would also like to be informed of the progress made in the finalisation of the remaining disciplinary cases.

105. The Committee inquired about the reasons for the time taken by the Central Public Works Department in acceptance of cases reported by the Chief Technical Examiner. The Secretary to the Ministry of Works, Housing and Rehabilitation explained that it involved a question of reconciliation between the Chief Technical Examiner and the Engineers of the Works Department. In cases of overpayments the contractors also contested the findings of the Chief Technical Examiner. The Committee regret that they could not be convinced by this explanation. In order that the examination of works by the Chief Technical Examiner may have the desired objective, it is necessary that the objections raised by that organisation are heeded to promptly by the Works Department. In their earlier reports (paras 82 and 212 of 25th and 34th Reports respectively of Second Lok Sabha) the Committee had desired that strict instructions should be issued to the Central Public Works Department enjoining expeditious disposal of reports of the Chief Technical Examiner. The Committee regret to observe that the position indicated in the Audit Report is still far from satisfactory. They are also constrained to observe that the Ministry have not indicated to them the action taken or proposed to be taken on this recommendation which was made as early as March, 1961.

Construction of a raised link connecting two overhead Rail Bridges at Jungpura on Delhi-Mathura Road—Page 64, para 49(A).

106. The Technical Examination disclosed that in addition to an overpayment of Rs. 5,164 which had been pointed out by the Chief Technical Examiner in 1957 and recovered in 1958 a part of the earth-work had subsequently been paid for on the basis of a lead of 3 miles

instead of $1\frac{1}{2}$ miles. It also came to light that against the total quantity of 43.96 lakhs cubic feet of earth filling paid for by the Division the actual quantity worked out only to about 29.70 lakhs cubic feet. The overpayment in this case was assessed at Rs. 96,855.

In evidence the Secretary admitted that it was one of the bad cases for which responsibility had been fixed and one Executive Engineer, one Assistant Engineer and a Section Officer had been charge-sheeted. The irregularities were accepted in the Department in December, 1960, and the charge-sheets were issued in March, 1961. Thereafter, the explanations of the officers concerned were received and examined by the department and an Enquiry Officer was appointed in January, 1962. The results of the enquiry were still awaited. On being asked the reasons for delay in taking disciplinary action in this case, the Chief Engineer, Central Public Works Department said that extant procedure was dilatory to some extent. The Secretary however assured the Committee that he would try to evolve a method whereby such delays could be avoided. **The Committee would like to be informed of the remedial measures adopted to streamline the procedure as well as the final action taken in this case.**

Construction of Approaches to Railway Over-bridge on Ring Road (Phase V), near Azadpur-Delhi. Pages 64-65, para 49 (B).

107. The technical examination of the work showed that no proper records had been maintained of the quantity of earth removed from each of the contractor's sources. The leads from these were completed at over 25 chains and the contractor was paid for transportation at rates much higher than those at which similar work had been executed in the same Circle. The loss was estimated at Rs. 63,000. It was further established that in computing the total quantity of filling in the embankment the initial levels had been manipulated to the advantage of the contractor by over-writings and erasures and that there had been an overpayment of Rs. 1.73 lakhs. Another overpayment to the extent of Rs. 13,000 due to inadequate rolling of earth work was also detected in the same work.

The Committee were informed that the overpayment had since been recovered and the delinquent officials were being charge-sheeted. **The Committee regret to observe that this is another case of undue delay in taking disciplinary action against officials for serious lapses. They would reiterate their earlier recommendation that departmental action, in order to be effective, should be prompt.**

Lowering and Widening of Delhi-Mathura Road (Phase I)—Page 65, para 49 (C).

108. The following points were brought out during a technical examiner of this work conducted by the Chief Technical Examiner in July, 1958:—

- (i) The departmental officers were unable to account for the disposal of 6.4 lakhs cubic feet of earth out of 26 lakhs cubic feet which had been excavated. Had this quantity been made available to the overbridge work at a distance of almost one mile which was under execution at the same time by the sub-division, a saving of Rs. 25,520 could have been effected.
- (ii) As against 60,000 cubic feet of soling and 79,000 cubic feet of metal expected to be salvaged by the contractor from the old road running on the same alignment only about 7,000 cubic feet of soling and 12,500 cubic feet of metal were recovered. A trial test conducted in a portion of the old road indicated that these quantities should have been 25,000 cubic feet and 87,000 cubic feet, respectively. If these quantities had been recovered and utilised on the work, there would have been a saving of Rs. 19.493 in payments made to the same contractor for additional stone required for the work.

The Committee were informed in the course of evidence that the case was pending enquiry by the Special Police Establishment.

As regards the delay in taking action in this case it was stated that, although the case was reported by the Chief Technical Examiner in July, 1958, the irregularity was accepted by the Works Department in February, 1961. The Committee feel that this is a typical example of the casual manner in which the reports of the Chief Technical Examiner are examined by the Works Department. They desire that this case should be investigated with a view to finding out the reasons for the unduly long time (2½ years) taken by the department in accepting the irregularity. They would also like to be informed whether departmental action had since been initiated against the officers responsible for the losses.

Building of Offices of the Local Administration and Courts at Tis Hazari, Delhi—pages 65-66, Para 49 (D).

109. The site inspection of the work by the Chief Technical Examiner conducted in October, 1958 indicated overpayments to the

extent of Rs. 72,187 due to items of work provided for in the agreement and paid for but not executed, use of inferior quality of materials, etc. The overpayments had not been recovered (March, 1962) and the case was stated to have been referred to arbitration at the instance of the contractor.

The Committee were informed that the overpayments had since been recovered from the contractor and departmental action was being taken against the delinquent officials. It was admitted that there had been delay in taking departmental action in this case. **The Committee regret to note that this is another case of delay of four years on the part of the Works Department in taking departmental action against officials responsible for serious irregularities. They would like to watch the results and the action taken pursuant to the assurance given by the Secretary of the Ministry—vide para 106 above.**

Undue Benefits to Contractors—pages 66-67, para. 50.

110. In the following cases an undue benefit accrued to contractors who had quoted abnormally high rates for certain items and abnormally low rates for certain others and were actually required to execute much higher quantities than those given in the tender specifications for the items, for which they had quoted abnormally high rates.

(i) *Multi-storeyed building at Dr. Rajendra Prasad Road.*

It was noticed that the lowest tenderer for the work had quoted rates 32 per cent. to 1400 per cent. higher against certain items while for others the rates were lower than the estimates. The Central Works Advisory Board while recommending the acceptance of the tender laid down a condition that the quantities of items of work for which rates quoted were abnormally high, should not be allowed to vary by more than 5 per cent. of the quantities included in the estimates. Despite this condition the contractor was allowed to execute such items much in excess of 5 per cent. The benefit to the contractor on this account as compared with the C.P.W.D. schedule of rates amounted to Rs. 13,540 up to May, 1955. Thereafter, the contractor was paid at the scheduled rates of the C.P.W.D. It was also noticed that for two items where the rates were low, the quantities executed were lower than those provided in the estimates. If the quantities paid for in respect of items of work for which the rates were abnormally high or low had been correctly estimated in the first instance, the rates quoted by another tenderer would have resulted in a saving of about Rs. 26,375 on the total cost of the work.

It was explained in evidence that the work related to excavation of earth and when it was actually dug, they had to go much deeper than originally anticipated. The officer who supervised this work on the spot had no option but to get it done. Otherwise, the construction of the building would have been further delayed. It was, however, admitted that the officer should have obtained the approval of competent authority and he had been punished for this lapse.

As regards the estimates prepared in connection with the calling of tenders it was urged that it was not possible to make a precise assessment of earth work in all cases. The Committee feel that the action of the Assistant Engineer in allowing the contractor to do the work much in excess of the limits prescribed by the Works Advisory Board was not proper. They trust that suitable instructions will be issued to the effect that the officers in charge of works do not exceed their normal powers on the plea of urgency. Besides, the question of preparation of estimates also deserves to be examined further. As these estimates form the basis for determination of tenders, it is imperative that they are as precise as possible.

(ii) *Other cases.*

111. In the following further cases undue benefits accrued to the contractors under similar circumstances:—

Year	Name of the Work	Percentage of rates abnormally high	Amount of undue benefit
1. 1955-56	Construction of Customs block of Bombay Airport	30% to 135%	Rs. 4,200
2. 1956-57	Electrification of District Jail, Tehar	100% to 325%	6,966
3. 1960-61	Canteen-cum-Rest House at Ellora and Ajanta	27% to 111%	9,883

In the case of item (2) disciplinary action for exceeding the limit of 5 per cent. was taken against the Electrical Engineer and his increment stopped for a period of one year. No disciplinary action had been taken in the other two cases.

The Committee were informed in evidence that the first case, namely, construction of Customs Block of Bombay Airport, had been referred to the Works Advisory Board. In the second case it was considered that no disciplinary action was called for. It was added

that the works had been carried out in out-of-the way places where contractors were not available. The original estimates had been prepared on the basis of 1959 local P.W.D. schedule of rates which were not workable. It was added by the Secretary of the Ministry that instructions had since been issued to the Department that the Schedule of Rates should be revised periodically and kept upto date. **The Committee feel that the time taken in the settlement of the first case is rather excessive. They would like to be informed of the final outcome in due course.**

Defective Work—pages 67-68, para 51.

112. The work of fixing green Italian marble to the main entrance of the Conference Hall in Vigyan Bhavan, New Delhi, which was entrusted to a contractor, was inspected after completion on 30th March, 1957. It was noticed that the marble stones used were not of uniform shade and veins and that gun metal cramps had not been provided as specified in the agreement. As the contractor who was asked to re-execute the work was unable to procure the requisite quantity of marble from his suppliers due to import restrictions, etc., it was decided in February, 1958 to replace it by Baroda Green Marble and the contractor was offered a sum of Rs. 28,395 for the work excluding the cost of dismantling the Italian Marble. The contractor refused this offer and the work was got completed at a cost of Rs. 78,225 by another contractor at the risk and cost of the former. The accounts of the first contractor were finalised in February, 1960 and a sum of Rs. 55,714 was recoverable from him on account of difference in cost and compensation for delay in completion of the work.

During the course of evidence the Committee were informed that responsibility had been fixed for lack of supervision on the officer who supervised the work in progress. On being asked whether any senior officer could not be held responsible in the matter, it was stated that only the person who watched the fixing of the marble could have detected the defects. **The Committee feel that in a big construction project like the Vigyan Bhavan, which was considered to be a "Prestige Building", supervision should not have been left entirely in the hands of junior officials.**

As regards recovery of the amounts due from the first contractor, the Committee were informed that a sum of Rs. 30,000 had already been recovered from him and the rest would be recovered only after the result of the arbitration was known. **The Committee would like to be informed of the final settlement reached in this regard.**

Non-recovery of over-payments—page 68, para 52.

113. An over-payment of Rs. 11,912 which was assessed in 1953 when the final bill of a contractor was prepared by the Mint. Division Calcutta, had not yet been recovered or written off till January, 1962. The Calcutta Central Division No. 1 who had been apprised in September, 1951 of the over-payment made did not make any recovery from the Security Deposit of the Contractor amounting to Rs. 50,000 which was handed over to the Income-Tax Authorities against certain tax liabilities of the firm in February, 1953.

In evidence, it was admitted that, while the Superintending Engineer had issued instructions, in the matter, the Executive Engineer failed to take appropriate action to recover the amount from the Security Deposit and necessary action was being taken against him for this lapse. **The Committee feel that in this case the disciplinary aspect of the case had been overlooked and there appeared to be no justification for such an abnormal delay. They desire that the circumstances under which no action was taken in this case for quite a long time may be investigated and appropriate action taken against delinquent officials.**

Non-adjustment of advances paid to local bodies, page 68, para. 53.

114. As a standing arrangement the cost of works carried out by the New Delhi Municipal Committee/Delhi Municipal Corporation on behalf of the C.P.W.D. is deposited with them in advance. Out of the advances thus made to the bodies during the period 1944 to March 1960 audited accounts of expenditure for sums amounting to Rs. 67 lakhs and Rs. 26 lakhs were awaited from the N.D.M.C. and D.M.C. respectively on 1st April, 1961.

The Committee were informed that the adjustment in the accounts could not be effected as the municipal authorities did not furnish the requisite information, relating to expenditure incurred by them on works carried out on behalf of the C.P.W.D. The matter was being pursued and the Joint Secretary of the Ministry of Works, Housing and Supply was holding meetings with the Chairmen of these Organisations. The first meeting was stated to have been held on 7th September, 1962. **The Committee are surprised at the casual manner in which this important matter of settlement of accounts was handled by the Public Works Department and the Ministry. They would urge expeditious settlement of the old cases.**

Stores purchases by D.G.S. & D., pages 76-77, para. 57.

(i) *Delays in supplies.*

115. In 3646 contracts which had been entered into prior to 1960, the supplies had been delayed beyond the dates stipulated in the original contracts and had not been completed by the end of January, 1962, as indicated below:

Year	No. of contracts
Prior to 1956.	39
1956.	234
1957.	250
1958.	482
1959.	766
1960.	1875

A review of some of the cases showed that the delivery period had been specified with the reservation that the supply would be subject to receipt of raw materials in time, and that there had been delay in supply of raw materials, mainly steel, by fabricating firms.

The Committee were informed in evidence that there had been some improvement and the number of outstanding contracts reduced from 3600 to 2500. On being asked whether the demands were reviewed periodically, the D.G.S. & D. informed the Committee that in some cases *ad hoc* revisions were made and the demands were cancelled with the approval of the indenter. **The Committee feel that the fact that 2500 cases of contracts of supplies were still in arrears, did not speak well of the working of the Supplies Department. Obviously such delays affect adversely the programmes of the indentors, and the advantages of centralised purchases would be set at naught if the supplies are delayed so much. The Committee, therefore, desire that suitable steps should be taken by the Ministry (now Ministry of Economic and Defence Co-ordination) to improve the position.**

(ii) *Cases under arbitration and litigation.*

116. There were 651 cases under arbitration and litigation lying undisposed of on 28th February, 1962, as shown below:

Year	Litigation	Arbitration
1953	198	18
1954	30	40
1955	13	12
1956	10	45
1957	6	40
1958	14	25
1959	18	23
1960	15	83
1961	7	49
1962	5
(upto Feb. 1962)		
	311	340

During the years 1958-59 to 1960-61 arbitration awards were given in 172 cases out of which 113 cases involving Rs. 20.41 lakhs went against the Government, and 59 cases involving Rs. 10.53 lakhs went in favour of the Government. An examination by audit of 11 cases where the awards were against Government and the amount involved in each case was more than Rs. 10,000, disclosed irregularities like failure to inspect stores in time, delays in issuing A.T. etc. In extenuation it was explained that the officers of the Directorate did not want to concede the demands of suppliers and had a tendency to allow disputes being referred to arbitration rather than arriving at a settlement with the other party even in cases where Government's stand was not strong. The position had since been reviewed and instructions issued to the effect that in cases where the demands were of minor character or the Government's case was weak, matters should be settled through negotiations rather than having recourse to arbitration or legal proceedings.

The Committee are not happy at the manner of reference, processing and the final outcome of the arbitration cases as pointed out in the Audit Report. While there could be no objection to disputes being referred to arbitration as it was open to either party to refer the cases either to a court of Law or an arbitrator, the fact that such cases should have been pending for over ten years was a serious matter. The Committee learnt that under the Rules an arbitrator was to give an award within a period of four months from his appointment, failing which he was required to obtain the premission of a court of Law

for the extension of the time limit. If so, the Committee fail to understand the delays in the settlement of these cases.

They would also like to know whether any responsibility was fixed for the failure on the part of the Government officials in the specific cases mentioned in the Audit Report.

Loss due to non-recovery, pages 78-79, para 58.

117. The D.G. S. & D. entered into a contract for the supply of teak logs to be delivered by 30th June, 1954. At the request of the supplier, the delivery period was extended upto 30th September, 1954. The firm could not complete the supplies even by the extended date. The Ministry of Law to whom the matter was referred advised on 7th January, 1955 that a four weeks' notice might be served on the firm, but the D.G.S. & D. granted an *ex-gratia* extension upto 23rd February, 1955. Since no supplies were made by the firm even during this period the order for the outstanding supplies was cancelled at the risk and cost of the supplier and repurchase was effected at an extra cost of Rs. 1.04 lakhs after the expiry of the prescribed period of six months, from the date of breach of contract.

Another contract was entered into with the same firm in January, 1955 for the supply of teak logs to be delivered by 30th June, 1955. As the firm failed to complete the supplies, an *ex-gratia* extension upto 30th November, 1955 was granted without obtaining legal advice. In this case also the firm did not complete the supplies and a quantity of timber was re-purchased at an extra cost of Rs. 7,984 after the expiry of six months from the date of breach. The firm disputed its liability to pay the extra costs. A sum of Rs. 13,853 which was due to the firm on account of stores supplied against the contract of January, 1955, had, in the meantime, been withheld by the Government. When the matter was referred to arbitration, the Umpire not only disallowed all the claims of Government amounting to Rs. 1,13,746 but also awarded a sum of Rs. 10,000 as damages and cost of arbitration proceedings in favour of the firm. Government was thus put to an avoidable loss of Rs. 1.22 lakhs. The Committee inquired as to why a second contract was entered into with the firm when it failed to complete the supplies in the previous one. At first the D.G.S. & D. stated that the two contracts were placed simultaneously. On being questioned further he disclosed that while the notice for default in the first case was served on 22nd January, 1955, the second contract was placed on 31st January, 1955. It was added that the result of the unsatisfactory performance of the firm in the first case would not have been known to the Purchase Officer who awarded the second contract. The Committee are not satisfied with

this explanation. They would like to know the action taken by the Ministry to fix responsibility for the various lapses which resulted in a heavy loss in this case.

Delcy in recovery, page 79, para 59.

118. In May, 1955, the Director General, Supplies and Disposal entered into a contract with a firm for supply of 6,960 gallons of paint to the Eastern Railway by the 31st August, 1955. The contract was cancelled at the risk and expense of the firm on the 19th October, 1955, as no supplies had been made by the firm by the stipulated date. The contract was reinstated in March, 1956, on a representation made by the firm but again cancelled on the 31st October, 1956, at the risk and expense of the firm for failure, to make supplies. The contract was again reinstated in April, 1957 at the instance of the Railway authorities but the firm did not make any supplies. In the meantime, with a view to meet their urgent requirements, the Railways purchased 4,345 gallons of paint at an extra cost of Rs. 28,356.

The Committee were informed that the firm had failed to supply paint against a number of other contracts and the matter was being investigated. The Secretary to the Ministry while admitting that this was a hard case promised to furnish a detailed report to the Committee. **The Committee reserves their comments pending receipt of the detailed report. Meanwhile they would urge upon the Ministry to expedite the matter as it had already been delayed.**

Stores and stock accounts maintained by Departments, pages 89-90, para 69.

(i) *Stationery Office, Calcutta*

119. The para in the Audit Report gave a synopsis of the Stores and Stock accounts relating to three Ministries other than those relating to Government commercial or quasi commercial Departments. It was stated that in the Stationery Office, Calcutta, the value of stock held in excess of permissible limit in respect of certain items worked out to Rs. 17.25 lakhs. It was explained in evidence that the suppliers had a general tendency to make bulk supplies towards the close of the financial year before their contractual period expired and that this had resulted in the stock having exceeded the permissible limits for a temporary period. **The Committee feel that this is not a healthy practice and should not have been allowed to persist. Besides creating other complications like storage problems etc. such bulk supplies towards the close of the contractual period would hardly permit effective and proper inspection of stores and there were possibilities of sub-standard material being accepted by the Office in a hurry.**

(ii) *C.P.W.D. Stores, (India Circle)*

120. Stock returns showing the quantities, values and physical verification, etc., are required to be furnished by the Divisional Officers half yearly. Such stock returns for the year 1960-61 had not been received from 30 divisions till March, 1962. Information, whether the stock-taking had been conducted during 1960-61 had not been received from 46 divisions inspite of reminders. Stock taking in respect of 2 divisions had not been completed during the year 1960-61. The accounts of Tools & Plant which were required to be furnished by the divisions in December, 1960 for the period 1st October, 1959 to 30th September, 1960 had not been received from 31 divisions, 4 of which were in arrears from 1959 and three from 1958.

In evidence, the Secretary to the Ministry of W.H. & R. admitted that the position was not satisfactory and that he would further look into the matter and ensure that the officials were held responsible for taking appropriate action in this regard. **The Committee would like to be informed of the action taken.**

MINISTRY OF WORKS, HOUSING & SUPPLY

(Department of Rehabilitation)

Non-maintenance of accounts of Government property, pages 51-52, para 34.

121. Houses, tenements and shops constructed in Delhi by the Ministry of Rehabilitation were placed at the disposal of the Delhi Administration for allotment to displaced persons.

The Public Accounts Committee of 1959-60, which examined cases of defalcation and irregularities in the maintenance of accounts of these properties, were informed by the Ministry of Rehabilitation that the accounts would be reconstructed and brought up-to-date by March 1960. However, out of the 72 colonies built by Government and covered by this assurance, the reconstruction of accounts of properties in 17 colonies was reported in October 1960 and of 15 colonies in July 1961. The local audit of the accounts of the 17 colonies conducted in November 1960 brought out the following points:—

- (i) The basic property registers had not been completed and entries therein regarding the valuation of properties had not been attested in token of their correctness.

It was noticed that two properties situated in a colony were not included in the register.

- (ii) A sum of Rs. 98 lakhs recovered in cash and/or by adjustment from compensation claims of displaced persons was lying under "suspense" for want of relevant particulars of these properties.
- (iii) According to the reconstructed accounts, an amount of Rs. 95,137 was alleged to have been embezzled.
- (iv) The stock account of receipt books for the period 1949—57 and the cash book corresponding to 19 receipt books were not produced to Audit as the relevant records were stated to be with the Police. In addition, 212 receipt books were stated to be missing.
- (v) An amount of Rs. 1.11 crores, being the arrears of rent, remained unrealised. Out of this amount a sum of Rs. 90.48 lakhs remained outstanding in August, 1961.

The accounts of the other 15 colonies were test-checked and it was found that they were also incomplete and unsatisfactory.

The Secretary, Ministry of WH&S, stated in evidence that the basic registers had been completed almost in respect of all the properties. Out of the two types of accounts for these properties the accounts had been completed and closed in respect of properties for which sale deeds had been issued after full payment. The accounts of properties, given on hire-purchase or instalments basis, had also been brought uptodate, but these would have to be kept open till such time as full payment was received. However, the accounts in respect of about 500—600 more properties still (September 1962) remained to be completed. The work was expected to be completed in the next few months.

The Committee regret to note that despite the assurance given to them by the Ministry that the accounts would be reconstructed and brought uptodate by March, 1960, these had remained incomplete for so long. They trust that all the accounts would have been completed by now. They would like to be informed of the position in this regard.

122. As regards alleged embezzlement of certain amount (item iii) the Committee were informed that according to the accounts reconstructed so far the amount alleged to have been embezzled was more than Rs. 97,000. One official had already been convicted by the court in this regard and criminal proceedings were in progress against the other. Departmental action was being taken against the officials found responsible for contributory negligence.

The Committee would like to be informed of the action taken against the delinquent officials.

123. Referring to item (iv), the Secretary of the Ministry stated that out of 212 receipt books, 13 books did not appear to have been issued as there was neither any entry in the cash book nor credits had been claimed by anybody against those receipts. Of the remaining receipt books, all except 46 books, issued to two officials, had been accounted for. **The Committee note that the officials concerned in this case were the same who were involved in the alleged embezzlement of funds and action was being taken against them.**

Explaining the present position regarding recovery of arrears of rent from the occupants, the Secretary of the Ministry stated that the amount outstanding had come down from Rs. 1.11 crores in November 1960 to Rs. 75.53 lakhs in June 1962. Out of this amount, Rs. 28 lakhs related to instalments which would be realised in due course.

The Committee observed that the arrears of rent due to be recovered from the occupants are still quite heavy. They urge that effective steps should be taken to expedite their recovery.

124. Explaining the circumstances under which the various irregularities pointed out by the Audit took place, the Secretary of the Ministry stated that these irregularities took place prior to 1957 under the management of Delhi Administration. It was admitted that there was great negligence and laxity of supervision at that time. Consequently the Ministry had to take up the work from them.

In a note furnished to the Committee, the Ministry had, however, stated that the Department Enquiry Committee set up to go into various irregularities in the organisation of the Ex-Housing & Rent Officer, Delhi felt that after the lapse of so much time and because of the prolonged period over which the negligence in this matter had taken place, it would be difficult to fix responsibility on any single officer for gross negligence or failure of duty. **The Committee regret to note that the failure to detect the irregularities in time and to take expeditious action had resulted in the delinquent officials escaping due punishment.**

Loss in the sale of an evacuee property—pages 52-53, para 36.

125. An evacuee property at Udaipur (Rajasthan) was auctioned on the 10th October 1956 for Rs. 56,000 to a displaced person and provisional possession of the property was given to him on the 25th August, 1959, without having ascertained—during this period of about 3 years—the extent to which any compensation due to him

was available for adjustment against the sale value. A provision assessment made in October 1959 indicated that the amount available from the compensation claim was not even sufficient to cover the public dues, such as a loan (Rs. 7,694) from the Rehabilitation Finance Administration recoverable from the purchaser.

The purchaser immediately disputed the correctness of the assessment and stated that he had already given consent letter, from two other claimants for adjustment of compensation payable to them against this recovery, and that he was prepared to pay any further amounts correctly due from him. The matter was, thereupon, re-examined by the Department and a demand for a sum of Rs. 48,907 finally worked out, was placed on him on the 4th April, 1960. The purchaser, however, still maintained that his calculations of compensation were correct, and since no agreement could be reached, the sale of the property was set aside on the 10th November, 1960, subject to forfeiture of an amount of Rs. 5,600 being the earnest money deposit.

The property was re-auctioned on 10th February, 1961, and finally sold on the 4th April, 1961, to a brother of the defaulting purchaser, for a sum of Rs. 28,000, resulting in a loss of Rs. 22,400 after taking into account the forfeiture of earnest money.

An appeal preferred by the defaulting purchaser on the 28th December, 1960, challenging the basis on which the compensation had been worked out by the Department was later accepted on the 12th April, 1961 by the Appellate authority, the Chief Settlement Commissioner.

During the course of evidence, the Secretary of the Ministry admitted that it was a bad case. He stated that the matter was being investigated and the responsibility would be fixed.

The Committee regret to note that failure to take timely action to assess the correct amount of compensation payable to the defaulting purchaser and the amount finally recoverable from him resulted in avoidable loss to Government. They would like to be informed of the action taken against the delinquent officials.

Under-valuation of properties, pages 53-54 para 37.

126. A local audit of Valuation Offices under the Ministry of Rehabilitation undertaken during the period 1958-60, showed that 298 properties had been under-valued for reasons such as non-application of correct rates for the sale of land and/or the rates of depreciation

on buildings as fixed by the Valuation Officer. The position of these cases was as detailed below:—

	No. of cases	Extent of initial under-valuation
		Rs.
1. Properties already transferred at incorrect valuation—		
(i) Where recoveries could not be effected	22	16,728
(ii) Where steps are stated to have been taken for recovery of the difference	68	43,260
2. Properties in respect of which revised valuation is in dispute in courts	5	7,322
3. Properties in respect of which under-valuation pointed out by audit is stated to be under investigation	66	39,002
4. Already transferred or under transfer at revised valuation	137	1,13,729
	<u>298</u>	<u>2,20,041</u>

Government had been requested by Audit to review the position of valuation in respect of remaining properties not covered by the test audit.

The Secretary of the Ministry explained in evidence that most of the remaining properties were urban properties and were unattractive as these were not in good condition. Difficulty was being experienced in selling them even at their existing reserve prices. Further, as most of these properties would be sold by auction, the under-valuation would not affect higher bids for these properties. Therefore, the results to be achieved by re-valuation of these properties would not be commensurate with the expenditure involved. It was also contended that merely on the basis of 298 cases of under-valuation found by Audit it could not be concluded that there was general under-valuation of properties. The valuation of every property had been done by the Valuation Organisation under the Ministry of Rehabilitation with a Superintending Engineer as its head, and the valuation done by junior officers had been checked by senior officers.

As regards mode of disposal of these properties, the Committee were informed that such of the properties as were in good condition were proposed to be sold by auction. However, in respect of the

properties which were in damaged condition, it was proposed to enter into a package deal with the Punjab Government (where most of these properties were located) to avoid expenditure on maintenance of staff for their disposal.

It was pointed out by the Committee that according to the Displaced Persons (Compensation and Rehabilitation) Rules, any residential property in the occupation of a displaced person, the valuation of which did not exceed Rs. 10,000 should ordinarily be allotted. Therefore, in cases where the recorded value of the property was less than Rs. 10,000 but the actual value was more than Rs. 10,000 the allottee could get an undue advantage. The Secretary of the Ministry promised that, in future, if any property was to be transferred through allotment, the valuation would be got re-checked.

The Committee regret to note that the Valuation Organisation of the Ministry had failed to make a proper valuation of the properties, resulting in avoidable loss to Government on the disposal of the properties. While, in view of the circumstances explained by the Ministry, the Committee would not press for revaluation of all the remaining properties, they trust that, as promised by the Secretary of the Ministry, at least such properties as were to be transferred through allotment would be got revalued. They desire that suitable instructions in this regard should be issued to all concerned.

Slow Progress of Works—pages 188, para 139.

127. In March, 1958, grants amounting to Rs. 5·96 lakhs were paid to two local bodies in Delhi (now forming part of the Municipal Corporation, Delhi) through the Delhi Administration, for certain residual items of development in Rehabilitation colonies in Patel Nagar, Andha Mughal, Nicholson Road and Malaviya Nagar. The works were carried out through the Municipal Corporation.

In March, 1961, the Corporation furnished a statement of expenditure for Rs. 3·95 lakhs only. The statement showed that several of the works were still in progress even after three years and an unspent amount of Rs. 2·01 lakhs was lying with the Corporation. Further, although there was a saving of Rs. 26,103 on one of the works already completed, the amount was not refunded to Government. In February, 1962, the Corporation intimated that, so far, a sum of Rs. 4·27 lakhs had been spent out of the grant and that action would be taken to utilise the balance before the end of the financial year.

Explaining the circumstances under which the grant was given to the local bodies, the Secretary of the Ministry stated in evidence that these colonies, which had been built by the Central Government had to be administered by them till such time as their administration

could be transferred to the municipalities of the concerned States. Because of lack of agreement with the C.P.W.D. and the local boards regarding standard of services in these localities, these colonies could not be transferred for a number of years. In the meantime, expenditure had to be incurred on the maintenance. Therefore, the Ministry paid a lump sum as grant to these municipal boards for these services and the administration of properties was transferred to them. The account for the amount spent would, however, be called for from the Corporation.

As regards saving of Rs. 26,103 in one of the works already completed it was stated that the amount might be utilised by the Corporation for works not yet completed.

The Committee are unhappy to note that the grants given by the Central Government to local bodies for essential specific works (like construction of roads in service lanes, provision of dustbins etc.) in Rehabilitation colonies could not be utilised for more than three years. It is apparent that after releasing the funds, due attention was not paid by the Ministry to ensure that these were utilised within a reasonable period. The Committee trust that these works would now be completed expeditiously with a view to avoiding any further inconvenience to the inhabitants of these colonies.

III

General

Outstanding Objections and Inspection Reports—pages 189-190, para. 140.

128. Important financial irregularities and defects in accounting are brought to the notice of the Departmental authorities either through objection statements or through Inspection Reports. The points raised therein are to be settled expeditiously, as delay in their disposal may lead to the continuation of the very types of irregularities already brought to notice. The delays would also involve some risk of (a) loss on account of failure to stop defective or fraudulent practices in time and (b) rendering disciplinary proceedings against defaulting officers difficult or ineffective. Half-yearly reports of outstanding Audit Objections are also forwarded by Audit to the Administrative Ministries for taking necessary steps to expedite their settlement. The volume of outstanding objections/Inspection Reports as indicated below, shows that action taken by the departmental authorities is not adequate to settle the Audit Objections expeditiously:—

(a) *Outstanding Objections.*—The year-wise analysis of the objections* which are particularly heavy against some of the Ministries is given below. Some of them date back to 1948-49:

(Amounts in lakhs of rupees)

Ministry	Issued prior to 1954-55		Issued during 1955-59		Issued during 1959-61	
	Items	Amount	Items	Amount	Items	Amount
Works, Housing & Supply	6,733	6,04.42	25,274	21,67.69	37,926	37,39.75
Transport & Communications	497	3.04	1,440	37.65	7,928	4,80.87
External Affairs	528	5.99	3,756	84.55	8,288	2,05.16
Food & Agriculture	150	11.54	878	58.96	1,771	1,31.70
Home Affairs	2,028	66.94	2,551	55.54	3,500	1,10.39
Commerce and Industry	43	.32	846	16.57	2,832	55.95

* (a) Includes objections outstanding in the books of the Pay and Accounts Officers.

(b) Excludes the objections outstanding in the books of the Financial Advisers and Chief Accounts Officers, Kandla Port Project (84 items involving Ra. 2,24,95 lakhs).

(b) *Outstanding Inspection Reports.*—The total number of Inspection Reports issued upto 31st March, 1961, but outstanding on the 31st August, 1961 was 2,545. Some of them date back to 1947-48. The major items are shown below:—

Ministry	No. of Reports	No. of Paras
Works, Housing and Supply	628	4,466
Home Affairs	620	3,136
Education	382	1,783
External Affairs	261	1,414
Finance	239	752
Scientific Research and Cultural Affairs	105	444
Rehabilitation	97	520

In the course of evidence, the Director (Finance) Ministry of External Affairs stated in extenuation of the large number of pending audit objections with the Ministry (2125 from 1949-50 to date) that audit objections were being attended to regularly even by personal meetings with the A.G.C.R., but there were various difficulties e.g., (i) inability to communicate with various Posts and getting replies from them (ii) obtaining information from various Missions and (iii) sometimes replies were incomplete and as such further clarification was necessary.

The Committee have from time to time stressed the importance of prompt disposal of audit objections Para 9, Report of Public Accounts Committee on Accounts of 1947-48 (Post-Partition), and para 38, First Report (1951-52). They would desire the Ministry of Finance to issue necessary instructions to all concerned so that necessary steps are taken for clearing all outstanding audit objections and inspection reports and it is ensured that such objections do not accumulate but are attended to with promptitude.

Economy in the expenditure of Government.

129. In the course of their examination of the Appropriation Accounts (Civil), 1960-61 and Audit Report (Civil) 1962, the Committee came across a number of instances* of nugatory infructious or wasteful expenditure.

The Committee view with concern such wasteful expenditure even in normal times but more so during the time of present national

*Some instances may be seen in paras 29, 36, 49, 50, 57, 65, 66, 67, 70, 93, 99, 117, 125 of this Report.

emergency. A persistent tendency for over budgeting on the one hand, and many instances of wasteful expenditure on the other point to the inevitable conclusion that there is considerable scope for effecting economies in the expenditure of the Government of India without impairing the progress of the Five Year Plan. They would, therefore, suggest that a Committee of Expert consisting of senior officers from the Ministries of Finance, Home Affairs and one or two major spending Ministries should be appointed by Government so that a prompt survey of the expenditure of Government may be made to explore the various avenues through which substantial economies could be effected. They have in their various Reports presented during the current year indicated some of the lines in which there is scope for economy in expenditure. For instance, the Committee feel that *prima facie* there is considerable scope for reduction in the expenditure incurred on staff cars. A statement* furnished by the Ministry of Finance giving the total amount spent on staff cars during the year 1960-61 on their running, maintenance etc. in the various Ministries of the Central Government is enclosed as Appendix III. From this statement it will be seen that the total expenditure on this account during 1960-61 was as high as Rs. 17,25,771. The amount of expenditure incurred by the Ministries of Commerce and Industry, Community Development and Co-operation, Food and Agriculture, Rehabilitation, Transport and Communications and Department of Atomic Energy exceeded Rs. 1 lakh in each case. The expert committee referred to above should scrutinise the details of expenditure incurred and suggest concrete steps to curtail the expenditure on this account.

The 8th March, 1963.

Phalguna 17th, 1884 (Saka).

MAHAVIR TYAGI,

Chairman.

Public Accounts Committee.

*Not vetted by Audit.

APPENDIX I

(See para 47 of the Report)

No. F.10(19)-B/58

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

(DEPARTMENT OF ECONOMIC AFFAIRS)

New Delhi, the 17th March, 1962

MEMORANDUM

SUBJECT:—*Delegation of powers by the Administrative Ministries to lower authorities—submission of monthly schedule of sanctions issued by subordinate authorities to the authorities immediately superior to them.*

The Public Accounts Committee (Second Lok Sabha) in paragraph 13 of their Eighth Report on Budget Estimates and financial control, had recommended *inter alia* that every officer with delegated financial powers should submit a monthly schedule of sanctions issued by him to the authority immediately superior to him to enable the latter to watch that the delegated powers had been properly exercised. The recommendation of the Committee was accepted and brought to the notice of all Ministries who were also requested to devise a suitable procedure for the implementation of the recommendation.

2. Since the above decision was taken, there has been considerable volume of informed criticism, both internal and external, against the working of the Government machinery which has emphasised the importance of greater delegation of authority in speeding up decisions and ensuring timely execution of projects and programmes. In pursuance of these objectives, a number of changes have already been introduced towards decentralisation and delegation of authority considered essential for implementing a much bigger Plan.

3. If such a delegation is to be real and not merely formal, it is felt that those who exercise delegated powers should not be given the feeling that they are being constantly watched and supervised. The monthly submission of complete returns of all the sanctions issued would, on the one hand, weaken the sense of responsibility and undermine the very purpose for which the delegation is made,

and on the other, involve a large amount of time and effort in the preparation of voluminous statements of a routine nature, which are not of any great practical advantage.

4. The matter has accordingly been reconsidered and it is proposed that instead of the submission of monthly returns of all the sanctions issued, it would be sufficient if the returns are submitted quarterly and confined on a selective basis to a few important items of delegated authority, where there might be some scope for misuse or irregular exercise of such powers. In addition, periodical inspections by superior authorities and audit conducted in the normal course would provide further opportunities for reviewing the exercise of the delegated authority. In regard to the selection of items to be included in the returns, the matter is proposed to be left to the authorities to whom the returns are to be submitted. Accordingly, it would be for the administrative Ministries or the Heads of Departments to prescribe the type of sanctions exercised by the subordinate authorities which they would like to be reported to them. These arrangements are proposed to be reviewed after a year.

5. The modifications suggested above would reduce considerably the amount of time and labour involved in the preparation of monthly schedules of all the sanctions issued, without in any way reducing the effectiveness of the control over important sanctions which the Committee had in mind in suggesting this procedure. After the Committee has approved, necessary instructions will be issued.

6. This note has been seen by the Comptroller and Auditor General. While he holds the view that the submission of monthly schedules of sanctions should not act as an impediment to the exercise of these powers by the subordinate authorities, he would have no objection to a modified arrangement as in paragraph 4 above being tried out as suggested, subject to a review after a year.

(Sd/-) SHIV NAUBH SINGH,
Joint Secretary to the Government of India.

APPENDIX II

(See para 51 of the Report)

MINISTRY OF WORKS, HOUSING & SUPPLY

Note on further information desired by the P.A.C. in respect of para 41 of Audit Report (Civil), 1962. Reference Lok Sabha Secretariat's O.M. No. 2/1/9/62/PAC, dated the 5-10-1962.

Para 41 of the Audit Report regarding World Agriculture Fair.

Observation:

"A detailed note indicating the circumstances under which the exhibition ground was lent for the World Agriculture Fair specifying therein: (i) whether the Ministry of Works, Housing and Supply had entered into any agreement (written or verbal) with the All-India Farmers' Council or the Bharat Krishak Samaj before renting the land for the Fair?"

Reply:

1. The Bharat Krishak Samaj approached the Ministry of Works, Housing and Supply for the first time in April, 1958, asking for allotment of land in the Exhibition Grounds for holding the World Agriculture Fair in the latter half of 1959. The Samaj had at the time tentatively proposed to hold the Fair in coordination with the Ministry as a partner in the profits and that in return the Ministry might not charge any rent. In view of the large preparations that were necessary, they had to make this request more than a year in advance, but they were not able at that time to indicate their firm requirements of the area of land (covered and uncovered). The question of the rate of rent to be charged from them for uncovered land, and for accommodation in the various structures that were already standing, was being examined, and there was a lot of correspondence and many discussions were also held. The middle of 1959 was reached, and still no settlement had been arrived at regarding rent.

2. On the 12th May, 1959, the Minister of Works, Housing and Supply held a meeting with Dr. P. S. Deshmukh, the then Minister of Agriculture where the latter suggested that the World Agriculture Fair should be allowed to use the land and the structures on the same terms and conditions on which the Indian Industries Fair, 1955 had been allowed to use the land and the Pavillions built by the

Works, Housing and Supply Ministry. He was told on behalf of Government that the matter would be examined by this Ministry. This suggestion was examined and on the 29th June, 1959, the Samaj were informed that the rent of Rs. 9 per sq. ft. for covered space and a ground rent of Rs. 690 per acre per month would be recovered from them. The Secretary of the World Agriculture Fair replied saying that the rates were very high, and suggesting some alternative lower rates. This reply came towards the middle of July, 1959, but by about this time, the World Agriculture Fair had entered the Exhibition Grounds and started work on some pavilions. As only a few months' time was left for the opening of the Fair and as the construction work involved was quite elaborate, and as the question of rent was all the time being discussed between the Ministry of Works, Housing and Supply and the representatives of the World Agriculture Fair, no obstacle was put in the way of the World Agriculture Fair's taking possession of the Exhibition Ground.

3. In order to expedite the settlement of the rate of rent, a meeting was held by the Secretary (E), Ministry of Finance on the 9th September, 1959. It was decided that the Financial Adviser to the Ministry of Food and Agriculture should prepare a draft memo of Agreement indicating the rates of rent—the rate of rent should be determined after taking into account the rent that the World Agriculture Fair would charge from the exhibitors, and after a scrutiny of their estimates of income and expenditure. After the requisite examination, it was decided in the beginning of November, 1959, that the rate should be Rs. 9 per sq. ft. of covered area and Re. 1 per sq. yd. of open space. These rates were incorporated in the draft Agreement, which was prepared and sent to the World Agriculture Fair for execution on the 18th November, 1959.

4. On the 3rd December, 1959, the Minister of Works, Housing and Supply wrote to Dr. P. S. Deshmukh informing him that a draft Agreement, indicating the rates of rent payable and other terms and conditions of allotment, had been sent to the Secretary of the World Agriculture Fair. The Secretary had been requested by letters and on the telephone to come for discussion and execute the Agreement, but he had not responded. The Minister of Works, Housing and Supply requested Dr. Deshmukh to take immediate steps to execute the Agreement, and also to furnish a written receipt to the effect that the grounds and structures had been taken over by the Fair from the 11th July, 1959.

5. No receipt, as requested, was furnished, nor was the Agreement executed but on the 30th December, 1959, the Secretary of the Fair wrote saying that the rent demanded was very high and suggesting that no rent should be charged and that the execution of an Agreement should not be insisted upon. The letter was received after a

fortnight's delay, and the Minister of Works, Housing and Supply again wrote to Dr. Deshmukh on the 2nd February, 1960 saying that there was no question of foregoing the rent. He suggested that a discussion might be held. Dr. Deshmukh replied on the 9th February, 1960 repeating the suggestion that no rent should be charged. The Minister of Works, Housing and Supply replied on the 21st February, 1960 reiterating that there was no case for waiving the rent, and requesting that the Agreement should be executed without any more delay.

6. By this time, the World Agriculture Fair had ended, and since then efforts have continued to be made to recover Government dues as assessed by this Ministry.

7. From the position explained in the preceding paragraphs, it will be seen that on behalf of the Bharat Krishak Samaj a verbal commitment of the Chairman of the Samaj was there to pay the rent on the same basis as was applied to the Indian Industries Fair, 1955, but there was no commitment on behalf of the Government to the above effect.

Observation:

(ii) *"Whether the Bharat Krishak Samaj was a registered body when exhibition ground was lent to them? When was it registered?"*

Reply:

The Bharat Krishak Samaj was not a registered society under the Society Registration Act, 1860, at the time the Exhibition Ground was lent to them. It is not known to this Ministry whether the Samaj has since been registered.

(iii) The note has been seen by Audit whose observations are contained in the *annexure* to this note.

PREM KRISHEN,
Jt. Secy. to the Govt. of India.

ANNEXURE

Observations of Audit

(1) The occupation of the Exhibition Grounds was permitted in July, 1959 in spite of the fact that for a period of over one year from April, 1958, it had not been found possible to reach any agreement with the Fair authorities in regard to the rent to be paid by them.

(2) From a letter written by the Executive Engineer, Exhibition and Decoration Division to the World Agriculture Fair on 1-10-1959, it is seen (i) that the date of letting out of Exhibition grounds was 11-7-1959, the date on which the U.S.A. Embassy were allowed to start construction of their Pavillion, (ii) that the World Agriculture Fair was allowed to take over the security arrangements of the entire Exhibition area from 5-8-1959. The entire control of the Exhibition Grounds was left with them since that date.

(3) In their letter, dated 24-10-1959, however, the World Agriculture Fair authorities accepted taking possession of the Exhibition grounds, pavillions and structures only from the date of receipt in their office of the Executive Engineer's letter, dated 24-9-1959 and also did not consider it necessary to sign a document for the formal taking over of the buildings, etc. on the ground that the maintenance had been handed over by them to the C.P.W.D.

(4) As regards the rent to be charged, Dr. P. S. Deshmukh had suggested at a meeting held in May, 1959 that the World Agriculture Fair should be allowed the same terms and conditions as had been applied to the Indian Industries Fair on an earlier occasion (The rates charged to the Indian Industries Fair were Rs. 9 per sq. ft. for covered space and Rs. 550 per acre per month as Ground rent). This was taken by the Ministry as a verbal commitment by the Chairman of the Samaj and they promised to examine the suggestion further.

(5) On the basis of certain particulars of income and expenditure furnished by the Fair authorities which according to the Ministry of Finance were "sketchy" and did not contain all the detailed information required by that Ministry, a revised ground rent of Re. 1 per sq. yd. of land and Rs. 9 per sq. ft. of plinth area of covered space for the duration of the fair was included in the draft agreement sent to the Fair authorities on the 18th November, 1959.

(6) In the meantime, the Bharat Krishak Samaj who had suggested the adoption of much lower rates in their letters dated 10th July, 1959 and 21st July, 1959 sent in a request on the 12th November, 1959 that they should not be charged any rent for this space and that they should be exempted from executing any deed in favour of the Government.

At this stage, departments of Government, Government Corporations, etc. were not cautioned that no payments should be made by them to the Fair pending the execution of the Agreement. The question of asking the Samaj to deposit a substantial portion of their actual collections with Government as security does not also seem to have been considered.

The request for exemption from rent was reiterated by the Samaj in December 30, 1959 with a suggestion that any excess of receipts over expenditure should be allowed to be retained by them for making the Organisation self-sufficient.

The samaj continued to repeat their request for exemption from rent on later occasions also in spite of several letters from the Ministry pressing them for the acceptance of the Agreement.

(7) When the draft agreement was sent to the Bharat Krishak Samaj on 18-11-1959, a copy was sent simultaneously to the Ministry of Law who pointed out on 8-12-1959 that the reference had been made to them "at the eleventh hour" and that it would not be proper for that Ministry to offer any advice "in the matter which appeared to be highly irregular". They also pointed out that the Bharat Krishak Samaj was an unregistered and unincorporated body and not a "Juridical person" and that they would not normally advise the execution of an agreement with such a body. The solution suggested was that all the members of the Governing body should be made parties to the Agreement and that all of them should be required to execute the Agreement. The Ministry of Law also advised that it would be expedient for Government to grant a licence and not a lease to the Bharat Krishak Samaj.

APPENDIX III

(See *para 129 of the Report*)

Total amount spent on the Staff Cars during the year 1960-61 on their running, maintenance (including pay and allowances of the Chauffeurs) etc.

Sl. No.	Name of the Ministry/ Department	Total amount spent	Remarks
1.	Ministry of Commerce & Industry.	3,31,118	
2.	Ministry of Community Development and Co- operation.	1,73,584	
3.	Ministry of Defence	*6,535	*The amount relates to Sectt. proper.
4.	Ministry of Education	45,999	
5.	Ministry of External Affairs	71,297	
6.	Ministry of Finance.	30,231	
7.	Ministry of Food & Agri- culture.	2,18,837	
8.	Ministry of Health.	10,152	
9.	Ministry of Home & Affairs.	94,898	
10.	Ministry of Information & Broadcasting.	24,126	
11.	Ministry of Irrigation & Power.	32,624	
12.	Ministry of Labour & Em- ployment.	26,389	
13.	Ministry of Law.	13,599	
14.	Ministry of Railways.	71,402	

Sl. No.	Name of the Ministry/ Department	Total amount spent	Remarks
15.	Ministry of Rehabilitation.	1,03,169	
16.	Ministry of Scientific Research and Cultural Affairs.	35,123	
17.	Ministry of Steel, Mines & Fuel.	33,932	
18.	Ministry of Transport & Communications.	*1,57,567	*This includes the expenditure of Rs. 99,864 incurred by the Civil Aviation Department Workshop in respect of the Central Government staff cars in Delhi, which are included in their Servicing and Repairs Pool.
19.	Ministry of Works, Housing Supply.	75,424	
20.	Department of Atomic Energy.	1,01,471	
21.	Department of Parliamentary Affairs.	3,208	
22.	President's Secretariat.	7,175	
23.	Prime Minister's Secretariat.	3,962	
24.	Cabinet Secretariat.	17,530	
25.	Planning Commission.	33,041	
26.	Election Commission.	3,378	
		17,25,771	

NOTE 1 : The information in respect of the following Departments is 'Nil', as no staff car is maintained by them :—

1. Vice-President's Secretariat.
2. Union Public Service Commission.

NOTE 2 : The statement does not contain information in respect of the Indian Audit and Accounts Department.

NOTE 3 : The statement does not also include information in respect of vehicles which are not treated as staff cars.

NOTE 4 : The statement does not also include information in respect of cars maintained by the various Indian Missions, etc., abroad.

APPENDIX IV

Summary of Main Conclusions/Recommendations

Sl. No.	Para No.	Ministry/ Department concerned	Conclusions/Recommendations
1	2	3	4
1	5	Finance	The Committee desire that the present procedure of including savings under floatation of treasury bills which were grossed up four times for inclusion in the budget should be reviewed in consultation with the Comptroller & Auditor General.
2	5	Finance/All other Ministries.	In extenuation of the savings over grants, it was urged before the Committee that at present there was no concept of balancing the revenue budget with taxation and capital budget with loans. The targets of taxation and borrowing were also fixed over a period of five years, and as such gap between estimates and expenditure was not really a matter of concern to the present kind of economy. The savings only reduced the amount of deficit financing. While the Committee appreciate the Finance Ministry's point of view, they feel that the question should not be looked at from this angle. Large savings are indicative of bad budgeting as they clearly prove the inability to spend usefully the funds to the extent anticipated. In the context of the development plans it becomes all the more necessary that the administrative ministries should frame their estimates more realistically so that Parliament is not asked to vote for funds which cannot be utilised. The year 1960-61 being the last year of the Second Five Year Plan should have made up the shortfalls in the planned expenditure of the earlier years.

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3	6 Food & Agriculture (Deptt. of Agriculture)/ Finance/All other Ministries	The Committee feel concerned to find that savings continue to occur in the schemes executed by the State Governments. They desire that the system should be reviewed with a view to providing for realistic estimates in this behalf in the budget placed before Parliament.	
4	7 Works, Housing & Rehabilitation (Deptt. of Rehabilitation).	The Committee feel concerned to note short-fall under an important scheme like the Dandakaranya Development Scheme. They suggest that the Ministry should take all possible steps to publicise the scheme in order to attract more displaced persons.	
5	8 Transport and Communications (Deptt. of Transport).	The Committee feel that the estimates could have been more realistic with proper assessment of traffic in case of Kandla Port and detailed survey of soil in the case of Visakhapatnam Port.	
6	9 Transport & Communications (Deptt. of Civil Aviation)/ Finance/All Other Ministries.	The Committee suggest that the present procedure regarding making of budget provision for imported equipment should be reviewed to remove difficulties. At the time of making provision for such equipment, the possibility of their procurement within the financial year should be carefully examined; otherwise, only a token provision should be included in the budget to be followed by a supplementary grant, if necessary. The Committee also feel that closer coordination between indentors and suppliers will also ease matters. They would reiterate the recommendations contained in para 5 of their Report on the Accounts for 1947-48 (Post-Partition) and para 15 of their First Report (First Lok Sabha).	
7	10 Works, Housing & Rehabilitation/Finance.	The Committee feel concerned over the large savings in works expenditure coming to their notice year after year. The Committee desire that the present procedure regarding commencement of works should be reviewed with a view to removing bottlenecks in commencement and progress of works. The Committee also suggest that in case of new schemes where	

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there are no reasonable chances of executing works during the financial year due to difficulties like acquisition of land etc. only a token provision should be included in the budget.

- 8 11 External Affairs The Committee feel that enough attention is not being paid to the tribal areas. They suggest that a small advisory committee consisting of members of Parliament from the areas may be constituted to advise Government on matters concerning the development of the areas.
- 9 12 Finance/All other Ministries. The Committee are far from happy over the practice of surrendering funds in the last month of the financial year. They desire that serious notice should be taken of the disregard of the instructions issued by the Ministry of Finance in this behalf.
- 10 13 Commerce & Industry.
- (i) The Committee are not quite satisfied with the explanation regarding delays in despatch of exhibits and are unhappy to note that in spite of their earlier recommendations, delays are still occurring.
 - (ii) The Committee feel that if any useful purpose is to be served by participating in International Fairs and Exhibitions, the Government would be well advised to induce the private trade and industry to take a more active part both financially and administratively in such exhibitions abroad, so that they may also feel as active participants.
 - (iii) The Ministry should fix a time limit within which all the exhibits properly packed should reach the port and the participants, who should be notified sufficiently in advance, told that no exhibits would be accepted beyond that date.
 - (iv) The Ministry should issue strict instructions to officers concerned and to Missions abroad where such exhibitions are held that a proper register/inventory of all the articles should be maintained, so that a proper check can be exercised on the disposal of exhibits.

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11	14	Commerce & Industry.	The Committee are unhappy to note that sanctions for expenditure abroad are issued without proper examination of facts and figures and without consulting the Missions concerned about the details on which estimates were based. They hope that a suitable procedure will be evolved to ensure that such cases are not repeated.
12	15	Do.	The Committee do not appreciate the manner in which the question of disposal of exhibits is being handled. They suggest that effective steps should be taken to ensure that exhibits are disposed of as quickly as possible to avoid incurring of loss on that account. Before disposal of the exhibits abroad, it should be ascertained whether the cost of re-transporting them back to India would be less than the loss likely to be suffered by such disposal. Missions abroad should be asked also to furnish the Ministry with stock lists of exhibits regularly.
13	16	Do.	<p>(i) The Committee are unhappy over the lethargic and inefficient manner in which the Directorate of Exhibitions is functioning. It is surprising that even after a lapse of five years, pending insurance claims have not been settled owing to non-availability of forms. Nor have any accounts of the contents of the packages etc. been maintained. The Committee desire that a thorough investigation into the affairs of the Directorate should be made, responsibilities fixed for such slackness in performing the duties and suitable disciplinary action taken against the officers concerned.</p> <p>(ii) The Committee further desire that a survey of the work done by the various Exhibition Sections under the Ministry of Commerce & Industry should be made early in order to avoid any duplication of work by abolishing/merging some of them, if necessary.</p> <p>(iii) The Committee would also like the Ministry to review the position regarding</p>

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			<p>the Government participation in Exhibitions and Fairs in order to ascertain whether any beneficial results, in the shape of increase in the sale or export of commodities or otherwise have flowed from the activities. Thereafter the question of curtailment of these activities to the extent possible should be examined so as to conserve foreign exchange and other expenditure.</p>
14	17	Commerce and Industry.	<p>The Committee feel that had the meters been installed in time, the short recovery of Rs. 32,055 could have been avoided. They hope that the balance of the dues will be recovered early and a report submitted to them.</p>
15	18	Do.	<p>The Committee are not satisfied with the explanation for purchase of stores in excess of requirements. They feel that if a sense of urgency or emergency really existed, Government should have taken special steps to acquire the land in time and started the construction of the building according to schedule. The Committee would like to be informed when the construction of buildings is completed in both the cases.</p>
16	19	Home Affairs	<p>The Committee invite attention of the Ministry to their earlier recommendation contained in para 191, Vol. I of the Seventh Report (Second Lok Sabha) and hope that the Ministry of Home Affairs will review the position in order to ensure that disciplinary cases are disposed of as expeditiously as possible so as to be really effective.</p>
17	20	Community Development & Cooperation/ Finance.	<p>The Committee feel unhappy to note that the States do not appear to be keen to utilise the money provided for by the Centre for the training in the system of co-operatives. They desire that this matter may be looked into quickly and those States who persistently fail to take suitable measures for utilisation of the funds should not be allowed further funds.</p>

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			in such matters in future and budget provision should also be reduced to that extent.
18	21	Community Development & Cooperation	The Committee are not convinced of the utility of the post of the Social Educational Organiser. They trust the Ministry will take up this matter urgently and either merge the duties and functions of this officer with another or abolish the post altogether.
19	22	Finance	The Committee would like the Ministry of Finance to examine whether it would not be desirable to keep the Parliament informed when the basis and pattern of central assistance to the States as originally approved by Parliament subsequently undergoes a change.
20	23	Community Development & Cooperation/ Education/ Information & Broadcasting.	In the opinion of the Committee, the production, purchase or translation of books should not be undertaken by the Ministry of Community Development & Cooperation. This function should better be left either to the Ministry of Education or to the Ministry of Information & Broadcasting who are in a better position to ensure the correctness of the facts contained in the books.
21	24	Community Development & Cooperation	The Committee would like the Ministry to lay stress on the actual execution of the programme and the achievements made and not on the amount of money spent on the programme. The Ministry should also make periodical assessment of the physical targets achieved so that a watch may be kept on the progress made in different spheres.
22	25	Education/ Finance/Law.	The Committee regret to observe that, though more than nine years have elapsed since the Central Social Welfare Board was set up, it is yet to be placed on a statutory footing. The Committee endorse the views of the Comptroller & Auditor General that, till the Board was accorded a distinct legal entity, giving of grants to the Board was not only constitutionally irregular, but also fraught with risk in cases of

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			default. The Committee are not sure whether the registration of the Board under the Societies Registration Act, as it stands at present, will adequately safeguard the interests of Government. The Committee, therefore, suggest that the question of placing the Board on a statutory footing should be pursued.
23	26	Education	. A detailed statement regarding submission of utilisation certificates by voluntary welfare institutions in respect of grants given to them by the Central Social Welfare Board is still awaited. The Committee would defer their comments till the requisite information is received from the Ministry.
24	27	Education	. The Committee desired to be furnished with the following further information:— <p>(a) a statement regarding purchase and maintenance of jeeps by the Board for the last three years.</p> <p>(b) a statement giving a year-wise break-up of expenditure of the Board since its inception.</p> <p>The Committee regret that neither of the statements has yet been received. The Committee, therefore, defer their comments on these aspects of the question. In the meantime, in view of the paramount need of economy, in the background of the national emergency, the Committee would like the Ministry to explore the possibility of curtailing expenditure incurred by the Central Social Welfare Board.</p>
25	28	Education	. (i) The Committee are not happy over the manner in which the Delhi Administration had acted in the present case. In their opinion, it was improper on the part of the Administration to have created posts in higher scale of pay than that allowed by the orders of the Ministry of Education issued in 1950. If the creation of posts in the higher grade was considered

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essential, orders of the competent authority should have been obtained. Even if the initial error had been made, the Administration should have, in accordance with the recommendation of the Public Accounts Committee made in para 21 of their Report on the Accounts for 1946-47 (Pre-partition), provisionally stopped payment in the higher scale in September 1957, when the irregularity was pointed out by Audit. The Committee, however, regret to observe that the Delhi Administration not only failed to do this, but also made 20 more appointments in the higher scale which was contrary to the orders of Central Government. They understand that the Ministry of Education have asked the Administration to fix responsibility in the matter. The Committee would like to be informed of the action taken in the matter.

Finance

(ii) The Committee would like the Ministry of Finance to impress upon the spending authorities the need for strict compliance with the recommendation of the Public Accounts Committee made in para 21 of their Report on the Accounts for 1946-47 (pre-Partition).

(iii) In reply to a question whether the irregularity had since been set right, it was stated that posts in the higher grade would have to be created for the period in question. The Committee would like to have a further report in the matter.

26 29 Education/
External
Affairs.

(i) The Committee regret to observe that the mistake in the notification issued by the External Affairs Ministry, which showed the appointment of the officer concerned as First Secretary, had entailed to Government an extra avoidable expenditure of over Rs. 10,000. The Committee consider this as unfortunate. They trust that care will, henceforth, be taken by the Ministry concerned to ensure that mistakes of this type do not recur.

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| | | Education | <p>(ii) The Committee hope that such non-recovery would not be allowed to become a precedent for future.</p> <p>(iii) The Committee also feel that even after the Education Ministry had pointed out to the Mission that the officer concerned was not entitled to the residence for which negotiations were being conducted, it should have, instead of further proceeding in the matter, referred the case to the Ministries concerned and taken their specific approval to the proposed lease-deed. This, unfortunately, was not done.</p> |
| 27 | 30 | Education | <p>The Committee take a serious view that an organisation, like the Central Social Welfare Board, fed by Government grants, should have persisted in following irregular procedure, resulting in defalcation, regardless of objections by audit and directives by Government. The Committee trust that the Ministry of Education will, henceforth, be more effective in ensuring not only proper utilisation of their grants, but also strict compliance with their directives, by the Board.</p> |
| 28 | 31 | Education | <p>The Committee were informed that with a view to obviating the recurrence of cases of the present type, a number of measures had since been introduced to improve the accounting and cash procedure in the Central Social Welfare Board. The Committee trust that the introduction of these measures will result in the achievement of the end in view.</p> |
| 29 | 32 | Education | <p>The Committee desire that the departmental proceeding should be finalised at an early date and a report made to them.</p> |
| 30 | 33 | Education | <p>While the Committee appreciate the circumstances in which the Education Department, Tripura had to undertake departmental construction of buildings, they see no justification on the part of the Department for withdrawing excessive</p> |
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funds from the Treasury during the last few days of the financial year as also their failure to execute formal agreements with contractors or take earnest money or security deposit from them. The Committee are also unable to understand how, in the absence of measurement books, the Department could ensure that the payments made to the contractors were in conformity with the actual work done by them. The Committee trust that care will, henceforth, be taken by the Department to obviate the recurrence of such irregularities.

- 31 34 Education . In the opinion of the Committee, it was irregular on the part of the officer concerned to have drawn funds from the Treasury and to have retained them for long durations outside Government account, in contravention of the Treasury Rules. The Committee also observe that, before sanctioning the loans, the Ministry concerned had failed to make a proper assessment regarding the capacity of the loanee to repay the loans, in accordance with terms of the sanction. Further, the purpose for which the loans had been granted had also not been fully achieved inasmuch as 8 of the 15 craft schools, had either been closed down or converted into ordinary schools, and the remaining take over by Government. The Committee now desire that such of the buildings of the schools, since closed down, as are not being properly utilised, should be disposed of, and the realised amount adjusted against the outstanding loans.
- 32 35 Education . While agreeing with the views of the Ministry that the appointment of chartered accountants for auditing the accounts of each camp would not be commensurate with the expenditure involved, the Committee feel that it would be useful to have the accounts of a group of camps audited every year in rotation. The Committee would also like to reiterate their earlier
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recommendation that the auditors for this purpose should be appointed with the approval of the Comptroller & Auditor General, who should further be authorised to issue directions to the auditors in regard to the manner in which the account shall be audited. The Committee also suggest that, in view of the large scale grants, that are being given to the Bharat Sewak Samaj, the feasibility of associating one of the officers of the Ministry of Finance with the Samaj to tender advice in financial matters may also be examined.

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| 33 | 36 | External Affairs | The Committee feel that in all cases of the present type, the Ministry of Law should be consulted, at the initial stages so as to avoid complications later. The Committee would like to be informed of the final disposal of plots which could not be utilised for the purpose for which they were purchased. |
| 34 | 37 | Do. | The Committee feel that proper lists and stock registers should have been maintained when the furniture was originally received and also when it was transferred to another place. Non-maintenance of such registers shows laxity on the part of supervisory officers. They would reiterate their recommendation in para 65 of their Forty-Second Report (Second Lok Sabha) and desire that the Ministry of External Affairs should take steps to satisfy itself that at least now stock registers for furniture etc. are maintained by all the Indian Missions abroad and that the stocks are verified physically at regular intervals and reconciled. |
| 35 | 38 | Do. | The Committee are unhappy to note that in spite of the fact that complete and detailed instructions with regard to maintenance of accounts had already been issued by the Ministry of External Affairs, some of the Missions did not observe them. They would like the Ministry to enjoin upon the Missions the importance of strictly observing such instructions. |
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36	39	External Affairs	The Committee take a serious note of the disregard of the financial rules by officers in high position who are expected to set examples in such matters for other staff. They hope that the Ministry will take suitable measures to avoid a recurrence of such cases in future.
37	40	Do.	The Committee are perturbed over the negligence on the part of the supervisory officers in not exercising proper checks and taking things for granted which facilitated the embezzlement. They regret to note that there has been some delay in finalising action against the delinquent officers. The Committee recommend that a thorough investigation of this case should be made, responsibility fixed and suitable action taken against the delinquent officials. The Committee would also like to be apprised of the results of this investigation.
38	41	Do.	The Committee would like to observe that if prompt and adequate action had been taken when Audit pointed out bad state of accounts of the consular section in November 1958, this subsequent embezzlement could have perhaps been avoided. The Ministry should examine this aspect of the case also. The Committee would also like the case against the supervisory officer to be decided expeditiously and the Committee be apprised of the same.
39	42	Do.	The Committee are unhappy to note that in this case also, the supervisory officers have failed to discharge their duties efficiently and vigilantly. They hope that the supervisory officers will come up to expectations and streamline the working of the various Indian Missions abroad. They hope that action against the supervisory officers concerned would be completed soon and the Committee apprised of the same.

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40	43	External Affairs.	The Committee are surprised to note that although the Ministry got the information about this case as early as December 1960, they informed the Accountant General, Central Revenues, only in February 1962, and that the explanation of the supervisory officer was also called for as late as February 1962. They hope that action against the defaulting officers for the irregularities and lapses in this case will be completed early and they will be informed about it in due course.
41	44	<u>S.R. & C.A.</u> Finance.	The Committee take a serious view of the lapse on the part of the Ministry of Scientific Research & Cultural Affairs in not having taken the specific approval of Parliament for interest free loans by a supplementary grant during the year 1960-61; for, this involved a contravention of an important principle of Parliamentary Control over expenditure. They desire that the Ministry of Finance should issue necessary instructions to all the Ministries to prevent recurrence of such cases.
42	45	Finance .	The Committee feel concerned to note that the requisite statements have yet to be received in respect of more than three-fourths of the provisional payments made to the various States under the scheme for raising emoluments of State Government low-paid employees. They desire that the Ministry of Finance should take vigorous steps to expedite the final adjustment of the provisional payments. If delay in submission of the information by the State Governments is due to difficulties in procedure, this should be simplified in consultation with the Comptroller & Auditor General. The Committee would like to be informed in due course of the progress made in making adjustments.
43	46	Finance .	(i) The Committee feel concerned over delays in finalisation of pension and Provident Fund cases, which are mainly

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			<p>attributable to non-submission of papers to Audit in time, incomplete records and protracted correspondence over making clarifications. It is regrettable that even in the Ministry of Finance about 60% of pension cases (<i>i.e.</i> 367 out of 621) were not forwarded to Audit in 1960-61 before the retirement of the officers, even though, according to the Ministry's own orders, necessary papers are required to be prepared and submitted to Audit one year before the date of retirement.</p>
		Finance . . .	<p>(ii) The Committee were assured that the procedure regarding finalisation of pension and Provident Fund final payment cases was kept under constant review and instructions were issued from time to time for the expeditious finalisation of cases. The Committee desire that serious notice should be taken of disregard of these instructions. It should be particularly ensured that service documents of officers are kept up-to-date to avoid difficulties at the time of retirement. It is needless to over-emphasize that Government should aim at avoiding financial hardship to pensioners, and their dependants resulting from delays in settlement of their cases.</p>
44	47	Finance . . .	<p>The Committee would like to be apprised in due course of the results of the arrangements for watching the proper exercise of financial powers delegated to subordinate authorities, introduced under the instructions issued by the Ministry of Finance on 26th October, 1962.</p>
45	48	Food & Agriculture (Deptt. of Agriculture).	<p>While appreciating the difficulties owing to which there had been shortfall of revenue the Committee hope that all possible steps will be taken to improve the financial working of the brood lac farms so that revenue could be increased to the extent possible.</p>
46	49	Do..	<p>The Committee are not satisfied with the explanation furnished to them for the</p>

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delay extending over some years in preparation of estimates and construction of the godown which was intended to be completed in 1958-59. They recommend that plans and estimates should be prepared and finally approved before schemes are taken up for execution. They would like to be informed as soon as the construction of the godown is completed.

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| 47 | 50 | Food & Agriculture
(Deptt. of Food & Agriculture).
<hr style="width: 20%; margin-left: 0;"/> Ministry of Transport & Communications
(Deptt. of Transport). | The Committee are not convinced by the arguments advanced by the Ministry for the extra expenditure on freight. In their opinion, the extra expenditure could have been avoided, if in the shipping contract itself alternative ports had been mentioned or suitability of the port for discharge of the cargo in this case was decided in advance of the arrival of the ship. It is unfortunate that cases of extra expenditure incurred on diversion of ships are occurring year after year either under the Department of Food or under the Department of Agriculture as would be clear from paras 36-38 of 25th Report Vol. II (1959-60) and paras 96-97 of 34th Report (1960-61) of the Public Accounts Committee. The Committee desire that suitable instructions should be issued in this matter in consultation with the Ministry of Transport and Communications (Department of Transport) and any contravention thereof resulting in avoidable expenditure suitably dealt with. |
| 48 | 51 | Food & Agriculture
(Deptt. of Agriculture).
<hr style="width: 20%; margin-left: 0;"/> Works, Housing & Rehabilitation. | (i) The disclosures regarding World Agriculture Fair (1962) made in evidence and in the note furnished by the Ministry of W.H.&R. at the instance of the Committee are revealing. In the opinion of the Committee, the entire transaction resulting in the Government dues of over 30 lakhs of rupees remaining unrecovered was vitiated from the very beginning by the fact that the then Minister |
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			of Agriculture who was Chairman of the Bharat Krishak Samaj made verbal commitments which were not redeemed by the Samaj.
		Food & Agriculture (Deptt. of Agriculture)	(ii) Apart from the highly irregular way in which the whole matter has been dealt with, the Committee find the following objectionable features:
		Works, Housing & Rehabilitation.	(a) No written agreement was obtained from the party before allowing them possession of the grounds and land etc.
			(b) No advance or security was taken from the party.
			(c) There was no serious attempt to stop the Samaj from going ahead with the Exhibition in order to make them execute the Agreement.
			(d) Departments of Government and Government Corporations were not cautioned that no payments should be made to the Fair authorities pending the execution of an agreement with them.
			(e) No enquiry appears to have been made about the credentials of the Samaj before entering into negotiations with them presumably on the ground that the President of the Samaj was then the Minister of Agriculture.
			(f) Although the Fair had ultimately made a huge profit, Government gave a grant of Rs. 2 lakhs to the Samaj at the instance of the Minister of Agriculture who himself put up a note to the Minister of Revenue and Civil Expenditure on this behalf.
			(g) The Samaj, a private body, was allowed the occupation of a room in the Government building in which the Ministry of Agriculture was located free of rent.

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		<p>Food & Agriculture (Deptt. of Agriculture) <u>W.H. & R.</u> <u>Finance</u> All other Ministries.</p>	<p>(iii) The Committee recommend that in cases where financial assistance is to be given to societies or organisations which resort to profit making, it should be in the form of loans and not grants.</p>
		<p>Food & Agriculture (Deptt. of Agriculture) <u>W.H. & R.</u> <u>Finance.</u></p>	<p>(iv) The Committee desire that the entire question of financial transactions with the World Agriculture Fair should be looked into by the Government as it involves important principles which are of vital interest to the proper working of the Government. It would be advisable for the Government to lay down certain broad and healthy conventions and formalities to be observed by persons holding high official position when they are either participants or patrons of non-official organisations which have any financial dealings with the Government.</p>
		Do.	<p>(v) The Committee would also like to be informed about the recovery of Government dues from the Bharat Krishak Samaj.</p>
9	52	<p>Food & Agriculture (Deptt. of Agriculture).</p>	<p>The Committee suggest that early steps should be taken to increase the throughput under the Delhi Milk Supply Scheme, as originally envisaged, so that the scheme works on 'No profit, No loss basis', as intended by Government.</p>
50	53	<p>Food & Agriculture (Deptt. of Food).</p>	<p>The Committee would like to watch the results of the action taken to ensure timely preparation and reconciliation of Accounts of the State Trading Schemes regarding purchase of foodgrains. They need hardly impress upon the Ministry the importance of timely preparation and reconciliation of accounts. They hope that these accounts will soon be brought up-to-date. The Committee would like the Ministry to take suitable measures to eliminate such delays in the preparation of <i>pro forma</i> accounts in future.</p>

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51	54	Food & Agriculture (Deptt. of Food).	The Committee would like the Ministry to complete the investigations into the various transit losses incurred during 1959-60 (amounting to Rs. 1.05 crores) at an early date. They desire that suitable steps be taken to reduce the period taken in the investigation of losses.
52	55	Food & Agriculture (Deptt. of Food).	The Committee would like to see the arrears referred to in this para cleared at an early date. They also desire that the accounting of the Bombay Region for the period from 1954-55 to 1958 should be set right, reasons for the confused state of affairs investigated, and responsibility fixed.
53	56	Food & Agriculture (Deptt. of Food).	The Committee desire that further steps should be taken to reduce the losses of foodgrains at various stages of transit so that the overall losses are reduced to the minimum. They would also like the cases of losses to be cleared as early as possible.
54	57	Food & Agriculture (Deptt. of Food) ----- Transport & Communications (Deptt. of Transport).	(i) The Committee are not satisfied with the position regarding clearance of foodgrains at ports as it exists at present. Since most of the losses occur in the case of bulk grain, the Committee would like the Ministry to take up the matter with the Port Trusts concerned about their responsibility in the matter so that these losses could be avoided to the extent possible.
		Food & Agriculture (Deptt. of Food).	(ii) The duties entrusted to the tally clerks and justification for their retention should also be carefully examined.
55	58	Food & Agriculture (Deptt. of Food).	The Committee are glad to know that a programme for the construction of godowns for storage of foodgrains in the Third Plan has been made. They hope that this programme will be implemented as scheduled, and that losses due to defective and inadequate storage would be eliminated as a result thereof.

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56	59	Food & Agriculture (Deptt. of Food).	The Committee would like the Ministry to settle the accounts with the West Bengal Government, in respect of advances made to that Government for the purchase of foodgrains, at an early date.
57	60	Do.	The Committee would like the Ministry to keep a very close watch on the expenditure on demurrage so that it might be kept to the minimum.
58	61	Do.	The Committee recommend that the investigations into this case should be completed quickly and responsibility fixed for the serious lapses in this case. They further recommend that in future every case of shortage should be investigated and responsibility fixed on the defaulting officer instead of adjusting the same against any excess discovered.
59	62	Health	The Committee observe that the officer concerned in this case served Government for a period of only three months after return from the study leave, as against at least three years' service under Government, stipulated by the Rules. The Committee note the Ministry's promise to allow leave to the officer at any time after July, 1954. They, however, feel that the promise should have been made 'subject to admissibility under the Rules'. During the course of evidence the Committee were assured by the Secretary, Ministry of Health, that no relaxation of these rules would be allowed in future. The Committee trust that the Ministry will keep this assurance.
60	63	Home Affairs	(i) The Committee are not convinced of the reasons advanced in the instances of irregularities referred to in this para. There was firstly a serious failure to observe the prescribed rules for the handling of cash. It is unfortunate that the cashier who should have been well up in such matters acted in contravention of the rules. Secondly, there was no periodical check of the amounts which

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remained undisbursed nor were the accounts ever checked. All these go to show that there was also a failure on the part of the supervisory officers whose primary duty it was to ensure compliance with the rules. In the opinion of the Committee, mere issue of instructions in monetary matters is not enough; it is necessary to ensure that rules and instructions extant are actually followed in practice and any breach thereof is suitably punished.

Finance . (ii) The Committee are also not happy that large amounts of cash were entrusted to low paid employees for disbursement. They would like the Ministry of Finance to examine this matter and issue necessary instructions on the subject so that such cases do not recur.

61 64 Home Affairs (i) The Committee regret to note that in this case also there was breach of the prescribed rules. It was irregular from the very beginning on the part of officials concerned to have the money kept after the close of the year instead of returning it to the Treasury. It is unfortunate that officials dealing with cash and money should show such disregard of financial rules.

(ii) The Committee trust that the rules prescribed for ensuring responsibility for correct accountal of money handled by individual officers would not be contravened in future.

Finance

Home Affairs

(iii) The Committee are surprised that no acknowledgements had been kept on record for the moneys advanced. They desire that strict orders should be issued for following the rules properly.

(iv) The Committee were informed that to avoid recurrence of such cases, instructions had been issued providing for submission of certain returns to ensure that proper inspections were carried out by various officers as prescribed under the

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rules. Further, previously the work of the Nazarat was in charge of officers who had to perform both administrative and judicial functions. These two functions had since been separated and the Deputy Collector in-charge of Nazarat would not be entrusted with any judicial or other duties so that the responsibility could be squarely fixed on him. The Committee trust that with the measures now taken, such cases would not recur.

Home Affairs . (v) In a number of cases, payee's acknowledgements were not available for payments shown in the cash book, while in some other cases, the dates of payments shown in the cash book differed from the dates shown in the acknowledgements. The Committee desire that steps should be taken to prevent such irregularities in future.

(vi) The Committee may be apprised of the realisation of the outstanding rent when effected from the allottees of the chambers in the court compound at Kashmere Gate, when effected.

(vii) The Committee trust that the types of irregularities referred to in this sub-para will not recur.

(viii) The Committee are unhappy to note the unsatisfactory state of affairs in regard to financial matters in the office of the Deputy Commissioner, Delhi. The officers and staff failed in their duty, showed considerable negligence and indulged in breach of rules which was facilitated by the lack of adequate supervision. The Committee hope that special steps will be taken to ensure tighter supervisory control and better understanding of the rules so that such irregularities especially in money matters are not repeated in future.

62 65 Home Affairs . While appreciating the difficulties caused by the abnormal situation created in the wake of partition, the Committee cannot

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			<p>regard it as a valid justification for the various lapses on the part of the officials concerned with the Malkhana accounts, which went on unabated, for such a long time. They also consider it unfortunate that for the guidance of the auctioning officers no proper evaluation of the property to be auctioned was done. In regard to the sale of guns, revolvers etc. to certain persons occupying high position at very low price without auction, the Committee were given to understand that this was an old legacy which had continued since the British days. The Committee suggest that such practices which would give an impression of specially favoured treatment to persons occupying high positions should be stopped forthwith.</p> <p>The Committee also desire that early steps be taken to set matters right and to finalise departmental action against the officials responsible for the various irregularities enumerated above.</p>
63	66	Home Affairs	<p>(i) The Committee feel unhappy over the manner in which this case had been dealt with. The revision of rate of royalty was deferred on the ground that a scheme for forming a Central Cooperative Society was under examination. But this scheme fell through. It is not understood, therefore, why, when the large margin of profit earned by the merchants was known, steps were not taken earlier to revive the rate of royalty so that the benefit could go to the tillers of the soil.</p> <p>(ii) The Committee also recommend that while giving evidence, the representatives of the Ministry should come fully prepared and furnish complete information to the Committee as far as possible. They would reiterate the recommendations made in Para 72 of their First Report (1951-52)</p>
64	67	Do.	<p>The Committee desire that such action as the award of contract and the issue of cloth to contractor without obtaining the security deposit which was contrary to</p>

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financial rules, should not be repeated. They may be informed of the amount of loss incurred and the amount recovered from the surety.

- 65 68 Home Affairs . The Committee regret to note that the defalcation of security deposits had been going on unchecked in the Police Office for a period of six months. While the Committee are glad that the defective system had been remedied, they would like to be informed about the final outcome of the case.
- 66 69 Do. . The Committee are sorry to note the careless manner in which a responsible officer like the Tahsildar acted in this case. It is also surprising that the suspension of the officer was not notified by the Government for the information of the public. They recommend that serious view should be taken of such negligent acts and suitable disciplinary action taken against the delinquent officers.
- 67 70 Information and Broadcasting
Finance

All other Ministries. The Committee find no justification for spending money on ceremonial functions like the inauguration of Government Buildings and Projects, especially in the present juncture, and hope that expenditure on this account would be substantially curtailed if not altogether avoided. The Committee understand that under the delegation of financial powers recently made by the Finance Ministry, the Administrative Ministries have been given full powers to incur expenditure on this account. The Committee are of the view that it would be advisable to impose a suitable ceiling beyond which no expenditure should be incurred on such ceremonial occasions.*

* The Committee are glad to be subsequently informed that the Ministry of Finance have already recently issued instruction that on inaugural and social functions, the expenditure should not exceed Rs. 500/- in all, including expenditure of a contingent nature like printing of invitations, provision of manna-las, refreshments, garlands, photographs etc.

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68	71	Information & Broadcasting.	While it is for Government to decide whether the All India Radio should continue to be treated as a commercial organisation or not the Committee would like the Ministry to devise ways and means through which the losses at present suffered by the All India Radio could be reduced to the minimum extent possible. They feel that by securing more advertisements for the Radio journals, by increasing their sale and by further reducing the distribution of complimentary copies of the journals, this aim could be achieved to some extent. In this connection they would like the Ministry to examine the special and attractive features in the Bengali journal which is paying its way, so that those could be introduced with suitable modifications, where necessary, in other journals so as to boost up their sale.
69	72	Irrigation and Power Finance	<p>(i) The Committee feel concerned at the delay in according a distinct legal entity to the Central Board of Irrigation and Power. As pointed out in para 25 of this Report, giving of grants to the Board so long as it was not endowed with such an entity, was not only constitutionally irregular but also fraught with risk in cases of default. The Committee, therefore, desire that the needful should be done without any further delay.</p> <p>(ii) The Committee desired to be furnished with a detailed note stating, <i>inter alia</i>, the constitution, functions and activities of the Board ; the procedure for incurring expenditure and the arrangements for maintenance of accounts and audit thereof. This is still awaited. The Committee, would, therefore, defer their comments on this aspect of the matter till the requisite information is received from the Ministry.</p>
70	73	Irrigation & Power.	The reasons mentioned in the Auditor's Report for the low margin of profit (0.9%) during 1960-61, as against the estimated

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profit of 5 to 5½% are a matter of concern. The Committee suggest that the matter should be carefully examined by the Ministry with a view to taking suitable remedial measures. The Committee hope that the Corporation will succeed in showing better financial results in future as assured by their representatives.

71 74 Irrigation &
Power.

(i) In evidence, the Committee desired to know the reasons for not accepting *in toto* their recommendation regarding the introduction of Administrative Audit system in the Centrally-financed projects. The Secretary, Ministry of Irrigation and Power, promised to furnish a note to the Committee, in the light of the comments received from the various project authorities. This is still awaited.

(ii) It has all along been the concern of the Public Accounts Committee that large funds provided by Central Government for the execution of River Valley Projects should be spent not only in accordance with the terms of the sanction, but also in the most economical and efficient manner. It was with this end in view that the Public Accounts Committee have repeatedly urged for an early introduction of the Administrative Audit system in the Centrally-financed projects. The Committee, however, regret to observe that though the system was considered highly desirable by the Ministry of Irrigation and Power, it had not yet been introduced *in toto* in any of the Centrally-financed projects. The Committee reiterate their views regarding the need for an early introduction of the system in the Projects, on the lines of the Chief Technical Examiner's Organisation in the C.P. W.D., at the Centre. This recommendation assumes added importance in view of the following observation of the Third Finance Commission after a detailed examination of the financial working of multipurpose river valley and other irrigation projects :

"We are disappointed to find that in a number of cases the returns are in-

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			sufficient to meet even the working expenses and in the majority of cases insufficient to cover the additional incidence of interest liability".
72	75	Labour and Employment	While the Committee appreciate the need for opening more local offices for the convenience of workers, they feel that the percentage of administrative expenses to total expenditure (14.20 for 1960-61) is on the high side, particularly, when it is remembered that about 40% of the total expenditure of the Employees' State Insurance Corporation comprises payments to State Governments on account of Corporation's share of expenses on medical care. The Committee trust that the matter will be kept under constant review with a view to effecting maximum possible economy in establishment charges, without any detriment to the amenities provided to the employees.
73	76	"	The Committee feel concerned at the extent of unspent balances lying with the Employees' State Insurance Corporation (Rs. 20.42 crores on 31st March, 1961). While the Committee are glad to be assured of the Corporation's anxiety in the matter, they observe that the pace of utilisation has, hitherto, been painfully slow. The Committee desire that effective steps should be taken to ensure maximum utilization of the funds for the purposes intended in the Act.
74	77	"	The Committee regret to observe that due to non-implementation of the scheme, as per agreed arrangements, bulk of the expenditure incurred by the Employees' State Insurance Corporation on setting up local offices in the Region has become infructuous. The Committee trust that the Corporation will benefit from its experience in the present case, and be more careful while setting up such offices in future.
75	78	"	While the Committee are glad to be informed that the amount of outstandings due to the Employees' State Insurance Corporation

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on account of contributions has considerably come down, they observe that the amount still remaining to be recovered is quite large. They desire that further efforts should be made by the Corporation to ensure expeditious recovery of this amount. They further desire the Corporation to examine the feasibility of reviewing the existing procedure for recovery, with a view to obviating the accumulation of such heavy outstandings in future.

- 76 79 Labour & Employment The Committee feel concerned to observe that while the amenities provided to the mica miners are far from adequate, the funds collected by the levy of the cess with the avowed object of financing schemes for their welfare remain largely unutilised. The fact that during the last sixteen years, the Mica Mines Labour Welfare Organisation has been in existence, only a few houses should have been constructed indicates that the Organisation has not attended to the problem with the zeal expected of a welfare organisation. The Committee would, in this connection, invite attention to para 17 of their Twentieth Report (Second Lok Sabha) on the working of the Coal Mines Labour Welfare Fund wherein they observed : "If earmarked funds are not being properly utilised for the purpose underlying the levy over a period of years, the Committee feel that the continuance of the levy will be looked upon as an unnecessary burden by the tax-payer". The Committee trust that the Ministry and the Organisation will address themselves to the matter with a view to ensuring the maximum utilisation of the funds for the purposes intended in the Act.
- 77 80 Labour and Employment. (i) As regards action taken against the supervisory officer, the Committee were informed that the disciplinary authority concerned had issued only a warning to

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these officers. This was, however, not considered adequate by the Ministry and the matter was under review. The Committee would like to have a final report in the matter.

(ii) The Committee regret the delay in finalising departmental proceedings in this case. They hardly consider it necessary to point out that such delays are not in the financial interests of the State as they involve in some cases payment of avoidable subsistence allowance to delinquent officials. The Committee trust that care will, henceforth, be taken by the Ministry of Labour and Employment to ensure expeditious disposal of disciplinary proceedings.

78 781 } Scientific Research & Cultural Affairs.

The Committee observe that the maps sold to the general public constitute a small proportion of the total number of maps issued by the Map Record & Issue Office, Dehra Dun. The Committee, therefore, suggest that the question of fixing *ad hoc* prices of these maps and thereby effecting economies in the maintenance of cost accounting staff for determining the cost of these maps, may be urgently examined by the Ministry. The extent of savings in annual recurring expenditure as a result of this measure may be intimated to the Committee.

79 82 } Scientific Research & Cultural Affairs.

(i) While the Committee do not, in any way, minimise the utility of the work done by the Natural Research Development Corporation, the question that has all along exercised their mind is whether there is need for a separate organisation to do this work—much less an organisation run on commercial lines. The Committee urge that a decision regarding the future constitution, scope and functions of the Corporation should be taken without any further delay.

(ii) During the course of evidence, the Committee were informed that an expert committee was being appointed to examine the question of the constitution and working of the Corporation. The Committee would like the Ministry to examine, whether in cases of this type, it was neces-

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			sary to appoint an expert committee, involving considerable time and expenditure.
80	83	Scientific Research & Cultural Affairs.	The Committee regret to observe that the plant purchased by the Central Food Technological Research Institute, Mysore at a cost of Rs. 2 lakhs for large-scale manufacture of Tapioca Macaroni has not been utilised for the intended purpose since January, 1961. The Committee desire that efforts should be made for the maximum utilisation of the plant, failing which steps should be taken for its disposal.
81	84	Do.	The Committee would like to be informed when the full recovery of the amount due from the firm in question is effected.
82	85	Steel & Heavy Industries (Deptt. of Iron & Steel) Finance/Law.	The Committee observe that with the gradual growth of the steel industry in the country, fall in imports and decline in world prices of certain categories of steel, credits to the Iron and Steel Equalisation Fund now far exceed debits thereto ; and only a part of the accruals is now spent on ensuring uniformity in steel prices in the country—the purpose for which the Fund was created. This has resulted in accumulation of heavy unspent balances. The balances are likely to increase further with the full utilisation of the installed capacity of the existing steel plants and setting up of new ones. It has been stated by Government that the Steel Equalisation Fund will be one of the important sources of revenue for the Third Five Year Plan. While the Committee appreciate the need for tapping all possible sources for financing the Plan, they do not consider it correct in principle that a Fund kept outside the Consolidated Fund of India for the specific purpose of equalising prices, and operated by a Departmental Officer through a Personal Ledger Account in the Reserve Bank should serve as a medium for accumulating large surplus funds by the fixation of selling prices at a level higher than necessary for the real

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purpose of the Fund. Further, undue delays in recovering outstandings due to the Fund as also long standing differences with the main producers indicate that the working of the Fund is not quite satisfactory. The Committee would, therefore, like the Ministry of Steel & Heavy Industries to examine, in consultation with the Ministries of Finance and Law, whether the time has not come to make a thorough review of the constitution, scope and working of the Fund. ■

- 83 86 Steel & Heavy Industries (Department of Iron & Steel) Iron & Steel Controller's Organisation.
- (i) While the Committee note that the outstandings due to the Fund from 'sundry debtors' may now be largely offset by the counter-claims preferred by the main producers (bulk of which are of a recent origin), they cannot help expressing regret at the failure of the Iron & Steel Control Organisation to effect timely recovery of long standing dues to the Fund. They observe in this regard that though the Scheme had been in operation since 1943, necessary steps to reconcile differences between the figures as shown in the books of the Organisation and those shown in the records of the main producers since the inception of the Scheme had been initiated only recently. The Committee desire that the matter should be finalised without any further delay.
- (ii) In evidence, the Committee were informed that an arrangement had been made with TISCO according to which the Company had agreed to pay a sum of Rs. 60 lakhs per month, subject to adjustments to be made later on. A similar arrangement was also made with IISCO who, however, discontinued the practice after some time. The Committee desire that the matter should again be taken up with the Company, with a view to obviating any further accumulation of outstandings. They would like to have a further report in the matter.
- 84 87 Do. In evidence, the Committee were informed that according to the agreement with

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M/s. TISCO & M/s. IISCO, interest on special advances and the repayment of the principal amount was to be made out of an element to be given to them in the price of steel. As this element had not been included in the existing price, the manner in which the interest could be recovered was under examination of Government. The Committee would like to be informed of the decision taken in the matter.

- 85 88 Steel & Heavy Industries (Department of Iron & Steel)/Iron & Steel Controller's Organisation. While the Committee are glad to be informed that the amount of outstandings on account of surcharge on imports had been considerably brought down, they are unable to appreciate why, in some cases, it should not have been possible for the Iron and Steel Control Organisation to recover outstandings from importers even three to four years after they had fallen due, when, according to the Rules, the surcharge was required to be paid within 14 days of the issue of the final claim. The Committee desire that effective steps should be taken to recover the balance from the importers by the earliest possible date. They further desire that the time-limit laid down under the Rules should, hence forth, be strictly complied with. They would in this connection, like the Organisation to examine the feasibility of introducing the system of bank guarantees against which the dues from importers could be adjusted well within time.
- 86 89 Steel & Heavy Industries (Department of Iron & Steel). (i) From the facts of the case as mentioned in the Audit Report, the Committee are led to the conclusion that the performance of the firm in relation to their contractual obligations had been highly unsatisfactory. The Committee further observe that although the firm had failed to adhere to the prescribed time-schedule in 38 cases out of 42, claims for liquidated damages or token liquidated damages had been preferred only in five cases, and, even in these cases, no recovery had so far been

affected. The Committee cannot but regret the sluggish manner in which the Organisation had proceeded in the matter of invoking the penal provisions of the contracts. This state of affairs, the Committee would like to caution, might not only involve Government in heavy financial losses, but also dislocate the planned programme of Government involving the use of contracted material. The Committee, therefore, desire that special attention should be paid by the Ministry of Steel & Heavy Industries to the matter with a view to ensuring that the interest of Government are not jeopardised in any way on account of any lapse or laxity on the part of the Organisation.

(ii) The Committee also consider it needless to emphasise that before fresh contracts are awarded to a contractor, his past performance should invariably be taken into account and no preferential treatment should be given to any particular firm.

(iii) The Committee desired to be furnished with a note giving the price contracted for, the prevalent price and that allowed to the firm at the time of granting each extension. This is still awaited. The Committee would defer their comments on this aspect of the case till the requisite information is received from the Ministry. Meanwhile, it is hoped that Government would look into this case.

87 90 ; Steel & Heavy Industries (Department of Iron & Steel). The Committee are surprised at the manner in which the Iron and Steel Control Organisation had acted in this case. They fail to understand why the Organisation should have treated the part supply made by the firm up to September 1958 as 'one made outside the contract' and forgone recovery of surcharge amounting to Rs. 1.50 lakhs creditable to the Iron & Steel Equalisation Fund under the terms of the contract. Nor have the Committee been able to appreciate why the Organisation should have taken five years to prefer

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claim for liquidated damages, after the last permissible date for shipment under the contract, as finally extended. The matter warrants investigation. The Committee desire that vigorous efforts should now be made to recover the liquidated damages from the firm. They would like to have a further report in the matter.

- 88 91 Steel & Heavy Industries (Department of Iron & Steel)/I. & S. Controller's Organisation.
- (i) The Committee feel that it was irregular on the part of the Iron & Steel Control Organisation to have stipulated payment of subsidy on the material rolled in India when, under the Iron & Steel (Control) Order, 1956, no such material was eligible for subsidy.
- (ii) To examine the matter further, the Committee desired to be furnished with the following information:—
- (a) What reasons were given by the firm for not producing documents regarding cost of imported raw material and cost of conversion, as desired by the Ministry of Finance?
- (b) Was the delivery period adhered to by the firm in this case?

This information is still awaited. The Committee would, therefore, defer their comments on this aspect of the case till the requisite information is received from the Ministry.

- 89 92 Do.]
- The Committee are hardly satisfied with the explanation of the Ministry for not carrying out investigations into the lapses revealed in the Organisation's dealings with the firm. They would, in this connection, like to point out that the idea underlying the recommendation of the Public Accounts Committee (1960-61) made in para 134 of their 34th Report was that not only the then Controller but also all other officers, who were responsible for the lapses revealed in the Organisation's dealings with the firm, should be suitably dealt with, so that cases of the type did not
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recur. After going through the irregularities revealed in this Audit para as also in paras 30 and 31 of Audit Report (Civil) 1961, the Committee are now more than ever convinced of the need for such an investigation. They, therefore, desire that early effect should be given to the aforesaid recommendation of the Public Accounts Committee (1960-61).

- 90 93 Steel & Heavy Industries (Department of Iron & Steel)/I. & S. Controller's Organisation.
- (i) The Committee are unhappy over the manner in which this case had been handled by the Iron and Steel Control Organisation. They observe that although the clarificatory letter from the indentor had been received in the Organisation on the 23rd September, 1958, it did not reach the dealing Section till the 29th September, 1958. This, in the opinion of the Committee, betrayed not only a lack of proper sense of urgency on the part of the officers who initially received the letter but also a lack of proper co-ordination between the different sections of the Organisation.
- (ii) The Committee further observe that although the firm had delayed the completion of supplies by over 19 months, the liquidated damages for delay in supplies and consequential loss suffered by the consignee (amounting to about Rs. 4.24 lakhs) could not be recovered from the firm as the contract had been entered into in the name of the President of India, whereas the loss had been suffered by the State Government on whose behalf the material was purchased. The Committee consider this legal flaw in the Agreement as highly unfortunate. They would however, like to point out that although in view of this flaw, liquidated damages might not have been legally recoverable from the suppliers, they were, in accordance with the spirit of the Agreement, morally bound to pay the damages. The Organisation should have, therefore, taken up the matter with the firm, and used their influence to persuade them to pay the damages; failing which, the Organisation

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- should have considered the question of stopping further dealings with the firm for having resiled from a commitment.
- 91 94 Steel & Heavy Industries (Deptt. of Iron & Steel) I & S. Controller's Organisation.
- (i) In evidence, the Committee were informed that a suitable procedure to be followed in cases of the present type on the lines followed by the DGS&D was now under consideration of the Organisation. The Committee desire that an early decision should be taken in the matter.
- (ii) As regards the indenter's complaint that the firm had supplied mild steel, instead of steel of high tensile strength, it was stated that only one particular size of angles appeared to be defective which the suppliers were willing to replace. The Committee would like to have a further report in the matter.
- 92 95 Do.
- (i) The Committee observe, that an additional payment of Rs. 4.34 lakhs was made by the indentors in this case on considerations of ex-stock/ex-jetty delivery. As, however, the period of actual supply in respect of more than 40% of the material ranged between 4 to 14 months, the object underlying the additional payment was partly defeated.
- (ii) To examine the matter further, the Committee would like to be informed to what extent the delay in supply could be attributed to failure on the part of the indentors to make timely transport arrangements.
- 93 96 Do.
- (i) While the Committee are glad to be assured that the settlement reached with the suppliers, according to which the Railways had been supplied, free of cost 1,290 tons of crossing sleeper bars, was quite reasonable, the Committee cannot help expressing regret at the defective inspection by the India Store Department, London. The Committee understand that the question of fixing responsibility for this lapse was under consideration. The Committee would like to have a further report in this matter.
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(ii) Another aspect of the matter which causes concern to the Committee is that in such a big contract, as the present one, involving an amount of Rs. 6 crores, the Iron & Steel Control Organisation had failed to take even the elementary safeguard of providing for 'Warranty Clause' in the contract. They trust that the Organisation will be more careful, while entering into such contracts in future.

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| 94 | 97 | Works, Housing & Rehabilitation. | <p>(i) The Committee feel concerned to note that the unsatisfactory state of affairs of the Land and Development Office was allowed to persist even though it was pointed out in successive Audit Inspection Reports. If the Ministry of Law had advised that the acceptance of the dues would prejudice Government case in recovering enhanced rents through a Court of Law, it is not clear how the acceptance of cheques and keeping them in the office indefinitely without crediting the amount to Government would have safeguarded Government's position in any way. In fact, it has now been stated that the cheques have now been encashed or renewed without enhancing the rent or proceeding against the parties for breach of the agreements. They would suggest that a thorough departmental inquiry should be undertaken into the working of this office so as to place on a satisfactory footing the management of Government property entrusted to it and to fix responsibility for past mismanagement.</p> |
| | | Do. | <p>(ii) The Committee would like to be informed of the final outcome of the cases of non-recovery of dues mentioned in this para.</p> |
| 95 | 98 | Do. | <p>(i) The Committee regret to observe that, despite their observations/suggestions in the earlier years, Government have not been able to take suitable measures to improve the position regarding recovery of arrears of rent, even though more than nine years have elapsed since the matter</p> |
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- was for the first time brought to their notice *vide* Audit Report, 1954.
- W.H. & R. (ii) The Committee learnt in evidence that a committee was set up in September, 1961 to enquire into the working of the Directorate of Estates and examine the accumulation of large arrears of rent, but it did not function at all. They trust that the new committee which has since been set up to simplify the procedure for recovery of rent, will not meet with the same fate. They would like to be informed of the recommendations of the committee and the action taken thereon.
- 96 99 Do. The Committee are hardly satisfied with the explanation of the Ministry for loss of revenue due to quarters remaining vacant. Many such cases resulting in loss of revenue due to lack of sufficient co-ordination between the Central Public Works Department on the one side and the local bodies on the other have been reported to the Committee during the last three years. In para 239 of their Forty-second Report (1962) the Committee had expressed dissatisfaction and had observed that no decision could be reached in that matter, even though more than two years had passed. They regret the casual manner in which this matter is being pursued by the Ministry.
- 97 100 Do. The Committee regret to observe that the scheme was not properly planned, otherwise with a small additional expenditure in the first instance a loss of revenue to the extent of Rs. 3.43 lakhs would have been avoided.
- 98 101 Finance
W. H. & R. (i) The Committee propose to deal with the general question of fixation of a limit on expenditure on works not included in the budget estimates separately in a subsequent report.
- W. H. & R. (ii) The Committee desired to be furnished with a note indicating—
- (i) Works for which specific approval of Parliament had been obtained; and

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			(ii) works which were never mentioned in the estimates to Parliament.
		W. H. & R.	They regret to observe that the information is still awaited.
99	102	W. H. & R.	The Committee are hardly satisfied with the explanation of the Ministry for not taking up works for which specific budget provision was made. In their opinion the instance referred to in this para clearly indicate that Parliament was approached for funds without proper assessment of the progress of works and their needs. They trust that greater care would be exercised in future to obviate recurrence such cases.
100	103	W. H. & R.	The Committee were informed that the number of outstanding cases under arbitration had been reduced from 373 to 264. A hope was expressed that the position would improve further. The Committee would like to watch the results through subsequent Audit Report.
101	104	W. H. & R.	In evidence, the Secretary of the Ministry agreed to submit a summary of cases where the Chief Technical Examiner had recommended disciplinary action. The Committee would, therefore, await this information. They would also like to be informed of the progress made in the finalisation of the remaining disciplinary cases.
102	105	W. H. & R.	The Committee regret that they could not be convinced by the explanation of the Ministry for the time taken by the Central Public Works Department in acceptance of cases reported by the Chief Technical Examiner. In order that the examination of works by the Chief Technical Examiner may have the desired objective, it is necessary that the objections raised by the organisation are heeded to promptly by the Works Department. In their earlier reports (paras 82 and 211 of 25th and 34th Reports, respectively of Second Lok Sabha), the Committee had desired that strict instructions should be issued to the Central

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Public Works Department enjoining expeditious disposal of reports of the Chief Technical Examiner. The Committee regret to observe that the position indicated in the Audit Report is still far from satisfactory. They are also constrained to observe that the Ministry have not indicated to them the action taken or proposed to be taken on this recommendation which was made as early as March, 1961.

103 106 W. H. & R.

As regards delay in taking disciplinary action in this case, the Chief Engineer, Central Public Works Department, said that extant procedure was dilatory to some extent. The Secretary however assured the Committee that he would try to evolve a method whereby such delays could be avoided. The Committee would like to be informed of the remedial measures adopted to streamline the procedure as well as the final action taken in this cases.

104 107 W. H. & R.

The Committee regret to observe that this is another case of undue delay in taking disciplinary action against officials for serious lapses. They would reiterate their earlier recommendation that departmental action, in order to be effective should be prompt.

105 108 W. H. & R.

The Committee feel that this is a typical example of the casual manner in which the reports of the Chief Technical Examiner are examined by the Works Department. They desire that this case should be investigated with a view to finding out the reasons for the unduly long time (2-1/2 years) taken by the department in accepting the irregularity. They would also like to be informed whether departmental action had since been initiated against the officers responsible for the losses.

10 6 109 W. H. & R.

The Committee regret to note that this is another case of delay of four years on the part of the Works Department in taking

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			departmental action against officials responsible for serious irregularities. They would like to watch the results and the action taken pursuant to the assurance given by the Secretary of the Ministry <i>vide</i> para 106 above.
107	110	W.H. & R.	The Committee feel that the action of the Assistant Engineer in allowing the contractor to do the work much in excess of the limits prescribed by the Works Advisory Board was not proper. They trust that suitable instructions will be issued to the effect that the officers in charge of works do not exceed their normal powers on the plea of urgency. Besides, the question of preparation of estimates also deserves to be examined further. As these estimates form the basis for determination of tenders, it is imperative that they are as precise as possible.
108	111	Do.	The Committee feel that the time taken in the settlement of the first case regarding construction of Customs Block of the Bombay Airport is rather excessive. They would like to be informed of the final outcome in due course.
109	112	Do.	(i) The Committee feel that in a big construction project like the Vigyan Bhavan, which was considered to be a "Prestige Building", supervision should not have been left entirely in the hands of junior officials. (ii) As regards recovery of the amounts due from the first contractor, the Committee were informed that a sum of Rs. 30,000 had already been recovered from him and the rest would be recovered only after the result of the arbitration was known. The Committee would like to be informed of the final settlement reached in this regard.
110	113	Do.	The Committee feel that in this case the disciplinary aspect of the case had been overlooked and there appeared to be no justification for an abnormal delay. They

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			desire that the circumstances under which no action was taken in this case for quite a long time may be investigated and appropriate action taken against delinquent officials.
111	114	W.H. & R.	The Committee are surprised at the casual manner in which the important question of settlement of accounts in respect of advances paid to local bodies was handled by the Public Works Department and the Ministry. They would urge expeditious settlement of the old cases.
112	115	Economic & Defence Co-ordination.	The Committee feel that the fact that 2500 cases of contracts of supplies were still in arrears, did not speak well of the working of the Supplies Department. Obviously such delays affect adversely the programmes of the indentors, and the advantages of centralised purchases would be set at naught if the supplies are delayed so much. The Committee, therefore, desire that suitable steps should be taken by the Ministry to improve the position.
113	116	Do.	The Committee are not happy at the manner of reference, processing and the final outcome of the arbitration cases as pointed out in the Audit Report. While there could be no objection to disputes being referred to arbitration as it was open to either party to refer the cases either to a court of Law or an arbitrator, the fact that such cases should have been pending for over ten years was a serious matter. The Committee learnt that under the Rules an arbitrator was to give an award within a period of four months from his appointment, failing which he was required to obtain the permission of a court of Law for the extension of the time limit. If so, the Committee fail to understand the delays in the settlement of these cases. They would also like to know whether any responsibility was fixed for the failure on the part of the Government officials in the specific cases mentioned in the Audit Report.

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114	117	Economic & Defence Co-ordination.	The Committee are not satisfied with the explanation of the Ministry in this case. They would like to know the action taken by the Ministry to fix responsibility for the various lapses which resulted in a heavy loss.
115	118	Do.	The Committee were informed that the firm had failed to supply paint against a number of other contracts and the matter was being investigated. The Secretary to the Ministry promised to furnish a detailed report to the Committee. The Committee reserve their comments pending receipt of the detailed report. Meanwhile they would urge upon the Ministry to expedite the matter as it had already been delayed.
116	119	Do.	It was explained in evidence that the suppliers had a general tendency to make bulk supplies towards the close of the financial year before their contractual period expired and that this had resulted in the stock having exceeded the permissible limits for a temporary period in the Stationery Office, Calcutta. The Committee feel that this is not a healthy practice and should not have been allowed to persist. Besides creating other complications like storage problems etc. such bulk supplies towards the close of the contractual period would hardly permit effective and proper inspection of stores and there were possibilities of sub-standard material being accepted by the Office in a hurry.
117	120	W. H. & R.	In evidence, the Secretary to the Ministry of W.H. & R. admitted that the position was not satisfactory and that he would further look into the matter and ensure that the officials were held responsible for taking appropriate action in this regard. The Committee would like to be informed of the action taken.
118	121	W.H. & R. (Rehabilitation)	The Committee regret to note that despite the assurance given to them by the Ministry that the accounts of Government property would be reconstructed and

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			brought up-to-date by March, 1960, these had remained incomplete for so long. They trust that all the accounts would have been completed by now. They would like to be informed of the position in this regard.
119	122	W.H.&R. (Rehabilitation)	The Committee would like to be informed of the action taken against the delinquent officials for alleged embezzlement of funds.
120	123	Do.	(i) The Committee note that the officials, concerned in this case, were the same who were involved in the alleged embezzlement of funds and action was being taken against them. (ii) The Committee observe that the arrears of rent due to be recovered from the occupants are still quite heavy. They urge that effective steps should be taken to expedite their recovery.
121	124	Do.	The Committee regret to note that the failure to detect the irregularities in time and to take expeditious action in this case had resulted in the delinquent officials escaping due punishment.
122	125	Do.	The Committee regret to note that failure to take timely action to assess the correct amount of compensation payable to the defaulting purchaser and the amount finally recoverable from him resulted in avoidable loss to Government. They would like to be informed of the action taken against the delinquent officials.
123	126	Do.	The Committee regret to note that the Valuation Organisation of the Ministry had failed to make a proper valuation of the properties, resulting in avoidable loss to Government on the disposal of the properties. While, in view of the circumstances explained by the Ministry, the Committee would not press for re-valuation of all the remaining properties, they trust that, as promised by the Secretary of the Ministry, at least

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			such properties as were to be transferred through allotment would be got revalued. They desire that suitable instructions in this regard should be issued to all concerned.
124	127	W.H.&R. (Rehabilitation)	The Committee are unhappy to note that the grants given by the Central Government to local bodies for essential specific works (like construction of roads in service lanes, provision of dustbins etc.) in Rehabilitation colonies could not be utilised for more than three years. It is apparent that after releasing the funds, due attention was not paid by the Ministry to ensure that these were utilised within a reasonable period. The Committee trust that these works would now be completed expeditiously with a view to avoiding any further inconvenience to the inhabitants of these colonies.
125	128	Finance <hr/> All Ministries.	The Committee have from time to time stressed the importance of prompt disposal of audit objections. They would desire the Ministry of Finance to issue necessary instructions to all concerned so that necessary steps are taken for clearing all outstanding audit objections and inspection reports and it is ensured that such objections do not accumulate but are attended to with promptitude.
126	129	Finance <hr/> Home Affairs <hr/> All other Ministries.	(i) The Committee view with concern wasteful expenditure even in normal times but more so during the time of present national emergency. A persistent tendency for over-budgeting on the one hand, and many instances of wasteful expenditure on the other, point to the inevitable conclusion that there is considerable scope for effecting economies in the expenditure of the Government of India without impairing the progress of the Five Year Plan. They would, therefore, suggest that a Committee of experts consisting of senior officers from the Ministries of Finance, Home Affairs and one or two

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major spending Ministries should be appointed by Government so that a prompt survey of the expenditure of Government may be made to explore the various avenues through which substantial economies could be effected.

Finance

Home Affairs

All other Ministries.

(ii) The Committee have in their various Reports presented during the current year indicated some of the lines in which there is scope for economy in expenditure. For instance, the Committee feel that *prima facie* there is considerable scope for reduction in the expenditure incurred on staff cars. The total expenditure on this account during 1960-61 was as high as Rs.17,25,771. The expert committee referred to above should scrutinise the details of expenditure incurred and suggest concrete steps to curtail the expenditure on this account.

DELHI

34. Jain Book Agency, Connaught Place, New Delhi.
35. M/S. Sat Narain & Sons, 3141, Mohd Ali Bazar, Mori Gate, Delhi.
36. Atma Ram & Sons, Kashmere Gate, Delhi-6.
37. J. M. Jaina & Brothers, Mori Gate, Delhi-6.
38. The Central News Agency, 23/90, Connaught Circus, New Delhi.
39. The English Book Shop, 7-L, Connaught Circus, New Delhi.
40. Rama Krishna & Sons, 16-B, Connaught Place, New Delhi.
41. Lakshmi Book Stores, 42, M.M. Janpath, New Delhi.
42. Kitab Mahal (W.D.) Private Ltd. 28, Faiz Bazar, Delhi.
43. Bahri Brothers, 188, Lajpat Rai Market, Delhi-6.
44. Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi.
45. Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1.
46. People's Publishing House, Ranj Jhansi Road, New Delhi-1.
47. Mehra Brothers, 50-G, Kalkaji, New Delhi-19.
48. Dhanwantra Medical & Law Book House, 1522, Lajpat Rai Market, Delhi-6.
49. The United Book Agency, 48, Amrit Kaur Market, Paharganj, New Delhi.
50. Hind Book House, 2, Jan Path, New Delhi.
51. Bookwell, 4, Sant Narakari Colony, Kingway Camp, Delhi-9.

MANIPUR

52. Shri N. Chaoba Singh, Newspaper Agent, Ramlal Paul High School, Annexe, Imphal, Manipur.

AGENTS IN FOREIGN COUNTRIES

U.K.

53. The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W.C.-2.

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