

PUBLIC ACCOUNTS COMMITTEE

1960-61

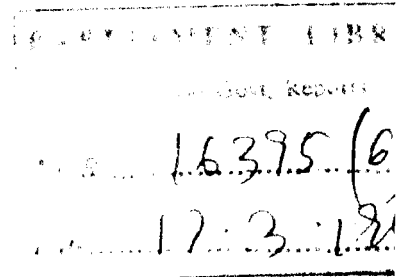
THIRTY-FOURTH REPORT

(SECOND LOK SABHA)

[Appropriation Accounts (including proforma Commercial Accounts) (Civil), 1958-59 and Audit Report (Civil), 1960]

PART II

[Proceedings of the Sittings of the Public Accounts Committee relating to the consideration of the Appropriation Accounts (Civil), 1958-59 and Audit Report (Civil), 1960]



**LOK SABHA SECRETARIAT
NEW DELHI**

March, 1961

Phalguna, 1882(Saka)

Price : Rs. 2' 35 nP.

336.3957R
L836PAC-34K1

LIST OF AUTHORISED AGENTS OF LOK SABHA SECRETARIAT

- ANDHRA PRADESH**
1. G. R. Lakshmipathy Chetty and Sons, General Merchants & News Agents, Chandragiri, Chittoor District (Andhra Pradesh).
 2. Hindusthan Diary Publishers, Market Street, Secunderabad.
 3. Hyderabad Book Depot, Abid Road, (Gun Foundry) Hyderabad.
 4. International Consultants Corporation, 48, C. Marredpally, (East), Secunderabad—3.
 5. K. J. Asservadam and Sons, Cloughpet, P. O. Ongole, Guntur District (Andhra Pradesh).
 6. M. S. R. Murthy & Company, Visakhapatnam.
 7. Peoples' Book House, B. 2-829/1, Nizam Shahi Road, Hyderabad—1.
 8. The Triveni Publishers, Masulipatnam.
- BIHAR**
9. Amar Kitab Ghar, Diagonal Road, Jamshedpur—1.
 10. Book Centre, Opp. Patna College, Patna.
 11. 'Jagriti', Bhagalpur—2.
- GUJARAT**
12. Chanderkant Chiman Lal Vora, Law Publishers and Law Book Sellers, P.B. No. 163, 57/2, Gandhi Road, Ahmedabad.
 13. Gandhi Samirithi Trust, Bhavnagar.
 14. Lok Mitap, District Court Road, Bhavnagar.
15. The New Order Book Company, Ellis Bridge, Ahmedabad—6.
16. Swadeshi Vastu Bhandar, Booksellers etc. Jamnagar.
- KERALA**
17. C. V. Venkitachala Iyer, Near Railway Station, Chalakudi.
 18. International Book House, Main Road, Trivandrum.
- MADHYA PRADESH**
19. Modern Book House, 286, Jawahar Ganj, Jabalpur—1.
 20. The National Law House, Near Indore Library, Opp. Old High Court Building, Indore.
- MADRAS**
21. E. M. Gopalkrishna Kone, (Shri Gopal Mahal), North Chitrai Street, Madura.
 22. The Kalpana Publishers, Booksellers, Trichinopoly—2.
 23. The Presidency Book Supplies, 8—C, Pycroft's Road, Triplicane, Madras—5.
 24. S. Krishnaswami & Company, O. O. Teppakulam, Tiruchirapalli—2.
 25. The Swadesamitran Limited, Mount Road, Madras—2.
- MAHARASHTRA**
26. Charles Lambert & Company, 101, Mahatma Gandhi Road, Opp. Clock Tower, Fort, Bombay.
 27. The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay—1.
28. D. B. Taraporavala & Sons, Co., (P) Limited, 210, Dr. Naoroji Road, Bombay—1.
29. Deccan Book Stall, Fergusson College Road, Poona—4.
30. The Good Companions, Raspura, Baroda.
31. The Imperial Book Depot, 266, Mahatma Gandhi Road, Poona.
32. The International Book House, Private Ltd., 9, Ash Lane, Mahatma Gandhi Road, Bombay—1.
33. The International Book Service, Deccan Gymkhana, Poona—4.
34. Minerva Book Shop, Shop No. 1/80, Netaji Subhash Road, Marine Drive, Bombay—2.
35. The New Book Company (P) Limited, Kitab Mahal, 188-90, Dr. Dadabhai Naoroji Road, Bombay.
36. The New Book Depot, Modi No. 3, Nagpur.
37. The Popular Book Depot (Registered), Lamington Road, Bombay—7.
38. Sahitya Sangam, Booksellers, 44, Lok Manya Vastu Bhandar, Dadar, Bombay—28.
- MYSORE**
39. H. Venkataramiah & Sons, Vidyanidhi Book Depot, New Statue Circle, Mysore.
 40. Makkalapustaka Press, Balamandira, Gandhi Nagar, Bangalore—9.
 41. Peoples' Book House, Opp. Jaganmohan Palace, Mysore—1.
 42. Pervaje's Book House, Koppikar Road, Hubli.

PART II

Proceedings of the Sittings of the Public Accounts Committee relating to the consideration of the Appropriation Accounts (Civil), 1958-59 and Audit Report 1960 :—

S. NO. OF SITTING	DATE OF SITTING	MINISTRY	PAGES
12th	6-9-60	Steel, Mines & Fuel (Department of Iron & Steel)	1—9
13th	7-9-60	Do.	10—18
14th	9-9-60	Steel, Mines & Fuel (Depts. of Iron & Steel and Mines & Fuel).	19—33
15th	10-9-60	Home Affairs	34—44
16th	12-9-60	Rehabilitation	45—54
17th	27-10-60	Commerce and Industry	55—69
18th	28-10-60	Do.	70—84
19th	29-10-60	Education, Irrigation & Power and Labour & Employment	85—103
20th	31-10-60	Works, Housing & Supply	104—116
21st	1-11-60	Do.	117—132
22nd	2-11-60	Do., Ashoka Hotels Ltd. and Scientific Research and Cultural Affairs	133—152
23rd	4-11-60	Food and Agriculture	153—165
24th	5-11-60	Do. and External Affairs	166—180
26th	1-12-60	Health, Transport and Com- munications	181—192
27th	2-12-60	Finance	193—198
28th	5-12-60	Finance	199—203
39th	28-1-61	Memoranda relating to Ministry of Finance	204-205
41st 42nd	4-3-61 5-3-61	} Consideration of draft Report	34th 206—208

**Proceedings of the Twelfth Sitting of the Public Accounts Committee
held on Tuesday, the 6th September, 1960**

1. The Committee sat from 15-15 to 17-05 hours.

PRESENT

Shri Upendranath Barman—*Chairman*

MEMBERS

2. Shri R. S. Kiledar
3. Shri Vinayak Rao K. Koratkar
4. Shri T. Manaen
5. Shri G. K. Manay
6. Shri S. A. Matin
7. Shri T. R. Neswi
8. Shri Shamrao Vishnu Parulekar
9. Shri Purushottamdas R. Patel
10. Shri Radha Raman
11. Dr. N. C. Samantsinhar
12. Shri Jashaud Singh Bisht
13. Shri Surendra Mohan Ghose
14. Shri V. C. Kesava Rao
15. Shri Mulka Govinda Reddy.

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

Shri G. S. Rao, *Addl. Dy. Comptroller & Auditor General.*

Shri P. V. R. Rao, *Director of Audit, F.R.S.C.S. & M.*

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

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

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

WITNESSES

Ministry of Steel, Mines & Fuel

(Department of Iron & Steel)

1. Shri S. Bhoothalingam, *Secretary.*
2. Shri A. S. Bam, *Iron & Steel Controller.*

Ministry of Finance

(Department of Expenditure)

Shri K. L. Ghei, *Joint Secretary.*

MINISTRY OF STEEL, MINES & FUEL

(DEPARTMENT OF IRON & STEEL)

Audit Report (Civil), 1960

*Extra expenditure due to application of incorrect rate of exchange—
para 54, page 64—*

2. As a result of negotiations by the Iron & Steel Control Organisation with the Trade Representative of a foreign Government, for the purchase of 85,650 metric tons of steel, a contract was entered into on 20th June, 1958 with the Foreign Trade Organisation at the prices agreed to on C.I.F. basis in U.S. dollars per metric ton. The payment for the steel was to be effected in Indian rupees. Instead of entering into a contract either on the basis of dollars as already approved by the Government, or in rupees converted at the standard rate of Rs. 4.7619 per dollar ruling on that date, the contract was entered into on the basis of sterling (adopting the rate of Rs. 4.8 per dollar). According to Audit, this deviation resulted in an extra expenditure of Rs. 3 lacs to Government.

3. Acquainting the Committee with the background of the case, the Secretary, Department of Iron & Steel stated that though the payment for the steel to be purchased was to be made in Indian Rupees, negotiations were conducted in terms of dollars, mainly for the sake of convenience, as world prices both in Europe and Japan were quoted in dollars. The contract was, however, actually concluded in terms of sterling as this was the usual practice in case of all such contracts entered into with the foreign Government concerned. As to why the contract adopted Rs. 4.8 per dollar as its basis, instead of the ruling rate of exchange (*viz.*, Rs. 4.7619 per dollar), he stated that it had been assumed by both the parties from the very start that for the purposes of this contract, the conversion rate to be adopted was 1 dollar equal to 4.8 rupees. He added that even if the payment were to be made at the ruling rate of exchange, the other party would have increased correspondingly their dollar quotation so as to keep the rupee value of the payment the same in both the cases.

4. In reply to a question, he stated that at the time of according sanction, Government were aware only of the quotation in dollars and had no knowledge regarding the details of conversion proposed to be adopted. Later on, when they came to know of the rate of conversion agreed upon (*viz.*, Rs. 4.8 per dollar), instructions were issued to the Iron and Steel Control Organisation to persuade the sellers to accept the ruling rate of conversion. The latter, however, did not

agree as this was, in their opinion, against the terms of the contract concluded already.

**Placement of contracts on a black-listed firm—para 55, pages 64-65—*

5. During August-September, 1954, the Ministry of Works, Housing and Supply black-listed a firm with all its branches and associate firms under intimation to all the Ministries of the Central Government. The persons connected with this firm floated a limited company in another name at the end of the year 1954. The Iron & Steel Control Organisation placed on the newly formed company about 52 contracts valued at about Rs. 23 crores during the period June, 1955 to October, 1956 for the import of steel.

6. In order to secure uniformity in the principles and procedure of black-listing firms, the Ministry of Works, Housing and Supply issued general instructions in March, 1956 whereby the black-listing order was extended to new firms/companies floated/run under different names by any of the partners of the black-listed firm. In October, 1956, the Ministry of Steel, Mines & Fuel further issued separate orders banning all business dealings with this firm, both in the old name as well as in the new name. Even after the issue of these orders, ten more contracts were placed on the new firm during the period November, 1956 to January, 1957 valued at Rs. 4.12 crores.

7. The Committee questioned the justification for placing contracts valued at Rs. 23 crores on the new firm which had been floated by the persons connected with the black-listed firm. The representative of the Department of Iron & Steel stated that in both the black-listing orders issued by the Ministry of Works, Housing and Supply during the period August-September, 1954—which specifically mentioned the names and addresses of the black-listed branches and associate firms—there was no reference to the new firm mentioned in the Audit Report. This firm was black-listed only in October, 1956. He, however, admitted that at the time of awarding contracts, it was known to the Iron and Steel Control Organisation that partners of the new firm were the same as those of the main black-listed firm. To a question whether the Iron and Steel Controller had brought the above fact to the notice of the Ministry concerned and sought instructions in regard to placing of future contracts with this firm, he replied in the negative.

8. The Committee then enquired whether any instructions were issued to the Iron & Steel Controller by the Ministry concerned on

*This was discussed at the Sitting of the Committee held on the 9th September, 1960.

the basis of the recommendations of the P.A.C. (1953-54) contained in para 18 of their 8th Report (First Lok Sabha) which required that in the case of big contracts, Government should invariably insist upon detailed enquiries being made regarding the antecedents and financial standing of the tendering firm. The representative of the Department of Iron and Steel promised to check up and furnish the information later.

9. The Committee then turned to the 10 more contracts awarded to the new firm after it was black-listed in October, 1956, and wanted to know the reasons for placing these contracts despite the explicit orders of the Ministry of Steel, Mines and Fuel banning all business dealings with this firm. The Secretary of the Department of Iron and Steel stated that according to the explanation furnished by the Iron and Steel Control Organisation, these orders had to be placed on the firm as advance letters in respect of 7 contracts had already been issued and verbal commitments in respect of the remaining three already made. Asked whether there was anything on record to support this statement about the alleged verbal commitments in the case of three contracts, he stated that though there was no clear evidence on the file, from the unissued drafts of letters of earlier dates lying in the file, it could be reasonably presumed. He, however, agreed that normally all commitments should be in writing.

10. The Comptroller and Auditor-General read out extracts from a letter dated the 26th October, 1956 issued by the Ministry to the Iron and Steel Controller which ran as follows:

“Any agreement with this firm that the Iron and Steel Controller might have entered into for stockholdership also be terminated after giving required notice. In other words, except the issue of export and import licences for which the firm may be eligible under the Export and Import Control Act, the Controller should not have any dealings in future with this firm.” He said that in the light of these orders, the question of honouring verbal assurances did not arise.

11. The Committee were informed by Audit that even the main firm which had been blacklisted by the Ministry of Works, Housing and Supply in August, 1954, was appointed by the Iron and Steel Controller as a controlled stockist of iron and steel with effect from the 4th May, 1955. The Committee also drew attention of the Secretary, Department of Iron and Steel to the fact that when Audit later asked the Iron and Steel Controller whether it was desirable to appoint a blacklisted firm as a controlled stockist, the Iron and

Steel Controller in his letter dated the 28th September, 1955 replied—

“In view of the very important position that the firm occupies as an importer of steel we have not found it convenient to impose any ban on their participation in imports. The particular stock agreement that has been entered into with effect from 4th May, 1955 is in respect of finished products out of certain quantity of Russian billets imported by the firm on their own account but supplied for Government purposes at a very favourable rate. As the ban has been imposed on this firm in respect of disposal of surplus materials only we propose to continue to deal with them so far as imports of steel are concerned.”

12. The Secretary stated that on a reference being received from Audit, the matter was considered in all its aspects by the Ministry who came to the conclusion that the stand taken by the Iron and Steel Controller was not correct and that the blacklisted firm should not have been appointed as a controlled stockholder. Accordingly, orders were issued by the Ministry in October, 1956 cancelling the name of this firm from the list of controlled stockholders.

Delay in effecting recoveries—para 56, page 65—

13. In February, 1956, the Iron and Steel Control Organisation placed a contract with an Indian firm for the supply of 7,945 tons of imported steel to be shipped from foreign ports by December, 1956.

14. The firm shipped 2,629 tons by December, 1956, another 1,204 tons by March, 1957 and expressed its inability to supply the balance and requested for cancellation. The Steel Organisation obtained the advice of Government Solicitor. The latter stated in July, 1957 that Government was entitled to recover from the defaulting firm the difference between the contract price and the market price provided the market price was higher. The Organisation, however, did not take any effective steps to work out the recoverable amount and prefer the claim against the firm till Audit urged for prompt action in October, 1958. Claims for Rs. 3,08,621 (extra cost on account of risk purchase) and Rs. 14,586 (liquidated damages) were preferred against the firm in January, 1959 and February, 1959 respectively but the recovery of the amounts was still pending (September 1959).

15. The Iron and Steel Controller urged in extenuation of the delay in working out the recoverable dues and preferring the claim against the firm in question that the relevant file was under action for some time in connection with another case. Thereafter, a reference had to be made to the Indian Embassy at Bonn for verifying the freight rate and f.o.b., prices of the material obtaining in the Continent at that time. As to the latest position, he stated that it had since been decided to refer the matter to arbitration and arrangements in regard to the appointment of the arbitrator were under way.

Non-recovery of dues from a firm—para 57, pages 65-66—

16. In March and May, 1954, the Iron and Steel Control Organisation issued import licences to a manufacturing firm for the import of about 3,530 tons of billets for its own use on the condition that in case the landed cost of the material was less than the corresponding statutory price, the difference would be paid by the firm to the Steel Equalisation Fund. On the basis of this condition when the payment of the difference was demanded from the firm on 3rd August, 1955 it contended that it was entitled to retain 4 per cent remuneration on landed cost which was admissible under the Public Notification, dated the 22nd April 1952 to commercial importers who dispose of such imports under the authority and manner prescribed by the Iron and Steel Control Organisation. The firm's request was acceded to in January, 1956 and it was allowed to retain a sum of Rs. 67,640 by way of such remuneration.

17. In December, 1956 it was pointed out by Audit that as the steel was consumed in the firm's own works, it was not entitled to the remuneration either in terms of the Public Notification or conditions of the licences granted to it. Government agreed with this view and directed the Iron and Steel Controller in September, 1957 to effect recovery of the above sum from the firm. The actual recovery was still awaited (January, 1960).

18. The Committee inquired why the recovery was not effected even though 3 years had elapsed. The Iron and Steel Controller stated that necessary action in the matter was initiated by his Organisation in the middle of December, 1957, followed up by two letters dated 28th December 1957 and 6th January 1958. The firm, however, protested against the claim, which gave rise to a protracted correspondence with them.

19. Indicating the latest position, he stated that the firm was now agreeable to pay the entire amount except Rs. 8,000, and the matter had been referred to the Ministry for decision.

Loss due to non-enforcement of the terms of contract—para 58, pages 66-67—

20. On 11th May, 1956, a certain firm offered 2,000 tons of M.S. Angles and 5,000 tons of M.S. Rounds, after negotiation, to the Iron and Steel Control Organisation at C.I.F. price of Rs. 724 and Rs. 698 per ton, on the condition that if their prices were found to be higher than the prices obtained against tender enquiry (to be issued within 15 days) for similar type of material and same specification, it would be asked to reduce its prices accordingly within 30 days; and in case of non-acceptance of the reduced price, it would be allowed to sell the material elsewhere at the landed cost. The firm was informed about acceptance of its terms of offer on 17th May, 1956 and simultaneously tenders were invited on 16th May, 1956 for similar type of material. As the lowest quotations received in respect of tender enquiry were Rs. 659-4-0 per ton for Angles and Rs. 663-8-0 to Rs. 683-12-0 per ton for various items of M.S. Rounds, the firm was asked on 25th June, 1956 to reduce its prices accordingly or in the alternative to sell the material elsewhere at landed cost. The firm did not accept the lower prices on the plea that the material offered against the open tenders was continental product of Re-rolling Mills while the stores offered by them were of better quality, strength and finish, being the products of main producers of Japan. On 14th July, 1956 the firm was informed that its plea was unacceptable. The matter was further negotiated with the firm whereupon it agreed to accept a small reduction in price *viz.*, Rs. 4 and Rs. 3 per ton in respect of Angles and Rounds respectively and final contracts stipulating the prices of Rs. 720 and Rs. 695 per ton were accordingly issued on 10th August, 1956 and 12th August, 1956 respectively.

21. According to Audit, failure of the Iron and Steel Control Organisation to enforce the originally agreed terms or to enter into fresh contracts with other lower tenderers resulted in avoidable extra expenditure of Rs. 2,25,082.

22. The Committee inquired why negotiations were conducted with the firm in question before inviting open tenders. The Secretary, Department of Iron and Steel stated that during the period from the middle of 1955 to the beginning of 1957, the demand for steel was very large and the trend of prices steadily rising. Consequently, the policy of Government was to purchase as much of steel as possible—whether by tender or negotiations, though purchases by negotiations were effected sparingly, and generally, in between tenders.

23. As the prices negotiated with this firm were higher than the lowest offers received after the tender inquiry, the Committee enquired why the lowest offers were not accepted and instead further negotiations were made with the firm and the contract was finally placed. The Secretary stated that steel was bought from the lowest tenderers also. In his opinion the option under the negotiated agreement was only whether the supplier should be allowed to sell the material as a commercial import or it should be purchased by Government after further negotiations with the supplier. The extenuating circumstance in favour of purchasing steel from the firm was that the foreign exchange already spent by the importer, would be utilised to meet the needs of the high priority indentors. To a question whether it was obligatory to have issued the import licence to the supplier in question, the Secretary replied that commercial licences for large quantities of steel were also being given at that time and further commercial importers could well bargain with the foreign suppliers for obtaining the best prices.

24. Asked whether the plea advanced by the firm that the material offered by it was of superior quality was accepted by Government's technical experts, the Secretary stated that the plea was rejected. Then the Committee inquired why after the rejection of its plea on the 14th July, 1956, an agreement was entered into with the firm a few weeks later after a nominal reduction of prices from Rs. 724 to Rs. 720 per ton and from Rs. 698 to Rs. 695 per ton for Angles and Rounds respectively. The Iron and Steel Controller cited the following note recorded by the Price and Accounts Officer:—

“The matter was discussed with Finance when the representative of the firm was also present. The lowest price for Japanese origin fully tested angles obtained against the above tender is Rs. 716 per long ton c.i.f. including importers' remuneration for a limited quantity of 140 tons only. Other offers were much higher varying from Rs. 757 to Rs. 783 per long ton. As against this, Messrs..... offer is Rs. 724 based on full landed cost plus 4 per cent. remuneration. After a good deal of discussions it was agreed that we should not lose this offer for fully tested M.S. angles of open hearth quality. Accordingly, it was decided to confirm the acceptance of the offer and after negotiations the price was reduced from Rs. 724 to Rs. 720 per ton.”

25. Other offers referred to in the above note were received after the offers had been obtained under the tender enquiry issued on the 16th May, 1956. Audit, however, pointed out that out of 44 offers thus received, at least 30 items were substantially lower than the

finally negotiated price. The Secretary, Department of Iron and Steel promised to look into the matter.

26. Asked whether the Iron and Steel Controller had full discretion for accepting a higher offer in preference to lower ones, the Secretary, Department of Iron and Steel stated that the Iron and Steel Controller had powers to purchase both by means of tenders and negotiations and he was assisted by a Financial Adviser. The Iron and Steel Controller was of the status of Joint Secretary and his Financial Adviser was of the rank of Under Secretary.

27. *The Committee then adjourned till 15.00 hours on Wednesday, the 7th September, 1960.*

Proceedings of the Thirteenth Sitting of the Public Accounts Committee held on Wednesday, the 7th September, 1960.

28. The Committee sat from 15·00 to 17·00 hours.

PRESENT

Shri Upendranath Barman—*Chairman*

MEMBERS

2. Shri Vinayak Rao K. Koratkar
3. Shri G. K. Manay
4. Shri S. A. Matin
5. Shri T. R. Neswi
6. Shri Shamrao Vishnu Parulekar
7. Shri Purushottamdas R. Patel
8. Shri Radha Raman
9. Pandit Dwarka Nath Tiwary
10. Shrimati Sharda Bhargava
11. Shri Jashaud Singh Bisht
12. Shri Surendra Mohan Ghose
13. Dr. Shrimati Seeta Parmanand
14. Shri V. C. Kesava Rao
15. Shri Mulka Govinda Reddy
16. Shri Jaswant Singh

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

Shri G. S. Rau, *Addl. Dy. Comptroller and Auditor General.*

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

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

WITNESSES

Ministry of Steel, Mines and Fuel
(Department of Iron and Steel)

1. Shri S. Bhoothalingam—*Secretary.*
2. Shri N. C. Deb, *Director (Finance), Hindustan Steel Ltd.*
3. Shri K. N. Subbaraman, *Director and General Manager (Construction), Hindustan Steel Ltd.*

Ministry of Finance
(Department of Expenditure)

Shri K. L. Ghei, *Joint Secretary.*

MINISTRY OF STEEL, MINES & FUEL

(DEPARTMENT OF IRON AND STEEL)

Hindustan Steel Limited*Audit Report (Civil), 1960*

Non-maintenance of proper system of Commercial Accounts—para 87 (i), pages 95-96—

29. An adequate commercial system of accounts had not been introduced in two Steel Projects taken over by the Company from Government with effect from 1st April, 1957, nor control accounts brought into use in the Headquarters office of the Company (in respect of the accounts maintained by the different Project authorities). Detailed assets registers, control ledgers like Store Purchase Ledgers, Total Debtors' and Creditors' Ledgers, etc. were not maintained by the two projects. In one of the Projects, no Priced Store Ledger was maintained. Depreciation of the assets valuing Rs. 226 lakhs was not provided for in the accounts of the year ended 31st March, 1958. Allocation to the assets of overhead expenditure as on 31st March, 1959 amounting to Rs. 9.09 crores was not also done. In most of the cases of losses, thefts etc. sanctions for write-off had not been accorded by the competent authorities and as such corresponding accounting entries could not be made or financial adjustments effected.

30. The Committee enquired why it was taking the Company such a long time in maintaining commercial accounts of two of the three Steel Projects, viz., Bhilai and Durgapur. The representative of the Department of Iron and Steel stated that till their transfer to the Company on 1st April, 1957, these Projects followed the Governmental system of accounting. The process of transfer to the Company, which had necessarily to be gradual because of the magnitude of the transactions involved, was mainly responsible for a slow change-over to the commercial system of accounting. Considerable progress in this regard had, however, since been made, and during the year 1959-60, almost all the registers and ledgers referred to in the Audit para had been introduced. He however admitted that there was still some leeway to be made, particularly at Bhilai, and hoped that this would be done in the accounts of the current year.

31. In reply to a question, the representative of the Hindustan Steel stated that allocation to assets of Rs. 9.09 crores representing overhead expenditure had been made in the accounts of the year 1959-60. In reply to another question, he stated that provision for depreciation would be made in the accounts of the following year.

32. As regards cases of losses, thefts, etc., the representative of the Hindustan Steel stated that some of the losses had been written off in the accounts of the year 1959-60. The other losses could not be written off as the Company was not satisfied with the explanations received. The projects had been asked to make further investigations and to submit reports as quickly as possible. Further action would be initiated on receipt of these reports.

Increase in costs due to changes in design and payment of demurrage charges—para 87(ii) (a), page 96—

33. The Bhilai Project was undertaken in collaboration with the Government of USSR. A project study incorporating the main specifications and drawings was prepared by the Government of USSR in December, 1955. On the basis of this report and subsidiary information obtained, the project authorities invited tenders as well as resorted to negotiations with certain contractors for the construction work and supply of materials. The detailed drawings had, however, not been received in many of the cases before procurement action was taken. When these were received, it was found that provision had to be made for a large number of extra items which were not originally included in the project study, and also for an increase in quantities previously indicated; it also entailed special methods of construction in some cases. This added to the cost of the project by an estimated amount of Rs. 4 crores.

34. In justification of the initiation of procurement action and construction before the receipt of detailed drawings, the representative of the Department of Iron and Steel stated that according to the arrangements arrived at with the Russian Consultants, the completion of civil works at Bhilai was to synchronise with the arrival of plants from the USSR so that no time was lost in their erection. Before starting the civil works, tenders had to be invited. As detailed drawings in many cases had not been received from the Consultants, tenders were invited on the basis of quantities and materials indicated broadly by the Consultants. An alternative course was to wait till detailed drawings in these cases too had been received; but it would have considerably delayed the completion of civil works. He further stated that in a project of such a vast magnitude as at Bhilai, changes of the type referred to in the Audit sub-para were inevitable. Even if all the detailed drawings were ready before the commencement of work, in the course of actual execution some changes might still be found necessary on account of certain unforeseen physical factors and local circumstances. The process of change did not cease altogether till the work was actually complete.

The additional expenditure consequent on such changes could not, however, be termed as unnecessary.

Para 87 (ii) (b), pages 96-97—

35. Many items of the plant, including heavy machinery as well as light structures, fully or partly assembled, were despatched in ships of USSR and other countries. Difficulties were encountered at Visakhapatnam in unloading because of the size of these machines and equipment. Unloading was consequently slow which resulted in the detention of the ships. This was largely responsible for a claim for demurrage of Rs. 62 lakhs for the period from August, 1956 to mid-1958.

36. The Committee were informed that since the middle of 1958, the Project authorities had not encountered any major difficulty in unloading consignments, resulting in detention of ships. Consequently, there had hardly been any further claim for demurrage.

37. Regarding the demurrage claim of Rs. 62 lakhs for the period August, 1956—mid-1958, it was stated that Rs. 46 lakhs had already been paid, and Rs. 4 lakhs were due to be paid; an amount of Rs. 12 lakhs was under dispute, but, it was hoped, the claim for this would be withdrawn by the Russians.

Irregularities in the emergent local purchases of stores—Para 87 (iii), page 97—

38. On grounds of emergency, local purchases of stores and electrical goods, costing about Rs. 26 lakhs were made at Bombay by some officials of the project in the months of July and August, 1958. Various types of irregularities in respect of these purchases were reported to have been committed.

39. In terms of the contract, the delivery of the items was to be effected ex-stock and completed within two months from August, 1958. Out of 1,471 items, all the items were received upto 31st May, 1959, except 157 items which were received in part and 55 items were cancelled due to non-delivery.

40. No receipt vouchers were available to show that the stores had been received at the plant site, nor were there any issue notes to show that these stores had been issued to works.

41. The Committee desired to know whether the local purchases of stores and electrical goods in this case were justified on grounds of emergency. The representative of the Hindustan Steel stated

that the demand for some of the items was of an urgent nature and but for local purchase of these items, the erection work would have been held up. The matter had also been investigated into departmentally by the project authorities who were satisfied with the urgent nature of demand.

42. The Committee then enquired the reasons for receipt vouchers/issue notes not being available at the project and also, in the absence of these documents, what evidence there was to show that the stores had actually been received at the plant site and later issued to works. The representative of the Hindustan Steel stated that as the stores were urgently required, the usual procedure of preparing receipt vouchers/issue notes was not followed but, instead, both receipts and issues were recorded on the indents received from the consuming department. In reply to a question he admitted that the procedure followed in the present case was technically irregular.

43. As regards the disciplinary aspect of the case, the Committee were informed by the representative of the Hindustan Steel that no departmental action against the suspected officials could be taken as the matter was pending police investigations, and the relevant records were in police custody. The question of taking such action would be examined on receipt of police findings which were understood to be in their final stages. In reply to a question, it was stated that none of the suspected officials was suspended pending police investigations. In reply to another question, it was stated that of the four officials involved, one had since retired in the normal course, and the other three were still in the service of the Project.

44. The representative of the Department of Iron and Steel was then asked to define the policy of the Ministry in matters of this type. He stated that in the case of public undertakings, Government generally confined itself to questions of broad policy, leaving matters of day-to-day administration to the management itself. In very exceptional cases, however, where there were strong reasons to believe that the company's management had not acted rightly, Government could exercise its power of giving directives.

*Irregular retention of project money out of the Project Accounts—
Para 87(iv), pages 97-98—*

45. Due to the unwillingness of the caterer in charge of a Hostel run primarily for the benefit of foreign experts at the Steel Plant to continue the room service, the work was taken over by the Officer-in-charge of the Hostel from 1st March, 1957 for departmental

management. Under certain oral orders issued by this officer, room service charges at Rs. 0-10-0 and Rs. 1-4-0 per day for single persons and for families respectively were being collected along with the tariff levies. No cash receipts were, however, issued for these charges nor were the recoveries credited into the Project Accounts. The collections were kept in a box.

46. The Committee were informed by the representative of the Hindustan Steel that the failure to credit the recoveries of room service charges to the Project Accounts was due to a misunderstanding on the part of the officer concerned who thought that the running of room service for the benefit of foreign experts was not a part of the Project work and as such the money was not a part of the Project Account. On an objection being raised by Audit, the officer concerned was directed to credit immediately the collections to the Project Account. A departmental Committee was also constituted to investigate into the matter. On the basis of receipts collected from the foreigners and other available records, this committee had come to the conclusion that there had been no embezzlement or misappropriation, but that the records had not been maintained properly.

47. In reply to a question, it was stated that receipts were not issued in the beginning as printed receipt books were not available. Later on, when these books became available, receipts were issued.

Loss of cash amounting to Rs. 10,000—para 87(v), page 98—

48. A shortage of Rs. 10,000 with one of the cashiers of the Steel Plant was noticed on 7th April, 1959. A departmental committee was appointed to investigate the matter on or about 9th April, 1959 and a report to the Police was also made. It was, however, noticed that no security deposit or any fidelity bond was taken from any of the cashiers employed, though the necessity for this was stressed by Audit in August, 1958.

49. The Committee desired to know the outcome of departmental and police investigations. The representative of the Hindustan Steel stated that the departmental committee, which was appointed in April 1959 to fix responsibility and suggest precautionary measures for safe custody of cash, after preliminary investigation, failed to fix responsibility. The matter was then referred to the police who also failed to find any clue to the theft. Indicating the latest position, he stated that the cashier had been placed under suspension, and it was proposed to proceed against him departmentally.

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50. In reply to a question, he stated that all the recommendations of the departmental committee in regard to safe custody of cash had been implemented.

51. The Committee then enquired why no security or fidelity bond was taken from any of the cashiers, though the necessity for this was stressed by Audit in August, 1958. The representative of the Hindustan Steel admitted that it was a lapse on the part of the Company, but added that with effect from May, 1959, this requirement was being strictly enforced.

Loss of Rs. 1,68,000 in the purchase of cast-iron cement—para 87 (vi), page 98—

52. Following a demand for 50 tons of cast-iron cement in November, 1957 a telegraphic order was placed after enquiry on 17th June, 1958 with a firm at the rate of Rs. 3.25 per lb. at which the cement had been purchased earlier from the same firm in August, 1957. Meanwhile, in April, 1958 an offer from another firm to supply a similar type of cement at Rs. 1.75 per lb. had been received with samples by the Project authorities. The quality of the cement was not examined in the project laboratory till October, 1958, when its suitability was established. According to Audit, had this been done earlier the repeat order could have been placed at the cheaper rate and a saving of an amount of Rs. 1,68,000 effected.

53. The explanation of the representatives of the Department of Iron & Steel and the Hindustan Steel was that for sealing the cooling plates of the second and third blast furnaces whose erection was scheduled to commence in June and September 1958, 50 tons of the material were required. Having in view the experience in the case of first blast furnace, where due to delay in the receipt of this type of cement, the whole erection schedule was upset and the quality of work also suffered, the Project authorities wanted to ensure that the requisite quantities of the material would be available before they were actually required for use in the erection of the second and third blast furnaces. Although a cheaper offer had been received in April, 1958, the suitability of the cheaper material was not determined then. Thus, at the time of placing the repeat order, there were two alternatives before the Project authorities: either to purchase the material of proved quality at higher rates or to wait for the laboratory-tests of the material offered at lower rates. On grounds of urgency, the Project authorities chose the former course.

54. The Committee understood from Audit, that in July, 1959, i.e., more than a year after the placing of the repeat order, a part (7 tons) of the quantity purchased in August, 1957 (25 tons) and bulk

of the quantity ordered for in June, 1958 still remained unused. The representative of the Company was asked to reconcile this with the statement that at the time of placing the telegraphic order for 50 tons in June, 1958 the demand was urgent. He desired to check the figures of consumption and promised to explain the matter later.

55. Regarding the results of laboratory tests of the cheaper material, the Committee were informed that according to the Laboratory Assistant-in-charge, it was suitable for the purpose. He was, however, overruled by the Russian Chief Engineer. As for the delay in conducting tests, it was stated that samples were received from the firm only on the 23rd May, 1958. Further delay was caused by the late receipt of larger samples from the firm, which the laboratory had asked for.

Extra expenditure on account of manufacture of 'inserts' amounting to about Rs. 2.50 lakhs—para 87(xi), pages 99-100—

56. Large quantities of iron 'inserts' were required to be manufactured for embedding into the concrete masonry.

57. On the 11th March, 1957, the Project authorities called for tenders to be opened on the 21st March, for the manufacture of these inserts. In consultation with the main civil engineering contractor the authorities, however, entered into a contract on the 15th March, after the tender notice had issued for the fabrication of inserts of various sizes, at rates ranging from Rs. 840 to Rs. 1,470 per ton, for the quantity needed in the six months ending October, 1957. The two lowest tenderers who had responded to the notice quoted Rs. 260 to Rs. 350 per ton. Even though the original contract covered only the supplies needed upto October, 1957, repeat orders were placed with this contractor upto 15th July, 1958 at the higher rates.

58. According to Audit, as a result of this hurried "but apparently unnecessary arrangement" there has been an avoidable extra expenditure of about Rs. 2.50 lakhs.

59. In evidence, the representative of the Department of Iron and Steel explained that the fabrication of 'inserts' being a difficult job, the foreign experts had insisted that, in the interest of co-ordination with other works and expedition, the initial contract should be placed on the main Civil Engineering contractors. Accordingly, arrangements were arrived at with them in February, 1957, whereby they were to manufacture 'inserts' to meet six months requirements. After this, there arose an additional demand for 'inserts'. To find out whether 'inserts' could be manufactured by other firms also,

tenders were invited on the 11th March, 1957. In response to these tenders, quotations were received from two firms. One of these proved a failure and other's performance was unsatisfactory. In the latter case, there was not only a failure in the supply of the stipulated quality but the delivery period was also not adhered to. The Dy. Comptroller & Auditor General intervened to point out that to the end of February, 1959, considerable quantities of 'inserts' (2593 tons) had been manufactured and supplied by the other firms at much lower rates—in some cases rates paid to these firms being about one-fourth of those paid to the Civil Engineering contractors. The representative of the Hindustan Steel, however, stated that the rates paid to the various concerns were not comparable in that whereas the main Civil Engineering contractors used mostly cut piece, reinforcement and waste steel and were thus issued small quantities of new steel, larger issues of steel had to be made to other concerns who received extra payment for cutting steel and were also given some free equipment. The two firms offering lower rates had quoted only the labour rates. It was, however, admitted that the difference on account of the other factors should be only of the order of 15%. The Committee desired to be furnished with a comparative statement showing the quantities of 'inserts' manufactured and supplied by the various concerns together with the comparable rates paid therefor.

60. The Committee then adjourned to meet again at 15.00 hours on Friday, the 9th September, 1960.

Proceedings of the Fourteenth Sitting of the Public Accounts Committee held on Friday, the 9th September, 1960

61. The Committee sat from 15.00 to 18.10 hours.

PRESENT

Shri Upendranath Barman—*Chairman*

MEMBERS

2. Shri Maneklal Maganlal Gandhi
3. Shri Vinayak Rao K. Koratkar
4. Shri T. Manaen
5. Shri G. K. Manay
6. Shri S. A. Matin
7. Shri Baishnab Charan Mullick
8. Shri T. R. Neswi
9. Shri Shamrao Vishnu Parulekar
10. Shri Purushottamdas R. Patel
11. Shri Radha Raman
12. Dr. N. C. Samantsinhar
13. Pandit Dwarka Nath Tiwary
14. Shrimati Sharda Bhargava
15. Shri Jashaud Singh Bisht
16. Shri Surendra Mohan Ghose
17. Dr. Shrimati Seeta Parmanand
18. Shri V. C. Kesava Rao
19. Shri Mulka Govinda Reddy
20. Shri Jaswant Singh

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

Shri G. S. Rau, *Addl. Dy. Comptroller & Auditor General.*

Shri P. V. R. Rao, *Director of Audit, F.R.S.C.S. & M.*

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

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

WITNESSES

Ministry of Steel, Mines & Fuel (Department of Iron & Steel)

1. Shri S. Bhoothalingam, *Secretary*
2. Shri N. C. Deb, *Director, Finance (Hindustan Steel Ltd.)*
3. Shri A. S. Bam, *Iron & Steel Controller*

(Department of Mines & Fuel)

1. Shri S. S. Khera, *Secretary*
2. Shri N. S. Mani, *Joint Secretary*
3. Shri K. K. Sahni, *Joint Secretary*
4. Shri N. N. Kashyap, *Joint Secretary*
5. Shri R. C. Dutt, *Managing Director, National Coal Development Corporation.*
6. Shri S. K. Mozumdar, *Financial Controller and Chief Accounts Officer, National Coal Development Corporation.*

Ministry of Finance (Department of Expenditure)

1. Shri K. L. Ghei, *Joint Secretary*
2. Shri A. V. Venkateswaran, *Joint Secretary*

Obituary reference

62. At the outset, the Chairman gave an expression to the deep sense of loss and grief occasioned by the passing away of Shri Feroze Gandhi who was a sitting Member of the Committee.

The Chairman and Members also desired that their sense of loss and deep sympathy should be conveyed to the members of the bereaved family.

The Committee then observed a minute's silence as a mark of respect to the memory of the deceased.

MINISTRY OF STEEL, MINES & FUEL**(DEPARTMENT OF IRON AND STEEL)****Hindustan Steel Limited**

**Statement made by the Minister of Steel, Mines & Fuel in Lok Sabha on 7th September, 1960, on a Calling Attention Notice re: low production of pig iron and steel at Rourkela and Bhilai.*

63. From the above Statement, the Committee learnt that the Bhilai Steel Plant which had in operation two batteries of coke ovens and two blast furnaces, three out of the six open hearth furnaces

*See Appendix III, Annexure No. 122 to L.S. Deb. dated 7-9-60.

and the blooming and billet mill, had produced about 487,000 tons of pig iron and 92,000 tons of steel ingots till the end of March, 1960. Production in the corresponding period of the Rourkela Steel Plant, which had likewise in production two batteries of coke ovens, two blast furnaces, the melting shop and the blooming and slabbing mill, was about 273,000 tons of pig iron and 68,000 tons of steel. Production of the two plants during the five months from April to August, 1960 had been as follows:

		(in metric tons)			
		<i>Rourkela</i>		<i>Bhilai</i>	
		<i>Pig iron</i>	<i>Steel</i>	<i>Pig iron</i>	<i>Steel</i>
April	1960	32,787	15,625	55,539	23,761
May	1960	26,005	13,369	56,180	21,538
June	1960	26,191	14,360	46,507	22,034
July	1960	30,596	15,360	49,095	26,627
August	1960	31,877@	16,392@	50,712	23,914
	(@ till 29th)				

64. The Committee also learnt that the rated capacity of the two blast furnaces at Rourkela—both of which had been proved—was 60,000 tons of pig iron per mensem, as against which the actual production during the period April—August, 1960 worked out, on an average, to less than 30,000 tons per mensem. Further, though the third blast furnace at Rourkela had been ready in all respects for commissioning for some weeks past it was yet to be commissioned. There was no indication in the Statement of any possible date, by which it was to be commissioned. Likewise, the third blast furnace at Bhilai also lay uncommissioned for some weeks past.

65. The Secretary, Department of Iron and Steel stated before the Committee that the plant at Rourkela was planned differently from that at Durgapur and Bhilai. It was the function of the latter two plants to cast the pig iron production of an entire blast furnace and therefore each of them was equipped with two pig-casting machines. Although one casting machine can take daily the full load turned out by one blast furnace it cannot do so continuously for long. On the other hand, the Rourkela plant was to convert the whole output of iron into steel except about 100,000 tons of pig iron per year to be cast for its own requirements. Therefore, only one pig-casting machine was provided in Rourkela.

66. There was a time-lag of 3 or 4 months between the commissioning of blast furnace in Rourkela and the coming up of the steel making equipment. During these 3 or 4 months the pig-casting machine had to work continuously to cast the entire production of iron. This was early in 1959. The production of steel started in April, 1959 when the first of the four open hearth furnaces was commissioned. At the end of 1959 or early in 1960, two (out of four) open hearth furnaces, two (out of three) L.D. converters and one slabbing mill were working. As the quantity of pig iron used for steel making was thus limited during the earlier stages *i.e.* from April, 1959 onwards, the balance of iron produced had to be cast.

67. Frequent break-downs in the dolomite calcining plant coupled with the limited capacity of the pig-casting machine were mainly responsible for low level of production at Rourkela. Explaining the impact of these factors on the level of production, the Secretary stated that out of a target of one million tons of steel to be produced at Rourkela, about three-fourths was to be produced by L.D. process in three steel converters and the remaining quantity by open-hearth method. The L.D. converters as also open-hearth furnaces had to be lined with dolomite bricks which needed to be changed after a given number of heats. But, as cooking (conversion of a pour of hot iron into steel) in the case of an L.D. converter took about three-quarters of an hour as against about 12 hours taken in the case of an open-hearth furnace, brick-linings of the former type of plant had to be changed at much shorter intervals (after about every 3-4 days as against 5-6 weeks in the case of an open-hearth furnace). The production at Rourkela being mostly by L.D. process, for the working of the plants to full capacity, a continuous and large supply of dolomite bricks of the requisite quality was needed. But this could not be ensured because of shortage of burnt dolomite caused by frequent break-downs in the dolomite calcining plant. These break-downs—which had been manifest since January, 1960—not only resulted in low production of the steel-conversion plants but also affected that of the blast furnaces. For, the hot metal to be produced by the blast furnaces had to be limited to what could be taken, on the one hand, by the steel melting shop, and, on the other, by the single pig-casting machine. Though this machine's capacity was about a thousand tons a day, it could not do so on a continuous basis.

68. Recounting the measures so far taken for the rectification of the defects in the dolomite calcining plant, the witness stated that despite the best efforts of the engineers, including the German suppliers and some specially invited American experts, the plant did not work properly. Extensive repairs and realignments were again under

way, and it was hoped that the plant would be set right by October, 1960.

69. In reply to a question, he stated that whatever spare quantities of this material were available with other steel plants, were being continuously procured for use at Rourkela, but the capacity of the other plants to spare this material was also limited.

70. In reply to another question, he stated that it would not be advisable to set up another dolomite calcining plant at Rourkela to safeguard against such possible break-downs.

71. Referring to other factors which had adversely affected production, the witness stated that some loss of production at Rourkela had also been caused by occasional interruptions in the operations of the blast furnaces. In one case, due to failure of the cooling system around a pipe taking hot air into the furnace, the pipes got burnt, and before the pipes could be repaired, some water got into the furnace. In another case due to the poor quality of iron ore, something got semi-solidified within the space where molten metal was cooked, and when it fell on the molten metal, there was an upward splashing of some of the molten metal. Such interruptions, he added, were just accidental and were not the result of any defect in the plant.

72. As regards iron ore, he stated that no shortage of the ore had been experienced at Rourkela, and consequently there had been no loss of production there on this count. At Bhilai, however, this was one of the major causes responsible for fall in production. The bottleneck had, however, not been so much the lack of ore as the transport of ore from the mines to the rail-head. Of late, however, the position had shown signs of improvement.

73. As regards supplies of coal, he stated that even during the period of low production of steel and pig iron at Rourkela the receipts of coal had not been equal to the daily consumption. Another serious consequence of short supply of coal was retardation of the commissioning of the third blast furnace. The coke oven battery of this furnace could be charged only after sufficient stocks of coal had been built up and steady supplies of coal assured. The stocks of coal which were about 69,000 tons in January, 1960 had fallen to about 37,000 tons at the end of August, 1960.

74. So far as Bhilai was concerned, shortage of coal coupled with that of iron ore had been mainly responsible for a steep fall in production in the months of June and July, 1960. In this case too, as in the case of Rourkela, the commissioning of the third blast furnace had been held up due to short receipts of coal.

75. The Committee then desired to be furnished with the following information in respect of both Rourkela and Bhilai:—

- (i) Approximately, how much loss of production had been suffered on account of short receipts of coal and iron ore, defects in plants, occasional interruptions in the operations of blast furnaces, etc.? What, approximately, was the money value of this loss?
- (ii) (a) When was the erection of the third blast furnace completed and when is it expected to be commissioned?
- (b) What were the reasons that sufficient stocks of coal were not built up well ahead of the completion of the third blast furnace so that it could be commissioned without any delay?
- (iii) What measures have been or are proposed to be taken to attain the rated capacity of all the blast furnaces erected so far? Approximately, by what time, is the rated capacity expected to be attained?

76. The Committee then examined the representatives of the Department of Mines and Fuel in regard to short receipts of coal at the steel plants. The explanation of the representative of the Department of Mines & Fuel was that there had been no shortage of coking coal at pitheads, and that, in fact, as a result of discussions with the coal industry, an additional supply of over 8 lakh tons of Selected Grade coals for the period June-December, 1960 had been arranged. Due, however, to the inadequacy of transport arrangements, the requisite quantities of coal could not be carried to the steel plants. Quoting figures in support of his statement, he stated that to cope with the current level of requirements of the steel industry in the public sector, about 1,450 wagons per day were required. The number of wagons, however, made available by the Railways had been short by about 300-400 per day during the past few months. In reply to a question, he stated that unless a steady supply of 1650-1700 wagons of coal per day was maintained it might not be possible to move sufficient stocks of coal for the third blast furnace to be commissioned at Rourkela and Bhilai by November, 1960.

77. The Committee then enquired about the procedure regarding allotment of wagons for transport of coal to steel plants. The representative of the Department of Mines and Fuel stated that with each plant in the public sector, a number of collieries were linked. Indents for wagons were placed by these collieries on the Coal Controller who according to a basic loading programme made daily allotment of

wagons. The basic programme, in its turn, depended upon the number of wagons offered by the Railways from day-to-day and the operational convenience of the Railways.

78. In reply to another question, the witness stated that bulk of the coal requirements of the steel industry was met by collieries in the private sector, and only a small part by the collieries of the National Coal Development Corporation.

79. Before the Committee took up next item on the agenda, they desired that the following information* should be called for from the Ministry of Railways (Railway Board):

- (i) What were the reasons that as against a monthly programme of 66,000 tons, quantities of coal transported to steel plants were only about 34,700 tons in May and 32,000 tons in June, 1960?
- (ii) What steps have been or are proposed to be taken by the Railways to ensure that the production programme of the steel plants in the public sector is not hampered on account of inadequate arrangements for the transportation of coal to steel plants?

Audit Report (Civil), 1960

Unnecessary expenditure of about Rs. 22 lakhs on construction of a road—Para 87 (xiv) (a), page 101—

80. In March, 1957 the foreign experts at Bhilai advised the use of limestone for Civil Engineering construction work at the Project. A limestone quarry was located at a distance of about 16 miles from the Project site and for transporting the material to work-spot it was decided in December, 1957 to construct a new road from the quarry, which was completed in March 1959 at a cost of Rs. 22 lakhs. In March, 1959, a railway line was also laid between Bhilai and the limestone quarry, which eliminated the need for transport by road.

81. Audit felt that the construction of a new road at a cost of Rs. 22 lakhs merely for the purpose of shortening the lead for the transportation of materials from the quarry by about 11 miles did not appear to have been well-advised from the financial point of view.

82. In evidence, the representative of Department of Iron and Steel stated that the expenditure incurred on the construction of the road could not be considered unnecessary as the road had been found to be useful to the Project. Apart from the financial benefits that had

*Since received. See Appendix III.

accrued to the project consequent on the shortening of the lead, the construction of an airstrip recently midway between Bhilai and the quarry and the proposed establishment of a Township had made this road quite necessary. The development of another limestone quarry had also added to its utility.

83. In reply to a question, he admitted that at the time the construction of the road was taken up, none of the subsequent development was in the mind of the Project authorities. Even then, he added, for the purpose of transport of limestone from the quarry to work-spot and of carrying mining equipment from Bhilai to the quarry, the construction of this road—which substantially shortened the lead—was considered necessary.

84. The Committee then desired to know the reasons for delay in the construction of the road. The representative of the Hindustan Steel attributed it to (i) Unprecedented heavy rains, (ii) Delay in the acquisition of a portion of the land, and (iii) Delay on the part of the contractor. As to the action taken against the contractor for delay, he stated that suitable penalty had been imposed on him.

Para 87 (xiv) (b)—Pages 101-102—

85. According to Audit till the time the above road was ready, the Civil Engineering contractor, whose rates for limestone included a lead upto 16 miles only had been using an old and longer road of 27 miles, and had been paid, for the extra lead of 11 miles, about Rs. 12 lakhs on the quantities conveyed from the quarry by this route. It, however, appeared from records that the claim of the contractor was based on his assertion that he used the longer route of 27 miles throughout the entire period upto March, 1959, although a diversion roadway, which reduced the distance by 7 miles, was available by the end of the monsoon season of 1958 (i.e. October, 1958) and this road was actually being used by another contractor of the Project.

86. The Committee were informed by the representative of the Hindustan Steel that the contractors' claim for Rs. 12 lakhs had not yet been admitted, and that payment to the contractor would be made only after verifying the quantities actually conveyed by the longer route.

Extra expenditure of Rs. 1.06 lakhs incurred in supplying and fixing of window shutters—Para 87 (xv), page 102—

87. In March-April, 1957, the tenders of three parties for the construction of 240 houses, including all wood work therein, were accepted. Orders for the commencement of the work were also issued during March and May, 1957.

88. In May, 1957, the items relating to the supply and fixing of window shutters were withdrawn from the contractors. The window shutters were purchased in the open market and were fitted by contractors. The cost of shutters and their fitting amounted to Rs. 1,76,408 against Rs. 1,14,270 payable to the original contractor under the contract.

89. In a similar case the work relating to window shutters was withdrawn from the building contractors and both purchase and the fitting of the shutters was done departmentally, the cost being Rs. 2,30,107 as against Rs. 1,86,162 under the original contract.

According to audit, the avoidable expenditure in the two cases amounted together to Rs. 1,06,083.

90. Explaining the reasons for withdrawing the work from the contractors, the representative of the Hindustan Steel stated that after the contracts for the building of houses, including fixing of door and window shutters, had been placed, it was found that doors of the requisite quality (*viz.*, C. P. Teakwood), could not be supplied by the contractors as quality wood was not available in the market. Consequently, work relating to door shutters was withdrawn from the contractors. The contractors then represented that they should be exempted from the execution of window shutter work also. As a result, this work had also to be withdrawn.

91. When asked whether the Project authorities were able to procure door shutters of the quality wood, the witness stated that the original specifications had to be changed. He, however, admitted in reply to a further question that both door and window shutters, as per the changed specifications, could have been supplied and fixed by the contractors.

92. Earlier, in reply to another question, the witness had admitted that the withdrawal of work from the contractors was unfortunate.

Defective Piling Foundations—Para 87 (xvi), page 102—

93. Owing to the nature of the soil at another unit of Hindustan Steel Ltd., several units of plant such as Blast Furnace, Melting shop, etc. had to be founded on piles, driven to different depths depending upon the soil, load factor, etc. The work of pile-driving was being executed by the principal contractors under the supervision of the Company's Consulting Engineers. On the strength of the certificates given by the Consulting Engineers, running payments to the extent of Rs. 60,84,280 had been made to the principal contractors upto December, 1958.

94. In January, 1959 some of the piles in a part of the Steel Project for which payments of Rs. 35,96,051 had already been made, were found to be defective and required replacement. The matter regarding the certification of defective piles by the Consulting Engineers was investigated by an expert committee.

95. The Committee were informed by the representatives of the Department of Iron & Steel and the Hindustan Steel that the principal contractors had agreed to rectify all the defects in the piling at their own cost. They had also undertaken to rectify at their own expense any damage to the plant and other works due to any such defect that might take place during the next 10 years. A draft agreement to this effect had already been prepared by the Company and was at present under the consideration of the principal contractors.

96. In reply to a question, the Committee were informed that in the light of the experience during the ten-year period, they (the Company) will examine what further guarantees would be necessary.

97. As regards payments already made to the contractors for pile-driving work, the witness stated that these were under review. Roughly, an amount of about Rs. 10 lakhs was proposed to be recovered.

98. Referring to wrong certification of defective piles by the Consulting Engineers, he stated that the report of the expert Committee in the matter was at present with the Company. One of the recommendations of this Committee required that some more observations should be carried out. The Project authorities had, accordingly, been asked to do so. After this had been done, the Company would finalise its comments and forward the same together with the report to Government.

99. Regarding the question of fixing responsibility for wrong certification, he stated that the Consulting Engineers—who, in terms of the contract, were responsible for supervision of piling work—had removed their Chief Civil Engineer.

Extra expenditure in the purchase of bricks—Para 87 (xvii), pages 102-103—

100. About 180 lac bricks were required at the Project site for construction work. The entire supply could not be obtained from one contractor and tenders of five contractors were accepted in November, 1956 for the supply of 133 lac first class bricks (rates Rs. 32 to 36 per thousand) and 45 lac 2nd class bricks (rates from Rs. 29 to Rs. 35 per thousand). The supply was to commence in December, 1956 and 80 per cent of the supply was to be made within five months and the balance within the next two months. During the period of

seven months, however, only a small quantity (4 lacs) of second class bricks was actually supplied. The first class bricks offered for delivery by the different contractors were, on inspection by the senior engineers of the Project at the Kilns, found to be of a lower quality and were proposed for acceptance only as second class but the contractors did not accept this classification.

101. In July, 1957 all the contracts were terminated and fresh tenders were invited. In September, 1957 tenders of six contractors were accepted at considerably higher rates varying from Rs. 45 to Rs. 48.25 per thousand for first class bricks and from Rs. 44 to Rs. 45 per thousand for second class bricks. The Chief Project Officer did not exercise the power of risk purchase as provided in the original agreements. According to audit, by terminating the previous contracts and accepting fresh tenders at higher rates an extra and avoidable expenditure of about Rs. 2.3 lacs was incurred.

102. The representative of the Hindustan Steel observed that in the early stages of the Project, due to lack of sufficient experience, the Project administration felt that the penalty clause could be invoked in the case of delay in supply and not in the case of supply of defective material, which itself was under dispute. This view was, however, not accepted by the Ministry who asked the Project authorities to consider the possibility of preferring claims even at that stage. The latter, however, replied that having once cancelled the contract, it was not now possible to revive the claim.

Loss in setting up Jetties—Para 87 (xviii), pages 103-104—

103. To speed up the clearance of shipments and their despatch to the Project site at Rourkela the management examined in August, 1957 the possibility of constructing departmental jetties at a place 16 miles upstream from the Calcutta docks. The consultants, however, gave their opinion (in February, 1958) that in view of the reduced shipment programme after September, 1958 and in the light of improved conditions at Calcutta Port, they did not expect any serious difficulties in the clearance of shipments at Calcutta. In spite of this opinion, the authorities decided on 19th February, 1958 to construct three departmental jetties at an estimated cost of Rs. 9 lacs to be completed before the monsoon of 1958. It was felt that even if the jetties were not ready before the monsoon, there would still be enough traffic afterwards and even a modest traffic of about 50,000 tons per annum would make the scheme profitable.

104. The construction of the three jetties was taken up in March, 1958, but they could be only partially commissioned for work in February, 1959. In July, 1959, i.e., in less than 5 months after they were

commissioned, it was found that the jetties had suffered considerable damage and that the river basin had also silted up. The movement of the boats was, therefore, restricted to only 3 or 4 hours during high tide, thus keeping labour and machinery idle for the rest of the day. Only 11,100 tons of cargo could be handled through these jetties upto 17th November, 1959.

105. The project authorities recommended that the jetties should be disposed of and materials such as cranes, rails, etc. should be removed for use elsewhere.

106. Indicating the latest position, the representative of the Department of Iron & Steel stated that it had since been decided not to dispose of the jetties but to use them not only for handling the imports of the Company, but also its exports. The Heavy Engineering Corporation was also expected to make use of them.

107. Dealing with the financial aspect of their working, the witness stated that according to the estimates of the Project authorities, even a modest traffic of 2,000—3,000 tons per mensem would make the jetties a paying proposition. The traffic to be actually handled at the jetties was expected to be much more than this.

108. In reply to a question, it was stated that the maximum handling capacity of the jetties was about 8-10 thousand tons per month.

MINISTRY OF STEEL, MINES & FUEL

(DEPARTMENT OF MINES AND FUEL)

National Coal Development Corporation Limited

Loss of coal despatched from a colliery—Para 86 (i), pp. 93-94—

109. At the weighbridge yard of a certain railway station excess coal from overloaded wagons sent from a Government colliery had to be taken out according to the Railway rules to allow the correct load being despatched. In some cases the unloaded coal was again loaded in underloaded wagons received from the same colliery to make up the correct load. The records pertaining to the weighbridge for the period from 1953—57 (upto 20th September, 1957) showed that the excess quantity taken out of the wagons was 3,122 tons of which the quantity reloaded during the period was 1,360 tons. On this basis 1,762 tons of coal valued approximately at Rs. 30,000 should have been available at the weighbridge yard of the railway station but no stock was physically traceable. Further, such unloaded stocks of coal lying at the weighbridge yard was also not accounted for in the closing stock of coal of the colliery at the end of each year.

110. The Committee were informed by the representative of the National Coal Development Corporation that, according to the procedure as now evolved, all excess coal taken out from over-loaded wagons was, as far as possible, dumped in extra wagons. As a result, there was very little accumulation of coal in the Railway Yard and that too, for a very short period. Quoting figures of unloaded coal furnished by the Railways to the Corporation, he stated that the quantity of accumulated coal in January, 1959 was only 21 tons, 5 cwts. He further stated that to obviate the need for weighing coal in the weighbridge yard of the Railway Station—a distance of about 14 miles from the colliery siding—an order for a weighbridge of 100 tons capacity had already been placed. The weighbridge was expected to be installed at the colliery siding within a few months.

Unsatisfactory maintenance of accounts—Para 86 (ii), page 94—

111. According to Audit, the accounts of the National Coal Development Corporation had not been maintained properly and the entire accounting system required reorganisation.

112. In evidence, the representative of the National Coal Development Corporation stated that the current accounts of the Corporation were being maintained in accordance with commercial system of accounting, introduced by the Corporation, in consultation with the professional auditors. The accounts pertaining to the years 1956-57 to 1958-59, especially in respect of fixed assets, needed recasting. After these accounts had been recast, they would be forwarded to the professional auditors. If possible, the recast accounts for these years would be issued along with the accounts for the year 1959-60.

113. Referring to item (5) of the Audit para, according to which “Miscellaneous expenditure and losses totalling Rs. 289.89 lakhs could not be analysed for want of details”, the Committee desired to know the latest position. The representative of the National Coal Development Corporation stated that the analysis of figures as available in Government’s books of accounts had been gone through by the Corporation. Certain details had now become available which would be placed before the Audit Department for examination.

Avoidable payment of interest charges—Para 86 (iv), page 95—

114. The Company obtained a loan of Rs. 4 crores at 4½% interest from the Government in two instalments of Rs. 2 crores each in 1981(c) LS—3.

January, 1958 and March, 1958. As the whole amount was not immediately required a total sum of Rs. 3·4 crores was deposited as "call deposits" @ 2½% per annum with the State Bank of India in several instalments in February and March, 1958. This resulted in extra payment of interest charges amounting to Rs. 1,43,288 to Government due to premature drawal of the loans.

115. The Committee were informed by the representative of the National Coal Development Corporation that the first instalment amounting to Rs. 2 crores drawn by the Corporation in January, 1958 was disbursed by March, 1958, as per the expectation of the Corporation. The expenditure out of the second instalment of the same amount, however, spread over six months (April September, 1958), instead of 2-3 months (April—June, 1958), as originally anticipated. The reason for the longer spreadover in the second case was that a considerable amount was to be spent on purchases of stores (including purchases from abroad) payment for which could be made only on receipt of stores. These, however, did not arrive in time.

Capital Investment and Cost of Production per ton of coal and level of production in the Public Sector—

116. The Committee desired to know how the capital investment and cost of production per ton of coal raised in the public sector compared with those in the private sector. The representatives of the Department of Mines and Fuel and N.C.D.C. stated that the capital investment per ton of coal raised in the public sector did not differ much from that in the private sector, and that in some cases, the former was even lower. Likewise, in the case of new investment, the cost of production per ton of coal of each grade raised in the collieries of the Corporation compared quite favourably with that in the private sector.

117. The representative of the Department of Mines and Fuel added that comparisons between the two sectors could not be carried too far, inasmuch as the Corporation was carrying on production in its collieries in Giridih even at a loss, in pursuance of the coal conservation policy of Government.

118. The Committee then inquired whether the Corporation expected to achieve its target of production as laid down in the Second Five Year Plan. They were informed that as against the target of 13·5 million tons per annum to be produced by the Corporation by the end of the Second Plan period, its level of production

was expected to be approximately 9 million tons, resulting in a shortfall of 4.5 million tons. The corresponding shortfall in the private sector was expected to be only 1 million tons per annum.

119. *The Committee then adjourned till 15.00 hours on Saturday, the 10th September, 1960.*

Proceedings of the Fifteenth Sitting of the Public Accounts Committee held on Saturday, the 10th September, 1960

120. The Committee sat from 15·00 to 17·20 hours.

PRESENT

Shri Upendranath Barman—*Chairman.*

MEMBERS

2. Shri Maneklal Maganlal Gandhi
3. Shri Vinayak Rao K. Koratkar
4. Shri S. A. Matin
5. Shri Baishnab Charan Mullick
6. Shri T. R. Neswi
7. Shri Shamrao Vishnu Parulekar
8. Shri Purushottamdas R. Patel
9. Shri Radha Raman
10. Dr. N. C. Samantsinhar
11. Pandit Dwarka Nath Tiwary
12. Shrimati Sharda Bhargava
13. Shri Jashaud Singh Bisht
14. Shri Surendra Mohan Ghose
15. Shri V. C. Kesava Rao
16. Shri Mulka Govinda Reddy
17. Shri Jaswant Singh

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

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

WITNESSES

Ministry of Home Affairs

1. Shri V. Viswanathan, *Secretary*.
2. Shri Hari Sharma, *Additional Secretary*.
3. Shri N. Sehgal, *Joint Secretary*.
4. Shri R. R. Bahl, *Joint Secretary*.
5. Shri H. K. Tandon, *Secretary, U.P.S.C.*
6. Shri K. L. Rathee, *Finance Secretary, Delhi Administration*.

*Ministry of Food & Agriculture
(Department of Agriculture)*

Shri R. C. Soni, *Deputy Inspector-General, Forests*.

Ministry of Defence

Shri O. Pulla Reddy, *Secretary*.

Ministry of Finance (Defence)

Shri Jayashankar, *Financial Adviser, Defence Services*.

*Ministry of Finance
(Department of Expenditure)*

Shri B. Mukherjee, *Joint Secretary*.

121. The Committee took up consideration of the Appropriation Accounts (Civil), 1958-59 and Audit Report, 1960 relating to the Ministry of Home Affairs.

AUDIT REPORT, 1960

Air journeys of a Cabinet Minister—Para 95—page 114,—

122. In April, 1958, a Minister on his journey to Calicut from Delhi used three I.A.F. planes, including an aircraft flown all the way from Jodhpur for the last lap of the journey of sixty miles only from Cannanore to Calicut. A war-time disused airstrip at Calicut (Kozhikode) was cleared, levelled and made temporarily suitable for the landing of the aircraft, by the State Government at some cost, which was eventually borne by that Government after initial claim at the special request of the Government of India.

123. The same Minister used an I.A.F. plane for his journey from Delhi to Bangalore on 12th January, 1960. The plane returned empty to Delhi on the same day and returned after 5 days to Bangalore on 18th January, 1960 to bring the Minister back to Delhi.

124. According to Audit, the accepted principle for official journeys, viz., that these should not coincide with attendance at political or private functions, seemed to have been overlooked in both the journeys undertaken by the Minister.

125. In evidence, the representative of the Ministry of Defence stated that the Indian Air Force maintained at Palam airport a fleet consisting of certain aircraft for the use of the V.I.P.s. The Minister concerned was entitled to use these aircraft for official purposes. The journey to Calicut was undertaken by the Minister to attend to certain official business there and at intermediary stations. The witness was not aware of any private function attended by the Minister during this tour. As regards the justification for using three planes for the journey, he informed the Committee that the Minister travelled from Delhi to Bangalore on the 22nd April, 1958 by a Viscount and after attending to official duties, he took a Dakota from there on 24th April for Mangalore, as the Viscount could not land at Mangalore. The Viscount returned to Delhi with other V.I.P. from Bangalore. From Mangalore to Cannanore the Minister used a newly acquired aircraft which was being tried out by the I.A.F. at various places to see the landings and was incidentally used for the journey of the Minister. In order to save public time, the Minister actually took a risk by using this plane. From the 24th April to 28th April, 1958, the Minister was engaged in important items of official work at Cannanore and arrived at Calicut on the 28th April, 1958. After attending to official work at Calicut he left for Sullur on the 29th April, 1958 where he changed over to a Viscount for his journey to Delhi. The witness added that I.A.F. planes were required to do certain number of flying hours in order to be in operational trim. None of the aircraft used by the Minister exceeded the prescribed flying hours and, therefore, did not involve the Air Force in any extra expenditure. In reply to a question he stated that the road journey from Mangalore to Cannanore, Cannanore to Calicut and Calicut to Sullur was inconvenient and time consuming because of intersection of a number of small rivers. The minister saved public time by travelling by air.

126. The Committee enquired the position regarding the claim made by the State Government for clearing and levelling of an airstrip at Calicut for landing the Minister's plane. The witness stated that at the instance of the Air Force, the Home Ministry had requested the State Government to level up some Medical College ground. It was considered to be a minor work but the actual expenditure incurred by the State Government thereon came to Rs. 1,215 due to certain unforeseen factors. The State Government agreed to drop the claim when it was explained to them that the

Central Government would not have agreed to the spending of that much amount of money, had they foreseen the magnitude of the work involved.

127. As regards the journey of the same Minister from Delhi to Bangalore and back in January, 1960, the representative of the Ministry of Defence stated that while in Bangalore the Minister had gone through a heavy programme of official engagements. In reply to a question he stated that if, during his spare time the Minister attended any political function there that appeared to him an incidental matter. Explaining the justification for the flights of the empty plane from Bangalore to Delhi on the 12th January and Delhi to Bangalore on the 18th January, he stated that the V.I.P. planes were not detained at their destinations if these were required for other flights or the interval between the onward and return journeys was long for they had to do their prescribed minimum flying hours.

Loss and other irregularities in colonisation contracts—para 41, pages 49—51,—

128. In partial implementation of a scheme of rehabilitation of Displaced Persons, two plots of forest land measuring 600 and 500 acres were selected for immediate clearance in 1954 in a Union Territory (Andamans). Another plot, measuring about 3,000 acres, was taken over for the same purpose in 1956. The department executed after negotiations an agreement in 1954 for the first two plots and another in 1956 for the 3rd plot, with a firm for the work of clearance in these areas at the rates of Rs. 365, Rs. 410 and Rs. 460 per acre respectively. The rates were based on the results of a small departmental experiment of "clear felling" over an area of 2 acres only with manual labour (which came to Rs. 142/4/- carried out in 1953). The high rate of Rs. 460 was agreed to in the case of the 3rd plot, with the main object of having the whole area cleared by a target date, viz. 31st March, 1956. Only 100 acres out of 3,000 were cleared by that date by the contractor. Two interest free advances of Rs. 2.5 lakhs (in November, 1954) and Rs. 8 lakhs (Rs. 5 lakhs in December, 1955 and Rs. 3 lakhs in January, 1956) were paid to the contractor for purchase of capital equipment. According to Audit, the rates negotiated with the firm of contractors were pitched too high and the advances paid to it were liberal.

129. Explaining the reasons for basing the rates payable to the contractor on the results of a small departmental experiment (which came to Rs. 142/4/-) instead of the experiments in bigger areas of 330 and 170 acres (which came to Rs. 78 and 94 per acre respectively), the representative of the Ministry of Food and Agriculture stated that the three plots given to the firm for clearance, were situated in

Middle and Northern Andamans which had been inaccessible and unexploited ever since the British control over the islands. The experimental rates of Rs. 78 and 94 per acre related to the clearance of areas situated in the Central and Southern Islands which had already been inhabited and utilised from the very beginning. The results of the experiments conducted in the Central and Southern islands could not, therefore, be made applicable to the Middle and Northern islands. The Committee drew attention to the offer of the Andamans Forest Department made in June, 1955 to do the clearance work at the cost of Rs. 200 per acre nearabout the same area and enquired how there could be so much variation between this rate and those payable to the contractor. The witness stated that the area in question which had been recently exploited by the lessee, had comparatively lesser vegetation and growth and the estimate of the Forest Department was based on a cursory inspection. The Chief Conservator of Forests had later held the opinion that the rates negotiated with the contractor were reasonable.

130. The rates of Rs. 365 and 410 per acre for the first two plots were worked out at a meeting attended by the Chief Conservator of Forests, Chief Commissioner, the contractor and others. These rates were later sent to the Ministry of Food and Agriculture who after comparing them with the rates levied by the Central Tractor Organisation considered them reasonable. To a question why open tenders were not invited for the work, the witness replied that at that time the legal advice was that they could not do so in terms of the main agreement with the contractor for extracting marketable produce from the Andamans forests. Further even if the contract for clearance had been given to any other party, the colonisation operations would have been delayed, as the marketable timber had to be extracted by the licensee first. (Only a small part of one area had already been cleared of the marketable timber by the licensee). It was also doubtful if other contractors would have turned up to do the clearance work, as subsequently when tenders were invited nobody came forward.

131. The representative of the Ministry of Home Affairs stated that the rates of Rs. 365 and Rs. 410 per acre payable to the firm were based on the results of small departmental experiments carried out in the Middle Andamans which came to Rs. 142/4/- and Rs. 169/8/- per acre respectively, representing the actual labour charges involved. Since the labour was employed on monthly basis, Sundays and 'paid Government holidays' were also included in calculating the rates payable to the contractor. Certain other charges (e.g. those relating to motor boats, tools, overheads, transport, heaping and burning,

etc.) and a depreciation allowance of Rs. 75 per acre on the machinery and equipment were added thereto for arriving at the rates payable to the contractor. The contractor had originally demanded one-third of the cost of the machinery as depreciation but Government agreed to pay a flat rate of Rs. 75 per acre for the actual area cleared instead of an outright grant. In reply to a question the representative of the Ministry of Food and Agriculture stated that the experimental cost of clearance by the mechanised unit of the Forest Department worked out to Rs. 358 per acre exclusive of depreciation. The Committee desired to be furnished with a note setting forth the detailed break up of the rates payable to the contractor.

132. Referring to the legal position regarding Government's right to make alternative arrangements for jungle clearance in the two areas which were outside the working plans of the licensee, the representative of the Ministry of Food and Agriculture stated that originally the Law Ministry had advised that only the licensee was entitled to the 'felling' and other operations. But on a subsequent reference the Law Ministry gave the opinion that Government could undertake certain operations departmentally or through other contractors in the areas outside the working plans, if the exploitation of marketable timber had taken place. The second reference was made to the Law Ministry after the contractor had failed to complete the clearance work in the third plot of 3,000 acres by the target date of 31st March, 1956. The Committee desired to be furnished with a copy each of the legal opinions alongwith the related statements of the case on which advice was sought on the two occasions.

133. The Committee next enquired the justification for payment of an advance of Rs. 8 lakhs to the contractor for a work which involved a total estimated expenditure of Rs. 8.2 lakhs, even before the issue of the formal sanction and execution of the agreement of 26th January, 1956. The representative of the Ministry of Food and Agriculture stated that this advance which was paid in two instalments (Rs. 5 lakhs in December, 1955 and Rs. 3 lakhs in January, 1956) was given to the contractor for expeditious procurement of heavy machinery and equipment required for the clearance of the third plot estimated to cost Rs. 13,80,000 at Rs. 460 per acre. The estimated value of this work was later reduced to Rs. 8.2 lakhs and agreed to by the contractor as a result of reduction of the rate, by way of penalty to Rs. 325 per acre consequent on his failure to complete the work by the target date under the original contract. The revised rate of Rs. 325 per acre contained 50% of overheads and a depreciation of Rs. 14 instead of Rs. 75 per acre on machinery.

The Committee desired to be furnished with a note explaining why the advance was paid before the issue of formal sanction and execution of the agreement.

Suspected loss to Government—para 42, pages 51-52—

134. Following some serious irregularities noticed in the accounts of an important office (UPSC) in 1957-58 the accounts for 1958-59 were scrutinised in greater detail during June-July, 1959. Non-observance of the financial rules and the prescribed procedure as also lack of control on the part of the drawing and disbursing officer, facilitated the various irregularities. The cashier of the office who was suspected to be responsible for the apprehended loss of Rs. 10,271.67nP. was suspended with effect from 2nd June, 1959, and the case was reported to be under Police investigation (November, 1959). A departmental enquiry covering the whole field with a view to examining the working of the arrangements for handling cash transaction during the past years and fixing responsibility as suggested by Audit was stated to be in train.

135. Explaining the present position of the case, the Secretary, UPSC stated that an experienced Accounts Officer, who had since been posted to the Commission, was going through the relevant accounts from the time when these irregularities were detected. The work when completed would indicate the total loss together with nature of the various irregularities and the date of their occurrence. The amount of loss detected so far was Rs. 10,271.67.

136. As regards disciplinary action against the cashier, the witness stated that he was under suspension and a charge sheet was being served on him. Some procedural difficulty was there as he was reported to be mentally unbalanced. The Special Police Establishment were also investigating into this case. The question of launching criminal prosecution would be decided after the disciplinary proceeding had been concluded. Persons who were adjudged guilty of contributory negligence would also be dealt with accordingly. The witness added that the various suggestions made by audit to improve the accounting system had been implemented.

Disposal of outstanding objections and Inspection Reports—paras 91—92, page 112—

137. The number of outstanding inspection reports and audit objections was heavy against the Ministry of Home Affairs amongst others.

138. Explaining the position of outstanding inspection reports against his Ministry, the representative of the Ministry of Home

Affairs stated that as desired by the Public Accounts Committee in 1959, special efforts were then made to dispose of the outstanding inspection reports. The number of outstandings as on 31st August, 1959 was 6,262 as against 7,941 as on 31st March, 1959. Out of these 3,581 items related to the Delhi Administration some of which were 7-8 years old. As regards objections, the representative of the Delhi Administration stated that the audit objections against that Administration had been reduced to about 2,000 in March, 1960. The Committee were assured that further steps would be taken to dispose of the outstanding objections.

Himachal Government Rosin and Turpentine Factory, Nahan

Appropriation Accounts, 1958-59, Vol. IX, p. 98, Note 6—

139. During the year 1958-59, the direct cost of production of the various products sold worked out to Rs. 21,43,620 and the sale proceeds worked out to Rs. 16,80,400 resulting in a gross loss of Rs. 4,63,220. The products were, therefore, sold at a price which was not sufficient to cover even the direct production cost.

140. In reply to a question whether any enquiry was being conducted in the matter, the representative of the Ministry of Home Affairs stated that the case was under investigation by the Special Police Establishment since 1959, as the sale of goods below their cost of production had created some suspicion against the officer concerned.

Appropriation Accounts (Civil), 1958-59—Volume IX

MINISTRY OF HOME AFFAIRS

Loss by fire—Grant No. 60—(Himachal Pradesh), page 101, note 13—

141. The building of the Secretariat of an Union Administration (Himachal Pradesh) together with almost the entire furniture, office appliances and records, cash and stores was burnt down on the night of 4th|5th May, 1957. The total loss caused by the fire has been estimated at Rs. 9,45,300. As a result of magisterial enquiry held in May, 1957 into the cause of the fire, a case of suspected arson was registered. The case investigated by the Police was, however, treated as undetected for lack of sufficient evidence against any person or persons. Departmental proceedings against certain Police Officers of the Administration were instituted for negligence and other lapses.

142. Explaining the present position of the case, the representative of the Ministry of Home Affairs stated that Government had ordered a fresh enquiry against two gazetted officers on the advice

of the Police. In view of the importance of the case, an officer of the Ministry of Home Affairs had been appointed to enquire into the case. As a result of his findings the two gazetted officers had been censured for laxity in enforcement of standing orders and other matters relating to security arrangements.

Withdrawal of funds to avoid the lapse of Budget grant—Grant No. 60—Himachal Pradesh—page 101, Note 16—

143. A sum of Rs. 8,360 sanctioned by an Administration of a Union Territory (Himachal Pradesh) in March 1959 for payment as subsidy for the construction of houses during the year 1958-59 was withdrawn from the Treasury on 31st March, 1959 and placed under 'Revenue Deposit' on the same day. The amount remained unutilised until the date of audit (*viz.*, 24th July, 1959).

144. Another sum of Rs. 15,200 sanctioned for the same purpose in another District was drawn from the Treasury on the 30th March, 1959, but was actually disbursed during the next financial year (April, 1959 to June, 1959). Out of this, a sum of Rs. 9,500 was spent on the maintenance, repairs and rents of houses.

145. The Committee enquired the reasons for withdrawal of the two amounts on the last two days of the financial year. The representative of the Ministry of Home Affairs stated that the amounts were withdrawn by the Collectors of two Districts under a misapprehension that the grants could be utilised within a period of 6 months from the date of their withdrawal even during the next financial year. Necessary instructions had since been issued not to withdraw funds at the close of the financial year if they could not be spent within the close of the financial year.

Instances of over budgeting

146. The Committee drew attention to the following cases of over budgeting disclosed in the Appropriation Accounts (Vol. IX):

Page No.	Grant No.	Final Grant	Actual Expenditure	Saving	Percentage saving to final Grant
		Rs.	Rs.	Rs.	
19	55-Police	4,93,68,000	4,18,19,060	—75,48,940	15.29
204	61-Andaman & Nicobar Islands.	2,77,91,000	2,06,67,195	—71,23,805	25.63
305	64-Laccadive, Minicoy & Amindivi Islands.	19,74,000	9,43,119	—10,30,881	52.22
322	65-Misc. Deptts. & expenditure under the Ministry of Home Affairs.	8,75,72,000	6,12,87,090	—2,62,84,910	30.02
325	122-Capital Outlay of the Ministry of Home Affairs.	1,12,61,000	76,88,828	—35,72,172	31.72

The representative of the Ministry of Home Affairs explained that the total savings relating to that Ministry amounted to Rs. 5.50 crores or 11 per cent. Out of these, savings amounting to Rs. 3.30 crores were due to non-utilisation of funds earmarked for the State Governments. If this amount was excluded, the savings relating to the Ministry would be reduced to 4.8 per cent.

147. The savings under Grant No. 65—Miscellaneous, were stated by the witness to be mainly due to non-utilisation of funds by the State Governments under the various schemes such as welfare of Backward Classes (saving Rs. 1.20 lakhs), Social and Moral Hygiene (saving Rs. 60.5 lakhs), Fire Services (Saving Rs. 65 lakhs). The main reason for non-utilisation of funds by the State Governments was the difficulty at their end to provide matching grants. The State Governments had to obtain the approval of the Planning Commission to provide funds for Welfare of Backward Classes, as their resources were distributed by the Planning Commission according to the priority of the various schemes. The saving under the Social and Moral Hygiene was due to difficulty in finding homes for after care programme. Under the head Fire Services, the saving was due to non-availability of fire fighting equipment.

148. In the case of Grant No. 55—Police, the witness stated that out of the total saving of Rs. 75 lakhs, 60 lakhs was due to non-receipt and non-adjustment of debits from the State Governments. As regards the Union Territories and other Heads of expenditure in the Ministry, the position had considerably improved. Instructions were issued from time to time to exercise proper control over expenditure.

149. Referring to the saving under Capital Outlay (Grant No 122), the witness stated that the bulk of saving was due to non-procurement of ships for the Union Territories of Andamans and Laccadives because of non-availability of foreign exchange. The order had been placed during the current year on the dockyards owned by the Defence Ministry. The witnesses added that there had been improvement in the utilisation of funds under the Capital Outlay in the Union Territories. The percentage of saving which was 28 in the First Plan period was likely to be insignificant during the Second Plan period.

Non-utilisation of Machinery, etc. for a number of years—Grant No. 59—Delhi—Page 29, Note 13—

150. A Transport Department purchased for the purpose of inspecting and checking road vehicles machinery and equipment worth Rs. 55,259. These could not, however, be put to use due

mainly to delay in the acquisition of suitable land for installing the machinery, lack of technical know-how and inadequate arrangements for transporting some of the machines. Meanwhile some of these were left unpacked in the open with the risk of damage and deterioration due to exposure. To an audit enquiry dated 18th September, 1958, it was stated that necessary action for their utilisation was being taken.

151. The representative of the Ministry of Home Affairs admitted that there was lack of planning in the installation and utilisation of the equipment. The main difficulty was the non-availability of land. It had been decided to transfer the portable wheel weighing machines and weighing Bridge (two each) to the Police. The weighing bridges could not be utilised for the purpose originally intended consequent upon the coming into existence of the Delhi Municipal Corporation who had installed their own equipment. The Brake Tester and Taxi-meter Testing equipment were being utilised. Another item was being transferred to the laboratory.

152. *The Committee then adjourned till 10.00 hours on Monday, the 12th September, 1960.*

Proceedings of the Sixteenth Sitting of the Public Accounts Committee held on Monday, the 12th September, 1960

153. The Committee sat from 10.00 to 11.20 hours.

PRESENT

Shri Upendranath Barman—*Chairman*.

MEMBERS

2. Shri Maneklal Maganlal Gandhi.
3. Shri R. S. Kiledar
4. Shri T. Manaen
5. Shri S. A. Matin
6. Shri T. R. Neswi
7. Shri Shamrao Vishnu Parulekar
8. Shri Radha Raman
9. Dr. N. C. Samantsinhar
10. Pandit Dwarka Nath Tiwary
11. Shri Jashaud Singh Bisht
12. Shri V. C. Kesava Rao
13. Shri Mulka Govinda Reddy
14. Shri Jaswant Singh

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

Shri G. S. Rau, *Addl. Dy. Comptroller & Auditor General*.

Shri S. Venkataramanan, *Accountant General, Central Revenues*.

SECRETARIAT

Ministry of Rehabilitation

1. Shri Dharma Vira, *Secretary*.
2. Shri Onkar Dayal, *Settlement Commissioner*.

Ministry of Finance

1. Shri B. Mukherji, *Joint Secretary*.
2. Shri N. V. Venkataraman, *Deputy Secretary*.

MINISTRY OF REHABILITATION

Non-maintenance of records in a Rehabilitation Office—para 44, pages 54-55.

154. Under the Evacuee Interest (Separation) Act, 1951 and the Rules made thereunder the work of separation of interests of 'evacuee' and 'non-evacuee' in the composite properties in Delhi State was entrusted to a Government Office in March, 1952 which was required to maintain proper records of these properties, their subsequent disposal and collection of fees, etc. It was noticed in local audit conducted in March, 1956 that the property accounts which constitute the basic records were not being maintained. Though this matter was repeatedly brought by Audit to the notice of the Ministry the accounts remained in a very incomplete form.

155. The representative of the Ministry admitted in evidence that there had been an omission and avoidable delay in completing the records. This was due to paucity of staff which had since been made good. The basic records were, however, all there. Out of three registers required to be maintained for these properties, two were complete, one relating to the properties reported by the custodians to the Competent Officers and the other relating to claims received from various parties. But the third one containing the details of the interests of evacuee and non-evacuee in the composite properties was not maintained up-to-date. However, as a result of effective steps now taken by the Ministry, out of about 2,300 entries to be made in this register, 1,318 entries had already been made and the work was expected to be completed by the end of the current year.

156. On being pointed out by the Committee that according to Audit in the absence of such records it was not possible to verify *inter alia* that the sale proceeds in respect of these properties had been correctly credited to Government account and the shares of non-evacuee interest paid to them, the witness stated in extenuation that there were individual files maintained for each property wherein all the transactions relating to that property were dealt with. He, however, admitted that in the absence of the requisite register being up-to-date Audit could not verify such transactions from a large number of individual files.

157. The Committee, therefore, deferred further consideration of this matter till the completion of the requisite records and scrutiny by Audit.

Expenditure on development of a Township—para 45, page 55—

158. In November, 1950 Government sanctioned a scheme for the construction of a township in a State for the rehabilitation of displaced

persons under a Town Development Board to which a sum of Rs. 33·12 lakhs was given for the construction of houses, shops, parks, roads, schools, water supply and electricity installations, etc. during the period 1950-51 to 1957-58. Out of this a sum of Rs. 29·46 lakhs was spent by the Board on construction works executed through the State Public Works Department during the period from 1950-51 to 1956-57. 610 quarters (including 16 superior type quarters), 153 shops and 14 godowns were thus constructed besides other works of public utility. The balance of Rs. 3·66 lakhs was spent on recurring charges like maintenance, etc.

159. It was noticed by Audit in June, 1959 that out of the 267 displaced families brought to the township during the years 1952-53 and 1953-54, only 100 families were in residence, the rest had left for want of adequate means of livelihood. Even after accommodating non-sponsored and non-displaced families, 109 quarters, 98 shops and 14 godowns were lying vacant in March, 1959, with the result that as against an estimated revenue of Rs. 4,47,667 (approximately) upto October, 1958, only a sum of Rs. 2,33,503, was assessed for recovery from individuals in occupation of quarters and shops/godowns.

160. Explaining the circumstances under which this scheme was taken up, the representative of the Ministry stated that originally the State Government had a plan for the development of the area around this township for settling ex-soldiers and landless persons and had approved various schemes for setting up a number of industries, a dairy farm, etc. The Central Government also, therefore, decided to construct this township for rehabilitation of the displaced persons. However, the schemes of the State Government did not go through as the area is liable to be flooded every year and has no direct link with any big market or a railway line. It was also stated in extenuation that it was one of the initial experiments undertaken by the Ministry to provide residential accommodation and to rehabilitate the displaced persons which did not prove successful because of the situation of the township.

161. When asked what steps were taken by the Central Government to develop the economy of the township, the witness stated that a few cottage industries had been established there. Further as it was a sugarcane growing area efforts were being made to get a sugar mill established there.

162. In reply to a question the Committee were informed that there were more than 300 tenements still lying vacant, and there was no immediate prospect of these tenements being put to use. The total expenditure on the township was about Rs. 90,000 a year including the expenditure on the maintenance of these tenements

*Loss due to non-execution of a work within the stipulated period—
para 46, pages 55-56—*

163. In a C. P. W. Division, the construction of tenements for displaced persons, estimated to cost Rs. 14,93,500, was awarded to a semi-Government Board at rates as in the C.P.W.D. Schedule of rates, 1955. The work was commenced on the 4th March, 1957 and was to be completed in 16 months time, i.e. by the 3rd July, 1958. However, due to various reasons the work was not completed by the Board within the stipulated period and the execution of the work was in many cases defective and below specifications.

164. In December, 1958 when nearly 89 per cent of the work had been executed, the Board decided to wind up its "Contract" Division. Accordingly, the remaining portion of the work was got executed by Government through another agency, without taking any action under clauses 2 or 3 of the agreement against the defaulting Board, resulting in an extra expenditure of Rs. 34,671. The tenements are not likely to be ready for occupation for some time, as the necessary ancillary internal and external services, like sanitary work, water supply, roads and path ways, etc. have yet to be taken up.

165. The Committee were informed that this work was given to the Faridabad Development Board who had established a Contract Division in Faridabad to provide work to the residents of the township. Later these displaced persons were rehabilitated on the industries established there and the 'Contract' Division also started incurring losses being unable to get sufficient number of contracts. Therefore, it was decided to wind up this division. It was also contended that the extra expenditure incurred by the Government in this case was inevitable even if this division had been continued as it was working at a loss.

166. Asked why the ancillary services were not taken up simultaneously with the construction of tenements to avoid further delay in the occupation of these quarters, the witness stated that whereas certain services like electric installations, etc. could not be taken up simultaneously, the provision of storm water drain, etc. was linked with the general scheme of drainage for that area. He added that the C.P.W.D. expected to complete the ancillary services during the next two to three months.

*Irregularities in the transactions relating to a township scheme—
para 47, pages 56-59—*

167. In April, 1950 Government sanctioned a scheme for the establishment, in a township with a population of about 5,000 displaced persons, of instituting arts and crafts and small scale industries. The

township which was managed by the Government of India till 31st October, 1952 was handed over to a State Government after this date. An expenditure of Rs. 46·47 lakhs had been incurred to end of March, 1959 (Government of India Rs. 31·85 lakhs and State Government Rs. 14·62 lakhs) in the execution of the above scheme.

168. During the course of audit in July, 1959, it was noticed that, out of the 831 residential buildings, only 434 units were available for sale to the displaced persons, the rest being required for accommodating the Departmental offices and the staff, etc. The surplus residential houses or industrial buildings had not been disposed of till October, 1959. The power house together with the overhead lines and stocks and stores was taken over by the State Electricity Board, from 1st September, 1956, but adjustment between the Central and the State Government of the cost of the assets amounting to Rs. 2·14 lakhs had not been made in the accounts till July, 1959. According to Audit the administration of the agricultural farm and the Polytechnic was also transferred to the State Government with effect from 15th June, 1953 and 1st August, 1953 respectively without any compensation accruing to the Centre.

169. As regards the loans granted to the displaced persons, co-operative societies, associations of displaced persons and to private entrepreneurs, the outstanding to end of 1958-59 was Rs. 3·85 lakhs. Adequate security had not been obtained from many of the loanees and loans amounting to Rs. 1·25 lakhs were not even covered by legally valid bonds. Efforts for realisation had not been effective though the entire loan amount was repayable by the end of 1957-58.

170. Out of capital equipments and raw materials worth Rs. 5·81 lakhs purchased for the scheme, a large portion became surplus consequent upon the closing down of the industries. In January, 1960 the estimated value of the surplus stores was Rs. 1·30 lakhs (Approx.) As the stores ledgers were not brought up-to-date and the stores were not physically verified since April, 1957, Audit could not ascertain the exact value of the surplus stores. Due to long storage the stores had also deteriorated in value.

171. The Committee were informed in evidence that out of 831 residential buildings 397 buildings were being utilised by the State Government as offices and staff quarters for which the Central Government was getting rent regularly from the State Government. The State Electricity Board had also accepted the debit of Rs. 2·14 lakhs for the cost of the assets of the power house taken over by it in September, 1956.

172. Asked why the administration of the agricultural farm and the polytechnic was transferred to the State Government without any compensation accruing to the Centre the representative of the Ministry stated that only the administration of the polytechnic had been transferred to the State Government. It was still the property of the Central Government. The position as regards the agricultural farm was not mentioned in his reply.*

173. Explaining the reasons for the delay in the sale of remaining 434 residential buildings the representative of the Ministry stated that the State Government had faced some difficulties regarding the valuation of the land acquired by them. Thereafter certain formalities regarding the transfer of the land acquired in the name of the Governor or the President took a long time. It was, however, now proposed to undertake the sale of these buildings. It was also contended that most of these buildings were already in occupation of the displaced persons and it was only the ownership thereof which was to be transferred to them. In reply to a question the Committee were, however, informed that the position regarding recovery of rent for these buildings from the displaced persons was not satisfactory.

174. As regards outstanding loans, the witness admitted that as the loanees, being displaced persons, could not furnish any substantial security several of these loans might have to be written off. At the instance of the Committee the representative of the Ministry promised to furnish a detailed statement regarding the outstanding loans.

175. As regards surplus capital equipment and raw materials, the Committee were informed that after a verification of the stores a list of the surplus stores had been prepared and stores worth Rs. 1.45 lakhs had been reported to the DGS & D for sale.** The Deputy C. & A.G., however, intervened to say that the stores reported to the DGS & D for sale did not include those stores which had not been brought on the ledger so far. The Secretary of the Ministry promised to look into this matter.

Loss of revenue due to delay in the allotment of houses/shops—para 48, page 59—

176. For allotment and/or sale to displaced persons 274 tenements and 10 shops were constructed in a City through the Central Public Works Department during February, 1954 to January, 1955 at an estimated cost of Rs. 7 lakhs but most of the buildings were handed over by the CPWD to the Ministry in June, 1955. According to Audit these

*It has since been intimated by the Ministry that the ownership of the Agricultural Institute also continues to vest in the Government of India.

**According to Audit the Surplus Capital equipment stores and accessories of an aggregate value of Rs. 1.31 lakhs only were reported for sale to the D.G.S.D. on 18-8-1960

buildings were neither allotted on regular or temporary basis upto June, 1957, nor were any steps taken to sell them by auction. Government had explained that the tenements could not be allotted to eligible displaced persons as the latter were reluctant to accept them on rent or sale.

177. Asked why these tenements were built when the eligible displaced persons were reluctant to accept them, the representative of the Ministry stated that the tenements had to be built as the displaced persons had in any case to be housed. Reluctance on their part to have them on rent or sale arose only later. However, all these tenements had now been taken over by the displaced persons.

Overpayments due to non-application of amended rule from its date of notification—para 49, pages 59-60—

178. On 4th September, 1956. Government issued an amendment to Rule 19 of the Displaced persons (Compensation and Rehabilitation) Rules, 1955, the effect of which was to deliberalise the amount of compensation payable to certain types of undivided Hindu families. The amendment to the Rule was not given effect to from the date of its Notification as required under the Codal rules, but various Regional Settlement Commissioners gave effect to these orders from different dates ranging from 7th September, 1956 to 12th January, 1957 resulting in overpayments in certain cases. Following an Audit objection the Ministry in consultation with the Ministries of Law and Finance agreed on 11th September, 1959 to obtain a list of all such cases for regularisation.

179. Explaining the reasons for giving effect to the orders from different dates by various Regional Settlement Commissioners, the representative of the Ministry stated that whereas the amended rule was to come into force with immediate effect after its notification the orders were actually received by various Regional Settlement Commissioners on different dates and upto that date the payments had been made by them on the basis of the old rule. He, however, admitted that if the orders were to come into force from some future date this irregularity could have been avoided.

180. In reply to a question he informed the Committee that the collection of date as regards cases of overpayment from all but two regions had been completed and the total amount overpaid was found to be Rs. 23,394. The report from these two regions was also expected soon.

Avoidable expenditure on maintenance of Displaced unattached women and children—para 50—page 60—

181. In June, 1953 Government started a Home-Cum-Training Centre in a certain State for the maintenance of and imparting training in various trades to displaced unattached women prior to their rehabilitation. Two batches of trainees comprising 206 and 151 women completed their training in November, 1954 and August, 1956 respectively. However, the scheme for rehabilitating the first batch of trained women was sanctioned only in September, 1955, i.e. ten months after the completion of the training. The scheme provided for setting up of a Co-operative Society to be subsidised by the State Government to the extent of Rs. 7,10,300 of which 250 trained women were to become members. The scheme also envisaged construction of work sheds, office building, restaurant, staff quarters, tube-well, etc. and the profits earned by the society were to be paid to the members as dividends. Cash doles were also to be paid to trained women for 3 years on a reducing scale. According to Audit there had been an inordinate delay in the execution of the scheme and it had not been fully implemented till August, 1959 with the result that 272 trained women together with their dependants were still at the Centre and receiving cash doles.

182. Government had incurred Rs. 5, 13, 815 (Rs. 75,000 during the period of training and Rs. 4,38,815 as cash doles from the date of completion of training till 30th September, 1959). Audit had pointed out that the payment of doles after September, 1958 was outside the scope of the Scheme as originally contemplated.

183. As to the reason for the payment of doles to the displaced unattached women even after September, 1958, the representative of the Ministry stated in evidence that the intention of the Government was to rehabilitate these women after imparting them training at the Centre and to reduce progressively the payment of doles. However, there had been great delay in the implementation of the rehabilitation scheme due to difficulty in obtaining building material, engineering personnel, etc. There was also difficulty in finding residential accommodation for these women. It was, however, added that the scheme had now been implemented and was in operation since April, 1960. In reply to a question the Committee were also informed that sanction had been obtained for the payment of doles after September, 1958.

184. Explaining the scheme for the rehabilitation of children, the witness stated that there was a school for imparting primary education to these children. Thereafter while the brilliant students were

helped to pursue their studies further others were given some technical education. Government also helped them in obtaining suitable employment.

Loss in sale of Evacuee Properties—para 51, page 61—

185. Under the provisions of Displaced Persons (Compensation and Rehabilitation) Rules, 1955 the non-allotable evacuee properties are sold by public auction. The highest bidder is required to deposit 10 per cent value of the bid on the fall of hammer and the balance 90 per cent on acceptance of the bid by the Organisation responsible for making compensation payments. In case the purchaser is a displaced claimant, he is allowed to have the amount adjusted against the compensation due to him, 'in lieu of cash payment.'

186. It was noticed in local audit in 1957-58 and 1958-59 that in a number of cases the claimant purchasers, after they had given their consent for adjustment of the balance of 90% from their compensation claims, had later on been allowed to withdraw their bid on one pretext or the other after forfeiting only 10% value of their bid from their compensation claims. In five such cases alone the re-auction of the properties resulted in a net loss of Rs. 58,442 after taking into account the 10% forfeiture.

187. The Committee enquired why the purchasers were allowed to resile from their bid after forfeiting only 10% value of their bid from the compensation claims. The representative of the Ministry stated that in the Displaced Persons (Compensation and Rehabilitation) Rules there was no provision for deducting more than 10% of the value of the bid in such cases. A provision existed in an appendix to the rules indicating that the Government could recover the actual loss suffered by them in such cases. But the policy of Government was not to treat the displaced persons as ordinary contractors and recover the entire loss. Government had, therefore, made it clear that only 10% of the value of the bid should be recovered in such cases. The Regional Settlement Commissioners were, however, also instructed that as a general rule if the compensation due to a displaced person was adequate to cover the bid price, permission for resiling from the bid should not be given.

188. In reply to a question it was stated that although there were losses as a result of re-auction of the property in the cases mentioned in the Audit Report, there was profit in some others.

Disposal of inspection reports—para 92, page 112—

189. Replies to a large number of audit inspection reports were outstanding against the Ministry of Rehabilitation. In extenuation

the representative of the Ministry stated that they had to maintain a large number of accounts for properties and payment of compensation to displaced persons. Moreover, the accounts were spread all over India and were maintained in Tehsils and Districts by persons who were not experienced accountants. In some cases the accounts had to be reconstructed to clear outstanding audit objections. It was, however, added that special efforts had been made during the last three-four years to clear these outstanding inspection reports and their number had been reduced from 2,823 on 30-9-59 to 1,925 on 1-8-60.

Appropriation Accounts—page 4—9, Grant No. 79—

190. There were various instances of over-budgeting in both the grants Nos. 79 and 127. In Grant No. 79 under the sub-head D 5(i)-Grants to States—out of the final grant of Rs. 720.45 lakhs only a sum of Rs. 694.74 lakhs was spent.

191. Explaining the reasons for the savings under this head the representative of the Ministry stated that the savings were due to lesser debits received during the course of the year from various State Governments than expected by the Ministry.

Grant No. 127—pages 11-13—

192. There was a saving of Rs. 5.3 crores against the total provision of Rs. 21 crores in this Grant. Large funds provided for Dandakaranya Development Scheme remained unutilised.

193. Asked why the amount provided for this scheme in the budget could not be utilised the representative of the Ministry stated that the provision in the budget was made on an *ad hoc* basis. However, the progress in the execution of the work was not satisfactory and therefore a large portion of the provision remained unutilised. It was, however, added that according to the present plan it was expected that about 6,000 to 7,000 families would be transferred from the refugee camps to Dandakaranya during the course of next five or six months. It had also been decided that the Dandakaranya Development Authority would give advance notice to the State Government of the number of families it can rehabilitate from time to time and the State Government would then arrange to send such number of families from the refugee camps.

194. Before the Committee adjourned the Chairman paid tributes to the services rendered to the Committee by Shri S. Venkataraman, the outgoing Accountant General, Central Revenues.

195. The Committee then adjourned *sine die*.

**Proceedings of the seventeenth sitting of the Public Accounts
Committee held on Thursday, the 27th October, 1960**

196. The Committee sat from 10.00 to 13.05 hours.

PRESENT

Shri Upendranath Barman—*Chairman.*

MEMBERS

2. Shri R. S. Kiledar
3. Shri Vinayak Rao K. Koratkar
4. Shri G. K. Manay
5. Shri S. A. Matin
6. Shri Baishnab Charan Mullick
7. Shri T. R. Neswi
8. Shri Shamrao Vishnu Parulekar
9. Shri Purushottamdas R. Patel
10. Shri Radha Raman
11. Dr. N. C. Samantsinhar
12. Pandit Dwarka Nath Tiwary
13. Shrimati Sharda Bhargava
14. Shri Jashaud Singh Bisht
15. Shri Surendra Mohan Ghose
16. Dr. Shrimati Seeta Parmanand
17. Shri V. C. Kesava Rao
18. Shri Mulka Govinda Reddy
19. Shri Jaswant Singh.

Shri G. S. Rau, *Addl. Dy. Comptroller & Auditor General.*

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

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

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

WITNESSES

Ministry of Commerce and Industry

1. Shri S. Ranganathan, *Secretary*.
2. Shri K. B. Lall, *Additional Secretary*.
3. Shri A. B. Chatterjee, *Chairman, Tea Board*.
4. Shri Vaikunth L. Mehta, *Chairman, Khadi Commission*.
5. Shri P. S. Kapadia, *Member-Secretary, Khadi Commission*.
6. Shri A. Kalyanaraman, *Financial Adviser, Khadi Commission*.

Ministry of Finance

(Department of Expenditure)

Shri K. L. Ghei, *Financial Adviser*.

(Department of Economic Affairs)

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

MINISTRY OF COMMERCE & INDUSTRY

Audit Report (Civil), 1960—Part I*Infructuous expenditure by an autonomous Board—para 23, page 21—*

197. According to the Audit Report, the Tea Board (an autonomous Board financed by Government from Cess Fund) hired an accommodation at the rate of Rs. 1,100 per month from 1st April, 1956 which was raised to Rs. 2,200 per month from August, 1956, for the purpose of opening a propaganda centre in a city. In order to carry out interior decoration of the centre tenders were invited on 25th May, 1956, but as no precise specifications were laid down for decoration work, only two firms tendered, the difference between the two quotations being about a lac of rupees. The tenders were scrapped for reasons not considered valid by Audit and orders were placed by negotiations on a third firm on 23rd July, 1957 for Rs. 84,489. The decoration work was completed on 10th March, 1958. The Centre was ultimately started on 27th March, 1958, i.e. 23 months after the hiring of the accommodation.

198. The Chairman, Tea Board, stated that the rent of the accommodation had originally been fixed at Rs. 2,200 per month and the landlord was persuaded to give a rebate of 50% for the first four months, during which the Board could not use the accommodation for the intended purposes. He added that the audit

para as it stood gave the impression as if the rent was raised to Rs. 2,200 per month after 4 months from the original rent of Rs. 1,100. The Secretary of the Ministry, however, agreed that this clarification should have been made to Audit at the time the draft para was returned by the Ministry. In reply to a question whether efforts were made to get the concessional rent period extended in view of delay in completing the interior decoration, the Committee were informed that the landlord was not prepared to extend the concession beyond four months.

199. Explaining the reasons for the delay of 23 months in starting the Centre, the Secretary of the Ministry stated that tenders were called on May 25, 1956. They were received in June, 1956. Of the two tenders one was for Rs. 1,37,596 and the other for Rs. 39,550. The second tender was carefully scrutinised and the conclusion reached was that the party had not appreciated the kind of work expected of it. Negotiations were started with the other tenderer. In reply to a question, the Committee were informed that in the tender notice it was stated that the tenderers should see the interior decoration at the Bombay Centre for guidance. (The cost of the decoration of the Bombay Centre had been about Rs. 1 lakh) and ultimately it was decided to entrust the work to the first tenderer. Just about that time, the proprietor of that firm died and a certain amount of latitude was shown to the firm because firstly the firm promised to do the work and secondly finding another party would have taken time. Subsequently the tender had to be scrapped and the work was entrusted to a third party. As for the delay in entrusting the work to the third party, the Secretary of the Ministry stated that it was not easy to get some party for the job by advertising. Someone had to be located and that took time. A sum of Rs. 1,05,357.73 was paid for the work i.e. Rs. 16,000 in excess of the negotiated amount. The Chairman, Tea Board attributed the excess to additional payments towards alterations during the progress of the work. The cost of additions had been scrutinised and certified as reasonable by the C.P.W.D. engineers before the bills were paid. The Committee desired to be furnished with a note indicating precisely the additional work done.

Loss of exhibition goods—para 19, page 16—

200. In pursuance of Government's policy of giving commercial publicity abroad to India's exports, a Mission had been permitted in January, 1957 to retain for display in a small sample room some exhibits valued at Rs. 7,021 left over from an exhibition held about that time. The exhibits had been partly kept in steel trunks in the sample room and partly displayed.

201. Some pilferages of the exhibits had come to notice in July and September, 1957. A physical verification taken up in April 1958 had not been completed up to November, 1958. Local audit of the accounts revealed a shortage of exhibits worth Rs. 5,254. Certain exhibits had been distributed to the officials of the Mission without proper authority.

202. Explaining the reasons for the delay in starting the physical verification of the exhibits and not completing it even over a period of eight months, the witness stated that the case related to a Trade office abroad which had only one officer and his stenographer. During the exhibition a few local hands had, however, been employed. One of the windows of the room where the exhibits were stored was found broken which aroused suspicion and a physical verification was undertaken. It revealed that some exhibits had been stolen. With only one person to do the check, it took a long time. Asked whether any investigation was done by the local police, the Committee were informed that such a course was not considered desirable.

203. In reply to a question, the witness stated that the keys of the trunks containing the exhibits had been kept in the room itself which he admitted, indicated carelessness in keeping the keys. As regards the distribution of certain exhibits to the officials of the Mission without proper authority, the witness stated that some locally recruited staff had taken away the left-over materials under the impression that they were freely distributable. This fact came to notice on enquiry and the persons concerned had since paid for the particular items taken by them.

204. To a question whether taking away of the left-over exhibits by the staff was usual the witness replied in the negative. In reply to a further question the witness stated that in those days the Head of the Mission was supposed to exercise his discretion as regards disposal of exhibits left-over; but the usual practice was to return the exhibits to India. He added that detailed instructions had been issued in December, 1959 in this behalf. The Committee desired to be furnished with copies of the latest instructions issued by the Ministry.

Losses and other irregularities in the management of fairs/exhibitions,—Para 20, pages 17-18—

205. During a local audit of the accounts of a Mission,* it was observed that while the accounts of the 1955 Fair had still to be

*Similar irregularities relation to this Mission were reported in para 25(d) of the Civil Audit Report 1957.

compiled, the Ministry participated in three more such foreign Fairs/Exhibitions during 1956 and 1957. No separate accounts of the goods received for these exhibitions were kept and the goods were allowed to be mixed up with those left over from the previous fair. No proper record of the quantity and value of these goods was maintained and the original invoices were also not forthcoming. The total value of goods received during 1955—57 from various sources, including private parties, was Rs. 2,48,653 (approx.). No reliable quantity or value account of the disposal of these goods was maintained. The sale proceeds (including, in many cases, departmental charges of 10|25 per cent) amounted to Rs. 96,641. In addition, goods valued at Rs. 9,317 were presented to high dignitaries and sold to the officers and staff of the Embassy. Against the balance of the goods valued at more than Rs. 1,42,695, there was only a small quantity of goods in stock the value of which could not be determined exactly for want of original invoices or identification marks.

206. Of the sales of Rs. 96,641 mentioned above, goods worth Rs. 6,000 had been sold by the Head of the Mission to himself and to the officials of the Embassy at concessional prices (in certain cases at reduction of 60 per cent. of the invoice value) without authority from Government.

207. An expenditure of Rs. 128 per month was being incurred on the rent of the godown where the remaining stocks had been kept. These stocks had not been removed to the new Chancery building, where sufficient storage space was available from 15th August, 1957, though the Ministry had been informed in May, 1958 that the goods had been placed in the cellar acquired with the above Chancery building.

208. To enable the Mission to prepare a proper account of the goods received, disposed of and in stock, a temporary hand was appointed in January, 1957 for two months on a pay of Rs. 550. No account was, however, prepared by him and the expenditure of Rs. 1,100 approximately thus proved nugatory.

209. In extenuation of the irregularities, the witness stated that the work involved a physical verification of about 30,000 to 40,000 items in different consignments, which was beyond the limited staff of that Mission. He argued that the Ambassador might as well have refused responsibility for individual items as there was a feeling that there had been pilferage in transit. The movement of the same goods from place to place and their release in dribbles from customs custody added to the difficulties in stock taking. There was also a suspicion of pilferage of goods in transit. Therefore a proper inventory could not be prepared.

210. As for the sale of exhibits to the staff of the Embassy, the witness stated that the sale had been regularised by realising the price of goods (Rs. 184). To prevent recurrence of such things detailed instructions had also been issued. The Committee enquired whether the instructions enjoined that the sale of goods should be through emporia or private shops in those foreign countries. The witness stated that the instructions did not contain a specific provision to that effect. But wherever there were dealers in Indian goods, the Missions were in touch with them and they would naturally utilise their services.

211. The Committee enquired whether any responsibility had been fixed for the Ministry having been misinformed in May, 1958 that the remaining stocks were being stored in the cellar acquired with the Chancery building. The witness stated that as the customs authorities wanted to check every item, stocks were moved piecemeal to the Chancery cellar.

212. The Additional Deputy Comptroller and Auditor General informed the Committee that goods worth about Rs. 27,000 only had been found short on completion of the physical check. Goods worth Rs. 1,07,000 were in stock and in accordance with the latest advice to the Mission, they would be disposed of locally.

213. As regards the expenditure of Rs. 1,100 on the employment of a temporary hand for preparing the accounts, the witness stated that the person was engaged on other important work connected with the exhibits and the expenditure was not therefore nugatory. Efforts were being made to post adequately trained staff for finalising the accounts at the Missions after the disposal of such exhibits.

Avoidable losses due to under-charging of rent—para 30, pages 29-30—

214. In order to promote foreign interest in Indian arts and crafts and to encourage the sale of exhibits, Government held an exhibition during October, 1958 to January, 1959. Besides the Departments of the Central and State Governments, several autonomous bodies and other private parties participated in the exhibition.

215. Originally the expenditure on this exhibition was estimated at Rs. 50,00,000 which was revised to Ps. 64,46,000 (January, 1959). A sum of Rs. 48,00,000 was expected to be realised as entry fees from visitors and rent charges for space occupied by the participants.

216. No formal sanction for the expenditure for the scheme as a whole was issued but individual sanctions for various amounts aggregating Rs. 48,94,860 had been issued so far. An account of the total expenditure incurred and the receipts realised by Government had not been prepared and submitted for verification by Audit.

217. A Steering Committee was set up to guide and supervise the planning and organisation of the exhibition. The rules and regulations framed by that Committee prescribed also the rates of admission and of rent to be charged. Orders delegating financial and rule-making powers to the Steering Committee had, however, not been made available to Audit. It had not been possible to examine whether the decisions of the Committee including the exemption in full or part of rent payments had been covered by delegated authority.

(i) A scrutiny of the records pertaining to the recoveries of rent at the rate prescribed by the Steering Committee revealed that a total sum of Rs. 2,38,777 (approximately) including Rs. 1,14,329 recoverable from private parties, had been short realised on the following counts:

(a) Rent charges for space less than that actually occupied	1,30,813
(b) Rent realised at rates lower than those prescribed	69,900
(c) Remission of rent	38,064
	2,38,777

(ii) On hall measuring 4,814 sq. ft. add 7 stalls of 240 sq. ft. each for which the prescribed rent for the duration of the exhibition was Rs. 61,580 remained vacant.

218. It was explained that the hall remained vacant through an oversight. The reasons for non-allotment of the stalls could not be ascertained as all the applications, including those rejected, received for allotment of the stalls, were not available.

219. Arrears amounting to Rs. 9,21,382 (of which Rs. 31,418 were due from private parties) on account of rent were outstanding (May, 1959). It was stated that bills for Rs. 3,38,606 had been accepted by the parties concerned and the amount was being adjusted during the year 1959-60. Similarly, recoveries for a total amount of Rs. 56,727 on account of electric, water and telephone charges were also pending from the parties concerned (May, 1959).

220. The Secretary of the Ministry stated in evidence that the expression "under charging of rent" in the heading of the paragraph of the Audit Report did not describe the position correctly. It was a case of wrong billing in the first instance. In most of the cases bills included rent for areas which were not chargeable, e.g. roads. All

the cases were gone into and in no case there had been under-charging of rent. He regretted that Audit had not been informed of this and added that action had been taken to avoid such mistakes. Drawing his attention to cases of "rent charged for space less than that actually occupied" and "rent realised at rates lower than those prescribed", etc. separately indicated in the Audit Report the Committee enquired whether the review by the Secretary covered those cases also. According to Audit there were certain concrete cases within their knowledge in respect of which the position was otherwise. The witness assured the Committee that each individual case would be discussed with Audit. About the arrears, the Committee were informed that according to the latest position Rs. 1,18,000 and Rs. 7,900 respectively were due from public sector participants and private parties.

221. The Committee then took up the statement in the Audit Report that 7 stalls could not be allotted for want of suitable parties whereas a hall which formed part of the Chinese pavilion had been oddly placed involving a loss of rent amounting to Rs. 61,580. The witness stated in this connection that the exhibition had been organised at very short notice and in the sector-wise distribution, stalls could be allotted only to those whose exhibits conformed to what the sector was intended to exhibit. When the Committee drew his attention to the earlier explanation given to Audit *viz.* the hall remained vacant through an oversight, the Secretary stated that there could not be any oversight because the applicants requiring accommodation of whom there was no dearth, were always in touch with him, the Director of Exhibitions and various other officials.

222. About the orders delegating financial powers to the Steering Committee not being made available to Audit, the witness stated that some machinery for taking quick decisions had to be evolved as the Exhibition was organised at short notice. When Audit questioned the competence of the Steering Committee to sanction expenditure or to determine rates of rent, etc., the decisions of that body were treated as recommendations on which formal approval of the Ministries of Commerce and Industry and Finance was obtained. The Committee enquired whether the accounts of expenditure and receipts had been prepared and submitted to Audit. The witness stated that the accounts were not complete still. But roughly speaking the expenditure amounted to Rs. 50,51,000 while the receipts stood at Rs. 48,10,000 and a sum of Rs. 1, 26,000 was still expected to be received. He added that out of the total expenditure, about Rs. 22.5 lakhs had been spent on creation of capital assets of a permanent nature.

KHADI & VILLAGE INDUSTRIES BOARD COMMISSION
Irregularities in a contract for the manufacture of Ambar Charkhas—
para 21, pages 18-19—

223. The Khadi Board set up by Government in February, 1953, for the development of Khadi and Village industries, entered into a contract in September, 1956 with a Co-operative Society for the supply of 2,500 sets of Ambar Charkhas at Rs. 80 each by December, 1956 subject, *inter alia*, to the following conditions:—

- (i) Financial assistance by way of interest free loan of Rs. 1 lakh would be given by the Board in three instalments; the first instalment of Rs. 25,000 to be disbursed immediately, the second of Rs. 25,000 to be paid after approval of the sets and the last of Rs. 50,000 to be released only after the delivery of 1,000 properly tested sets.
- (ii) Payment of 50 per cent only of the price of each consignment of charkhas would be made against delivery of the sets the balance being adjusted against the loan indicated above.

224. Rs. 25,000 were paid to the Society on 7th September, 1956 and Rs. 10,500 again on 8th November, 1956 before the commencement of production to enable the society to tide over its financial difficulties. The balance of the second instalment amounting to Rs. 14,500 was also disbursed to the Society on 14th December, 1956 subject to the taking over of the available assembled Ambar Charkhas by the Board against the funds advanced.

225. Although the Society supplied only 400 Charkhas by March, 1957 against which a payment of Rs. 16,000 was made, a further advance of Rs. 15,000 was made to the Society on 30th March, 1957. The Society could deliver only a small number of sets by August, 1957 against 2,500 sets contracted for with the result that a total amount of Rs. 43,680 was outstanding against them for repayment on that date. The Khadi and Village Industries Commission which succeeded the Board on 1st April, 1957 did not agree to advance further loans and decided to take over incomplete sets from the Society. In the meantime, the Society is alleged to have auctioned the incomplete sets at the risk of the Commission on 5th November, 1957 for Rs. 36,000.

226. On 31st December, 1957, the Society filed a suit against the Commission claiming damages amounting to Rs. 1,06,587 and the suit was pending in court. Meanwhile, the Society was wound up on 18th January, 1958 by the Registrar of Co-operative Societies on various
 1981 (c) LS—5.

other grounds including one of misuse of controlled materials and an official liquidator had been appointed. Efforts were being made by the Commission to enforce recovery of the outstanding loans through the liquidator.

227. Besides the above transactions, grants to the extent of Rs. 5,945 had been given by the Commission in August and September, 1957 to the Society for conducting a training course during 1957-58. The Ministry had intimated Audit in October, 1955 that the claim for the refund of the entire amount had also been filed with the liquidator as the grant was not utilised for the purpose for which it was sanctioned.

228. The Chairman of the Khadi and Village Industries Commission stated in evidence that the contract had been entered into in the initial stage of the Ambar Charkha programme when they had no experience of the work. The party had been recommended by the State Co-operative Department and appeared to have resources for fulfilment of the contract. The payments to the society, however, had been made in accordance with the terms of the contract. There was only one item of payment, which strictly interpreting the terms of the contract, might not be regarded as covered by the terms of the contract; but there too, they were motivated by the desire of getting the charkhas manufactured in large quantities in different parts of the country. The contention of the Society, on the other hand, was that it was not provided with funds from time to time by the Board in accordance with the terms of contract which handicapped it from fulfilling its obligations.

229. The Secretary of the Commission stated that according to the contract the first instalment of Rs. 25,000 was to be disbursed to the Society immediately. That was done by the Board on 7th September, 1956. After about a month, model sets were approved by the officers of the Board. Consequently another Rs. 25,000 had to be paid to the Society on 8th November, 1956. On that date only Rs. 10,500 were paid to the Society. Another Rs. 14,500 were paid to it on 14th December, 1956. In other words, payment of the second instalment of Rs. 25,000 was slightly delayed. Round-about March, 1957 the Society delivered 400 sets valued at Rs. 32,000. According to para 9 of the contract "payment was to be made against delivery of the sets and 50% of the price was to be adjusted against loans advanced." Rs. 16,000 were, therefore, paid to the Society and the balance of Rs. 16,000 was adjusted against the loan of Rs. 50,000 advanced to it. Later on the Society delivered 130 charkhas against which Rs. 5,320 had to be paid. Another 150 charkhas were

delivered by it to the Delhi Administration for which payment of the full amount was claimed by the Society from the Harijan Ashram, Delhi. Later the Board was telegraphically informed that 1000 charkhas were ready. But the officers sent by the Board found that the charkhas had not been ready. Thereafter the Society informed the Board that the charkhas had been disposed of at a loss of Rs. 1 lakh at the risk of the Board. The Society claims were not tenable. Proceedings were instituted against the Society and a decree for Rs. 43,000 had been obtained against it.

230. The Committee enquired why the Society was not asked to furnish any security before the contract was awarded to it. They were informed that the Board relied on the recommendation of the State Co-operative Department that the sponsors of the Society their own share capital and resources in land. To a question regarding the prospects of realisation of the decretal amount, the Secretary of the Ministry stated that it was difficult to hold out any hope regarding the execution of the decree because the party had appeared as paupers in the court.

231. The Committee sought an explanation for payment of Rs. 15,000 to the Society on 30th March, 1957. They were informed that on receipt of the telegram that 1000 charkhas were ready a sum of Rs. 15,000 was advanced to the Society against its demand for Rs. 50,000. The Committee then drew attention to the recommendation of the Assistant Director, Ambar Programme dated the 9th October, 1956 that the Board (now Commission) should not extend any further help to the Society and should take steps to recover the amount already paid and inquired why a further sum of Rs. 10,500 had been advanced to the Society on the 8th November, 1956. The Member Secretary of the Commission stated that as the Society had earlier been recommended by the Assistant Registrar of the Co-operative Societies and as there was criticism in Parliament that the Khadi Board was not giving funds to a co-operative society and further, in view of the agreement, there was no option but to pay the amount.

232. The Additional Deputy Comptroller & Auditor General intervening observed that the payment to the Society had not been made in conformity with the agreement. He added that according to a note of the Director, Ambar Programme dated the 9th November, 1956 not a single charkha was ready. The Member Secretary stated that prior to that date two sets had actually been approved by the Board. The Chairman, Khadi Commission stated that according to the Director of Industries and Labour, Delhi, about 200 sets of

charkhas were ready on the 16th October, 1956 and the sets produced by the Society were found according to the specifications.

233. Asked whether, in view of the conflicting opinions about the capacity of the Society to fulfil the terms of contract it was not desirable to investigate the matter fully before advancing any money to the Society, the Chairman, Khadi Commission replied that no payment was made to the Society except what was strictly payable to it under the terms of the agreement. After some discussion the Chairman, Khadi Commission, promised to furnish a detailed note to the Committee.

234. The Committee enquired why a sum of Rs. 5,945 was advanced to the Society in August-September, 1957 for conducting a training course during 1957-58 when the Commission were aware that the affairs of the Society were in a bad way. The Member Secretary stated that it was considered advisable to impart training to the carpenters in the manufacture of Ambar Charkhas. As the Society had delivered 400 charkhas, the Commission believed at that time that the Society was capable of imparting proper training to the carpenters.

Irregularities in the Vastrasawalamban Scheme—para 22(A), pages 19-20—

235. Under a scheme of financial assistance for the development of Khadi, a person, who spins yarn required for his own use and gets it woven from a registered khadi weaving institution is entitled to a rebate of 75% of the weaving charges paid by the institution to its weavers or 31 nP per sq. yd. whichever is less. The registered institution which weaves the cloth is also paid establishment subsidy of 12 nP per sq. yd. by the Khadi Commission, to recoup the expenditure incurred by the institution towards promotion of the scheme. The charges paid to the weavers, less rebate admissible, are collected from the self-spinners by the institution which in turn claims, from the Commission, reimbursement of the rebate allowed to the self-spinners along with the establishment subsidy mentioned above on the strength of triplicate copies of cash memoranda issued to the self-spinners. The number of registered institutions functioning under that scheme in 1958-59 was about 600 and the total payment made during the period from 1953-54 to 1958-59 was about Rs. 1.86 crores, covering both weaving rebate and establishment subsidy.

236. The internal auditors of the Commission reported that one of the institutions, instead of collecting the yarn from bona fide self-spinners and then issuing it to weavers for weaving, had

disbursed the rebate on weaving charges to weavers on cloth purported to have been woven out of yarn given to them direct by self spinners. Thus the weavers had been paid both the weaving charges and the rebate payable to the self-spinners. The amount of such rebate paid in 1955-56 was Rs. 1,715.

237. Another institution was reported to have claimed rebate and establishment subsidy from the Commission by making entries in its books on the basis of information collected by its employees during their periodical visits to the villages in their area, of yarn supplied by certain persons direct to weavers and of woven cloth allegedly returned to them by these weavers, without physically verifying the existence of yarn or cloth or making sure that the yarn supplied was really yarn spun by persons for their own use.

238. In the case of another institution, the Zonal Director discovered that bogus entries of yarn purchased and khadi cloth woven were made in order to get the benefit of both the rebate and the establishment subsidy.

239. In respect of lump sum amounts placed at the disposal of a State Board for disbursement of the above subsidy to registered institutions, several instances were detected by the internal auditors where the institutions had claim establishment subsidy and also production/sales subsidy which was not admissible under this scheme. A sum of Rs. 1,880 out of an amount of Rs. 2,806 due on that account was recoverable from the institutions concerned.

240. Some of the above irregularities were still under investigation and the final findings were awaited. According to Audit, these irregularities indicated that there were lacunae in the scheme which facilitated payment of fictitious and exaggerated subsidy. The Chairman, Khadi Commission, admitted that the scheme of subsidy or rebate was not absolutely foolproof, much less perfect, and that certain flaws and defects had been found by the Commission's own auditors and efforts were made to rectify them. About the irregularities mentioned in the report, he stated that wherever the Commission found that amounts had been given in excess, those amounts had been called back and further payments stopped. The Chairman, Khadi Commission, stated that 10 cases had been investigated and recoveries and adjustments had been made in some of them. There were two cases on which the decision of the Commission had been challenged.

241. The Committee enquired whether the Commission had investigated cases where weavers had been paid both the weaving charges and the rebate payable to the self-spinners. The Member-Secretary

of the Commission stated that some of the reported irregularities showed lack of knowledge of the working of the scheme on the part of the internal auditors on the basis of whose reports, the statutory audit report had been prepared. A person, for instance, could not get the weaving charges as well as the subsidy. A person who had the yarn gave that to be woven and when that yarn had been woven the weaver was paid full wages by the institution. The spinner, who got the cloth, paid only 25% of the weaving charges to the institution and 75% was recouped by the institution from the Commission. So, it was impossible, that the weaver could get the full wages as also in addition, 75%. The spinner only could get the benefit of 75% of weaving charges.

242. The Committee wanted to know how the Commission ensured that a person was self-spinner and had not purchased the yarn from somewhere else and got the benefit of the subsidy. The Chairman, Khadi Commission stated that such a course could not be profitable to a person as by purchasing cloth from the market he could as well get a rebate of 3 annas in a rupee. That rebate in actual practice was more than the subsidy of 75% of the weaving charges. After some discussion the Committee desired to be furnished with a note as regards investigations conducted by the Commission about the alleged irregularities committed by certain institutions.

243. The Committee enquired whether any investigation had been conducted into the affairs of the institution which was alleged to have made bogus entries of yarn purchased and khadi cloth woven in order to get the benefit of both the rebate and the establishment subsidy. The Secretary of the Ministry stated that the irregularities had not been proved. About another institution claiming rebate and establishment subsidy by making false entries in its books, the Committee were informed that the Commission took care not to pay the claims as they were satisfied that the transactions were not genuine.

244. In reply to a question the Member Secretary stated that there were 13 or 14 registers in which accounts were maintained right from the purchased of cotton till the sale of cloth and those registers had been shown to Audit. The Additional Deputy Comptroller and Auditor General intervened to say that only certain skeleton forms of accounts had been shown to Audit. He maintained that the actual accounts had not been shown to Audit and Audit felt that there were loopholes in the scheme whereby certain irregular payments were made possible.

245. The Chairman, Khadi Commission, stated that as desired by Auditor a complete and detailed test-checking had been undertaken

by their internal audit. The maintenance of the registers was also being looked into. According to the Secretary of the Ministry, lacunae, if any in the scheme would become clear only when test audit had been completed. He felt that the lacunae were not so much in the principles of the scheme as in its administration.

246. In reply to a question the Chairman, Khadi Commission, informed the Committee that the question of recasting the entire *Swawalamban* Scheme was under examination and a decision might be taken by the Ministry by the end of the year.

247. *The Committee then adjourned till 10-00 hours on Friday, the 28th October, 1960.*

Proceedings of the Eighteenth sitting of the Public Accounts Committee held on Friday, the 28th October, 1960

248. The Committee sat from 10.00 to 13.15 hours.

PRESENT

Shri Upendranath Barman—*Chairman.*

MEMBERS

2. Shri R. S. Kilekar
3. Shri Vinayak Rao K. Koratkar
4. Shri G. K. Manay
5. Shri S. A. Matin
6. Shri Baishnab Charan Mullick
7. Shri T. R. Neswi
8. Shri Shamrao Vishnu Parulekar
9. Shri Purushottamdas R. Patel
10. Shri Radha Raman
11. Dr. N. C. Samantsinhar
12. Pandit Dwarka Nath Tiwary
13. Shrimati Sharda Bhargava
14. Shri Jashaud Singh Bisht
15. Shri Surendra Mohan Ghose
16. Dr. Shrimati Seeta Parmanand
17. Shri V. C. Kesava Rao
18. Shri Mulka Govinda Reddy
19. Shri Jaswant Singh.

Shri G. S. Rau, *Addl. Dy. Comptroller & Auditor General.*

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

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

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

WITNESSES

Ministry of Commerce & Industry

1. Shri S. Ranganathan, *Secretary.*
2. Shri D. Sandilya, *Joint Secretary.*
3. Shri Vaikunth L. Mehta, *Chairman, Khadi & Village Industries Commission.*
4. Shri P. S. Kapadia, *Member-Secretary, Khadi & Village Industries Commission.*
5. Shri C. S. Shukla, *General Manager, Nahan Foundry Ltd.*
6. Shri A. Ramachandran, *Managing Director, Sindri Fertilizers & Chemicals Ltd.*

Ministry of Finance (Deptt. of Economic Affairs)

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

MINISTRY OF COMMERCE & INDUSTRY

Irregularities in the Vastraswawalamban Scheme—Para 22 (B&C), page 21—

249. Under this scheme the registered institutions which wove the cloth were paid establishment subsidy of 12nP. per sq. yd. by the Khadi Commission, to recoup expenditure incurred by the Institutions towards the promotion of the scheme. This subsidy was considered to be in excess of the expenditure actually incurred particularly in the case of the bigger institutions. Further while Audit held the view that the subsidy was payable at the maximum rate of 12 nP. per sq. yd. and limited to the expenditure actually incurred duly supported by audited statements of accounts and utilisation certificates, the Board/Commission treated the rate of 12 nP. per sq. yd. as a flat rate without any condition.

250. Giving the latest position, the representative of the Ministry informed the Committee that this matter was discussed recently at a meeting with the Khadi Commission and it had been decided that with effect from the 1st July, 1959, the rate of subsidy will be 12nP. per sq. yd. on Swawalamban cloth for the first 5000 sq. yds. and 3 nP. per sq. yd. beyond 5000 sq. yds. Thus in respect of all transactions from 1st July, 1959 necessary adjustments in the payment of subsidy will be made according to the new rates.

251. When it was pointed out by the Committee that according to the interpretation of the existing orders by Audit the actual expenditure incurred by the institutions under the scheme was to be recouped

subject to a ceiling of 12 nP. per sq. yd. the representative of the Ministry stated that the wording of the orders was a little ambiguous. The Khadi Commission having construed that the rate of 12 nP. per sq. yd. was not a ceiling but a flat rate of disbursement on the basis of production, and the Ministry having acquiesced in this, recovery of the overpayment, if any, would be difficult. Further as no separate accounts were kept of actual expenditure under this scheme from year to year it was difficult to hold that there had been an overpayment in the earlier years. Therefore, though the provisions regarding payment of subsidy could be liberally interpreted in favour of Government and the payment restricted to the actual expenditure, considering the practical difficulties, it was decided to give effect to the new orders from 1st July, 1959 only.

252. In reply to a question the Committee were informed that Government would consider revision of the new rates for subsidies if the test audit of payment of subsidy to some institutions revealed that even these rates were higher than the actual expenditure incurred by the institutions.

Irregularities in running a Vidyalaya—Para 24, pages 21—23—

253. An Advisory Board set up by Government in February, 1953 for the development of certain industries started a Vidyalaya during 1953-54 for training personnel in the technique of those industries. The audit of the accounts of the Vidyalaya for the period 1954-55 and 1955-56 conducted in November 1956 revealed that the cash book and other initial accounts of the institution were maintained in a very unsatisfactory manner. Instances were noticed in which sale proceeds realised were neither credited to the cash account nor deposited in the bank; payments were made for private and unauthorised purposes; advances of large amounts were given to employees and private individuals, the recovery of which was neither properly effected nor accounted for; the stock accounts of raw materials and finished products were not maintained properly and no physical verification of stores had been conducted. Following a report by Audit to Government, the cash book and other initial records for the period 1954-55 were recast. A test check of the recast accounts by Audit in December, 1958 indicated various other irregularities.

254. The Committee wanted to know the reasons for the non-maintenance of proper accounts and various other irregularities pointed out by Audit. The representative of the Ministry stated that during the initial years of the establishment of this institution there was no separate staff for maintaining these accounts and the principal and

the staff, according to a deliberate decision, were themselves maintaining these accounts with the help of some social workers. He admitted that these accounts were not kept properly and there had been various lapses during this period for which there was no proper explanation. It was, however, added that the Commission had since posted qualified and experienced staff to handle the accounts of the institution properly.

255. When asked why in some instances sale proceeds were neither credited to cash accounts nor deposited in the bank and payments were made for private and unauthorised purposes, the representative of the Commission stated in extenuation that in quite a large number of these cases the amounts were posted to "suspense" or "sundry creditors" accounts and remained unadjusted till proper accounts were prepared. It was admitted that there might have been temporary misappropriation of funds in some cases. But it was urged that where social workers who had worked in an honorary capacity, were concerned, it was difficult retrospectively to lay the blame on them after a lapse of time.

256. Referring to the amounts outstanding as pointed out in sub-para 2 (iii) of the Audit Report, the representative of the Ministry stated that on later calculations it was estimated that the net debit balance was much less than given in the Audit para and offered to submit a note in this regard to the Committee duly vetted by Audit.

257. The Committee then referred to sub-para 2 (vi) according to which although about 140 acres of cultivable land and some pasture land attached to the vidyalaya had been leased out to a private institution from 1st May, 1956 along with some farm houses, servants quarters and engine shed, no lease deed had been executed nor any rent recovered for the land and buildings. Explaining the reasons for the non-execution of the lease deed, the representative of the Commission stated that as all agricultural property was governed by the Bombay Land Tenancy Act, on the advice of the Commission's legal adviser the lease deeds were not executed to avoid legal complications. The management of the land was entrusted to a separate registered body (of which the principal of the Vidyalaya was also a member) for the development of land and for carrying out agricultural operations on behalf of the Commission. In order to carry out the development of land the institution was also granted certain interest free advances. The amount realised by the institution from the produce of the land was utilised for the liquidation of advances granted by the Commission and for meeting the expenses incurred by the institution. The Committee were informed that there had been no balance left for payment to the Commission after such adjustments.

258. When asked why even a service agreement was not executed with the institution to manage the land on behalf of the Vidyalaya, the representative of the Commission stated that though no formal agreement had been executed with the institution, some working arrangements had been made in this regard on the basis of letters exchanged between the Commission and the institution.

259. The Committee drew attention to the fact that some of the houses, sheds, etc. attached to the cultivable land had been occupied by some persons who did not belong to the institution and used them for purposes entirely outside the scope of the institution, but no rent was being recovered. The representative of the Commission stated that one of the occupants was an officer in the service of the Government of Bombay who was attached to the Vidyalaya previously. As he did not vacate the premises for a long time the State Government was addressed in the matter and the officer had since vacated the premises. As regards others the representative of the Commission promised to furnish a note to the Committee after looking into the matter as he had no information available with him.

Irregularities in the accounts of a Karyalaya (Nasik)—para 25, Pages 23-24—

260. An Advisory Board set up by Government in February, 1953 for the development of certain industries started a Saranjam Karyalaya (Workshop) in 1955 mainly for the manufacture and supply of implements required for one of the industries. A sum of about Rs. 4 lacs was invested in the workshop upto 31st March, 1959. The profit and loss accounts of the workshop showed that it suffered a loss of Rs. 95,985 upto 31st March, 1959.

261. The local audit of the accounts of the workshop also revealed various irregularities. One of these was that buildings to house the workshop were constructed at a cost of about Rs. 1.21 lakhs through two private contractors without framing proper technical estimates in consultation with the C.P.W.D. and without inviting open tenders.

262. The representative of the Ministry admitted in evidence that there was a deviation from the recognised C.P.W.D procedure in this case inasmuch as plan and estimates were not prepared beforehand nor open tenders invited for the work. As the Commission had no engineer under them, three construction firms were invited to submit plans and estimates along with their tenders. Out of the two firms who submitted their designs together with the tenders for construction work one was finally selected for executing the work. It was, however, stated in extenuation that the consultation with the

C.P.W.D. in similar other works indicated that the estimates of the C.P.W.D. for the departmental execution of this work would have been higher and it would have also taken a longer time.

263. Inviting attention to the fact that the construction of the building was supervised by the firm's own engineer, the Committee enquired whether on completion the building had been examined and approved by the C.P.W.D. The representative of the Commission stated that later on it had been certified by their consultant firm of architects in Bombay.

264. The Committee then referred to sub-para 2 (ii) of the Audit para and enquired as to the necessity of purchasing timber worth about Rs. 2,10,000 on several occasions in 1956-57 and reasons for not inviting tenders on most of the occasions. The representative of the Commission informed the Committee that the bulk of the purchase related to the approved type of wood from the Dandeli forests for the production of Ambar Charkha in the Karyalayas. Out of Rs. 2.10 lakhs worth of timber purchased during 1956-57, only in one case the purchase was made for more than Rs. 1 lakh and in this case quotations had been called from three firms and the order was placed with the lowest tenderer. No written contract was, however, entered into in this case although the terms for execution of work were agreed to in advance of the transaction. In the remaining cases the purchases were for small amounts and no quotations were therefore called for in those cases.

265. In reply to a question the Committee were informed that out of the total timber worth about Rs. 2.10 lakhs purchased on 25 occasions, timber worth Rs. 2.03 lakhs was purchased from one firm only.

266. When asked how much of the timber purchase during 1956-57 was used in that year, the representative of the Commission stated that the purchases were made regularly from 1954-55 to 1958-59 and the entire quantity was issued in three years, for the manufacture of Charkhas. Timber was also supplied to small Karyalayas from the institution.

267. Explaining the reasons for the deficit of timber worth Rs. 22,400, the representative of the institution stated that timber was purchased in large scantlings of different sizes. In the course of manufacture of Charkhas from such scantlings the normal wastage allowed was 10 to 15 per cent. The waste wood was sold as fuel to the Vidyalaya. The deficit of Rs. 22,400 was the total deficit for the years 1954 to 1959 after taking into account the amount recovered from the sale of the waste wood. The representatives of Audit, however, intervened to say that according to the latest reply re-

ceived from the Commission the loss was calculated after taking the normal wastage into account and the Commission had stated that they were trying to ascertain the reasons for the loss.

268. Explaining the reasons for the loss of about Rs. 95,985 incurred by the institution, the representative of the institution stated that though a portion of the loss was due to the lower price fixed for the sale of these Charkhas than their cost of production during the initial stages, the major portion of the loss was incurred during the years 1957-58 and 1958-59 due to labour troubles and go-slow tactics adopted by the workers. The Institution was not, however, incurring any loss currently.

269. As to the steps taken by the Ministry to check various irregularities in the institution the representative of the Ministry stated that after these irregularities came to the notice of the Ministry detailed instructions were issued to the Khadi Commission for observing certain rules and regulations. The Commission were also preparing a manual for the guidance of the institutions.

Irregularities in the grant of a loan to an Institution—para 27, pages 24-25—

270. An institution registered under the Societies Registration Act, 1860 applied in March, 1955 for a loan of Rs. 5 lacs to an Advisory Board for the purpose of production of Khadi. The institution was asked to route the demand duly supported with the required documents through the State Board concerned. Subsequently, the Secretary of the institution instead of complying with these requirements contacted personally the members of the Advisory Board who on the strength of oral discussions and the examination of certain documents produced by him disbursed to him on 10th December, 1956 as a special case and on a trial basis, an interest free loan of Rs. 51,000 subject, however, to the conditions that (i) the repayment should be made by 9th December, 1957 and (ii) monthly progress reports showing the manner of utilisation of funds should be furnished.

271. The institution did not, however, repay the loan by the due date nor did it furnish any monthly progress reports. The accounts rendered after persistent demands for the periods ending 31-12-57 and 31-12-58 showed that a sum of Rs. 18,992 had been spent by the Institution mainly on pay and allowance. Owing to certain adverse reports received regarding the affairs of the institution, attempts were made by the Commission (which replaced the Khadi Board from 1st April, 1957) to examine the books of the institution but the institution has till now evaded such an examination. The Commission decided on 11th September, 1958 that the entire amount of loan should be recovered from the institution in one lump but the recovery is still awaited.

272. Giving the latest position the representative of the Commission stated that the Secretary of the institution who was in charge of the entire programme when the scheme was sanctioned had left the institution. With his departure, the work of the institution came to a standstill and no repayment of the loan had been made. It took some time to trace the Secretary. He was, however, reported to have been arrested recently; and let out on bail. He would be put on trial on the charge of criminal misappropriation of funds.

273. Explaining the reasons for the sanctioning of the loan, the representative of the Commission stated that the institution was reported to be a well-established one in the South Bihar where neither the Commission nor their various institutions had spread their operations. Secondly, this institution had on its Board of Trustees a number of men who were prominent in public life. The institution had also prepared a scheme and secured aid for various purposes from either the State Government or some Central Government Organisation. Therefore, it was decided to advance the loan to the institution to enable it to carry on its programme.

274. Asked why the loan was directly granted to the institution when earlier the institution was asked to route its request through the State Board concerned, the representative of the Commission stated that so far as Khadi Development programmes were concerned unlike village industries programmes, the Commission could grant direct aid to the institutions, provided those were sponsored and run under the direction of persons prominent in public life.

275. In reply to a question whether any attempts had been made to recover the amount from the office bearers of this institution, the representative of the Commission stated that all aspects regarding the responsibilities of the office bearers at various levels would be taken into consideration by their legal advisers at the time of filing the detailed claim against the institution. It was, however, a matter of doubt whether the Board of Trustees would also be subject to a civil action.

Irregularities in the accounts of a Karyalaya (Bangalore)—para 28, pages 25—28—

276. The Khadi Board set up by Government in February, 1953 for the development of certain industries, started in 1955 a Karyalaya (Workshop) for the manufacture and supply of Ambar Charkhas and other implements. The Karyalaya was managed by an 'honorary' official, who was paid an honorarium of Rs. 500 per month. The Karyalaya was later expanded into two units which were handed over

for management to a State Board on 22nd September, 1958 and 13th December, 1958 respectively. A loss of Rs. 1.15 lakhs was incurred by the Karyalaya during the year 1955-56 to 1958-59. A test audit of the accounts of the various Karyalayas conducted in February/March, 1958 revealed several irregularities. These irregularities were brought to the notice of the Government and the Commission in July, 1958. A Committee of Enquiry was set up by the Commission in January, 1959 to investigate into (i) the loss incurred by the Karyalaya and (ii) the financial irregularities pointed out by Audit. The Enquiry Committee submitted a Report in June, 1959 to the Commission confirming the losses suffered by the Karyalaya. Various other lapses and the reasons leading them were also referred to therein.

277. The report of the Enquiry Committee was under the consideration of the Commission. Meanwhile the honorary official had severed his connection with the Commission on 27th March, 1958.

278. Giving the latest position the representative of the Commission stated that the report of the Enquiry Committee had been considered by the Commission and suitable action taken for the recovery of the amounts found due from the persons concerned. He added that a sum of Rs. 4,000 had already been recovered from the Technical Adviser. The report of the Enquiry Committee he added was now under the consideration of the Government.

279. Explaining why the honorary official was allowed to sever his connections with the Commission pending the consideration of the Enquiry Committee's report, the representative of the Commission stated that as he had to leave for Japan on some private work, the Commission preferred to relieve him rather than grant him leave. The Commission would, however, recover any amount found due from him as a result of the Enquiry Committee's Report.

Irregularities in the accounts of subsidy on production and sale of Khadi—para 29, pages 28-29—

280. The local audit of the accounts of the subsidy on production and sale of Khadi conducted in October, 1958 revealed, *inter alia*, the following irregularities:—

- (i) Production subsidy was being paid on selling price instead of on cost of production. At the instance of Audit, Government informed the Commission in February, 1959 that production subsidy should be based only on the direct costs of materials, wages and a margin to cover establishment expenses for production, and that the Commission should recover overpayments from the institutions concerned (estimated at several lacs of rupees) in respect of

past transactions. The Commission had not accepted this position and the matter was under further correspondence between the Commission and Government.

- (ii) Production subsidy was admissible to institutions only in respect of their own production. In several cases, production subsidy had, however, been paid on goods purchased by the institutions. The Commission had stated that these cases were under examination.
- (iii) In a number of cases, it was noticed by internal auditors/ Zonal Directors that sales subsidy and rebates (allowed to purchasers of Khadi and recouped from the Commission) were paid in respect of fictitious retail sales. One institution alone was reported to have claimed subsidy and rebate amounting to nearly a lakh of rupees on such sales during the period January, 1957 to December, 1958. These cases were under further investigation.

281. The Committee enquired whether any decision had been reached regarding the basis of payment of production subsidy. The Chairman of the Commission stated that the matter was still under consideration in consultation with Audit.

282. As to the action taken in the cases mentioned in sub-para (ii) of para. above the Committee were informed that the investigations in these cases had been completed and the amount recovered in some of the cases where there had been overpayment.

283. Referring to the cases of claims of subsidy and rebate on fictitious sales mentioned in sub-para (iii) above, the representative of the Commission informed the Committee that the examination of these cases had also been completed by the Commission and certain decisions taken in the matter. As a result, the certificates of five institutions had been cancelled and they had been removed from the register. Some others had been asked to re-organise their affairs. The matter had, however, been reported to the Ministry for their concurrence.

Inclusion of fictitious assets in the balance sheet of the Production and Sales Centre in Andhra—Appropriation Accounts 1958-59, Vol. I-I, Audit comment No. 1, page 26—

284. Fictitious assets to the extent of Rs. 4,01,589 (including a sum of Rs. 3,95,547 on account of deficit in stock) were exhibited in the 1981 (c) LS—6.

Balance Sheet of the Production and Sales Centres in Andhra. According to Audit if these items had been written off to Profit and Loss Accounts, the net profit of Rs. 30,960 would be converted into a net loss of Rs. 3,70,629.

285. Asked why fictitious assets had been included in the Balance Sheet, the representative of the Ministry stated that the matter was still under investigation, as it was felt that there had been certain incorrect classification of the assets and also pilferages which would be recoverable from those concerned after due verification. The representative of the Commission promised to furnish a written note in this regard.

Working of various Emporia—Audit comment No. 8—

286. The result of trading operations indicated that all emporia (except New Delhi) and Saranjam Karyalayas were running at a heavy loss. The profit of the New Delhi emporium which stood at Rs. 40,571 during the year 1957-58 had also gone down to Rs. 18,656 during the year.

287. Explaining the reasons for the loss in the running of the emporia, the representative of the Commission stated that in the first two or three years, it was not possible for the emporia to earn profits. In the case of the emporium at Bombay, a high rent had to be paid for the buildings. It was, however, added that the sales in emporia were going up. Only in respect of the emporium at Calcutta, the position was somewhat unsatisfactory. As for the decrease in profit in the emporium at Delhi as compared to the previous year despite increase in sales, the Committee were informed that the emporium had to provide in 1958-59 for the arrears of provident fund contribution and salaries, etc. Further the section for ready-made cloth having been closed down and the work distributed to women's organisations and others, its profit had further been reduced.

288. As regards the Saranjam Karyalayas, it was stated that the Karyalaya at Bangalore had been transferred to the State Board. The Karyalaya at Nasik had done better in 1959-60 than in previous years. Its continuance, however, was a matter under consideration.

SINDRI FERTILIZERS & CHEMICALS LTD.

Short recoveries of By-products—para 82 (i), page 90—

289. When the installation of the Coke Oven Plant in Sindri was sanctioned in 1951, it was estimated that the net cost of coke produced

in the plant would come to Rs. 26 per ton (against the then controlled rate of Rs. 34·75 nP.) after taking into account an estimated credit of Rs. 14·54 per ton, on account of the by-products of coking. The actual net cost of coke in 1956-57, however, rose to Rs. 53·59 per ton approximately, the credit from the by-products being to the extent of Rs. 8·58 per ton only.

290. The Committee wanted to know the reasons for the increase in the cost of production of coke. The representative of the Ministry stated that he had not been able to trace the basis on which estimates were made in 1951. The present position revealed that the estimates were over-optimistic. Further the increase in the cost of coal, labour and allocation of overheads to production of coke during the following years possibly contributed to the increase in the cost of production of coke. It was also added in extenuation that one of the main objects in having a coking plant in Sindri was to secure an uninterrupted supply of coke. Therefore, the cost of production of coke at Sindri should be compared with the cost of obtaining alternative coke at Sindri, i.e., the cost of transporting such coke should also be taken into account.

291. Explaining the reasons for the decrease in the price realised for by-products, the representative of the Ministry stated that the market price of coal-tar, one of the major by-products, had gone down considerably due to larger supplies available in the market as a result of increased production of coke by the various steel plants. He, however, added that as the factory had been able to produce several other by-products the credit taken for the by-products during the year 1958-59 was about Rs. 15 per ton as against about Rs. 8·8 per ton during the year 1956-57. The Committee desired to be furnished with a note giving an analysis of the costs and how they compared from time to time.

292. The Committee were also informed by the Managing Director of the factory that as the storage of large quantities of by-products caused operational difficulties, the by-products had to be sold sometimes at a price slightly lower than the market price in order to make room for further quantities of by-products.

293. In reply to a question, the Committee were informed that production of coke in the factory was at present being limited to the actual quantity of gas that could be consumed in the unit. But to the extent the requirement of gas increases, there was capacity to handle the other by-products released thereby.

294. Explaining the reasons for the difference between the controlled price of coke and the cost of production at the factory, the

representative of the Ministry stated that it was due to the specially high grade coal being used at Sindri with a view to producing coke of requisite quality; therefore, the cost was more than the average price. This coke was generally used by the factories and was not sold to public except to the extent that it could not be immediately utilised, as it was liable to deteriorate in storage.

295. Asked whether the coke could not be sold to Durgapur Steel Works, the representative of the factory stated that the ash content of the coke produced at Sindri was slightly higher than that required by the Durgapur Steel Works.

Shortage of Gypsum—para 82 (ii), page 90—

296. In September, 1956, the percentage of normal wastage of gypsum at Sindri factory was fixed at 4 per cent. of the Railway weight, on the basis of the actual shortages noticed till then. The shortage, however, rose to 6·21 per cent. in 1956-57 and 8·19 per cent. in 1957-58, the value inclusive of freight and usual wastage of 4 % being Rs. 16·07 lakhs and Rs. 20·48 lakhs respectively in these two years.

297. The representative of the Ministry explained that the shortages of gypsum were due to defective weighment, difficulties in physical verification as the powdered gypsum got buried under ground, loss in transit in open wagons and loss due to pilferage, etc.

298. Explaining why the responsibility for loss in transit could not be fixed on the Railways, the representative of the factory stated that it was difficult to determine the portion of the loss during transshipment. It was also not practicable to weigh every wagon at Sindri as a large number of wagons were received daily and it would result in considerable detention of wagons. Only periodical spot checks could be made to ensure that the wagons had been correctly loaded. In reply to a question, the Committee were informed that it had since been decided that one or two trains should be completely checked from the source to the destination to find out such losses.

299. Explaining the steps taken to reduce the percentage of the loss of gypsum, the representative of the Ministry stated that the factory had introduced more frequent physical verifications to estimate properly the quantity of gypsum that gets powdered in handling and buried in the earth; had ordered for modern weighing machines for proper weighment and were also trying to assess correctly the consumption of gypsum per ton of ammonium sulphate.

300. In reply to a question, the Committee were informed that the quality of gypsum received in Sindri was on the average a little

lower than what it was about three years ago. To some extent, it resulted in fall in the production of fertilizers as a greater quantity of gypsum had to be used to produce the same quantity of fertilizers.

301. In reply to another question, the Committee were informed that the gypsum and coal based process for production of fertilizers had been replaced in most of the countries as it was an expensive process and at present 95 per cent. production of the fertilizers in U.S.A. was from natural gas.

NAHAN FOUNDRY LIMITED

Loss in manufacture of machinery—page 91, para 83—

302. During 1953-54 and 1954-55, 640 centrifugal pumps and 779 chaff cutters, costing Rs. 1,59,285 and Rs. 64,657 respectively were manufactured in addition to a stock of 190 chaff cutters costing Rs. 15,770 in a Government Foundry. These products were sold from 1st April, 1953 to 31st March, 1958 at rates below the cost of production. The total loss incurred in the disposal of 969 chaff cutters and 303 centrifugal pumps at rates below cost amounted to Rs. 15,588 and Rs. 27,978 respectively. 337 centrifugal pumps costing Rs. 83,874 were lying in stock till March, 1958. The production of centrifugal pumps and chaff cutters had been discontinued from 1955-56.

303. Giving the latest position, the representative of the Foundry stated that while all the chaff cutters had been sold out, there were 310 pumps still to be disposed of. However, as the foundry had started the production of motors and had already produced about 60 motors, it was expected that it would be easier to dispose of these pumps along with motors.

304. When pointed out that consequent upon the sale of 16 more pumps out of 337 centrifugal pumps, the loss on this account had increased to Rs. 29,265, the representative of the foundry contended that the cost of production on which the above mentioned loss was calculated was inclusive of development expenses. He added that the question as to how much of the development charges should be included in the cost of production was under examination.

305. In reply to a question the Committee were informed that though the cost of production of motors and pumps at Nahana Foundry was higher than that of similar products in the private sector, the Foundry, because of its location, was in an advantageous position to meet the local needs. The factory was not incurring any loss now and the labour was fully employed.

Delay in the rendering of accounts of Grant-in-aid—Para 94, page 114—

306. With a view to providing incentive to the promotion of handicrafts, Government gave grants-in-aid to various State Governments, from time to time from the year 1953-54 on conditions that the State Governments had to implement the specified schemes, refund unspent balances and to render detailed accounts of expenditure incurred out of the grants, to their respective Accountants General. The refunding of unspent balances was not, however, prompt, and/or rendering of accounts was heavily in arrears.

307. The Committee were informed that the procedure had been revised from 1958-59 in regard to the payments of grant-in-aid to State Governments, whereby funds were advanced to the State Governments every month out of the allocation for the whole year and final sanctions were issued at the close of the year on the basis of the expenditure actually incurred by the State Governments during the first three quarters and the estimated expenditure during the last quarter.

308. Giving the latest position in regard to the receipt of utilisation certificates for schemes implemented during 1956-58 the representative of the Ministry stated that the States Accountants General had been instructed to move the State Governments to furnish fresh declaration certificates with full particulars supported by Audit certificates in each case. Such incomplete documents as had already been received by the Director of Audit had also been returned to the As. G. concerned for resubmission.

309. The Committee were also informed by Audit that every effort was being made to get these certificates as soon as possible but the State Governments or the Committees concerned were not very helpful in the matter.

310. In reply to a question the Committee were informed that such delays would not arise under the revised procedure. The Committee desired that the old arrears should be cleared as early as possible.

311. *The Committee then adjourned till 10.00 hours on Saturday the 29th October, 1960.*

**Proceedings of the 19th Sitting of the Public Accounts Committee
held on Saturday, the 29th October, 1960**

312. The Committee sat from 10.00 to 13.00 hours.

PRESENT

Shri Upendranath Barman—*Chairman.*

MEMBERS

2. Shri R. S. Kiledar
3. Shri Vinayak Rao K. Koratkar
4. Shri G. K. Manay
5. Shri S. A. Matin
6. Shri Baishnab Charan Mullick
7. Shri T. R. Neswi
8. Shri Purushottamdas R. Patel
9. Shri Radha Raman
10. Dr. N. C. Samantsinhar
11. Pandit Dwarka Nath Tiwary
12. Shri Jashaud Singh Bisht
13. Shri Surendra Mohan Ghose
14. Dr. Shrimati Seeta Parmanand
15. Shri V. C. Kesava Rao
16. Shri Jaswant Singh.

Shri G. S. Rau, *Addl. Dy. Comptroller & Auditor General.*

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

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

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

WITNESSES

Ministry of Education

1. Shri P. N. Kripal, *Secretary.*
2. Shri R. P. Naik, *Joint Secretary.*
3. Shrimati Durgabai Deshmukh, *Chairman, Central Social Welfare Board.*

Planning Commission

Shri Tarlok Singh, *Additional Secretary.*

Ministry of Information and Broadcasting

Shri B. S. Dasarathy, *Deputy Secretary.*

Ministry of Irrigation and Power

1. Shri M. R. Sachdev, *Secretary.*
2. Shri P. P. Agarwal, *Joint Secretary.*
3. Shri T. N. Idnani, *General Manager, Delhi Electricity Supply Undertaking.*

Ministry of Labour & Employment

1. Shri P. M. Menon, *Secretary.*
2. Shri R. L. Mehta, *Joint Secretary.*
3. Shri K. N. Subramanian, *Joint Secretary.*

Ministry of Transport & Communications

(Deptt. of Communications & Civil Aviation)

Shri D. C. Das, *Joint Secretary.*

Ministry of Works, Housing & Supply

Shri M. L. Nanda, *Addl. Chief Engineer, C.P.W.D.*

Ministry of Finance

(Deptt. of Expenditure)

1. Shri A. V. Venkateswaran, *Joint Secretary.*
2. Shri K. L. Ghei, *Joint Secretary.*
3. Shri P. C. Bhattacharya, *Joint Secretary.*
4. Shri B. Mukherji, *Joint Secretary.*

MINISTRY OF EDUCATION

(CENTRAL SOCIAL WELFARE BOARD)

Audit Report (Civil), 1960

Excessive releases of grants for Welfare Extension Projects resulting in accumulation of heavy cash balances—para 31 (b), page 31—

313. According to Audit, during the year 1956-57 against a sum of Rs. 17,21,932 to be released by the Social Welfare Board to 263 Welfare Extension Projects as its share at 50 % of the total expenditure, even after providing for the maximum proportionate contribution

(actual amount not known) on the assessed value of the services rendered for the full year by honorary workers in Project Implementation Committees amounts aggregating Rs. 28,12,700, viz. more than Rs. 10 lakhs over its stipulated share, were disbursed by the Board.

314. In spite of heavy cash balances lying with the Welfare Extension Projects, advance releases of grants amounting to Rs. 4,39,000 were made for these projects during 1956-57 for utilisation in 1957-58. Similarly, at the end of the year 1957-58 advance releases of grants for the year 1958-59 at Rs. 3,000 to Rs. 5,000 for each Project were made by the Board.

315. Of the 435 Projects functioning during the year 1957-58, accounts in respect of 255 only had been received by the Board (August, 1959) and even these accounts were not in a final form.

316. In regard to the Audit comment that excessive releases of grants were made to Welfare Extension Projects, the Chairman, Social Welfare Board, stated that the budget of a Welfare Project was made up of four parts: contributions from the Board, from State Governments, Block contributions and voluntary contributions from the people. So far as the Board was concerned, it released its share well in advance. The other parties, particularly State Governments, however, did not release their shares in time. Some of the State Governments took about one to three years in releasing their share. And even where they released their share, the State Governments made the money available at the closing stages of the financial year when there was hardly any time left for the released amounts to be utilised. Had the other parties contributed their share in time, the advances made by the Board would not have appeared to be large.

317. Referring to para 41 of the 18th Report of P.A.C. (2nd Lok Sabha), the Committee inquired what action had been taken on the suggestion of the Committee of 1958-59 that the Board should, in consultation with the Ministry of Finance and Audit, evolve a suitable procedure whereby the grant of subsidies, their disbursements and accounts etc. could be simplified. They were informed that a grants-in-aid committee was set up in December, 1959 to evolve a new procedure in the light of past experience of the Board. That committee had already held three or four sittings and its work was expected to be finalised in the next two or three sittings. The Committee had also submitted an interim report which was considered by the Board at its last sitting. As to why the Committee had not yet been able to finalise its work, it was stated that the ground to be covered by this committee being vast and new, it had to proceed cautiously in the matter. Another delaying factor was the question of constituting

the Board as statutory body. It was now proposed to proceed with the revision of the existing procedure regarding grants-in-aid independently of the decision regarding the status of the Board.

318. The Committee then enquired why the accounts in respect of 180 projects, out of a total of 435 projects functioning during 1957-58, had not been received in the Board even by August, 1959. The Chairman of the Board ascribed it to delay in auditing the accounts of these Projects. The Deputy Comptroller and Auditor General, however, intervened to point out that the Audit Department could not take up the accounts for audit as they were not complete in all respects. In a number of cases they were not in a final form. He, however, promised to verify the facts at his end and submit a further report to the Committee, if necessary. The Chairman of the Board also promised to do the same.

319. To a question why the Board released grants in cases where audited accounts for previous years had not been received from the Projects, the witness stated that releases in these cases were made on the basis of unaudited accounts. Explaining the procedure followed by the Board in this behalf, she stated that money was released for six months on the basis of unaudited accounts and final adjustments made when the audited accounts were received.

Deficiency in public contributions—para 31 (c), pages 31-32—

320. Welfare Extension Projects being joint ventures of the Board, the State Governments and the public, voluntary contributions to the extent of 25% of the expenditure were to be raised by the Project Implementation Committees, in cash or kind, from the people of the area. According to Audit, during the year 1956-57 as against an expenditure of Rs. 41,83,980 on 263 projects, the voluntary contribution, in cash or kind, was Rs. 4,81,991, i.e. 11.5% of the total expenditure. As regards voluntary contributions raised during the year 1957-58, the figures were not available from almost all the States (August, 1959).

321. In evidence, the Committee were informed by the Chairman of the Board that according to the accounts of the Projects for the year 1956-57 received from the States, voluntary public contributions in cash constituted over 15% of the total expenditure. Contributions had also been made by the people in the form of manual labour, land, etc. Such contributions had not been taken into account while assessing the value of voluntary public contributions.

322. The Committee desired to be furnished with a statement indicating the latest position in this regard.

Grants to Voluntary Welfare Institutions—para 31 (d), pages 32-34—

323. Referring to part (i) of the Audit sub-paragraph, the Chairman of the Board stated that only two per cent of the aided institutions had failed to maintain the average expenditure on normal activities out of their own resources or by raising the needed contributions. As regards the suggestion made by Audit *re.* the introduction of the system of annual review of the working of such institutions by the Board, the witness stated that the suggestion had been accepted by the Board and that a master register indicating, *inter alia*, the performance of the aided institutions was being regularly maintained in the Board. Further, the Board had its inspectors and welfare officers who visited the institutions as a team, examined their accounts and advised them on matters relating to their activities.

324. In reply to a question, the witness admitted that the strength of the Inspectorate of the Board was not adequate for a proper assessment of the working of the aided institutions.

325. As regards part (ii) of the Audit sub-para, the witness stated that such of the institutions as did not submit even unaudited accounts of the grants given during previous years were disqualified for further grants. The number of cases in which further grants to the institutions had been withheld on this count had, however, not been large and might roughly approximate to five per cent in the aggregate.

326. Referring to part (iii) of the Audit sub-para, the witness stated that ordinarily the Board insisted on registration before giving any grant. There were, however, practical difficulties in some cases, as for instance, in the case of a particular State, there was no Societies Registration Act in force.

327. Regarding the case referred to in part (iv), the witness stated that the Institution concerned had originally requested for a grant of Rs. 50,000 for various items, including the publication of a 'Child Welfare' Directory. The Board agreed to give a grant of Rs. 15,000 for the publication of the Directory as per the estimates of the Institution. The actual expenditure on this item was, however, much less. On a request from the Institution, the Board permitted the saving thus effected to be utilised for other purposes included in the original request of the Institution. Asked whether these facts were brought to the notice of Audit, the witness replied in the affirmative. The Committee desired that Audit should be informed of the dates when this was done.

328. Referring to the case mentioned in part (v) of the Audit sub-para, the witness stated that according to the statement of accounts received from the institution, the grant of Rs. 2,000 had been spent only for the purposes for which it was sanctioned. Although the institution had originally asked for a grant to purchase music and dance equipment, the Board had not agreed. It was admitted, however, that Audit was not informed of the position as now stated.

329. In regard to part (vi), the Committee enquired why in accordance with the Rules of the Board, the accounts of most of the aided institutions were not inspected. The Chairman of the Board stated that in 1956-57, the State Boards did not have Inspectors or Welfare Officers of their own. There were only four Inspectors of the Central Board to do the whole work.

330. To a question why even in cases where the institutions had been inspected, the recommendations of the Inspecting officers were not taken into account while sanctioning fresh grants, the witness stated that after inspection reports had been received in these cases, the institutions represented that the reports did not give correct picture of their working. The Board then deputed its Chairman or other officers to examine the accounts of these institutions again. The final decisions taken by the Board were on the basis of reports received after such re-examinations.

331. In reply to a question, the witness mentioned that the Board's Inspectors had been hurriedly recruited and a few of them were not upto the mark.

*Building Grants sanctioned for Welfare Extension Project Centres—
para 31 (e), pages 34-35—*

332. During the years 1955-56 to 1958-59, grants aggregating Rs. 26,64,400 were paid by the Board for construction of buildings for accommodating 741 Welfare Extension Project Centres.

333. The Board had laid down that construction of buildings for the centres should be completed within a year of the date of sanction and the Project Implementation Committees were required to send the statements of audited accounts to the Board. Such accounts or completion certificates were, however, not received by the Board from a single centre till May, 1958. Even by July, 1959, the completion of buildings except in 5 cases had not been reported.

334. Explaining the reasons for the delay in the receipt of completion certificates from the Projects, the Chairman of the Board stated that these certificates were required to be obtained from

qualified Engineers. The buildings to be constructed being mostly in remote villages, the Projects found it difficult to fulfil this requirement. The matter was then taken up with Finance, who, after examining the case, agreed that a certificate from a person of Gazetted status would be sufficient for the purpose. This had resulted in considerably improving the position.

335. As to the number of buildings so far constructed, the witness stated that out of about 1,000 buildings grants in respect of which had been given by the Board, about 700 had already come up though some of them had not been completed. The reason for this was that with a view to getting further assistance the institutions had planned for larger buildings than those approved by the Board.

Training Scheme in 'After-care' and 'Social and Moral' Hygiene Courses—para 31 (f), page 35—

336. In February, 1956 the Board evolved a scheme to train about 140 persons at an estimated cost of Rs. 2,13,000 in 'After-care' and 'Social and Moral Hygiene' courses, for employment in the 'Homes and Shelters' set up in the various States. The training course was started in July, 1956, and two batches of trainees numbering 67 in all were trained by July, 1957 and 1958 respectively. The expenditure on this training was Rs. 2,45,511. Of the 67 trainees, only 32 were employed by April, 1959.

337. Giving the background of the case, the Chairman of the Board stated that under the scheme for the establishment of 'Shelters and Homes', sponsored by the Ministry of Home Affairs in consultation with State Governments, 331 District Shelter Homes and 80 State Level Homes were to be established during the Second Plan period. The demand for trained personnel to man these Homes was estimated at 500. To start with, the Board, which was responsible for financing and executing the training part of the scheme, made arrangements for the training of two batches of 50 trainees each. After these persons had been trained, State Governments, in consultation with whom the whole scheme had been drawn up and who were also represented on the committees to select candidates for training, did not honour the commitments already made and appointed, in some cases, untrained persons in preference to trained ones. Indicating the latest position, the witness stated that 57 of the 100 persons trained under the scheme had been appointed to the posts intended for them. Some others had been employed in other posts. Having been discouraged by the results, the Board discontinued the training

scheme after imparting training to 100 persons. In reply to a question it was stated that the posts in question carried somewhat higher scales of pay than those given to certain trained probation officers in the States working in their jails, factories, etc. In order to give promotion to these officers, the persons trained by the Board were not considered for appointment to the posts. This, in the opinion of the Chairman of the Board, lacked justification as the States had originally concurred in the scheme under which certain persons had been trained by the Board.

338. As to the steps taken or proposed to be taken to improve the position in this regard, the witness stated that the Ministry of Home Affairs had taken up the matter with State Governments.

Training of Auxiliary Nurse Midwives for Welfare Extension Projects—para 31(g), page 35—

339. The Audit sub-para disclosed that a scheme for training of Auxiliary Nurse Midwives for the Welfare Extension Projects was instituted in August, 1955, the Board meeting the entire expenditure on the training scheme. Grants amounting to Rs. 8,38,947 were paid by the Board during the years 1955-56 to 1958-59.

340. The following irregularities were, *inter alia*, noticed:

- (i) The procedure adopted by the Board for release of grants was somewhat defective inasmuch as it resulted in over-payments of grants as also of utilisation of amounts for purposes other than those for which these were originally sanctioned by the Board. Three institutions which were in receipt of grants aggregating Rs. 40,000, utilised the amounts for construction of residential quarters for nursing staff while in another case, an Institution in receipt of a non-recurring grant of Rs. 30,000, purchased a motor van for Rs. 18,402 out of the above grant.
- (ii) In September, 1957, the Board decided to terminate the scheme. As a result, the buildings and the equipment acquired by the Institutions from the grants sanctioned by the Board became the property of those Institutions.
- (iii) The Institutions in receipt of grants from the Board were required to send statements of accounts audited by Chartered Accountants in support of utilisation of the grants. Such accounts were, however, not received from most of the Institutions (April, 1959). The Board had not maintained any records to watch whether the trainees who had successfully completed training had been employed in the various Welfare Extension Projects.

341. In evidence, the Chairman of the Board stated that the training scheme was drawn up by the Ministry of Health who were also in charge of its implementation. The responsibility of the Board was limited to the financing of the scheme. From the very start, the scheme did not work as desired. In the case of some institutions, there was an initial shortfall of recruits, and in the case of some others where this difficulty was not experienced, some trainees left a few days after they were recruited. In the circumstances, the scheme which was scheduled to remain in force for five years, was terminated by the Ministry of Health within a period of just over two years when not even five per cent of the persons required by the Board for its Welfare Projects had been trained.

342. As regards overpayments already made to the institutions, the witness stated that in the case of recurring grants, steps had already been taken to get the overpayments refunded. Recovery of overpayments of the non-recurring (building) grants, however, would not be possible where the buildings had already come up.

343. Referring to part (i) of the Audit sub-para, the Committee enquired why grants aggregating Rs. 40,000 given by the Board under this scheme were allowed to be utilised by three institutions for the construction of residential quarters and a sum of Rs. 18,402 out of a grant of Rs. 30,000, for the purchase of a motor van by another institution. The witness denied that any amounts out of the grants given under this scheme were applied for the construction of residential quarters. As regards the motor van, she stated that it had been purchased by the institution to be used for carrying nurses for domiciliary training and that before making the purchase, the institution had obtained the approval of the Ministry of Health.

344. In regard to part (ii), it was stated that at the time grants were given to the institutions it was the understanding that the buildings and equipment acquired by the Institutions out of the grants given by the Board, would become the property of the Institutions on the completion of the scheme.

345. The Committee drew the attention of the Chairman of the Board to the fact that the scheme taken up in August, 1955, was given up after two years in September, 1957 and enquired whether it showed a satisfactory position in so far as schemes generally took some time to get established. It was stated in reply that in the midst of the Second Five Year Plan in 1957, the Board was told that this scheme could be terminated as the requirements of personnel would be met under the integrated Community Development Scheme. The Board, however, did not get persons to the extent of 95 per cent of its requirements.

346. As regards part (iii), the witness regretted that there had been some delay in the submission of statements of audited accounts by the Institutions. But, she added, the matter was now being pursued by the Board.

347. Regarding trained candidates who had not yet been employed, the witness stated that the matter had been taken up by the Board with the Ministry of Health.

Loss in publications—para 31 (h), pages 36-37—

348. An examination of the expenditure and sale accounts of the two journals issued by the Board (*viz.* 'Social Welfare' and 'Samaj Kalyan') revealed that net losses of Rs. 1,49,358, Rs. 1,16,006 and Rs. 84,531 were incurred by the Board during the years 1956-57, 1957-58 and 1958-59 respectively.

349. Some of the factors leading to the loss were as follows:

- (i) Of the total number of copies published, not more than 58% were issued for sale in any month. Nearly 37% of the remaining were distributed free of charge to important officials and non-officials and institutions and the balance remained unutilised.
- (ii) In February, 1958, the price of both the journals was fixed at 35 nP. per copy. As against this, the production cost as calculated in 1956-57 was Rs. 0-12-9 per copy.
- (iii) An establishment of 12 persons was maintained at the Publications Division of the Ministry of Information and Broadcasting (July, 1959) for the distribution and sale of the above journals in addition to the payment of 15% Departmental charges on the published price of the journals to that Department. The total avoidable expenditure incurred by the Board on pay and allowances, etc. of the staff during the 3 years 1956-57 to 1958-59 amounted to Rs. 60,616 (approximately).

350. Referring to para 46 of the 18th Report of P.A.C. (2nd Lok Sabha), the Committee inquired what steps had been taken by the Board to reduce the number of copies for free distribution to the minimum and to raise more funds from advertisements. The Chairman of the Board stated that the number of copies freely distributed had been considerably brought down and that only those persons who expressed a desire to read and contribute were being supplied with copies of the journals. Free distribution of copies could not, however, be completely stopped for, among others, copies had to be supplied to the various institutions getting grants-in-aid from the Board, as reports of their working featured from time to time in

these journals. As regards advertisements, the witness stated that the total number of advertisements for the various journals was fixed by the Directorate of Advertising and Publicity attached to the Ministry of Information & Broadcasting who distributed advertisements according to the circulation of the journals. The Board was not authorised to get advertisements from commercial sources.

351. Recounting other measures taken by the Board to effect economy in the publication of these journals, the witness stated that a committee had also been appointed which would, *inter alia*, examine the possibility of reducing the cost of production of the journals. Efforts were also being made to push up the sales of the journals. In spite of all these efforts, however, she added, some loss was inevitable in the publication of these journals, for by their very nature, the journals could not be expected to be run on commercial lines.

352. In reply to a question, the witness stated that generally not more than 5% of the printed copies of the journals remained unutilised.

353. The Committee then referred to part (iii) of the Audit sub-para and enquired about the justification for maintaining an establishment of 12 persons in the Publications Division for the distribution and sale of the two journals. The Chairman of the Board stated that besides distribution and sale, this staff maintained accounts and attended to other matters connected with the publication of the journals. In fact, the witness added, the Ministry of Information & Broadcasting had requested the Board to increase the strength of this establishment.

Irregular payments of Grants-in-aid—para 32, pages 38—40—

354. Amounts exceeding Rs. 1 crore had been paid to a Voluntary Organisation (*viz.*, Bharat Sewak Samaj) by different Ministries of the Government of India since 1953-54 (upto 1957-58) to carry out its day to day social activities mainly in the field of public co-operation. It was observed that grants had been sanctioned greatly in excess of actual requirements and that large unspent balances were retained by the Organisation over periods ranging from six months to two years. The conditions attached to various grants were also not complied with by the Organisation resulting in a number of irregularities.

355. The Committee desired to know what arrangements existed to ensure that the purpose of the grants given to the Samaj by the various Ministries in the field of public co-operation did not overlap.

The representative of the Planning Commission stated that a Co-ordination Committee for Public Co-operation consisting of representatives of the Planning Commission and the Ministries concerned had been set up. All applications for grants were placed before this Committee.

356. Commenting on a suggestion to channelise all the grants given to this Organisation through a single Ministry, the witness stated that the Commission had itself been anxious that the responsibility for giving grants to this Organisation should be entrusted to a single Ministry, but it had not been possible so far to arrive at any effective arrangements in this regard. The matter was still under consideration by Government.

357. The Committee then enquired how Government ensured that the grants to the Samaj were utilised for the purposes for which they were intended. The representative of the Ministry of Education stated that this was partly done through utilisation certificates furnished by the Samaj. He, however, admitted that there was always considerable delay in the receipt of such certificates, as the Samaj had to obtain them mostly from remote villages. The representative of the Planning Commission added that in all cases of grants, a specific provision was made that the Government of India reserved to themselves the right to have the accounts of the Samaj relating to the grants received by it audited by the C. & A.G. Pursuant to this provision, the accounts of the Samaj for the years 1954-55, 1955-56 and 1956-57 had been audited by the Audit Department.

358. To a question whether Government made an assessment of the value of work done by the Samaj, the representative of the Ministry of Education stated that with this end in view, teams of professors and others were sent to visit the camps organised by the Organisation. As, however, the number of camps organised by the Organisation was very large, this method of evaluation could not be expected to be thorough.

359. The Committee then desired to be furnished with a note regarding the working of the Samaj indicating, *inter alia*, its achievements in the field of public co-operation.

(a) *Grants given by the Ministry of Education—pages 38-39.*

360. According to Audit, the Ministry had been paying grants-in-aid to the Samaj since 1954 for organising Youth Camps, Labour and Social Service Camps, etc. in various parts of the country. It was noticed in audit that the proportion of non-student youths admitted to the camps and the ratio of supervisors and organisers in the camps were not in accordance with the terms and conditions attached to the

grants, thus resulting in an unauthorised expenditure to the extent of Rs. 48,639 out of grants relating to 1955-56, the accounts of which had, however, been accepted by the Ministry. The terms and conditions attached to the grants were stated to have been relaxed with restrospective effect in 1958.

361. The Samaj had been allowed to retain and credit to a Fund two annas per day per camper for meeting its "camp office expenses" out of the grant of annas eight per head allowed for incidental expenses on the Camps. According to Audit, against a receipt of Rs. 1,15,239 during December, 1954 to October, 1955 under the "Two Anna Fund" the actual camp office expenses amounted to Rs. 66,295. Although the "Two Anna Fund" was discontinued in October, 1955, the unspent balance was partly refunded in April, 1956 (Rs. 10,000) and in March, 1957 (Rs. 13,337).

362. In March, 1957, a sum of Rs. 90,000 was paid for camp office expenses on an *ad hoc* basis without finalisation of the accounts for the previous years, but the utilisation certificate for Rs. 86,976 only was furnished upto February, 1960. The basis on which utilisation certificate had been issued had, however, been questioned in audit.

363. The representative of the Ministry of Education stated in evidence that the grants given to the Samaj were for organising youth camps and labour and social service camps on an experimental basis as a preliminary step to the possible introduction of national service for students. The Organisation did not have any experience in the line, and so the percentage of non-student youths admitted in camps (*viz.* 20) and the ratio of supervisors and organisers (*viz.* 1 : 20) was fixed on an arbitrary basis. Later on, however, it was found that the ratios as originally fixed were unworkable. These were, therefore, revised in 1958 with retrospective effect, with the prior approval of the Ministry of Education. No extra expenditure was incurred consequent upon the revision.

364. As regards the receipts under the 'Two Anna Fund', the representative of the Ministry stated that the figure of Rs. 1,15,239 shown by the Organisation in the proforma accounts as estimated receipts on account of Central Organisational expenses had been arrived at on the presumption that all the camps would be held as planned and would have full attendance. Owing to epidemics and certain other unforeseen reasons, some of the camps could not be held and attendance at some others was not full. As a result, as against the estimated receipts of Rs. 1,15,239, the actual receipts of the Organisation on this account amounted to only Rs. 66,295. The expenditure of the Organisation on this account, however, amounted to Rs. 94,556, resulting in a loss to the Organisation. The Organisation had, accordingly,

represented that the loss incurred by it on this account should be made good, and the case was under consideration. As such, the question of any refund being made by the Samaj did not arise. The refunds of Rs. 10,000 and Rs. 13,000 mentioned in the Audit para did not pertain to Central Organisational expenses.

365. The Committee then desired to know why the basis of the utilisation certificate of Rs. 86,976 was not accepted by Audit. The Deputy C. & A.G. stated that the utilisation certificate had been prepared on the presumption that the total number of campers approved for the camps actually attended the camps. Before accepting the certificate, Audit wanted to know the number of campers who actually attended. The Secretary, Ministry of Education, informed the Committee that the detailed information in this connection was being collected and would be shortly furnished to the Accountant General.

(b) *Grants given by the Ministry of Information & Broadcasting,*
page 39—

366. A sum of Rs. 1,06,800 was sanctioned to the Samaj as grants-in-aid during the years 1953-54 to 1956-57 for the publication of a monthly journal. During 1956-57 alone, out of 47,000 copies printed at a total cost of Rs. 49,231, only 12,988 copies were sold for Rs. 6,494 resulting in a net deficit of Rs. 40,641 after taking into account a sum of Rs. 2,096 realised from advertisement charges.

367. A sum of Rs. 7,000 was utilised during 1956-57 on the purchase of equipment, e.g., cycles, durries, etc. out of the grants sanctioned for the dissemination of information about the Five Year Plan.

368. In evidence, the representative of the Ministry of Information and Broadcasting stated that the journal in question (*viz.*, the 'Bharat Sewak') was a Plan publicity journal and was intended for the use of workers of the Samaj. One of the conditions attached to the grant for the journal was that its purposes should not overlap with those of other journals issued by the Publications Division. Although another Plan publicity journal, *viz.*, the 'Yojana' was also being brought out by the Ministry of Information and Broadcasting, the two journals served different purposes. The Committee desired to be furnished with a detailed note regarding the scope of the journal indicating, *inter alia*, the necessity or desirability of continuing it as a separate journal.

369. Regarding the steps taken to reduce the loss on the publication of the journal, the witness stated that the Ministry had been reviewing from time to time the possibility of reducing the number of copies freely distributed, and that as a result the number of such

copies had been considerably brought down. Every endeavour was being made to increase revenue from advertisements, subscriptions, etc.

370. As regards the utilisation of Rs. 7,000 granted for Plan publicity on the purchase of cycles, durries, etc., the witness stated that these articles were purchased for the headquarters office of the Information Department of the Samaj.

(c) *Grant given by the Planning Commission, page 40—*

371. A sum of Rs. 4,80,000 was sanctioned to the Samaj on 22nd March, 1957, for the purchase of tools and equipment required for training centres and camps run by it. It had been proposed at an earlier stage to effect the purchases through the Ministry of Community Development but that Ministry had declined to accept the proposal as the time available for the purpose was not adequate.

372. The Committee enquired whether the Samaj's request to the Ministry of Community Development to effect purchase of tools and equipment was also accompanied by a request for a grant for the purpose. The representative of the Planning Commission stated that the Samaj had requested the Ministry of Community Development only to make purchases on its behalf; the request for the grant had been made to the Planning Commission with whom it was being pursued separately. No other Ministry had been approached for a grant for this purpose.

MINISTRY OF IRRIGATION AND POWER

(DELHI STATE ELECTRICITY BOARD)

Loss of Coal by pilferage, para 85, pages 92-93—

373. Between 1st April, 1955 and 9th October, 1956, the Delhi State Electricity Board lost about 12,894 tons of coal due mainly to persistent pilferage and partly to handling and transit losses. Assuming normal handling and transit losses to be 1% of the actual issues, the loss by pilferage between April, 1955 and July, 1957 worked out to about 10,315 tons. At the 1956-57 average cost of Rs. 35.12.3 per ton the value of the loss was more than Rs. 3½ lakhs.

374. This loss was covered in the trading accounts by making an *ad hoc* addition of 5% to the quantity of all issues of coal to the Power House. There was no resolution of the Board sanctioning this practice.

375. On 1st October, 1956, the management entered into an agreement with the representatives of the Central Power House Employees

Union, providing for the free issue of two maunds of soft coke per month to each Class III and Class IV employee working in the Power House on the date of the agreement, in return for an assurance that no coal would be removed from the coal-yard by the employees thereafter. This agreement cost the Board Rs. 49,620 in 1957-58. There was no resolution of the Board confirming this agreement although it was signed by the Chairman on behalf of the Board.

376. Explaining the background of the case, the representative of the Ministry of Irrigation and Power stated that since the establishment of the Power House in 1925, pilferage of coal by the employees had been a regular feature. In 1951, when the control of the Power House was taken over by the Delhi State Electricity Board, an attempt was made to put an end to this practice. Arrangements for putting up fencing were made. Certain other security measures were also taken. The employees who had come to regard coal removed by pilferage for all practical purposes as a part of their terms of employment held out a threat to strike. As a result, further action in the matter was dropped and the pilferage continued as before. In 1956, the Chairman of the Board again took up the question and held discussions with the representatives of the Union. The agreement of 1st October, 1956 was a sequel to these discussions.

377. After this agreement, the loss of coal which previously constituted about 5% of the total quantity issued to the power house, had come down to 0.8% which was less than the normal loss of 1% on account of handling, transit, etc. In terms of money, the saving amounted to about Rs. 2.5 lakhs per annum.

378. Asked whether the Ministry were satisfied that no pilferage at present took place, whether by the old or the new employees, the reply of the representative of the DESU was in the affirmative.

379. Regarding the existing security arrangements to prevent pilferage, the representative of the DESU stated that all the workers had to enter and leave the coal-yard only through the main gate and nobody was allowed to remove any quantity of coal from the yard. In reply to a question, he agreed that these arrangements should have been made even before the agreement was entered into.

380. In reply to a question, the representative of the Ministry stated that though there was no formal resolution of the Board confirming the agreement, both the Members of the Board (the Board then consisted of only two persons) were a party to the settlement and had taken part in the negotiations. He, however, agreed with the view that a formal resolution should have been recorded by the Board.

Appropriation Accounts (Civil), 1958-59

Budgeting and control over expenditure—over-budgeting—

381. As against the final provision of Rs. 4,22,00,000 under the head 'Capital Outlay on Multipurpose Schemes', the actual expenditure amounted to Rs. 3,14,80,247, resulting in a saving of Rs. 1,07,19,753.

382. The representative of the Ministry explained to the Committee that bulk of the saving (Rs. 95 lakhs) under the Grant was due to lesser drawals of funds by the D.V.C. from the Centre as the Corporation had large unspent balances brought forward from the previous year. A part of the saving (Rs. 11·90 lakhs) was due to non-execution of certain works under the sub-head 'land and buildings for Research Station, Poona' during the financial year because of delay in the receipt of expenditure sanction. That delay itself was the result of a difference of opinion between the engineers of the C.P.W.D. and the officers of the Research Station who wanted the specifications to be changed.

MINISTRY OF LABOUR AND EMPLOYMENT

Infructuous expenditure on a construction work without proper planning—para 43, pages 53-54—

383. The construction of a building near a large International Airport was approved in May, 1954, at an estimated cost of Rs. 10,03,000. The detailed estimates were sanctioned in February, 1955, for Rs. 6,78,000. Tenders were invited on 15th April, 1955 and the work was entrusted on 13th August, 1955 to a firm of contractors which had quoted Rs. 6,25,626. Supplementary works costing Rs. 96,700 and Rs. 34,260 were sanctioned in June, 1955 and April, 1956 respectively.

384. Following a decision in August, 1956 to purchase Jet-planes in January, 1957 it was found necessary to improve and extend the runways of the airport and lower the surrounding hills. Accordingly, the Superintending Engineer was asked on 25th January, 1957 to stop further work on the construction of the building. The final orders to this effect were, however, issued in October, 1957. Meanwhile, an expenditure of Rs. 3,49,248 had been incurred up to January, 1957 and further expenditure of Rs. 2,00,290 was also incurred between January, 1957 and January, 1960. The building is now proposed to be demolished, thus rendering the whole expenditure infructuous.

385. In extenuation, the representative of the Department of Communications and Civil Aviation stated that in February, 1955 when the Department issued a 'No-objection' certificate to the C.P.W.D. for the

construction of said building, there was no proposal before the Department to purchase Boeing aircraft. The decision to purchase Boeing aircraft was taken only in August, 1956. Even then the intention was to operate the service from Palam. In March, 1957, as a result of discussions between Chairman, A.I.I. and the Government, a decision was taken to operate the Boeing service from Bombay (Santa Cruz) as well.

386. The Committee then enquired why an expenditure of over Rs. 2 lakhs was incurred after January 1957, when the Superintending Engineer was asked to stop further work on the building. The representative of Audit informed the Committee that the expenditure shown in the Audit Report as having been incurred after January, 1957, was in fact incurred earlier but was adjusted later in the accounts. The Additional Chief Engineer, C.P.W.D. also stated that the figure of Rs. 2,00,290 was brought down by Audit to Rs. 19,719 in November, 1959. In August, 1960, a special audit party was deputed which further reduced the figure to Rs. 6,757-11-0. According to the witness, even this figure was not correct, his contention being that expenditure had been incurred only on works executed before the 1st February, 1957, but measured and paid for subsequently.

Outstanding Recommendations

Recovery of traffic debits outstanding against the station staff—para 16, 5th Report of P.A.C. (1st Lok Sabha)—

387. Traffic debits amounting to over Rs. 18 lakhs were outstanding against the station staff as on the 31st March, 1950. The P.A.C. (1952-53) were informed that in view of the limitations imposed under the Payment of Wages Act, some delay was bound to occur in recovery of the full amount. The Committee, accordingly, suggested in para 16 of their 5th Report (1st Lok Sabha) that the Payment of Wages Act might be amended, if necessary. On the 23rd July, 1958, the representative of the Ministry of Labour and Employment had stated before the Committee of 1958-59, that it had been decided to amend the Act and that a Bill would be brought before Parliament in the near future. In view of the urgency of the matter, the representative of the Ministry had also agreed then to bring forward a separate Bill, if necessary, to amend the particular section.

388. The Committee desired to know the reasons for the delay in bringing forward the proposed legislation. The representative of the Ministry of Labour & Employment stated that in July 1958 when an assurance to bring forward a Bill to amend the particular section of the Act was made, the Labour Ministry contemplated that the proposed Bill would cover only recoveries resulting from

the acceptance of debased coins and counterfeit notes. This, however, did not meet the requirements of the Railway Ministry. The matter was further discussed with the Ministry of Railways, and a formula had finally been evolved which was acceptable to both the Ministries. The matter had now been taken up with the Ministry of Law and a draft amending Bill incorporating 50—60 other amendments was being finalised.

Appropriation Accounts (Civil), 1958-59

Budgeting and Control over Expenditure—over-budgeting—

389. The Committee, *inter alia*, noticed the following instances of over-budgeting in the Grants of the Ministry of Labour & Employment.

Grant No.	Final Grant	Actual Expenditure	Saving	Percentage of saving
73 Chief Inspector of Mines	23,04,000	14,70,535	—8,33,465	36.2
74 Misc. Depts. & other expenditure.	8,80,17,000	6,01,54,223	—2,78,62,777	31.7

390. The saving of Rs. 8,33,465 under the head 'Chief Inspector of Mines' was attributed to the inability of U.P.S.C. to recruit suitable candidates for the posts of mining engineers. Even after a substantial enhancement of the grade, only 12 out of 28 vacant posts could be filled.

391. Regarding the saving under the head 'Misc. Departments and other Expenditure', it was admitted that the criticism that funds had been provided for immature schemes was valid. Certain schemes provided for in the budget, on the recommendation of the Tripartite Labour Welfare Advisory Committees, were not in a final form. It was, however, added that the procedure had since been tightened and the position was expected to show an improvement in subsequent years.

Surrender in Excess of Saving

Grant No. 126—Capital Outlay of the Ministry of Labour & Employment—

392. The Committee enquired why as against a saving of Rs. 4,50,992, an amount of Rs. 5,48,000, was surrendered. The representative of the Ministry promised to furnish a note* explaining the reasons.

393. *The Committee then adjourned till 10:00 hours on Monday, the 31st October, 1960.*

*Since received. Not printed.

**Proceedings of the 20th Sitting of the P.A.C. held on the 31st
October, 1960**

394. The Committee sat from 10·00 to 13·00 hours.

PRESENT

Shri Upendranath Barman—*Chairman.*

MEMBERS

2. Shri Maneklal Maganlal Gandhi.
3. Shri Vinayak Rao K. Koratkar.
4. Shri G. K. Manay.
5. Shri S. A. Matin.
6. Shri Baishnab Charan Mullick.
7. Shri Shamrao Vishnu Parulekar.
8. Shri Purushottamdas R. Patel.
9. Shri Radha Raman.
10. Dr. N. C. Samantsinhar.
11. Pandit Dwarka Nath Tiwary.
12. Shri Surendra Mohan Ghose.
13. Dr. Shrimati Seeta Parmanand.
14. Shri V. C. Kesava Rao.
15. Shri Jaswant Singh.

Shri G. S. Rau, *Addl. Dy. Comptroller & Auditor General.*

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

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

WITNESSES

Ministry of Works, Housing & Supply

Shri T. Sivasankar, *Secretary.*

Shri A. S. Naik, *Joint Secretary.*

Shri N. G. Diwan, *Chief Engineer, C.P.W.D.*

Shri L. G. Selvam, *Chief Technical Examiner.*

Shri C. Balasubramaniam, *Director of Estates.*

Ministry of Defence

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

Ministry of Finance (Works Division)

Shri P. C. Bhattacharya, *Financial Adviser.*

Ministry of Finance (Budget Division)

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

395. The Committee took up consideration of the Audit Report (Civil), 1960, with the Ministry of Works, Housing & Supply.

MINISTRY OF WORKS, HOUSING & SUPPLY

Avoidable expenditure due to non-acquisition of land before invitation of tenders—para 64, page 71—

396. In a C.P.W. Division tenders for two works of raising and strengthening bunds estimated to cost Rs. 3,19,040 and Rs. 2,93,474 were invited on the 5th January, 1959 without acquiring land for excavating earth. Single tenders for Rs. 3,08,134 and Rs. 2,74,513 respectively (3.4 per cent and 6.4 per cent below the estimated rates) were received from a contractor who stipulated that in case the acceptance of the tender was not communicated to him within a week's time, his offer should be treated as withdrawn. The contractor was informed on 21st January, 1959 that as land acquisition proceedings might take two months he should keep his offer open until then, but he did not agree. It was decided in February, 1959 to invite fresh tenders. Since there was no response, negotiations were started and ultimately it was decided in April, 1959 to award different parts of the work to petty contractors within a ceiling of 15% and 12% respectively above the schedule of rates. The land was acquired in March, 1959, and possession was handed over to the C.P.W.D. on 12th May, 1959.

397. The Committee wanted to know the reasons for inviting tenders for the two works before the acquisition of land for excavating earth. The representative of the Ministry of Works Housing and Supply stated that the works were of an urgent nature and were recommended for completion before the on set of the monsoon of 1959 by the Flood Relief Committee appointed under the chairmanship of the Minister of Works, Housing and Supply consequent upon the floods in Delhi in 1958. The C.P.W.D. departed from the usual procedure and moved the Collector, Delhi.

on the 25th November, 1958 for acquisition of land. Thereafter, the tender notice for the works was issued. The witness added that action was initiated at the instance of the Chief Engineer, who, being the Secretary of the Flood Relief Committee was aware, even before the finalisation of its report that the Committee desired completion of these works urgently. The Committee desired to know the date when the C.P.W.D. were seized of the interim recommendation of the Flood Relief Committee and whether immediate action was taken to initiate the land acquisition proceedings. The witness promised to furnish this information.

398. The Committee enquired why in view of the anticipated delay of two months in the land acquisition proceedings, the tenderers were not asked in the tender notice to keep their offers open for a certain period, on the lines of the procedure followed by the Director General, Supplies and Disposals. The representative of the Ministry of WHS stated that in the case of the C.P.W.D. it had been decided in consultation with the Law Ministry not to adopt that procedure. The contractors usually kept their offers open for a considerable time but, in case a time-limit were fixed it would be difficult to ask them to do the work after the lapse of the time-limit, if there was delay in taking a decision to execute the work. In the present case, after the submission of the tender, the contractor realised that his quotations were unrealistic and he was anxious to withdraw it. The Chief Engineer stated that the tenders received for the various other works of similar type at about the same time were 10 to 12 per cent above the schedule of rates. The contract was subsequently awarded to the Bharat Sewak Samaj who reluctantly agreed to do the work at 12% above the schedule of rates. In reply to a question the witness stated that the schedule of rates was revised by the C.P.W.D. after a period of 4-5 years and correction slips thereto were issued during the intervening period in respect of individual items of work where the market rates fluctuated more than 10%. The Committee desired that the C.P.W.D. should again examine the question of adopting the procedure obtaining in the DGS&D requiring the contractors to keep their offers open for a certain period.

399. Explaining the position regarding the execution of the works, the Chief Engineer stated that it was not possible to complete the whole work before the monsoon of 1959. Before the onset of the monsoon, the bunds were raised above the flood level but the work of widening them remained to be done. The bund from Shah Alam Bridge to Coronation Pillar had since been completed while work on the other from Coronation Pillar to GT Road was still in progress and was expected to be completed during the current working

season. The Committee desired to be furnished with the dates of completion of the two bunds and the actual costs of their execution.

Defective planning of works and consequential avoidable extra expenditure—para 65, pages 71—73—

Loss of revenue and avoidable expenditure due to lack of proper planning—para 66, pages 73-74—

400. Both the above cases involved delays in the provision of the ancillary services in the buildings, which resulted in avoidable extra expenditure and loss of revenue to Government.

401. In the first case (para 65) the contract for masonry work on 624 'H' type and 564 'G' type quarters at a certain station was awarded to contractors on the 4th April, 1957, the stipulated dates of completion being 3rd March, 1958 and 3rd December, 1957 respectively. The buildings were actually completed in May, 1958 and December, 1958 respectively. Ancillary services were not provided promptly. The wood work relating to 624 'H' type quarters (awarded on 26th March, 1957 to a Government Housing Factory) and the work of internal sanitation and water supply (awarded on 23rd December, 1957), which were due for completion on the 25th March, 1958 and 22nd May, 1958 respectively were actually completed on the 8th November, 1959 and 31st July, 1959. The estimate for filtered water supply which was technically sanctioned in August, 1957 had to be revised in July, 1958, as the original source of water supply was contaminated, and the work was completed on 22nd December, 1959. 8,000 cft. of cast iron pipe required for laying the water mains were purchased, on the plea of urgency, from a local body in December, 1958, instead of through the Director General of Supplies and Disposals, at a cost of Rs. 4,82,372 involving an extra expenditure of Rs. 47,449 over the rate contract prices. Some quarters were handed over without provision of electricity to the Director of Estates for their allotment to Government servants during the period November, 1959 to January, 1960.

402. In the other case (para 66) the construction in a city of 616 'H' type and 220 'F' type quarters estimated to cost Rs. 33,75,761 was divided into sections and awarded during February and March, 1957 for building portion alone to contractors. The construction of the 'H' type quarters was authorised to be commenced in February, 1957, and that of the 'F' type quarters in March, 1957, the time allowed for completion being eleven months, in each case from the date of commencement. The construction of the 'H' type quarters

was, however, completed only in April, 1958, and the 'F' type quarters in November, 1958. The provision of doors and windows and ancillary services, i.e., water, sanitary and electric installations was not taken up immediately after the masonry works were finished. Sanitation and wood works were completed between October, 1959 and January, 1960. The work on 'Outfall sewers' was held up due to the existence of certain unauthorised hutments across the alignment of the sewers. A proposal for the diversion of the sewer line away from the hutments involving an extra expenditure of Rs. 2,500 made in June, 1959 was not implemented. The huts were cleared only on the 15th September, 1959.

403. The Committee enquired why the masonry work on 564 'G' type quarters which was to be completed by the 3rd December, 1957, was actually completed in December, 1958 and whether any action had been taken against the contractor for the delay. The Chief Engineer stated that the lay-out which had been approved by the Town Planning sub-Committee on the 11th March, 1957, was subsequently revised by the Delhi Development Authority which had by then come into existence. This accounted for a delay of three months in starting the work. Later there was a delay of another month due to late supply of wood works by the Hindustan Housing Factory. Another four months extension was granted to the contractor on account of some extra work involved. As the delay was not caused by any laxity on the part of the contractor the question of taking action against him did not arise.

404. Explaining the reasons for the purchase of cast iron pipes at a higher cost of Rs. 47,449 from a local body the Chief Engineer stated that the pipes of the requisite size which were available with the Delhi Municipal Corporation were purchased from them, as procurement through the Director General of Supplies and Disposals normally took about 3-4 years. The Secretary, Ministry of W.H.S. however, stated that the D.G.S.&D. took about a year to procure pipes at that time. To a question why no timely action was taken to procure the pipes through the D.G.S.&D., the witness replied that originally the source of water supply was proposed to be at Okhla and no pipe line was required to be laid as there was already a pipe line from that source passing near the colony. But subsequently the Health authorities declared the water from the Okhla source as unfit for human consumption which necessitated laying of a pipe line to the colony from the cantonment reservoir. The Committee desired to be informed of the date when the Okhla source was declared unsuitable by the Health authorities.

405. The Committee then drew attention to the delay in the completion of the essential services such as sewage, electricity, etc. which in turn delayed the handing over of the quarters to the

Director of Estates for allotment. The representative of the Ministry of W.H.S. stated that all the quarters had since been handed over to the Director of Estates. He admitted that the delay in completing the ancillary services was due to lack of co-ordination with the local authorities viz., Delhi Municipal Corporation and New Delhi Municipal Committee for which there was no defence. In the present case it took some months before it was decided whether the N.D.M.C. or Delhi Corporation should supply electricity. It had now been decided, he added, that as far as possible a unified agency instead of different agencies should function in a particular area. The C.P.W.D. might do the work on behalf of the Delhi Municipal Corporation subject to periodical settlement with the latter after the work was over.

406. Referring to the case mentioned in para 66, the Committee enquired of the reasons for the delay in removing the unauthorised hutments. The representative of the Ministry of W.H.S. stated that the matter remained under correspondence with police and Delhi Municipal Corporation.

Delay in preferring of claims—para. 67, page 74—

407. An estate belonging to a registered Society was requisitioned on 3rd May, 1945 by the Defence Department under the Defence of India Rules. The property was handed back to the Society on 30th November, 1946 in pursuance of an agreement entered into by the Government with the owners on 26th November, 1946 which provided, that ownership of the entire estate and the Society building thereon, together with all assets, movable or immovable, created by the Government during their occupation for purposes of the war, standing or left lying on the estate, would pass to the Society in full settlement of all claims between the Society and the Government. The Defence Authorities had advised the C.P.W.D. on the 27th November, 1946 to clear all the materials, stores, furniture etc. from the place, as the buildings were to be handed over on the 30th November, 1946. At that time the C.P.W.D. had departmental stocks of bricks costing Rs. 1,53,000 lying in the estate. The Society treated the bricks as its property under the terms of agreement and removed bricks worth Rs. 1,34,754. The Ministry of Law when consulted in June, 1949 opined that the bricks were not assets created for the purpose of war and were not covered by the agreement and should be paid for by the Society. The question remained unsettled for several years and was again referred to the Ministry of Law in September, 1957 who held that the Government had a strong case for recovering the value of the bricks and that a formal notice of demand be sent to the Society. The notice was served in August, 1959.

408. The Committee enquired why the bricks were not removed by the C.P.W.D. before the estate was handed back to the Society on 30th November, 1946. The representative of the Ministry of W.H.S. stated that the time given by the Defence Ministry (three days) for removal of all the materials from the estate was not adequate. Earlier on the 29th July, 1946 the executive engineer had been advised by the Defence Ministry (Lands and Hirings Directorate) not to incur any expenditure on works as the estate was likely to be restored to the Society. Again on the 9th September, 1946 that Directorate advised the executive engineer to remove all stores, furniture etc. from the estate but no reference was made to the bricks. Even after the derequisition of the estate the Lands and Hirings Directorate confirmed to the Society on the 23rd January, 1947 that the bricks were included in the items which the Society could remove.

409. The Committee wanted to know the reasons for the matter remaining unsettled until September, 1957, although the Law Ministry had expressed the opinion in June, 1949 that the bricks were not the assets covered by the agreement. The representative of the Ministry of W.H.S. stated that the matter remained under consideration till April, 1950 and thereafter the file was locked by the officer concerned in his room from where it was recovered in May, 1957. He added that the officer concerned was mentally deranged. The Committee desired to know in due course the final outcome of the case.

*Extra expenditure due to lack of scrutiny of contract documents—
para 68, pages 74-75—*

410. In a C.P.W. Division for a work estimated to cost Rs. 4,11,309 the lowest tender submitted on the 28th April, 1956, for Rs. 3,88,950 was accepted by the Additional Chief Engineer, and the acceptance conveyed by the Executive Engineer, on behalf of the President on the 7th July, 1956 to the tenderer who had deposited an earnest money of Rs. 10,000. Later, while completing the agreement, it was noticed that one slip pasted on the last page of the tender which envisaged also the supply of certain stores from the C.P.W.D. godowns and the recovery of storage charges at 5 per cent over and above the issue rate, was not signed by the contractor. The contractor, when asked to start the work, wrote back to the C.P.W.D. contending that he did not take into account the slip pasted on the last page of the tender relating to payment of 5 per cent storage charges, places of delivery etc. A notice was served on the contractor on the 27th July, 1956 asking him to show cause why his earnest money should not be forfeited in terms of the agreement towards

penalty of 10 per cent of the estimated cost for delay in commencing the work. As the contractor did not give a suitable reply fresh tenders were invited for the work on the 20th August, 1956. The lowest tender on this occasion (which was for Rs. 4,28,316) was accepted by the Additional Chief Engineer on the 3rd December, 1956 involving an additional expenditure of Rs. 39,366 on the work.

411. The first contractor served a notice on the executive engineer on the 11th December, 1956 asking for refund of the earnest money and also claiming payment of Rs. 10,000 on account of damages. The case was referred to the Ministry of Law, who opined that since the acceptance of the tender had not been communicated by the competent authority, viz., the Additional Chief Engineer, in the name of the President, no contract was ever concluded, that the parties were never "ad-idem" and that no question therefore arose of the responsibility of the tenderer for breach and remedies of Government in respect thereof. The claim of the contractor for damages was also considered untenable. The refund of earnest money to the contractor was made in February, 1958.

412. The Committee inquired why the tender submitted by the first contractor was not carefully scrutinised. The representative of the Ministry of Works, Housing & Supply stated that it was not the usual practice for contractors to sign every page of the tender at the time of its submission. They usually signed only the statement submitting the tender and the schedule of materials. It was only at the time of concluding the contract that each page of the accepted tender and any correction slips pasted thereon are to be signed by contractors. In the present case, at the time of concluding the agreement, the contractor put forth his failure to sign on the slip as a plea for withdrawing his offer. The Chief Engineer stated that there was actually no contract concluded with this contractor. The contractor had quoted so low a rate that he could not take up the work when asked to do so. Later he wanted that the materials to be supplied by the Department at the site of the work should not be charged the usual 5 per cent storage charges which amounted to making his offer a conditional one.

413. The Committee enquired why the acceptance of the tender was not conveyed to the contractor by the competent authority viz., Additional Chief Engineer. The Chief Engineer stated that the practice at that time was to address all communications to the contractors by the Executive Engineer-in-charge of a work and it had not been questioned by anybody before.

*Extra expenditure due to delay in acceptance of a tender—para 69,
page 76—*

414. In a C.P.W. Division, tenders for a work estimated to cost Rs. 46,33,625, were invited on the 17th May, 1957 and the lowest tender for Rs. 44,38,899, i.e., at 4:2 per cent below the estimated cost, was accepted subject to the concurrence of the Ministry of Finance for undertaking the scheme. The Ministry of Works, Housing and Supply was approached by the Chief Engineer, on the 12th June, 1957, for obtaining the concurrence of Finance but meanwhile the contractor withdrew his offer on the 13th August, 1957, stating that the market conditions had changed materially. Tenders for the work were invited again after making certain changes, (resulting in reduction in estimated cost to Rs. 43,94,097) and opened on the 11th December, 1957. The lowest tender (from another contractor) for Rs. 45,83,021, i.e., 4:3 per cent above the estimated cost, was accepted. The Ministry of Works, Housing and Supply communicated the concurrence of Finance for undertaking the work on the 11th December, 1957.

415. The Committee enquired why the concurrence of the Ministry of Finance for undertaking the work could not be obtained before the contractor withdrew his offer on the 13th August, 1957. The representative of the Ministry of W.H.S. stated that in pursuance of a directive issued by the Ministry of Finance on the 5th June, 1957, that no new building works should be undertaken from the 1st June, 1957 onwards without their prior concurrence a list of the various projects including this work was submitted to that Ministry for examining the *inter se* priority of the execution of these projects. The Finance Ministry advised on the 12th July, 1957, that the project should first be examined by the Economy Board. A reference was accordingly made to the Economy Board on the 29th July, 1957, who approved the project on the 5th August, 1957, subject to the concurrence of the Finance Ministry. Before the latter's concurrence could be obtained, the contractor withdrew his offer on 13th August, 1957.

Infructuous expenditure on renting a building and unauthorised occupation and non-recovery of rent—para 70, pages 76-77—

416. At a certain station, a building consisting of 36 flats was requisitioned on the 12th April, 1943, on a rent of Rs. 2,315 per month, for the use of War Technicians, at the instance of the late Department of Labour. On vacation by the Labour Department (4th April, 1946) the building was earmarked for housing the

trainees under the Technical Training Scheme. But except for 4 flats the other flats in the building remained vacant for the period from 4th April, 1946 to 16th August, 1946.

417. Subsequently, the control of the building was transferred to the Director of Estates on 6th August, 1946 but in the meantime 17 of the flats were forcibly occupied by displaced persons. Nine of the flats were vacated in June, 1953. The total amount due from the unauthorised occupants calculated upto March, 1959 amounted to Rs. 2,97,198.

418. Explaining the latest position, the representative of the Ministry of Works, Housing & Supply stated that on persuasion the owner of the building had taken it over with some of the flats still under unauthorised occupation. The difficulties in evicting the unauthorised persons were aggravated by the High Court's declaration that the Government Premises Eviction Act of 1950 was invalid and therefore the Ministry had to wait for some time. The State Government who were approached could not help fully in the matter as the squatters were displaced persons. That Government, however, helped as far as could be done. With their assistance, some persons were got evicted at the earlier stages. Some other steps were also taken. As a result, the position in early 1960 was that there were still 15 flats in unauthorised occupation and 2 in part occupation.

419. As regards the recovery of the arrears of rent from the unauthorised occupants the Director of Estates stated that the matter had been taken up with the Ministry of Rehabilitation whose final reply was still awaited.

Payment of compensatory allowance to non-entitled persons--para 71, page 77—

420. Government sanctioned, in April, 1955, compensatory (local) allowance to the staff of a certain Engineering Circle. In December, 1955, the sanction was given retrospective effect from the 1st October, 1954, the date on which the circle was created. Although the payment of this allowance to clerical staff was made conditional on their staying at the site of the work, no such condition was imposed in the case of other staff. As a result of references made by the Audit in September, 1956 it was eventually clarified by Government in November, 1957 that the allowance was to be paid only to the officers and staff working and residing at the site of the work. Government decided in January, 1959 that the amounts overpaid to the non-entitled persons prior to 1st July, 1957 should not

be recovered. The recovery of the amount paid in respect of the period October, 1954, to June, 1957 amounting to about Rs. 38,157, was waived by Government in January, 1959.

421. The Committee enquired why there had been delay of over a year in taking a decision on the Audit objection raised in September, 1956. The representative of the Ministry of Works, Housing & Supply stated that an inter-departmental Advisory Committee was appointed to look into the matter. He admitted that the decision should have been taken earlier. The Committee drew attention to their earlier recommendation made in the Report on the Accounts of 1946-47 that unless there were strong reasons in the view of the Financial Adviser and the Chief Accounts Officer concerned, Audit view should normally be accepted and acted upon provisionally pending final decision by the competent authority and pointed out that in pursuance of this recommendation, payment of the compensatory allowance should have been held up immediately on receipt of the Audit objection. The Financial Adviser of the Ministry stated that although it might be a prudent course to accept the Audit view provisionally, the question had general implications and needed careful examination from the administrative angle. The representative of the Ministry of Works, Housing and Supply promised to examine this aspect.

422. Explaining the justification for waiving of over-payments made to the non-entitled persons, the witness stated that the officers and staff concerned had received the allowance in good faith. The Committee referred to the recommendation made in their Report on the Accounts of 1943-44 which enjoined that it was not correct to waive recoveries from officers even if they received over-payments in good faith. The witness stated that in the present case the orders as they then stood did not preclude the officers from receiving the allowance. There would have been justification for recovery of the over-payments, had the then existing orders not envisaged the grant of the allowance to these officers. Subsequently however, the interpretation of Audit was supported by Finance. Because of the ambiguity in the original orders, the benefit of doubt was given to the officers.

Delay in execution of work by contractors—para 72, pages 77-78—

423. In 1954 the Ministry of Law ruled that even if any extension of time was granted to contractors, in circumstances where the responsibility for the delay rested with them, the right of Government to recover liquidated damages from them was not lost. Accord-

ing to Audit during the course of local audit inspection it was noticed in February-March, 1959, that contractors often took an unduly long time in completing contract works and that in a large number of cases where extensions of time had been granted, the question of determination of liquidated damages had not been considered at all, by the competent authorities, even though a saving clause was included in the orders giving extensions of time.

424. Explaining the procedure followed in granting extension to contractors, the Chief Engineer stated that in order to keep a contract alive after the date stipulated for its completion, the Executive Engineer granted provisional extension of time without prejudice to the right of Government to recover liquidated damages from them subsequently. These cases were subsequently examined by the competent authority to determine whether there was a fit case for levy of liquidated damages against a contractor. Under the advice of the Ministry of Law even in the cases where the competent authority had approved the extension before communicating it to the contractor, only provisional extension was to be issued in the first instance reserving Government's right to the levy of liquidated damages.

425. The representative of the Ministry of Works, Housing & Supply stated that the cases referred to in the Audit para had been examined by the Additional Chief Engineer and it was found that in none of the cases the levy of liquidated damages was justified. The Accountant General Central Revenues, however, pointed out that at the time of audit it was found that in some 25 cases it had not been recorded whether the question of the levy of liquidated damages against the contractors had been actually considered subsequent to the grant of provisional extensions to them.

Over-payment to a contractor—para 73, page 78—

426. The scrutiny of the accounts of a certain work which was given on contract in 1951-52 and completed in March, 1953 revealed the following irregularities:—

- (a) It was observed that the value of materials (Rs. 11,193) supplied to the contractor was not recovered from the first available running bill.
- (b) Though 'on account' payment had been made for a certain quantity of work done, the work actually carried out was much less. This resulted in over-payment of

Rs. 3,710 to the contractor and also indicated that the certificates given by the engineering authorities on the 'on account' bills were given without actually checking the measurement.

The final bill of the contractor passed in January, 1958 showed a sum of Rs. 13,772 as recoverable from him.

(c) Though orders were passed by the engineering authority in January, 1953 for recovery of Rs. 20,494 on account of compensation for delay in completion of the work, no such recovery was effected.

427. According to Audit, against a total amount of Rs. 34,266 recoverable from the contractor, interest-bearing security of the value of Rs. 17,000 hypothecated to Government was available for adjustment.

428. The Committee asked why the full value of the material issued to the contractor was not recovered from him from his first running bill. The Chief Engineer stated that under the rules (para 243 of the CPWD Accounts code) it was permissible to recover the cost of materials progressively according as these were actually utilised. The Additional Deputy Comptroller & Auditor General pointed out that in this case the amount of the material consumed had not been shown in the running bills, and at one stage the contractor had requested the postponement of the recovery for the materials used. The Chief Engineer stated that the contractor had represented that as the material had not been actually used the recovery should not be made for the whole material.

429. The witness informed the Committee that the over-payment made against 'on-account' bills was Rs. 3,347 and not Rs. 3,710 and the frozen amount of the contractor with the C.P.W.D. was Rs. 41,566 and not Rs. 17,000. Thus against a sum of Rs. 34,266 recoverable from the contractor on account of the final bill and levy of 10% penalty, his frozen assets were sufficient for adjustment.

430. The Committee then adjourned till 1.00 hours on the 1st November, 1960.

**Proceedings of the Twenty-First Sitting of the Public Accounts
Committee held on the 1st November, 1960**

431. The Committee sat from 10.00 to 12.40 hours.

PRESENT

Shri Upendranath Barman—*Chairman*

MEMBERS

2. Shri Maneklal Maganlal Gandhi
3. Shri Vinayak Rao K. Koratkar
4. Shri G. K. Manay
5. Shri S. A. Matin
6. Shri Baishnab Charan Mullick
7. Shri Shamrao Vishnu Parulekar
8. Shri Purushottamdas R. Patel
9. Shri Radha Raman
10. Dr. N. C. Samantsinhar
11. Pandit Dwarka Nath Tiwary
12. Shrimati Sharda Bhargava
13. Shri Jashaud Singh Bisht
14. Shri Surendra Mohan Ghose
15. Dr. Shrimati Seeta Parmanand
16. Shri V. C. Kesava Rao
17. Shri Jaswant Singh.

Shri G. S. Rau, *Addl. Dy. Comptroller & Auditor General.*

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

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary*

Shri Y. P. Passi—*Under Secretary.*

WITNESSES

Ministry of Works, Housing & Supply

Shri T. Sivasankar, *Secretary.*

Shri A. S. Naik, *Joint Secretary.*

Shri L. G. Selwam, *Chief Technical Examiner.*

Shri N. E. S. Raghavachari, *D.G.S.&D.*

Shri C. Balasubramaniam, *Director of Estates.*

Ministry of Finance (Works Division)

Shri P. C. Bhattacharya, *Financial Adviser.*

Ministry of Finance (Budget Division)

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

432. The Committee took up further examination of the Audit Report (Civil), 1960 relating to the Ministry of Works, Housing & Supply.

CHIEF TECHNICAL EXAMINER'S ORGANISATION

Para 74, pages 79-82—

433. The total figures of the overpayment detected and provisionally assessed, overpayments admitted and amounts actually recovered since the creation of the Chief Technical Examiner's Organisation in May, 1957 were as shown in the table given below:

Period	No. of cases of overpayment detected	Amount of overpayment detected and provisionally assessed	No.	Overpayment admitted by the Executive Engineers and intimated to AGCR for watching recovery	Amount actually recovered (as on 31st October, 1959)
		Rs.		Rs.	Rs.
6/57 to 12/57	121	3,15,660	13	60,783	40,561
1/58 to 6/58	91	3,74,837	48	,18,16	78,309
7/58 to 12/58	149	5,01,972	67	2,26,476	48,624
1/59 to 6/59	214	,63,923	138	1,83,371	27,480

434. The Audit para also mentioned some of the more important cases or irregularities noticed by the Chief Technical Examiner.

435. At the outset the representative of the Ministry of Works, Housing and Supply stated that the observations of the Chief Technical Examiner referred to in the Audit para had not been vetted by the Chief Engineer and thus were yet to be finalised at the time of the inclusion in the Audit Report. In his view, it was premature to include such observations in the Audit report at that stage, as it would not present to the Parliament complete facts about these cases. He

cited the case of item (iii) of the Audit paragraph where the loss assessed by the Chief Technical Examiner to be of about Rs. 1 lakh had been found on verification to be of Rs. 62,000 only. The Additional Deputy Comptroller and Auditor General stated that the matter had been considered by Audit and their view was that the C.T.E. would satisfy himself after detailed discussions with the Chief Engineer and other officers of the Department about the *prima facie* accuracy of the various objections included in his report. The paragraph in the Audit Report purported to give only a summary of the activities of the C.T.E.'s organisation. The Audit Report in this regard would be considerably delayed if it was presented after the finalisation of the objections raised by the C.T.E. Audit had, therefore, decided to include in their reports a para on the activities of the Chief Technical Examiner as a usual feature. The same practice was being followed in the case of the Audit Report on the Defence Services Accounts.

436. The Committee wanted to know the reasons for the increase in the number of cases of overpayments detected by the C.T.E. from 149 during the period July-December 1958 to 214 during January-June, 1959. The Chief Engineer stated that the increase in the number of cases was due to the expansion in the Organisation of the C.T.E. and its activities since its establishment in May, 1957. Although the number of cases had increased during the latter period, the amount of overpayments involved had actually decreased, which indicated an improvement in the working of the C.P.W.D. With regard to the recoveries of overpayments, the witness stated that after the amounts had been admitted by the C.P.W.D., there was no difficulty in making recoveries thereof from the contractors as the Divisional officers had instructions to hold back sufficient money due to the contractors until the settlement of the objection. Recovery was therefore only a matter of adjustment.

437. The Committee enquired of the Chief Technical Examiner the approximate percentage of the works inspected by his Organisation. The Chief Technical Examiner stated that on an average his Organisation were able to inspect 60% of the works. The works were selected for inspection from the lists supplied by the C.P.W.D. and were inspected in respect of certain items at the various stages of their execution. Referring to his statement made before the last Public Accounts Committee that technical defects were found in 70% of the cases and overpayments in about 30% of the cases examined by him, the Committee wanted to know whether the position had improved since. The witness stated that that percentage related only to the number of inspections made by his Organisation and did not represent the extent to which the various items were found defective. He held the view that no definite percentage could be determined to represent the cor-

correct position as such, as his Organisation did not carry out a 100% check of the works inspected. Giving the latest position, he stated that during the period from January, 1960 to June, 1960, out of 463 works inspected, 365 were commented upon by his Organisation but it would not be correct to work out the percentage of defective works on this basis, as the comments might relate to some small items only. The witness's general opinion about the C.P.W.D. works was that there had been a marked improvement in the quality of construction work since the coming into existence of his Organisation.

438. Attention of the C.T.E. was drawn to the fact that out of 121 cases of overpayment detected by his Organisation during the period 6/51 to 12/57 only 13 cases had been settled. The C.T.E. admitted that there was a lot of time lag in the settlement of cases which had persisted although several cases of delay had been brought to the Chief Engineer's notice. The Chief Engineer explained that some objections were of controversial nature and it took considerable time to resolve the difference of opinion at the various levels and sometimes the matter had to be referred to Government. In other cases action was now taken to dispose of the objections expeditiously and as a result thereof, the progress in the later years had been better. The arrears in respect of the earlier periods were also being liquidated as quickly as possible. The Committee enquired whether delay in disposal of the older cases would not render recovery of overpayments difficult. The Chief Engineer stated that as the Divisional officers had instructions to withhold the firms' dues pending settlement of the objections, recovery should not be difficult.

439. The Committee desired to be supplied with a comparative statement showing the number of cases of overpayment detected by the C.T.E. during the periods January, 1959 to June, 1959 and July, 1959 to December, 1959, amounts of overpayment detected, number of cases settled with the P.W.D., overpayments admitted and amounts actually recovered. The witness promised to furnish the information.

440. The Committee then took up examination of some of the more important cases of irregularities referred to in the Audit para.

Item (i) —

payment of cartage based on assumptions unsupported by records:

441. An agreement for a work stipulated the supply of boulders partly from departmental stock and partly from a quarry within 2 miles from the site of work. Against the total requirement of 2,79,143 cft. the contractor was supplied 3,33,586 cft. of boulders both departmentally and from the stipulated quarry. In addition the contractor was also paid a sum of Rs. 46,298 for the carriage of a further quantity of 1,96,931 cft. of stores stated to have been brought from another quarry at a distance of 22 miles from the work site which

was not supported by any records. Although the quantity of 1,96,931 cft. included 26,549 cft. taken over by the Department from the contractor on termination of contract, carriage charges for the latter were again paid to him involving a double payment of Rs. 6,242. The total amount paid for the extra lead based on assumption including also the double payment thus amounted to Rs. 52,540.

442. In evidence the C.T.E. stated that the total requirement for the whole work was 7,17,164 cft. of boulders while the quantity of 279,143 cft. referred to the requirement for two items of work only. As regards the overpayment made to the contractor, the representative of the Ministry of Works, Housing and Supply stated that the case had been investigated by the SPE and the overpayments had been admitted by the Superintending Engineer. Disciplinary action was being taken against the officers concerned.

Item (ii)—Manipulation of measurements

443. The agreement for a road work stipulated that earth work in the road embankment would be paid on the basis of initial levels taken at the commencement of the work and final levels taken on completion. The inspection of the work and connected records revealed that the measurements of the initial levels and final levels were manipulated after they were recorded in the level book thus enhancing the quantity of earth work from 1,78,000 cft. to 6,03,139 cft. This resulted in an overpayment of Rs. 7,932.

444. The representative of the Ministry of Works, Housing and Supply stated that the amount of overpayment made in this case had been recovered and departmental action was being taken against the officials concerned and the contractor for manipulation of records.

Item (iii)—Overpayment due to fictitious measurements

445. The spot inspection of a road work revealed that against 32,48,372 cft. of earth-work payable on the basis of cross-sections as prepared by the Executive Engineer and checked by the Chief Technical Examiner, quantity actually paid for was 36,59,716 cft. This resulted in an overpayment of Rs. 12,553 to the contractor. Although considerable quantity of good earth was available within half a mile of the site of work, the contractor was allowed a lead of 3 and 5 miles to bring the quantity of earth alleged to be in short supply at the former site. Payment to the extent of Rs. 1,01,143 seemed to have been made on the basis of measurements recorded purely on theoretical considerations (and without verification) as if good earth from a lead of 5 miles had been brought. Against the prescribed 12 inches layer of good earth to be laid on the top of the road just below the soling,

it was noticed that in some cases the layer used was hardly 2 inches, the balance consisting of mostly sand and sometimes *malba*.

446. In evidence the representative of the Ministry of Works, Housing and Supply stated that the total overpayment in this case had been assessed as Rs. 63,259 which was being recovered from the contractor. The case had been referred to the Vigilance Section for initiating departmental action. In reply to a question, it was stated that the road work had commenced on 20th July, 1956 and completed on 27th March, 1958. It was inspected by the C.T.E. towards the end of 1957. The C.T.E.'s inspection memo. was issued on 16th May, 1959. It was finally accepted on 27th August, 1960.

Item (v)—Irremediable loss—

447. In connection with the development of certain plots of lands two contracts—one for levelling and the other for laying out of roads were entered into with the same contractor. The road contract was awarded before the levelling contract and a rate of Rs. 42 per 1,000 cft. had to be paid as an extra item towards the cost of levelling the site on which the roads were to be laid out. If the road contract had been awarded subsequent to the levelling contract, the lower rate of Rs. 24.8.- would have been applicable to the entire levelling work. This resulted in an irremediable loss of Rs. 4,550.

448. In extenuation, the representative of the Ministry of Works, Housing and Supply stated that in this case it was necessary to construct a road before taking up the levelling work in order to have an access to the area, as levelling in such a large area had to be one with machinery. He admitted that the rate of Rs. 42 per cft. paid to the contractor for the levelling of the site on which the roads had to be laid, was excessive.

Item (vi)—Annual repairs and maintenance works—

449. Site inspection of a number of maintenance works revealed that the standard of maintenance works was very poor and that there was considerable scope for improvement. It was observed that the rates tendered by contractors in respect of annual repairs and maintenance of works were generally very low and sometimes unworkable.

450. Twelve cases of serious irregularities were reported by the Chief Technical Examiner for taking disciplinary action against the defaulting officers thus bringing the total number of such cases from the beginning to 36. Disciplinary proceedings had been initiated in all the cases and 9 cases since finalised. Action had been taken against 21 officers—punishment varying from warning to reduction in pay.

451. The Committee asked how the contractors quoted at 30 to 50% below the estimated rates for the annual maintenance and repair works. The representative of the Ministry of Works, Housing and Supply stated that due to lack of proper supervision by the C.P.W.D. staff, the contractors were able to get away with sub-standard work. The Chief Engineer stated that appropriate action had been taken to improve the quality of the work and standard of its execution. The tenders now received from the contractors are more realistic. In the year 1960, the tenders were 15 to 20 per cent below the estimated rates. The witness added that efforts were continued to be made to improve the position further, and it was expected to bring the maintenance work to the proper standard in a year or so.

452. As regards the disciplinary action against the officers concerned, the representative of the Ministry of Works, Housing and Supply informed the Committee that out of 36 cases reported by the C.T.E., 18 had been finalised, and action had been taken against 39 officers including 8 Executive Engineers, 13 Assistant Engineers and 18 others.

Loss in the working of Government Hostels—Para 75, pages 82-83—

453. The Audit para disclosed that the proforma accounts of the hostels run by Government in Delhi and Simla for the years 1949-50, 1950-51 and 1951-52 indicated substantial losses. The net annual losses on all the units taken together amounted to Rs. 1,08,166, Rs. 1,17,432 and Rs. 1,57,598 in the years 1949-50, 1950-51, and 1951-52 respectively. The proforma accounts were sent by Audit to the Ministry in 1955 with the request to intimate the reasons for considerable losses as well as the steps taken, if any, to mitigate them. After prolonged correspondence the Estate Officer intimated, in February, 1959, that the loss in respect of the Grand Hotel, Simla, was unavoidable as the Hotel was intended primarily for the convenience of touring officers of the Central Government and as the rent charged from these officers included an element of subsidy from Government. Although the Ministry could not justify the loss incurred on Kotah House during the period in question they explained in November, 1959 that the short-fall in rent realisation was unavoidable since 1954-55 as the main building had been converted into a State Guest House with effect from 1st April, 1954. It was also explained that a major portion of the Grand Hotel, was being used from April, 1957 as a Training College for Government officers. As no rent was recoverable for this portion and as private business had suffered a considerable set back in Simla due to the shifting of the Punjab Government/Government of India offices to the plains there would be a fall in the business of Grand Hotel in future also. The financial results of the working of these Government Hostels for the period subsequent to 1951-52 could not be

ascertained by Audit and the proforma accounts prepared, as the necessary date has not been made available to Audit despite repeated requests.

454. The Committee wanted to know the reasons for continued loss in the working of the Grand Hotel, Simla, and the steps taken to minimise the loss. The Director of Estates stated that the Hotel was purchased for Rs. 22 lakhs in 1941 and was occupied by the Military officers during the war. From the year 1949 onwards the Hotel had not been fully occupied except for a period of 3-4 months during summer. For the purpose of the preparation of the proforma accounts, the return on the basis of 6% of the cost of the Hotel worked out to Rs. 1.35 lakhs which could be realised if all the rooms were occupied throughout the year. The question of minimising the loss in the working of the Hotel had been receiving the consideration of Government. It was decided to reduce certain overhead expenditure. Besides the Central Government officers, the accommodation was offered to the officers of State Governments and foreign Embassies and other persons. In spite of these measures the hotel was not occupied fully throughout the year. It was leased to a private hotelier for some time. But later from 1957 to 1959 the I.A.S. training school was housed in the building. With the closing of the I.A.S. training school it had been decided to run a hotel-cum-hostel in the building where Government servants might stay while on duty or leave, rent being chargeable from them under F.Rs. 45A and 45B respectively. Private persons were also allowed to stay.

455. The Committee enquired why the accounts of the Government Hostels from the year 1951-52 had not been furnished to Audit. The Director of Estates stated that the information had since been supplied to Audit. The Committee understood from Audit that the information was still not complete and desired that it should be expedited. With regard to the financial working of the Western Court, Raisina Hostel and Constitution House, the witness stated that there had been profits also at times. In the case of Kotah House, there had been a continued loss as the rent of the main building which belonged to the Rajasthan Government was high, i.e. Rs. 60,000 per year. Government were considering the purchase of the building, he added. In reply to a question the representative of the Ministry of Works, Housing and Supply stated that the Government Hostels, which were intended for the use of Government officials on duty, charged rent at concessional rates, under F.R. 45A and if these were to be run at profit the rates would have to be increased.

Arrears of rent—Para 76, pages 83-84—

456. The audit para disclosed that the total arrears of rent of Government property stood at Rs. 35.67 lakhs, 42.38 lakhs and Rs. 38.53 lakhs as on 31-3-1957, 31-3-1958 and 31-3-1959 respectively.

457. In evidence, the Director of Estates stated that the amount of arrears due from Government servants which stood at Rs. 26.18 lakhs as on 31st March, 1959, had come down to Rs. 15.38 lakhs. As regards the arrears due from the unauthorised occupants (Rs. 1.45 lakhs) he stated that only 50% thereof were likely to be recovered as a part thereof was due from the displaced persons or unauthorised Government servants who occupied the quarters prior to 1951 and whose present addresses were not known. Efforts were being made to trace their whereabouts and enforce recoveries.

Avoidable expenditure on freight—para 77, page 84—

458. An overseas Purchase Mission chartered a vessel in October, 1956 for the shipment of 9,500 long tons of rice (5 per cent more or less) to Bombay at Rs. 153.33 per long ton as freight. On 7th November, 1956, the freight brokers advised that due to the closure of the Suez Canal, the owners of the vessel had demanded an extra freight of Rs. 19.05 per long ton for transport *via* the Cape of Good Hope. This demand was immediately refused by the Mission on the ground that the vessel owners were bound by the original Charter Party. On 19th November, 1956 a notice was served on the vessel owners by the Mission stating that in the event of their failure to arrange a vessel within forty-eight hours an alternative vessel would be chartered and the owners would be held responsible for damages resulting from their breach of contract. The owners, however, replied on 19th November, 1956 that in view of the closure of the Suez Canal the charter party had been frustrated but they would consider re-booking the cargo at an extra freight of Rs. 19.05 per long ton *via* Cape. On 23rd November, 1956, the Mission chartered another vessel at Rs. 178.57 per long ton for shipment of 10,096.27 long tons of rice *via* Cape of Good Hope, but no action was taken by the Mission for recovering from the original charter party contractors the additional cost. On a reference by the Mission in July, 1959 the present Legal Adviser held that as the performance of the contract was made impossible by the closure of the Suez Canal, the Contract would be considered as frustrated and the vessel owners would be excused from the Contract.

459. The Committee asked the justification for not accepting the revised offer of the former vessel owners for diversions @ Rs. 19.05 per long ton, which was lower than the rate paid to the second party. The representative of the Ministry of Works, Housing and Supply stated that the India Supply Mission, Washington had at that time been advised by the then Legal Adviser that Government could enforce compliance of the original contract by the owners of the first vessel. But this legal advice was not obtained in writing and

there was no record to show that the legal advice was to that effect. In pursuance of this legal advice, the I.S.M. asked the firm to transport the goods at the contracted rates. Subsequently when they wanted to enforce the liability of the firm for the difference between the higher freight paid to the second firm and the original rate agreed to by the first firm, the present Legal Adviser advised that Government's case was weak. The second legal advice was taken in writing. The witness added that the services of the former solicitor had been dispensed with.

Inconsistency in the general conditions of contract regarding levy of liquidated damages—Para 78, page 84-85—

460. A Central Purchase Organisation placed 3 contracts on a firm in August, 1950, January, 1951 and March, 1951, respectively. The contracts stipulated that the prices were subject to adjustment due to any change in the makers' price list. The supplies were delayed and completed only on 9th March, 1953, 5th December, 1952 and 23rd June, 1952 respectively. The stores were inspected and accepted after the expiry of the delivery dates without any formal extension of delivery dates by the Purchase Organisation. In terms of the contract, the firm preferred a claim of Rs. 25,751 on account of increase in the price (plus custom duty and sales tax etc.) and the same was paid on the advice of the Ministry of Law who pointed out that although the period of delivery was the essence of the contract the stores in this case had been accepted after the expiry of the original delivery dates without notifying to the contractor that the price variation would not apply in respect of stores delivered after the stipulated periods. Meanwhile on 28th August, 1953 the indentor (the Central Unit) suggested that Rs. 25,751 paid to the firm for increase in price could be claimed as liquidated damages for loss incurred by the Unit due to delayed delivery.

461. No liquidated damages were, however, claimed as the stores had been accepted after the expiry of the delivery date without giving notice to the firm that such damages would be claimed for delay in supplies.

In evidence, the Committee were informed that in order to avoid recurrence of such cases, administrative instructions had been issued that stores should not be accepted for inspection after the expiry of delivery date stipulated in contracts until an extension had been granted. Suppliers were also required to be informed that they would be liable to pay compensation for the delay and no price variation would be allowed during the period of extension.

Losses due to cancellation of a contract—Para 79, pp. 85-86—

463. On 23rd October, 1951, a Central Purchase Organisation contracted with a certain firm for the supply of 10,000 steel boxes for an ordnance factory. The contract *inter alia* provided that the delivery was to commence three weeks after the receipt of the steel sheets which was a controlled item and after the approval of the advance sample of box to be delivered by 27th November, 1951. The three samples of the boxes submitted by the firm on the 16th January, 1953, were approved on the 19th January, 1953, by the Inspecting Officer subject to removal of minor defects. The approval of the raw material was received on 9th June, 1953 from the Government metallurgist but this was not communicated to the supplier. The firm lifted the bulk of the steel sheets from the controlled stock holder in May, 1953.

464. Meanwhile as sufficient stocks of the boxes had accumulated in the factories the indenter desired on 15th April, 1953 to cancel the order in full or in part if possible without financial repercussions, the deliveries being deferred in the meanwhile. Thereupon the Purchase Organisation in consultation with the Law Ministry, gave notice to the firm on 25th May, 1953 to complete the contract by 12th June, 1953 failing which the contract would be cancelled at the firm's risk and expense. The firm protested, on 11th July, 1953, that as the approval of the sample of the raw material had not even then been received by them and the stock holders had not received all the sections of the steel required for the manufacture of the boxes they could not proceed with the supply until these conditions were fulfilled. They, therefore, asked for extension of delivery period upto 30th September, 1953 which was turned down and in consultation with the Ministry of Law, the contract was cancelled on 30th July, 1953.

465. The firm, therefore, referred the case to arbitration. In November, 1954, the arbitrator awarded a sum of Rs. 63,000 (with subsequent interest at 6%) in favour of the firm subject to their delivering to Government all the finished and semi-finished goods

1981 (c) LS—9.

left with them, which were estimated to be worth Rs. 30,000. In January, 1957 another award of Rs. 15,341 representing payment of storage charges and the costs of arbitration proceedings was also made in the firm's favour. Both these awards were accepted by the Government and a sum of Rs. 79,541 was ultimately paid to the firm during March, and May, 1955 and April, 1957.

466. In evidence, the D.G.S.&D. stated that the contract was cancelled on the advice of the Law Ministry as the contractor unduly delayed the execution of the contract by not taking delivery of the steel. Although at an earlier stage there was some delay in the arrival of the steel at the stockholder's end, subsequently the contractor did not want to take delivery of the material and the stock-holders used to write to his organisation to ask the contractor to take delivery thereof. The contractor appeared to be short of funds and therefore wanted to gain time by not acquiring the raw material. He put up the excuse that he would take delivery thereof after his sample was finally approved. To a question why the approval of the sample was not communicated to the contractor, the witness stated that it was probably communicated to him orally. His department was also in a hurry to cancel the contract.

467. The Committee asked why the agreement was so loosely worded that it enabled the contractor to delay taking delivery of the raw material. The D.G.S.&D. stated that the contract form had since been modified. Contracts now stipulated definite dates for commencement of supply fixed on the assumed time required by the contractor to collect the raw materials.

Extra expenditure in the supply of Bearing Plates—Para 80, pages 87-88—

468. A Central Purchase Organisation placed a contract on a firm on 19th August, 1955 for the supply of 48,000 bearing plates @ Rs. 2.00 each for delivery by 31st October, 1955 on the basis of the firm's statement in their tender that they had a stock of 10,000 plates for delivery and that they had sufficient raw material to commence manufacture immediately. The firm supplied only 5,000 plates by the stipulated delivery date. On the 4th January, 1956, a voluntary extension of delivery time upto 15th February, 1956 was granted by the Purchase Organisation. Meanwhile the firm expressed on 30th December, 1955 their inability to complete the contract due to alleged non-availability of raw material

and requested for the cancellation of the balance without financial repercussions. No action to cancel the contract was taken at this stage. As the firm did not make further supplies, the matter was referred to the Ministry of Law on the 10th December, 1956 who advised on 13th December, 1956 that the contract should be cancelled immediately although the right to make repurchase at the risk and expense of the firm was no longer open to Government due to the expiry of the period of six months prescribed for repurchase in the agreement and Government had also prejudiced their case by not taking proper action at the appropriate time. The outstanding quantity of 43,000 plates was thereupon, cancelled by the Organisation on 14th January, 1957 but at the risk and expense of the firm, who protested on 28th January, 1957 against this cancellation and showed their willingness to complete the supplies at enhanced rates subject to the supply of a quota certificate for raw material. As the legal position of the Government had become weak and the price of raw material had also gone up, the Purchase Organisation entered into negotiations with the firm in December, 1957 as a result of which a fresh contract for the balance quantity of 43,000 plates was placed on 18th February, 1958 on the same firm at enhanced rate of Rs. 2.55 per plate based on the price of pig iron ruling on 7th December, 1957 involving a total extra expenditure of Rs. 24,020. The Organisation also agreed to issue a quota certificate for the raw material. Accordingly to the revised contract, the firm was to complete the supply by 31st July, 1958 but only a part i.e. 5,000 Nos. was delivered within the contract period; and for the balance the delivery period was extended upto 31st May, 1959 subject to reservation of rights for liquidated damages.

469. The Committee wanted to know why the firm supplied only 5,000 plates under the first contract in spite of their statement that they had a stock of 10,000 plates ready for delivery and that they had sufficient raw material to commence manufacture immediately. The Director General, Supplies and Disposals stated that the firm had explained that subsequent to the submission of their tender in May, 1955, an order was issued by the Iron and Steel Controller in July, 1955, that all pig iron supplied after the 1st April, 1955 should be used only for the manufacture of cast iron sleepers and accordingly the entire raw material available with the firm was utilised for that purpose. His Organisation also made efforts to get the required raw material for the contractor but did not succeed. It was only after the cancellation of the 1st contract that they were able to make fresh negotiations and get the supplies.

470. The representative of the Ministry of Works, Housing & Supply stated that the circumstances leading to the failure of the

contractor to supply the full quantity of plates were beyond his control and the D.G.S.&D. also did not want to take any action against him in the interest of development of the industry. To a question why the contractor did not supply the balance of 5,000 plates out of his said stock of 10,000, the D.G.S.&D. replied that it was possible that he might have made a wrong statement in the tender or converted the plates into something else because of difficult supply position. Under the contract, however, the firm was under no obligation to supply 10,000 plates ex-stock. In reply to another question he stated that a voluntary extension of the date of delivery was given to the firm at the instance of the Railway authorities because at an earlier stage the firm had complained that they had to suspend manufacture due to shortage of railway wagons and so they could not make the supplies in time. The Addl. Deputy C & A.G. pointed out that the records indicated that the legal position of Government was weakened because of the extension given to the firm and the prices of the raw material had gone up in the meantime.

Avoidable expenditure due to defective clauses in the contracts for the supply of Castor Oil—Para 81, pages 88-89—

471. In August, 1950, a Central Purchase Organisation placed a Running Contract on a firm for supply of castor oil to Railways for the period ending 31st October, 1951. The contract *inter alia* stipulated that "the prices of castor oil applicable to supplies tendered for inspection during any month will be calculated at the average monthly price of seeds (good quality) prevailing during the preceding months". The firm tendered for inspection on 25th July, 1951, 1582 Maunds of Castor Oil but the Inspector refused to inspect the stores in the absence of any Supply Order received by the firm from any Direct Demanding Officer. The firm received a demand for 1228 Maunds on 6th August, 1951 and tendered the oil for inspection in August, 1951 from the same consignments as were offered by them earlier in July, 1951. The inspection was carried out on 22nd August, 1951 and the payment was made at the castor seed rates applicable for supplies made in August, 1951. The firm contended that the refusal of the Inspector to inspect the quantity tendered by them in July, 1951 was against the provisions of the Running Contract and demanded payment on the basis of the castor seed rates applicable for supplies during July, 1951. The firm subsequently took the case to arbitration and the empire gave an award on 13th January, 1957 of Rs. 18,322 against Government representing the difference between the prices of castor oil prevailing in July, 1951 and in August, 1951.

472. Two more running contracts for the supply of Castor Oil were placed on 28th September, 1951, one with the same firm and

another with a different firm on the same terms and conditions except that Inspection Clause permitting bulk inspection was omitted. The two firms mentioned above tendered for inspection, 4,500 and 4,000 Maunds of castor oil in November, 1951 before receipt of Supply Orders from any Direct Demanding Officer. The Inspector refused to inspect the material but on receipt of Supply Orders between November, 1951 and April, 1952 the oil was inspected and the payments at reduced rates as applicable to supplies made during November, 1951 to September, 1952, were made. The firms demanded payment on the basis of rates as were applicable to November, 1951 but on refusal the firms went into arbitration. In both the cases (*viz* 4,500 Maunds and 4,000 Maunds) the Umpire gave awards on 13th January, 1957 and 13th February, 1957 against the Government to the extent of Rs. 83,235 and Rs. 43,361 respectively being the difference between the rates claimed by the firm for the months in which castor oil was originally tendered for inspection and the rates applicable to the months in which the stores were actually accepted for inspection and paid for.

473. The Committee wanted to know the measures taken to avoid extra-expenditure in the purchase of castor oil because of lacuna in the Inspection Clause of the running contracts. The D.G.S.&D. stated that the clause was not defective and the payments made to the contractors on account of the difference between the rates when the castor oil was originally tendered for inspection and those applicable to the months in which the material was actually inspected, were due to the contractors under the terms of the contracts, according to which the contractor was required to maintain certain minimum quantities in stock. In order to ensure that the contractors did not tender for inspection the entire annual requirements of the oil during the months in which the prices were high, it had been decided to include in the contracts a clause that contractors should maintain only some specified quantity (15 to 20 per cent of the total annual demand) month after month at the various stations to meet the casual demands of the indenter. The inspectors would not inspect or accept liability for, any quantity in excess of that specified in the contract.

Clearance of outstanding objections—Para 91—page 112, Disposal of Inspection Reports—Para 92, page 112—

474. The Audit paras disclosed that the outstanding objections and inspection reports were heavy *inter alia* against the Ministry of Works, Housing & Supply. In evidence, the D.G.S.&D. stated that

the number of outstanding objections and inspection reports had been considerably brought down in his organisation. The Committee desired to be furnished with a statement showing the present position of the disposal of the outstanding objections and inspection reports relating to the various departments under the Ministry of the Works, Housing & Supply.

475. *The Committee then adjourned till 10.00 hours on the 2nd November, 1960.*

**Proceedings of the 22nd sitting of the Public Accounts Committee held
on Wednesday, the 2nd November, 1960**

476. The Committee sat from 10.00 to 13.20 hours.

PRESENT

Shri Upendranath Barman—*Chairman*.

MEMBERS

2. Shri Maneklal Maganlal Gandhi.
3. Shri R. S. Kiledar
4. Shri Vinayak Rao K. Koratkar
5. Shri G. K. Manay
6. Shri S. A. Matin
7. Shri Baishnab Charan Mullick
8. Shri Purushottamdas R. Patel
9. Shri Radha Raman
10. Dr. N. C. Samantsinhar
11. Pandit Dwarka Nath Tiwary
12. Shri Jashaud Singh Bisht
13. Shri Surendra Mohan Ghose
14. Dr. Shrimati Seeta Parmanand
15. Shri V. C. Kesava Rao
16. Shri Jaswant Singh.

Shri G. S. Rau, *Addl. Dy. Comptroller & Auditor General*.

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

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

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary*.

Shri Y. P. Passi—*Under Secretary*.

WITNESSES

Ministry of Scientific Research & Cultural Affairs

Prof. M. S. Thacker, *Secretary*.

Shri A. K. Ghosh, *Joint Secretary*.

Shri L. S. Chandrakant, *Dy. Educational Adviser*.

Ministry of Works, Housing & Supply

Shri T. Sivasankar, *Secretary.*

Shri A. S. Naik, *Joint Secretary.*

Shri N. G. Dewan, *Chief Engineer, CPWD.*

Shri C. Balasubramaniam, *Director of Estates.*

Shri S. Ratnam, *Director, Ashoka Hotels Ltd.*

Ministry of Finance

(Department of Expenditure)

Shri A. V. Venkateswaran, *Joint Secretary.*

Shri P. C. Bhattacharya, *Joint Secretary.*

Department of Economic Affairs

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

MINISTRY OF SCIENTIFIC RESEARCH & CULTURAL AFFAIRS

Audit Report (Civil), 1960

Irregular payment of allowances—para 52, page 61—

477. Certain work-charged staff, employed outside the municipal limits of Delhi|New Delhi, were paid by the Department of Archaeology during the period 1st January, 1947 to 30th November, 1956, house rent allowance and city compensatory allowance amounting to Rs. 31,605 even though these allowances were admissible only to staff, whose places of duty were within the municipal limits. The irregularity was first brought to the notice of the Department in January, 1954 and later reported to the Administrative Ministry in March, 1954. Nevertheless, the payment was continued to be made for nearly three years thereafter and was stopped only from 1st December, 1956. Government issued orders in December, 1958, waiving the recovery of the entire overpayment of Rs. 31,605.

478. Giving the background of the case, the representative of the Ministry of Scientific Research and Cultural Affairs stated that some of the works near Hauz Khas and Qutab Minar were taken over by the Department of Archaeology from the C.P.W.D. The allowances in question were being paid to the staff when the works were under the control of the C.P.W.D. and were continued after take-over by the Department of Archaeology. After it was pointed out by Audit that the allowances were inadmissible to the staff employed on these works, the matter became the subject of correspondence between the Administrative Ministry and the Ministry of Finance. As a result,

the allowances were stopped in the case of staff employed near Qutab Minar, but continued in the case of staff employed near Hauz Khas.

479. The Committee learnt from Audit that the case was referred to the Ministry of Finance on the 14th July, 1954 who came to a decision on the 16th June, 1956, agreeing with Audit objection. The Committee wanted to know why the Ministry of Finance took about two years in coming to a decision. The representative of the Ministry of Finance stated that one of the points at issue was that though the works were outside the municipal limits of Delhi and New Delhi, the employees had to spend a part of their time in their office which was situated within such limits. This gave rise to the question how much of their time was spent in the Delhi Office and how much at places of work outside Delhi|New Delhi. Another factor which had been responsible for delay was that as the allowances in question were in the nature of continuing allowances, the whole background of their payment had to be traced.

480. The Committee then referred to the recommendation in para 21 of the Report of the P.A.C. on the accounts of 1946-47 and inquired why, in pursuance thereof, the payment of allowances was not held in abeyance, pending a final decision in the matter. The representative of the Ministry of S.R. & C.A. admitted that this could have been done, but added that it might have caused hardship to the employees.

481. In reply to a question, it was stated that the decision to waive overpayment amounting to Rs. 31,605 was taken on the consideration that the recovery of this amount from the employees—all of whom belonged to Class IV—would hit them hard.

Grants-in-aid paid to institutions much in excess of actual requirements—para 53, pages 61—64—

482. Large amounts of non-recurring grants-in-aid were paid by the Ministry during the years 1954-55 and 1955-56 to certain Technological and Rural Education Institutions for construction of buildings, purchase of equipment, etc., on the condition that some definite proportion (usually one-third) of the total estimated expenditure was to be borne by the Institutions concerned from their own resources. Instead of paying grants-in-aid equal to two-thirds of the expenditure the Ministry not only released grants much in excess of its share in a number of cases but also contributed more than the entire capital expenditure incurred by the Institutions in certain other cases.

483. Enumerating the steps taken by the Ministry of Scientific Research and Cultural Affairs to prevent excessive payment of grants

to institutions, the representative of the Ministry stated that for the last three or four years, the Ministry had been releasing grants to institutions in quarterly instalments on the basis of certified statements of progress of expenditure for the preceding quarter. Though care was taken to ensure that funds to be released to institutions from time to time did not exceed their spending capacity, it sometimes so happened that due to difficulties in procurement of materials and equipments, etc., some of the funds released by the Ministry could not be utilised during the course of the specified period. Such unutilised funds were taken into account while making subsequent releases. As a result, the position had considerably improved and there was now only a remote possibility of excessive payments being made for schemes on the whole. An apparent excess grant by the Centre, however, sometimes arises when, instead of a matching cash contribution, an institution contributes in kind, viz., in machinery, etc.

484. The Committee then wanted to know what checks were exercised by the Ministry to ensure that an aided institution paid its full share of matching contributions for every completed part of a scheme from its own resources, and not by raising funds on credit to be reimbursed from the subsequent Central releases. The representative of the Ministry stated that before sanctioning a grant to an institution, the Ministry insisted that the institution should have a Board of Management which should include the representatives of the Central and State Governments. The Board of Management should also have set up a Finance Committee on which the Finance Department of the State Government concerned would be represented. It was only when the accounts of the institution were accepted by its Finance Committee and routed through the State Government that the Ministry considered the question of making further releases. Besides, the Ministry had its regional offices at Bombay, Calcutta, Madras and Kanpur which exercised a close watch over the progress of the various projects for which grants were given by the Ministry.

485. The Committee then inquired whether in case of works to be undertaken with grants from the Ministry, it was ensured that rates to be paid to labour, etc. were reasonable in relation to the area in which the work was proposed to be undertaken. The witness stated that before estimates relating to works were approved by the Ministry, they were required to be certified by the State P.W.D. Similarly, before sanctioning any revision of the estimates, certificates were required to be obtained from the Chief Engineers of the Central and State P.W.Ds. to the effect that the proposed increases in rates were reasonable.

APPROPRIATION ACCOUNTS (CIVIL), 1958-59—VOL. V

Budgeting and control over Expenditure—

486. The Committee noticed the following instances of over-budgeting by the Ministry.

Grant No.	Final Grant	Actual Expenditure	Saving	Percentage of saving to final grant
14—Archaeology	1,09,70,000	92,67,635	17,02,365	15.5
16—Botanical Survey	12,50,000	9,36,935	3,13,065	25.04
17—Zoological Survey	11,87,000	5,67,179	6,19,821	52.5

487. The saving of Rs. 17,02,365 under the head 'Archaeology' was attributed by the representative of the Ministry of S.R. & C.A. to the inability of the C.P.W.D. to complete certain works on account of shortage of materials. The amount surrendered (Rs. 9,70,000) was less than the actual saving (Rs. 17,02,365). It was stated that a certain amount had to be kept to provide for book adjustments after the close of the financial year on 31st of March, as the accounts were kept open for the purpose till July.

488. The savings under the heads 'Botanical Survey' and 'Zoological Survey' were explained by the witness as due to non-implementation of certain schemes under the Second Five Year Plan on account of shortage of trained personnel, delay in acquisition of land, etc.

Unsurrendered Savings—

489. The Committee observed that the following savings had not been surrendered by the Ministry of S.R. & C.A. by the close of the financial year.

Grant No.	Final Grant	Actual expenditure	Saving
15 Survey of India	1,71,11,000	1,62,35,533	8,75,467
18 Scientific Research	6,78,98,000	6,54,84,334	24,13,666

490. In evidence, the representative of the Ministry of S.R. & C.A. stated that in case of Grant No. 15, bulk of the saving (Rs. 5,13,559) was occasioned by non-receipt of debit for customs duty, etc. under sub-head 'A.4—Purchase of Stores'. As a result, the anticipated adjustment could not be made during the course of the financial year. Another amount of about Rs. 2 lakhs under other sub-heads could also not be adjusted by the close of the year.

491. In the case of Grant No. 18 also, bulk of the saving was stated to be due to non-adjustment of the cost of material and equipment

received under the T.C.A. Programme (Rs. 18,51,338) and the Colombo Plan (Rs. 3,29,867). It was originally thought that the adjustments would be affected by the close of the year. The witness expressed the hope that the adjustments would be completed by the end of the current financial year.

Misappropriation of Government money—Grant No. 14—Archaeology—page 7, Note 6—

492. Several cases of falsification of accounts and withdrawal of money through forged claims from a treasury occurred in an office during a period of five years from 1953-54 onwards resulting in a loss of Rs. 4.656 out of which a sum of Rs. 637 was subsequently recovered.

493. Apprising the Committee with the action taken against the delinquent officials, the representative of the Ministry of S.R. & C.A. stated that the Accountant who was held responsible for misappropriation had been dismissed and another person reverted to his substantive post. Further investigations into the matter were continuing.

494. The Committee desired to be furnished with a note setting forth the following information:

- (i) when was Departmental action against the delinquent officials initiated and how long did it take to punish these officials?
- (ii) Was the matter also reported to police? If not, the reasons therefor?

Review of Map Store Account in respect of Map Record and Issue Office, Dehra Dun—page 14, Audit comments—para 2—

495. According to Audit, as a result of physical stock verification of the stores in the Map Record and Issue Office, Dehra Dun, a total shortage of 41,505 maps was found upto 31st March, 1959.

496. The representative of the Ministry explained that at the time of physical stock verification referred to in the Audit comments, some sealed bundles of old, unrestricted maps lying aside were not noticed and as such not taken into account. They were detected later in 1959. On these bundles being taken into account, the shortage of maps which was originally estimated at over 42,000 came down to about 4,200 valued roughly at Rs. 5-6 thousand. It was now proposed to write off this loss.

497. In reply to a question, the witness stated that loss on account of pilferage of maps was a rare phenomenon.

MINISTRY OF WORKS, HOUSING & SUPPLY

Appropriation Accounts (Civil), 1958-59

Vol. XVII.

Grant No. 96—Other Civil Works—sub-head G1(1)—Voted—

Suspense-stock—charges—page 16—

498. *Excessive re-appropriation:* Under the above sub-head, in addition to the original grant of Rs. 6,63,00,000, a supplementary grant of Rs. 1,46,20,000 was obtained. Out of this, a sum amounting to Rs. 39,84,000 was later reappropriated to other sub-heads, making the final provision as Rs. 7,69,36,000. The actual expenditure under the sub-head, however, amounted to Rs. 7,83,13,383 resulting in an excess of Rs. 13,77,383.

499. The Committee desired to know the reasons for excessive reappropriation to other sub-heads. The representative of the Ministry of W.H. & S. stated that the original provision for purchasing building materials for works undertaken in the Naga Hills-Tuensang Area was Rs. 75,00,000. The Administration, however, informed the Ministry that they would require only Rs. 42,28,000 for the purpose. As against this, the actual expenditure amounted to Rs. 62,70,300 resulting in an excess of Rs. 20,42,300. The explanation offered by the Administration to the Ministry was that it had estimated its requirement on a net basis, instead of a gross one, as required by the rules. During that year, the Administration did not have expert guidance.

Grant No. 96—sub-head G. 2(1)—London Stores—page 16—

500. There was an actual expenditure of Rs. 1,17,080 under the above sub-head, without any provision in the budget, resulting in an excess of Rs. 1,17,080.

501. According to the representative of the Ministry of Finance, the excess was occasioned by an unanticipated debit received from the Indian High Commission, London. This item, it was stated was not reported by the High Commission through its final estimates. Asked as to the date on which the said debit was raised, the information was not readily available with the Financial Advisor, but he promised to furnish a note.

Write-off of arrears of rent—page 22—Note 12(viii) (d)—

502. According to Audit, an amount of Rs. 5,575 representing arrears of rent pertaining to the period 16th April, 1944 to 30th June,

1949 and water and electricity charges due from an ex-caterer of a Government Hostel was written off as the amount became irrecoverable due to various lapses on the part of the Estate Office and PWD Divisions concerned.

503. In evidence, the Committee were informed by the Director of Estates that a suit for the recovery of Rs. 19,035 from the ex-caterer on account of arrears of rent, etc. was filed in a court of law. The court allowed the Ministry's claim for Rs. 11,060 and disallowed Rs. 7,974. The major items disallowed by the court were: rent of manager's suite (Rs. 2,737), rent of extra-servants' quarters (Rs. 2,400); water and electricity consumed by *dhobis* (Rs. 1,491); difference in the rent of a refrigerator (Rs. 5,96) and rent of garage (Rs. 232). In the case of manager's suite, extra-servants' quarters and garage, the court had accepted the ex-caterer's plea that he was entitled to use these premises free of rent. In the case of refrigerator, as the CPWD was unable to substantiate with documentary evidence its claim that the refrigerator supplied earlier to the ex-caterer was subsequently replaced by a bigger one the court held that the rent to be paid by the ex-caterer should be for the smaller machine. The arrears of water and electricity charges were not allowed by the court as no separate meters had been installed to record consumption of water and electricity by the *dhobis*.

504. The Committee were further informed that out of the amount of Rs. 7,974 disallowed by the court, the Ministry felt that they would not be able to substantiate their claim in respect of Rs. 5,575 and had, therefore, written it off. For the balance of Rs. 2,400 representing arrears of extra-servants' quarters, the Ministry had preferred an appeal to the High Court.

505. As to the amount of Rs. 11,060, the claim for which had been allowed by the court, it was stated that the execution proceedings were still pending as the ex-caterer had filed an appeal to the High Court.

506. The Committee then desired to be furnished with a note setting forth the following information, which the representative of the Ministry promised to furnish.

- (i) Out of the amount of Rs. 5,575 written off by the Ministry, in respect of how much amount the claim of the Ministry could not be established due to non-maintenance of proper records in the Estate Office|CPWD;
- (ii) Had any action been taken against the officials responsible for the above lapse?

Irrecoverable rent—page 22—para 12(viii) (e) and (f)—

507. An amount of Rs. 4,522 representing arrears of rent pertaining to the period 13th June, 1949 to 18th November, 1953 recoverable from the widow of a deceased police official was written off. This amount became irrecoverable as the death of the officer became known to the Estate Officer four years after the event when the widow was found to be penniless. No disciplinary action was taken due to the non-availability of original records in the Estate Office.

508. In another case, an amount of Rs. 5,648 due from Government servants on account of rent for Government buildings occupied by them for the period January, 1944 to August, 1949 had to be written off. The claim for this rent could not be established due to non-availability of records in the Estate Office.

509. The Committee wanted to know:

- (i) Under what circumstances, were the records not available in the Estate Office?
- (ii) Who were the officers responsible for the maintenance and/or custody of the records? Had any action been taken against them?

The representative of the Ministry promised to furnish the requisite information later.

Non-recovery of dues of electricity charges consequent on increase in cost—page 23, Note 12 (ix)—

510. A sum of Rs. 14,836 representing an increase in the cost of electricity sold to certain consumers by the CPWD during August, 1949 to May, 1951 was written off in June, 1958 as the increase in cost could not be passed on to actual consumers concerned.

511. The loss was occasioned by the time-lag in the PWD in enforcing recovery at the enhanced rates from the consumers, including many Government offices, with whom there were no written agreements.

512. Giving a background of the case, the representative of the CPWD stated that in the present case, the CPWD had acted merely as a distributing agent. It obtained electricity from the MES Power Station at Nowgong and supplied it to civil offices, etc. there. The rate of electricity charged by the MES Power Station was 4½ annas per unit from May, 1944 till August, 1949 when E-in-C's Branch informed the CPWD that on account of the power station being under-loaded and an abnormal increase in cost of materials and labour, the all-in-rate of power had risen to Re. 1 per unit and enquired whether the C.P.W.D. was agreeable to purchase electricity at the increased

rate. The Assistant Engineer-in-charge of the CPWD asked all the consumers on the 24th April, 1950 to give their written consent to the proposed increase in rates. The matter was also referred to the Ministry for decision whether the enhanced rate should be paid to the MES authorities. After some correspondence, it was decided that payments should be made to the MES authorities at the enhanced rate with effect from August, 1949. A notice was, accordingly, served on all the consumers on 8th July, 1951 to pay electric charges at Rs. 1-4-0 per unit (Re. 1-0-0 to be paid to MES authorities and 0-4-0 to cover overload charges such as losses, distribution and incidental charges) with effect from August, 1949, failing which their connections would be cut off. There were strong representations from the consumers (including high Government officials) that the new rates—the highest in India—should not be enforced with retrospective effect. These rates were, therefore, enforced with effect from 1st June, 1951. In the circumstances, there was no course left but to write off the extra-payment already made by the CPWD for the intervening period (August 1949—May 1951).

513. The Committee desired to be furnished with the following information which the representative of the CPWD promised to furnish:

- (i) Of the sum of Rs. 14,836 written off in June, 1958, how much was recoverable from (a) Government offices, and (b) other consumers?
- (ii) Did the CPWD represent to the MES that the increase in electricity rates was on the high side and that the Department was finding it difficult to effect recovery at the new rates from the consumers?

514. In reply to a question it was agreed that it would be of advantage to Government to include a clause in the agreement with the consumers that if this cost of bulk supply to Government rose in reasonable circumstances, the individual consumers were bound to pay to Government at a correspondingly higher rate for use of electricity.

Lack of proper planning in the selection of a site for the erection of mobile aluminium huts—page 23—Note 15—

515. Four mobile aluminium huts for temporary residential accommodation for police officials were erected during the period from August, 1954 to October, 1954 and August, 1955 to October, 1955 at a cost of Rs. 13,447 (exclusive of the cost of aluminium sheets) on a portion of land, acquired for the construction of new police lines and barracks. At the end of 1955, it was decided to construct the

new police lines and barracks at another site. The huts were ultimately dismantled during March and April, 1957, and re-erected at the new site at a cost of Rs. 18,697.

516. It was stated by the Administration in May, 1959 that the original site was on a hillock, where there were neither trees to provide shade nor any arrangements for water supply. Some officers, to whom the huts were allotted, therefore, refused to occupy them.

517. According to the representative of the Ministry of Works, Housing and Supply, the huts were erected at the original site because the idea was that the new police lines and the barracks would also be located nearby. On the selection of another site for the police barracks, the sheds were vacated by the police officers and could not be utilised in any other way. This necessitated the shifting of the sheds to a site near the new police lines where adequate water and shade were available.

518. In reply to a question, the witness admitted that the selection of the original site was wrong in that any site to be selected for residential purposes should have had, as a prerequisite, adequate water and shade arrangements.

Financial results of the working of the CPWD unfiltered water supply scheme at New Delhi—page 24, Note 18—

519. According to the Proforma Accounts of the above scheme for the year 1958-59, the scheme showed a loss of Rs. 17,337 as against a profit of Rs. 1,29,040 in the year 1957-58. The loss was stated to be mainly due to rates charged being less than the production cost. Arrears of recoverable dues as on 31st March, 1959 stood at Rs. 2,35,043 (including Rs. 1,15,408 in respect of previous years).

520. The Committee were informed by the representative of the C.P.W.D. that the scheme had been running at a profit except in the year under review when it showed a loss of Rs. 17,337 attributable partly to an increase in the rates of electricity by 0.27 nP. per unit, and partly to charges of Rs. 9,330 per month from 1st February, 1958 on account of industrial power tariff. Even this loss—small as it was compared with the total expenditure of Rs. 9,51,000 on the scheme—would have been wiped off had some adjustments in arrears been made. To ensure that the scheme did not henceforth run at a loss, a proposal to increase the present flat rate of Rs. 12 per acre in respect of unmetered supply for irrigational purposes was under consideration of the Superintending Engineer. In some

1981(c) LS—10

cases of metered supply also where there was a wide gap between income and expenditure, it was proposed to increase the rate.

521. Regarding the recoverable dues of Rs. 2,35,043 (including Rs. 1,15,408 pertaining to the previous years), it was stated that bulk of the amount was due from the New Delhi Municipal Committee and Government Departments, such as, the Indian Agricultural Research Institute, Northern Railway, Indian Air Force, etc. In these cases, recovery was merely a matter of adjustment which necessarily took some time. The dues from private consumers amounted to only about Rs. 26,000.

Avoidable expenditure on a work sanctioned without proper assessment of requirements—page 57—Note 7—

522. Government sanctioned in December, 1956 the construction of 104 shops in a Rehabilitation Colony at an outlay of Rs. 2,17,380. An estimate for Rs. 1,84,600 was technically sanctioned by the C.P.W.D. for the work which was awarded to a firm of contractors on 5th April, 1957.

523. When the foundation and plinth work was in progress, further construction work was stopped on 15th July, 1957, by the Development Authority for want of their approval to the layout. The plan was, however, approved by the said Authority on 10th October, 1957, but thereafter Government proposed to reduce the number of shops to be constructed to 52 only. It was, however, found on 21st October, 1957 that the economy of the colony consisting of 3,244 houses, (including 2,100 cheap tenements) could not have usefully any shop in addition to 104 shops already established. Government, therefore, issued orders in November, 1957 to stop further construction and to auction the shop-plots.

524. The infructuous expenditure already incurred by the C.P.W.D. on the foundations, etc. amounted to Rs. 18,829.

525. The representative of the C.P.W.D., explained to the Committee that construction of the shops was entrusted to the Faridabad Development Board which had been formed for undertaking such works so as to rehabilitate some of the displaced persons. As to the reason why the Delhi Development Authority took about three months in according its approval to the construction plan, it was stated that the Authority which had just come into being was busy evolving its own rules of procedure. Subsequent to 10th October, 1957 Government took decision that the construction of further shops in the colony was not necessary for the purpose of rehabilitation of displaced persons.

Avoidable expenditure due to non-execution of works in traditional manner—page 57—Note 8—

526. After the technical sanction to the construction of a Health Centre costing Rs. 3,35,250 had been accorded by the Superintending Engineer in April, 1949 it was decided to entrust construction of buildings upto lintel level to a Government Housing Factory. The "alcrete" structures put up by the Housing Factory were badly damaged by wind and storm and were considered unsafe for occupation. The Housing Factory left the work unfinished and it had to be done all over again and strengthened by the C.P.W.D. at a total extra cost of Rs. 37,663 (Rs. 16,922 on strengthening work and Rs. 20,741 on account of higher cost paid on the Factory) for "alcrete" structures.

527. According to the representative of the C.P.W.D. the Ministry of Health decided to entrust the construction of the buildings of the Health Centre to the Hindustan Housing Factory, after some preliminary work in regard to its construction in the traditional manner had already been done. The consideration which led the Ministry to this decision was that the foam concrete panels, which this Factory had just started manufacturing, should be tried out in the construction of walls. The experiment, however, did not prove a success inasmuch as the structures put up by the Factory—16 double units of pre-fab. alcrete houses and main building upto lintel level—could not withstand the windstorm, severe though it was, and had to be abandoned. The expenditure mentioned in the Audit note was incurred to make the houses safe for occupation.

528. To a question whether the foam concrete panels manufactured by the Factory were given a trial of wind-tests before the construction of the building in question was taken up by the factory, the witness stated that facilities for conducting such experiments were not available in the country.

529. To another question whether the Housing Factory had any experience of constructing houses, the reply of the witness was in the negative.

Outstanding recommendations

Supply of inferior quality brushes—para 97 of 15th Report (2nd Lok Sabha)—

530. Paint and varnish brushes worth Rs. 1.34 lakhs obtained through D. G. S. & D. were found to be of inferior quality and poor finish and, therefore, rejected. The Committee of 1958-59 were

informed that as a result of the recommendations of the Joint Enquiry Committee it was proposed that the defective brushes in question be accepted by the Railway with suitable reduction in price on the merits of each case. In para 97 of the 15th Report, the P. A. C. desired to be apprised of the price settlement reached in this case.

531. Indicating the latest position, the D. G. S. & D. stated that the question regarding extent of reduction in prices to be made was under negotiation between the Supply Directorate, the Railway Board, and the supplying firms. The Board was insisting on a higher percentage reduction than that suggested by the Directorate. To resolve these differences, a meeting of the representatives of the Directorate and the Board would be held on the 14th November, 1960.

Purchase of British standard locomotive components and fittings in Dollars (hard currency) instead of Sterling—para 136 of 15th Report (2nd Lok Sabha)—

532. A contract for supply of 470 locomotives was placed through I. S. M., Washington with manufacturers in Canada and U. S. A. with a view to avoiding any delays in the supply of locomotives. The manufacturers were permitted to place orders for certain components and fittings directly on suppliers in U.K. which *ipso facto* involved payments for these items being made in Dollars instead of Sterling. As a result of this decision Government had to incur a loss of Rs. 4.5 lakhs on this deal. The manufacturers were not able to keep the target date for the delivery of the locomotives because of the failure on the part of the U.K. firms to supply the components in time. The Committee, therefore, enquired the possibility of claiming liquidated damages from the manufacturers for the delay in delivery of locomotives. The Committee were informed that although the contract contained a clause regarding liquidated damages the question was not specifically considered by the I. S. M. perhaps because the delays were not considered unreasonable. In para 136 of the 15th Report, the Committee deprecated the action of the I. S. M. and the Ministry of W. H. & S. for being lenient in the matter of exaction of penalties and desired that responsibility should be fixed in the matter.

533. Explaining the reasons for the non-enforcement of the liquidated damages clause, the representative of the Ministry of Works, Housing and Supply stated that this clause was hedged in by two saving clauses which read as follows:

- (i) "In the event, delays are encountered in obtaining certain specialities from British firms in Great Britain, such

delays shall be considered excusable within the meaning of this clause, provided you furnish evidence that every reasonable effort was made to expedite the supply of such specialities.

- (ii) Time is the essence of the contract, but completion within the period specified herein shall be subject to delays due to causes beyond reasonable control, including, but not restricted to, acts of God; agreed changes in specifications or designs, and delays.....”.

As the main reason for the inability of the manufacturers to adhere to the scheduled date was a failure on the part of the U. K. firms to supply the components and fittings in time, in terms of the first saving clause, the delay on the part of the manufacturers had to be considered as excusable and as such the question of the enforcement of the ‘liquidated damages’ clause did not arise. As to the proviso to this clause, the witness stated that on the basis of the records available with them, the Ministry were satisfied that the manufacturing firms did make every reasonable effort to get the supply of components by the U.K. firms expedited.

534. The second saving clause had also weakened Government’s case for the recovery of liquidated damages. Changes in specifications and designs had been notified to the manufacturers by the Railway Board. On being pointed out by the Committee that according to the evidence of the representatives of the Railway Board tendered before them, the changes in specifications were only of a minor nature, the witness referred to the following opinion given by the Ministry of Law in this behalf:

“One of the reasons for the delays is stated to be agreed changes in the specifications and designs. Once it is proved that agreed changes in specifications and designs did take place—regarding which there does not appear to be any great difficulty—the result would follow that the consequential delay would be excusable under the terms of the contract. The question whether the agreed changes in the specifications and designs were or were not material or entailed variations in price is also irrelevant for the purpose under consideration.....”.

535. The Committee inquired why the India Supply Mission, Washington had agreed to the inclusion of these saving clauses in

the contract. The witness stated that but for these clauses, the manufacturers would not have agreed to the inclusion of the liquidated damages clause in the contract except at very high prices. The witness added that even in the case of some contracts recently concluded by the Railway Board, the saving clauses on the above lines had had to be inserted.

536. The Committee then referred to the note furnished by the Ministry of W. H. & S. from which it appeared that in view of saving clauses included in the contracts with the firms in the U.K. and the U.S.A., it might not be normally possible to claim liquidated damages for delays in supply. They wanted to know whether the Ministry had examined what safeguards were necessary to protect the interests of Government against such risks. The representative of the Ministry stated that no safeguards could be provided in such cases and that Government would have to accept the position as it was, the market for complicated machinery, being a sellers' market.

537. Earlier, in reply to a question why the payment for the components supplied by the British firms was made in dollars instead of Sterling, the witness stated that the devaluation of sterling could not be foreseen then.

Delay in forwarding Statements showing action taken on the recommendations of Pac

538. The 18th Report of P.A.C. on Civil Accounts was presented to Parliament in April, 1956. Out of 28 recommendations pertaining to the Ministry of W.H. & S. contained in this Report, the Ministry had furnished replies in respect of 18 paras only. Similarly, out of 21 recommendations contained in the 25th Report, the Ministry had furnished notes on two paras only.

539. Pointing out that the Ministries were normally expected to furnish notes/statements pursuant to the recommendations of the Committee within a period of four weeks, the Committee desired to know the reasons for delay in the present case. The representative of the Ministry of W.H. & S. promised to furnish a note setting forth the requisite information.

ASHOKA HOTELS LIMITED

Audit Report (Civil) 1960

Purchase of Hotel furniture—payment of sales tax—para 88 (i), page 104—

540. A sum of Rs. 46,548 was paid between November, 1956 and November, 1957 to a firm on account of sales tax on furniture worth

Rs. 11:52 lakhs supplied by them to the Hotel. This tax was not stipulated either by the Promoters or by the suppliers at the time of the issue of the purchase order. Under the Sale of Goods Act, sales tax was not recoverable from the purchaser unless stipulated as such in the rates tendered by the seller and accepted by the buyer. Since sales-tax was not mentioned specifically in the purchase order, the payment of Rs. 46,548, according to Audit, constituted an overpayment.

541. In evidence, the representatives of the Ministry of Works, Housing and Supply and the Ashoka Hotels stated that though payment of sales-tax by the purchasers was a deviation from the normal practice, it had to be made as the non-official promoter who was then in charge of the Hotel Project had given a verbal understanding to this effect to the suppliers. The Board of Directors who considered the whole matter felt that the unrecorded understanding given to the suppliers in this regard should be honoured, and approved a draft agreement, clause 15 of which provided that the sales-tax would be payable by the owners (i.e., the Ashoka Hotels). The draft agreement could not, however, be sent for acceptance to the suppliers along with the purchase order. The reason for delay in sending the draft agreement for acceptance was that the Board desired the composite contract for the supply of furniture plus interior decorations to be split up.

542. In reply to a question, it was stated that all purchases were now being made by the Hotel on the basis of written agreements.

Purchase of defective silver plated wares—para 88(ii), pages 104-105—

543. The audit para disclosed that orders of the value of Rs. 88,830 were placed by the Hotel on a firm at Allahabad for the supply of silver-plated table-ware without calling for tenders. The first order placed on 11th December, 1956 for the value of Rs. 27,850 stipulated that the ware would have .002" silver deposit which was expected to last at least for 5 years. No test report on the silver deposit stipulated in the agreement was obtained and a further order of the value of Rs. 60,980 was placed with the firm on 2nd February, 1957, again without inviting any tenders. It was specified in the second order that the silver deposition should be 90 grammes so that it should last for 20 years, and it was further stipulated that articles supplied by the firm would be sent for test to the Government Test House at Alipore and the articles would be returned to the firm if the test report was unsatisfactory.

544. The silver-plated ware was tested at the Government Test House whose report dated 17th June, 1957 indicated that (a) the

thickness of silver deposit was only .0003" as against the stipulated thickness of .002", and (b) the lead content of the base metal was abnormally high (being 3.0 per cent) and the use of such lead in table-wares was quite objectionable. Before, however, the Test Report was received, the Hotel had made a payment of Rs. 61,680.50 to the firm, followed by two further payments totalling Rs. 17,205 in May/June, 1958 and in August, 1959.

545. Consequent on the Test Report the firm agreed to replat the table-ware but actually the Hotel did its own replating on 97 per cent of the table-ware on the ground that the firm had agreed to a lumpsum deduction of Rs. 1,500 in lieu of redoing the silver plating for the lot and had agreed to keep a sum of Rs. 8,890 as security deposit covering a 5 years' guarantee of quality given by the firm.

546. Audit felt that the deduction of Rs. 1,500 only from the firms' bills was grossly inadequate.

547. Explaining the reasons for placing orders on the Allahabad firm without calling for tenders, the representative of the Ashoka Hotels stated that about half of the requirements of the Hotel had been purchased from Germany by an officer specially deputed for the purpose. The other half had to be secured urgently if the Hotel was to function properly. The main firms dealing in silver-plated ware were, therefore, invited to produce samples which were technically assessed by the Hotel Manager, a Swiss National. According to him, the Allahabad firm which had already been doing plating work for two eminent firms was the most suitable for the purpose. He, accordingly, recommended that rather than experimenting with wares to be produced by untried firms, the Hotel should place orders on the firm in question. His recommendation was accepted by the management.

548. Dealing with the question of thickness of silver deposit, the witness stated that as against the thickness of .0003" indicated by the test report of the Alipore Test House which was based on chemical method, the test report of the Engineer of the Hotel, based on the measurement by a micrometer after peeling off the silver content conducted at the National Physical Laboratory showed that the thickness was quite according to specifications, i.e., .002." The test reports of the Chemistry Department of the Allahabad University and of the Industrial Chemist* to the Government of U.P.—which were also based on measurements similarly done—showed the same result as

*Not recognised by the Ministry as having been based on samples supplied by the manufacturing firm.

the test report of the Engineer of the Hotel. Further, the thickness of silver plating of the German table-ware also—which was the model in the present case—was shown by the test report of the Alipore Test House, based on chemical method, as .0005" as against .002" recorded in its specifications. The witness in this connection also referred to the following note contained in the test report of the Industrial Chemist to the Government of U.P.:

"Thickness by chemical method cannot be said to give correct results as it is not certainly known that all the silver has been extracted completely.

The microscopic method, if carried out properly, gives a more reliable and definite result....."

549. Referring to the lead-content of the base metal (*viz.*, 3.0 per cent), the witness stated that the specification of the German base metal was different from that of the Indian base metal. The Germans handled this metal in the form of sheets and pressed them to the form required in hot presses. In India, there were no arrangements for hot pressing and it was, therefore, not possible for the Indian manufacturers to reduce the lead-content.

550. As to the effect of higher lead-content, the witness stated that according to expert opinion, so long as silver plating was maintained on the surface of base metal, there was absolutely no risk of food poisoning. To ensure this, the management had acquired a most modern silver-plating plant.

551. The Committee then desired to know why, as stated in the Audit para, the Hotel management did not accept the firm's offer to replating the whole table-ware and instead agreed to do its own replating on 97% of the ware, in lieu of a lumpsum deduction of Rs. 1,500. The witness stated that the base metal could hold only a given thickness of silver and any deposit beyond that would have peeled off as it actually happened in one case in which an attempt was made to do so. The second reason was that the Hotel was then feeling an acute shortage of equipment due to which it could not cater to the needs of about half of its customers; in the circumstances, sending of the wares to Allahabad for replating would have made the problem more acute. Thirdly, as stated above, the management had acquired a most modern electro-plating plant.

552. The witness denied that about 97 per cent. of the table-ware purchased from the firm in question had been replated by the Hotel. What the management had done in the present case was to film the wares with a microscopic film through periodical 'cyanide baths' which resulted in a very fine deposit on the wares. This was done to give the wares a shining and attractive look. Such filming, he added, was a normal affair and had nothing to do with any deficiency in the thickness of original silver plating.

553. Regarding the lumpsum deduction of Rs. 1,500. he stated that this amount was considered sufficient for replating upto a thickness of .002", 400 vessels out of a total of 1929 supplied by the firm. As against this, it had been found necessary to replate only 12 vessels during the last four years, and those too due to the negligence of the hotel servants.

554. The Committee then enquired how the price and quality of the Indian table-ware compared with that imported from Germany. The witness stated that the Indian ware was cheaper despite the fact that there was no special concessional price for industrial silver in India as obtained in Germany. As to quality, he stated that the Indian ware had served the purpose as well as the foreign ware and there was nothing to pick and choose between the two.

555. Earlier, in reply to a question as to why the second order was placed before the ware ordered in the first lot had been tested. it was stated, that the first order did not stipulate that vessels should be passed by a test at the Test House. Further the Hotel's requirements of silver-plated ware being very heavy, the second order had to be placed in close succession to the first.

556. *The Committee then adjourned till 10.00 hours on Friday, the 4th November, 1960.*

**Proceedings of the Twenty-Third Sitting of the Public Accounts
Committee held on Friday, the 4th November, 1960**

557. The Committee sat from 10-00 to 13-00 hours.

PRESENT

Shri Upendranath Barman—*Chairman.*

MEMBERS

2. Shri Maneklal Maganlal Gandhi
3. Shri R. S. Kiledar
4. Shri Vinayak Rao K. Koratkar
5. Shri G. K. Manay
6. Shri S. A. Matin
7. Shri Baishnab Charan Mullick
8. Shri Shamrao Vishnu Parulekar
9. Shri Purushottamdas R. Patel
10. Shri Radha Raman
11. Dr. N. C. Samantsinhar
12. Pandit Dwarka Nath Tiwary
13. Shri Jashaud Singh Bisht
14. Shri Surendra Mohan Ghose
15. Dr. Shrimati Seeta Parmanand
16. Shri V. C. Kesava Rao
17. Shri Jaswant Singh.

Shri G. S. Rau, *Additional Deputy Comptroller & Auditor
General.*

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

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

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

WITNESSES

Ministry of Food & Agriculture

(Department of Agriculture)

Shri K. R. Damle, *Secretary*.

Dr. M. S. Randhawa, *Additional Secretary*.

(Department of Food)

Shri B. B. Ghosh, *Secretary*.

Ministry of Finance

(Department of Expenditure)

Shri P. C. Bhattacharya, *Financial Adviser*.

(Department of Economic Affairs)

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

DEPARTMENT OF AGRICULTURE

Audit Report (Civil), 1960—Part I

*Suspected loss of Government money due to non-observance of
Financial rules, para 37—pages 44—46—*

558. Following the detection of unaccounted shortages of Rs. 10,842·67 in an important office in November, 1958, the matter was reported to Government and the cashier was suspended with effect from 6th January, 1959. A special audit of the accounts of the office for the period 1st April, 1956 to 31st August, 1958 undertaken in March, 1959, at the instance of the Ministry, revealed non-accountal and a suspected misappropriation of Rs. 20,818 by the cashier. Lack of control on the part of the supervisory officers and non-observance of the financial rules and the prescribed procedure had facilitated the loss. A Departmental investigation into the whole case was also being conducted, results of which were awaited (September, 1959). Meanwhile it had been suggested to the Department that they should reconstruct the accounts for the entire period from 22nd January, 1950 to 5th January, 1959 during which the present cashier had held charge.

559. Explaining the latest position, the Secretary stated that the suggestion of the Accountant General for recasting the accounts had been accepted and the requisite staff was being appointed. The responsibility of two of the administrative officers was, as advised by the Ministry of Home Affairs, also being looked into. These officers had held charge during the period when most of the irregularities were

committed. To a question, the Committee were informed that reconstruction of accounts was likely to take six months or even more. In reply to another question, the witness stated that duties of the various officers were given in the Codes. They were also generally told what they were expected to do.

560. The Committee enquired the reasons for delay in completing the investigation. The witness stated that the investigation was taken up in 1958 on a letter from the Accountant General. Even before that, the Agricultural Marketing Adviser had come to the conclusion that the cashier should be suspended. The cashier was actually suspended on January 6, 1959. A charge-sheet was issued to him on April 18, 1959. Thereafter an opportunity had been given to him to inspect the documents and submit his statement, which was received on April 9, 1960. The Secretary assured the Committee that the investigations would be expedited.

561. The Committee enquired why Government money was allowed to be kept in the cashier's sole custody under single lock when it was provided in the codes that the system of double lock should be followed in the matter of custody of cash. The witness stated that the matter had been brought to the Ministry's notice only after the various irregularities had been committed. The defect had, however, since been rectified. To a question, the Committee were informed that the cashier's contention was that payments had actually been made but not entered in the records and that could be verified only after the reconstruction of the accounts.

Loss on the disposal of agricultural implements—para 40, page 49—

562. The irregularities in connection with the purchase of 1,250 defective implements from an Indian firm for use in Disposals Tractors had been commented upon by the Public Accounts Committee in their Seventh and Twelfth Reports (First Lok Sabha) and Seventh Report (Second Lok Sabha). Out of 1,250 units, 39 had been dismantled in 1950, 1953 and 1958 and 76 disposed of during 1948—56 by the C.T.O. at a net profit of Rs. 31,801. The remaining 1,135 units had been disposed of in January, 1959 through the D.G.S. & D. at a loss of Rs. 32,54,184. The entire transaction had thus resulted in a net loss of Rs. 32,22,383.

563. The Secretary of the Ministry stated that the implements manufactured about 14 years back had been found defective from the very start. Following an enquiry by an ex-High Court Judge, services of an expert from the F.A.O. were obtained to find out which of those implements could be made serviceable. Out of the five sets,

the expert thought 4 could be remodelled. The Government, however, decided that the wholesale remodelling of the implements should be resorted to only if there was a demand for them. The State Governments who were addressed in the matter did not evince any interest in the remodelled implements. Eventually, it was decided to dispose them of through the D.G.S. & D. who had duly cautioned Government earlier that the implements might have to be sold almost at a scrap value of slightly more than Rs. 6 lakhs. In auction, however, more than Rs. 8 lakhs were realised.

564. The Committee enquired how it had been stated that profit was realised in the disposal of 76 implements. The witness observed that those were the best ones which were required by the State Governments. They could, therefore, be sold at a good price. The remaining implements would not have fetched better price than that obtained in disposal by the D.G.S.&D. even if the disposal action had instead been taken by the C.T.O. Asked about the responsibility of the manufacturing firm the witness stated that about Rs. 3 lakhs had been realised from the firm. To a question the Committee were informed that the firm had been more or less blacklisted.

565. The Committee enquired why so many implements were acquired before they had been tried in the field. The witness stated that the contract was placed in 1946 when C.T.O. had just been formed. By the time defects were noticed, the supply had been completed.

*Irregularities in the Accounts of Forest Department, Andamans—
Reclassification of Timber from one quality to another—para 38 (i),
page 46—*

566. The agreement between Government and the licensee specifies different formulae for the calculation of royalty for different species of timber based on their marketable categories. Under clause 13 of the agreement, two species of timber, viz., "Gurjan" and "White Chuglam" could be categorised either as plywood (higher category) or as hardwood (lower category) at the discretion of the Chief Conservator of Forests according to the actual quality of the logs extracted from time to time, the decision of the Chief Conservator of Forests being final. It was, however, noticed in audit that the above species of timber, classified at a higher rate of royalty was subsequently reclassified to a lower rate, apparently only on the strength of the firm's statement that the particular lots of timber could not be sold in Calcutta market according to the departmental classification given. A test check by audit revealed that the royalty forgone in those cases amounted to Rs. 74,929.

567. The Secretary of the Ministry explained to the Committee that the legal opinion had confirmed the Audit view that the Chief Conservator of Forests had no power to reclassify timber which was once classified. But until the receipt of this legal opinion, it was considered that the correct classification of timber could be determined only at the time of its auction and not at the time of export when it was first classified. It had also been thought that the Chief Conservator of Forests could review his own decision if the quality of timber was found to be different from that determined earlier. The witness, however, admitted that it was a mistaken notion as it was not in accordance with the terms of the agreement. But as it was a mistaken notion, there was no ground for action against the Chief Conservator of Forests. To a question, the Committee were informed that the classification and reclassification had been done by the same officer.

568. The witness informed the Committee that the Ministry had since issued instructions that timber should be classified only at the time of export. Asked whether the lessee had accepted this, the witness stated that his acceptance was not necessary. The lessee, however, was likely to contest this as he was contesting other terms of the agreement. In reply to another question, it was stated that the arrears of royalty due from the lessee amounted to about Rs. 14 lakhs.

569. The Committee enquired whether Government could reopen the transaction and ask the contractor to refund the amount of Rs. 74,929 forgone as a result of reclassification of timber to a higher rate. The witness stated that the matter was under examination in consultation with the Ministry of Law.

Short recovery of royalty on timber—para 38(ii), pages 46-47—

570. The agreement provided for the payment of royalty, *inter alia*, on hard wood and ornamental wood calculated at 50 per cent. of the f.o.b. price determined by the Chief Conservator of Forests each quarter of a year on the timber sales at open auction held for contractor's timber at his depot and for departmentally extracted timber at Government's depot. The weighted average price fetched at the lessee's depot and the Government's depot formed the basis of calculation of the said f.o.b. price and the royalty. The lessee had not, however, held any auctions during the years 1955-56 and 1956-57 but sold the timber by private negotiation and did not disclose the prices realised by him. The department, therefore, billed him for royalty for the year 1955-56 on actual extractions on the basis of the weighted average price realised in the sale of similar timber in the Government's own depot at Calcutta. When the

contractor did not agree to pay royalty on the basis of the prices realised in the Government depot, the Government decided to charge royalty from the lessee for the years 1955-56 and 1956-57 at the auction rates prevailing in 1954-55 at his own depot. This relaxation of the agreement by Government had resulted in royalty being forgone to the extent of Rs. 2.78 lakhs.

571. The Committee asked the reasons for relaxation of the agreement. The witness stated that the relevant clause of the agreement required that "the price of logs of timber per ton shall be generally determined by sales by open auction conducted under the joint supervision of the Chief Conservator's nominee and the licensee...". But as the lessee did not sell the timber by auction during the period in question, the basis for fixation of royalty was not available and, therefore, the agreement was relaxed. The witness added that according to the Ministry of Law, holding of auction was not obligatory for the lessee. Asked whether he could withhold information regarding the price realised by him, the witness stated that the lessee could not be forced to disclose that information. The Additional Deputy Comptroller and Auditor General pointed out that the clause of the agreement quoted above further provided that in case no auctions of timber were held the price of the timber could be determined by such other methods as might be approved by the Chief Conservator of Forests. The lessee's refusal to disclose the price realised through sale by negotiations constituted, therefore, a breach of the agreement. The representative of the Ministry also admitted that the contractor who was under an obligation to give a statement of prices realised by him every quarter, had refused to do so and that was one of the major breaches of the agreement. He further admitted that the agreement was rather defective and there had been several breaches thereof by the lessee.

572. Asked about the steps proposed to be taken to avoid further loss to Government, the witness stated that the matter was under the active consideration of Government. After some discussion, the Committee desired to be furnished with a note detailing the breaches of the agreement by the lessee, the reasons for delaying action against the lessee, the amount outstanding and steps proposed to be taken to recover the same.

Ex-gratia refund of interest partly recovered and non-recovery of interest due under Agreement—para 38 (iii), page 47—

573. The firm had also failed to make the quarterly payment of royalties, due to Government under the agreement, for long periods. Failure on the part of the firm to pay the royalty due within 30 days of the receipt of the bill entitled Government to charge interest at 12 per cent. per annum on unpaid balance, to stop further exploitation

and ultimately to cancel the licence if payment of the unpaid balance together with interest was not made by the firm within a year of the receipt of the bill. Upto May, 1958 the amount of royalty due from the firm had accumulated to about Rs. 31 lakhs. In the meantime, the firm which had been served with a notice of cancellation of the Agreement in March, 1958 had made a request for extension of time by two months from the date of expiry of the notice. While granting the extension, Government entered into a Supplemental Agreement in April, 1958, whereby, *inter alia* the firm undertook to pay on or before the 12th June, 1958 all Government dues on the timber exported upto 12th June, 1957. While settling the above payment, the firm not only declined to pay any interest on overdue arrears under the principal agreement but also claimed refund of Rs. 55,052.50 which had been recovered from it upto 1956 on account of such interest. The firm contended that under the Supplemental Agreement of April, 1958 only arrears of royalty were payable by them and not interest for late payment as provided under the principal agreement. Although the Administrative Head of the Union Territory held that the payment of royalty should include interest, the sum of Rs. 55,052.50 had been refunded by Government to the firm *ex-gratia* in October, 1958. The formal sanction of Government had not been communicated to Audit (December, 1959).

574. The witness explained that a telegram was sent to the Chief Conservator of Forests on October 14, 1958 stating that "interest charges on royalty should not be taken into account in intimating outstanding royalty. Interest amount may be taken separately and allowed to be paid by them on or before the 31st October, 1958". The telegram was misunderstood by the Chief Conservator of Forests as he thought that only the principal amount was to be realised and interest returned. In reply to a question, the Committee were informed that out of Rs. 31 lakhs due from the firm, Rs. 16.06 lakhs had been realised. When the Committee observed that they saw no direction in the telegram directing the refund of Rs. 55,052.50 to the firm (from whom Rs. 16 lakhs were still outstanding), the witness admitted that the amount should not have been returned. Asked whether the explanation of the officer was obtained, he replied in the negative but assured the Committee that this would be done. The officer was stated to have reverted since to the State Government.

DEPARTMENT OF FOOD

Misappropriation of sale proceeds of Export Quota Rights, para. 39, pages 48-49—

575. A Central Purchase Organisation entered into an agency agreement with a firm on 31st October, 1956, for the purchase, blending and supply of tea to Defence Services during the period 14th 1981(c) LS—11.

July, 1956 to 31st May, 1958. The agreement stipulated reimbursement of the cost of the tea at "actuals" plus remuneration for other services rendered by the purchasing agents. In order that the blended tea might conform to the "indentor's" Specifications, the agents had often to purchase a superior quality of tea meant for export, and the 'Export Quota Rights' thus accruing had been later on, sold by the agents to other dealers interested in tea export. Although the agreement was silent on the subject the agents used to credit the sale proceeds of such quota rights to Government by deducting the amounts from their bills for the cost of tea.

576. In the course of a local audit of the accounts of the agents conducted in June, 1957, it was noticed that a sum of Rs. 4,61,169 realised by the agents as sale proceeds of Export Quota Rights during the period September, 1956 to January, 1957 had not been credited by them to Government either directly or by way of deduction from their bills. In the periodical returns submitted to the Purchase Organisation and its Accounts Officer during that period, the Agents had shown the quantity and the rate at which such quota rights were contracted for sale, but they indicated the amount realised on account of such sales as 'Nil' and claimed payment for the full cost of tea amounting to Rs. 35,50,342 which was paid.

577. The Purchase Organisation requested the agent firm on 4th July, 1957 to deposit the money but in spite of repeated reminders, the firm failed to do so. Government on 19th September, 1957 forfeited the security deposit of Rs. 98,664 and also withheld an amount of Rs. 1,286 due to the firm on other bills. The firm had gone into liquidation on 11th March, 1958 and a claim for the balance of recovery of Rs. 3,84,572 (including further sums of Rs. 7,620 due on other accounts and Rs. 15,733 as interest) had been lodged by the Organisation with the official liquidator on 7th May, 1959. The recovery was still awaited (November, 1959).

578. According to Audit, that firm had within the knowledge of the Purchase Organisation temporarily withheld an amount of about Rs. 10 lacs on account of sale of Export Quota Rights during the year 1954-55 against an earlier contract. Despite that fact the Department took no special safeguards to ensure that the sale proceeds of the Export Quota Rights were credited to Government account immediately after realisation.

579. Elucidating the system of purchase of quality tea, the witness stated that Export Quota Rights vested with the blenders to the extent of the better quality tea owned by them. With the sale of such tea at the auctions, the ownership of the corresponding Export

Quota Rights also passed to the purchaser. The rights thus accruing to the purchaser could separately be resold by him in the market. Asked whether the Organisation itself could not acquire such rights to avoid malpractices, the witness stated that the agency system had been in operation since 1918 and the case under discussion was the first of its kind. It was further stated that blending of tea was an expert's job. The misappropriation had occurred not because of any defect in the system of purchase, but was due to the agents not crediting the sale proceeds of the export quota rights in time.

580. Questioned about the failure of the officers concerned to notice the misappropriation, the witness stated that the returns submitted by the agent gave a misleading impression that the sale proceeds of the rights contracted for sale had not been realised by him. In reply to a question, however, the witness agreed that had the Director of Purchase and the Chief Accounts Officer been vigilant the moneys withheld would have been detected after a couple of months. But by the time they detected the mistake the firm had gone into liquidation. Asked why in the meantime the agent's bills for the purchase of tea were paid, the witness replied that as the purchase of tea preceded the sale of export quota rights by the agent, the two transactions had to be separately considered; therefore payment of the bills for the purchase of tea could not be withheld.

581. The Committee pointed out that there was need for caution in dealing with the firm who had withheld an amount of about Rs. 10 lakhs on account of sale of export quota rights during the year 1954-55 against an earlier contract. The witness stated that the firm then had a reasonable case for its default and there had also been a default at Government's end. Afterwards the firm had been making regular payments.

582. The Committee desired to know whether the Department, in consultation with the Ministry of Law, examined whether there was not a cause for suing the various individuals constituting the firm for breach of trust etc. The witness said that the Law Ministry would be consulted as suggested.

DEPARTMENT OF AGRICULTURE

Appropriation Accounts (Civil), 1958-59, Volume VII—Grant No. 44— Agriculture

Uneconomical working of a farm—Note 15, page 66—

583. A total expenditure of Rs. 28,297 was incurred during the three years ending 31st March, 1959 on the direct charges, as labour,

cost of seeds and fertilizers for the cultivation of a farm attached to an Agricultural Machinery Utilisation Training Centre, for imparting practical teaching in agronomy and the use of modern agricultural machinery. The value of the farm produce realised was only Rs. 9,608 while the wages paid to labourers alone during the period were nearly twice the value of the produce.

584. The witness explained that the main objective of running the farm was to impart training in the utilisation of agricultural machinery. The land was uneven and intercepted by gullies requiring development at a heavy cost. To a question, the Committee were informed that 400 persons had been trained at the farm.

Irregularities in the maintenance of proforma accounts of Manure Supply Scheme, Note 16, page 66—

585. Under the Manure Supply Scheme, manures were purchased and distributed by a State Government to *bona fide* cultivators at subsidised rates and the amount of subsidy was shared equally by the Central and the State Governments. To determine the grant-in-aid payable by the Centre, the State Government was to maintain proper accounts on a proforma basis. But the proforma accounts for the years 1950-51 and 1951-52, kept by the State Government, were found to be defective.

586. Subsidies for the years 1950-51 and 1951-52 aggregating Rs. 9,52,345 were provisionally adjusted to the credit of the State Government. As the accounts of the Depots in a district were not forthcoming, the State Government expressed their inability to reconcile differences in proforma accounts and to rectify the defects. In February, 1959, Government of India accepted, as a very special case, the request of the State Government to treat provisional adjustments (on the basis of the unreconciled proforma accounts) as final.

587. The Committee were informed that the transactions related to the years 1950-51 and 1951-52 and the defects came to the notice of the Department in 1957. The State Government having failed to effect reconciliation of figures the advice of the Ministry of Finance was sought. As the matter was rather old and some of the records were not available, on advice of the Ministry of Finance provisional adjustment had now been treated as final. To a question, the Committee were informed that proforma accounts of the scheme were being properly maintained since.

INDIAN CENTRAL COCONUT COMMITTEE

Loss of Rs. 9,065 on account of construction of a Copra Kiln at Badagara—Audit comment 3, page 69—

588. In November, 1947, the Indian Central Coconut Committee sanctioned the payment of a sum of Rs. 12,900 as subsidy to the Malabar district cooperative produce sale society, Kozhikode, for meeting the cost in full, of constructing a hot-air copra kiln at Badagara. The amount was paid to the society in 1954-55 on the condition that the kiln should remain the property of the Committee after construction. The construction was done by the society themselves and the total expenditure came to Rs. 15,065. The difference of Rs. 2,165 was paid to the society during the year 1957-58. The Committee decided in March, 1956 to dispose of the kiln before it was operated, as it was found that the site on which the same was constructed was defective in many respects and that a further sum of Rs. 5,000 would have to be spent for making the kiln workable. The kiln was sold to the above mentioned society itself at a cost of Rs. 6,000 resulting in a loss of Rs. 9,065 to the Committee which could have been avoided had the fitness of the site been duly examined before the construction of the kiln.

589. The Additional Secretary of the Department explained that failure of the scheme was largely due to wrong selection of site on recommendation of the Madras Government who had not gone into details. Asked whether the kiln was being used by the Society, the witness stated that the venture had been a failure. Apart from the unsuitability of site, copra kiln drying was not popular as the traditional sun drying of copra was effective and cheaper.

Non-implementation of the schemes, pages 44-45—

590. The Committee noticed that money had originally been provided for schemes for Seed Multiplication Farm (Rs. 2.38 crores), Key Village Schemes (Rs. 52.8/ lakhs), High Agricultural Education (Rs. 35 lakhs), etc. But later on the provisions had been withdrawn by reappropriation.

591. The Secretary of the Department explained that Seed Multiplication Farm scheme was not implemented because of the non-availability of land at the stipulated ceiling price of Rs. 500 per acre. Expenditure on some of the other schemes, he stated, was debited to other heads of account to which funds had also been transferred by reappropriation. As regards the rest, it was stated that the provision of funds was originally made on the basis of indications available in the course of discussions with the representatives of

the States regarding their requirements. The witness assured the Committee that the procedure had since been revised and that no scheme was now being included unless that had more or less been finally accepted as a result of discussions with State Governments.

INDIAN LAC CESS COMMITTEE—PAGES 75—77

592. According to Audit, the closing balance of the Indian Lac Cess Fund on 31st March, 1960 amounted to Rs. 18,56,459. Though there had been a steady decrease yet it was quite high.

593. The Committee wanted to know the steps taken for improvement in the utilisation of funds. The Additional Secretary of the Ministry stated that since 1958 the Lac Cess Committee had accelerated its research programme. With a view to step up production, 35 broad lac farms and 14 nuclear broad lac farms had been established. It had also got a programme of building godowns at market centres which had earlier not been well progressed by the C.P.W.D. resulting in lapse of funds. These buildings had since come up. There was also a proposal to construct an air-conditioned godown at Calcutta. The land for the godown could be acquired after spending a good deal of time. The storage facilities were thus being increased so as to stabilise the prices.

594. The witness also informed the Committee that the Indian Lac Research Institute had recently discovered that a certain ordinary plant could serve as a host for the brood lac insects. Thus it would no longer be necessary to depend solely on the tree hosts.

595. Asked as to the reasons for the fall in exports the witness stated that lac was facing a serious competition from synthetic resins which were much cheaper. Lac was also susceptible to weather conditions resulting in price fluctuations unlike synthetics. Asked about steps taken to improve export, he stated that publicity arrangements in U.K. and U.S.A. were being improved. An expert from U.K. had made certain recommendations in order to improve the Lac Research Institute and to utilise lac in various industries. As regards growth of internal consumption of lac the witness expressed the view that it would increase with the electrification in the country and rise in the standard of living.

596. When pointed out that there had been no planning or fixation of target for internal consumption or for export during the First Five Year Plan, the witness admitted that the working of the Cess Committee had been unsatisfactory for some years and it was being reconstituted to improve its administrative apparatus so that

schemes were quickly sanctioned and processed. He assured the Committee that targets for internal consumption of lac would now be fixed. To another question he stated that lac production target during the Third Five Year Plan had been fixed at 17 lakh maunds per annum.

INDIAN CENTRAL TOBACCO COMMITTEE

Loss on the sale of securities in 1951-52 and 1952-53, Audit Comments (i), pages 78-79—

597. The Government of India did not pay the annual grants due to the Committee for the years 1949-50 to 1951-52. With a view to finance its activities, the Committee sold, with the sanction of the Government of India during the years 1951-52 and 1952-53 some of its investments of the face value of Rs. 15,94,200 (3 per cent Government of India Loan, 1966—68, Rs. 7,00,000, 3% Government of India loan 1959-61 Rs. 5,00,000, and $2\frac{3}{4}$ per cent Government of India Loan, 1962, Rs. 3,94,200) for Rs. 14,73,825. The net loss on the sale of investments was Rs. 1,20,375.

598. The Additional Secretary of the Department explained that Government had not paid annual grants to the Tobacco Committee for the years 1949-50 to 1951-52 as it had enough funds to carry on its work during those years, albeit in securities. Government felt that investment of funds was not the job of the Tobacco Committee. The Government were aware that the Committee might suffer loss on the sale of securities but they could not allow funds being locked up. In reply to a question, the Committee were informed that although there was some loss when the securities were sold, the Tobacco Committee had also gained by way of interest in previous years.

599. *The Committee then adjourned till 10.00 hours on Saturday the 5th November, 1960.*

**Proceedings of the Twenty-Fourth Sitting of the Public Accounts
Committee held on Saturday, the 5th November, 1960**

600. The Committee sat from 10.00 to 12.30 hours.

PRESENT

Shri Upendranath Barman—*Chairman.*

MEMBERS

2. Shri Maneklal Maganlal Gandhi
3. Shri R. S. Kiledar
4. Shri G. K. Manay
5. Shri S. A. Matin
6. Shri Baishnab Charan Mullick
7. Shri Purushottamdas R. Patel
8. Shri Radha Raman
9. Dr. N. C. Samantsinhar
10. Pandit Dwarka Nath Tiwary
11. Shrimati Sharda Bhargava
12. Shri Jashaud Singh Bisht
13. Shri Surendra Mohan Ghose
14. Shri V. C. Kesava Rao
15. Shri Mulka Govinda Reddy
16. Shri Jaswant Singh.

Shri G. S. Rau, *Additional Deputy Comptroller & Auditor
General.*

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

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

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

WITNESSES

(Present during the consideration of the Accounts of the Ministry of Food and Agriculture (Department of Food).

Shri B. B. Ghosh, *Secretary*.

Shri S. Vohra, *Managing Director, Central Warehousing Corporation*.

Shri B. S. Bhatnagar, *Deputy Financial Adviser*.

(Present during the consideration of the Accounts of the Ministry of External Affairs).

Shri Y. D. Gundevia, *Special Secretary*.

Shri E. Gonsalves, *Deputy Secretary*.

Shri B. Mukherji, *Financial Adviser*,

Shri Raj Kumar, *Deputy Financial Adviser*.

Ministry of Finance (Department of Economic Affairs)

Shri R. K. Mukherji, *Under Secretary*.

MINISTRY OF FOOD & AGRICULTURE

(DEPARTMENT OF FOOD)

**Appropriation Accounts (Civil), 1958-59, Volume VII Grant No. 119—
Purchase of Foodgrains**

Proforma Accounts of Foodgrains—Audit Comments, pages 143-144—

601. The Public Accounts Committee (1959-60) in para 55 of their Twenty-fifth Report, Volume II desired that the accounts of foodgrains should give a clear and comprehensible picture of the working of the scheme to Parliament. With that end in view they recommended that the Ministries of Finance and Food & Agriculture should in consultation with Audit devise the form in which the Accounts should be prepared.

602. The Additional Deputy Comptroller & Auditor General informed the Committee that the matter had been discussed with the Ministries in September, 1960 when the figures booked in Government accounts were evidently divergent from those shown in the proforma accounts, the discrepancy on expenditure and receipt sides being of about Rs. 86 crores and Rs. 35 crores respectively. It was, therefore, considered necessary to reconcile those differences. The Chief Pay & Accounts Officer of the Ministry of Food & Agriculture had more or less been able to reconcile those differences although

his formal report was still awaited. On receipt of his report the matter would be examined in detail by Audit and further discussions held to find out whether the proforma accounts of the scheme could be prepared on more or less commercial lines. The Additional Deputy Comptroller & Auditor General, therefore, suggested that examination of Audit comments in detail might be held over.

Losses, writes off, etc.—Note 4, page 134—

603. According to Audit a sum of Rs. 25,47,710 had been written off by the competent authority. That sum was composed of the following major items:

	Rs.
(i) Loss of foodgrains in storage depots ..	12,90,144
(ii) Loss of foodgrains in transit ..	11,16,909
(iii) Loss on account of foodgrains becoming unfit for human consumption.	69,880

604. The Committee enquired how foodgrains were rendered unfit for human consumption. The Secretary of the Ministry explained that in a big godown with 15 to 18 stacks some quantity of grains in the lowest stack got deteriorated if the stacks remained without any turn-over for a time. In reply to a question, it was stated that this loss was quite different from the loss shown in item (i) above which represented physical shortages only. To a further question, the Committee were informed that foodgrains declared unfit for human consumption were examined with a view to see whether they could be used as cattle-feed or for starch marking or for manure and were disposed of accordingly. Small quantities of foodgrains had, however, to be destroyed sometimes when they were either not found of any use at all or the trade had no demand for them.

605. Against the loss of foodgrains worth Rs. 12,90,144 in storage depots, the value of the standing stocks was stated to be of the order of Rs. 100 crores.

Loss in the taking over of rice and paddy from a State—Audit Comment No. 2, page 135—

606. A loss of Rs. 50,91,728 was incurred by Government on the disposal of deteriorated stocks and paddy taken over from a State. Out of this, Rs. 1,40,561 were reported by Audit to be recoverable from the State Government.

607. The Committee were informed that the recovery had since been made from the State Government.

Losses, writes-off etc.—Note 4, page 135—

608. In August, 1956, 1,078 mds. of rice and 42 mds. of paddy out of the total stocks of 5,684 mds. of rice and 281 mds. of paddy, stored in four godowns in a Union territory had been damaged by flood. The damaged grains had been declared unfit for consumption and destroyed. The resultant loss of Rs. 25,242 had been written off by Government in May, 1959.

609. It was explained to the Committee that there had been unprecedented floods in Tripura from which none of the godowns could be saved.

Grant No. 120—Other Capital Outlay of the Ministry of Food & Agriculture—Extra expenditure on diversion of imported sugar, Note 26, page 169—

610. During the period June, 1954 to August, 1955, an extra expenditure of Rs. 15,05,625 had been incurred on diverting imported sugar from Madras port and on transit dues as the stocks at Madras had been found to be much in excess of requirements.

611. Explaining the position, the witness stated that the object of the import was to bring down prices by meeting the unsatisfied demand. But with the import of sugar its off-take came down from 19,000 tons to 13,000 tons and 14,000 tons to 8,000 tons and then to 3,000 tons a month. As its disposal in Madras would have taken a long time, it was sent to the bigger market of Calcutta. That was necessary as sugar was liable to deterioration.

612. The Committee enquired whether in view of the decreasing demand for sugar at Madras, the Ministry should not have diverted some of the sugar straightaway to other ports. The witness stated that that would not have made much difference as diversion charges had to be paid. Moreover, as the position was rather uncertain it was desirable to watch the trend of demand at Madras for two or three months before embracing upon any diversion plan.

613. Questioned whether alternative ports were mentioned in the shipping contract, the witness stated that that was done generally. But that could not be done in the present case due to the prevailing trade conditions.

CENTRAL WAREHOUSING CORPORATION

614. *Audit Report (Civil), 1960—Part I Para 84, pages 91-92:* The accounts of the Central Warehousing Corporation upto 1958-59 were subjected to a supplementary audit. Against a target of 100 warehouses to be constructed during the Second Five Year Plan, not a single warehouse had been constructed by the Corporation upto the end of March 31, 1959. It had, however, rented 9 godowns at several places since December, 1957 as an experimental measure.

615. Though the Board of Directors decided in March, 1959 to accelerate substantially the programme of the Corporation, it had been stated by the Corporation on April 7, 1959 to Audit that the target of 100 warehouses for Plan period would have to be revised downward for the following reasons:

- (i) the Corporation had come into *de facto* existence only in the middle of 1957 and several of the State Warehousing Corporations had come into existence even later,
- (ii) Warehousing being a new venture, the Board of Directors preferred to start warehousing in hired accommodation as a measure of caution and in order to gain experience, and
- (iii) the construction of warehouses had to await the acquisition of suitable sites, preparation of designs and investigations regarding availability of steel and other building materials, all of which were bound to take considerable time and add to the delay in starting construction work.

616. Only five warehouses were under construction during the year 1959-60. The total number of warehouses functioning during that year was 26 which were in hired accommodation. The expenditure on the rental of the hired accommodation and on the concerned establishment along with the corresponding receipts was as follows:—

	1957-58	1958-59	1959-60
	Rs.	Rs.	Rs.
[a] Receipts from warehousing	1,145	76,195	3,81,198
[b] Rent paid by the Corporation for the hired godowns	13,013	63,993	1,55,494
[c] Establishment expenses	1,54,945	4,25,794	4,59,193
[d] Net loss to the Corporation	1,21,457	4,30,458	2,69,300

617. Under Section 19(1) of the Agricultural Produce (Development & Warehousing) Corporation Act, 1956, the Central Government had fixed the minimum rate of annual dividend guaranteed by it on the shares of the Corporation at 3½% per annum. The amount payable by the Central Government on that account worked out to Rs. 1,34,735·65, Rs. 3,80,921·06 and Rs. 5,92,925·70 for the years 1957-58, 1958-59 and 1959-60 respectively.

618. The Secretary of the Ministry explained that with the establishment of Corporation in 1957 warehouses could not be organised immediately as the requisite personnel was to be recruited and trained. The number of warehouses at the end of Second Five Year Plan was expected to be 40 against a target of 100. But all that would really be the work of the last 3 years of the Plan. Moreover, the target of 100 for the Central Warehousing Corporation and 250 for the State Warehousing Corporations was fixed *ad hoc* without any proper market surveys. The functions of the Central and State Corporations were also not clear at that time. Asked about the present position in that respect, the witness stated that the Central Warehousing Corporation, being the holder of 50 per cent shares of the State Warehousing Corporations, was interested in their proper and adequate functioning. Accordingly, the State Warehousing Corporations were entrusted with most of the work excepting where there were works of major importance or there was inter-State trade or when the construction of warehouses would be beyond their resources, which were the responsibility of the Central Corporation.

619. The Committee drew attention to the establishment expenses of Rs. 4,25,000 during the year 1958-59 when only 9 godowns were in existence. The witness stated that management of godowns was not the only function of the Corporation. Under the Act, the first job of the Central Corporation was to ensure the formation of State Corporations. That took time. Further, setting up of every new warehouse entailed posting of a minimum of staff. The Central Corporation had also been training personnel for its own requirements as well as for the State Warehousing Corporations. Asked whether any training institute had been set up by the Corporation, the witness replied in the negative. The Corporation had, however, instructors for imparting training which was generally arranged at Delhi and occasionally elsewhere. Besides, storage Advisers of the Corporation advised State Corporations about the methods of preservation of foodgrains, pesticides and their use, the storage of new commodities, the type of warehouses needed for a particular commodity etc. To a question, the Committee were informed that payment to the trainees was made by the State Governments sponsoring them. In

reply to another question, the witness stated that so far 470 persons had been trained. These were warehousemen. Persons of lower level were not being trained at the Central godowns.

620. The witness further stated that one requisite for earning profits was quick expansion and large warehouses so that staff might be fully employed. Therefore the Corporation had attempted during the last two years to raise the number of warehouses, particularly at the State level. A warehouse with the storage capacity of 3000 tons was considered an economic proposition. One of the difficulties in expansion was the non-availability of storage accommodation of the sizes required. As it would take some years to build godown, efforts had been made to hire godowns wherever market conditions permitted so as to make a start even if the storage capacity thus available was less than the optimum. Meanwhile construction of godowns would proceed. In the first year of the opening of a warehouse, its economic success was uncertain. However, enough business was generally found after a year's working. In the formative period when new godowns outnumbered the older ones, it might not be possible to show overall profit although the older warehouses would be yielding profits. When the position became stabilised, say, after five years, losses were likely to disappear.

621. The Committee enquired about the number of warehouses constructed by the State Corporations and whether those had been utilised fully. The witness state that the State Corporations were running 169 warehouses and by and large those had good business although all of them were not fully utilised.

622. The Committee drew attention to a diagram at page 11 in the Corporation's Report for the year 1959-60 which showed that whereas during some months the storage capacity of warehouses was increasing the stocks held therein were decreasing. The witness stated that the diagram gave an erroneous impression, for a new warehouse had to await business for two or three months. The situation could best be gauged warehouse by warehouse. The older godowns showed an average occupancy of 70 per cent. Questioned about the rising rent liability of the Corporation while the existing capacity was not being fully utilised, the witness stated that the increase was due to opening of godowns at new places. Further, hiring of godowns at initial stages for testing the market or for starting the business pending construction of buildings, was necessary.

623. Asked about the extent to which the producers utilised the warehouses, the witness stated that their proportion was small but was showing a slight tendency to increase. In reply to another

question, he agreed that at present the service helped mostly the traders who were able to obtain credit against the stocks held. In the formative stage the service would become known to the people and in due course, the cultivators would also be attracted to it in larger numbers.

624. The Committee enquired about the relation between the Central and State Warehousing Corporations. The witness stated that on each State Corporation there were directors nominated by the Central Corporation. The budgets and programmes of State Corporations were approved and their business controlled by the Central Corporation. To a question, the witness stated that Government were satisfied with the working of the State Corporations.

MINISTRY OF EXTERNAL AFFAIRS

Audit Report (Civil), 1960—Part I

Delay in the construction of Embassy buildings on a plot of land purchased in a foreign capital—para 33, pages 40-41—

625. A plot of land measuring approximately 3·1 acres with a house, garage and staff quarters in one portion thereof was purchased in March, 1953 at a foreign capital for Rs. 3·5 lakhs approximately for construction of Chancery and Embassy buildings which were till then housed in private buildings at an annual rental of Rs. 44,208.

626. At the time of purchase, it was expected that with a small investment on repairs and expansion of the existing building it could be used as Chancery, and that a building for the Embassy could be constructed on the extra land at an estimated cost of Rs. 2·5 lakhs. After the purchase was made it was found that the building would require large scale repairs and that it would not also be adequate for the purposes of the Chancery. Accordingly new constructions were recommended both for the Chancery and the Embassy in June, 1953.

627. The proposal to construct a Chancery and an Embassy building was deferred in December, 1956 in view of foreign exchange difficulties. It was revived in September, 1958 and approval of the Government to an estimate of Rs. 4,10,500, inclusive of local architects' fees and the cost of deputation of one engineer from India, for the construction of Embassy building alone was conveyed in October, 1959. Certain modifications in the building suggested by the Embassy in November, 1959 were approved by Government in December, 1959. According to the programme since drawn up, the

construction work would commence in May, 1960 and the building was expected to be ready for occupation by the end of June or July, 1961.

628. According to the original anticipations, the accommodation of the Chancery as well as Embassy, including the land was estimated to cost Rs. 7.5 lakhs while the cost of land and the Embassy building alone was likely to cost Government about Rs. 7.65 lakhs. The delay in constructing the buildings had resulted in the payment of monthly rent for the Chancery and Embassy buildings at varying rates ranging from 2,167 units to 2,500 units till 11th September, 1959 and at 7,500 units from 12th September, 1959, when a new Embassy building was rented at 6,000 units (Rs. 3,175) per month. Sanction of Government for renting of the new Embassy building was awaited (March, 1960).

629. In his evidence before the Committee, the representative of the Ministry admitted that the purchase was made without adequate preliminary scrutiny. The Committee enquired about the progress made in the construction of the buildings. The witness stated that since the purchase of plot in 1953 the foreign Government had been refusing permission for construction for security reasons, the plot being near the President's palace. That Government also wanted the plot for its own use. The matter was still under negotiation. Questioned whether any conditions were attached to the purchase of the plot, the witness replied in the negative, nor, he said, the foreign Government's objections could be anticipated. To another question he stated that the plot had been acquired from a private party. Asked whether the requisite permission for construction of buildings would be forthcoming, the witness stated that that was rather difficult to forecast although Government were pressing for it.

630. The Committee were also informed that the American and the British Embassies which were also located close to the President's Palace nearby had also been asked by the foreign Government to vacate the buildings.

631. Asked about the desirability of selling the plot at the appreciated price and acquisition of some other plot instead the witness stated that the foreign Government might pay only the cost price instead of the market price. Questioned whether any money had been spent on the maintenance of the plot, the witness replied in the negative.

Overpayment of pay and allowances to a Government servant, para 34—page 42—

632. A Government servant posted to a Mission abroad in October, 1948, was compulsorily transferred to India in February, 1954 and removed from service in November, 1956. He was overpaid a total sum of Rs. 11,614 on the following counts:

- (i) Special pay of Rs. 1,840 paid by the Mission @ Rs. 40 p.m. from 1st October, 1948 to 31st July, 1952 to which he was not entitled.
- (ii) Local house rent allowance paid over a period of three years at the maximum rate admissible to his grade (Rs. 595·24 p.m.) without limiting it to the actual rent paid viz. Rs. 333·33 p.m. resulting in an overpayment of Rs. 9,429.

633. The Ministry explained in October, 1959 that the officer, in addition to the house rent, paid separately to the landlord as furniture hire for which he produced receipts from the landlord all at one time, immediately before his departure from the country in February, 1954 showing a monthly payment of Rs. 261.91 as hire since January, 1953.

- (iii) Overpayment of Rs. 407.12 as subsistence allowance during suspension from 20th October, 1955 to 31st August, 1956, out of which a sum of only Rs. 62.50 was recovered.

634. No action was taken to recover the overpayments from the official prior to his removal. Government's displeasure had been conveyed in December, 1959 to three clerks held responsible for the overpayment of subsistence allowance.

635. The Committee wanted to know the circumstances under which the official concerned had been brought to India and also reasons for the delay of two years and nine months for his removal from service. They were informed that the official had been brought back to India in the normal course after completion of his term abroad. Due to complicated procedure his removal from service was, however, delayed. Explaining the background of the case, the witness stated that the official concerned had been a Stenographer in the Ministry of Home Affairs. He was offered the post of Personal Assistant to the Consul General of India in San Francisco which he joined in December, 1948. He was relieved by his substitute on 21st October, 1952 and required to go to Kabul on a subsequent posting after his return to India. He requested leave for 12 weeks as his wife had delivered a baby. His request was granted. During January, 1953, however, he resigned apparently because he did not

want a change. There were no charges against him when he resigned.

636. The Committee enquired about the reason for granting him special pay to which he was not entitled. The witness stated that there had been a mistake due to the official having drawn a special pay in the Ministry of Home Affairs which was shown in his Last Pay Certificate. The additional payment had, however, been stopped as soon as the mistake was detected. Asked whether there were no clear rules regarding payment of special pay to the officers, the witness stated that that was the first instance of an official of the Ministry of Home Affairs in receipt of special pay being posted abroad and there were no definite rulings on the payment of special pay.

637. The Additional Deputy Comptroller and Auditor General informed the Committee that according to the Ministry of Finance it was quite irregular to have paid the special pay and that Ministry advised its recovery from the official concerned or from the official responsible for the overpayment. The witness stated that as the official had resigned there was no chance of any recovery from him and the Ministry were trying to get the matter regularised by the Ministry of Finance.

638. The Committee desired the Financial Adviser of the Ministry to state whether there was any definite rule which governed the continuation of grant of special pay to an official on his transfer to another Ministry in another capacity. The Financial Adviser stated that no definite rule regulated such cases. But there were cases in which special pay drawn in one post was protected in another post on the certification of the lending authority that the officer would have continued to draw special pay had he continued in the same post. Such a protection was, however, generally not attached to the tenure posts, one of which the official concerned was holding. The mistake, however, occurred because of entries in the Last Pay Certificate and Service Book. He thought that that was a *bona fide* mistake largely because of the inexperience of the San Francisco office.

639. Asked whether payment could be stopped in July, 1951, when the matter came to the notice of the Ministry, the Financial Adviser stated that if the Ministry had written in the first instance to stay further payment pending settlement of the question, the payment would have been held over. But that was not done although the correspondence continued. He, however, added that the matter was still under discussion with the Ministry of Finance who on a review of the case, might treat that payment being regular.

640. After some discussion, the Committee desired to be furnished with a note giving the following information:

- (a) when and how did the overpayment of pay and allowances to the official come to the notice of the Ministry? Why were the irregular payments not stopped then and the amount overpaid recovered from him before he was removed from service?
- (b) What action was proposed to be taken against the Disbursing officer in the light of the observations of the Ministry of Finance?

641. The Committee next wanted an explanation for overpayment of Rs. 407·12 as subsistence allowance to the official. The witness stated that there had been a mistake and action had been taken against the clerks who were responsible for it.

Delay in the construction of a Chancery building and avoidable expenditure on rental—para 36, page 44—

642. A piece of land (with a small building standing thereon) was purchased in August, 1956 for Rs. 11·43 lakhs for building the Chancery of a Mission abroad, which was hithertofore accommodated in a private building at an annual rental of Rs. 1·4 lakhs approximately.

643. The proposal to construct the chancery was, however, deferred in December, 1956 on the ground that the necessary foreign exchange, estimated at the time to be Rs. 24·72 lakhs, could not be provided. Certain alternative proposals made by the Head of the Mission to put the property to effective use remained under the consideration of the Ministry for a considerable time. Subsequently, the construction of a Chancery building at a cost of about Rs. 7 lakhs was approved and the Embassy was instructed to take the work in hand to avoid recurring loss to Government. Instead of carrying out the directions of Government, the Embassy, however, entered into a correspondence with Government to revise the plans to accommodate the Embassy building in the site also. Government reaffirmed its earlier decision in November, 1959.

644. The Committee drew attention to observations made in para 26 of the 25th Report, Volume II of the P.A.C. (1959-60)—and enquired whether there was any justification on the part of the Embassy, not to start construction of the Chancery building after it was sanctioned by Government. The witness stated that the Embassy had made a *bona fide* proposal suggesting sale of the present building for

Rs. 10 lakhs and construction of a new one. Its proposal had been considered by the C.P.W.D. and not found sound. Meanwhile, the Embassy had been carrying out instructions in regard to the plans etc. The witness further stated that Rs. 12 lakhs were proposed to be spent in three stages and the building was expected to be completed in 1962-63. A sum of Rs. 2 lakhs was expected to be the expenditure in 1960-61.

Clearance of outstanding objections—Para 91, and Disposal of inspection reports—para. 92, page 112—

645. According to Audit the number of outstanding objections and inspection reports was particularly heavy against some Ministries including the Ministry of External Affairs.

646. The Committee enquired about the arrangement within the Ministry to dispose of audit objections and inspection reports. The representative of the Ministry stated that meetings with the Audit were being held and a large number of outstanding objections had thus been cleared. The number of objections pertaining to the period ended 1955 was stated to be only 300 and those till 1958 stood at 1400 as a result of the steps taken.

Appropriation Accounts (Civil) 1958-59, Vol. VI Grant No. 22—Tribal areas—Notes 1 and 2, page 1—

647. The original grant of Rs. 8,02,99,000 was increased to Rs. 8,43,80,000 by a supplementary grant of Rs. 40, 81,000 voted by Parliament in December, 1958. There was an overall saving of Rs. 1,02,30,532 (12.1 per cent of the final grant). The supplementary grant had thus proved unnecessary.

648. The witness stated that in the case of tribal areas it was not always possible to forecast the actual expenditure that would be incurred by way of debits raised by the State Police Forces or the Army. Unfortunately some of the expected debits had not materialised resulting in savings. He informed the Committee that as desired by them last year a procedure was being evolved so that debits could be forecast correctly at the time of budget estimates and actually in the year 1959-60 there had been a marked improvement.

Publication of a Cultural Review—Note 6, page 32—

649. According to Audit out of about 9,000 copies printed during 1953-56 in seven editions of the Review in foreign language, 886 copies only were sold and 4,523 copies distributed free upto June, 1959. The representative of the Ministry explained that the Cultural

Attache in Rome was given to understand by the Cultural Organisation in an Eastern European country that the translation of the Review in that country's language would be popular. But the expected number of copies could not be sold by the official agency which was the only distribution agency available. Asked about the necessity of the second edition, he said that success of the first edition was not expected. It was felt that after lapse of some time, better results would be achieved by a second edition.

Delay in the recovery of the cost of wheat supplied to a foreign Government—Note 7, page 33—

650. In April, 1943, 440 tons of imported wheat costing in all Rs. 1,33,831-2-0 were supplied to a foreign Government to meet their urgent need for foodgrains. Government had collected only Rs. 14,053/5 against cost of sacking, transport charges, etc. That being a pre-partition claim Government decided (June, 1955) that a sum of Rs. 98,816-11-0 representing Indian Government's share at 82 per cent was recoverable from the foreign Government. That Government, however, considered that the wheat supplied had been a gift and not a loan. The Government had stated in January, 1960 that an attempt would be made to recover the amount from another foreign Government which was connected with the supply at the time it was made.

651. The Committee enquired about the result of correspondence with the other Government. They were informed that that Government had denied its liability in the matter.

Avoidable expenditure on repairs to a building, Note 9, page 33—

652. Mention had been made in para 6 of the Audit Report (Civil) 1955 of a case of infructuous expenditure regarding the lease in 1950 for 15 years, at an annual rental of Rs. 9,800, of an Embassy building in a foreign country. It had been stated by the Ministry in 1956 that although the house was in a good condition at the time of leasing, it had fallen into disrepair because it had been kept vacant for a long time.

653. Expenditure as shown below had been incurred from time to time on repairs of the building, since its acquisition:—

	Rs.
1950-51	9,333
1951-52	108
1952-53	636
1954-55	3,892
1955-56	596
1956-59	57,908

654. The Committee were informed that the building was in use since the opening of the Embassy's office in 1958 and was in a habitable condition. The Committee drew attention to paras. 34 to 38. of the Twenty-third Report (First Lok Sabha) and the facts stated in the note under consideration and asked whether it would not appear that the building was not in a sound condition when leased in 1950. The witness stated that at that time the building was not ripe for immediate occupation without repairs and alterations.

655. The Committee referred to the large expenditure during 1956-57 on repairs. The witness explained that this was due to the building lying vacant till 1958 when it was occupied for the first time. When the essential repairs were being carried out dry rot was discovered in the timber to remove which a sum of Rs. 20,000 had to be spent. He added that even under a thorough inspection, dry rot could not have been discovered in timber which was covered with plaster and cement.

Defalcation of Government money—Note 12, page 34—

656. The officer-in-charge of war-time Government Refugee Organisation in collusion with two other officials embezzled between November, 1942 and August 1944, public money to the extent of Rs. 73 lakhs through fraudulent devices such as bogus advances to contractors and payment of false and inflated bills for various items of expenditure. He was arrested in October, 1944 and sent up for trial along with three other officials, and certain contractors numbering twenty in all. The Officer-in-Charge was convicted and sentenced in August 1949 to 5 years R.I. and a fine of Rs. 45 lakhs with one year's R.I. in case of default. No part of the fine had been realised and the case relating to the attachment of his properties for realisation of the fine was still stated to be *sub judice* (November, 1959). The appeal to Supreme Court made by the officer was dismissed on 12th December, 1956.

657. The Committee enquired about the latest position in regard to attachment of the property of the officer. They were informed that the matter was still *sub-judice*.

658. The Committee then adjourned *sine die*.

**Proceedings of the 26th Sitting of the Public Accounts Committee
held on Thursday, the 1st December, 1960**

659. The Committee sat from 14.30 to 17.30 hours.

PRESENT

Shri Upendranath Barman—*Chairman*

MEMBERS

2. Shri Maneklal Maganlal Gandhi
3. Shri G. K. Manay
4. Shri S. A. Matin
5. Shri T. R. Neswi
6. Shri Purushottamdas R. Patel
7. Shri Radha Raman
8. Dr. N. C. Samantsinhar
9. Shri Jashaud Singh Bisht
10. Shri Surendra Mohan Ghose
11. Shri V. C. Kesava Rao
12. Shri Jaswant Singh.

Shri G. S. Rau, *Addl. Dy. Comptroller & Auditor General
(Report)*.

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

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

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

WITNESSES

Ministry of Health

Shri B. R. Tandan, *Secretary.*

Lt. Col. V. Srinivasan, *Director General, Health Services.*

Dr. Dwarkanath, *Adviser in Indigenous Systems of Medicine.*

Ministry of Transport & Communications

(Department of Transport)

Shri G. Venkateswara Ayyar, *Secretary.*Shri Nakul Sen, *Joint Secretary.*Shri Nagendra Singh, *Joint Secretary.*

(Department of Communications and Civil Aviation).

Shri D. C. Das, *Joint Secretary.*Shri K. M. Raha, *Director General, Civil Aviation.*Shri P. J. Rodgers, *Director General, Overseas Communications Service.**Ministry of Works, Housing & Supply*Shri M. S. Bhatia, *Addl. Chief Engineer, C.P.W.D.**Ministry of Finance*

(Department of Expenditure)

1. Shri P. C. Bhattacharya, *Joint Secretary.*2. Shri S. S. Shiralkar, *Joint Secretary.*

(Department of Economic Affairs)

Shri A. G. Krishnan, *Under Secretary.**Draft Thirty-second Report on Excesses over Voted Grants and Charged Appropriations disclosed in the Appropriation Accounts (Civil), 1958-59—*

660. The Committee considered and approved the above-mentioned Draft Report.

661. They authorised the Chairman to sign the Report and to present it to Lok Sabha. They also authorised Shri Jaswant Singh to lay the Report on the Table of Rajya Sabha.

662. The Committee, thereafter took up examination of the Appropriation Accounts (Civil), 1958-59 and Audit Report, 1960, Part II, Vol. VIII—Ministry of Health.

MINISTRY OF HEALTH

Appropriation Accounts (Civil), 1958-59—Vol. VIII

663. During the year under review, original provisions under the following sub-heads of Grant No. 49—Public Health were substantially reduced/entirely surrendered, by reappropriation:

Sub-head	Original Grant	Reappropriation	Final Grant	Actual expenditure
Group Head B—Grants for Public Health Purposes				
B.1(3)—Grants for maintenance of Health Centres in NES Blocks.	3,00,00,000	(—)44,83,645	2,55,16,355	2,55,16,369
B.1(4)—Scheme for control of Leprosy	35,00,000	(—)6,79,119	28,20,881	28,19,738
B.1(6)(1)(1)—National Malaria Eradication Programme—Material and equipment under the T.C.A. Programme—Material and Equipment	4,70,97,700	(—)80,44,700	3,90,53,000	3,90,52,993
Group Head C—Expenses in Connection with epidemic diseases				
C. 6 (6)—National malaria Eradication Programme—Subsidy	54,87,000	(—)54,87,000	..	..

664. The explanation of the representative of the Ministry of Health for the reappropriation of Rs. 44,83,645 under sub-head B-1(3) was that the number of Primary Health Centres opened by State Governments in the National Extension Service Blocks was less than that originally proposed. As a result, the Central share of expenditure could not be released to the extent provided for in the budget.

665. The reappropriation of Rs. 6,79,119 under sub-head B-1(4) was explained as due to the fact that the State Governments fell behind schedule in opening the number of Leprosy Control Centres (27) planned for.

666. As to the surrender of the whole amount of Rs. 54,87,000 under sub-head C.6(6), it was stated by the representatives of the Ministry of Health and Finance that the provision for this amount was made under this sub-head for giving subsidy to State Governments for setting up about 200 central units under the National Malaria Eradication Programme. Later on, it was decided that the funds provided for under sub-head C.6(6) should be accounted for under sub-head B.1(6)—Grants to State Governments—National Malaria Eradication Programme. As, however, even the original provision under sub-head B.1(6) could not be fully utilised, the whole amount provided for under sub-head C.6(6) was found to be unnecessary and had consequently to be surrendered. As to what were the considerations for providing for the amount in question originally under sub-head C.6(6) and later on accounting for it under sub-head B.1(6), the representative of the Ministry of Health promised to furnish the requisite information later.

667. The Committee then enquired why the performance lagged behind the schedules in the above cases. The representative of the Ministry of Health ascribed it generally to delay in acquisition of land and construction of buildings and difficulties in recruitment of technical personnel, procurement of materials and equipment, etc. The delay was also occasioned sometimes by the State Governments not sanctioning the schemes in time. As to the remedial measures taken in this regard, it was stated that the matter was taken up by the Central Government with State Governments both at the Secretariat and Ministerial levels.

668. As regards the surrender under sub-head B.1(6) (1) (1), the representatives of the Ministries of Health and Finance stated that out of the total amount of Rs. 80,44,700 surrendered under this sub-head, the surrender of about Rs. 74 lakhs was in respect of materials, equipment, etc. received from the World Health Organisation. A provision for this amount was originally made in the budget under the accounting procedure then obtaining, which required financial accounting of the value of stores and materials received from the World Health Organisation. Later on, it was, however, decided that since the stores, etc. had been received under the Aid Programme, no financial adjustments need be made and that it would be adequate if only quantitative accounts were maintained. The stores were accordingly accounted for in the quantitative store accounts.

669. Asked whether the stores in question had been utilised, the reply of the representative of the Ministry was in the affirmative.

Delay in the transfer of certain property to the All India Institute of Medical Sciences—Grant No. 48, page 14, Note 5—

670. The All India Institute of Medical Sciences started functioning from September, 1955 as a Central Government Office and became an autonomous body from 15th November, 1956 under the All India Institute of Medical Sciences Act, 1956. The formal transfer of the property and assets belonging to Government to the Institute had, however, not been made till December, 1959.

671. The representative of the Ministry of Health stated in evidence that along with movable assets, liabilities had also to be transferred. The Ministry of Law to whom the matter was referred had advised that the transfer of liabilities should be preceded by a resolution of the Institute accepting the same. A resolution to the necessary effect was understood to have been passed by the Institute by circulation a few days back. He hoped that the matter would be settled shortly.

672. As regards the transfer of land and buildings, the witness stated that the Institute had been asked sometime back to indicate a choice between complete transfer of proprietorship or transfer on a long lease, the advantage of the latter mode of transfer being that trespasses, etc. could be dealt with more easily. The reply of the Institute was awaited.

Losses, writes-off, etc.—Grant No. 121, page 48, Note 5—

673. A sum of Rs. 5,69,638, representing loss on the disposal of Vitamin Compound tablets in a Medical Stores Depot during 1948 was written off by Government in July, 1957. The loss arose out of the fact that 393 lakh tablets out of about 500 lakhs purchased in 1946 from abroad, had deteriorated and become unfit for use and sale.

674. Explaining the background of the case, the representative of the Ministry of Health stated that the given quantity of Vitamin Compound Tablets was imported from the U.K. to meet the needs of displaced persons from West Pakistan. These were stored in a special Medical Store Depot set up at Bombay. There was a gradual deterioration in quality and in the year 1950, the tablets were found to be sub-standard. These were, however, declared to be medically fit for consumption. In spite of best efforts on the part of the Ministry, only a part of the imported quantity could be disposed of. The State Governments who were approached in the matter did not respond favourably. As it was not possible to sell the tablets in the market, it was decided to distribute the tablets free to State Governments for supplementing diets deficient in vitamins to be used in relief work.

675. The Committee then desired to be furnished with a note setting forth the following information which the representative of the Ministry promised to supply:

- (i) When did the Ministry of Health come to the conclusion that the tablets in question could not be commercially disposed of and that these should consequently be distributed free to State Governments? When did the actual distribution take place?
- (ii) Why did it take the Ministry of Health a period of about seven years to write off the loss after the tablets had been found to be sub-standard in 1950?

- (iii) Was the question of fixing responsibility for the loss of Rs. 5,69,638 examined by Government? If so, with what results?

Cinchona Cultivation Scheme—Pages 48-49, Note 7—

676. The Committee desired to know the latest position regarding the working of the Scheme. The representative of the Ministry of Health stated that fresh plantation had been stopped and the plants already grown harvested. The whole quantity of bark so far extracted, except about three lakh pounds, had been converted into finished products.

677. As to the stock position, the witness stated that there was at present a stock of about 1,75,000 lbs. of quinine with Government. The value of this stock was estimated at Rs. 80 lakhs as against Rs. 90 lakhs about a year back. Sales within the country were negligible, being about 400 lbs. per mensem. Exports to foreign countries were also limited. Recently, however, a quantity of 5,000 to 10,000 lbs. was exported. The difficulty in the disposal of the existing stock was that quinine, as an anti-malarial, was losing popularity. To push up sales, the price of quinine had been reduced recently.

678. Referring to para 407 of the 18th Report of the P.A.C. (Second Lok Sabha), the Committee enquired whether Proforma Accounts and Financial Review of the scheme had since been prepared. The representative of the Ministry promised to furnish the requisite information later.

Audit comments on Proforma Accounts of the Central Research Institute, Kasauli for the year 1958-59, page 39—

679. According to Audit. Vaccine and Sera had been valued on *ad hoc* basis throughout which had no relation to the actual costs. The commercialisation of accounts of the Institute had not been completed till July 1959 despite the assurance given to the Public Accounts Committee of 1958-59 *vide* para 107 of their 18th Report.

680. The bills awaiting recovery amounting to Rs. 2,72,007 as on the 31st March, 1958 had increased to Rs. 3,14,685 as on the 31st March, 1959. Some of these related to 1945-46.

681. The Committee were informed by the representative of the Ministry of Health that the question of commercialisation of the accounts of the Institute had been the subject of correspondence between the Institute and the A.G., Punjab for sometime past. In

December, 1959, the A.G. had asked the Institute to submit a consolidated accounting procedure for the latter's scrutiny. The Institute drew up the same and furnished it, along with a number of forms, in April, 1960. In May, 1960, the A.G., however, expressed the view that it would be more appropriate to have rules framed for the preparation of commercial accounts. The Director of the Institute accordingly framed the draft rules and forwarded the same to the A.G. for vetting in October, 1960. It was hoped that the matter would be finalised by January, 1961. In the meantime, vaccines and sera were being valued at their actual costs in the proforma accounts in accordance with the draft Rules submitted to the A.G.

682. The Committee then enquired about the latest position regarding the recovery of outstandings. They were informed that these had since been brought down to about Rs. 21,000.

Delay in the grant of patent rights for the medicines evolved at the Central Institute of Research in Indigenous Systems of Medicine, Jamnagar—

683. During the course of their on-the-spot study-visit to the above-mentioned Institute in September 1960, the P.A.C. were informed that some of the medicines evolved at the Institute had not so far been granted patent rights despite considerable efforts made by the Institute in this regard. For instance, in the case of a new antibiotic, the patent right had not been granted though more than three years had elapsed since it was evolved.

684. In evidence, the Adviser in Indigenous Systems of Medicine stated that obtaining of patent rights did not fall within the purview of the Ministry of Health; the Ministry were concerned only with scientific investigations.

MINISTRY OF TRANSPORT & COMMUNICATIONS

(DEPARTMENT OF TRANSPORT)

Savings over Voted Grants—

685. Large savings occurred *inter alia* under the following Grants:

Grant No.	Final Grant	Actual Expenditure	Saving Percentage to Final Grant
[i] 86-Light Houses and Light Ships	1,38,96,000	1,16,42,580	—22,53,420 16.22
[ii] 87-Central Road Fund	4,28,99,000	3,46,01,345	—82,97,655 19.34

[iii]	129-Capital Outlay on Ports	4,05,00,000	2,94,45,380	<u>—1,10,54,620</u>
				27.29
[iv]	130-Capital Outlay on Roads	16,50,00,000	14,81,42,639	<u>—1,68,57,361</u>
				10.22

686. *Item No. (i).*—The representative of the Ministry stated that about 60% of the expenditure under this Grant related to stores and equipment obtained from abroad. The stores were procured through the Supply Directorates. Securing of foreign exchange, arrangements for inspection during the course of manufacture and shipments, etc. involved delays over which the Ministry of Transport had very little control.

687. *Item No. (ii).*—It was stated that the schemes and projects provided for under this Grant were planned and sanctioned by the Central Government and thereafter executed by the various State Governments. The shortfall in expenditure under this Grant occurred mainly due to delay on the part of the State Governments in executing the schemes. In order to remedy the situation, a larger number of works were now being sanctioned so that the State Governments could complete as many of them as possible within the sanctioned Grant. As regards the projects in the Union Territories the responsibility for executing which lay on the Centre, they could not be completed because of bad weather conditions in one of the Territories.

688. *Item No. (iii).*—This Grant pertained to two ports—Kandla and Vizagapatam. At Kandla, a contract had been given for the expansion of one of the jetties. In the course of construction, however, it was noticed that the condition of the soil was different from that anticipated originally by the engineers. Further construction work on this project was suspended pending a final decision by the engineering experts. This resulted in large saving under this Grant. Saving also occurred in the expenditure on the Gandhidham township. The shortfall in the expenditure on the Vizagapatam Port was due to delay in taking a decision on the number of berths to be constructed—it was finally decided in March, 1958 to construct four berths instead of two regarded adequate at one time.

689. *Item No. (iv).*—Under this Grant two Supplementary Grants of Rs. 52,08,000 and Rs. 97,92,000, which were taken in September, 1958 and February 1959 respectively proved unnecessary. The representative of the Ministry explained that a ban on construction

of new roads had been imposed during 1956-57 and 1957-58 which was lifted in 1958-59. Anticipating a higher tempo of work during that year a Supplementary Grant was asked for in February 1959 on the basis of advices received from the State Governments.

Mercantile Marine Department, page 14, Note 5, Appropriation Accounts—Volume XVI—

690. In pursuance of the recommendation of the Public Accounts Committee (1951-52) the Ministry had stated (*Vide* Appx. LXXVI to 7th Report of P.A.C.) that although it would not be practically expedient to make the Mercantile Marine Department entirely self-supporting, attempts would be made to secure the estimated income equal to one-half of the total expenditure incurred thereon. From the details of receipts and expenditure given in the Appropriation Accounts, it was observed that in the case of West Bengal, Andhra Pradesh, Madras and Bombay receipts were very much less than half the expenditure. The Committee inquired the reasons therefor. As the information was not readily available, the representative of the Ministry was asked to furnish a note to the Committee.

Accounts of Vizagapatam Port, Pages 116—118 of Appropriation Accounts—

Working results, Audit Comment No. I—

691. The working results of the port for the year 1958-59 disclosed a fall of Rs. 6·7 lakhs in the net earnings. The representative of the Ministry explained that while increase in the gross-earnings was about Rs. 6 lakhs the working expenses of the port increased by about Rs. 13 lakhs compared to the previous year. This increase in expenditure was due to a contribution of Rs. 5 lakhs to the Revenue Reserve Fund and an increase of Rs. 2 lakhs in the contribution to the Depreciation Reserve Fund.

(ii) *Separation of Capital Outlay on Port Fund and Pilotage Fund, Audit Comment No. II—*

692. The Committee were informed that steps were being taken to separate the Port Fund from the pilotage fund and to separate the Capital Outlay on each. The work would be expedited. As suggested by Audit, rules for the Depreciation Fund on the lines approved by the Government for the Cochin Port had also been prepared in respect of Vizagapatam Port. These rules were now under the examination of the Ministry.

(iii) *Audit Comment Nos. III & IV—*(a) *Repayment of interest free loans granted by Government to the Port—*

693. Of the interest free loans granted by the Government of India, a sum of Rs. 7,55,000 was refundable in 1959-60. The Committee were informed that this had been repaid since. A further sum of Rs. 16,94,393 was refundable during 1959-60 and 1960-61. The Committee were informed that necessary provision had been made for the purpose in the Budget for 1960-61.

(b) *Non-payment of interest on Capital prior to 1st April, 1946—*

694. The representative of the Ministry stated that the Vizagapatam Port was under the management of the Ministry of Railways from 1st April, 1946 to October, 1956. It was one of the conditions of this arrangement that the Ministry of Railways would not bear liability for the capital investment in the port prior to 1st April, 1956. The question was, however, under examination in consultation with the Ministry of Finance.

DEPARTMENT OF COMMUNICATIONS & CIVIL AVIATION

Purchase of materials in excess of requirements—note 6, page 58, Appropriation Accounts—

695. A C.P.W.D. Division purchased 1,105.58 tons of bitumen at Rs. 340 per ton between February, 1954 to February, 1955, against estimates sanctioned in January, 1954, for laying bitumen carpets on runways in three aerodromes. At the time of starting the work, it was noticed that in the case of two aerodromes proper specifications had not been followed in the original runway constructions, and that, therefore, extensive reconditioning of the runways was necessary. A decision to recondition the runways at those two aerodromes was taken in September, 1955 and February, 1956 and the work was completed in July, 1956 and October, 1956 respectively. Subsequently in January, 1957 and April, 1957 it was found necessary to regrade the surfaces of the two runways prior to laying bitumen carpets.

696. In the case of the runway of the third airfield, certain slabs had cracked and also some depressions developed in the runway after the estimate for providing a bitumen carpet was sanctioned. It was, therefore, considered advisable to lay concrete slabs on the runway in some sections instead of a bitumen carpet, as originally provided. This resulted in a surplus of 110 tons of bitumen.

697. The price of bitumen fell from Rs. 340 to Rs. 298 per ton from 1st November, 1955. Had the bitumen been purchased after this date, there would have been a saving of Rs. 46,000 to Government on these works.

698. In evidence it was explained by the representative of the Ministry of W.H. & S. that at the time of placing orders for the supply of bitumen, the difficulties encountered during the actual execution of the work could not be foreseen. The first two airfields were built by the then erstwhile Indian States. As detailed information regarding the specifications followed in the original construction of the aerodromes was not available it was presumed that the usual specifications of runways would have been followed. However, when the work was taken up it was found necessary to strengthen the base below the bitumen carpet. In the case of the third airfield, after the estimate had been sanctioned in 1954, it was considered necessary to strengthen the runway to meet operational requirements. It was further stated that out of the total quantity of 1,105 tons of bitumen purchased for the three airfields, 922 tons had already been utilised and the balance quantity was being utilised on other works.

Waiver of recovery—Note 5(ii), page 58, Appropriation Accounts—

699. The recovery of a sum of Rs. 11,992 representing the daily allowance overpaid to the officers and staff halting at Santa Cruz from November 1946 to June 1955 owing to misinterpretation of rules was waived by Government in April, 1959. Explaining the circumstances which led to the over-payment, the representative of the Department of Communications and Civil Aviation stated that as the rates of house-rent and compensatory allowances admissible to officers at Bombay and Santa Cruz were the same, the officers were under the *bona fide* belief that there would be no difference in the rate of daily allowance at the two places. Now that Santa Cruz had been included in the municipal limits of Bombay City there was no such difficulty.

Overseas communications service—

(i) *Sundry Debtors, page 47—*

700. Amounts totalling Rs. 40.56 lakhs were reported due from foreign Administrations for services rendered. In evidence, the representative of the Ministry stated that many of these outstanding amounts had since been paid by foreign Administrations. He added that adjustments of accounts with foreign governments usually involved considerable time. It had, however, not led to any loss of revenue or lapse of demands so far.

(ii) *Store Accounts, page 49—*

701. The Appropriation Accounts disclosed that during the year 1958-59 purchases of stores were nearly 50 per cent more than issues. The Committee inquired why it was not possible to fix maximum and

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minimum stock limits. The representative of the Ministry explained that as there was a considerable time-lag in procuring certain foreign equipment it was necessary to maintain larger stocks thereof to meet contingencies. The question of fixing limits of reserves for these stores had been taken up but the work could not be completed owing to shortage of technical staff.

Saving over Voted Grants—Grant No. 92—Aviation—

702. Against the final Grant of Rs. 3,79 lakhs there was a saving of Rs. 46,64,229. The Committee were informed that a sum of Rs. 50 lakhs had been provided for material and equipment under the T.C.A. programme. Orders for the purchase of these equipments were placed by the U.S. Government direct with the manufacturers and provision in the budget estimates was made on their advice. As the stores were not received in time the amount remained unutilised.

703. *The Committee then adjourned till 15.00 hours on Friday, the 2nd December, 1960.*

Proceedings of the Twenty-seventh sitting of the Public Accounts Committee held on Friday, the 2nd December, 1960.

704. The Committee sat from 15·00 to 15·45 hours.

PRESENT

Shri Upendranath Barman—*Chairman*.

MEMBERS

2. Shri Maneklal Maganlal Gandhi
3. Shri R. S. Kiledar
4. Shri S. A. Matin
5. Shri Purushottamdas R. Patel
6. Dr. N. C. Samantsinhar
7. Shri Surendra Mohan Ghose
8. Shri V. C. Kesava Rao.

Shri G. S. Rau, *Addl. Dy. Comptroller & Auditor General*.

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

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary*.

Shri Y. P. Passi—*Under Secretary*.

WITNESSES

Ministry of Finance

(Department of Economic Affairs)

Shri L. K. Jha, *Secretary*.

Shri K. P. Mathrani, *Additional Secretary*.

Shri A. Baksi, *Joint Secretary*.

Shri K. S. Sundara Rajan, *Joint Secretary*.

(Department of Expenditure)

Shri N. N. Wanchoo, *Secretary*.

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

(Department of Revenue)

Shri V. T. Dehejia, *Secretary*.

DEPARTMENT OF ECONOMIC AFFAIRS -

Audit Report (Civil), 1960—Part I

Large expenditure on Bullion Keeper's establishment—Para 89, pages 105-106—

705. Dual control of base metals through the Bullion Keeper and the Bullion Registrar had been in existence in the Mint since its inception. The former was responsible for the receipt, custody and handling of bullion base metals, their alloys, etc. and to make good such shortages as were not attributable to *bona fide* operational losses while the latter was responsible for the overall supervision of the transactions relating to bullion and metals at the various stages of manufacture. As gold and silver coins were no longer minted, the Audit view was that a rigid control over bullion transactions at every stage was perhaps not quite essential and the existing system could possibly be substituted by one of combined bullion keeping and bullion registering which might lead to substantial economies in expenditure on the connected staff, which during the year 1957-58 had amounted to Rs. 1.44 lakhs (excluding the Bullion Keeper's own pay and allowances).

706. In evidence, representative of the Ministry stated that Government would very much like to effect economies as suggested by Audit. But they had to devise a fool-proof system of control of melting and operational losses in the mints. In case, the two departments were integrated, the one and the same person would be incharge of the metal as well as the operations connected with the coinage and there might be incentive and scope for showing larger losses on operations. The witness agreed that it was a theoretical risk. But when large quantities passed through various processes Government had to be careful.

707. The verification of stocks in the mint, being somewhat haphazard at present, was another problem. After consultations with the Mint Master and the Comptroller & Auditor General, Government had decided on complete and wholesale verification of stocks. Further there had been rush of work in connection with the introduction of decimal coinage. As soon as that was over and stocks had been verified, integration of the two departments would be easier.

708. He, however, emphasised that even at present the cost of the Bullion Keeping and Bullion Registry establishments did not come to more than 2 per cent of the expenditure of the Mints, so that there was not likely to be any large scale economy by reorganisation.

709. Asked about the details of expenditure, the Committee were informed that the Bullion Registrar's and the Bullion Keeper's establishment cost Rs. 1,34,000 and Rs. 3,29,000 per annum respectively. He thought that integration would not altogether cut out one of the two establishments.

710. In reply to another question the Committee were informed that gold was not handled at Calcutta. But it was possible that sometime a part of gold handled at Bombay might be transferred to Calcutta. He assured the Committee that Government were seized of the matter and as much economy as possible would be effected. To another question he replied that initial rush in connection with the decimal coinage would be over in 1½ to 2 years.

Repayment liability on account of foreign loans, Para. 90, pages 107—111—

711. According to Audit, the net repayment liability as on 31st March, 1959 was Rs. 3,92,05·26 lakhs. The total amounts involved in the discharge of those loans, together with interest thereon, would amount to the following sums in the seven years ending 31st March, 1966:—

			(Rs. in lakhs)
1959-60	..	..	21,58·93
1960-61	..	..	39,32·11
1961-62	..	..	54,23·98
1962-63	..	..	32,60·30
1963-64	..	..	27,59·01
1964-65	..	..	26,12·67
1965-66	..	..	24,85·13

712. The Committee enquired the position about repayment. The Secretary of the Ministry stated that external loans fell into three categories. There were loans repayable in the currency in which borrowed. Another category included loans repayable in kind—viz. goods to be exported from India. There was, however, a contingent liability to pay in foreign exchange if circumstances did not permit

export of goods of the required value. The third category included loans which were repayable in the India Currency and had, therefore, to be used in India.

713. In reply to a question, he stated that the method of repayment even in respect of countries which had not stipulated repayment in goods was in the last analysis a matter of developing surplus in exports over imports. He explained that in the Third Five Year Plan Rs. 500 crores would represent the amount of repayment for past loans. The Government had to borrow as well as make repayments. Instead of that double transaction the aid giving countries were being impressed for loans of long durations with an initial period of moratorium so that no payments had to be made immediately. To a question, the Committee were informed that the oldest loans were the 1951 wheat loans under PL 480 of the U.S.A. and of the International Bank for Reconstruction and Development of the Tata Iron & Steel Company and the Indian Iron & Steel Company for their expansion.

714. The Committee drew attention to the loan of Rs. 51·99 crores from U.S.S.R. to the Bhilai Steel Project upto 31st March, 1959 and enquired whether the concern would be able to pay back from its profit. The witness replied in the affirmative.

715. Next, the Committee referred to the repayment of instalment of Rs. 6·08 crores as principal and Rs. 14·33 crores as interest due in foreign currency during 1959-60 and Rs. 23·67 crores during 1960-61. They wanted to know whether Government were in a position to adhere to the time schedule for repayments. The witness stated that the policy of Government was to persuade all financing countries to refinance the payments due by further loans. Alternatively, out of the new credits available funds were drawn to liquidate the older credits or the older credits themselves were extended. Explaining his point, the witness stated that, in the case of loans for the Rourkela Steel Plant West Germany had agreed to refinance loans payable between 1961 and 1964. In the case of U.K., payments were made as they fell due. He emphasised that in no case had government defaulted in their payments.

716. The Committee enquired whether repayments had been made during 1959-60 and 1960-61. The representative of the Ministry stated that amounts due in 1959-60 had been paid and amounts due for payment in 1960-61 were being paid except in respect of loan for the Rourkela Steel Plant.

Appropriation Accounts (Civil), 1958-59, Volume I

DEPARTMENT OF REVENUE

GRANT No. 28—CUSTOMS

717. The Committee noticed a saving of Rs. 73·45 lakhs out of the final grant of Rs. 4·16 crores, viz., 17·64 per cent. Under sub-head B. 5—Purchase, repairs and maintenance of boats, out of the original provision of Rs. 11·17 lakhs a sum of Rs. 10·57 lakhs had been surrendered.

718. The Committee enquired reasons for large provisions and subsequent surrenders. They were informed that amounts had to be surrendered due to non-receipt of boats from abroad. When attention was drawn to the savings that of Rs. 7,519 were mainly due to less repairs to boats and launches, the witness stated that savings resulted as the work had to be entrusted through tenders. When asked whether work suffered on that count the witness replied in the negative. To another question he replied that of a provision of Rs. 60,000 for repairs Rs. 52,000 had been spent.

DEPARTMENT OF ECONOMIC AFFAIRS

GRANT No. 32—STAMPS

719. *Note 1, page 57:*—The original voted of Rs. 2·34 crores had been increased to Rs. 2·56 crores by a supplementary grant of Rs. 21·80 lakhs. The grant had resulted in a saving of Rs. 17·6 lakhs out of which a sum of Rs. 16·6 lakhs had been surrendered.

720. The Committee enquired reasons for supplementary grant. The witness stated that demand of the Security Press showed that additional water mark paper would be needed. Subsequently it transpired that paper originally indented would not arrive before the close of the year. The excess amount was, therefore, surrendered. A further sum of Rs. 1 lakhs, however, could not be surrendered in time owing to delay in information about the non-receipt of indented plant, machinery and stores.

721. The Additional Deputy Comptroller and Auditor General intervened to say that at the time of the supplementary grant explanation given was that the grant would also cover the cost of paper indented for last year but received during the current year. The

witness stated that stores under reference included the previous year's stores that had been received in the succeeding year and also stores ordered during the year and the supplementary grant was obtained for the latter. Out of the supplementary grant of Rs. 21·80 lakhs nearly Rs. 6 lakhs were spent for the stores received during the year and the balance was surrendered.

722. The Committee then adjourned till 14·30 hours on Monday, the 5th December, 1960.

**Proceedings of the Twenty-eighth sitting of the Public Accounts-
Committee held on Monday, the 5th December, 1960**

723. The Committee sat from 14.45 to 15.30 hours.

PRESENT

Shri Upendranath Barman—*Chairman*

MEMBERS

2. Shri R. S. Kiledar
3. Shri T. Manaen
4. Shri G. K. Manay
5. Shri S. A. Matin
6. Shri Baishnab Charan Mullick
7. Shri T. R. Neswi
8. Shri Purushottamdas R. Patel
9. Shri Radha Raman
10. Dr. N. C. Samantsinhar
11. Pandit Dwarka Nath Tiwary
12. Shri Jashaud Singh Bisht
13. Shri Surendra Mohan Ghose
14. Shri V. C. Kesava Rao
15. Shri Mulka Govinda Reddy
16. Shri Jaswant Singh.

Shri G. S. Rau, *Additional Deputy Comptroller & Auditor
General.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

WITNESSES

Ministry of Finance (Department of Economic Affairs)

Shri L. K. Jha—*Secretary.*

Shri K. P. Mathrani—*Additional Secretary.*

Shri Shiv Naubh Singh—*Joint Secretary.*

(Department of Expenditure)

Shri N. N. Wanchoo—*Secretary.*

(Department of Revenue)

Shri V. T. Dehejia—*Secretary.*

Shri B. N. Banerjee—*Member (Central Excise).*

Appropriation Accounts (Civil), 1958-59, Volume I

DEPARTMENT OF ECONOMIC AFFAIRS

Grant No. 38—Miscellaneous Departments and other Expenditure under the Ministry of Finance, sub-head A.I.(4)—Other charges, page 130—

724. Out of the original provision of Rs. 1.89 lakhs under this sub-head Rs. 1.47 lakhs had been surrendered. The Committee enquired why large provisions were being made necessitating surrender of considerable amounts at the close of the year. The representative of the Ministry stated that the surrender of Rs. 1.47 lakhs was due to non-receipt of bills for legal charges and other claims in the office of the Controller of Insurance. To a question, he replied that the charges were paid in a subsequent year.

Sub-head A.2(1) (5)—Payments to State Governments on account of Small Savings Scheme, page 131—

725. In this case, the entire provision of Rs. 2 lakhs had either been reappropriated or surrendered.

726. It was explained to the Committee that a major part of the provision under the sub-head was transferred to a new head A.2(3) because of a change in the procedure and also of classification. Provision for the payment to States for publicity expenses had originally been included in that for the National Savings Commissioner's organisation. It was, however, decided later that these payments should be provided for and made by the Ministry of Finance and accordingly a separate sub-head was opened for that purpose. A part of the provision under sub-head B.7(5)—Payments to State Governments was also reappropriated to the sub-head A.2(3). Thus the whole of the provision under A(2)(1)(5) was not surrendered but reappropriated to a new sub-head.

Sub-head B.3(1)—Economic Aid Under the Colombo Plan, page 136—

727. Out of the original provision of Rs. 82 lakhs a sum of Rs. 45 lakhs had been surrendered. It was explained that the provision for assistance to Nepal under the Colombo Plan was included under this head. These projects were being executed by the Defence Services. Savings had resulted mainly due to non-receipt of debits therefor from the Defence Department.

Sub-head B.7(4)—Lump provision for Schemes for Public Co-operation page 138—

728. Savings of Rs. 2·6 lakhs occurred under the sub-head out of the original provision of Rs. 10 lakhs.

729. The witness explained that funds provided at the instance of the Planning Commission for securing co-operation from the public in various community development blocks could not be utilised. To a question, the Committee were informed that the minus figure 73,860 under expenditure represented refund of over-payments made in the past.

Sub-head B.7(5)—Payments to State Governments—

730. Out of the original provision of Rs. 22·38 lakhs, a sum of Rs. 15·35 lakhs had been surrendered. The Committee were informed that the sub-head included a provision of about Rs. 15 lakhs for small savings publicity by the State Governments. The publicity work had hitherto been carried on by the Central Government and for the first time that work had been entrusted to the State Governments. Savings occurred in this provision as the administrative machinery in the States had not been geared up fully. In reply to a question the Committee were informed that State Governments had been able to utilise the amounts on publicity in subsequent years. Reports about the work done and the expenditure incurred thereon were received from the State Governments periodically. Besides, matters were discussed at an annual conference. The entire expenditure on publicity was borne by the Central Government. That on administration was shared by the State and Central Governments equally. In reply to a question, the witness stated that estimates of requirements for a year were furnished by the State Governments and scrutinised by the Central Government. The witness stated that public savings had increased as a result of improvement in publicity work. In 1958-59, and 1959-60, net collections under small savings schemes had been Rs. 79 crores and Rs. 85 crores, respectively. In the year 1960-61, savings were expected to exceed the target of Rs. 90 crores.

Sub-head C. I—Transfer to special Development Fund of Grants from U.S.A. under P. L. 480, page 139—

731. In this case, the entire provision of Rs. 14 crores had been surrendered. Explaining the reasons for the surrender the witness stated that provision under this head was made on the expectation that Rs. 14 crores would be obtained from the U.S. Government as grant and Rs. 68 crores as loans as provided under Grant No. 116. In October, 1957 projects costing over Rs. 170 crores had been

submitted to the American authorities for their approval and release of funds. As there was some delay in getting their approval the entire provision for grants and Rs. 63 crores as loans had to be surrendered.

732. In reply to a question, the Committee were informed that there were two or three stages in the sanctioning of those projects. First the American authorities approved the projects for which information was furnished to them. In a number of cases, they asked for further information. Reimbursement and audit of accounts also took some time. It was added that the delay in release of funds by America did not affect in any way the progress of work in the projects. The projects were financed by the Government from out of their own resources. Release of funds by America would have eased the ways and means position of the Government.

GRANT No. 29—UNION EXCISE DUTIES

Remission of Revenue, Note 4, page 18—

733. Remissions of arrears amounting to Rs. 1,60,431 had been sanctioned due to "other reasons". The Committee wanted to know the reasons precisely. The representative of the Ministry stated that the case related to remission of excise duty on tobacco because of large scale destruction of tobacco by fire and damages caused by cyclone.

GRANT No. 30—TAXES ON INCOME INCLUDING CORPORATION TAX AND ESTATE DUTY

Remission of Revenue, Note 5, page 24—

734. Remission of Revenue and abandonment of claims to revenue aggregating Rs. 1.75 crores had been sanctioned during the year on various grounds including Rs. 1.16 crores for assesseees having left India.

735. The Committee were informed that a large number of persons who had been assessed for income tax before partition had left India for Pakistan and remissions had to be sanctioned in cases when no property had been left behind. The Committee enquired whether the question had been discussed with the Financial authorities in Pakistan. The witness stated that the question had been considered by both the Governments from time to time but this and similar other questions revolved round the overall financial

settlement between the two countries. Asked about the amount of income tax arrears against the persons having left India, the witness stated that on a rough estimate that might be of the order of Rs. 10 to Rs. 15 crores.

GRANT No. 31—OPIUM

Opium Factory, Ghazipur, Note 4, page 30—

736. According to Audit, the value of furniture and fittings had constantly been shown at Rs. 1,09,847 since 30th September, 1956 in the accounts of the factory and no depreciation was being charged on that item. The representative of the Ministry agreed that depreciation should have been charged. He informed the Committee that the revised proforma had since been drawn up and from October, 1960 to September, 1961 depreciation would be charged.

737. *The Committee then adjourned till 15.00 hours on Tuesday, the 6th December, 1960.*

**Proceedings of the Thirty-ninth Sitting of the Public Accounts
Committee held on Saturday, the 28th January, 1961**

738. The Committee sat from 9.30 to 11.20 hours.

PRESENT

Shri Upendranath Barman—*Chairman*

MEMBERS

2. Shri Rohan Lal Chaturvedi
3. Shri Maneklal Maganlal Gandhi
4. Shri R. S. Kiledar
5. Shri Vinayak Rao K. Koratkar
6. Shri T. Manaen
7. Shri G. K. Manay
8. Shri S. A. Matin
9. Shri Baishnab Charan Mullick
10. Shri Radha Raman
11. Pandit Dwarka Nath Tiwary
12. Shrimati Sharda Bhargava
13. Shri Surendra Mohan Ghose
14. Dr. Shrimati Seeta Parmanand
15. Shri V. C. Kesava Rao
16. Shri Mulka Govinda Reddy
17. Shri Jaswant Singh.

Shri G. S. Rau, *Addl. Dy. Comptroller and Auditor General.*

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

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

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

739. The Committee considered the following memoranda.

Memorandum No. III—suggestion for omission of details of the items included in the 'other charges' in the foot-notes to Appropriation Accounts (Civil) and Posts & Telegraphs.

740. The Committee decided that the details of items included under the head 'other charges' should be continued to be given in the foot-notes to Appropriation Accounts (Civil) and Posts and Telegraphs in the following cases:

- (i) Where the total expenditure under the head 'other charges' exceeds the budgeted provision therefor by Rs. 4 lakhs.
- (ii) Any unusual or peculiar item under this head (irrespective of the amount involved) should be brought to the notice of the Committee.

Memorandum No. IV—Works expenditure—fixing a limit for new works which should be executed only after obtaining Parliamentary approval.

741. After some deliberation the Committee felt that it would be better to examine the representatives of the Ministry of Finance regarding the nature and extent of the difficulties actually experienced by the Ministries because of the existing limit of Rs. 20,000 for new works beyond which new works should not be undertaken without obtaining the prior approval of Parliament. The Committee directed that in the meantime the Ministry of Finance be requested to furnish a list of instances Ministry-wise in which the existing limit for new works had led to difficulties, their nature and whether the procedure had resulted in delay in the execution of works.

Memorandum No. VI—Directions by the Government to their representatives on the Board of Directors of Public Undertakings/Corporations, etc.

742. The Committee found it difficult to accept the reply of the Ministry of Finance (Department of Expenditure) in this case. They do not see why the Ministry feel that it is not necessary or desirable to issue formal instructions to the representatives of the Government on the Board of the Directors of Public Undertakings/Corporations in this regard even though they (the Ministry of Finance) have accepted the importance of the recommendation.

743. In the Committee's opinion, formal instructions should be issued enjoining upon the Government Directors that they should apprise Government of matters over which they do not agree with the views or decisions of the Board of Directors. It will be both in the interest of Government and the Government Directors.

744. The Committee then adjourned *sine die*.

Proceedings of the Forty-first sitting of the Public Accounts Committee held on Saturday, the 4th March, 1961.

745. The Committee sat from 14.30 to 17.05 hours.

PRESENT

Shri Upendranath Barman—*Chairman.*

MEMBERS

2. Shri R. S. Kiledar.
3. Shri G. K. Manay.
4. Shri Baishnab Charan Mullick.
5. Shri Purushottamdas R. Patel.
6. Shri Radha Raman.
7. Dr. N. C. Samantsinhar.
8. Shri Surendra Mohan Ghose.
9. Shri V. C. Kesava Rao.

Shri G. S. Rau, *Additional Deputy Comptroller and Auditor General.*

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

Shri P. K. Rau, *Director of Audit, Food, Rehabilitation, Supply, Commerce, Steel and Mines.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

746. The Committee took up consideration of their draft Thirty-fourth Report on the Appropriation Accounts (Civil), 1958-59 and Audit Report (Civil), 1960 and approved, subject to certain modifications here and there, draft paras relating to the Ministries of Food & Agriculture, Finance, Home Affairs, Health, Education, Scientific Research and Cultural Affairs, Rehabilitation, Commerce and Industry (Sindri Fertilizers and Chemicals Ltd.) and Steel, Mines & Fuel.

747. The Committee then adjourned till 10.00 hours on Sunday, the 5th March, 1961 to take up further consideration of the draft paras relating to other Ministries.

Proceedings of the Forty-second sitting of the Public Accounts Committee held on Sunday, the 5th March, 1961.

748. The Committee sat from 10.00 to 12.30 hours.

PRESENT

Shri Upendranath Barman—*Chairman.*

MEMBERS

2. Shri S. A. Matin.
3. Shri Baishnab Charan Mullick.
4. Dr. N. C. Samantsinhar.
5. Shri Surendra Mohan Ghose.
6. Dr. Shrimati Seeta Parmanand.
7. Shri V. C. Kesava Rao.
8. Shri Mulka Govinda Reddy.

Shri G. S. Rau, *Additional Deputy Comptroller and Auditor General.*

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

Shri P. K. Rau, *Director of Audit, Food, Rehabilitation, Supply, Commerce, Steel and Mines.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

749. The Committee resumed consideration of their draft Thirty-fourth Report on the Appropriation Accounts (Civil), 1958-59 and Audit Report (Civil), 1960 and approved, subject to certain modifications here and there:—

- (i) Draft paras relating to the Ministries of Steel, Mines and Fuel (Hindustan Steel Ltd.), Commerce and Industry, Works, Housing and Supply, Transport and Communications, Home Affairs, Food and Agriculture (Central Warehousing Corporation), External Affairs and Health;
- (ii) Chapter I—Financial Results of the Government of India (Civil Grants), 1958-59;

- (iii) Chapter II—Budgeting and Control over Expenditure; and
- (iv) Introduction.

750. The Committee authorised Dr. N. C. Samantsinhar to present it to Lok Sabha, in the absence of the Chairman Shri Upendranath Barman.

751. The Committee also authorised Shri Mulka Govinda Reddy to lay the Report on the Table of Rajya Sabha.

752. *The Committee then adjourned.*

