

PUBLIC ACCOUNTS COMMITTEE
(1971-72)

(FIFTH LOK SABHA)

SIXTEENTH REPORT

[Action taken by Government on the recommendations of the Public Accounts Committee contained in their 102nd Report (Fourth Lok Sabha) on paragraph 112 of Audit Report (Civil) 1969 relating to Central Government Employees Consumer Cooperative Society Ltd., New Delhi (Ministry of Home Affairs)]



सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

July, 1971/Sravana 1893 (Saka)

Price : Rs. 0.90 Paise

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PUBLIC ACCOUNTS COMMITTEE
(1971-72)

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Shri Era Sezhiyan

MEMBERS

2. Shri Bhagwat Jha Azad
3. Shrimati Mukul Banerji
4. Shri C. C. Desai
5. Shri K. G. Deshmukh
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15. Shri Ram Chandra Vikal
16. Shri S. B. Bobdey.
17. Shri B. K. Kaul
18. Shrimati Vidyawati Chaturvedi
19. Shri Jagadish Prasad Mathur
20. Shri Thillai Villalan
21. Shri Shyam Lal Yadav
22. Shri Sheel Bhadra Yajee

SECRETARIAT

Shri B. B. Tewari—*Deputy Secretary.*

Shri T. R. Krishnamachari—*Under Secretary.*

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Sixteenth Report on the Action Taken by Government on the recommendations of the Public Accounts Committee contained in their 102nd Report (Fourth Lok Sabha) on Paragraph 112 of Audit Report (Civil) 1969 relating to Central Government Employees Consumer Co-operative Society Ltd. New Delhi (Ministry of Home Affairs).

2. On the 8th July, 1971, an "Action Taken" Sub-Committee was appointed to scrutinise the replies received from Government in pursuance of the recommendations made by the Committee in their earlier Reports. The Sub-Committee was constituted with the following Members:

- | | | |
|---------------------------------------|---|---------|
| 1. Shri B. S. Murthy— <i>Convener</i> | } | Members |
| 2. Shri Bhagwat Jha Azad | | |
| 3. Shri Ram Sahai Pandey | | |
| 4. Shri C. C. Desai | | |
| 5. Shri Thillai Villalan | | |
| 6. Shri Shyama Lal Yadav | | |

3. The Action Taken Notes furnished by the Government were considered by the Action Taken Sub-Committee of the Public Accounts Committee (1970-71) at their sitting held on 17th November 1970. Consequent on the dissolution of the Lok Sabha on the 27th December, 1970, the Public Accounts Committee ceased to exist from that date. The Action Taken Sub-Committee of the Public Accounts Committee (1971-72) considered and adopted this Report at their sitting held on the 4th August, 1971 based on the suggestions of the Sub-Committee of PAC (1970-71) and further information received from the Ministry of Home Affairs. The Report was finally adopted by the Public Accounts Committee on the 31st August 1971.

4. For facility of reference the main conclusions/recommendations of the Committee have been printed in thick type in the body of the Report. A statement showing the summary of the main re-

(vi)

commendations|observations of the Committee is appended to the Report (Appendix)

5. The Committee place on record their appreciation of the commendable work done by the Convener and the Members of the Action Taken Sub-Committee (1970-71) in considering the Action Taken notes and offering suggestions for this Report which could not be finalised by them because of the sudden dissolution of the Fourth Lok Sabha.

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

NEW DELHI;
August 31, 1971.

Bhadra 9, 1893 (S).

ERA SEZHIYAN,
Chairman,
Public Accounts Committee.

CHAPTER I

REPORT

1.1. This Report of the Committee deals with action taken by Government on the recommendations contained in their 102nd Report (Fourth Lok Sabha) on paragraph 112 of Audit Report (Civil) 1969 relating to Central Government Employees Consumer Co-operative Society Ltd., New Delhi (Ministry of Home Affairs) which was presented to the Lok Sabha on the 27th April, 1970.

Action taken notes have been received in respect of all the 18 recommendations contained in the said Report.

1.2. The Action Taken Notes|statements have been categorised under the following heads:—

- (i) *Recommendations|observations that have been accepted by Government.*
S. Nos. 1, 2, 3, 6, 8, 11, 13 and 14.
- (ii) *Recommendations|observations which the Committee do not desire to pursue in view of the replies of the Government.*
S. Nos. 5, 7, 9, 12, 15 and 18.
- (iii) *Recommendations|observations replies to which have not been accepted by the Committee and which require reiteration.*
S. Nos. 4, 16 and 10.
- (iv) *Recommendations|observations in respect of which Government have furnished interim replies.*
S. No. 17.

1.3. The Committee hope that final reply in regard to the recommendation to which only interim reply has so far been furnished, will be submitted to them expeditiously after getting it vetted by audit.

1.4. The Committee will now deal with the action taken notes on some of the recommendations submitted to them by Government.
Financial Results of the working of the society—(Paragraph 1.19—S. No. 4)

Future of the Society—(Paragraph 1.80—S. No. 16)

1.5. In Paragraphs 1.19 and 1.80 of their 102nd Report (Fourth Lok Sabha), the Committee had dealt with the financial results of the working of the Society and future of the Society. Referring to the financial results of the working of the society the Committee made the following observation in paragraph 1.19 of the Report.

Paragraph 1.19

1.6. "The Committee have serious doubts whether circumstances as it is now, the Society can survive, except on terms which will involve a substantial liability for Government. In view of this position the Committee would like Government seriously to consider whether any worth-while purpose would be achieved by allowing the Society to continue."

1.7. In a note dated 26-10-1970, the Ministry of Home Affairs have stated as follows:—

"The Board of Directors in the meeting held on 17th July, 1969 reviewed the working of the Society and decided to revive (Annexure I) the Board of Administration. One of the senior officers of the Ministry of Finance (Joint Secretary's rank), and Member of the Board of Directors was nominated as the Chairman of the Board of Administration with the directions to keep a close watch on the day-to-day working of the Society. Since the revival of this Board and under the Chairmanship of the officer of the Ministry of Finance, much improvement has been brought about all round. Provisional accounts (Annexure II) for the six months ending December, 1969 show a loss of Rs. 2.58 lakhs, which was reduced to Rs. 1.60 lakhs in the provisional accounts (Annexure III) for the year ending June, 1970, as against the huge losses of about Rs. 25 lakhs suffered by the Society during the last 3 years. From this it would appear that the extent of losses has been considerably brought down. In fact, it can now be claimed that the trend towards losses has been to a large extent arrested. It is not unreasonable to expect that the Society should show profit in 1970-71. Government would, however, like to watch the working of the Society for some more time before arriving at a final decision in the matter."

1.8. Regarding the future of the Society, the Committee recommended in Paragraph 1.80 of the Report as under:—

Paragraph 1.80

"The Committee have earlier in this report drawn attention to the extremely unsatisfactory position of the Society's finances. The Society has depleted its share capital and has been able to subsist only because of large scale assist-

ance provided by Government on very generous terms. The representative of Ministry of Home Affairs admitted during evidence that the Society could "probably" be salvaged if it deals in high margin goods, "but for this, we have no resources to buy and rotate". With its past record, it is a matter for serious doubt whether the Society can be kept going as a viable unit, even after its activities are overhauled. The Committee note that Government themselves share some of the Committee's apprehensions in the matter and that they are taking stock of the position now. The Society has now been gradually shedding its working in rationed commodities to cut its losses and thus given up any pretensions to welfare activities. Moreover, other cooperative organisations like Super Bazar and Apna Bazar have since been established to cater to the residual requirement which the Society is intended to meet. In the circumstances, the Committee would like Government seriously to consider whether any worthwhile objective would be secured by allowing the Society to continue and whether further losses to Government could not be cut by winding up the Society."

1.9. In a note dated 26th October, 1970, the Ministry of Home Affairs have stated as follows:—

"As already stated earlier the position of the Society during 1969-70 has improved considerably after the Board of Administration was revived and major changes in the management personnel made. The half-yearly and annual Accounts (provisional) prepared as on 1st December, 1969 and 30th June, 1970 exhibited net loss of Rs. 2.58 lakhs and Rs. 1.60 lakhs respectively as against Rs. 8.16 lakhs in 1968-69 (unaudited)".

1.10. It is true that the Units selling rationed commodities were a source of loss to the Society. According to the Civil Supplies Department a fair price shop when allotted 500 families could be considered as an economic unit. The fair price shops of the Society that were closed were those that had less than 500 cards each registered with them. The Units were considered as most uneconomic and the Card Holders had the facility of other ration shops in that area.

These were the main considerations which weighed with the Society for closing down the ration units.

1.11. The Society has played its roll in serving the Central Government Employees well. Besides the standard that it maintains for the quality, the prices of the consumer articles that are put on sale are most competitive as will be evident from the current prices of a few popular items given below and it can reasonably be expected that it keeps a general check on the prices in the market:—

PRICES

S. No.	Name of Article	Av Mkt. price	Suprer Bazar price	Society price
		Rs.	Rs.	Rs.
1	Brooke Bond Tea 500 gr.	5·90	5·88	5·85
2.	Horlicks Milk	6·75	6·75	6·65
3.	Amul Baby Food 1 kg.	10·25	10·25	9·98
4.	Colgate Tooth Paste (Eco)	3·75	3·60	3·57
5.	Himalaya Talc. Powder (Family)	4·15	4·20	4·10
6.	Dal Arhur	1·90	1·95	1·70
7.	Rajma Chitra	1·50	1·70	1·25
8.	Dalda 4 kg.	26·80	26·80	26·70
9.	Dal Chana	1·30	1·30	1·20
10.	Rice Basmati (Superior)	2·10	2·20	2·00

The total sale of Rs. 78 lakhs in 1969-70 comprised of the following:—

	Rs. (in lakhs)
(i) Rationed articles	21·40
(ii) Grocery & Wheat	19·96
(iii) Consumer articles	9·02
(iv) Textiles	3·59
(v) Office & Canteen supplies	2·73
(vi) Customs Confiscated Good (Fabrics etc.)	20·86
(vii) Footwear	0·31
(viii) Cycle Parts	0·14

1.12. In scarcity conditions when consumer items go out of the open market the Society serves the vast number of Central Government employees and the Departmental Canteens by supplying goods at reasonable rates. The Society has its branch stores mostly in the

localities where there is concentration of Central Government Employees and where there is no branch of the Super Bazar. The branches at Kidwai Nagar and Laxmibai Nagar which were affected by the presence of Apna Bazar have since been closed.

1.13. Besides the sale of grocery, consumer and other rationed articles the Society serves the cause of the Central Government Employees through the sale of Customs confiscated consumer goods which are released through the Society. During the year 1969-70 the sale of such articles amounted to Rs. 20.86 lakhs. The major portion of these sales was fabrics, such as, shirting, sarees and suitings which are of daily need to the consumer and give a fair margin of profit to the Society.

1.14. In view of the recent improvement in the working of the Society and the cause served by it as stated above, Government would like to watch the performance of the Society for some more time before taking a final decision as to whether or not the Society should be wound up."

1.15. The Committee note that the provisional accounts for the year 1969-70 disclosed that the losses had been reduced to Rs. 1.60 lakhs and that Government would like to watch the performance of the Society for some more time before taking a final decision as to whether or not the Society should be wound up. The Committee, however, desire that Government should come to a decision on the basis of the working results of the Society for the year 1970-71 and keep them informed of it.

During the year 1969-70, a substantial portion of the sales (Rs. 20.86 lakhs) related to the customs confiscated goods. The Committee desire that for the current year (1970-71) the working results showing profit/loss in respect of (i) rationed articles, (ii) other articles, and (iii) Customs confiscated goods should be brought out separately in order to facilitate a correct appreciation of the working of the Society.

Overhead Expenses of the Society—(Paragraph 1.61, S. No. 10)

1.16. Commenting on the overhead expenses of the Society, the Committee had made the following observations in Paragraph 1.61 of their 102nd Report:—

Paragraph 1.61

"The Committee note that very little efforts were made by the management to limit and control the overhead expenses

of the Society. The guidelines laid down by the Department of Cooperation provide for 6 per cent margin on sales to cover over-head expenses of Cooperative Departmental stores, including payroll expenses, rent and other miscellaneous items. However, notwithstanding the management's exhortations for economy and ample rent-free facilities enjoyed by the Society, its over-head expenses increased over the years. The overheads, which constituted 7.12 per cent of the sales in 1963-64, when the Society was started, rose to 12.16 per cent in 1967-68. The Study Team of the Department of Cooperation reported in 1968 that overhead expenses were "quite high" in relation to the gross margin of 2.4 per cent. In a very eloquent description of the state of affairs in this regard they pointed out that the Society had "a large body of staff both in the head office and branches which was grossly under-utilised, inadequately employed.....any..... in fact, had nothing worthwhile to do". The data given in Appendix VI to this report would appear to suggest that the position has not been substantially remedied since. They would like the position in this regard to be reviewed."

1.17. In an action taken note dated 26th October, 1970, the Ministry of Home Affairs have furnished the following reply to the observations of the Committee:—

"Despite inherent difficulties the overhead expenses have been brought down from 14.03 per cent of sales in 1968-69 to 12.34 per cent of sales in 1969-70 in relation to the gross margin of 3.45 per cent in 1968-69 and 6.78 per cent (provisional) in 1969-70.

1.18. The extent of economy effected under some of the important heads is indicated in the table in reply to serial No. 3, paragraph 1.18 of the Report.

1.19. Steps have been taken to reduce the strength of the staff as far as possible. The comparative position of the subordinate staff as at the end of June, 1968, 1969 and 1970 is indicated in the statement at Annexure VI. The total number of subordinate staff was 240 on 30th June, 1970 as against 272 as on 30th June, 1969 and 340 on 30th June, 1968. The percentage of establishment expense to sales which was 9.02 in 1968-69 was brought down to 7.57 in 1969-70. This is in spite of the fact that during 1969-70 additional staff had been em-

ployed for the purpose of writing stock cards and taking up the work of internal audit departmentally, which till 1968-69 was being done by Chartered Accountant on contract basis on payment of Rs. 3,550 per mensem. In spite of the fact that additional work was undertaken, economy in the staff could be effected partly due to the closure of certain stores and partly as a matter of policy.

1.20. It may further be added that the overhead expenses in the case of stores of the Society are likely to exceed the limit prescribed by the Study Team of the Department of Cooperation because of the fact that the stores are housed in residential buildings. The small rooms in the residential quarters in which the stores are at present housed require larger number of persons to attend to the sales.

1.21. The economy in overhead charges which can be effected in a departmental store under one roof cannot be possibly effected in the stores of the Society which are situated at far flung places."

1.22. The Committee have pointed out in paragraph 1.61 of their 102nd Report (Fourth Lok Sabha) that the overhead expenses which constituted 12.16 per cent of sales in 1967-68 were on the high side. They, however, note that the percentage of overhead expenses went up to 14.03 per cent subsequently in 1968-69 which was reduced to only 12.34 per cent in 1969-70. The Committee would like to emphasise that efforts should be made to bring down the overhead expenses even by reduction in staff.

The Committee appreciate Government's contention that norms for overheads prescribed for a departmental store under one roof cannot be automatically applied to the stores of the Society which are situated in residential buildings and at far flung places. The Committee, however, desire that a suitable norm for this Society should be got fixed through an independent work study which could take cognisance of the peculiar features of the working of the Society.

CHAPTER II
RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN
ACCEPTED BY GOVERNMENT

Recommendation

The Committee are not at all happy about the way the affairs of the Central Government Employees Consumer Cooperative Society have been managed. The Society, which was started in 1963-64, has been running at a loss since 1965-66, the cumulative losses upto January, 1968 amounting to over Rs. 11 lakhs. The losses have completely wiped out the Society's share capital amounting to Rs. 8.89 lakhs, which includes Government's contribution of Rs. 4.67 lakhs, and forced the Society to subsist on borrowed funds derived mainly from Government. To keep the Society going, Government have been obliged to give a moratorium on outstanding loans amounting to Rs. 24 lakhs.

[S. No. 1, Para No. of Report 1.16]

Action taken

The Society was set up for supplying food stuff, essential commodities and consumer goods at reasonable prices as a welfare measure to Central Government Employees and Employees of Autonomous Corporations set up by Government of India. It was also intended that as a part of general move the functioning of the Society would help in stabilization of prices.

In the first two years of its functioning, the working was satisfactory. It is true that Society suffered losses during the cooperative years 1965-66 to 1968-69. The position has, however, shown that the trend of incurring losses has been arrested to a great extent. The provisional accounts (Annexure II) for the period of six months ending December, 1969, showed a loss of Rs. 2.58 lakhs which was reduced to Rs. 1.90 lakhs as on 30th March, 1970. This was further reduced to Rs. 1.60 lakhs as exhibited in the provisional accounts (Annexure III) for the year ending June, 1970.

[Cabinet Sectt. (Deptt. of Personnel) O.M. No. 23|12|70-Welfare dated 26-10-1970]

Recommendation

What the Committee find hard to comprehend is that the Society's affairs have come to this pass despite substantial concessions extended to them by Government. Apart from share capital support amounting to more than 50 per cent of the Society's share capital, Government have subsidised the expenditure on the staff of the Society to the tune of Rs. 6.47 lakhs over a period of six years. The loans given to the Society by Government have carried a concessional rate of interest of 4½ per cent against the commercial rate of Rs. 8 per cent while accommodation for the stores, except in respect of 3 out of 22 premises, has been provided at a concessional rate of Rs. 1 per month/quarter.

[S. No. 2, Para No. of Report 1.17.]

Action taken

It is unfortunate that the Society suffered losses due to various causes. The Society had as many as 32 Stores situated at far flung places to serve the members of the Society. It was difficult to get the required number of trained and experienced supervisors to supervise the stores effectively and honestly. Due to inadequacy of proper supervision at various levels the efficiency of the functioning of the Society suffered considerably.

The position is, however, showing improvement as a result of closure of uneconomic stores/ration units, exercising constant watch on the increase of over-head charges, ensuring regularity in carrying out physical verification of stocks, recovering the value of shortages of goods from staff and arranging for quick disposal of damaged goods.

[Cabinet Sectt. (Deptt. of Personnel) O.M. No. 23|12|70-Welfare dated 26-10-1970]

Recommendation

The Committee cannot resist the conclusion that the affairs of the Society were grossly mis-managed in spite of their being three layers of high level executive authority i.e. the Board of Directors,

the Board of Administration and the Managing Director. The findings in the later sections of this report will show that branches were opened by the Society at random in various places with very little effort by the management either to keep tab of their functioning or organise their sales operations on sound and business like lines. Margins available in various trading activities were wiped out by bad 'house-keeping'. Purchases of stores were made most haphazardly and, in the absence of a proper system of inventory control, there was heavy accumulation of unsaleable stocks. The situation was aggravated by "large scale pilferages" by employees, which the management were unable to control. The society also had to bear the burden of "a large body of staff" and who were "grossly underutilised in adequately employed and...in fact had nothing worth-while to do.

[S. No. 3, Para No. of Report 1.18]

Action taken

There is no denying the fact that the affairs of the Society were not satisfactory. In their concern to bring about improvement, the Board of Directors invited the Study Teams from Central Secretariat Training School, Accountant General Central Revenues and Department of Cooperation for conducting detailed study of the working of the Society and suggesting steps to be taken for improvement of the working of the Society. The Board appointed a committee of Joint Secretaries to examine the recommendations.

Due to effective steps taken by the Board of Directors the position of the Society is showing improvement. Some of the important steps taken in this direction are indicated below:—

1. *Rationalisation of Purchases*:—The purchases have been rationalised to avoid accumulation of stocks and institutionalized as far as possible and as frequently as possible. The requirements of the selling units, their stock position as well as that of Godown is ascertained before the quantum of purchases is determined and the purchases made. Besides the purchases which are made from the whole-salers, manufacturers, etc. steps have been taken wherever possible to obtain the requirements of the stores from the institutions like N.C.C.F., the Food Corporation of India and Delhi Milk Scheme.

2. *Measures taken to check pilferage of goods*:—The following steps have been taken to check pilferage and malpractices in the stores:—

- (i) Besides the itemwise or quantity account maintained at each Store "Liability Registers" in the nature of the value Control accounts have been started at the Head Office with effect from January, 1970. The position of stocks and Stores entrusted to the Incharge of the Store can, thus, be readily ascertained in order to help in detection of serious discrepancies.
- (ii) Parties have been formed to test check the Stock Cards and Sales Summaries maintained at the Stores.
- (iii) Physical Verification of Stocks at Stores is conducted frequently and complete verification is done quarterly.
- (iv) Responsibility for abnormal shortages is fixed promptly and action for the recoveries is taken.

3. Clearance of old stocks:—Old Stocks of Textiles of pre 1967 period of the value of about Ra. 96,000 (selling price) were sold for about Ra. 79,500 upto 31st March, 1970 by holding clearance sales and allowing a rebate of 15 to 20 per cent old and damaged goods of the Grocery Department of the value of Ra. 33,000 (selling price) were disposed of, after inviting tenders for Ra. 65,000. Old Stocks of Footwear worth Ra. 15,000 have been sold by allowing a rebate of 25 per cent by holding clearance sale in order to save them from further deterioration.

4. Closure of uneconomic Stores:—The following uneconomic Stores/units have been closed:—

Store	Date of Closure
1. Tikak Nagar (Complete)	9-10-69
2. Mall Road (Ration)	9-10-69
3. R. K. Furam West (Ration)	9-10-69
4. "A" Block (Ration)	8-10-69
5. Netaji Nagar (Textiles)	10-12-69
6. Nataroji Nagar (Ration & Textiles)	31-12-69
7. Laxmi Bai Nagar (Complete)	31-12-69
8. Kasturba Nagar (Ration)	1-1-70
9. Dev Nagar (Ration)	25-12-69

5. Reduction of Overheads:—Efforts have been made to reduce the overheads by exercising economy in various items. The following table will show the extent of reduction and the extent of reduction.

S. No.	Head of Account	Total expenditure for 1968-69	Expenses for years ending 30-6-70 (provisional)	Difference
		Rs.	Rs.	Rs.
1.	Pay and Allowances of Superior Staff (except Travelling allowances)	38,078	74,944	13,154
2.	Travelling Allowance	13,583	8,500	5,083
3.	Pay and Allowances of Subordinate Staff	4,96,092	4,26,000	70,092
4.	Daily Wages	32,504	6,270	26,234
5.	Administrative Charges & C. P. Fund	44,292	35,416	8,876
6.	Rent and Rates	17,142	11,224	5,918
7.	General & Miscellaneous expenses	34,142	19,465	14,677
8.	Repairs & Maintenance of Vehicles	52,954	45,797	7,157
9.	Remuneration to Internal Auditors	7,200		7,200
10.	Electricity and Water Charges	11,594	7,340	4,254
11.	Conveyance Charges	4,405	2,070	2,335
12.	Bonus	23,000	18,300	4,700

[Cabinet Sectt. (Deptt. of Personnel) O.M. No. 23/12/70—Welfare dated 26-10-70]

Recommendation

The Committee cannot help feeling that the sales operations of the Society were organised without regard to sound business techniques. About 75 per cent of the Society's sales were in 'Low-Margin' goods like Groceries and Rationed commodities, which could hardly have been expected to keep the Society going as a viable unit. Even departments capable of yielding higher margins like textiles, footwear etc., ran into losses. The data given at page 9 of this report would indicate there was a progressive deterioration in the performance of these departments from 1964-65 onwards. The inference, therefore, has to be that these departments were organised and run in complete ignorance of demand conditions and consumer preferences. Later in this report, the Committee have referred to the glut in the Textile Departments which at one stage accumulated goods worth Rs. 10 lakhs. The report of the Study Team of the Department of Cooperation which examined the working of the Society gives other instance of 'heavy stocks' and 'slow moving items' in departments like footwear and crockery. All this could

not have ~~occurred~~ had these departments been organised to cater to consumer's requirements.

One other point brought out in the report of the Study Team deserves mention. The Study Team reported that 'no price fixation register is being maintained to ensure that all components of cost are taken into account while fixing the selling price'. In its absence, the Society was hardly in a position to assess the impact of its sales policy on its finances.

[S. No. 6, Para No. of Report 137]

Action taken

It is true that detailed study and analysis of requirements of consumers from time to time was not carried out on a very systematic basis which could have provided data for sound judgment regarding the purchase policy of stores.

As stated earlier, steps have already been taken to make purchases on realistic basis, that is, with reference to the demand for the articles, the stocks in the stores and the market conditions. This has resulted in increase in the sales. From the provisional accounts (Annexure III) of the Society, for the year ending 30th June, 1970, it is observed that the percentage of sales of Grocery and rationed items to the total sales was 53.35 and the sale of textile goods and the footwear was much more than the purchases during the same period thereby reducing the stocks of these departments from Rs. 6.46 lakhs and Rs. 00.81 lakhs as on 1st July, 1969 to Rs. 4.79 lakhs and Rs. 00.59 lakhs as on 30th June, 1970, respectively.

As recommended by the Study Team of the Department of Co-operation, steps have been taken to ensure that all components of cost are taken into account while fixing the selling price. This is being done by maintaining a record of all components of costs on each file dealing with the fixation of the selling price. The price fixation register is now being maintained.

[Cabinet Sectt. (Deptt. of Personnel) O.M. No. 23/12/70—Welfare dated 26-10-1970]

Conclusion

How slowly the stocks moved would be evident from the data given at page 13 and 14 of this report. In the Textile department, the turnover of stocks ranged from 0.64 to 2.72 against the norm of 3 ~~mentioned~~ as the guideline for cooperative ~~departmental~~ stores.

In grains and pulses, it varied from 29.28 to 34.77 against the norm of 70, while in groceries, the highest turnover achieved was 7.43 against the norm of 20. In respect of all the major departments, the average turnover of stocks in fact deteriorated progressively from 1965-66. The representative of the Ministry of Home Affairs admitted during the evidence that "there was really no proper effective system of finding out what was required and to what extent purchases should be made."

[S. No. 8, Para No. of Report 1.54]

Action taken

The purchases have since been rationalised to avoid accumulation of stocks and institutionalised as far as possible. The requirements of the selling units are ascertained as often as possible, but at least once a month, the stock position of these units as well as that of the Main Godowns is ascertained before the purchases are made. Efforts are also being made to concentrate on the purchases of fast moving items so as to facilitate expeditious sale. Confiscated Goods have been procured from New Customs and Excise Centres. The arrival of fast moving items made it possible to clear a large number of slow moving items alongwith them.

Provisional accounts of the Society as on 30th June, 1970, were prepared which reveal considerable improvement over the previous years. The percentage of gross profit to sales for the years 1967-68, 1968-69 and 1969-70 (Provisional) works out to 2.14, 3.45 and 5.78 respectively.

[Cabinet Sectt. (Deptt. of Personnel) O.M. No. 23/12/70-Welfare dated 26-10-1970]

Recommendation of the Committee

The Committee are distressed to learn that there were "large scale pilferages from the stores" since 1964-65. Deterrent action could not be taken, because, as admitted by the representatives of the Ministry of Home Affairs, the system of Stores accounting made it possible for the delinquents "to evade responsibility". The data given in this and earlier sections of the report would indicate that the management apparently experimented with different systems of accounting from 1964 onwards, till in January, 1969, they decided that "better control" could be achieved by instituting a system of maintaining stock cards in each stores.

[S. No. 11, Para No. of Report 1.55]

Action taken

Apart from the fact that the cases of serious nature have been registered with the Police for further necessary action, the following remedial measures have been taken to check pilferage and malpractices in the stores:—

- (i) Besides the itemwise or quantity account being maintained at each store, "Liability registers" in the nature of the value control accounts have been started at the Head Office with effect from January, 1970. The position of stock and stores entrusted to the Incharge of the Stores can thus be readily ascertained in order to help in detection of serious discrepancies etc.
- (ii) Parties have been formed to test check the stock cards and sale summaries maintained at the stores.
- (iii) Physical verification of stocks at Stores is conducted frequently, and complete verification is done quarterly.

With the above measures the extent of pilferages has been reduced considerably as will be evident from the statement at Annexure IV.

[Cabinet Sectt. (Deptt. of Personnel) O.M. No. 23/12/70-Welfare dated 26-10-1970]

Recommendation

There was also apparently some slackness on the part of the Society in taking insurance cover against pilferages by employees and enforcing claims which arose on the policies. In one case where a Purchase Officer was held responsible for a shortage of Rs. 14,500, the policy taken from the employee could not be enforced as it was "not taken in time", while in a number of other cases involving claims aggregating Rs. 1.14 lakhs, filled with an Insurance Company between July, 1965 and November, 1968 "the matter is still under correspondence". Such extensive pilfering by the employees over the years not only highlights laxity of control by the management but also points to their failure in their primary duty to recruit proper personnel after verifying their character and antecedents.

[S. No. 13, Para No. of Report 1.68]

Action taken

It is a fact that the insurance policy referred to in the Department was not taken in time and therefore the policy could not be enforced. However, the steps have since been taken to ensure that the risk is covered well in time in all such cases.

All the cases involving losses due to pilferages are still being pursued vigorously with the Insurance Company. As regards appointment of suitable staff, it may be stated that the pay scales of the Society being very unattractive, it is difficult to draw suitable candidates on these scales. It may, further be added that experience has shown that during the given period, the number of employees leaving the Society is more than those coming in. Efforts are still being made to obtain the services of some qualified persons on deputation and the position is now improving. Action has also been taken to verify character, antecedents of those who are already in the employment of the Society and those who are being recruited now. Further in the case of fresh recruitment, references from two responsible persons are also obtained from each candidate. Fidelity insurance in respect of employees concerned with sales and cash is already taken.

[Cabinet Sectt. (Deptt of Personnel) O.M. No. 23/12/70-Welfare dated 26-10-1970]

Recommendation

Two instances mentioned in this section of the report bear testimony to the quality of supervision exercised over the working of the Society. The Society was fined twice in 1966-67 for using sub-standard weights, while certain samples of atts taken from two stores in the same year were found on testing by municipal authorities to be adulterated. Subsequently investigation into these cases no doubt threw up extenuating circumstances, but the fact remains that there was lack of vigilant supervision on the floor and at the departmental level.

[S. No. 14, Para No. of Report I.74]

Action taken

The fine paid by the Society for using sub-standard weights by the Store Incharges was recovered from the Incharges concerned.

In order to ensure accuracy of weights and measures and scales, a contract for periodical check-up by an expert firm has been given. Test checks are also undertaken by departmental staff. The supervision and vigilance has been tightened up by frequent visits of senior staff members.

The purchases are being made from reputable firms with a view to avoiding chances of adulteration.

[Cabinet Sectt. (Deptt. of Personnel) O.M. No. 23|12|70-Welfare
dated 28-10-1970]

CHAPTER III

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

Recommendation

A major reason for the losses sustained by the Society was the fact that none of its branches was able to achieve the prescribed norm for sales. This situation arose because, as pointed out by a Study Team, which examined the working of the Society, retail stores were opened by the Society "without consideration whether they could function as viable and efficient units." It is regrettable that the management of the Society opened branches without carrying out any market surveys or assessing the demand in the locality of their proposed operations. Nor did the management show sufficient alertness after it came to their notice in April, 1966 that as many as 15 out of 32 stores of the Society were "uneconomical". It took over ten months for them there-after February, 1967—to decide that "a thorough study" of the situation should be made and another year to two—January to November, 1968—to close down 11 of the uneconomical stores.

It thus appears that the Board of Directors neither set up standards of performance for the management nor reviewed their working periodically so as to guide them or take corrective action

[S. No. 5 Para No. of Report 1.28]

Action taken

The standard of performance referred to in the Report appears to have been fixed for stores started for purely commercial reasons.

The branches of the stores of the cooperative Society were opened as a welfare measure mainly on the consistent pressure from the Welfare Associations of Central Government Employees for providing amenities to members of the Society living in different areas. In view of this, economic consideration based on estimated profit or loss could not have received weightage.

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[Cabinet Sectt. (Deptt. of Personnel) O.M. No. 23/12/70-Welfare
dated 26-10-1970]

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The Board of Directors, however, took stock of the situation from time to time of individual stores, and in April, 1966, decided that the stores will sale proceeds of less than Rs. 10,000 per month could be considered to be uneconomical. It was also decided to close some of the stores on this basis and allow continuation of others, depending on the extent of welfare purpose served by them.

In the years 1968 and 1969, as a result of periodical review of the performance of stores, their location and extent of welfare purpose served, the Board decided to close a few more stores.

It will thus be seen that action of reviewing performance of branches/stores was taken by the Board of Directors.

[Cabinet Sectt. (Deptt. of Personnel) O.M. No. 23/12 70—Welfare dated 26-10-70.]

Recommendation

From the information given to the Committee, they get a very depressing picture of the purchase and stores operations of the Society. An inspecting Audit Team found in 1968 that, during the period 1963 to 1967, "large quantities" of grocery, which constituted the bulk of the Society's trading activities, were purchased at rates "higher than the market rates" and sometimes they were purchased from outside Delhi when they were available locally at lower rates. The Team also drew attention to "the lack of purchase planning", the non-existence of purchase order books and the absence of any independent check on the purchase transactions of the Society. The Study Team of the Department of Cooperation pointed out in 1968 that there was "no scientific or rational system of inventory control in the Society". Goods purchased were not of standard quality and "there was no proper assortment of varieties which could provide good selection". There were "floor and ceiling limits" for stocks with the result that purchases were made haphazardly, without relation to any sales targets. "The haphazard purchases", they added, have resulted in shortages of some goods and over-stocking of some others. The Team specifically drew attention to heavy stocks in textiles (Rs. 10/- lakhs), confiscated goods (Rs. 1. 13 lakhs) and footwear (Rs. 1. lakh). The overall situation that now faces the Society is that "about 60 per cent of the stocks will have to be disposed by clearance sale". This is bound to entail substantial losses.

[S. No. 7 Para No. of Report 1.33.]

Action taken

The Society has been making purchases keeping in view the demand and also the expected expansion in the early years. As is well known, there are various varieties in pulses/spices. The rates are also variable depending upon the variety and the quality etc. As a Co-operative venture, it could ill afford to stake its reputation by purchasing sub-standard goods. It has always been its policy to go in for the best quality of pulses/spices. It is pertinent to mention here that the rates prevailing in the producing centres will always be less than the rates prevailing in Delhi. That is why pulses were purchased direct from the producing centres. The rates which appear in Press reports are neither accurate nor stable and as such they cannot be relied upon for the purpose of comparison. It has further been gathered from past experience and prevailing practice that there are wide variations in the rates published in Press and that of local market. The press information is always silent about the details of varieties and qualities. Incidentally, it may be mentioned here that the rates shown in News Papers do not include local taxes, commission and charity etc.

As regards the Stocks in the textile department it may be stated that the same were built up slowly since 1963-64. The reasons for this build up are given below:—

- (i) According to the instructions issued by the Textile Commissioner from time to time beginning from July, 1963, the Textile Mills were expected to earmark 10 per cent of their production for supply to Consumer Cooperative at Ex-Mill rates. The Supplies constituted a cross-section of their products, which implies 'Superfine', 'fine', 'medium' and 'Coarse varieties'. While purchases by the Society were planned according to seasonal requirements, stock position, new varieties produced etc., some of the items did not sell as fast as the others.
- (ii) Some varieties or colours obtained from the Mills become out-dated by later varieties and remain unsold.
- (iii) The sales at some of the Branch Stores had not come upto expectations. Though stocks have been moved from store to store on occasions, even the balance left over proved slow in sales.

The Board of Directors, however, took stock of the situation from time to time of individual stores, and in April, 1966, decided that the stores will sale proceeds of less than Rs. 10,000 per month could be considered to be uneconomical. It was also decided to close some of the stores on this basis and allow continuation of others, depending on the extent of welfare purpose served by them.

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- (ii) Some varieties or colours obtained from the Mills become out-dated by later varieties and remain unsold.
- (iii) The sales at some of the Branch Stores had not come upto expectations. Though stocks have been moved from store to store on occasions, even the balance left over proved slow in sales.

- (iv) Bulk purchase from Mills has its own advantages. If the Society was to purchase only goods which have a ready market and consequently shorter life, it would not be possible to purchase goods at cheaper rates.

By organising Clearance Sale and purchasing current designs and varieties of urgent needs in textile it has been possible to clear old stocks. This is borne out by the fact that during the year ending June, 1970, the purchases made were of the value of Rs. 2.27 lakhs whereas the sales during the same period were of the order of Rs. 3.76 lakhs in spite of the fact that 3 textile selling units were closed.

In organising clearance sale due care was taken to fix discount to be given at a level which attracted customers in large numbers in a short period and at the same time keep the losses at the minimum level.

[Cabinet Sectt. (Deptt. of Personnel) O.M. No. 23/12/70—Welfare dated 26-10-70]

Recommendation

An aggravating factor in the situation was the absence of any intelligible system of stores accounts. The information furnished to the Committee would indicate that these were in a chaotic state. Even after the work was entrusted to a firm of Chartered Accountants with effect from July, 1967, on a remuneration of Rs. 2,750/- per month, the position did not materially improve due to lack of cooperation from the employees and the Society had at no time upto date information about book and ground balances of stock. In the absence of cooperation from the employees the services of the Chartered Accountants had to be dispensed with in the end. Any physical verification that the Society conducted could not, in the absence of up-to-date stock registers have been anything but perfunctory, but even these perfunctory stock takings threw up 'net' shortages amounting to Rs. 79,700 in 1963-64, Rs. 71,800 in 1964-65 and Rs. 1.59 lakhs in 1965-66. The Committee note from the information given to them during evidence that while "responsibility has been fixed in a large number of cases", the process is yet continuing. They would like to know the final outcome in due course.

[S. No. 9 Para No. of Report 1.55]

Action taken

The Board of Directors in its meeting held on 25-10-1965 decided that losses and deficiencies (not due to theft, fraud or negligence) upto 1 per cent for groceries, consumer items (including confiscated items) and Cycle parts, $\frac{1}{2}$ per cent for textiles should be considered normal for write off. From the available records the shortages in respect of stores relating to the year 1963-64 were upto the permissible limit. No recovery has been made in respect of the shortages for 1963-64. As regards the shortages for 1964-65 and 1965-66 responsibility has been fixed in all the cases. The latest position of recoveries is indicated below:—

Year of recoveries	Shortages pertaining to	
	1964-65	1965-66
1967-68	1804	6000
1968-69	4572	8416
1969-70	1098	3821

It may, however, be mentioned that the recoveries are effected after keeping in view the monthly emoluments drawn by the staff. Keeping in view the low pay scales of the staff it is not possible for the management to go beyond a certain percentage of their monthly pay.

[Cabinet Sectt. (Deptt. of Personnel) O.M. No. 23|12|70—Welfare dated 26-10-70]

Recommendation

Even cases of thefts and pilferages reported to the police were also not followed up by maintaining active liaison with the Police. Otherwise, it is difficult to explain why only 1 out of 13 cases reported between 1966/1968 ended on conviction.

[S. No. 12 Para No. of Report 1.67]

Action taken

The cases were pursued. 11 out of 13 cases were filed by the police, either because the accused were not traceable or because a

cognizable offence could not be made out. Number of cases pertaining to each category are given below:—

(a) Number of cases in which the accused were not traceable
.....8

(b) Number of cases in which cognizable offence could not be made out.....8

The matter in respect of the cases mentioned at (b) above was not pursued by filing complaints in Court because the legal advice was not in favour of this.

In one case the accused is still under trial while in another the accused has been convicted.

[Cabinet Sectt. (Deptt. of Personnel) O.M. No. 23/12/70—Welfare dated 28-10-70]

Recommendation

The Committee cannot help feeling that the Society was saddled with a top heavy administration, with very little supervision at the ground level. The resulting situation was one of apoplexy at the Centre and anaemia at the extremities. The Society had as many as three layers of executive authorities at the top, with a Board of Directors, a Board of Administration and a Managing Director. Both the Study Team as well as an ILO expert, who was called in to advise Government on the Organisation of Cooperative Departmental Stores, had called attention to the harmful consequences of this system of "Management by Committees". The situation, however, still remains to be remedied as far as this Society is concerned. How ineffective the management were would be evident from the admission before the Committee by the representative of the Ministry of Home Affairs that supervision was "exceedingly difficult", "not adequate" and did not succeed in imbuing a large number of people "with the kind of feeling of identification with the undertaking which a private trade has".

[S. No. 15 Para No. of Report 1.75].

Action taken

The day to day working of the Society is being looked after by the Board of Administration which was abolished in August, 1968 but was revived (Annexure I) in July, 1969. Since its revival the Board of Administration has held 19 meetings till 30.6.70, wherein the position of the working of the Society was constantly and closely reviewed. The post of the Managing Director was abolished with

effect from August, 1968. The General Manager of the Society who was appointed on 7.8.66 from the market was relieved of his duties with effect from 7.8.69 and the then Chief Accounts Officer of the Society was asked to work as General Manager in addition to his own duties with effect from the said date. As the Board of Administration as also the Board of Directors found that the position of the Society was improving, they approved the above mentioned arrangement to continue for another year.

As regards the staff at lower level, it may be stated that the services of some qualified and experienced persons have been taken on deputation for the supervisory posts from Commercial Audit Department and for the post of Personnel Officer from the Ministry of Home Affairs and efforts are being made to take a few more for Administration purchase and store departments for some time to bring the situation under proper control.

With the object of creating a feeling of identification and a sense of participation in the sales staff an incentive scheme was introduced in July 1970 whereby with the increase in sales beyond the norms the sales staff got a percentage increase in their pay.

[Cabinet Sectt. (Deptt. of Personnel) O.M. No. 23|12|70—Welfare dated 26-10-70]

Recommendation

The working of the Society should also serve as an object lesson to Government for the future. Co-operative departmental societies can succeed only if they are organised and run on business principles and follow principles of commercial management. If any overall supervision over the societies at Governmental level is called for such supervision should appropriately be entrusted to the Department which possesses the requisite expertise, i.e. the Department of Co-operation. In organising and running these societies, the following points need to be borne in mind:—

- (a) They should not proliferate into a number of branches organised as "one stop shopping facilities for the whole range of consumer goods.
- (b) A judicious selection should be made of items to be sold with emphasis on high margin goods.
- (c) Close and constant watch should be kept on overheads which, if unchecked, could erode into available margins which are already low.

- (d) ~~Maximum and minimum levels of stocks should be prescribed in order to prevent over or under buying.~~
- (e) There should be properly organised system of purchases, based on reliable commercial intelligence and adequate expertise, a check on incoming material as regards quantity and quality and a prompt and effective system of stores accounting to keep a watch on inventories.
- (f) There should be a system of concurrent accounting and effective internal audit for detection as well as deterrence of mistakes and frauds.
- (g) A well defined budget should be prepared for setting up standards of performance.
- (h) There should be experienced and alert management with a clear chart of responsibilities, who would be capable of inspiring confidence and enthusiasm and ensuring effective supervision at the floor and departmental level. This requires that management should be entrusted to men of integrity and proved experience in the line.

[S. No. 18 Para No. of Report 1.82]

Action taken

The society was set up for supplying food stuff, essential commodities and consumer goods at reasonable prices as a welfare measure to Central Government Employees and Employees of Autonomous Corporations set up by the Government of India. It was also intended that as a part of general move the functioning of the Society would help in stabilization of prices. The welfare aspect in starting and running stores received due emphasis over the commercial consideration.

It may be mentioned that the Society availed of the benefit of expertise available with the Department of Co-operation. A study Team from the Department of Cooperation was invited to study the working of the Society in all aspects and suggest steps to be taken for improvement. The recommendations of the Study Team were given due consideration. The Society has also received advise from the Chief Director of Department of Cooperation in his capacity as a Member of the Board of Directors and Board of Administration.

In view of the progressive steps taken to streamline the working of the Society, it is considered desirable to maintain status quo. The expertise of the Department of Cooperation will be continuously availed of in the functioning of the Society.

The points which have been mentioned in the Report are borne in mind and action taken in this regard is indicated below:—

- (a) Uneconomic branches have been closed down and the working of each branch will be constantly reviewed. Efforts will also be made to reduce the number of items dealt with at each store by judicious selection.
- (b) High margin goods are not lost sight of. Efforts have been made to procure confiscated goods from New Centres. Negotiations have been made with other centres also and it is expected that the Society will now get high margin goods in considerably larger quantities.
- (c) Close and constant watch is kept over ~~expenses~~ as a result of which overhead expenses which were 12.27 per cent of sales in 1967-68, 14.03 per cent in 1968-69 were brought down to 12.34 per cent in 1969-70. On the other hand, the gross margin has increased from 2.14 per cent in 1967-68, 3.45 per cent in 1968-69 and 6.78 per cent in 1969-70.
- (d) The requirement of our stores of each commodity is assessed in advance, and stock position in the Godown is ascertained before making purchases and the over-stocking is avoided as far as possible. Purchases are made on the basis of monthly requirements excepting 'textiles' where seasonal requirements are taken into account and 'confiscated' goods are purchased whenever and as much as available.
- (e) The purchases are made after proper survey of the market and with the introduction of stock-cards at each Godown and Store, a prompt and effective system of store accounting as come in ~~operation~~.
- (f) Departmental internal audit has been started with effect from 1st July, 1969 (as the system of getting it done on contract basis did not prove useful) with a few depu-

tionists from Commercial Audit department as supervisors. There is a regular system of internal audit and irregularities are detected and set right promptly. A few qualified and experienced persons have been taken on Accounts side on deputation. The maintenance of accounts is now satisfactory and upto date.

- (g) The preparation of budget and forecasts has not so far been taken up for want of suitable staff. We are making efforts to obtain the services of certain Government employees on deputation and as soon as the suitable staff is available this work will also be taken up.
- (h) As already stated earlier with the revival of Board of Administration with effect from July, 1969 and change in the management personnel, the position of the Society has improved considerably.

[Cabinet Sectt. (Deptt. of Personnel) O.M. No. 23/12/70—Welfare dated 26-10-70.]

CHAPTER IV

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

Recommendation

The Committee have serious doubts whether circumstances as it is now, the Society can survive, except on terms which will involve a substantial liability for Government. In view of this position the Committee would like Government seriously to consider whether any worthwhile purpose would be achieved by allowing the Society to continue.

[S. No. 4 Para No. 1.19 of Report]

Action Taken

The Board of Directors in the meeting held on 17th July 1969 reviewed the working of the Society and decided to revive (Annexure I) the Board of Administration. One of the senior officers of the Ministry of Finance (Joint Secretary's rank), and Member of the Board of Directors was nominated as the Chairman of the Board of Administration with the directions to keep a close watch on the day to day working of the Society. Since the revival of this Board and under the Chairmanship of the officer of the Ministry of Finance, much improvement has been brought about all round. Provisional accounts (Annexure II) for the six months ending December, 1969 show a loss of Rs. 2.58 lakhs, which was reduced to Rs. 1. 60 lakhs in the provisional account (Annexure III) for the year ending June, 1970, as against the huge losses of about Rs. 25 lakhs suffered by the Society during the last 3 years. From this it would appear that the extent of losses has been considerably brought down. In fact, it can now be claimed that the trend towards losses has been to a large extent arrested. It is not unreasonable to expect that the Society should show profit in 1970-71. Government would, however, like to watch the working of the Society for some more time before arriving at a final decisions in the matter.

[Cabinet Sectt. (Deptt. of Personnel) O.M. No. 23|12|70—Welfare
dated 26-10-70.]

Recommendation

The Committee have earlier in this report drawn attention to the extremely unsatisfactory position of the Society's finances. The Society has depleted its share capital and has been able to subsist only because of large scale assistance provided by Government on very generous terms. The representative of Ministry of Home Affairs admitted during evidence that the Society could "probably" be salvaged if it deals in high margin goods, "but for this, we have no resources to buy and rotate". With its past record, it is a matter for serious doubt whether the Society can be kept going as a viable unit, even after its activities are overhauled. The Committee note that Government themselves share some of the Committee's apprehensions in the matter and that they are taking stock of the position now. The Society has now been gradually shedding its working in rationed commodities to cut its losses and thus given up any pretensions to welfare activities. Moreover, other cooperative organisations like Super Bazar and Apna Bazar have since been established to cater to the residual requirement which the Society is intended to meet. In the circumstances, the Committee would like Government seriously to consider whether any worthwhile objective would be secured by allowing the Society to continue and whether further losses to Government could not be cut by winding up the Society.

[S. No. 16 Para No. 1.80 of Report]

Action Taken

As already stated earlier the position of the Society during 1969-70 has improved considerably after the Board of Administration was revived and major changes in the management personnel made. The half yearly and annual Accounts (provisional) prepared as on 31-12-69 and 30-6-70 exhibited net loss of Rs. 2.58 lakhs and Rs. 1.60 lakhs respectively as against Rs. 8.16 lakhs in 1968-69 (unaudited).

It is true that the Units selling rationed commodities were a source of loss to the Society. According to the Civil Supplies Department a fair price shop when allotted 500 families could be considered as an economic unit. The fair price shops of the Society that were closed were those that had less than 500 cards each registered with them. The Units were considered as most uneconomic and the Card Holders had the facility of other ration shops in that area. These were the main considerations which weighed with the Society for closing down the ration units.

The Society has played its roll in serving the Central Government Employees well. Besides the standard that it maintains for the quality, the prices of the consumer articles that are put on sale are most competitive as will be evident from the current prices of a few popular items given below and it can reasonably be expected that it keeps a general check on the prices in the market:—

PRICES

S. No.	Name of article	Av.Mkt price	Super Bazar Price	Society Price
		Rs.	Rs.	Rs.
1.	Brooke Bond Tea 500 gr.	5.90	5.88	5.85
2.	Horlicks Milk	6.75	6.75	6.65
3.	Amul Baby Food 1 c g.	10.25	10.15	9.98
4.	Colgate Tooth Paste (Eco.)	3.75	3.60	3.57
5.	Himalaya Talc. Powder (Family)	4.15	4.20	4.10
6.	Dal Arthur	1.90	1.95	1.70
7.	Rajma Chitra	1.50	1.70	1.25
8.	Dal Chana	1.30	1.30	1.20
9.	Dalida 4 Kg.	26.80	26.80	26.70
10.	Rice Basmati (Superior)	2.20	2.20	2.00

The total sale of Rs. 78 lakhs in 1969-70 comprised of the following:—

	Rs. (in lakhs)
(i) Rationed articles	21.40
(ii) Grocery & Wheat	19.96
(iii) Consumer articles	9.02
(iv) Textiles	3.59
(v) Office & Canteen supplies	2.73
(vi) Customs Confiscated Goods (Fabrics etc.)	20.86
(vii) Footwear:	0.31
(viii) Cycle Parts	0.14

In scarcity conditions when consumer items go out of the open market the Society serves the vast number of Central Government employees and the Departmental Canteens by supplying goods at reasonable rates. The Society has its branch stores mostly in the localities where there is concentration of Central Government Employees and where there is no branch of the Super Bazar. The

branches at Kidwai Nagar and Laxmibai Nagar which were affected by the presence of Apna Bazar have since been closed.

Besides the sale of grocery, consumer and other rationed articles the Society serves the cause of the Central Government Employees through the sale of Customs confiscated consumer goods which are released through the Society. During the year 1969-70 the sale of such articles amounted to Rs. 20.88 lakhs. The major portion of these sales was of fabrics, such as, shirting, sarees and suiting which are of daily need to the consumer and give a fair margin of profit to the Society.

In view of the recent improvement in the working of the Society and the cause served by it as stated above, Government would like to watch the performance of the Society for some more time before taking a final decision as to whether or not the Society should be wound up.

[Cabinet Sectt. (Deptt. of Personnel) O.M. No. 23|12|70—Welfare dated 26-10-70].

Recommendation

The Committee note that very little efforts were made by the management to limit and control the overhead expenses of the Society. The guidelines laid down by the Department of Cooperation provide for 6 per cent margin on sales to cover over-head expenses of Cooperative Departmental stores, including pay-roll expenses, rent and other miscellaneous items. However, notwithstanding the management's exhortations for economy and ample rent-free facilities enjoyed by the Society, its over-head expenses increased over the years. The overheads, which constituted 7.12 percent of the sales in 1963-64, when the Society was started, rose to 12.16 per cent in 1967-68. The Study Team of the Department of Cooperation reported in 1968 that overhead expenses were "quite high" in relation to the gross margin of 2.4 per cent. In a very eloquent description of the state of affairs in this regard they pointed out that the Society had "a large body of staff both in the head office and branches which was grossly under-utilised, inadequately employed.....any.....in fact, had nothing worth-while to do". The date given in Appendix-V to this report would appear to suggest that the position has not been substantially remedied since. They would like the position in this regard to be reviewed.

[S. No. 10 Para No. of Report 1.61].

Action Taken

Despite inherent difficulties the overhead expenses have been brought down from 14.03 per cent of sales in 1968-69 to 12.34 per cent of sales in 1969-70 in relation to the gross margin of 3.45 per cent in 1968-69 and 6.78 per cent (provisional) in 1969-70.

The extent of economy effected under some of the important heads is indicated in the table in reply to serial No. 3, para 1.18 of the Report.

Steps have been taken to reduce the strength of the staff as far as possible. The comparative position of the subordinate staff as at the end of June, 1968, 1969 and 1970 is indicated in the statement at Annexure VI. The total number of subordinate staff was 240 on 30.6.70 as against 272 as on 30.6.69 and 340 on 30.6.68. The percentage of establishment expense to sales which was 9.02 in 1968-69 was brought down to 7.57 in 1969-70. This is in spite of the fact that during 1969-70 additional staff had been employed for the purpose of writing stock cards and taking up the work of internal audit departmentally, which till 1968-69 was being done by Chartered Accountants on contract basis on payment of Rs. 3,550 per mensem. In spite of the fact that additional work was undertaken, economy in the staff could be effected partly due to the closure of certain stores and partly as a matter of policy.

It may further be added that the overhead expenses in the case of stores of the Society are likely to exceed the limit prescribed by the Study Team of the Deptt. of Cooperation because of the fact that the stores are housed in residential buildings. The small rooms in the residential quarters in which the stores are at present housed require larger number of persons to attend to the sales.

The economy in overhead charges which can be effected in a departmental stores under one roof cannot be possibly effected in the stores of the Society which are situated at far flung places.

[Cabinet Sectt. (Deptt. of Personnel) O.M. No. 23/12/70—Welfare dated 26-10-70].

CHAPTER V

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

Recommendation

Earlier in this report, the Committee have drawn attention to several unsatisfactory features of the working of the Society in the matter of operation of branches, organisation of purchase and sales activities, inventory control and accounting and supervision. These and other matters should form the subject matter of a comprehensive investigation by Government, with a view to identifying lapses that occurred and fixing responsibility therefor.

[S. No. 17, Para No. 1.81 of Report]

Action Taken

As already stated in reply to S. No. 3|Para 1.18 of the Report in their concern to bring about improvement the Board of Directors invited the Study Teams from the Central Secretariat School and the Department of Cooperation for conducting detailed study of the working of the Society and suggesting steps for improvements. At the instance of the Management the A.G.C.R. deputed an audit party for detailed examination of the accounts and working of the Society. It was as a result of these study reports and investigations that these matters came up for discussion before the P.A.C. and steps have been taken to improve matters which include rationalisation of purchases, check pilferages of goods, clearance of old stocks, reduction of overheads, closure of uneconomic stores etc. etc.

As regards identifying lapses that occurred and fixing responsibility therefor, the Board of Directors of the Society in their meeting held on 5th June, 1970 have decided (*vide* Annexure V) that the Board of Administration should examine whether responsibility could be fixed on the basis of material available in the Audit Report etc. and take necessary action in such cases.

The examination of the cases with reference to relevant documents has been undertaken by the management. These will be placed before the Board of Administration and with their remarks to the Board of Directors.

On receipt of the views of the Board of Directors the need for a comprehensive investigation by the Government will be considered.

[Cabinet Sectt. (Deptt. of Personnel) O.M. No. 23/12/70—Welfare dated 26-10-70.]

NEW DELHI;
August 31, 1971.
Bhadra 9, 1893 (S)

ERA SEZHIYAN
Chairman.
Public Accounts Committee.

ANNEXURE I

CENTRAL GOVERNMENT EMPLOYEES CONSUMERS CO- OPERATIVE SOCIETY LIMITED, NEW DELHI

Minutes of the meeting of the Board of Directors held on Thursday the 17th July, 1969 at 4-30 P.M. in the Office of the Chairman, Shri L. P. Singh, Secretary, Ministry of Home Affairs (Room No. 118, 1st Floor, North Block, Central Secretariat), New Delhi to discuss undisposed of items of the Agenda for the meeting held on 23-5-1969.

PRESENT

CHAIRMAN

Shri L. P. Singh

MEMBERS

Shri A. R. Shirali

Shri J. A. Dave

Shri G. P. Pandey

Shri Gopeshwar Nath

Shri R. P. Kaushik

Shri N. L. Gupta

Shri J. L. Tandon

Shri Chhaju Ram

Shri M. L. Kakar

Shri Saroop Singh

SECRETARY

Shri S. P. Seth, General Manager of the Society.

Shri H. Lal, Secretary (Services), Ministry of Home Affairs was also present as a special invitee.

S/Shri V. S. Bendra (Under Secretary Welfare—M.H.A.) Vidya Sagor, Chief Accountant, and A. M. Roy, Purchase & Sales Executive were also present.

Minutes of the last meeting held on 23-5-1969 were confirmed. Item No. 2 of the Agenda Notes.

Action taken on the minutes of the meeting held on 6-1-1969 (Item No. 7).

The revised T.A. Rules as set out in Annexure 2 of the Agenda Notes were approved.

*Item No. 3 of the Agenda.**Data on the Trading activities of the Society for the period July 1968 to March, 1969.*

The Board noted with concern that the overheads which were 13 per cent, were very high and desired that urgent and effective steps should be taken to reduce the overheads. It was mentioned that the overheads had gone up because the total turn-over of the society had gone down considerably. It was felt that even though the strength of the staff working in the Society had been reduced from 440 in February, 1967 to 271, still there was some over-staffing and further scope of reducing the staff. Some of the ration units were proposed to be closed and steps should be taken simultaneously to reduce the staff as well. Shri Chhaju Ram suggested that a committee should be appointed to go into the question of retrenchment. At this stage, the Chairman stated that it would perhaps be desirable to revive the Board of Administration which had been abolished from 1-8-68, so that it could give more detailed attention to the management of the Stores, which was not possible for the Board of Directors to do. It was then decided to reconstitute the Board of Administration with the same powers and duties as laid down in the Bye Laws of the Society, with the following Members:

CHAIRMAN

Shri A. R. Shirali

MEMBERS

Shri G. P. Pandey

Shri Gopeshwar Nath

Shri N. L. Gupta

Shri Chhaju Ram

Shri M. L. Kakar

Shri J. L. Tandon

It was decided that the Board of Administration should go into the entire question of how overheads could be reduced if need be by curtailing some of the activities and retrenching staff consequently rendered surplus.

Shri Shirali stated that with the revival of the Board of Administration, a Managing Director may also be nominated. The Chairman stated that for the present, the Board of Administration may start functioning and the question whether there should also be a Managing Director may be taken up later on.

Item No. 4 of the Agenda.

Payment of Audit Charges of Rs. 6,5000 to M/s. Walker, Chandiook & Co., for the audit of the accounts of the Society for the year 1966-67.

Noted by the Board.

Item No. 5 of the Agenda.

Trading and Profit and Loss Account for the year 1966-67 and the Balance Sheet as on 30th June, 1967 and the Audit Report thereon.

In hte concluding para of their audit report, M/s. Walker, Chandiook & Co. had suggested that an independent agency should be appointed to investigate into the affairs of the society. In view of the fact that two study teams—one from the Department of Co-operation and the other from the A.G.C.R.—had already gone into the affairs of the society only last year, it was considered that there was no need to appoint another agency to go into this matter again.

The Board was informed that the revised accounts of the Society for the year 1966-67 had since been audited by the Statutory Auditors M/s. D. M. Narang & Co. appointed by the Registrar of Co-operative Societies. The audit report which had been received the previous evening was ready for circulation to the members in the meeting. It was, however, decided that the audit report may first be placed before the Board of Administration.

At this stage, the Chairman had to go out for an urgent engagement and the meeting was continued with Shri G. P. Pandey in the Chair.

Item No. 6 of the Agenda

Review on the Working of the Society included in the Audit Report (Civil) 1969.

Since the replies to the audit review had already been furnished and the matter had also been furnished and the matter had also been discussed in the meeting of the Public Account Committee held on 18-7-1969, it was decided that the final comments and recommendations of the Public Accounts Committee may be awaited.

Item No. 7 of the Agenda.

Repayment of Government loans

The Board noted that Government had since agreed to postpone the repayment of the instalments of loans by one year.

*Item No. 8 of the Agenda.**Ruling for allowing shortages|excesses noticed at the time of the physical verification of stock.*

The General Manager explained that the decision contained in Annexure-VII was taken by him to restrict the benefits of handling allowance etc., to the minimum possible extent. The Board approved the decisions already taken by the General Manager and the action taken in pursuance of these decisions. It was, however, decided that the matter may be examined further by the Board of Administration specially in regard to grocery items. In the meantime, the general principles suggested by the General Manager may be followed but no handling allowance should be allowed in respect of confiscated items.

*Item No. 9 of the Agenda:**Appointment of Personnel Officer*

The General Manager circulated a note containing his proposal for filling up the post of Personnel Officer by promoting an official of the Society. Shri G. P. Pandey suggested that in the first instance, it should be considered whether the appointment should be made from among persons already working in the society or from outside. After some discussion, it was agreed that taking into consideration the importance of this post and the qualifications and experience required therefor, it would be better to obtain an officer from outside. In view of the difficulty experienced in the past in securing the services of a suitably qualified officer as also the requirement that the Personnel Officer should be second in command to General Manager and in his absence should be requested to act as in charge General Manager both for Personnel and Commercial management, it was also decided to revise the scale of pay of this post from the existing Rs. 500—1000 to Rs. 900—50—1250, which was the scale of pay for the post of Secretary before it was abolished.

It was agreed that there was no need to advertise the post and that the recruitment should be restricted to permanent Government servants of the rank of Section Officer or equivalent and that the Establishment Officer be requested to circulate the post on an all-Secretariat basis and given it wide publicity. Before requesting the Establishment Officer to circulate the post, the qualifications and experience required for the post of Personnel Officer and functions to be performed by him should be determined by the Board of Administration at its next meeting.

Item No. 10 of the Agenda:

Revision of the scale of the post of Deputy Chief Accountants

This may be considered by the Board of Administration.

Item No. 11 of the Agenda:

To discuss the points raised by the elected members of the Board in their letter dated 21-3-1969

It was decided that the points raised in the letter from the elected Members may be discussed in the Board of Administration. It was also decided that in regard to para (c) of the letter, a factual note on the existing position regarding taking of fidelity bonds from the employees of the Society including supervisory personnel, may be prepared for the meeting of the Board of Administration.

Item No. 12 of the Agenda:

Amendment of bye-laws of the Society

It was considered that with the revival of the Board of Administration, the proposed draft bye-laws will have to be amended suitably. Needful may be done by the Board of Administration who may take the assistance, if necessary, of an officer from the Department of Cooperation.

At this stage the Chairman—Shri L. P. Singh, returned and further deliberations were held under his Chairmanship.

Any other Item with the permission of the Chair

(i) Shri Vidya Sagor, Chief Accounts Officer of the society completed his term of one year's deputation to the Society on 11-7-1969. He had submitted an application to requesting that on the expiry of his term, he may be reverted to his parent office as he was not interested in continuing in the Society in the prevailing circumstances. In view, however, of the fact that a meeting of the Public Accounts Committee was to be held on 16-7-1969 and the accounts for the years 1967-68 and 1968-69 had to be prepared and finalised, it was considered that it would not be possible for the society to relieve him immediately. With the approval of the Chairman of the Board of Directors, the Comptroller and Auditor General had accordingly been requested to allow the Society to retain Shri Vidya Sagor's services for a period of three months. Action taken was noted and approved by the Board who desired that the Board of Administration may look into the reasons for the unwillingness of Shri Vidya Sagor to stay and if, on reconsideration, Shri Vidya Sagor was willing to continue in the Society, then his term of deputation may be extended for a further period ending on 11-7-1970.

(ii) At the suggestion of the General Manager the following resolution was adopted by the Board:—

Resolved that in the absence of the Chief Accounts Officer, Shri L. N. Rawat, Deputy Chief Accountant be and is hereby authorised to operate upon the Bank Accounts of the Society and sign the cheques along with the General Manager.

(iii) The term of deputation of Shri S. P. Seth, General Manager is due to expire on 7-8-1969. Some Members suggested that attempt should be made to appoint a suitable I.A.S. officer or any other officer with experience of consumer cooperative or commercial undertakings to replace the present General Manager. The Chairman pointed out the difficulties in obtaining a really suitable officer who would be fully conversant with all aspects of the working of a commercial organisation like the Society. He stated, however, that if such an officer could be found and if the Members of the Board so desired, then he would have no objection to the replacement of Shri Seth. Shri Pandey suggested that the Chairman and the Secretary (Services) were aware of the requirements of this post and the question of finding a suitable officer may be left to them. This suggestion was accepted by the Board.

ANNEXURE II

CENTRAL GOVERNMENT EMPLOYEES CONSUMER COOPERATIVE SOCIETY LTD. NEW DELHI

PROVISIONAL TRADING ACCOUNT FOR HALF YEAR ENDING 31-12-1969

To Opening Stock :

	Rs.	Rs.
Grocery Goods	3,56,515	
Ration	57,806	
Consumer Goods	3,33,412	
Confiscated Goods	1,47,571	
Textiles	6,46,367	
Footwear	81,340	
Cycle & Cycle Parts	5,069	
Miscellaneous Goods	18,978	16,47,058
		<hr/>

By Sales :

	Rs.	Rs.
Grocery Goods	7,83,320	
Ration	9,94,933	
Consumer Goods	3,73,655	
Confiscated Goods	5,25,540	
Textiles	1,71,548	
Footwear	9,658	
Cycle & Cycle Parts	398	
Miscellaneous Goods	93,148	29,52,200
		<hr/>

Purchases :

Grocery Goods	7,69,706	
Ration	9,94,812	
Consumer Goods	3,50,586	
Confiscated Goods	4,48,140	
Textiles	1,07,556	
Footwear	1,665	
Cycles & Cycle Parts	1,996	
Miscellaneous Goods	72,701	27,47,462

Closing Stock :

Grocery Goods	3,46,063	
Ration	68,513	
Consumer Goods	2,93,043	
Confiscated Goods	1,32,190	
Textiles	5,68,371	
Footwear	75,485	
Cycles & Cycle Parts	4,038	
Miscellaneous Goods	26,830	
Empty Gunny Bags	9,391	15,23,924

Gross Profit Carried down to Profit and: -----

Loss Account

81,604
Total 44,76,124

Total 44,76,124

CENTRAL GOVERNMENT EMPLOYEES CONSUMER COOPERATIVE SOCIETY LTD., NEW DELHI

PROVISIONAL PROFIT AND LOSS ACCOUNT FOR THE HALF YEAR ENDING 31-12 69

	Rs.	Rs.	Rs	Rs.
To Establishment Charges :				
Superior Staff :				
Pay & Allowances	33,310		By Gross Profit Brought Down	81,604
Tuition Fee	65		Other Trade Income	2,098
Leave Salary Contribution	1,601		Miscellaneous Receipts	2,103
Pension Contribution	1,779		Government Subsidy	36,890
Medical Charges	135	36,890	Recovery of Shortages	22,942
Travelling Allowances	<u> </u>	1,390	Sale of Empties	25,668
(Superior Staff)			Adjustment of provision for loss on damaged goods	26,125
			Net Loss	2,58,350
Subordinate Staff :				
Pay & Allowances	2,17,264			
Travelling Allowances	388			
Overtime Allowances	2,136			
Conveyance Charges	1,132	2,20,920		
Daily Wages & Remuneration to Out- siders	<u> </u>	4,530		
Bonus		11,500		
Administrative Charges (C.P. Fund)		750		
Contributory Provident Fund		16,500		
Rent, Rates & Taxes		8,090		
Insurance Charges		2,560		
Electric & Water Charges		3,834		

Repair & Maintenance Office Furniture & Fixture	312
Do. Do. Equipment	882
Do. Do. Scales & Weights	1,894
Stationery	3,340
Printing Charges	1,907
Postage & Telegram	786
News Paper & Periodicals	60
Telephone Charges	3,990
Liveries & Uniforms	2,960

Carried forward	<u>3,23,095</u>
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Brought Forward	3,23,095
To interest on Loans	81,000
.. General & Miscellaneous Expenses	
Office	790
Do. Stores	3,962
.. Advertisement Charges	880
.. Bank Charges	218
.. Entertainment Charges	390
.. Legal & Professional Expenses	1,100
.. Repair & Maintenance of Vehicles	18,895
.. Audit Fee	3,250
.. Depreciation	22,200

Total	<u>4,55,780</u>
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Carried forward	<u>4,55,780</u>
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Brought Forward	4,55,780
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Total	<u>4,55,780</u>
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ANNEXURE III
CENTRAL GOVERNMENT EMPLOYEES CONSUMER COOPERATIVE SOCIETY
LTD., NEW DELHI
PROVISIONAL TRADING AND PROFIT AND LOSS ACCOUNTS FOR THE YEAR ENDING 30-6-1970
TRADING ACCOUNT

Previous Year		This Year	Previous Year		This Year
Rs. P		Rs. P.	Rs. P.		Rs. P.
	To Opening Stock :				
	Groceries	3,56,515			
	Ration	57,806			
	Consumer Goods	3,33,412			
	Confiscated Goods	1,47,571			
	Textiles	6,46,367			
	Footwear	81,340			
	Cycles and Cycle Parts, Scooter Tyres & Tubes	5,069			
	Miscellaneous Goods	18,978	16,47,058		
21,44,693				78,74,324	
	To Purchases :				
	Groceries	18,06,461			
	Ration	21,11,613			
	Consumer Goods	7,96,876			
	Confiscated Goods	17,23,420			
	Textiles	2,27,377			
	Footwear	3,872			
	Cycles & Cycle Parts, Scooter Tyres and Tubes;	22,667			
	Miscellaneous Goods	1,93,961	68,86,247		
71,04,802				16,47,059	
2,71,888	Gross Profit Carried over		5,23,203		
93,21,383			90,56,508		90,56,508
	By Sale :				
	Groceries			19,81,292	
	Ration			21,32,531	
	Consumer Goods			8,63,746	
	Confiscated Goods			20,63,419	
	Textiles			3,76,364	
	Footwear			27,901	
	Cycles & Cycle Parts, Scooter Tyres & Tubes			14,248	
	Miscellaneous Goods			2,51,973	77,11,474
					13,45,034
	To Closing Stock :				
	Groceries			2,26,201	
	Ration			54,019	
	Consumer Goods			2,72,515	
	Confiscated Goods			2,16,333	
	Textiles			4,79,211	
	Footwear			59,317	
	Cycles & Cycle Parts, Scooter Tyres and Tubes;			5,405	
	Miscellaneous Goods			32,093	13,45,034
					13,45,034

CENTRAL GOVERNMENT EMPLOYEES CONSUMER COOPERATIVE SOCIETY LTD., NEW DELHI.

TRADING & PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING 30th JUNE, 1970

PROFIT AND LOSS ACCOUNT

Previous Year		This Year		Previous Year		This Year
1		2		3		4
Rs. P.		Rs. P.		Rs. P.		Rs. P.
	To Establishment Charges :			2,71,888	By Gross Profit Brought Forward	5,23,203
	(a) Superior Staff :			12	Admission Fee	43
	Pay & Allowances	74,944			Miscellaneous Receipts :	
	Leave Salary Contribution	3,116		4,961	Other Trade Income	6,258
	Pension Contribution	3,590		39,561	Sale of Empties	48,462
	Tuition Fee	131			Agency Commission	531
	Medical Charges	505		4,492	Miscellaneous Receipts	31,843
	Bonus	2,030		24,250	Recovery of Shortages	43,645
1,00,357	C.P. Fund	3,446	87,762	2,109	Interest on Bank Deposits	2,361
	(b) Subordinate Staff :			1,21,536	Government Subsidy	87,762
	Pay & Allowances	4,26,000			Adjustment of provision for loss on damaged or obsolete goods	48,194
	Leave Salary Contribution	522		8,15,737	Net Loss carried over	1,59,513

1	2	3	4
5,00,638	611 5,743	4,32,876	
41,068		31,970	
20,600		16,270	
425			
32,505		6,270	
		200	
10,231		6,500	
2,256		2,000	
4,405		2,070	
17,141		11,224	
5,041		6,650	
11,594		7,340	
52,954		45,797	
1,815		5,696	
636		1,460	
<u>8,01,716</u>	Carried forward....	<u>6,64,385</u>	<u>12,84,546</u>
		Carried forward	<u>9,51,820</u>

CENTRAL GOVERNMENT EMPLOYEES CONSUMER COOPERATIVE SOCIETY LTD., NEW DELHI

TRADING & PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING 30th JUNE, 1970

PROFIT AND LOSS ACCOUNT

Previous Year		This Year	Previous Year		This Year
Rs. P.		Rs. P.	Rs. P.		Rs. P.
8,01,716	Brought Forward	6,64,385	12,84,546	Brought Forward	9,51,820
5,091	To Repair & Maintenance of Scales & Weights	4,284			
24,538	Stationery & Printing	24,094			
208	News Paper & Periodicals	93			
12,451	Telephone & Postage	15,416			
1,63,870	Interest on Loan	1,63,234			
654	Liveries	3,413			
34,142	General Miscellaneous Expenses	19,465			
609	Advertisement Charges	2,241			
9,000	Audit Fee	6,500			
632	Bank Charges	683			
11,857	Legal & Professional Expenses	2,458			
437	Expenses of Electric Work;	101			
748	Fidelity Bond Account	1,138			
48,563	Depreciation	44,300			
30	Irrecoverable amount written off	15			
1,80,000	Provision for loss or damaged or obsolete goods.				
<u>12,84,546</u>		<u>9,51,820</u>	<u>12,84,546</u>		<u>9,51,820</u>

ANNEXURE IV

Statement showing the results of Physical Verification (P.V.) conducted during the period from 66-67 to 69-70.

S. No.	Period	No. of P.V. conducted	No. of P.V.S. in-respect of which result have been worked out	Amount of shortages	out of Excess	Difference (5-6)	No. of P.V.s. in-respect of which results have not been worked out	Reason of no working of the results
1	July, 66 to June, 67	181	156	4,01,260	Nil	4,01,261	25	Stock Register P.V. Report not available.
2	Special P.V.s. 66-67	41	38	14,874	11,679	3195	3	Stock Register not available.
3	July, 67 to June, 68	146	144	8,34,008	6,64,733	1,69,275	2	..
4	Special P.V. 67-68	39	39	79,833	26,101	53,732	Nil	..
5	July, 68 to June, 69	62	44	1,21,978	858,102	63,876	18	Stock Cards/ Register are being completed
6	Special P.V.s. 68-69	42	33	1,13,662	15,659	98,003	9	..
7	July, 69 to March, 70 (Results of the Physical Verification for the period ending 30th June, 70 are still to be worked-out)	178	162	51,877	13,145	38,732	16	..
8	Special P.V. 69-70	89	75	32,467	16,467	16,000	14	..

ANNEXURE V

Copy of the Minutes of the meeting of the Board of Directors held on 5th June, 1970.

Consideration of the accounts for the year 1967-68 and Audit Report thereon.

Shri Chhaju Ram pointed out that the Auditors had pin-pointed the failure of M|s. P. R. Mehra & Co., and M|s. Jindal Mehta & Co., and the Board of Administration had suggested that the relevant extracts of the Audit Report should be forwarded to:

1. The Registrar of Cooperative Societies,
2. The Institute of Chartered Accountants &
3. The Comptroller and Auditor General of India for such action as may be considered necessary by them. The Board accepted this recommendation.

The Board also considered and accepted the recommendation of the Board of Administration that in view of the fact that the working of the Society was being reviewed by it (Board of Administration) closely, the appointment of a committee to go into the matter of losses as suggested by the Auditors in their report on the accounts for 1966-67 was not necessary.

Shri Kakar pointed out that the responsibility for wrong purchases and other causes for losses should be fixed. The Chairman desired to know whether there was sufficient data and material for pin-pointing responsibility on the Officers of the Society. The Chairman, Board of Administration said that at this stage, it would be difficult to carry out investigation into the cases of the years 1966-67 and 1967-68. The General Manager stated that the audit report of the Accountant General Central Revenue contained some observations including observations on purchases etc. etc., but the important points had already been incorporated in the Audit| Inspection Report which had been discussed in the meeting of the Public Accounts Committee held in July, 1969. After some discussions, the Board decided that the Board of Administration should examine whether responsibility could be fixed on the basis of the material available in the Audit Reports etc., and take necessary action in such cases.

The audited accounts for the year 1966-67 and 1967-68 were adopted by the Board.

ANNEXURE VI

CENTRAL GOVERNMENT EMPLOYEES, CONSUMER COOPERATIVE SOCIETY LTD. NEW DELHI

Statement showing the Actual strength of staff with Pay scales as on 30-6-68, 30-6-69 and 30-6-70.

Sl. No.	Total No. of Stores/Sections	Designation	Pay Scale	Actual Strength as on		
				30-6-68.	30-6-69	and 30-6-70
1	2	3	4	5	6	7
1	25 Stores as on 30-6-68	Manager	(Rs. 230-10-270-EB-15-330)	4	1	2
		Incharges	(Rs. 170-10-210-EB-10-250) Plus Rs. 20/- as allowance	39	37	32
		Cashiers	(Rs. 130-5-160-EB-8-200) Plus Rs. 20 - as allowance	32	20	13
21	Stores as on 30-6-69	Sr. Salesman;	(Rs. 170-10-210-EB-10-250)	39	32	20
		Jr. Salesman	(Rs. 120-6-150-EB-7½-165)			
		Helpers	(Rs. 95-3-110-EB-5-130)	72	50	31
19	Stores as on 30-6-70	Chowkidar	(Rs. 95-2-115)	11	9	7
		Dusting Operator	(Rs. 95-3-110-EB-5-130)	1	1	Nil
		Sweepers	(Rs. 95-2-115)	1	1	1
		Clerks	(Rs. 130-5-160-EB-8-200)	1	1	3
		Sr. Clerk	(Rs. 170-10-210-EB-10-250)	Nil	Nil	2
		Accounts Clerk	(Do.)	Nil	1	Nil
		Palladars	(Rs. 120-3-135)	Nil	Nil	2
		Drivers	(Rs. 130-5-140-EB-8-200)	Nil	Nil	1
		Administrative Wing	Head Clerks	(Rs. 230-10-270-EB-15-330)	3	Nil
(Admin. I, II and III)	Sr. Clerks	Sr. Clerks	(Rs. 170-10-210-EB-10-250)	6	3	4
		Clerks	(Rs. 130-5-160-EB-8-200)	9	10	9
		Peons	(Rs. 95-2-115)	2	1	1
		Carpenter	(Rs. 120-5-150-EB-7½-165)	1	Nil	1

	Gestetner Operator	(Rs. 95-3-110-EB-5-130)	1	1	1
	Helpers	(Rs. 95-3-110-EB-5-130)	3	Nil	1
	Caretaker	(Rs. 170-10-210-EB-10-250)	1	1	1
	Sr. Salesman/	(Rs. 170-10-210-EB-10-250)			
	Jr. Salesman	(Rs. 120-6-150-EB-7 $\frac{1}{2}$ -165)	Nil	2	Nil
Accounts Wing at H.O.	Dy. C.A.	(Rs. 400-400-450-30-600-EB-35-775)	1	1	2
	Inspector	(Rs. 325-15-475-EB-20-575)	1	Nil	1
	Assistant Accountant	(Rs. 230-10-270-EB-15-330)	4	9	8
	Head Cashier	(Do.)	1	1	1
	Accounts Clerks	(Rs. 170-10-210-EB-10-250)	12	15	15
	Typist/Clerk	(Rs. 130-5-160-EB-8-200)	15	14	16
	Computer	+ Rs. 20/- as allowance			
	Cashier Head Office:	(Rs. 170-10-210-EB-10-250)	2	2	2
	Peons	(Rs. 95-2-115)	2	2	2
	Helpers	(Rs. 95-3-110-EB-5-130)	2	3	1
	Sr. Salesman	(Rs. 170-10-210-EB-10-250)	Nil	Nil	1
General Manager	General Manager	(Rs. 1600-10-1800)	1	1	1
	Steno Typist	(Rs. 170-10-210-EB-10-250)	1	1	1
	Peon	(Rs. 95-2-115)	1	1	1
Chief Accountant	Chief Accountant	(Rs. 700-40-1100-50/2-1250)	1	1	Nil
	Steno Typist	(Rs. 170-10-210-EB-10-250)	1	1	Nil
	Peon	(Rs. 95-2-115)	1	1	Nil
Assistant Secretary	Assistant Secretary	(Rs. 400-400-600-EB-35-775)	1	Nil	Nil
Personnel Officer	Personnel Officer	(Rs. 950-50-1250)	Nil	1	1
	Steno Typist	(Rs. 170-10-210-EB-10-250)	Nil	1	1
Supervisor	Supervisor	(Rs. 325-15-475-EB-20-575)	1	Nil	Nil
Inspector	Inspector	(Rs. Do.)	Nil	1	Nil
Purchase & Sales Executive (Grocery)	P & S E (G)	(Rs. 400-400-450-30-600-EB-35-775)	Nil	1	Nil
Assistant Purchase Officer	Asstt. P.O.	(Rs. 250-15-400)	1	Nil	Nil

1	2	3	4	5	6	7
Inspector	Inspector	(Rs. 325-15-475-EB-20-575)		1	Nil	Nil
	Accounts Clerk	(Rs. 170-10-210-EB-10-250)		2	2	2
	Clerk	(Rs. 130-5-160-EB-8-200)		Nil	Nil	1
	Helpers	(Rs. 95-3-110-EB-5-130)		1	1	Nil
	Peon	(Rs. 95-2-115)		Nil	Nil	1
P & S E (T)	P & S E (T)	(Rs. 400-400-450-30-600-EB-35-775)		1	1	1
	Accounts Clerk	(Rs. 170-10-210-EB-10-250)		Nil	1	1
	Clerk	(Rs. 130-5-160-EB-8-200)		1	1	Nil
	Helper	(Rs. 95-3-110-EB-5-130)		Nil	1	Nil
P & S E (C)	Store Keeper	(Rs. 170-10-210-EB-10-250)		Nil	Nil	1
	P & S E (C)	(Rs. 400-400-450-30-600-EB-35-775)		1	Nil	Nil
Senior Store Keeper (T)	Assistant Accountant	(Rs. 230-10-270-EB-15-330)		1	Nil	Nil
	Accounts Clerk	(Rs. 170-10-210-EB-10-250)		1	Nil	Nil
S.S.K. (T)	S.S.K. (T)	(Rs. 325-15-475-EB-20-575)		1	1	1
	Clerk	(Rs. 130-5-160-EB-8-200)		1	Nil	2
	Store Keeper	(Rs. 170-10-210-EB-10-250)		1	4	1
	Driver	(Rs. 130-5-160-EB-8-200)		3	2	3
	Palladar	(Rs. 120-3-135)		3	2	3
	Chowkidar	(Rs. 95-2-115)		3	3	3
	Sweeper	(Rs. 92-2-115)		1	1	1
	Cycle Mechanic	(Rs. 95-3-110-EB-5-130)		1	1	Nil
	Tri Cycle Driver	(Rs. Do.)		1	1	Nil
	Helper	(Rs. Do.)		Nil	Nil	1
	Jr. Salesman	(Rs. 120-6-150-EB-7½-165)		Nil	Nil	1
S.S.K. (C)	S.S.K. (C)	(Rs. 325-15-475-EB-20-575)		Nil	Nil	Nil
	Store Keeper	(Rs. 170-10-210-EB-10-250)		Nil	1	1
	Clerks	(Rs. 130-5-160-EB-8-200)		5	4	2
	Helpers	(Rs. 95-3-110-EB-5-130)		1	1	1

	Driver	(Rs. 130-5-160-EB-8-200)	1	1	1
	Palladar	(Rs. 120-3-135)	2	2	1
	Cleaner	(Rs. 85-3-100-EB-4-128)	Nil	Nil	1
	Chowkidar	(Rs. 95-2-115);	Nil	Nil	1
S.S.K. (G)	S.S.K. (G)	(Rs. 325-15-475-EB-20-575)	1	1	1
	Assistant Accountant	(Rs. 230-10-270-EB-15-330)	1	1	1
	Accounts Clerk	(Rs. 170-10-210-EB-10-250)	1	1	1
	Clerk	(Rs. 130-5-160-EB-8-200)	3	.	Nil
	Palladar	(Rs. 120-3-135);	10	9	9
	Driver	(Rs. 130-5-160-EB-8-200)	4	3	1
	Store Keeper	(Rs. 170-10-210-EB-10-250)	1	Nil	1
	Jr. Store Keeper	(Rs. 130-5-160-EB-8-200)	1	Nil	Nil
	Cleaner	(Rs. 85-3-100-EB-4-128)	1	Nil	2
Head Office (Misc.)	Staff Car Driver	(Rs. 130-5-160-EB-8-200)	2	2	2
	Despatch Rider	(Rs. Do.)	1	Nil	1
	Chowkidar	(Rs. 95-2-115)	2	2	3
	Sweeper	(Rs. 95-2-115)	1	1	1
	Sr. Salesman	(Rs. 170-10-210-EB-10-250)	2	1	2
	Jr. Salesman	(Rs. 120-6-150-EB-7-165)	10	1	2
	Helper	(Rs. 95-3-110-EB-5-130)	5	Nil	1
	Manager	(Rs. 230-10-270-EB-15-330)	Nil	1	Nil
	Steno Typist attached to CWO	(Rs. 170-10-210-EB-10-250)	Nil	Nil	1
	TOTAL NO. OF POSTS		353	280	249
	Less No. of Supervisory Posts		-13	-8	-9
	Total No. of Subordinate Staff:		340	272	240

APPENDIX

Summary of Main Conclusions|Recommendations

S. No.	Para No.	Ministry Deptt./Concerned	Conclusins/Recommendations
1	2	3	4
1	1.3	Parliament Sectt. (Deptt. of Personnel)	<p>The Committee hope that final reply in regard to the recommenda- tion to which only interim reply has so far been furnished, will be submitted to them expeditiously after getting it vetted by Audit.</p>
2	1.15	Do.	<p>The Committee note that the provisional accounts for the year 1969-70 disclosed that the losses had been reduced to Rs. 1.60 lakhs and that Government would like to watch the performance of the Society for some more time before taking a final decision as to whether or not the Society should be wound up. The Committee, however, desire that Government should come to a decision on the basis of the working results of the Society for the year 1970-71 and keep them informed of it.</p> <p>During the year 1969-70, a substantial portion of the sales (Rs. 20.85 lakhs) related to the customs confiscated goods. The Committee desire that for the current year (1970-71) the working results showing profit loss in respect of (i) rationed articles, (ii) other articles and (iii) Customs confiscated goods should be brought out separately in order to facilitate a correct appreciation of the working of the Society.</p>

The Committee have pointed out in para 1.61 of their 102nd Report (Fourth Lok Sabha) that the overhead expenses which constituted 12.16 per cent of sales in 1967-68 were on the high side. They however, note that the percentage of overhead expenses went up to 14.03 per cent subsequently in 1968-69 which was reduced to only 12.34 per cent in 1969-70. The Committee would like to emphasise that efforts should be made to bring down the overhead expenses even by reduction in staff.

The Committee appreciate Government's contention that norms for overheads prescribed for a departmental store under one roof cannot be automatically applied to the stores of the Society which are situated in residential buildings and at far flung places. The Committee, however, desire that a suitable norm for this Society should be got fixed through an independent work study which could take cognisance of the peculiar features of the working of the Society.

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Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
	DELHI		13.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1.	68
24.	Jain Book Agency, Connaught Place, New Delhi	11			
25.	Set Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.	2	14.	People's Publishing House, Rani Jhansi Road, New Delhi.	76
26.	Atma Ram & Sons, Kashmere Gate, Delhi-6	9	15.	The United Book Agency 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88
27.	J. M. Jaina & Brothers Mori Gate, Delhi.	11	16.	Hind Book House, 82, Janspath, New Delhi.	95
28.	The Central News Agency, 23/90, Connaught Place, New Delhi.	15	37.	Bookwell, 4, Sant Narainkari Colony, Kingsway Camp, Delhi-9.	96
29.	The English Book Store 7-L, Connaught Circus, New Delhi.	17		MANIPUR	
30.	Lakshmi Book Store, 42, Municipal Market, Janspath New Delhi.	21	18.	Shri N. Chooba Singh, News Agent, Ramnai Pusa High School Annesa, Imphal.	77
31.	Bahroo Brothers, 188 Lal-patal Market, Delhi-6.	27		AGENTS IN FOREIGN COUNTRIES	
32.	Jayana Book Depot, Chaparwala Kuan, Hariot Bagh, New Delhi.	56	19.	The Secretary, Establishment Department, The High Commission of India, Indis House, Aldwych, LONDON W.C.-2	19

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