

PUBLIC ACCOUNTS COMMITTEE
1971-72

(FIFTH LOK SABHA)

FIRST REPORT

Audit Report (Civil) 1970--Appropriation Accounts (Civil) 1968-69 relating to the Ministries of External Affairs, Industrial Development, Internal Trade and Company Affairs (Department of Industrial Development) and Labour, Employment and Rehabilitation (Department of Rehabilitation)



LOK SABHA SECRETARIAT
NEW DELHI

July 1971/Asadha, 189; (Saka)

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<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
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19th September, 1970 (Afternoon)
21st September, 1970 (Forenoon)
5th July, 1971 (Afternoon)

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

(1)

PUBLIC ACCOUNTS COMMITTEE

(1971-72)

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Shri Era Sezhiyan

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SECRETARIAT

Shri Avtar Singh Rikhy—Joint Secretary.

Shri B. B. Tewari—Deputy Secretary.

Shri T. R. Krishnamachari—Under Secretary.

*Resigned from the Committee with effect from 15th June, 1971.

INTRODUCTION

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

2. The Appropriation Accounts (Civil) 1968-69 and Audit Report (Civil) 1970 were laid on the Table of the House on the 14th April, 1970.

3. The Committee (1970-71) examined paragraphs relating to the Ministries of External Affairs, Industrial Development, Internal Trade and Company Affairs (Department of Industrial Development) on the 21st September, 1970 and paragraphs relating to the Ministry of Labour, Employment and Rehabilitation (Department of Rehabilitation) on the 19th September, 1970. Consequent on the dissolution of the Lok Sabha on 27th December, 1970, the Public Accounts Committee (1970-71) ceased to exist with effect from that date. The Committee of 1971-72 considered and finalised the Report at their sitting held on the 5th July, 1971 based on the evidence taken and the further written information furnished by the Ministries concerned. The Minutes of these sittings form Part II* of the Report.

4. A statement containing summary of the main conclusions and Recommendations of the Committee is appended to this Report (Appendix IV). For facility of reference these have been printed in thick type in the body of the Report.

5. The Committee place on record their appreciation of the commendable work done by the Chairman and the Members of the Public Accounts Committee (1970-71) in taking evidence and obtaining information 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 the examination of these accounts and Audit Paragraphs by the Comptroller and Auditor General of India.

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

(vi)

7. The Committee would also like to express their thanks to the officers of the Ministries of External Affairs, Industrial Development, Internal Trade and Company Affairs (Department of Industrial Development) and Labour, Employment and Rehabilitation (Department of Rehabilitation) for the cooperation extended by them in giving information to the Committee.

NEW DELHI;
July 7, 1971.
Asadha 16, 1893 (Saka)

ERA SEZHIYAN
Chairman,
Public Accounts Committee.

CHAPTER I

MINISTRY OF EXTERNAL AFFAIRS

Defalcation of public money

Audit paragraph

1.1. A case of defalcation of consular fees in the Consular Department of the High Commission of India, London, came to light during local audit of the accounts conducted in August 1968. As the cashier responsible for defrauding Government had held charge of his post from November 1964 onwards, it was decided that a detailed audit of the accounts for the period November 1964 to August 1968 should be carried out. This revealed that the defalcation had been committed over the entire period of nearly four years. The total amount defalcated was approximately £ 9,273 (Rs. 1,69,239).

1.2. According to the procedure followed in the Consular Department, the cashier was receiving fees, making the necessary entries in the cash book and issuing receipts to the persons tendering cash. The *modus operandi* of the defalcation was:—

- (i) To alter the amount of the fee on the duplicate (carbon copy) of the receipt issued to the applicant to an amount lesser than that actually received and to bring to account in the fee cash book the amount so altered. In certain other cases, the fee recorded in the cash book was less than that shown on the receipt. This accounted for £ 3,929 approximately.
- (ii) The consular fees were remitted to the treasury, usually twice a week, supported by remittance statements. In a number of instances (about 50) the statement was prepared for an amount less than that recorded in the fee cash book, the difference being a round figure of £ 100 in most of the cases. When the remittance statement was received back from the treasury the figures thereon and those on the treasury receipts were altered to agree with those recorded in the fee cash book. The amount defalcated by this process was £ 5,140.
- (iii) Two amounts aggregating £ 204 which were recorded in the fee cash book as fees received during 16th to the 22nd December 1966 were not remitted to the treasury, but the

records were manipulated to show that they had been remitted.

1.3. No security deposit had been obtained from the cashier. This had been brought to the notice of the Mission in audit's inspection reports from 1960 onwards.

1.4. The defalcation was rendered possible by the failure of consular officers to observe the prescribed rules and conduct the checks required to be exercised in handling of cash and its remittance to the treasury, maintenance of fee cash book and reconciliation of consular stamps with the fees realised, although these omissions had been commented upon in audit's inspection reports of 1964 and 1966. The deficiencies, which were brought to the notice of the High Commission in September, 1968 as soon as the defalcation was noticed, continued to exist even thereafter as it was noticed on 23rd April 1969 that the fee received from 27th March 1969 onwards had not been remitted to the treasury and that the fee cash book had not been written up and attested.

1.5. The cashier was suspended from service from 11th September 1968. No report has been made to the police so far (September 1969).

[Para 33 of the Audit Report (Civil) 1970].

Assessment of the Amount Defalcated

1.6. According to the Audit Para, the total amount defalcated was assessed approximately as £ 9,273 (Rs. 1,69,239) as a result of a Special Audit. The Ministry of External Affairs in a note submitted to the Committee on 17th September, 1970, stated: "It, however, appears that because of the absence of the receipts, verification of some of the items in the fee Cash Book was done not with reference to the receipts as under normal practice but with reference to other records. The High Commission has since reported that the exact amount involved could only be assessed on the basis of a detailed scrutiny of the accounts of the period in question to be conducted by an expert Accounts Party."

1.7. During evidence, the Committee enquired whether the 'Accounts Party' had since been appointed and the exact amount defalcated assessed. The Additional Secretary, Ministry of External Affairs stated: "A request has already been made by the High Commission that an accounts party should be appointed. . . . We cannot give the precise figure unless the whole thing is gone into by a body of experts." He, however, added that there was another way by

which Government were trying to find out the exact amount that had been defalcated. Elaborating further, he said: "The simpler way is to get the actual Consular receipts, stamps etc. over this period and verify the same with the entries in the cash book maintained and see whether the amount has been adjusted. We have got other figures like entries in Consular's Stamps maintenance register etc. for this period which might give us some idea. This would avoid going through each and every receipt."

1.8. In reply to another question, the witness deposed: "The payments are always made in the form of Consular stamps and there is a separate account maintained in the High Commission clearly mentioning the parties for whom the stamps have been issued. From this we can judge how much worth of Consular Stamps have been given to parties presumably against payment. We can find out how much worth of stamps have actually been issued against payment and the balance could be worked out which would presumably be the amount defalcated."

1.9. The Committee find that a detailed audit of the accounts for the period November, 1964 to August, 1968 relating to consular fees in the Consular Department of the High Commission of India, London, disclosed that approximately £ 9273 (Rs. 1,63,239) had been defalcated over the period of nearly four years. The Committee regret that Government have yet to assess the exact amount involved. They desire that it should be done without further delay and steps to realise the amounts due, should be taken expeditiously.

Action against the delinquent official

1.10. The Ministry of External Affairs, in their note dated the 17th September, 1970 submitted to the Committee stated: "The main responsibility rested with the cashier who adopted certain devious methods in the accounting of consular receipts. He was suspended from September, 1968 and his pay for the period from 1st August to 10th September, 1968 was withheld."

1.11. As per Audit Para, the Cashier who was alleged to have been responsible for defrauding the Government, had held charge of his post from November, 1964 onwards.

1.12. During evidence it was stated that the Cashier was first appointed in the High Commission with effect from 20th June, 1949. He came to the Consular Department on 20th November, 1964 and before that he was in Stores Section, Naval Advisor's Office and in

the Education Section of the Mission. He was Indian by origin but he held a British passport.

1.13. The Committee desired to know the date of issue of the British passport to the Cashier concerned. The Ministry of External Affairs in a note submitted to the Committee stated: "The British passport was issued to Shri Sharma in Kenya prior to his arrival in United Kingdom in 1948. In the domicile questionnaire filled in by him in 1959, he had declared that the British passport issued to him in Nairobi (Kenya) had been lost and the number and date of passport was not furnished by him."

1.14. The Committee enquired whether the Cashier concerned owned any property in India. The Ministry, in a note, stated: "Particulars of property either in United Kingdom or in India have not been given by Shri Sharma. Efforts are, therefore, being made to collect this information."

1.15. The Committee was informed by audit that it was reported by the Ministry in November, 1969 that the question of recovery from the cashier and other action against him was being referred to the Ministry of Law for ascertaining whether any legal action could be taken against him as he was reported to be a British passport holder.

1.16. The Committee desired to know the advice given by the Ministry of Law about further action to be taken against the cashier. The Ministry, in a note, stated: "The matter was not referred to the Ministry of Law. However, the Legal Adviser of the High Commission has been consulted. He is of the view that the question of legal opinion will arise only after the investigations regarding the role of different officials connected with the matter are completed. He is also of the view that since Shri Sharma is not an Indian citizen, the provisions of the Indian Penal Code for dealing with an offence committed outside India cannot be applied. Prosecution locally according to local laws would expose the intimate working of our Mission to the British authorities and bring down the prestige of our Government. This will be contrary to standard diplomatic practice."

1.17. The Ministry of External Affairs, in their note dated the 17th September, 1970 submitted to the Committee, stated: "The High Commission has reported that no reference was made to the police since it was felt that it would expose the working of the Mission to the British Authorities and bring down the prestige of our Government, and that the Legal Adviser was also not consulted on the main enquiry, since there was no legal issue involved in the investigation."

1.18. The Committee were informed by Audit that the question as to why the defalcation was not detected earlier was examined and disciplinary action had been taken against an auditor for the failure of audit. In the course of evidence, the Additional Secretary, Ministry of External Affairs stated that it could have also been detected by the Accounts officer in London who maintained accounts and who was independent of the Audit Officer.

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

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

Non-obtaining of Security deposit from the Consular Assistant

1.21. Under the General Financial Rules, subject to any general or special instructions prescribed by Government, every Government servant whether gazetted or non-gazetted, who is entrusted with the custody of cash or stores shall be required to furnish security, for such amount as a Department of the Central Government or an Administrator may prescribe according to circumstances and local conditions in each case, and to execute a security bond setting forth the conditions under which Government will hold the security and may ultimately refund or appropriate it.

1.22. The Committee drew attention of the witness to the fact that no security deposit was obtained from the cashier despite the audit pointing out this lacuna from 1960 onwards. The Committee wanted to know the reasons for the lapse. The Additional Secretary, Ministry of External Affairs stated: "On the basis of the 1960 report, there was certain correspondence, between the Government and the India House, London. The High Commission wrote to us that it was the practice in the U.K. Treasury not to require their staff to provide security deposits and that was why they came back with the recommendation that no security deposits be taken in respect of people handling cash in the three or four sections in the High Commission. The High Commission has made a specific recommendation that they have a thorough check system—(which unfortunately has failed subsequently) and therefore, there is no urgent necessity to call for

a security deposit. In Government we felt that perhaps there was some justification for the view expressed by the High Commission in London. In consequence, we issued on 26th December, 1962 our letter exempting the cashier from the need of security deposit and in that we had said that the sanction was being conveyed in relaxation of para 270 of the General Financial Rules."

1.23. The Ministry of External Affairs in their note submitted to the Committee, stated: "In 1962 the cashier, (who was a clerical officer of the Consular Department) was exempted from furnishing a security deposit in view of the smallness of the cash transactions handled daily at that time in the Consular Department, but this was subject to the condition that if the cash transactions were to increase, the matter should be reviewed and fresh orders of the Government obtained.

1.24. The Committee enquired whether there was any limit prescribed for the exemption. The Additional Secretary, Ministry of External Affairs stated: "We did not specify the amount. We exempted them because of the smallness of the amount handled."

1.25. The Committee desired to know the average monthly cash transactions after 1962 upto 1965. The Department in a note stated that the average daily cash transactions which stood at £70 in 1962 increased to £100 approximately by May, 1964 and subsequently dropped to £90/-.

1.26. The Committee enquired whether any action was taken to review the position regarding obtaining of security after 1962.

1.27. The Secretary, Ministry of External Affairs stated that the High Commission did make a reference in 1964 on the basis of the audit inspection report.

1.28. The Committee pointed out that the daily cash transaction had increased from £70 to £100 between 1962 and 1964 and enquired whether any action was taken to review the position during that period. The witness stated: "There were standing instructions from us to all Missions if the amount increased then they should automatically obtain the security deposit. The High Commission failed to take any action."

1.29. At the instance of the Committee, the Ministry of External Affairs furnished a copy of the letter dated 3rd December, 1964 from the High Commission of India to the Ministry (Appendix I). In that letter the High Commission approached the Ministry of Ex-

terna' Affairs for the continuance of the exemption of the clerical officer from furnishing a security deposit on the following grounds.

- (i) The daily collections made by the clerical officer had increased from £70/- in 1962 (i.e. at the time of exemption) to approximately £100/- during the period 1-4-62 to 31-5-64. The year 1963 was a busy year for the collection of consular fees. The fees had fallen off recently and the daily intake of the clerical officer had averaged approximately £90/- (i.e. £20/- more than in 1962 when the Ministry granted the exemption to the clerical officer from the furnishing of security deposit.
- (ii) There were no sanctioned posts of 'Cashier' in the Mission.
- (iii) The Members of the local staff who were handling cash were doing so, not out of their own choice and were not at present getting any special remuneration for that work which had been entrusted to them by their respective departments.
- (iv) The Checks and counterchecks that had been instituted in respect of the receipt and handling of cash in various departments of the Mission made the possibility of defalcation by the officers handling monies remote.
- (v) If continuance of the waiver of security deposit was not agreed to by the Ministry either in that particular case or in respect of the other officers handling cash, it would be incumbent on the mission to insure those officers under a fidelity guarantee insurance and pay the required annual premia on their behalf.

1.30. The matter was under correspondence from 1964 to 1967 and on 23rd March 1967, (Appendix II) the Ministry conveyed the sanction of the President in relaxation of the General Financial Rules to the exemption from furnishing security deposit by the Consular Assistants handling daily cash collections not exceeding Rs. 200/- on an average.

1.31. Meanwhile, in 1965, orders relating to the security deposits to be obtained from officials handling cash in Missions/Posts abroad, were issued in the Ministry of External Affairs letter No. Q/748/4/BFII/63, dated 27th December, 1965. (Appendix III). In the above orders, the Ministry laid down the amounts of security to be recovered in respect of different slabs of amounts of cash handled by the officers concerned in excess of Rs. 200/- per month. The exemption upto Rs. 200/- p.m. handled was only in respect of India based officials.

1.32. The Committee wanted to know the reasons for the High Commission's failure to take action on the orders issued in 1965. The Additional Secretary, Ministry of External Affairs, stated: "It is not that they did not take notice of these orders. The High Commission came upto us with the recommendations that the existing system is working well and therefore, these orders should not be applied to them. The letter from India House in response to Government orders was received on 5th April, 1966 in which they said that the procedure for handling of cash was working satisfactorily. They had a thorough system of checks and counterchecks to provide adequate safe-guards against the possibility of loss of money etc. in the process of operation of the accounts. These arrangements for handling cash are known to the local audit. In 1967 acting on this, we issued these general orders."

1.33. The witness further added: "In December 1965, orders, the Government had made it clear that this exemption should be given only to India based staff but because the cash in the consular Department was really handled by a non-Indian local member, India House made a representation. On that basis we issued a specific letter to the Indian Missions in 1967 in which we referred only to the quantum fixed in 1965 orders. We did exempt the local employees also from the need to pay security deposit."

1.34. The Ministry, in a note, submitted to the Committee added: "The amount of Security Deposit in terms of the orders of 27th December 1965 calculated on the basis of average daily cash receipts of £ 100 would have been about £ 600/-. It is regrettable that errors of omission, commission and of judgement and laxity at various points of control and checks in the High Commission of India, London, had taken place and resulted in the defalcation of consular fees."

1.35. As regards the present position, the Secretary, Ministry of External Affairs stated: "Now the High Commission have assured us the deficiencies have been put right. Both the people in the consulate section are India based and have offered financial guarantees."

1.36. The Committee are concerned at the successive attempts of the High Commission to frustrate the efforts of Government to impose the condition of obtaining Security Deposit from the Consular Assistant handling cash. Ironically enough the High Commission has been basing their view that no security was necessary on their feeling that a through system of checks and counter-checks to provide adequate safeguards against the possibility of loss of

money was available. This, to say the least, was not a responsible attitude to be taken as Audit had been repeatedly pointing out the shortcomings in the system of handling and account of cash. The Committee would, therefore, like it to be examined as to how such proposals were initiated without verifying the actual position vis-a-vis the Audit remarks.

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

Failure to observe rules and laxity in supervision

1.38. According to Audit the defalcation was rendered possible by the failure of the consular officers to observe the prescribed rules and conduct the checks required to be exercised in handling of cash and its remittance to the Treasury, maintenance of fee cash-book and reconciliation of consular stamps with the fee realised. During evidence the Committee were informed that the accountant himself used to receive the money. As regards the supervisory control available the Secretary, Ministry of External Affairs stated: 'in 1964, when the defalcation took place, the procedure was like this. The applicants who came for passport or consular facilities used to deposit the amount with the accountant/cashier. He used to accept the money give a receipt, fill up the fee cash book and then send the remittance to the Treasury. He was under the supervision of a higher Executive Officer and above him was a Senior Executive Officer. Then there was the First Secretary. The physical handling of cash was done by the accountant and the writing of the books was also done by the same Cashier. Other officers were having supervisory functions to see that every thing was going on well.'

1.39. The Additional Secretary of the Ministry added: "The crux of the matter is there has been failure of supervision. We must confess that there has been failure on the part of the supervisory staff and very certainly on the part of the immediate supervisory staff. Part of it arose primarily, because the function of receiving cash and also of accounting (though not in the sense of bringing into the final accounts but in the sense of putting these figures down in various registers and transmitting them to the Accounts Department) were combined in one person and that is what has made this defalcation possible."

1.40. Explaining further he continued: "Our rules prescribe that the cash book should be signed by the immediate supervisory officer but that has not been done. There are a number of other minor details. But the statement, when it was sent up to the Accounts Department had to be countersigned by the supervisory officers. But it does happen sometimes even in Government Departments that the supervisory officer takes a man on trust. He has put his signature and therefore he has to accept the responsibility, but the fraud has been committed in the sense that this particular gentleman used to show one hundred pounds less. There was a way of preventing that because if the statement had gone on return from the Accounts Department to the Consular officer, it would not have been possible, but it went to the cashier."

1.41. The Committee desired to know specifically the nature of the checks to be exercised by each of the supervisory officials at various levels in the Consular Department of the High Commission. The Ministry, in a note, submitted to the Committee furnished the information as follows:—

"Normally the following checks are required to be exercised by the Supervisory Officers at different levels in the Consular Department:—

- (a) receipts for monies received in the Consular Department have to be signed by the Supervisory Officer concerned or by an officer duly authorised by him in this regard;
- (b) (i) each entry in the Fee Cash Book has to be attested after due verification with the total amount for which receipts were actually issued during a day;
- (ii) daily totals of cash in respect of items for which receipts are issued should be tallied with the total amount for which receipts were actually issued during a day;
- (iii) statements of remittance of cash etc. to the Accounts Department (main Cashier in the Mission) is to be checked and signed after due verification with reference to the entries in the Fee Cash Book. This will ensure that the total amount actually received is remitted to the Accounts Department;
- (iv) daily totals of the amounts representing the cost of service actually rendered should agree with the value of consular stamps used as per the entries in the Consular stamp Register;

- (v) entries in the Cash Book in respect of refunds made should be checked with relevant records to ensure that these represent the refunds actually due (total amount received less actual cost of service);
- (vi) copy of the remittance statements received back in the Accounts Department should be compared with the entry in the Cash Book in order to ensure that the amount remitted by Consular Department has actually been received by the Accounts Department.
- (c) the entries in the Consular Stamp Register should be verified with the balance of stamps on hand;
- (d) a monthly return of "plus and minus memoranda" duly supported by the reconciliation statement in respect of dues, if any, is to be prepared with reference to the Fee Cash Book and the Consular Stamp Register and forwarded to the Accounts Department by the Consular Officer concerned;
- (e) a half-yearly certificate of physical verification of consular stamps is to be appended in the prescribed form to the "plus and minus memoranda" in the months of March and September every year."

1.42. Referring to the admitted laxity on the part of the supervisory staff, the Committee enquired whether any action was taken against them. The Additional Secretary, Ministry of External Affairs stated: "Not yet. Only after the final audit report came sometime in June 1969, we had called for reports from India House and the last letter came to us was in December, 1969 or January, 1970 and another letter in February, 1970. We wrote to the India House asking them for specific information regarding action taken against supervisory staff, reconciliation of the amounts and other connected matters. In September, 1970, the High Commission has reported that it would be very difficult to pinpoint the responsibility so far as the supervisory staff is concerned. The Ministry was not satisfied and therefore we shall probably say that it should not be difficult to pinpoint responsibility. We will have to consider what action should be taken against the Supervisory Staff. The witness further added: "So far as the Ministry of External Affairs is concerned, according to the latest letter which we have received, it is stated that the fixation of the responsibility is a very difficult task but the main responsibility lay with the supervisory staff. Since the case is a diffused one, it is difficult to pinpoint. However, we shall probe into the matter further and we shall also investigate further."

1.43. The Committee drew attention of the witness to the fact that there were differences between the monthly statement of cash sent to the Chief Accounting Officer (which was prepared on the basis of totals in the fee cash book) and the plus and minus Memoranda prepared by the Treasury of the total collections received by it during the month but these two statements were not linked up and the differences remained undetected. The Committee wanted to know the reasons for this omission. The Additional Secretary, Ministry of External Affairs stated: "There were some irregularities. We have had a system of accounting and an inbuilt system of checks and counter checks and balances but the thing had gone undetected. If they had linked this with plus and minus memoranda, they could have been detected."

1.44. The Ministry, in their note, dated the 17th September, 1970 stated that they were now examining the High Commission's report with a view *inter alia* to the fixing of responsibility for the laxity in control by the Supervisory Officers.

1.45. The Committee asked about the further developments of the case regarding progress of enquiry, fixation of responsibility on the supervisory officials etc. The Ministry, in a note submitted to the Committee stated: "The High Commission in London has nominated a senior officer of the Mission to conduct the enquiry. The enquiry will be done under the personal supervision of the High Commissioner himself. Findings of the enquiry are awaited."

1.46. Drawing attention of the witness to the fact that both the functions of cashier and accountant were vested in one individual, the Committee enquired whether the procedure was peculiar only to this Mission in London. The Additional Secretary, Ministry of External Affairs stated: "There is no question of any special privilege here. The majority of our missions are small and we have a very skeleton staff there. In such a case we cannot enforce the rule and Government permits relaxation of the rule when they sanction only one man. Normally under the rules two functions should be separated, but in London the Accounts Department is located in a place called Jermyn Street which is far away from the Consular Department. The High Commission felt rightly at that time, but wrongly as events turned out to be, that existing supervisory officers would exercise the check. We are wiser after the event, because somebody has been in operation for quite a long time. We did point out to them that the Cashier should be an India based officer so that we have full hold on him; secondly the two functions should be separated. This could not be done as the two officers *viz.* the Cashier and the Accountant were in two different

buildings but now they are in the same building and an India based officer is doing this work. We are insisting that the two functions should be performed by two different officers."

1.47. The Committee pointed out that some of the deficiencies which were brought to the notice of the High Commission in September, 1968, as soon as the defalcation was noticed, continued to exist even thereafter as it was noticed on 23rd April, 1969 that the fee received from 27th March, 1969 onwards had not been remitted to the Treasury and that the fee cash book had not been written up and attested. The Committee wanted to know the reasons for the lapse.

1.48. The witness stated: "India House has now certified that confess that there has been a failure on the part of the supervisory by the First Secretary himself. But in spite of the First Secretary's and the Supervisory Staff's supervision, certain shortages and irregularities did take place."

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

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

Lack of prompt attention to Audit objections

1.51. When it was pointed out that the High Commission at London could have taken the comments of the audit a little more seriously and got the things settled them and there and even invited suggestions from audit as to how things could be settled rather than every time making a reference to the Ministry, the Secretary, Ministry of External Affairs stated: "So far as the implementation of the audit suggestions is concerned, we shall take serious note of your suggestions that the audit objections will be taken seriously by the High Commission itself."

1.52. The Committee got an impression that proper and prompt attention was not paid by the High Commission in London to the Audit remarks all these years. They would like Government to examine how far the Head of the office (first Secretary) has discharg-

ed his responsibilities in regard to settlement of audit objections since 1960. The Committee need hardly stress that Audit objections should not be taken lightly in the interest of sound financial management.

Remedial Measures

1.53. The Ministry of External Affairs informed the Committee in a note submitted to them, that remedial measures had been taken by the High Commission which were as indicated below:—

- (1) Specific work has now been allocated to the supervisory officers of the Consular Department.
- (2) The Cashier's work has been entrusted to an India-based Official. Both the Assistant and the Clerk dealing with cash in the Consular Department had been covered by Fidelity Guarantee Policy.
- (3) The daily cash is checked by a supervisory officer along with the receipts issued. The amount received on each day is deposited in the Treasury the same day. The First Secretary (Cons) now carries out surprise check of the accounts books.
- (4) An upto-date account of the consular stamps is being maintained. The remittance statement is checked by the supervisory officer with relation to the daily total of the cash and is signed by him in token thereof.
- (5) The Accounts Department has been advised not to receive any remittance unless the remittance statement is signed by the supervisory officer. Regular receipt is sent by the Treasury to the supervisory officer direct and not to the cashier. The supervisory officer thereafter checks it with the entries in the cash book to make sure that the correct amount has been received by the Treasury.

1.54. Other measures taken for streamlining the accounting arrangements of the Consular Department are:

- (1) As soon as individual asks for a passport, the official of the Consular Department should issue an authorisation in favour of the Accounts Department to receive the money; alternatively, an official of the Accounts Department might be seated with the Consular Department. On receipt of the money, the Accounts Department will make an endorsement to the effect that the amount has been duly received and will issue a receipt.
- (2) Periodical rotation of the existing local staff.

- (3) The Chief Accounts Officer would conduct regularly an internal audit of the accounts of the Consular Department according to a time and audit schedule of his own choosing.

1.55. The Committee desired to know when the remedial measures were taken. The Ministry in a note stated: "Adoption of remedial measures was reported by the High Commission in September, 1969."

1.56. The Committee enquired whether the Ministry had made any case study of the details so that comprehensive instructions might issued to all missions abroad in order to avoid defalcation in future. The witness stated: "Our existing instructions are suitable and if properly followed, then there will be no difficulty, but the implementation is lacking."

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

CHAPTER II

Ministry of Industrial Development, Internal Trade and Company Affairs (Department of Industrial Development)

Loans to small scale cottage industries, etc., in Delhi—

Audit Paragraph

2.1. Mention was made in paragraph 106 of the Audit Report (Civil) 1965 of the default in repayment of loans advanced by Delhi Administration for establishment, promotion and development of industrial units. The following points came to notice on a test check of the accounts of the loans in 1969:—

- (i) During 1952-53 to 1967-68 Rs. 144.06 lakhs were paid as such loans by Delhi Administration to 3,042 industrial units. As on 30th September, 1969 recovery of loans was in arrears in 640 cases, the amount overdue for recovery as principal and interest being Rs. 4.34 lakhs and Rs. 2.03 lakhs respectively. Of those, 519 cases of default (Rs. 3.87 lakhs as principal and Rs. 1.79 lakhs as interest) had been reported to the Collector for recovery as arrears of land revenue.
- (ii) The rules provide that each borrower shall, within three months from the date of receipt of the loan, get all the properties (mortgaged by him to Government) insured against loss or damage by fire and burglary and furnish the insurance policies to Delhi Administration. Upto 30th September, 1969 insurance policies had, however, not been received/renewed in 102 cases (Rs. 8.50 lakhs). Of those, 49 cases (Rs. 3.57 lakhs) had been reported by the Administration to the Collector for recovery as arrears of land revenue.

[Paragraph 78(a) of Audit Report (Civil) 1970]

2.2. The Committee desired to know the present position (i.e., on 21st September, 1970 when evidence was recorded) of repayment of loans by the defaulters. The Secretary, Department of Industrial Development stated that the number of defaulters had decreased from 640 to 424. About two hundred more people had started

repaying and had been able to clear a part of their outstandings. The amount in default was stated to be Rs. 3.04 lakhs out of the total loan of Rs. 144.06 lakhs. Giving the break-up of defaulters period-wise the witness stated: "On 30th September, 1969 the number of cases more than five years old was 167; this number has gone down now to 155 (amount outstanding Rs. 1.91 lakhs). The number of cases more than two years old was 199 and this has now come down to 159 (amount outstanding Rs. 84 thousands). The number of cases more than one year old has come down from 274 to 110 (amount outstanding Rs. 29 thousands). There has been a very great improvement in this."

2.3. The Committee wanted to know the number of cases of default noticed subsequent to 30th September, 1969 upto 30th April, 1970. In their written reply the Department of Industrial Development had stated, "the number of cases of default noticed subsequently upto 30th April, 1970 is 330. Appropriate action has been taken in each case for repayment of loan."

2.4. The witness added, "..... the borrowers are generally a class of people who are small artisans and small industrialists and the total amount to be advanced to them is below Rs. 5,000 and normally it is below Rs. 2,000; majority of the cases are only given Rs. 1,000. The money is required to be given only on a personal guarantee but as a measure of abundant caution, the Delhi Administration is taking sureties also from them.... But defaults have occurred. There have been industrial fluctuations and small industry was also affected."

2.5. The Committee desired to know if any loan had become irrecoverable and whether there were any parties who had taken loan and are not now traceable. The Secretary, Department of Industrial Development stated, "Legally none of these items become irrecoverable. In the case of Government demand it is for a long period and can be extended. But loan may become irrecoverable if the party is unable to pay. We have instituted proceedings under the rules. They are given also extension of time. We look into the personal circumstances..... During 18 years only 6,780 rupees have been written off in 10 cases as totally irrecoverable"..... As regards the loanees who are untraceable the witness stated, "five parties were untraced. Three cases are referred to police, as Administration could not find them. One case is referred to Collector. In the fifth case recovery is effected from surety of monthly instalments of Rs. 25..... The amounts involved are Rs. 600; Rs. 400; Rs. 1500; Rs. 1500 and Rs. 1000 and in all Rs. 5060 against 5 people".

2.6. The Committee wanted to know how many loanees went into liquidation, the amount of loan given to each loanee and the amount outstanding at the time they went into liquidation. In their written reply the Department of Industrial Development had stated: "10 loanees have applied for liquidation. The cases are pending before the relevant authority." In a statement furnished to the Committee it has been stated that an amount of Rs. 25,469 was outstanding at the time they went into liquidation out of Rs. 43,200 advanced to them.

2.7. The Committee enquired whether there was any case where loan had been given to a defaulter and what check was exercised to ensure that no further loan was given to a defaulter. The Director, Industries stated that there was no such case and in order to ensure that no further loan was given to defaulters their names were entered in the ledger.

2.8. Asked about the cases in which the amount of loan had not been utilized for the purposes for which it was given, the Director of Industries stated that whenever such cases came to light, they got the loan recovered. Such cases were referred to the Collector. To a further query made by the Committee with regard to the number of such cases, the amount of the loan involved and the action taken by the Government, the Department, of Industrial Development, in their written note have stated: "In accordance with the conditions of the grant of loan, a loanee is required to utilize the loan for the purpose for which it was granted within a period of three months. In this respect verification was conducted in the cases of loanees of the year 1959-60 onwards. Out of 1998 cases of loan granted in 1959-60 onwards mis-utilization has been reported in 138 cases. In 1044 cases relating to the period prior to 1959-60, verification of the utilization was not possible due to the limited time at the disposal of the Department and most of the cases having been consigned to records after clearance of all the dues." As regards the amount of loan involved and the action taken by the Government, the Department of Industrial Development had stated: "... 138 cases mentioned above involve a sum of Rs. 3.96 lakhs. Out of these full recoveries have been effected in 35 cases involving a sum of Rs. 88,000. In the remaining 103 cases a sum of Rs. 1.87 lakhs is outstanding against the loanees. These cases stand referred to the Collector for effecting recoveries as arrears of land revenue."

2.9. The Committee wanted to know cases, if any, where the industries did not exist. In a written reply the Department of

Industrial Development stated "Upto the year 1967-68, loans were given to 3042 units. A survey for all the units has been conducted recently and it was revealed that 1939 units are in existence. Out of the balance 1103 cases, 561 have already cleared their dues. In the remaining 542 cases who have either defaulted or changed their place of business and are not paying their instalments regularly, part recoveries have been effected in 284 cases and recovery proceedings are in progress against the remaining 258 units. In these 542 cases a sum of Rs. 16.70 lacs was originally advanced as loan out of which a sum of Rs. 7.76 lakhs is outstanding."

2.10. The Committee desired to know how the quantum of loan to the various industrial units was determined and the analysis of loan granted to 3042 industrial units upto 1967-68 with reference to the quantum of loan as also the nature of the industries. In their written reply, the Department of Industrial Development have stated, "Loans are granted in accordance with the provision of Delhi State Aid to Small-scale and Cottage Industries Rules. In accordance with clause 9(2)(a) thereof loans normally do not exceed Rs. 25,000 or 75 per cent of the applicants own investment. In special cases loan upto Rs. 50,000 can be granted irrespective of the parties' own investment.

The Loan Advisory Board of the Delhi Administration have laid down the following criteria for grant of loans to small-scale industries:

- (i) Loans should not exceed the monthly average turn-over of the unit or 50 per cent of their own investment whichever is less;
- (ii) Loan exceeding Rs. 20,000 would be granted to industrial units engaged in export activities."

2.11. When asked by the Committee about the maximum period allowed for the repayment of loan and the criteria adopted for fixing the time-limit and whether the formalities relating to the loan are completed prior to or after the loan is granted to the individuals, the Secretary, Department of Industrial Development stated, "It is uniformly ten years for every body." As regards the formalities the witness stated that loan is given only after the full enquiry is conducted.

2.12. The Department of Industrial Development have also furnished the following analysis of the loans granted to 3042 units

uptil 1967-68:

Split-up of the loan granted Industry-wise

Major Group	Description	Total number of units	Total loan advanced (Rs.)
20.	Food Manufacturing Industries	46	2,55,600
21.	Beverage Industries
22.	Tobacco Manufacture
23.	Manufacture of Textiles	352	15,71,450
24.	Manufacture of Footwear and made up Textile Goods	677	8,27,175
25.	Manufacture of Wood & Cork	47	1,21,450
26.	Manufacture of Furniture and Fixture	20	1,50,000
27.	Manufacture of Paper & Paper Products	51	2,39,350
28.	Printing Publishing and allied industries	44	2,60,600
29.	Manufacture of Leather and Fur Products except Footwear	68	1,11,900
30.	Manufacture of Rubber Products	28	1,53,100
31.	Manufacture of Chemicals & chemical products	116	7,03,900
32.	Manufacture of Products of petroleum and coal	4	18,000
33.	Manufacture of Non-metallic mineral products	159	6,40,950
34.	Basic Metal Industries	72	4,93,900
35.	Manufacture of Metal products	388	22,73,100
36.	Manufacture of Machinery except Electrical Machinery	215	17,21,700
37.	Manufacture of Electrical Machinery	215	16,17,100
38.	Manufacture of Transport equipments	224	15,56,100
39.	Miscellaneous Manufacture Inds.	295	16,07,200
40.	Laundries	2	20,000
	TOTAL	3042	1,44,05,775

2.13. At the instance of the Committee the Department of Industrial Development furnished the following information with regard to the performance of certain units which were assisted with grant of loans upto 1967-68 with specific reference to increase in produc-

tion and the income growth etc.

"A survey of the cases in which loans upto Rs. 5000/- and more were granted during the year 1961-62 to 1965-66 has been conducted. Out of 397 units falling under this category, comparative data regarding production is available in 260. At the time of giving loan the annual production of these 260 units totalled Rs. 240.20 lakhs and at the time of the Survey it had increased to Rs. 717.78 lakhs which is nearly three times the previous figure. Regarding income it may be said that these being small scale loanees, a system of regular and methodical account is not in force in a number of cases and the figure of annual profits are not available in all cases. However, it has been possible to collect comparative data in 130 cases. The total income of these 130 units was Rs. 14.04 lakhs at the time of giving loan and has increased to Rs. 51.49 lakhs at the time of the survey."

2.14. The Committee wanted to know the present strength of the Inspectors, the periodicity of the inspection of the industrial units and the actual number of units inspected during 1967-68 to 1969-70. In their written reply the Department of Industrial Development have stated that the strength of the Inspectors of loan branch is 7 at present. So far as the periodicity of the inspections and the number of the units inspected during the above period is concerned, the Department of Industrial have stated, "All loanee units are generally inspected within a period of 3 to 6 months after the grant of loan to check up whether the loan has been properly utilised or not. After this, special attention is paid to defaulter cases, for which circle-wise registers have been maintained and the Inspectors continue to visit the units to persuade the loanees for repayment of their dues. During the year 1967-68 to 1969-70, 2347 loanee units were visited by the Inspectors." When asked during evidence whether the present number of inspectors were adequate to do the job, the witness replied that in all there were 34 inspectors. Of these 2 inspectors worked in the office, 8 inspectors were put on job in a special cell and from amongst the remaining, 4 to 5 inspectors had been posted in each zone. They were not on the strength of the Recovery Section. . . . The witness added that at the time of Audit it was not possible to carry on with only 7 inspectors. When they again wrote for more personnel but the Administration did not agree to give more staff with the result they tried to do work with the assistance of other inspectors. . . ."

2.15. With regard to 102 cases (Rs. 8.50 lakhs) on 30th September, 1969 pointed out by Audit where insurance policies against loss or damage by fire etc. were required to be furnished by the borrowers, the Committee were informed during evidence that there were only 19 cases where the policy had not been taken.

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

2.17. The Committee have also noticed that some of the loanees have not utilised the loans for the purpose for which they were granted to them. Out of 1998 cases of loans granted from 1959-60 onwards, misutilisation have been reported in 138 cases involving a sum of Rs. 3.98 lakhs. Out of these cases recoveries are stated to have been effected in 35 cases while the remaining 103 cases involving a sum of Rs. 1.87 lakhs are still outstanding and have been referred to the collector for recoveries as arrears of land revenue. The Committee would like Government to analyse and investigate the reasons for misutilisation of loans by the parties and apply necessary correctives.

2.18. The Committee also desire that prompt action should in future be taken against the units which do not furnish the insurance policies within the prescribed period of 3 months from the receipt of loans.

CHAPTER III

MINISTRY OF LABOUR, EMPLOYMENT AND REHABILITATION

(Department of Rehabilitation)

Acquisition of land

Audit Paragraph

3.1. About 466 acres of land lying between the railway line and the Delhi-Mathura road along the eastern boundary of Faridabad township was acquired by the erstwhile Faridabad Development Board in 1950. Although this land did not originally form part of the township, it was acquired lest it should fall in the hands of speculators and haphazard construction should come up marring the township. Rs. 4.62 lakhs being the compensation assessed by the Land Acquisition Collector were deposited in the treasury in August, 1957. Since the land was not required for any specific purpose, the ownership of the land was got transferred in the name of the Ministry in the revenue records and the owners of the land were allowed to cultivate the land.

3.2. Out of 466 acres of land, possession of 125 acres only was taken over by the Department leaving 341 acres with the land-owners. Out of that 27 acres were earmarked for residential purposes. The remaining 314 acres were to form a green-belt under the master plan for Delhi-Ballabgarh area. It was observed by the Ministry of Rehabilitation in October 1966 that "if we are not going to build upon it according to the conditions of the 'Master Plan' it is only fair and reasonable that we return the land to the previous owners. They could cultivate it and the purpose of 'green belt' would also be amply served". It was further stated that "there is no point in locking up public funds by merely acquiring this land and keeping the area in an insanitary state and also allowing unauthorised persons to occupy it, leading to all sorts of complications". Final decision of Government on disposal of the land is still awaited (January 1970).

[Paragraph 45, Audit Report (Civil) 1970]

3.3. During evidence, the Secretary, Department of Rehabilitation gave the following information with regard to the present position

of 466 acres of land acquired by the erstwhile Faridabad Development Board in 1950:—

"Area utilised for allotment to industries	107 acres
Area across the railway line included in the township	40 acres
Area utilised for approach roads to the township	40 acres

The total is 187 acres. The balance left is 279 acres. Of this 27 acres is leased for cultivation. The balance comes to 252 acres. Out of this again 225 acres have been included in the green belt by the Town Planners. The remaining area has been earmarked for residential purposes."

3.4. Asked if houses had been constructed on the 27 acres of land, the witness replied that no houses had been built so far.

3.5. The Committee desired to know whether Government had taken actual possession of these 466 acres of land. The witness stated, "They have been entered in the ownership of the Government of India, Rehabilitation Department. Actually the possession so far may be with other people". Clarifying the position the witness added that 252 acres of land out of 466 acres is in the possession of ex-owners. To an enquiry made by the Committee regarding payment of any rent by the ex-owners, the witness replied: "They have not actually been paying any rent because they have not got the compensation" and added, "it will have to be sorted out this way. They will not be paid anything for the delay in payment of compensation for the period they are occupying the land". The Committee wanted to know whether the ex-owners have executed lease deed in favour of the Government for 252 acres of land of which they are in actual possession. The Secretary, Department of Rehabilitation answered in the negative and informed that even after the lawful acquisition by the Government the land owners were in physical possession of land. Pointing out that the position was anomalous the Committee wanted to know how the Government proposed to remedy this position and whether the ex-owners would not be entitled to adverse possession. Agreeing that the Government's position was anomalous the witness stated, "Adverse possession comes into play after 30 years". The witness added, "...The State Government have not appointed Arbitrator, they were themselves wanting to take. But the thing cannot be settled until arbitrator is appointed. Recently we have ordered that there must be a meeting held finally with the State Government at Minister's level to decide this". Subsequently, clarifying the position

with regard to the entitlement of adverse possession of land by the ex-owners, the Department of Rehabilitation furnished a copy of the opinion expressed by the Law Ministry in this regard which is reproduced below:

...the erstwhile owners of the strip of land" cannot as of right claim the "strip of land" back by relying upon the circumstance that all along they have continued in possession and enjoyment of the "strip of land" even after the notification for the acquisition had been issued on 3-2-51 under the Punjab Act of 1948. As the title to the strip of land has now vested in the Central Government as shown above, the Central Government has a right to evict the erstwhile owners from the strip of land unless the Central Government's title is extinguished by adverse possession of the erstwhile owners for the prescribed period of limitation which, under the limitation Act of 1963, is 30 years."

3.6. To a query made by the Committee with regard to the expenditure incurred on the development of land which has been given for industries, the Secretary, Department of Rehabilitation stated: "Rs. 7.40 lakhs was spent on the development of 107 acres. We got Rs. 19.73 lakhs. Rs. 7.40 lakhs was development costs and Rs. 8.50 lakhs cost of acquisition and development. Out of Rs. 19.78 lakhs if you deduct Rs. 8.50 lakhs we get Rs. 7.71 lakhs as the profit made by the Government."

3.7. The Committee wanted to know whether any compensation has been paid by the Government to the land owners. In a written reply, the Department of Rehabilitation have stated that a sum of Rs. 1.28 lakhs was paid as compensation for 136 acres of land which included 109 acres utilised for allotment to industries for which compensation of Rs. 1.10 lakhs had been paid, in the year 1956 in compliance with the order of the High Court in an Arbitration case. This amount Rs. 1.28 lakhs was included in the sum of Rs. 4.62 lakhs paid as deposit in August 1957.

3.8. The Committee wanted to know as to why compensation for the entire land has not been paid. The Secretary, Department of Rehabilitation stated, "the matter has been taken to the court by a number of land owners. There were disputes in courts and until this is finalised it could not be done..." With regard to the nature of their claims the witness stated: "...amount of compensation is not adequate. There are other grounds. They want land for land."

To an enquiry made by the Committee regarding offer of land in some other village, the witness replied, "they did not accept it."

3.9. In their written note, the Department of Rehabilitation have stated that, "the land owners filed a writ in the High Court on 9th February, 1953. when stay orders were issued by the Court. This writ was dismissed by the Division Bench by order dated 29th July, 1953. The ex-owners then filed a writ of prohibition in the Supreme Court on 1st July, 1954, which was admitted by the Supreme Court by the order dated 30th July 1954. The court also issued stay orders. The writ was ultimately dismissed on 17th January, 1957."

3.10. The Committee enquired why compensation to the cultivators was not paid after their appeals were dismissed in 1957. The Secretary, Department of Rehabilitation stated, "the owners later on kept changing their stand before the District Magistrate also and that is why those who have not been paid were not paid." The witness added, "the District Magistrate suggested to the Faridabad Development Board to negotiate with the ex-owners. The negotiations continued upto 1966. When the District Magistrate was asked to finalise the *taqseem* then the ex-owners of land changed their mind demanded compensation in cash... First they said cash then land for land and then again changed. So the District Magistrate held that the consent that they had given for compensation earlier was vague and therefore it should be determined afresh i.e. the quantum of compensation by the arbitrator". To a query made by the Committee as to when it was decided to appoint an arbitrator the witness replied "in 1964". The witness added, "The arbitrator, unfortunately has not yet been appointed by the State Government." The witness further added, "Meanwhile the State Government has come up and said the land should be given to them for public purposes... It seems that since the State Government was itself greatly interested in taking up the land, the particular matter has been getting delayed." Asked why the land was not transferred to the Haryana Government, the witness stated, "We are going to have a high level meeting shortly to consider this." The witness informed the Committee that they had recently received the opinion of the Ministry of Law, a copy of which was furnished to Committee. Therein Ministry of Law have *inter alia* stated:

"After the Central Government in whom the title to the "strip of land" has already vested gets the compensation amount determined by the arbitrator under Sec. 8 and after the Central Government pays that compensation amount to the erstwhile owners it would be open to the Central

Government to dispose of the strip of land if it is not required for the public purpose for which it was acquired viz, for the Faridabad Township. The Central Government in that case may dispose of the "strip of land" by sale either to the State Government or the erstwhile owners. No question of law would be involved in such disposal provided the Central Government *bonafide* finds that the said "strip of land" is no longer required for the said public purpose."

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

Dandakaranya Project

Central Poultry Farm, Kondagaon

Audit Paragraph

3.12 With a view to undertake poultry development and poultry extension work by supply of high pedigree birds at economic rates to settlers and improve the flock of the entire Dandakaranya area, a central farm with hatchery was established at Mana during 1959-60. The farm suffered loss of Rs. 3.28 lakhs up to March 1965. To bring down the loss, the farm was shifted to Kondagaon during 1966. A scheme was drawn up for the new farm which envisaged (i) establishment of a flock 1,500 layers to start with to produce two lakh chicks over two years, (ii) production of 2.25 lakh eggs in the first year and three lakh eggs in the second year and (iii) provision of 25 young birds to each of the 1,700 settlers in two years.

3.13. The scheme was sanctioned *ex post facto* in March 1967 on the understanding that it would run on no profit no loss basis.

3.14 The following points have been noticed in the working of the farm:

- (i) The farm incurred loss of Rs. 1.97 lakhs and Rs 0.22 lakh during 1967-68 and 1968-69 respectively (excluding establishment charges, depreciation, interest on capital, etc.).
- (ii) According to the estimates, on an average 41 per cent of the layers during 1966-67 and 60 per cent during each of the years 1967-68 and 1968-69 would lay eggs. Actually, however, 38.43 and 53 per cent of the layers laid eggs during 1966-67, 1967-68 and 1968-69 respectively.
- (iii) The farm supplied 5,997 birds to the zones for distribution among the settlers up to October 1968; the Project Administration attributed the low distribution of birds to reluctance of the settlers to avail of the benefits of the scheme.
- (iv) During 1966-67 and 1967-68, 25,312 birds (12½ per cent and 10 per cent of the total number of birds in the farm in each year respectively) died resulting in loss of Rs. 1.08 lakhs. The high mortality was attributed by the Administration to (a) fowl cholera, (b) large accumulation of birds and consequent overcrowding, (c) unsatisfactory housing and watering arrangements and (d) lack of technical guidance.

[Paragraph 46, Audit Report (Civil) 1970].

3.15 The Committee desired to know the considerations which weighed with Government to shift the Central Poultry Farm from Mana to Kondagaon. The Secretary, Department of Rehabilitation stated, "..... Firstly, in the Dandakaranya area it self, Government wanted to set up a poultry farm from which they wanted the new settlers to benefit. Secondly, this Kondagaon as such was found to be more Central place for the Dandakaranya area from where the poultry produce could be distributed and marketed around. It was connected well by road, it was at a central place. Therefore they decided to bring the farm over here. The Estimates Committee had also recommended it." Elaborating the reasons further, the Department of Rehabilitation in their written note had stated, "Although Mana did not lie in Dandakaranya area, the Central Poultry Farm was initially located at Mana because of the availability of buildings, electricity required for hatchery and ready market for poultry feed nearby. Further, electric power was not available in the Zones. In the practical working, it was found that the transportation of birds and chicks from Mana to Zonal farms involved considerable expenditure apart from operational difficulties and transport hazards. For effecting economy on the transportation of birds, feed etc. and for supplying birds, feed etc., to the Zonal Extension Services at a lesser cost, it was considered necessary to shift the farm to a more central place in the project area. The farm was, therefore, shifted to Kondagaon in 1966 by which time electricity had become available there."

3.16. The Committee desired to know the details of the scheme drawn up for the new farm at Kondagaon. In their written note, the Department of Rehabilitation had stated that the Scheme drawn up for setting up the Central Poultry Farm at Kondagaon had the following objectives in view:—

- “(a) Production of quality chicks for distribution to the settlers and tribal people in the settlement Zones for breeding purposes with a view to providing them with subsidiary income.
- (b) Carrying out breeding trials to produce productive birds with higher egg production.
- (c) To carry out experiments and trials in Dandakaranya area on the various poultry problems which are met with by the poultry breeders in the fields.
- (d) Demonstration of improved poultry management and poultry keeping on modern lines.

- (e) To provide birds and chicks required for intensive poultry extension work in the settlement Zones.

The Scheme envisaged the following targets:

- (i) 1500 layers in the first year and 2000 layers subsequently.
- (ii) Production of 2.25 lakhs eggs in the first year and 3 lakh eggs in the second year.
- (iii) Supply of 20,000 pullets and about 23,600 cockerels in the two years to the settlers and the tribal people in the settlement zones.

In the scheme formulated in 1967 it was expected that ultimately it would run on 'No-profit-No-loss' basis. According to the revised scheme, the estimated egg production was between 2,50,000 and 2,70,000 for the year 1967-68 and 7,56,000 for the year 1968-69 by increasing the number of layers suitably. The actual production of eggs during 1966-67, 1967-68 and 1968-69 was 38 per cent, 42 per cent and 63 per cent respectively as against the estimated production of 41 per cent, 50 per cent and 52.6 per cent for the respective years. It may be pointed out that in the original scheme the estimated production percentages had been worked out as 60 per cent due to an arithemtical mistake. The correct estimated production percentage should have been 50 per cent in 1967-68 and 52.6 per cent during 1968-69. The shortfall in the production in the years 1966-67 and 1967-68 may be attributed to the following:

1966-67

- (i) During the first part of the year i.e. April to September the stock in hand comprised of 2nd and 3rd season hens whose average production could be about 40 per cent to 50 per cent even at the maximum.
- (ii) The farm had been maintaining 2nd and 3rd season hens for quite some time without introducing new pullets. Hence, genetically, the birds were not of very superior strains. The Joint Director of Agriculture and Animal Husbandry had, therefore, proposed (in December 1967) procurement of new strains for replacement and further propagation.
- (iii) Birds were shifted from Mana at different periods and Kondagaon being a new place it took some time for the birds to get acclimatised with the new surroundings.

- (iv) During the initial stages of the establishment of the farm, a number of difficulties in providing adequate housing facilities for the birds cropped up. The poultry houses had Katcha flooring and without proper ventilation. There was seepage of water in the poultry houses at a result of which the vitality of birds was affected.
- (v) Difficulties in procuring feed ingredients for preparing balanced poultry feed with optimum level of animal protein, Vitamins and minerals were also encountered.
- (vi) There has been an outbreak of concidiosis during this year which affected the rate of egg production.

1967-68

During the first six months of the year the farm was maintaining practically 2nd season birds. This was due to the fact that there was a heavy mortality among young birds during January, 1967 to September, 1967. Only during October, 1967 pullets in the 1st Season lay were added to the stock. Then there was out-break of fowl cholera during this year which resulted in huge mortality among the birds. The disease also greatly affected the vitality of the birds which resulted in a fall in the rate of egg production.

The achievement during the year 1968-69 compares favourably with estimated percentage of production for that year. The improvement brought about in this regard has been maintained during 1969-70 also. The estimated egg production for 1969-70 was 50 per cent or 180 eggs per bird per year against which the actual achievement is 52 per cent or 190 eggs per bird per year.

3.17. At the instance of the Committee, the Department of Rehabilitation furnished the following information in regard to the expenditure on all poultry schemes including the Central Farm at Mana upto March, 1965 and at Central Poultry Farm Kondagaon upto 31st March, 1970.

Mana	1959-60 to 1964-65 (Upto March, 1965)	—	Rs 6,76,656
Kondagaon	1966-67 to 1969-70 (upto March, 1970)	—	Rs 6,63,334
			(excluding depreciation and interest charges)

3.18. As regards the cost of establishment, depreciation, interest on capital etc., in respect of Kondagaon Farm, the Department of Rehabilitation furnished the following information:

	1967-68	1968-69	1969-70
	Rs	Rs	Rs
Cost of Estab	20,366	9,203	11587
Depreciation	17563	17199	14383
Interest	1255	11081	10221

3.19. The Committee wanted to know the factors due to which the Farm suffered a loss at Mana. The Chief Administrator, Dandakaranya Project stated, "The distance of Mana Resettlement Zones was about 600 miles. Therefore the cost of transportation was very high. Another problem was that a great difficulty of supervision was being experienced there. Originally when our Resettlement Zones were erected in the district, the Director incharge of the Animal Husbandary Department could spend much time but when villages came into being in the Resettlement Zones, the necessity of their supervision was felt. He could not give the same attention as was necessary for better supervision." The Secretary, Department of Rehabilitation stated, ".....when this project was set up in Dandakaranya, it was expected that the new settlers would make full use of this project and take to the new methods and profit by it. But, unfortunately, it has been found over the years that they did not originally take kindly to it at all over the further years, the situation has improved, but not as much as it had been expected earlier... there was a slump within a year for the main reason that the feed was not available and whatever was available was very costly. The area of Dandakaranya is so far out and so ill connected by rail, communication and so on that here. I think, in the very first year they ran into difficulties."

3.20. The Committee enquired whether these difficulties were not taken into consideration beforehand. The Secretary, Department of Rehabilitation stated, "..... All this we have taken into consideration, but the idea of the Government was to bring in this new thing in this backward area as a subsidiary source of income and the expectation was that it would be taken to well by the new settlers there....." The witness added, "It was not a commercial scheme, it was a developmental scheme. It is true there has been some loss and it is unfortunate."

According to Audit the amount of interest works out to Rs. 19924 in 1967-68, Rs. 9812 in 1968-69 and Rs. 7428 in 1969-70. These figures are under reconciliation with the Department.

3.21. At their instance, the Ministry furnished a copy of letter dated 14-3-1968 from the Deputy Commissioner (Poultry) Ministry of Food, Agriculture, Community Development and Cooperation to the Dandakaranya project. In his letter dated 14th March, 1968, Deputy Commissioner, (Poultry) made the following observations with regard to the continuation/expansion of the Central Poultry Farm, Kondagaon:

- (1) The strength of the breeding stock should be increased only if the demand of baby chicks young pullets from the farmers/settlers justify it. Production of table eggs should be left to the Poultry keepers and should not be taken up at the Government Farm.
- (2) Feed distribution should be streamlined by opening up centres near the poultry production area so that it is easily available to the farmers. It should be preferably linked with the Collection and marketing of eggs.

3.22. The Committee referred to the Ministry's reply given to the recommendation contained in Paragraphs 189-190 of their 72 Report-(4th Lok Sabha) of the Estimate Committee that Government proposed to adopt scientific management and wanted to know the action taken by the Government in the matter. The Chief Administrator, Dandakaranya Project stated, "After the shifting of the poultry farm from Mana to Kondagaon further developments were planned and were expected to take place. It was proposed to encourage a large number of settlers to take to this poultry farming and thus build up expansion by bringing more experts as and when required. But ultimately we came to see that the settlers did not respond as expected. Therefore, there was no further development of extension sources and we had to keep this proposal in abeyance. Even the recruitment of the Poultry Development officer had to be kept in abeyance." The witness added, "We are running the farm but the extension activity is almost nil... the actual number of settlers who have taken up poultry farming as a substantial means of livelihood is negligible". Subsequently, in their written note, the Department of Rehabilitation attributed the reluctance of the settlers to adopt the scheme due to following reasons which could not be foreseen:

- (i) "Scarcity conditions prevailing in the country in 1965-66 which affected the project areas adversely and led to large scale desertion of settlers during this period.
- (ii) For undertaking production, whether of eggs or milk, the settlers, with no previous experience, should be basically free from the primary anxiety of his family's existence. Due to drought conditions and general scarcity experienced, such mental attitude was not there."

3.23. With regard to the measures taken, the Department of Rehabilitation stated, "Special measures now taken for poultry extension work include training of settlers in improved management practices, supply of well-balanced feed and prompt extension work. In addition interested settlers are also being taken to the intensive Poultry Development Block in Raipur area, where they are given the benefits of spot observation and discussion with the poultry keepers in the village. Units have now been opened in Paralkote and Malkangiri Zones. Special measures taken to induce the settlers in poultry keeping include programme of exchange of country-cocks with pure bred farm cockerels, demonstration of the value of poultry manure under deep litter system etc. It is expected that the settlers would overcome the reluctance and take to poultry farming gradually."

3.24. The position regarding the distribution of birds to settlers and Tribal blocks during 1969-70 and for the period April 1970 to August, 1970 is as under:—

	1969-70	April 1970 to August 1970	Total
1. Distribution to settlers	80 birds	584 birds	664 birds
2. Tribal block etc	1,900 birds		1,900 birds

3.25. The Committee pointed out that the standard of building at Kondagaon was not good, it provided no ventilation, the floors were 'kacha' and that, according to the report, due to lack of accommodation many birds had died. The Committee enquired whether, before shifting the farm to Kondagaon, it was ensured that the facilities to provide for the farm existed there and whether any expert advice was taken in the matter. The Chief Administrator, Dandakaranya Project stated, "The shifting was done under the advice of experts. The calculation was that if the settlers were taking the birds as was the part of the plan, then there would be steady out flow from the farm. But the outflow was not there." The Financial Adviser and Chief Accounts Officer, Dandakaranya Project added, "The fact about the matter is that when the estimate was prepared for Kondagaon farm and this matter was examined, it was observed that because we had a small poultry nucleus at Kondagaon the existing facilities at Kondagaon should be utilised to the best possible extent and as a result of this observation the estimates prepared by the construction Department in consultation with the Joint

Director of Animal Husbandry provided for this flooring, with one inch sand etc. But later as the Chief Administrator had stated earlier, because of the outflow of the chicks hatched could not keep pace with the estimates we had in mind, there was overcrowding and that led to the insanitary conditions in the farm and the birds died." In their written note the Department of Rehabilitation had further stated, "There was an out-break of fowl cholera during the year 1967-68 which resulted in huge mortality among the birds." As regards the mortality of the birds during 1968-69 and 1969-70, the Department of Rehabilitation has furnished the following information:

	1968-69		1969-70	
	No. of birds died	%	No. of birds died	%
Adults	180	1.08	126	1.02
Followers and chicks	767	5.7	239	6.3

3.26. The Committee desired to know the Financial position of the farm after shifting it to Kondagaon. The Secretary, Department of Rehabilitation stated, "The losses have been coming down from year to year, but unfortunately even the latest year i.e. 1969-70 losses have been Rs. 49,200." Elaborating, the witness state, ". In 1967-68, the loss was Rs. 2,55,007 in 1968-69 it was Rs. 58,328, in 1969-70 it has come down to Rs. 49,245. . . ." Subsequently in their written note the Department of Rehabilitation has attributed the high incidence of loss during the year 1967-68 to the following reasons.

- (i) "The farm was shifted from Mana to Kondagaon during 1966, with whatever facilities were available at Kondagaon. The buildings were not upto the standards and there was lack of accommodation for housing the large number of flock.
- (ii) Flock during that year consisted, for the better part of the year, of lower age group birds, intended for supply to settlers for establishment of their own poultry units, whereas there could be no expectation of egg production from the immature young birds, the expenditure on maintaining them until disposal or otherwise was necessary.
- (ii) Diseases like worm coccidiosis, fowl cholera broke out during the year 1967 which resulted in high mortality among the birds and also affected the vitality of the birds. The expenditure on poultry feed incurred on these birds

resulted in a dead loss and affected the working results of the Farm. Had there not been such huge mortality among birds, the farm would have derived more revenue by the sale of eggs and birds, as the number of eggs produced, birds bred in the farm would have been far more than what they actually were.

- (iv) Feed ingredients were not easily available and always one or the other essential items was short on account of drought conditions prevailing all over the country. This led to difficulties in easy procurement of other ready-mixed feed or feed ingredients. In addition, cost of feed was also high due to the aforesaid factor."

3.27. As regards the remedial measure taken to improve the working of the Poultry Farm, the Department of Rehabilitation, in their written note has furnished the following information:

(i) *Housing*

- (a) Kutchra flooring has been replaced by cement flooring, thus preventing the seepage of water and the latter getting damp.
- (b) Wooden jaffrees have been replaced by expanded metal frames to provide adequate ventilation.
- (c) During summer period a coating of paddy husk is given over the C.G.I. sheets to reduce inside temperature.

(ii) *Watering*

Improved watering facility has been introduced, utensils have been re-designed to prevent contamination of drinking water.

(iii) *Quality of birds.*

- (a) New strains have been introduced to give better performance and reduction in mortality rates. At present, genetically improved strains are being maintained—undesirable effects of unbreeding got over.
- (b) Some birds whose performance has not been satisfactory have been removed. These include white Rocks, New Hampshires and R.I. Rs.

(iv) *Feed*

- (a) with the operation of the feed mixing plant, better quality balanced poultry rations and prepared locally at the com-

paratively cheaper rate than available in the open market for such feed.

- (b) With regular introduction of feed supplements and coccidiostats, health of the birds has been improved, mortality by contagious diseases checked.
 - (c) New design of feed troughs have been evolved to check wastage of feed.
 - (d) Cultivation of greens, such as harseem and lobia has been introduced. During the present Kharif Season cultivation of cereal grains also has been taken up to provide birds nourishing and well-balanced feed.
- (v) *Disease Control*
- (a) With better management conditions and preventive inoculation and treatment of birds, contagious diseases have been practically controlled.
 - (b) Adequate drugs from timely treatment are invariably stored.
 - (c) Biologicals, sera and accines are either stored or obtained from recognised biological institutes periodically.
 - (d) Strictor technical supervision is exercised for detecting diseases.
- (vi) *Marketing of birds and eggs*
- (a) New markets in Bhilai, raipur and Kirandul established.
 - (b) Surplus birds, uneconomical hens are quickly disposed of in these markets.
 - (c) Sickly birds under minor ailments are immediately segregated and disposed of to prevent unhygenic conditions."

3.28. The Committee enquired whether Government was satisfied with the performance of the Poultry Farm. The Secretary, Department of Rehabilitation stated, "I an not satisfied, I agree." The witness added, "If I may say so, having myself found that this project has been running continuously on loss to the extent of Rs. 49,245 (which compared to the earlier years, is less). I have personally come to the conclusion that it would be worthwhile handing over this project to the State Government. So I am now considering asking the Government to take over." The Chief Administrator, Dandakaranya Project, added, "The response of the settlers being very poor, there

would be little use in our continuing it further. There are tribal blocks near Kondagaon and we expect that the State Government would be interested in taking up this Farm."

3.29. The Committee are far from satisfied with the working of the Central Poultry Farm, Kondagaon. The Farm which was started at Mana during 1959-60 suffered a loss of Rs. 3.28 lakhs up to March 1965. To bring down the loss, the farm was shifted during 1966 to Kondagaon which is a central place in the Dandakarnya area and from where the poultry produced could be distributed and marketed at lesser transportation cost. But even then the Farm continued to incur losses. It incurred a loss of Rs. 2.55 lakhs in 1967-68, Rs. 58,328 in 1968-69 and Rs. 49,245 in 1969-70. The heavy loss during the year 1967-68 has been attributed to the shifting of Farm to Kondagaon where the facilities and accommodation were not adequate resulting in overcrowding of birds and spreading of disease 12½% and 10% of the total number of birds died during the years 1966-67 and 1967-68 respectively resulting in loss to the extent of Rs. 1.08 lakhs affecting the working results of the Farm. In the opinion of the Committee there was lack of foresight and planning on the part of the authorities in shifting the farm to Kondagaon without first providing adequate facilities for flocks. The Committee desire that Government should ensure that such costly lapses do not recur.

3.30. The Committee note that the Dandakarnaya Project authorities have taken various measures to improve the working of the Poultry Farm at Kondagaon as a result of which egg production has since improved. The Committee are, however, concerned to observe that the real purpose of establishing the Farm, namely the poultry development and poultry extension work has not been achieved. During the period 1969-70 and April 1969 to 1970 only 80 birds and 574 birds respectively (to taling 654 birds) have been distributed to settlers while 1900 birds were distributed to tribal blocks during 1969-70. The Chief Administrator, Dandakarnya admitted during evidence that "the response of the settlers being very poor, there would be little use in our continuing it (poultry farm) further." The Committee were informed by the Secretary, Department of Rehabilitation that the question of transfer of the Farm to the State Government which had tribal blocks nearby was under consideration. The Committee desire that the matter should be taken up with the State Government as early as possible. The Committee would like to be informed of the outcome.

*Industrial Training Institute, Ambaguda**Audit Paragraph*

3.31. For imparting vocational and technical training in various trades to displaced persons and tribals, an industrial training institute was established at Ambaguda in February 1965. Government accorded ex-post facto sanction in January 1967 to non-recurring expenditure of Rs. 15.44 lakhs and recurring expenditure of Rs. 3.50 lakhs per annum. Upto July, 1969, the expenditure was Rs. 14.35 lakhs (non-recurring Rs. 8.40 lakhs and recurring Rs. 5.95 lakhs).

3.32. The number of candidates admitted to the institute during February 1965 to August 1968 ranged from 58 to 83 per annum against the capacity of 272 students per annum. The average expenditure per trainee (upto July 1969) was Rs. 1,997 against the limit of Rs. 1,288 fixed by the Ministry. Government decided (July 1968) to admit boys sponsored by the Government of West Bengal belonging to new migrant families, boys of ex-camp families, non-settler boys, employees' wards and others.

The following other points have been noticed:—

- (i) Out of 178 candidates trained upto July 1967, only 71 could secure employment (mostly in the project).
- (ii) The certificates given by the institute are not recognised by the employers unless the institute is affiliated with the Director General, Employment and Training, through the State Council, Orissa. The State Council has not recommended affiliation on the grounds that:—
 - (a) the equipment procured was not upto the prescribed standard;
 - (b) no facilities existed for providing on-the-job training in the workshop;
 - (c) workshop sheds were not protected properly by walls against hazards;
 - (d) the instructors were not qualified; and
 - (e) electric power supply was not taken.

[Paragraph 47, Audit Report (Civil) 1970].

3.33. In response to an enquiry made by the Committee with regard to the total expenditure of the Industrial Training, Amba-

guda, upto 31st March, 1970, the Department of Rehabilitation furnished the following information:

	Rs.
(i) Recurring expenditure	7,64,756.30
(i) Non-recurring Expend ture	4,79,850.85
(iii) Expenditure on Building	5,49,017.86
	<hr/>
TOTAL	17,93,664.00
	<hr/>

3.34. With regard to the average expenditure per trainee, the Department of Rehabilitation have stated "information regarding average expenditure per trainee is not readily available as the expenditure is booked according to the fiscal year while the Session extends over two fiscal years (from August to July of the following year). It may, however, be stated that the average annual expenditure per trainee from the inception upto July, 1969 works out to Rs. 1445*.....".

3.35. At the instance of the Committee, the Department of Rehabilitation furnished the following data with regard to the trades and break up of persons trained in each trade during the last 3 years:

Year	No. of students appeared	Passed
Feb. '65 to 7/66	58	57
Nov. '65 to 6/67	62	62
Aug. '66 to 7/67	41	39
Aug. '67 to 7/68	39	37
Aug. '68 to 7/69	31	28
TOTAL	<hr/> 231	<hr/> 223

*According to Audit the difference in annual expenditure per trainee is due to the fact that the Department arrived at the expenditure by taking into account the number of students at the beginning of each session while audit worked it out by taking into account the number of trainees at the end of the session.

Tradewise distribution

	Appeared	Passed
Fitter	48	48
Carpenter	30	28
Turner	27	27
Sheet-metal	52	51
Blacksmithy	34	33
Welder	27	25
Motor Mechanic	13	11
TOTAL	231	223

3.36. As regards the present position of employment of trained candidates, the Department of Rehabilitation, in their written note had stated that, "So far out of 223 candidates passed upto July, 1969, 88 candidates have been employed and 30 are undergoing apprenticeship training."

3.37. The Committee desired to know to what extent the object for which the Industrial Training Institute, Ambaguda, was started has been achieved. In their written note the Department of Rehabilitation had stated:

"The Dandakaranya Project (preliminary) Report envisaged that with the integrated development of the Dandakaranya area, the need for technical men would increase and more opportunities would be created for gainful employment of persons with vocational skill. It was also felt that agriculture alone could not support the families settled on land and at least members of the younger generation of agricultural families would have to be drawn into other vocations. Therefore opportunities for technical training of settlers, tribals and local population were planned and new industries which would spring up in the area were expected to absorb these new technically trained cadres. The Industrial Training Institute was established against this background in 1965.

It would thus be evident that the main object for which the Institute was established was to bring up technically trained personnel, who would be available when opportunities for more gainful employment of trained persons arose in the area.

The object seems to have been achieved in as much as the Institute has been able, till last year, to provide opportunities to 223 boys. Of these, 108 boys have been able to secure employment. Some of the trained boys belonging to settler families are now engaged in jobs available in the resettlement Zones as well as in the industrial units set up by the Project. Some have been employed by the Hindustan Aeronautics Ltd., Sunabeda (District Koraput) and the Heavy Electricals, Bhopal.

The slump in job opportunities in the engineering profession, however, appears to be the main cause for the comparatively low employment turn-over of late. This has been so with the trainees of other similar institutes also in the country."

3.38. To a query made by the Committee with regard to the reasons for the low admission to the Institute during 1968-69 and 1969-70 sessions, as also the current session, the Department of Rehabilitation, in their written note, have stated:

"The sanctioned strength of boys and actual admissions in the Institute during the years 1968-69, 1969-70 and 1970-71 are as follows:—

	Sanctioned strength of the trainees	Admission made
1968-69	80	81
1969-70	64	72
1970-71	80	71

It may, however, be explained that the capacity of 272 students originally envisaged was in respect of 9 engineering trades in two shifts and 3 non-engineering trades. The position is reviewed from year to year so as to ensure that trades which do not attract trained personnel in the market are not continued. For instance, the Block-smithy trade was abolished from the current session. All the three non-engineering trades could not also be started as planned earlier. Hand composition trade could be started in August, 1969 and printing and machine operations trade was started from August, 1970.

There is, however, no gainsaying the fact that the response to admissions to the institute has not been very encouraging of late, but this is not peculiar to this institute alone. The most important contributory factor has been the limited employment opportunities in recent years to boys passing out. It is understood from the Orissa Government authorities that this state of affairs is not very different from that obtaining in their institutes."

3.39. The Committee enquired about the steps taken by the Government to improve the equipment and training facilities in the Institute after the State Council Orissa's refusal to recommend its affiliation with the Director General, Employment and Training and whether there was any proposal for taking over the Institute either by the Government of Orissa or by the Government of Madhya Pradesh. The Department of Rehabilitation, in a written note have stated:

"Since this Institute is not a private one, formal affiliation is not required. However, the question of its integration has been taken up with the Director General of Employment and Training and the State Council of Orissa. The Director of Industries, Dandakaranya Project has felt that the equipment now available in the Institute is adequate for imparting training in accordance with syllabi and jobs prescribed by the National Council for the concerned trades.

The question of transfer of Industrial Training Institute, Ambaguda was considered at the 45th meeting of the Dandakaranya Development Authority held on 23rd February 1970. The Authority desired that negotiations should be conducted with the Director General, Employment and Training and the Government of Orissa.

The Government of Orissa have proposed to take over the Institute on the conditions that (a) the Industrial Training Institute should be transferred to them along with equipment and (b) funds should be made available to them for the provisions made in the Fourth Plan for running the Institute and (c) funds should be provided to them for construction of new buildings at a more suitable place say Jeypore, Koraput or Sunabeda and the existing buildings etc. may be put to some other use.

The Director General, Employment and Training has proposed that the Institute should be handed over to the Government of Orissa.

The proposal is under consideration of Government."

3.40. The Committee wanted to know whether any other industrial training institute had been set up by the Government or

Madhya Pradesh near about Ambaguda. In their written reply, the Department of Rehabilitation have stated:

"The nearest institute of the Madhya Pradesh Govt. is at Bastar (about 18 Kms. from Jagdalpur and about 90 Kms. from Ambaguda on Jagdalpur-Raipur Road which is a part of National Highway-43). This was, however, established in 1968, that is long after the establishment of Industrial Training Institute at Ambaguda. It is learnt that admission to this Institute is restricted to tribal students only."

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

NEW DELHI;

June, 1971

Asadha 16th, 1898 (Saka).

ERA. SEZHIYAN.

Chairman,

APPENDIX I

(Para 1.29 of the Report)

Copy of High Commission of India, London letter No. EST. 3.1.18 dated 3rd December, 1964 addressed to the Ministry of External Affairs, G.O.I., New Delhi.

SUBJECT: *Security Deposit for the custody of cash in respect of clerical officer in the Consular Department, High Commission of India, London.*

Please refer to your letter No. F33-2/B&AII/62, dated 26th December, 1962 conveying sanction, *inter alia*, to the exemption of the Clerical Officer in the Consular Department handling cash from furnishing a security deposit as required under the provisions of para 274 of GFR Vol. I. The exemption was subject to the provision that, if the amount of cash handled by the officer showed appreciable increase justifying a furnishing of security deposit, the matter was to be referred to the Ministry for reconsideration.

2. In their recent audit inspection report on the accounts of the Consular Department, the India Audit Office, London, have commented that the daily collections made by the clerical officer have increased from £70 in 1962 (i.e. at the time of exemption) to approximately £100 during the period 1-4-62 to 31-5-64 and they have suggested that a reference should be made to the Ministry to reconsider whether a security deposit should now be obtained from the clerical officer handling cash.

3. In this connection, we understand from the Consular Department that the year 1963 was a busy year for the collection of Consular fees. These fees have fallen off recently and the daily intake of the clerical officer has averaged approximately £90 (i.e. £20 more than in 1962 when the Ministry granted the exemption to the Clerical Officer from the furnishing of security deposit).

4. The matter is, therefore, referred to the Ministry for their consideration as to the continuance of the exemption of the Clerical Officer from furnishing a security deposit. In this connection, the Ministry may kindly consider the following points which we have stressed in our previous correspondence on the subject of Security Deposit:

- (i) There are no sanctioned posts of "Cashier" in the Mission.

- (ii) The members of the local staff who are handling cash are doing so not out of their own choice and, what is more, are not at present getting any special remuneration for this work which has been entrusted to them by their respective Departments.
- (iii) The checks and counter-checks that have been instituted in respect of the receipt, and handling of cash in various Departments of the Mission make the possibility of defalcation by the officers handling monies remote.
- (iv) If continuance of the waiver of security deposit is not agreed to by the Ministry, either in this particular case or in respect of the other local officers handling cash, it would be *incumbent* on this Mission to insure these officers under a Fidelity Guarantee Insurance and pay the required annual premia on their behalf.

APPENDIX II

(Para 1.30 of the Report)

Copy of Government of India, Ministry of External Affairs, New Delhi Circular letter No. Q/748(1)BFII/66, dated the 23rd March, 1967 addressed to All the Heads of Missions/Posts abroad.

SUBJECT: Handling of cash on account of Consular fees etc. by Officials in Indian Missions/Posts abroad.

I am directed to refer to this Ministry's letter of even number dated the 24th February, 1966 on the above subject and to convey sanction of the President, in relaxation of Rule 270 of G.F.R. (Revised & Enlarged) 1963, to the exemption from furnishing security by the Consular Assistants handling cash on account of Consular fees etc. provided that—

- (i) daily cash collections do not exceed Rs. 200/- on an average and the amount of receipts is deposited with the cashier of the Mission or with the bank at the close of each day after due verification by competent authority of the amount with reference to the receipts issued during the day;
- (ii) cashier with whom the amount is deposited has furnished security as required under the rules on the subject;
- (iii) entries made in the Registers maintained for the purpose of accounting of the cash collections are attested daily by a competent officer; and
- (iv) adequate checks and counter-checks are exercised by the Mission to safeguard against loss and/or misappropriation of Government funds.

2. However, in Missions where the amount of daily cash collections exceed Rs. 200/- on an average immediate action should be taken to obtain security deposits from the Consular Assistants; in accordance with the rates laid down in this Ministry's letter No. Q/748(4)BFII/63 (EAI/65/I/115) dated the 27th December, 1965. In such cases, expenses incurred by officials on furnishing of security deposits in any of the forms enumerated in Rule 274 of the G.F.R. (Revised & Enlarged) 1963 will be borne by the Government servants themselves and no special pay for handling cash will be admissible to them.

3. This issues with the concurrence of the Ministry of Finance (EA Division) vide their U.O. No. 582-EAI/67, dated 6-3-1967.

APPENDIX III

(Para 1.31 of the Report)

Copy of Government of India, Ministry of External Affairs, New Delhi letter No. Q/748(4)BFII/63(EAI/65/1/115) dt. 27-12-1965, addressed to all Indian Missions/Posts abroad.

SUBJECT: Security Deposits to be furnished by the Officers handling cash in Indian Missions/Posts abroad.

The undersigned is directed to invite a reference to Rule 270 of G.F.R. (Revised & Enlarged) 1963, which requires that every Government servant, whether gazetted or non-gazetted, who is entrusted with the custody of cash shall be required to furnish security for such amount as the Government may prescribe according to circumstances and local conditions of each case. It is observed that the existing practice of calling from the Missions concerned the details of cash payments made during the preceding financial year for determining the amount to be obtained as security, has entailed considerable delay in obtaining from the officials concerned the prescribed amount of security and the officials start handling cash without furnishing security. In order, therefore, to cut-down the procedural delay and to ensure scrupulous observance of the fore-said Rule, the following rates of Security are hereby laid down:—

Amount of cash handled in a month (based on the average of cash payments made during the preceding financial year to be calculated in accordance with the instructions laid down in the Ministry of Finance letter No. F. 11(42) E. 111/60 dated the 4. 9. 61).

Amount of Security to be recovered

<i>Upto Rs.: 200</i>		<i>Nil</i>
Rs. 201	to	Rs. 20*
Rs. 1,001	to	Rs. 1,000
Rs. 4,001	to	Rs. 2,000
Rs. 16,001	to	Rs. 4,000
Rs. 26,001	to	Rs. 6,000
Rs. 33,001	to	Rs. 8,000
Rs. 50,001	to	Rs. 10,000
Rs. 70,001	to	Rs. 12,000
Rs. 1,00,001 & above		Rs. 15,000

It is requested that the requisite amount of Security may kindly be obtained as soon as an official is entrusted with the custody of cash.

2. So far as exemption from furnishing of security for handling cash upto Rs. 200/- p.m., as indicated above is concerned, it may please be noted that this exemption is available to *India-based officials only* and is subject to the condition that adequate checks and counter checks are exercised by Head of Chancery/Post to safeguard the financial interests of Government.

3. A statement showing the annual cash disbursements and the amount of security obtained together with name and designation of the official handling cash may kindly be forwarded to the concerned Personnel Section of the Ministry for issue of requisite sanction for special pay, where admissible.

4. These orders will take effect from the date of issue of this letter.

APPENDIX IV

Summary of Main Conclusions/Recommendations.

(1)	(2)	(3)	(4)
Sl. No.	Para No.	Ministry/Department Concerned	Conclusions/Recommendations
1	1-9	Ministry of External Affairs	<p>The Committee find that a detailed audit of the accounts for the period November, 1964 to August, 1968 relating to consider fees in the Consular Department of the High Commission of India, London, disclosed that approximately £9273 (1,63,239) had been defalcated over the period of nearly four years. The Committee regret that Government have yet to assess the exact amount involved. They desire that it should be done without further delay and steps to realise the amounts due should be taken expeditiously.</p>
2	1.19	Ministry of External Affairs	<p>The Committee observe that Government have decided, for their own reasons not to make any report of the case to the local police. The Committee would like Government to find out early whether the cashier (Shri Sharma) who is stated to be a British passport holder, owns any property in India and if so, whether it can be attached to the extent necessary. It should also be examined as to that further action could be taken against him.</p>

- 3 1-20 Do. The Committee would like to know why no responsibility has yet been fixed for the failure of the Accounts Organisation at London to detect the defalcation earlier.
- 4 1-36 Do. The Committee are concerned at the successive attempts of the High Commission to frustrate the efforts of Government to impose the condition of obtaining Security Deposit from the Consular Assistant handling cash. Ironically enough the High Commission has been basing their view that no security was necessary on their feeling that a thorough system of checks and counter-checks to provide adequate safeguards against the possibility of loss of money was available. This, to say the least, was not a responsible attitude to be taken as Audit had been repeatedly pointing out the shortcomings in the system of handling and accountal of cash. The Committee would, therefore, like it to be examined as to how such proposals were initiated without verifying the actual position vis-a-vis the Audit remarks.
- 5 1-37 Do. The Committee do not find any reason for the non-recovery of the security deposit even after the receipt of the final orders of Government in March, 1967 as the daily cash transactions amounted to much more than Rs. 200. It was only after the defalcation came to light in Audit that the High Commission thought it fit to obtain financial guarantee in 1969. The Committee would like this lapse to be gone into with a view to taking suitable action.
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5 1-49 Ministry of External Affairs.

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

7 1-50

Do.

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

8 15-2

Do.

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

9 1-57 Ministry of External Affairs

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

10 2-16 Industrial Development

The Committee feel that the position regarding repayment of loans is not satisfactory. While the number of defaulters came down from 640—amount Rs. 6.42 lakhs—to 424 involving an amount of Rs. 3.04 lakhs (principal and interest) as on 30th September, 1969, 320 fresh cases of default occurred between 30th September, 1969, to 30th April, 1970. The cases of default include 155 cases (amount outstanding Rs. 1.91 lakhs) which are more than 5 years old. A recent survey has revealed that in 542 cases the loanees have either defaulted or changed their place of business and are not paying their instalments. Out of these cases part recoveries have been effected in 284 cases and recovery proceedings are in progress against the remaining 258 units. The Committee desire that vigorous steps should be taken to recover the outstanding amount from the defaulters and special attention should be paid to the old cases.

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11 2-17 Industrial Development.

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

12 2-18 Do

The Committee also desire that prompt action should in future be taken against the units which do not furnish the insurance policies within the prescribed period of 3 months from the receipt of loans.

13 3-11 Rehabilitation

The Committee consider it regrettable that only a small portion of 466 acres of land (near Faridabad township) acquired by the erstwhile Faridabad Development Board in 1950 has so far been put to use. A mere 107 acres out of 466 have so far been developed for industrial use and allotted to the industries while the major portion is in the possession of the erstwhile owners. The compensation

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

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

14 3-29 Rehabilitation

The Committee are far from satisfied with the working of the Central Poultry Farm, Kondagaon. The Farm which was started at Mana during 1959-60 suffered a loss of Rs. 3.28 lakhs up to March, 1965. To bring down the loss, the farm was shifted during 1966 to Kondagaon which is a central place in the Dandakarnya area and from where the poultry produced could be distributed and marketed at lesser transportation cost. But even then the Farm continued to incur losses. It incurred a loss of Rs. 2.55 lakhs in 1967-68, Rs. 58,328 in 1968-69 and Rs. 49,245 in 1969-70. The heavy loss during the year 1967-68 has been attributed to the shifting of Farm to Kondagaon where the facilities and accommodation were not adequate resulting in overcrowding of birds and spreading of disease. 12% and 10 per cent of the total number of birds died during the years 1966-67 and 1967-68 respectively resulting in loss to the extent of Rs. 1.08 lakhs affecting the working result of the Farm. In the opinion of the Committee there was lack of foresight and planning on the part of the authorities in shifting the Farm to Kondagaon without first providing adequate facilities for flocks. The Committee desire that Government should ensure that such costly lapses do not recur.

15 3:30 Rehabilitation

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

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16 3:41 Rehabilitation

The Committee note that Government have incurred an expenditure of Rs. 17.94 lakhs up to 31st March, 1970 since the Industrial Training Institute, Ambaguda was set up in February, 1965. They are also informed that the intake capacity is not being fully utilized as the response to admissions to the Institute is not very encouraging for various reasons. In the circumstances, the Com-

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mittee commend the proposal regarding the transfer of the Institute to the State Government of Orissa. The Committee desire that the proposal said to be under the consideration of the Government, should be finalized as early as possible and the Committee informed. The Dandakaranya Project Authorities should spare no efforts to improve the quality of training so that larger number of students are attracted to the institution and what is more, the standard of training should be such as to win the confidence of employers thereby improving employment opportunities for those who successfully complete the training.

**CORRIGENDA TO SECOND REPORT OF P.A.C. (1971-72)
PRESENTED TO LOK SABHA ON 12-8-1971.**

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
6	1.17	8	thre	three
7	1.20	2	1952	1962
10	1.32	7	hedp	help
10	1.33	5	line	lien
10	1.34	5	l ist	list
11	1.37	12	cardied	carried
12	-	1	telex	telex
14	1.42	3	1969	1966
16	1.48	2	16-12-69	26-12-69
22	-	14	wher	whether
27	-	9	Delete 'by' after	the word 'and'
33	-	1	Attendance	Attendants
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84	Sr.No.23	8	reducti	reduced
88	Sr.No.37	7	es timated	estimates
89	"	7	to	do
-	-	-	Page 91	Page 92
-	-	-	Page 92	Page 91

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24	Jain Book Agency, Connaught Place, New Delhi	11	33.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1.	48
25	Set Nasain & Sons, 3741, Mohd. Ali Bazar, Mori Gate, Delhi.	3	34.	People's Publishing House, Rani Jhansi Road, New Delhi.	76
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	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23	38.	Shri N. Chaoba Singh, News Agent, Ramini Puri High School Ammas, Imphal.	77
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21	Bahree Brothers, 188 Lal-petrai Market, Delhi-6.	27	39.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON W.C.-2.	54
12.	Jyana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi.	66			



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