

PUBLIC ACCOUNTS COMMITTEE
(1973-74)

HUNDRED AND THIRTY-THIRD REPORT

[Report of the Comptroller and Auditor General of India for the year 1971-72, Union Government (Civil), relating to the Ministries of Finance, Home Affairs, and Cabinet Secretariat (Department of Personnel.)]



LOK SABHA SECRETARIAT
NEW DELHI

April, 1974/Vaisakha, 1896 (Saka)

Price : Rs. 2.35

**LIST OF AUTHORISED AGENTS FOR THE SALE OF LOK SABHA
SECRETARIAT PUBLICATIONS**

Sl. No.	Name of Agent	Sl. No.	Name of Agent
ANDHRA PRADESH		MAHARASHTRA	
1.	Andhra University General Cooperative Stores Ltd., Waltair (Visakhapatnam).	10.	M/s. Sunderdas Gianchand, 601, Girgaum Road, New Princess Street, Bombay-2.
2.	G. R. Lakshmiapaty Chetty and Sons, General Merchants and News Agents, Newpet, Chandragiri, Chittoor District.	11.	The International Book House, (Private) Limited, 6, Ash Lane, Mahatma Gandhi Road, Bombay-1.
ASSAM		12.	The International Book Service, Deccan Gymkhana, Poona-4.
3.	Western Book Depot, Pan Bazar, Gauhati.	13.	Charles Lambert & Company, 10, Mahatma Gandhi Road, Opposite Clock Tower, Fort, Bombay.
BIHAR		14.	The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-1.
4.	Amar Kitab Ghar, Post Box 78, Diagonal Road, Jamshedpur.	15.	Deccan Book Stall, Fergusson College Road, Poona-4.
5.	M/s. Crown Book Depot, Upper Bazar, Ranchi.	16.	M & J. Services, Publishers Representatives, Accounts & Law Book Sellers, Bahri Road, Bombay-15.
GUJARAT		MYSORE	
6.	Vijay Stores, Station Road, Anand.	17.	People Book House, Opp. Jaganmohan Palace, Mysore.
7.	The New Order Book Company, Ellis Bridge, Ahmedabad-6.	RAJASTHAN	
HARYANA		18.	Information Centre, Government of Rajasthan, Tripolia, Jaipur City.
8.	M/s. Prabhu Book Service, Nai Subzi Mandi, Gurgaon.	19.	M/s. Usha Book Depot, 585/A, Chitra Bazar, Tripolia, Jaipur.
MADHYA PRADESH		UTTAR PRADESH	
9.	Modern Book House, Shiv Vilas Palace, Indore City.	20.	Law Book Company, Sardar Patel Marg, Allahabad-1.

CORRIGENDA TO 133RD REPORT OF P...C. PRE-
SENTED TO LOK SABHA ON 30.4.1974.

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
(v)	3	3	(appendix)	(appendix V)
3	1	12	printig	printing
8		10	pieces	pieces
22		7	Pres	Press
72	3.7	4	guira	guide
99	1.69	11	Pres	Press

LIBRARY REFERENCE SECTION
 Central Govt Publications
 Acc. No. R. 40922 (3)
 Date 20.7.74

CONTENTS

	PAGE
COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (1973-74)	(iii)
INTRODUCTION	(v)
CHAPTER I. Ministry of Finance	1
CHAPTER II. Ministry of Home Affairs	47
CHAPTER III. Cabinet Secretariat (Department of Personnel).	70

APPENDICES

I Note giving details of the procedure regarding release of foreign exchange	79
II Statement showing total expenditure on CRPF since 1965-66 explanatory note for etc.	85
III Budget Provision for BSF incurred in Police Grant—Reasons for increase	89
IV Statement showing the outstanding dues for recovery as on 1-12-73 for services rendered by C.I.S.F.	91
V Summary of main conclusions Recommendations	96

PART II

*Minutes of the sittings of the Public Accounts Committee held on :

25-8-73
 18-10-73
 27-11-73
 29-4-74

*Not Printed (One cyclostyled Copy laid on the Table of the House and five copies placed in the Parliament Library.

PUBLIC ACCOUNTS COMMITTEE

(1973-74)

CHAIRMAN

Shri Jyotirmoy Bosu

MEMBERS

2. Shri Virendra Agarwala
3. Shri S. C. Besra
4. Shri M. Deiveekan
5. Shri C. D. Gautam
- *6. Shri Pampan Gowda
7. Shri Y. S. Mahajan
8. Shri Bibhuti Mishra
9. Shri H. N. Mukerjee
10. Shri Paripoornanand Painuli
11. Shri Narain Chand Parashar
12. Shri H. M. Patel
13. Shri P. Antony Reddi
14. Shri Biswanarayan Shastri
15. Shri Sunder Lal
16. Shri M. Anandam
- @17. Shri Golap Barbora
18. Shri Bipinpal Das
19. Shri Nawal Kishore
- @20. Shri P. S. Patil
21. Shri Sasankasekhar Sanyal
22. Shri Sawaisingh Sisodia

SECRETARIAT

Shri M. S. Sundaresan—*Deputy Secretary*

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

*Elected on 29-11-73 *Vice* Shri D. S. Afzalpurkar died.

@Ceased to be member of the Committee consequent on retirement from Rajya Sabha
w. e. f. 2-4-1974.

INTRODUCTION

I, the Chairman of the Public Accounts Committee as authorised by the Committee, do present on their behalf this Hundred and Thirty-Third Report (Fifth Lok Sabha) on the Report of the Comptroller and Auditor General of India for the year 1971-72—Union Government (Civil) relating to Ministries of Finance, Home Affairs and Cabinet Secretariat (Department of Personnel).

2. The Report of the Comptroller & Auditor General of India for the year 1971-72—Union Government (Civil) was laid on the Table of the House on 18th April, 1973. The Committee examined the Report of the Comptroller and Auditor General of India for the year 1971-72—Union Government (Civil) relating to Ministries of Finance, Home Affairs and Cabinet Secretariat (Department of Personnel) on the 25th August, 1973, 18th October, 1973 and 27th November, 1973. The Committee considered and finalised this Report at their sitting held on the 29th April, 1974. Minutes of the sittings form Part II* of the Report.

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

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

5. The Committee would also like to express their thanks to the officers of the Ministries of Finance, Home Affairs and Cabinet Secretariat (Department of Personnel) for the cooperation extended by them in giving information to the Committee.

NEW DELHI;
April 29, 1974
Vaisakha 9, 1896 (S)

JYOTIRMOY BOSU,
Chairman,
Public Accounts Committee.

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

CHAPTER I

MINISTRY OF FINANCE

Currency Note Press, Nasik Road

Capacity and utilisation

Audit paragraph

1.1. *Introduction*:—The Currency Note Press at Nasik Road, one of the two wings of security printing (the other being the Stamp Press), was established in 1928 for the printing of Indian currency notes which were till then being obtained through the Bank of England from 1862. In March, 1957, Government sanctioned the setting up of a second unit (referred to as New Currency Note Press hereinafter). This unit was commissioned in July, 1961. A new press is also being established by Government at Dewas, Madhya Pradesh for printing currency notes of denomination of Rs. 10 and above.

1.2. The Press is primarily intended to meet the printing requirements of one rupee currency notes issued by the Government of India and bank notes of other denominations required by the Reserve Bank of India, the production of which is undertaken on the basis of indents received from the Reserve Bank of India.

1.3. The main raw material required for the production of notes is the currency and bank note paper. Till September, 1967, this paper was being wholly imported from U.K. With the commissioning of the Security Paper Mill, Hoshangabad in June, 1967, the requirement of paper is now fully met by that Mill (during October, 1967 to September, 1969, small quantities of paper were also imported besides indigenous supplies).

1.4. *Determination of capacity*:—The press (both old and new) has two main section, Operating (Printing) and Control sections. The Operating Section is responsible only for the printing of paper which is held in charge of the Control Section's crew on the machines, supervised by Control staff. The Control Section is responsible for drawing blanks, getting them printed in the three stages (back side printing, both side printing and numbering) and all the subsequent operations of examination, cutting, replacement of bad notes, accounting of good and bad notes, final bundling and packing. On

account of security considerations, therefore, the capacity of the Press is mainly determined with reference to the output potential of the Control Section.

(a) *Control Sections.*—The Control Section in both the Presses function only in single shift (day shift) of 8 hours. On this basis, the capacity of the Control Sections in the Old Press and the New Press was fixed as 5.2 million pieces and 5.4 million pieces per day and remained effective upto 1970-71; the denomination-mix assumed in determining these capacities has not been indicated by the Management.

The capacities of the Control Section of both the Presses were reassessed for the year 1971-72 and fixed at 4.584 million pieces per day for the New Press, based on the following denomination-mix:—

	Old Press	New Press
Rs. 1	20,64,000	29,28,000
Rs. 2	8,24,000	..
Rs. 5	13,60,000	—
Rs. 10	—	27,20,000
Rs. 1000	3,36,000	—
	45,84,000	56,48,000

The reduction in the capacity of the Old Press during 1971-72 has been attributed (July, 1972) by the Management to the increased proportion of higher denomination notes i.e. hundred rupees notes, as compared with the actual production in 1970-71, the increase being 1.05 per cent. Although the number of higher denomination notes of Ten Rupees and Twenty Rupees produced in the New Press in 1971-72 also increased as compared with the previous year, the capacity was assessed at a higher figure. While clarifying this, the Management have stated (September, 1972) as follows:—

“Two extra operations are involved in processing the notes of Rs. 100 than Rs. 10. They are:

- (i) Taking over by count the notes from one section to other; and

The above capacity was based on one shift working in the Old Press and two shifts working in the New Press (night shift only with 4 printing units). However, during 1971-72 the number of units actually worked in the night shift of the New Press ranged between 4 and 7-1/2 units.

1.5. It was stated (April, 1971) by the Management that a "change in this break-up affects the production, since the procedure followed and men required for various denominations are different."

UTILISATION OF CAPACITY

1.6. (a) *Control Section*.—On the basis of capacities indicated in para 2.1(a) above the achievable production and the actual production in the Control Section in each Press during the last years, are indicated below:—

(In million pieces)

Year	Capacity per shift	No. of shifts	Achievable production	Actual production	Shortfall (-)(Excess (+)Col.5- Col.4)	%age of actual pro- duction to achievable production
1	2	3	4	5	6	7
OLD PRESS						
1967-68	5.2	360	1872	1892	(+) 20	101.1
1968-69	5.2	356	1851	1764	(-) 87	95.3
1969-70	5.2	364	1893	1749	(-) 144	92.4
1970-71	5.2	361	1877	1644	(-) 233	87.6
1971-72	4.584	367	1682	1899	(+) 217	112.9
NEW PRESS						
1967-68	5.4	360	1944	2019	(-) 75	103.9
1968-69	5.4	356	1922	1906	(-) 16	99.2
1969-70	5.4	364	1966	1868	(-) 98	95.0
1970-71	5.4	361	1949	1746	(-) 203	89.6
1971-72	5.648	367	2073	1981	(-) 92	95.6
TOTAL						
1967-68		..	3816	3911	(+) 95	102.5
1968-69		..	3773	3670	(-) 103	97.3
1969-70		..	3859	3617	(-) 242	93.7
1970-71		..	3826	3390	(-) 436	88.6
1971-72		..	3755	3880	(+) 125	103.3

The decline in the percentage of actual production to achievable production during the years 1968-69 to 1970-71 has been attributed to nonfilling of vacant posts of workmen during these years, as per Government directive. The actual production, however, exceeded the achievable capacity during 1971-72 which has been explained (July, 1972) by the Management on account of the following reasons:—

- (i) The recruitment of workmen for the second phase programme to be started from 1st April 1972 was started in January, 1972.
- (ii) In order to meet the sudden demands of Bangla Desh notes, some short cut methods were resorted to raise the production.
- (ii) In order to meet the sudden demands of Bangla Desh notes, extra production within the same time and without any extra remuneration.

(b) *Printing Section.*—Targets of production of various denominations of notes are fixed by the Management on the basis of indents placed by the Reserve Bank of India and after taking into account the capacity of the Control Section. The following table indicates the total production of notes (targeted and actual) and the percentage of each denomination of notes to the total production, during the last five years:—

	1967-68		1968-69		1969-70		1970-71		1971-72	
	Target	Actual production	Target	Actual production	Target	Actual production	Target	Actual production	Target	Actual production
No. of notes in million prices	3845	3911	3930	3670	3650	3617	3410	3390	3740	3767*
Denomination-Mix (per cent)										
Re. 1	55	56	54	54	50	51	48	48	49	49
Re. 1	5	6	10	10	9	9	9	9	8	8
Rs. 5	14	14	14	14	13	13	14	14	13	13
Rs. 10	24	22	20	20	24	24	26	26	27	27
Rs. 20	—	—	—	—	1	—	—	—	—	—
Rs. 100	2	2	2	2	3	{ ² _{1@}	3	3	3	3

NOTES :—

1. @ Comprises of Rs. 1,000 Rs. 5,000 and Rs. 10,000 notes.
2. *Actual production in 1971-72 excluded the following additional production.

(A) Bangla Desh Notes :	Denomination	Million pieces
	Re. 1/-	56·4
	Rs. 5/-	4·0
	Rs. 10/-	22·6
	Rs. 100/-	16·2
		99·2
(B) Rs. 20 notes against April, 1972 to September 1972 indent of the R. B. I		14·0
		113·2

In order to meet increased demands of the Reserve Bank of India targets higher than the optimum capacity of 3636 million pices were fixed for the years 1967-68, 1968-69 and 1971-72. The non-achievement of production targets during 1968-69 and 1969-70 has been attributed (February, 1973) to the following reasons:—

- (i) Non-filling of existing vacant posts by way of economy measures;
- (ii) Reduction in working hours during 1968-69; and
- (iii) Increased demand of Ten Rupees notes during the year, 1969-70.

[Paragraph 43(1) (2) of the Report of C&AG of India for the year 1971-72—Union Government (Civil)].

1.7. The Committee were informed that the two presses at Nasik were printing currency notes as per indents placed by the Reserve Bank of India. The General Manager Nasik Press deposed during evidence: "The demand of the Reserve Bank is much more than what is actually indented. They place their indent depending upon what we can give them."

1.8. The Committee desired to know whether the Nasik Press was in a position to meet the entire demand of Reserve Bank notes. To this the General Manager Nasik Press replied that they were not able to do that and that is why a new press at Dewas was being set up. In reply to another question he said that there was a big gap in the requirements of the Bank and the supplies made by the Press. He however, added: "The printing capacity at the present moment is more than enough. We can meet the Reserve Bank demand.

Control capacity is not enough." Asked whether because of the insufficiency of the controlling section the capacity of the press remained idle, the witness replied: "That is a fact."

1.9. The Committee were informed that during 1973-74 by employing more men and by working long hours the Press had reached a daily average of 16 million pieces per day and the production had increased. However, whatever they were producing was not enough to meet the requirements of the Reserve Bank. The General Manager, Nasik Press stated: "Even if we do a little bit more they (Reserve Bank) always accept it, because at present they have no reserve. Actually, the Reserve Bank wants that a minimum of 3 month's reserve should be there, but we are unable to cope with that demand. So, even if we produce anything in excess, they always welcome it."

1.10. The Committee desired to know how the Reserve Bank determined its annual requirements of notes and placed indents with the Press. A representative of the Ministry of Finance stated: "This will be required on the basis of money supply. The Reserve Bank decides it on the basis of its requirements on monetary considerations, the level of prices and the general level of requirement from banks and the general requirement of money supply."

1.11. The Secretary, Department of Economic Affairs further clarified that annually about 88 per cent of the notes in circulation required replacement and considering the present number of notes in circulation as 5,000 crores the annual replacement would be of the order of about 4200 crores. In addition to the annual replacement new notes to the extent of 6 to 8 per cent of the present number of notes in circulation were required to be printed.

1.12. The projections of the gross requirements (addl. circulation requirement and additional stock requirement) of notes by the Reserve Bank of India, as furnished by the Ministry of Finance, are as under:—

Year	(figures in crores) Requirements of all denominations.
1973-74	522.41
1974-75	582.49
1975-76	612.53
1976-77	661.45
1977-78	714.05
1978-79	770.79

Capacity of the Printing Section

1.13. The Audit para states that the printing work in the old Press is done in one shift while the printing section in the new Press functions in two shifts (day shift and night shift) of 8 hours each. The Committee desired to know the reasons for having only one shift in the old Press but two shifts in the new Press. In a note, the Ministry have stated: "The reasons for having one shift in Old C.N.P and two shifts in New C.N.P. are enumerated below:

- (a) Most of the printing machines of the old C.N.P. were installed 20 to 25 years back and their utilities for printing have diminished. Their utilisation in two shifts will involve heavy maintenance expenditure and will also shorten their useful life.
- (b) The locations of the machines in New C.N.P. have been scientifically arranged. All the machines required for printing, numbering and cutting are located in proper sequence, i.e., Offset machines (3 Col. and 2 Col.). Numbering machines and Guillotine machines are arranged according to sequence of operations.
- (c) In the New Currency Notes Press, every section has got spacious strong rooms for storing printed balances.
- (d) In the New Currency Note Press, better lighting and ventilation arrangements have been made being planned at a later date.
- (e) If the night shift is planned at one place, the overall strength of supervisory staff, watch and ward staff is economical. All these factors weighed while deciding on 2 shift working for New C.N.P. and single shift working for Old C.N.P."

1.14. During evidence the Committee enquired whether the machinery in the old Press could not be replaced out of the Depreciation Fund and new machinery installed with a view to working two shifts for maximising production. The Secretary, Department of Economic Affairs stated: "The answer to that question is that though we conceptually have a depreciation fund, the amount comes out of the general revenue. It is not a fund kept separately in a bank. It is conceptually added to the cost of what we sell. In terms of replacement we find it more economical to get more use out of this, because the replacement is costly and there is the question of foreign exchange involved. Further, we are setting up facilities elsewhere."

1.15. He added: "There is also the question of having so much control staff. At the moment we do not have accommodation for that staff. So, it would be a question of changing the lay out. Now we are setting up a new press which will provide us with adequate production."

1.16. The General Manager, Nasik Press stated during evidence: "The idea in adding another press is that we want to improve our notes." On being pointed out by the Committee that what was required for increasing production was improvement of the controlling section which imposed a limitation on the production, the witness stated: "The existing presses are too old. Naturally if you want to increase production, then you will have to replace those presses also." In reply to a question he added: "At present we have 18 machines and if we are to replace all the machines, since the new machines are more efficient and each new machine is equivalent to two old ones, we may have to buy half the number. Each machine would cost about Rs. 50 lakhs; so the total would be about 4½ crores."

1.17. The Committee asked whether it was economical to continue to use the old press and whether some standby arrangements have been made to take care of the breakdowns. The witness stated: "Answer to that is, we are deliberately using this old machine for one shift, and not two shifts. Standby is the new press, where we will have two shifts." On being pointed out that the capacity of the proposed new press was much less than the capacity of the old press (which was of the order of 5.4 million pieces) and hence the question of standby required fuller study, the Secretary, Department of Economic Affairs stated: "We will be glad to look at it again."

Establishment of New Press at Dewas

1.18. As regards the progress made in the establishment of a new press at Dewas, Madhya Pradesh, the Ministry of Finance have intimated: "The civil works of the new Bank Note Press, Dewas are nearing completion. The work relating to air-conditioning and ventilation plant is also going ahead. The Press is expected to have trial run for printing by the middle of February, 1974. Normal production is expected to commence from the beginning of April, 1974."

1.19. Asked whether the new press was intended to meet in full the printing requirements of currency notes of the denomination of Rs. 10 and above, the Ministry stated: "The Press is designed to print the bank notes of the denomination of Rs. 10 and above on a sophisticated technology. It is intended to meet in full the requirements of these denominations."

1.20. During evidence the General Manager, India Security Press informed the Committee that the capacity of the new press will be 1,000 million (pieces) and that it was a more sophisticated press which will print notes of high denomination in Intaglio.

1.21. To a question whether with the establishment of new sophisticated press the old ones will have some idle capacity the witness replied: "It will not be idle. The capacity of new press is 1,000 million (pieces). New Press will be roughly less than 1/4th of the capacity of Nasik Press."

1.22. It was stated during evidence that the estimated capital cost of the new press including residential quarters would be Rs. 16 crores. The foreign exchange element in the total cost is of the order of Rs. 4.20 crores.

1.23. The Committee were informed that the new press at Dewas had been planned in such a manner that it will be able to work two shifts. The layout and the construction of new press provide for a matching capacity of the Control Section so that both the Printing Section and the Control Section will be capable of working on two shifts basis.

1.24. According to the Audit para the utilisation of the available machine time is limited only to the extent of 50 per cent and the realisable production per utilised hour is assumed to be 5.25 reams. As to the reasons for assuming machine utilisation time at 50 per cent, the Ministry of Finance have in a note state: "Normally the following factors are responsible for assuming a 50 per cent of machine utilisation time.

- (1) Initial preparation and setting of the machine before starting.
- (2) Need for closing earlier to enable 'Search' operations to start.
- (3) Repairs both electrical and mechanical to machines.
- (4) Time needed for normal changing of plates, blankets, etc.
- (5) Absenteeism of crew etc.

1.25. In addition to the normal factors based on which 50 per cent utilisation of machine time is assumed, the following additional

factors brought down the production in 1971-72:

- (1) Monsoon conditions extended to almost the 3rd week of October, whereas normally better weather for printing should be available from September onwards.
- (2) More frequent changing of plates which were not inking properly due to non-availability of proper quality of chemicals indigenously. Further during Monsoon there is difficulty in setting proper quality plates. Hence extended Monsoon has produced adverse effect on plates also, resulting in down time due to frequent changing of plates.
- (3) Periodical failure of electrical power of long duration.
- (4) Too many changes due to urgent printing of Bangladesh notes."

1.26. Based on the printing capacity of 21 reams per shift of 8 hours the daily capacity of the 9 printing units in the old press and 11 units (7 in day shift and 4 in night shift) in the New Press work out to 189 ream and 231 reams respectively. Again on the basis of a denomination-mix determined by the Reserve Bank the optimum capacity of the Press, both old and new units was assessed by the Management in August, 1964 as 3636 million notes per annum. The Committee called for data in regard to number of changes, together with dates, brought about in the denomination mix assumed in 1964 and the impact of such changes on the production. In this connection, the Ministry of Finance have, in a note, stated:

Assumed 1964 figures of output
(Daily output—working hours-8)

		Old C.N.P.	New C.N.P.	Total
Rc. 1/-	India	2820000 Pcs.	4160000 Pcs.	6980000 Pcs.
Rs. 2/-	"	1040000 "	..	1040000 "
Rs. 5/-	"	1700000 "	..	1700000 "
Rs. 10/-	"	..	2720000 "	2720000 "
Rs. 100/-	"	1800000 "	..	1800000 "
Total :		5740000 "	6880000 "	12620000

1.27. These figures were theoretical and were calculated to decide the capacity with denominationwise break-up as per Reserve Bank of India requirements.

1.28. The changes in the denominationwise mix up cannot be stated date-wise. The actual output of the old C.N.P. and New C.N.P. has been indicated above for the year 1967—70. Impacts of change in break-up denominationwise is:—

- (a) The number of notes printed on each sheet varies from — denomination to denomination such as:—

Rs.	Notes
1/-	80
2/-	70
5/-	60
10/-	40
20/-	40
100/-	40

- (b) The number of sheets to be printed for completion of one million pieces of each denomination therefore naturally varies—such as:—

Rs.	Reams plus spoils
1/-	25
2/-	28·57
5/-	33·33
10/-	50
20/-	50
100/-	50

- (c) The serial number appearing on Re. 1/-, Rs. 2/-, Rs. 5/-, note forms is one only whereas in the case of Rs. 10/-, Rs. 20/-, and Rs. 1000/- the number appears twice on a note form.

- (d) As the number of sheets vary denomination to denomination for each million, the printing operations also proportionately vary and the manpower required also varies in that proportion viz. in case of Re. 1/- and Rs. 10/- Rs. 20/- and Rs. 100/- the proportion is 1:2. The printing machines required and all the subsequent handling of sheets would also have a rough proportion of 1:2.

- (e) The procedure of finishing i.e. examination of colours, counting, checking numbers etc. for working of different denominations also varies depending on its value. The lower denominations such as Re. 1/- and Rs. 2/- have a slightly shorter method; in case of Rs. 5|-, Rs. 10|-, Rs. 20| and Rs. 100/- each piece is examined and further operational process meticulously followed. In fact, in case of Rs. 100/- which is a higher denomination note, each piece is examined twice, also examined in the sheet form after it is numbered. Thus, a change towards higher denomination notes calls for additional time and manpower while a change towards lower denominations calls for lesser time and manpower."

1.29. The Committee were informed by Audit that during 1969-70 and 1970-71, the Reserve Bank of India initially requested the Press to supply 4,263 and 4,460 million pieces of notes respectively. On account of non-filling of existing vacancies, the press intimated its ability to supply only 3,650 and 3,410 million pieces. Accordingly, the Reserve Bank of India reduced its indents. However the actual production fell short of even the reduced targets. Asked whether this caused any inconvenience to the Reserve Bank of India so far as the public demand for notes was concerned, the Ministry of Finance have in a note stated: "The reduced production caused difficulties to R.B.I. who however managed to meet the requirements of Issue Offices/Currency Chests to a great extent by drawing down the reserves."

1.30. The tables below give details of the demand of Reserve Bank of India during 1971-72 and 1972-73 and supplies of notes made by the Nasik Press:

Demand of Reserve Bank of India (Ms=Millions)

	1971-72	1972-73
Rs.	Ms.	Ms.
1/-	1820	2495
2/-	300	335
5/-	500	600
10/-	1000	800
20/-	..	141
100/-	120	120
Total	3740	4491

Supplies to Reserve Bank of India

Rs.	1972-73	1972-73
1/-	1820,000,000	2457,299,999
2/-	300,000,000	331,000,000
5/-	500,000,000	589,999,999
10/-	1000,000,000	785,000,000
20/-	8,000,000	137,000,000
100/-	120,000,000	119,000,000
Total	3748,000,000	4419,299,998

1.31. In regard to the demand of the Reserve Bank of India vis-a-vis the capacity of the Press, the General Manager, Nasik Press stated in evidence: "I won't say that we are meeting it adequately because they depend upon our capacity. We have told them that this is meagre and we should get more. So, they decide their demand accordingly."

Capacity of the Controlling Section

1.32. The Audit para states that Control Sections in both the Old and New Presses function only in single shift of 8 hours. On this basis the capacity of the Control Sections in the Old Press and the New Press was fixed as 5.2 million pieces and 5.4 million pieces per day and remained effective upto 1971-72. The Committee desired to be furnished with figures showing denomination mix assumed in determining capacities of each currency press from 1967-68 to 1970-71. In a note the Ministry of Finance have intimated:

The figures assumed in determining the capacities of each Currency Note Press in normal hours from 1967-68 to 1970-71 are given below yearwise.

1967-68		Average out put per Day of 8 Hours (Ms=Millions)		
		Old CNP	New CNP	Total
1		2	3	4
Rs.		Ms.	Ms.	Ms.
1/-	India	2.65	3.04	5.69
2/-	"	0.70	..	0.70
5/-	"	1.52	..	1.52
10/-	"	..	2.62	2.62
100/-	"	0.26	..	0.26
Total		5.13	5.65	10.79

1		2	3	4
1968-69				
Rs.		Ms.	Ms.	Ms.
1/-	India	2.16	3.56	5.72
2/-	"	1.06	..	1.06
5/-	"	1.51	..	1.51
10/-	"	..	2.06	2.06
100/-	"	0.25	..	0.25
Total		4.98	5.62	10.60

Average output per day of 8 hours

1969-70				
Rs.				
1/-	India	2.37	2.94	5.31
2/-	"	0.96	..	0.96
5/-	"	1.38	..	1.38
10/-	"	..	2.55	2.55
100/-	"	0.27	..	0.27
Total		4.98	5.49	10.47
1970-71				
Rs.				
1/-	India	2.24	2.56	4.80
2/-	"	0.86	..	0.86
5/-	"	1.31	..	1.31
10/-	"	..	2.53	2.53
100/-	"	0.30	..	0.30
Total		4.74	5.09	9.83

1.33. From the above it is seen that the average output per day of 8 hours in terms of millions decreased from 5.13 and 5.66 during 1967-68 for the old and new presses respectively to 4.74 and 5.09 millions respectively during 1970-71. Asked about the reasons for the reduction and also whether the output during each of the year 1967-68 to 1970-71 was proportionate to the strength of the

Control Sections, the Ministry of Finance have in a note stated: "The reduction in the capacities are mainly due to reduction in the Control Strength, increased absenteeism and also due to change in denominationwise break up.

The number of workmen available in Old C.N.P. and New C.N.P. during the years 1967-68 to 1970-71 were as follows:—

Year		Authorised strength	Workmen Present	Workmen absent	Output (Million)	No. of working hours
1967-68	Old CNP	1210	1028	182	6.40	9½ hrs. for 6 months and 10 hrs. for 6 months
	New CNP	1432	1190	242	6.80	
		2642	2218	424	13.20	
1968-69	Old CNP	1183	965	218	5.98	15 days 8 hrs. 3 months-9hrs 8½ months 10 hours
	New CNP	1413	1118	295	6.44	
		2596	2083	513	12.42	
1969-70	Old CNP	1161	958	203	5.94	10 hours.
	New CNP	1394	1128	266	6.35	
		2555	2086	469	12.29	
1970-71	Old CNP	1145	925	220	5.58	
	New CNP	1384	1093	291	5.92	
		2529	2018	511	11.50	

We have now worked out conversion factors for various denominations and will be able to more correctly estimate outputs."

1.34. In another note the Ministry have stated: "The number of persons actually working in Old Currency Note Press and New Currency Note Press during the two years are as under:—

Year 1971-72	Old CNP	N-w CNP	Total
Control	1020	1304	2324
Technical	235	322	558
Total	1256	1626	2882
Year 1972-73			
Control	1083	1465	2598
Technical	233	346	579
Total :	1316	1811	3177

Strength utilised for output denominationwise cannot be made available as processing of notes in the Section is done simultaneously of any two denominations. Separate denominationwise utilisation of the strength is not available."

1.35. During evidence the Secretary, Department of Economic Affairs stated that only 50 per cent of the built-in capacity of the press could be used because the production has to be matched with the controlling capacity. In a note the Ministry of Finance have stated: "There is always synchroisation between Control and Printing Section for the smooth running of the Press. Since Control has reached its optimum capacity by recruiting additional men and accommodating them in the maximum space available, it is not possible to meet the Reserve Bank of India's increasing demand in full."

1.36. The General Manager Nasik Press informed the Committee that "We are using 100 per cent capacity of the control section but in regard to printing we are working eight presses as against ten and we are working one shift only. That means 80 per cent is working one shift."

1.37. The following table gives details of the production capacities and actual production in the Control Section and Printing Section of the Nasik Press.

(In million Pieces)

Year	Control Section		Printing Section	
	Achievable production	Actual production	Target	Actual production
1967-68	3816	3911	3845	3911
1968-69	3773	3670	3930	3670
1969-70	3859	3617	3650	3617
1970-71	3826	3390	3410	3390
1971-72	3755	3880	3740	3880.2

1.38. It is seen from the above that irrespective of the production capacity in the Control Section and the targets of production laid down for printing section the actual production was the same in both the sections.

1.39. The Committee drew attention to the reply of the Ministry given to Audit in January, 1973 to the effect that basically the optimum output of the press has to be determined with reference to its printing capacity even though the press may be adopting the output potential of the controlling section as a yardstick for its own working purposes but it would not form a basis for judging the achievement of the Press. In this connection the General Manager, Nasik Press stated: "The output is judged by the Control Section only. During the night we work only four presses out of seven because the Control Section cannot take that work."

1.40. The Currency Note Press, Nasik Road is primarily intended to meet the printing requirements of one rupee currency notes issued by the Government of India and bank notes of other denomination required by the Reserve Bank of India, the production of which is undertaken on the basis of indents received from the Reserve Bank of India. As at present two units of the Press known as old Currency Note Press and New Currency Note Press are printing notes. The optimum capacity of these two units has been estimated at 3636 million pieces per year. As the annual requirement of the Reserve Bank of India is much more a new press at Dewas is being set up, which will have an annual capacity of 1,000 million pieces of notes. The annual requirements of the Reserve Bank of India during 1969-70 and 1970-71 were 4,263 and 4,460, million pieces of notes

respectively. The projections of the gross requirements of notes by the Reserve Bank of India given by the Ministry of Finance indicate that in 1974-75 the Bank will require about 5824 million pieces of notes. This demand is expected to go upto 7707 million pieces of notes by 1978-79. It is thus evident that even after the commissioning of the new press at Dewas, the Currency Note Press will not be in a position to meet the total requirements of the Reserve Bank of India, unless of course the Government of India goes for metal coins in a big way. Further in the old Currency Note Press which was set up long ago, the machinery should be well maintained to keep it in proper order. This is necessary because of the limited resources of the Government. The Committee feel that before sanctioning the establishment of a new press at Dewas there ought to have been a realistic assessment of the requirements. That such an assessment was not made is clearly borne out by the fact that even after the commissioning of the new press, which is estimated to cost about Rs. 16 crores, the total installed capacity of the currency Note Press will be nowhere near the minimum requirements of the Reserve Bank of India. The Committee desire that the capacity of Dewas Press should be increased and the machinery in the old Press at Nasik should be gradually replaced so as to ensure adequate capacity for meeting the total requirement of the Reserve Bank of India.

1.41. It has been stated that the capacity of the controlling section of the Press imposes a serious limitation on the utilisation of the built-in capacity of the printing section. Although the utilisation of the capacity of the controlling section is upto the maximum extent, the printing capacity of the press has not been put to optimum use because of the inadequacy of the controlling section. This shows poor planning. It is interesting to note that during the years 1967-68 to 1971-72 the actual production of notes had to be limited to the extent of the turnout by the Controlling Section even though the printing section was geared to produce much more. This not only resulted in a shortfall of supplies to the Reserve Bank of India but also led to considerable available printing capacity remaining idle. The Committee would like the Government to take steps to increase the capacity of the controlling section to handle as much as would enable the Printing Section to work to maximum capacity.

Costing system and production cost:

Audit paragraph:

1.42. **Costing systems** In reply to the recommendation made by the Estimates Committee in their 39th Report (2nd Lok Sabha) that the Press should have proper system of costing for fixing

prices and also for exercising control over the efficiency of operations, Government *inter-alia* stated (1959) that a more elaborate costing system than in vogue would be introduced as soon as a costing cell was established for the Currency Note Press and the India Security Press. A costing cell with an Assistant Cost Accounts Officer and three assistants was accordingly created in 1959. In so far as the Currency Note Press is concerned, the costing cell has been compiling only the off-set machine utilisation data. The actual cost of production of notes of various denominations is not being determined and the rates charged for printing and supply of notes of various denominations to the Reserve Bank and Government are based on estimates only.

1.43. The Management have stated (June, 1972) that a proposal to increase the strength of the costing cell has been submitted to the Government.

Production cost: Their total cost of production for notes of all denominations during the year 1967-68 to 1971-72 was as under:

Particulars	1967-68	1968-69	1969-70	1970-71	1971-72
(i) Total output (good notes in million pieces)	3,911	3,670	3,617	3,390	3,880
	(Rupees in lakhs)				
(ii) Cost of Production					
Material	683.79	599.85	476.83	488.19	400.79
Labour	102.31	102.26	109.60	118.46	144.43
Overheads	29.82	33.27	40.46	42.14	47.71
	815.92	735.38	626.89	648.79	592.93
Adjustment on account of opening and closing balanced of work-in-progress	(-)-37.51	(-)-45.92	(+)-43.75	(-)-48.79	(+)-87.41
	778.41	689.46	670.64	600.00	680.34
Less: Cost of work done for India Security Press and Security Paper Mill	0.89	0.65	0.73	NIL	0.31
Net cost of production	777.52	688.81	669.91	600.00	680.03
Cost of production per million notes (in Rs.)	19,880	18,768	18,521	17,699	17,526

1.44. It will be seen that the cost of production per million notes shows a decreasing trend. The decrease in 1968-69 is attributed mainly to reduction in the cost of paper due to devaluation of the Pound Sterling (November, 1967), further decrease in 1969-70 is attributed to the reduction in customs duty on imported paper with effect from 1st April, 1969, partly offset by the reduced volume of work-in-progress at the end of the year as compared with the opening balance. The decrease in the year 1970-71 is due to an increase in the balance of work-in-progress at the end of the year as compared with the balance at the commencement of the year. The cost of production per million notes further decreased in 1971-72 due to increased production. The extent to which the varying denomination-mix of production has been responsible for the above increases/decreases in costs, cannot be assessed in the absence of denomination-wise compilation of costs.

[Paragraph 43(3) of the Report of the Comptroller and Auditor General of India for the year 1971-72, Union Government (Civil)].

1.45. Commenting on the lack of a proper costing system in the Indian Security Press and the Currency Press, the Estimates Committee (1958-59) had in their 39th Report (Second Lok Sabha) observed: "The Committee do not understand why an undertaking working for Government should not have proper costing. They consider that a proper system of costing is not only necessary for fixing prices on a proper appreciation of cost but also for exercising control over the efficiency of the Presses."

1.46. In their reply dated the 11th August, 1959, the Ministry of Finance stated: "The Government have already created a temporary post of Assistant Accounts Officer and steps are being taken to appoint a Cost Accounts Officer in consultation with the Chief Cost Accounts Officer of the Ministry of Finance. A more elaborate costing system than in vogue at present will be introduced as soon as a costing cell is established for both the Presses."

1.47. The Committee desired to know why the Estimates Committee's recommendation has not so far been implemented. In a note the Ministry of Finance have stated: "In accordance with the recommendations made by the Estimates Committee for an efficient costing system, a proposal for augmentation of staff in the Costing Cell of the Currency Note Press has been received from the General Manager. The existing strength of the Costing Cell is one Assistant Cost Accounts Officer who is aided by 2 UDCs and 1 LDC. The General Manager has proposed addition of one Deputy Cost Accountant, 6 Cost Asstts. and one LDC-cum--

Typist. It is true that due to increased work-loads, of the Press and printing of stamps and notes for Bangladesh, the work of pricing and rate fixation has assumed greater importance requiring intelligent interpretation of data for purposes of estimation. The expenditure sanction to the proposal could not, however, be accorded due to the extent ban on creation of posts and on upgradation of posts on the non-plan side by way of stringent economy measures. However, the reorganisation of Costing Cell along with other proposal for staff reorganisation have now been assigned to the Indian Institute of Management, Ahmedabad for a detailed scrutiny. On receipt of report from the Indian Institute of Management, Ahmedabad, the Department of Expenditure will be approached for financial sanction."

1.48. During evidence the General Manager, Nasik Press gave the following details regarding total cost of a currency note denomination-wise:—

Rs. 1/-	1.8 paise
Rs. 2/-	2.00 paise
Rs. 5/-	2.2 paise
Rs. 10/-	2.7 paise
Rs. 20/-	2 paise
Rs. 100/-	3.6 paise

11.49. Asked how the cost of a currency note compared with the notes printed in foreign countries, the witness stated that this information was not available. He however added that as per information given by the Reserve Bank the cost of a currency note printed by the Bank of England was more as compared to the cost of a currency note printed by Nasik Press.

11.50. The Committee enquired whether the change in the size of Rs. 10 and Rs. 100 notes had affected the cost of production of these notes. The General Manager Nasik Press replied: "Change in size naturally brought the cost down."

1.51. In reply to another question the witness stated that the amount spent on ink was very insignificant and it would not reflect on the cost of production of notes. In this connection he added: "I have worked out the cost of printing one ream, that is, 500 sheets of various denominations. In the case of the one-rupee-note, the present cost is about Rs. 21 for 40,000 notes, that is, at the rate of 80-

notes per sheet. In the case of two-rupee notes, it is Rs. 13 because the red colour is the cheapest colour. In the case of five rupee notes, it is Rs. 13.62 and in the case of Rs. 20 it is Rs. 10.38. So the cost is the maximum on the one-rupee note."

1.52. In another context the witness stated: "..... we have found that in the case of one-rupee notes, although this note is of smaller denomination, yet it is the most expensive from the point of view of the purple ink which is used for the purpose. The statistics show that the cost of inks on one-rupee notes is much more than on even one-hundred-rupee notes because of the choice or selection of the colour."

1.53. Asked whether the Press had any say in the matter of fixing the size of the notes or the inking process, the witness stated: "We recommend because all the denominations must have different colours.." In reply to a question as to whether such proposals were initiated by the Press and then considered at a higher level, the Secretary, Department of Economic Affairs stated: "They are finalised by the Government also on the recommendation of the R.B.I."

1.54. The General Manager, Nasik Press clarified that in the case of Rupees twenty notes "the colour was suggested by the Cabinet, R.B.I. and the Government." He added: "If there are any difficulties in printing, we bring it to the notice of the Ministry."

1.55. The Secretary, Department of Economic Affairs stated in this connection: "Whenever we take a final decision, RBI and the Press is always consulted. It is not that we ignore them when we take a decision."

1.56. The Committee are distressed to learn that a suggestion made by the Estimates Committee in 1958-59 for a proper costing system in the Currency Note Press has not yet been fully implemented. The proposals made by the General Manager for increasing the existing strength of the Costing Cell were turned down on the plea that in terms of the stringent economy measures now new posts could be created or upgraded. This is indeed strange in view of the fact that the introduction of the Costing system was primarily intended to serve as a measure of economy and ensure scientific working. The Committee were informed that the question of reorganisation of the costing cell alongwith other proposals for staff reorganisation had been assigned to the Indian Institute of Management, Ahmedabad for a detailed scrutiny. The Committee would like the study by the Institute to be completed early and the steps taken on the basis thereof be intimated to them.

1.57. One of the results of the lack of a proper costing system is that there is no reliable data for determining the cost of production of notes. A change in size of notes or a change in the combination of inks used for printing notes can materially affect the cost of production. This underscores the need for a proper research cell which should constantly review the production methods as also the use of raw materials with a view to keeping the cost of production to the minimum. The Committee recommend that the necessary steps in this direction may be taken urgently. The Committee need hardly stress that there should be complete coordination in this regard between the Press, Reserve Bank of India and the Ministry of Finance.

Raw materials and stores

Audit paragraph

1.58. *Procurement of paper (i)*: The main raw material required for the Press is currency and bank note paper which was wholly imported from the U.K. till September, 1967. Thereafter, except for some small quantities imported upto September, 1969 the requirement of paper is met by the Security Paper Mill, Hoshangabad.

It was decided by Government (August, 1967) that the Currency Note Press should pay the Security Paper Mill for paper received by it the same rate at which imported paper was purchased previously which took into account both the cost and import duties applicable from time to time. The prices initially fixed (August, 1967) covering supplies from 20th November, 1967 were revised from 1st April, 1968 consequent upon devaluation (November, 1967) of Pound Sterling and again from 1st April, 1969 to give prospective effect to the reduced customs duty (though revised in February, 1965 and effective from April, 1965, it came to the notice of the Press authorities in March, 1969 only). The prices thus fixed from time to time were as under:

Denomination	Rate (in rupees) per ream F.C.R. Nasik Road, effective from		
	20-11-67	1-4-68	1-4-69
Re. 1	544	482	391
Rs. 2	519	460	373
Rs. 5	518	460	373
Rs. 10	402	356	289
Rs. 100	528	468	380

As the arrangement between the Press and the Mill did not provide for concurrent adjustment of prices due to variations in the rates of exchange or customs duty, the Press had to make an additional payment of Rs. 1.58 crores to the Mill on account of customs duty during September, 1967 to March, 1969 and Pound devaluation during November, 1967 to March, 1968.

(ii) *Excess payment of customs duty on import of currency and bank note printing paper:* During the period from 1st April, 1965 to 31st March, 1969 customs duty on the paper imported by the Press was paid at 100 per cent and more *ad valorem* as assessed by the Customs authorities although under item 44 of the Indian Customs Tariff Act, 1934, as modified in 1965, the Press was exempt from payment of customs duty in excess of 60 per cent *ad valorem*. The excess customs duty paid on this account amounted to Rs. 2.85 crores. A claim for refund of this amount was preferred only in December, 1969. Customs authorities have so far (December, 1972) admitted claims amounting to Rs. 14.16 lakhs only.

(b) *Norms for consumption of ink.*

In addition to paper, the other major raw material used in the printing of currency notes is ink.

On being asked (June, 1972) whether any norms of consumption of ink for printing different types of notes were fixed, the Management replied (June, 1972) that "Norms for all items have been fixed as a general guideline where supervisory staff use their discretion and regulate consumption etc."

1.59. In reply to a further query (July, 1972) asking for the details of norms fixed, actual consumption and the reasons for variations, the Management stated (July, 1972) that "the consumption of various items are generally proportionate to the production and within the reasonable limits."

1.60. No records indicating the norms of consumption and the reasons for variations, between the actual consumption and norms were, however, produced.

Stores

1.61. Bin cards for spare parts machinery are not being maintained since 1965-66, although quantity balances are indicated in the priced stores ledgers maintained in the Accounts Section. Spare parts have not been physically verified since 1965-66.

1.62. It was stated (October, 1970) by the Management that with the available staff, it was not possible to fulfil the above requirements.

[Paragraph 43(5) of the Report of the Comptroller and Auditor General of India for the year 1971-72, Union Government (Civil)].

1.63. In a note, the Ministry of Finance have stated: "It is mentioned that paper and ink are the main raw materials for the manufacture of notes and other stores are required for the maintenance of machines and cannot be classified as raw material. They are more akin to indirect material and enter into production cost as indirect material." The Committee were informed that from 1967 onwards the supplies of ink for the Press were being procured from the indigenous suppliers. As for the paper requirements the Press was dependent on the Security Paper Mill, Hoshangabad.

1.64. The Annual Report of the Ministry of Finance for the year 1972-73 reveals that the production of the Hoshangabad Security Press Mill came down to 1562 metric tonnes in 1972-73 as against 2126 metric tonnes in 1971-72. The reduction in the production was mainly due to go-slow policy adopted by the workers. The Committee enquired whether the shortfall in the production of the Security Press Mill compelled the Nasik Press to import some paper. The General Manager, Nasik Press stated in evidence: "We have imported 30,000 reams of one-rupee paper and 31,000 reams of two-rupee paper and the total foreign exchange would be about Rs. 96 lakhs or roughly a crore of rupees."

1.65. The Committee desired to know the difficulties in settling the dispute with the workers of the Security Press Mill. A representative of the Ministry of Finance stated during evidence: "Practically all the reasonable demands which were made have been met and here are no demands pending with us which can be called reasonable demands. There are certain problems like upgrading certain posts and so on, for which we have appointed an expert committee, but there were certain difficulties faced by this committee in its functioning on account of certain attitudes adopted by the representatives of the workers. Certain steps have been taken to solve these problems."

1.66. Subsequently in a note furnished to the Committee, it has been stated: "When on 14th February, 1973 Minister for Revenue and Expenditure visited this Mill to discuss the matters with S.F.M. Employees Union the following demands were discussed and decision taken:

Reduction in working hours from 48 hours per week to 41 hours per week.

It was not considered advisable to accept this demand in its present form, in view of the possible repercussions in other departmental undertakings but it was decided to make available to the employees the implied benefits. It was, therefore, considered that a target of production at 44 hours per week may be fixed having regard to the out-turn in 1971 in 48 hours work per week and extra production may be remunerated in the form of Production Incentive. Accordingly the existing Incentive Scheme was so revised retrospectively that at the level of 9 M.T. average daily production in a month an employee could earn as much as 50 per cent extra of his regular Pay and Dearness Allowance. The figures below indicate in concrete monetary terms the benefits accruable to employees in various categories of Pay scales drawing pay at the minimum level.

Scale of Pay	Regular Emoluments	Group Incentive at 9M.T. production
Rs.	Rs.	Rs.
70—85	Pay—D.A. 155 — I.R. 29 = 184	77.50
85—110	172 — I.R. 41 = 213	86.00
110—143	224 — I.R. 41 = 265	112.00
125—155	239 — I.R. 41 = 280	119.50
150—205	288 — I.R. 41 = 329	144.00
205—240	343 — I.R. 41 = 384	171.50

NB : I R. means interim relief.

(b) Proper classification of jobs, work-load etc.

To meet this demand it was decided to appoint an Expert Committee to go into the question of job classification promotion avenues and procedures, work-load, production norms and maintenance procedures. It was also decided that committee should be assisted by experts from the Administrative Staff College of India in job evaluation and time-and-motion study. Such a committee was formed under the Chairmanship of Shri R. M. Mehta, Technical Director of Triveni Tissues. The committee was to have 2 representatives of management and one of the Union as members. On a protest

from Union, the Union representation was also brought on par with management. Moreover, Government declared that the accepted recommendations of the committee will be made effective from 1st August, 1973 i.e. the date of its first meeting.

(c) *The provision of ½ hour rest/lunch break in accordance with the factories act:* This question arose only in the case of shift workers who were already allowed to have this break. However, to bring existing practice in conformity of the provision of factories Act it was ordered that shift workers will be given this break after the 3rd hour of their duty but before the end of 5th hour. A thorough review of this demand will be made after Government have taken a decision on the Third Pay Commission's recommendations, on working hours of workshop and rest intervals.

(d) *Arrears of Incentive Bonue from 1st June, 1969:* It was not possible to agree to this demand as the intention behind the introduction of Incentive Scheme itself was to restore the production to the level existing on 11th January, 1972 after which "go slow" started. The arrears were however allowed with effect from 1st June, 1972.

(e) *Free transport facility to the school going children of the employees:* The demand was considered impracticable but it was agreed to scale down the transport charges as per the standards in which the children were studying. Instead of the existing flat rate of Rs. 3.60 per student.

The new rates made effective from 3rd July, 1973 are as under:

Students of standard VI or below	Rs. 1.50 p.m.
" " VII & VIII	Rs. 2.00 p.m.
" " IX & higher	Rs. 3.00 p.m.

(f) *Payment of Night Shift Allowance as given to India Security Press employees.* The Night Shift Allowance was previously calculated at 10 minutes per night hour worked, the night being measured from 10 P.M. to 6 A.M. The rates were also lumpsum rates on slabs of pay.

In order to meet the Union's demand, the Night allowance has been revised and is now calculated at 15 minutes per night hour worked, night being measured from 7.00 P.M. to 6.00 A.M. The rate is also proportional of individual pay rate. This has been effective from 3rd July, 1973. This has got the effect of more than doubling the benefit.

In addition to the above, following facilities and concessions have also been provided.

(a) There is in existence another Incentive Scheme for those employees working on Sheet Trimming machines. Their output in excess of eight reams per day of 8 hours was paid at 0.65 paise/0.75 paise per ream. With effect from 1st December, 1973 these rates have been increased to Rs. 1.50 and Rs. 1.75 respectively. The difference in rates is for giving proportionately a bigger reward to those whose attendance is also better.

As per new rates these workers who are in Rs. 85—110 grade will earn in an average month of 25 working days if they are present all through the month and produce only one extra ream per day an extra amount of Rs. 43.75 each at the minimum level. Thus the workers of this section totally stand to get Rs. 86.00 as Group Incentive plus Rs. 43.75 as individual Incentive each.

A post of Lady Doctor has been created and action to recruit a suitable person is in hand. Simultaneously action is also in progress to expand the existing dispensary facilities so that a 4-bed maternity ward can also be opened."

1.67. A statement furnished by the Ministry of Finance showing month-wise production of Security Paper Mill during 1970-71, 1971-72, 1972-73 and 1973-74 (upto 30th November, 1973) indicating also the monetary value of production lost in 1972-73 and in the current year till 30th November, 1973 is reproduced below:

	Production			
	1970-71	1971-72	1972-73	1973-74
1. April	185.3580	237.0959	197.9039	76.8828
2. May	162.8611	235.5381	194.5345	112.3636
3. June	223.6548	243.4628	164.0163	49.7651
4. July	186.7756	246.9388	212.536	247.9473
5. August	171.8703	186.5354	156.1326	144.8236
6. September	218.8963	215.6613	217.5764	10.7537
7. October	186.2387	204.0778	173.3629	85.2512
8. November	223.7110	208.5413	167.1500	229.3231
	<u>1559.3663</u>	<u>1777.8514</u>	<u>1482.7302</u>	<u>957.1104</u>

	Production			
	1970-71	1971-72	1972-73	1973-74
9. December	252·9162	243·1447	186·2192	
10. January	268·7946	220·9022	181·6822	
11. February	241·0774	182·8681	143·3195	
12. March	254·5835	204·0225	140·5465	
TOTAL:	2576·7380	2628·7889	2134·4976	

Cost of paper as per our cost sheet of 1971-72-Rs. 9908/- per M.T. which does not include reduction instalment of preliminary expenditure or the rate of return on capital invested.

Value of Shortfall

in 1972-73 Rs. 48,97,438/-
in 1973-74 Rs. 81,31,902/-
(Upto November 1973)

It is seen from the above that as compared to 1971-72 there was a shortfall in the production in 1972-73 to the extent of 494,2913 Metric Tonnes. The shortfall in 1973-74 upto November, 1973 as compared to the production of 1971-72 was to the extent of 820,7410 Metric Tonnes. In terms of money the shortfalls in 1972-73 and 1973-74 (upto November, 1973) vis-a-vis production in 1971-72 have been estimated at Rs. 48,97,438 and Rs. 81,31,902 respectively.

1.68. The Committee are informed that after September, 1967, except for some small quantities of paper imported upto September, 1969, the entire requirement of paper was being met by the Security Paper Mill, Hoshangabad. However, during 1972-73 and 1973-74 due to labour trouble and 'go-slow' policy adopted by workers the production in the Hoshangabad Mill went down considerably. As compared to 1971-72 the production in the Mill during 1972-73 and 1973-74 (upto November, 1973) had gone down by about 494 and 820 metric tonnes respectively. The shortfall in production was of the value of Rs. 48.97 lakhs and Rs. 81.31 lakhs respectively. As a result of the shortfall in the production of the Mill the Currency Note Press had to import paper worth a crore of rupees. The authorities' inability to settle workers' demand in the Mill has thus not only resulted in the disruption of production in the Mill but also necessitated spending of valuable foreign exchange. It is unfortunate that a realistic and conciliatory attitude was not adopted, which would have saved valuable foreign exchange for the country. The Committee trust that all out efforts will

be made to bring about satisfactory normalisation of labour relations in the Mill.

Spoilage

Audit Paragraph

1.69. The percentages of allowable spoilage were prescribed by the General Manager in 1959-60. These are stated to have been based on actual spoilage experienced and also with a view to achieving better efficiency in printing and having a check on quality of products. A comparison of actual spoilages with the prescribed percentages during the last five years (1967-68 to 1971-72) is made below:

Denomination	Prescribed percentage of spoilage	Actual percentage of spoilage of paper				
		1967-68	1968-69	1969-70	1970-71	1971-72
Rs. 1	4	3.21	2.86	3.16	3.57	4.25
Rs. 2	4	4.03	3.67	3.63	3.87	4.62
Rs. 5	4	3.60	4.21	4.56	5.12	4.74
Rs. 10	4	5.49	5.31	5.84	5.86	5.78
Rs. 100	5	4.75	3.69	4.31	4.95	4.22

NOTE : The spoilage percentages have been calculated by the Press based on the consumption of paper against two six-monthly indents of the R.L.I., irrespective of the financial year in which printing of notes against each was done.

The higher percentage of spoilages has been attributed by the Management to the following:

- (i) Spoilage percentage in respect of Rupees Ten Notes was deliberately fixed low with a view to attaining better efficiency.
- (ii) 1969-70: Switching over to indigenous inks, chemicals and solutions and substitution of zinc plates with aluminium plates.
- (iii) 1970-71: "Slight fluctuations in waste percentage is inescapable as large number of factors are involved, in which paper, ink, condition of machine, human factor, settings, climate, efficiency of supervision and the number of machines etc. are involved."

(iv) 1970-71.

- (a) One rupee notes: Working of more printing units during night shift in the New Press.
- (b) Two rupees notes: "The inks in general vary in their working properties depending upon temperature and weather conditions. Some pigments viz. reds and brown have inherent drying and absorption defects. While making the ink acid/alkali proof as an additional security factor, the inks have developed a tendency to disintegrate which is inescapable and complicates the chemistry of ink coating and printing. Other body inks do give some trouble varying with weather conditions but not to the extent of Rs. 2 body ink which is most troublesome."

1.70. The spoilage in printing one rupee notes in the Old Press was found to be less than in the New Press, as shown below:

Year	Percentage of spoilage in	
	Old Press	New Press
1967-68	2.67	3.59
1968-69	2.15	3.26
1969-70	2.68	3.56
1970-71	3.64	3.51
1971-72	4.01	4.43

1.71. The higher spoilage in the New Press was attributed by the Management (October 1970) to working of the second (night) shift; when the quality of printing is not the same as in the day shift and interruptions in electrical supply (both during the day and the night shifts). The spoilage for day and night shifts has not been separately worked out by the Management.

[Paragraph 43(3.3) of the Report of the Comptroller and Auditor General of India for the year 1971-72.
Union Government (Civil)].

1.72. Referring to the prescribed percentage of spoilage of Rupees Ten Notes, the Committee enquired why the actual percentage exceeded the prescribed percentage of 4 in 1970-71 and 1971-72 as brought out in the Audit Paragraph. The General Manager, Nasik Press stated: "Rs. 10 Note average will always be 5. But we have fixed our norms that it should not be more than 5 per cent."

1.73. In reply to a question the witness explained: "In the case of ten-rupee notes, we have got two numbers, but in the case of one-rupee, two-rupee and five-rupee notes, we have got only one number. Here, there are two numbers, and therefore it takes some more time for a detailed examination; and in that examination, there is sometimes rejection."

1.74. The Committee pointed out that as the percentage of spoilage in the case of Rs. 5 and Rs. 10 notes was always more than the notional figure of 4, there was no point in continuing this figure at 4. The Secretary, Department of Economic Affairs stated in this connection: "I think it was also mentioned earlier and may be it is not the best way of doing it. These notes require careful scrutiny. There is double printing and in order to spur better promotion and better workmanship, prescribed rate has been kept rather lower than the actual achievable."

Asked whether this has actually acted as a spur, the witness said: "We cannot say that it would have been worse if we had kept it at 6."

1.75. On being pointed out that the prescribed percentage could be changed on the basis of the actual experience so as to fix a more realistic norm which could be achieved rather than something that can obviously never be achieved, the Secretary Department of Economic Affairs stated: "We will be glad to do that."

1.76. It is seen that the percentage of spoilage generally showed an upward trend upto 1971-72 but it come down in 1972-73. As to the reasons for the increasing trend upto 1971-72, the Ministry of Finance have in a note stated:

"The upward trend upto 1971-72 of increase in percentages of spoilage was due to complete indigenisation of the raw materials and spare parts. Now the manufacturers have been able to produce better quality materials, and we are able to control the spoilage to some extent."

1.77. In this connection the General Manager, Nasik Press stated in evidence: "Actually, paper is responsible for maximum spoilage."

for if the paper is not good, if the register is not correct, then we have to reject the whole thing. If the paper stretches a bit at the front and the back, it will not register well, and we have therefore to reject it. More rejections are not on account of the ink but on account of the register not being proper."

1.78. Asked whether improper mixing of the ink to get a particular hue was not responsible for the maximum spoilage, the witness replied: "Before we do this actual printing, we print a few reams on trial, and it is only when we are satisfied and the colour is perfect that we start printing the regular sheets."

1.79. The Committee desired to know about the steps taken to overcome the difficulties which were responsible for a high rate of spoilage of two rupee notes during 1971-72. In a note, the Ministry of Finance have explained: "Regarding Rs. 2 denomination notes it is stated that some pigments viz. reds have inherent drying and absorption defects which have increased spoilage. We have already taken up these matters with the manufacturers of inks to rectify the defects and gradually we have improved upon results. Apart from inks, the other raw material viz. paper also is responsible for spoilage. Sometimes we get paper with heavy watermarks, papers which lack dimensional stability and accuracy. These also contribute to the spoilage. We always take up the matter with the S.P.M. Hoshangabad who try to take corrective action at their end."

1.80. The Committee find that the percentages of allowable spoilage prescribed as long back as 1959-60 for achieving better efficiency in printing and having a check on quality of products are being considered as norms even though the actual percentages of spoilage over the years bear no comparison with them. The prescribed percentage of spoilage of paper was 4 per cent for all denominations of notes (except Rs. 100). However, the actual percentages of spoilage during 1971-72 in the case of all denominations were more than the prescribed figure. This calls for an explanation. In fact in the case of notes of ten rupee denominations the spoilage always exceeded the prescribed percentage by more than 1 per cent. The position should be carefully examined with a view to taking steps to fix the percentage of spoilage at realistic levels and to checking malpractices if any.

Exchange of soiled and damaged notes

1.81. During evidence the Committee pointed out that people were put to lot of difficulty in exchanging soiled and damaged notes.⁵ On being asked whether arrangements could be made to ensure that such soiled and damaged notes are exchanged by all

the branches of all banks, the Secretary, Department of Economic Affairs informed the Committee that as at present Reserve Bank is doing this work and in places where there is no branch of Reserve Bank, the State Bank branches were exchanging these notes. In reply to a question the Secretary, Department of Economic Affairs stated: "Sir, my information is that if a note is soiled—now there is a distinction between a damaged note and a soiled note—then any branch of the State Bank is supposed to accept the soiled note and give you a new note." When the Committee pointed out that so long as the number of a note was intact it should not be treated as damaged, the witness stated: "Really speaking, it is a matter for the banking department but we would be glad to take it up with them and consider it."

1.82. The Committee are informed that all the Reserve Bank Damaged notes could, however, be exchanged only at the Reserve the State Bank branches are required to exchange soiled notes. Damaged notes could, however, be exchanged only at the Reserve Bank branches. As a matter of common experience it is seen that the exchange of soiled and damaged notes involves a cumbersome procedure entailing lot of harrassment for the common man. The Committee think that the Ministry of Finance should, in consultation with the Reserve Bank of India, review the situation and lay down a simpler procedure for exchange of soiled and damaged notes as early as possible. One way out could be to authorise all the branches of all banks and all post offices to exchange the soiled notes.

Audit of foreign exchange transactions.

1.83. The question of audit of foreign exchange transactions by the Comptroller and Auditor General was dealt with by the Public Accounts Committee in their 56th Report (4th Lok Sabha). The Committee examined the suggestion made in the Minute of Dissent to the Report of the Sarkar Committee on steel transactions recorded by Shri P. C. Padhi regarding a system of periodical review of foreign exchange transactions by an external independent authority like the Auditor General. After considering the views of Government and the Comptroller and Auditor General in this regard, the Committee recommended that Government should take an early decision in consultation with the Comptroller and Auditor General so that irregularities in cases where specific obligations are undertaken by the parties concerned may be brought out without delay.

1.84. The Committee had made the following observations in paragraphs 1.56 to 1.60 of the 56th Report (4th Lok Sabha): "1.56. In

his Minute of Dissent to the Report of the Sarkar Committee on steel transactions, Shri P. C. Padhi had suggested a system of periodical review of foreign exchange transactions by an external independent authority like the Auditor General. During the course of oral examination, the Public Accounts Committee raised this issue and desired that the Ministry of Finance should furnish a note on the subject.

In their note, the Ministry of Finance have thus summed up the Government's views on the subject:

'While the need for periodical reviews of exchange control and import trade control procedures and internal checks can be granted, it does not seem to follow from this that such a review should be necessarily or appropriately entrusted to the Comptroller & Auditor General of India.'

The Ministry have, however, added: 'A limited suggestion is sometimes made that where foreign exchange is released as a *quid pro quo* for specific obligation undertaken (mainly, corresponding exports or barter), adequate procedures should be laid down to ensure that the obligations are actually fulfilled. Government recognizes the need for laying down clear procedures in such cases and making periodic checks as a part of its normal administrative responsibilities to verify actual compliance. Whether and to what extent the advice of the Comptroller and Auditor General could be usefully drawn upon in laying down appropriate procedures in this area is a matter on which this Department proposes to enter into consultations with Comptroller and Auditor General.'

The Comptroller and Auditor General has offered following comments on this: 'It would be desirable to consult the Comptroller and Auditor General in regard to these procedures and he may do a test-check, when he considers it necessary.'

The Committee would like Government to take an early decision in consultation with the Comptroller and Auditor General so that irregularities in cases where specific obligations are undertaken by the parties concerned may be brought out without delay."

1.85. In their reply dated the 18th December, 1969, the Government had stated: "Government's views have been communicated to the Comptroller and Auditor General, along with the information required by him on procedures etc. the matter is presently under his consideration."

1.86. The Committee were given to understand from Audit that the Ministry of Finance had referred to Comptroller and Auditor General for comments a note setting out the various types of cases where foreign exchange was released as a *quid pro quo* for specific obligations and detailing the procedures which were being followed or are proposed to be followed to watch fulfilment of the obligations. This note did not deal with the question of test-check by Comptroller and Auditor General but Government while forwarding this note to Comptroller and Auditor General had stated that in their view "no test-check by Comptroller and Auditor General is called for, the matter being one of administrative procedures rather than of financial transactions of Government. The draft procedures are under examination of Audit."

1.87. While reiterating their earlier recommendation, the Committee made the following observations in paragraph 1.37 of their 98th Action Taken Report (1969-70). "There are a number of schemes at present which relate import entitlements of parties to export performance. Parliament is entitled to know whether in these and other similar cases the country has derived the expected foreign exchange benefits. The Committee, therefore, feel that there should be some external test-check of these transactions by an independent authority like the Comptroller and Auditor General to ascertain whether import entitlements have been correctly regulated and obligations arising out of grant of import entitlements have been fulfilled. The Committee are not convinced by the argument put forward by Government that the matter is one of 'administrative procedures rather than of financial transactions of Government.' It cannot be denied that in the last resort foreign exchange spent or even earned by non-Government entities has a vital impact on the economy of the country and attracts Government's responsibility. The Foreign Exchange Regulations themselves derive from the basic premise set out in the Foreign Exchange Regulation Act, 1947 that 'it is expedient in the economic and financial interests' of the country to regulate all dealings in foreign exchange. In the circumstances, Government should themselves welcome a selective test-check by the Comptroller and Auditor General of foreign exchange transactions in so far as they involve some form of *quid pro quo*. The Committee are confident that the Comptroller and Auditor General will exercise his functions in this regard judiciously, without impinging on administrative discretion."

1.88. The Ministry of Finance did not send any reply to the above recommendation for more than three years. On being reminded in July, 1973, the Ministry informed the Committee that the matter was under consideration. The Chairman, P.A.C. wrote a D.O. letter to

the Minister of Finance on 28th August, 1973. The Ministry of Finance furnished the following note on 3rd September, 1973: "Subsequent to Ninety-eighth report of the Public Accounts Committee, the question of audit of foreign exchange transactions by the Comptroller and Auditor General was also considered by the Joint Committee of Parliament on the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Bill. In this connection proceedings at pages 51, 55, 59, 106, 107, 204; 205 etc. of the minutes of evidence given before the Joint Committee may please be referred to. In its report on the Bill the Joint Committee did not recommend inclusion of any provision empowering the Comptroller and Auditor General to undertake audit of foreign exchange transactions and the Bill was also passed by both Houses of Parliament.

Government do not consider it necessary for the Comptroller and Auditor General to test check foreign exchange transactions."

1.89. The Committee desired to know whether any specific proposal for inclusion of a provision for auditing of foreign exchange transactions by Comptroller and Auditor General was brought by Government before the Joint Committee on the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Bill, 1969 in order to enable the Joint Committee to raise a discussion at the consideration stage of the Bill. In a note on the subject, the Ministry of Finance have stated: "The Comptroller and Auditor General in his Memorandum to the Joint Committee of Parliament on the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Bill, 1969 had suggested that the Bill should contain a provision for audit of foreign exchange transactions on the lines recommended by the P.A.C. He had also referred to the recommendations of the P.A.C. in paragraphs 1.56 to 1.60 of its 56th Report. A similar suggestion, with particular reference to paragraphs 1.56 to 1.60 of its 56th Report, was also made by the P.A.C. to the Joint Committee on the C. & A.G.'s Bill. . . . Thus, the Joint Committee was fully seized of the question of audit of foreign exchange transactions by C.&A.G. The 98th Report of the Public Accounts Committee, in paragraph 1.37 of which the Committee reiterated its recommendations in this regard, had been presented to Parliament on 27-4-1970, i.e., before the Joint Committee submitted its Report on 16th November, 1970 and the Lok Sabha took into consideration the C.&A.G.'s Bill in November, 1971.

Whenever the Joint Committee required any information, comment or clarification from Government on matters included in, or connected with, the Bill as well as the Memoranda submitted to

them, the Joint Committee specifically called for them from Government. On the question of audit of foreign exchange transactions by the C.&A.G., the Joint Committee did not call for any information or clarification from Government; hence, there was no occasion for Government to make any submission to the Committee on this subject."

1.90. Asked whether the recommendation of the Committee was ever brought before the Cabinet for their consideration, the Ministry of Finance stated: "No proposal to bring the recommendation in paragraph 1.37 of the 98th Report of the Committee before the Cabinet was considered because, as stated earlier, the question relating to the audit of foreign exchange transactions by the C.&A.G. was already under consideration of the Joint Committee on the C.&A.G.'s Bill. The 'Action Taken Note' dated 3rd September, 1973, on this paragraph of the 98th Report of the P.A.C., was seen and approved by Finance Minister."

1.91. In another note, the Ministry of Finance have stated: "The reasons as recorded leading to the conclusion that Government do not consider it necessary for the Comptroller and Auditor General to test check foreign exchange transactions are briefly indicated below:

P.A.C.'s recommendation in paragraph 1.37 of the 98th Report has emanated from the P.A.C.'s earlier recommendation in paragraph 1.60 of their 56th Report (4th Lok Sabha). It may be recalled that the Public Accounts Committee in its 56th Report had referred to (a) the minute of dissent to the Report of the Sarkar Committee on steel transactions by Shri P. C. Padhi who had suggested a system of periodical review of foreign exchange transactions by an external independent authority like the Auditor General; and (b) the Government's views on the subject communicated to the P.A.C. in the Government of India, Ministry of Finance, Department of Economic Affairs Memorandum dated 28th October, 1968 appended as Appendix I to the 56th Report and the C.&A.G.'s comments on the views of the Government, and that the P.A.C. had made the recommendation that the Committee would like Government to take an early decision in consultation with Comptroller and Auditor General so that irregularities in cases where specific obligations are undertaken by the parties concerned, may be brought out without delay.

Ministry of Finance forwarded to C.&A.G. a self-contained note setting out the various types of cases where foreign exchange was released as a *quid pro quo* for specific export obligations and also detailing the procedures which were being followed or even proposed to be followed to watch the fulfilment of the obligations. The C.&A.G. was informed that it was Government's view that no test check by the C.&A.G. was called for, the matter being one of administrative procedure rather than of financial transactions of Government. The question regarding audit of foreign exchange transactions by C.&A.G. was considered by Joint Committee on the C.&A.G.'s (Duties, Powers and Conditions of Service) Bill, 1969. The Joint Committee did not recommend inclusion of any provision empowering the C.&A.G. to undertake audit of foreign exchange transactions. The C.&A.G. Duties, Powers and Conditions Act, 1971 did not include any provision for audit of foreign exchange transactions by the C.&A.G.

Government's views in the matter have not changed. In the light of these circumstances which were brought to the F.M.'s notice, the concluding paragraph of the action taken note dated 3rd September 1973 was drafted and the Note, after approval by F.M., was submitted to P.A.C."

1.92. During evidence before the Committee, the Secretary, Department of Economic Affairs, while explaining the Government's stand point on the PAC's recommendation deposed: "This is a matter which the Government has been considering and the first thing I would wish to say is that the Government is very concerned about the various aspects of any leakages in foreign exchange transactions which you have mentioned. As you are aware I was the Chairman of the Committee which made recommendations most of which are being implemented. In terms of the specific arrangement for giving replenishment licences and on the question of ensuring in what has been called the *quid pro quo* where foreign exchange is given, which basically means ensuring that the export takes place, arrangements have been made to ensure that where an obligation has been created it is fulfilled. That aspect is being carefully watched and in terms of leakages, we are trying to take whatever action is possible through certain measures. There is a bill where administrative matters are being taken care of. In the matter of providing foreign exchange for the *quid pro quo* that is ensuring that there is an export against that, the arrangements in terms of bank guarantees and other things are made.

In regard to leakage, it did take place. But we are strengthening measures to keep up with these. The point I wish to make is, this is an area for Government's executive action where we are doing whatever is possible to strengthen the arrangements.

In terms of the action that has been proposed by the Committee which relates to the C.A.G. being given specific powers, we have examined this and generally there are two aspects of this which we have considered and which are in our mind. The first aspect is the legal aspect. According to the advice that we received, audit of foreign exchange transactions and a test check of these transactions is outside the powers of the C.A.G. as at present envisaged in terms of Article 149 of the Constitution. This is what we have been advised and in terms of the present Bill defining the C.A.G.'s powers which has been passed by Parliament so that at the moment any test check of foreign exchange audit would not be warranted by the legal provisions that exist. Secondly, by and large, the foreign exchange that we provide although it has repercussions on the economy, is an area where we use the facility. Where foreign exchange transactions enter into Government accounts the C.A.G. has full authority to check accounts, examine accounts and audit them but where it is a question of the foreign exchange that Government provide, this is a regulatory power of the Government. This is not Government's money. It comes from many places and we provide this facility and we regulate this facility as we would regulate many others."

1.93. In reply to a question, the witness stated; 'By and large we have the legal difficulties and we have the other aspect—that this being a regulatory function, it is our view that this is best controlled by the Government and the agencies that we may set up in this regard, we feel that an outside independent body like the C.A.G. is not the best way to secure the results that are to be achieved in this area.'

1.94. He added: "There are many aspects. If you have a test check you go into the area of checking the accounts (the people who have used the foreign exchange facility) and that again according to the advice that we have would be going beyond the present powers. So, both on the grounds of legality and on the grounds of advisability, in terms of securing results in an area—just regulatory, we have felt very respectfully that it would be difficult to accept the suggestion given by the P.A.C. The question has been raised I think in evidence elsewhere that the Government is accountable to Parliament and that is in no way deniable. We, in all areas including regulatory area are accountable to Parliament as such. That is a direct accountability for which we will answer them through

questions or in any other appropriate ways but we feel that is an area where legally and by virtue of requirements, the control by the C.A.G. would not be appropriate."

1.95. The Committee pointed out that in view of the very tight foreign exchange position and the mal-practices involved in the foreign exchange transactions it would be appropriate if the C.&A.G. is entrusted with the work of auditing foreign exchange transactions. To this, the Secretary, Department of Economic Affairs replied: "We have great respect for the Auditor General. There are several aspects which have an impact on the economy as such, where things may be going wrong, e.g. arrangement of distribution of food, something going wrong with the distribution of cement etc. But these are areas for policing and if policing is not enough, more policing should be there, but these are not necessarily areas for the C.&A.G. to look into that and that may not necessarily produce the results."

1.96. To a question whether Section 51 of the Reserve Bank of India Act, 1934 could not be invoked to enable the C.&A.G. to have a test check of foreign exchange transactions, the Ministry of Finance have replied as under: 'The Reserve Bank of India is not required to watch fulfilment of export obligations or export performance in respect of foreign exchange transactions involving *quid pro quo* in any form. The Chief Controller of Imports and Exports is performing this function. The accounts of the Bank in relation to which selective test audit may be entrusted to C.&A.G. in pursuance of Section 51 of the Reserve Bank of India Act, 1934, would not reflect foreign exchange releases of this type and the corresponding fulfilment of export obligations. Consequently, even if Section 51 of the Reserve Bank of India Act be invoked for audit of the accounts of the Bank by the C.&A.G., it may not enable him to test check the foreign exchange transactions in so far as they involve some form of *quid pro quo* to see whether the export obligations have been fulfilled or not."

1.97. The note at Appendix I furnished by the Ministry of Finance gives details of the existing procedure followed to ensure that specific obligations in regard to foreign exchange transactions involving some form of *quid pro quo* undertaken by parties concerned are fulfilled. The Committee desired to know whether any irregularities, non-fulfilment of obligations etc. came to notice as a result of the checks as were exercised during the past five years and if so the details thereof and the action taken thereon. In a note, the Ministry of Finance have stated: "The Chief Controller of Imports and Exports Organisation exercises the necessary checks to watch the fulfilment of export obligations and takes action under

the Import Trade Control Act. Information about the irregularities, non-fulfilment of obligations etc. noticed by them in the case of advance licences and capital goods licences issued during the past five years and the action taken by them in such cases has been called for from the Chief Controller of Imports and Exports.

The Audit Wing of the Ministry of Finance, Department of Economic Affairs, also exercises a selective test check. Such test check of the records of the Imports and Exports Licensing Officers by the Audit Wing of the Ministry of Finance, Department of Economic Affairs during the Past five years disclosed certain irregularities, non-fulfilment of obligation etc. Out of a total of 249 cases of advance licences of the value of Rs. 11.26 crores (involving fulfilment of export obligations of the value of Rs. 36.47 crores) test checked by the Audit Wing, in 50 cases of the value of Rs. 4.79 crores (involving fulfilment of export obligations of the value of Rs. 12.03 crores) default of the value of Rs. 3.89 crores in the fulfilment of export obligations was noticed and reported to the licensing authorities for necessary action. Completion of final action by forfeiture of bank guarantee in 4 cases and adjustment of future entitlement against shortfall in three cases (Rs. 1.23 lakhs) has been reported by the licensing authorities. The remaining 47 cases are still under correspondence with the licensing authorities/CCI&E. In 8 cases irregularities like delay in execution of bond agreeing to fulfil the export obligations or bank guarantee were noticed."

1.98. The Committee enquired about the procedure followed in regard to audit of such foreign exchange transactions in other countries such as U.S.A., U.K., Canada and Australia etc. In this connection, the Ministry of Finance have stated: "Other countries like U.K., Canada, Australia and U.S.A. do not have import and exchange controls as we have in this country. The procedure followed in regard to audit of foreign exchange transactions, if any, in other countries is being ascertained from our Missions in those countries and will be furnished to the P.A.C. on receipt."

1.98. The question of having a selective test check independently by the Comptroller & Auditor General of India of the foreign exchange transactions in so far as they involve some for *mof quid pro quo* has been engaging serious attention of the Committee for some years. They have been informed now that apart from other considerations, it would be inappropriate to entrust the check of these transactions to the C&AG as he is not authorised by law to do so. The Committee have already clearly brought out the considerations which very much warrant such a check vide paragraph 1.37 of the 98th Report (1969-70). Their examination of issues involving foreign

exchange transactions from time to time, has revealed serious and widespread lapses and malpractices. They are therefore, fully convinced that it will be in the economic and financial interests of the country if their suggestion for an independent test check of foreign exchange transactions is accepted. Otherwise it would undoubtedly give a free hand to the economic offenders, which could not possibly be the Government's intention.

1.99. The Committee note that at present there are several categories of cases in which foreign exchange is released subject to an export obligation. These are: (i) advance import licences issued to Registered Exporters, (ii) Capital goods licences issued subject to an export obligation, (iii) Approval of foreign collaborations granted subject to an export obligation, (iv) barter deals and (v) Release of foreign exchange for location shooting of films abroad subject to certain conditions. The fulfilment of export obligation in most of these cases is being watched by the "Export Promotion Cell" in the Office of the Chief Controller of Imports and Exports. The Audit Wing of the Department of Economic Affairs exercises a selective test check. That this check is absolutely inadequate is clear from the fact that during the past 5 years only a meagre 249 cases of advance licences of the value of Rs. 11.26 crores have been covered. However, the result of even this inadequate check is very disturbing. In 20 per cent of the cases checked serious defaults in the fulfilment of export obligation have been detected.

1.100. In view of the above the Committee reiterate their recommendation contained in their 98th Report (Fourth Lok Sabha). They would specifically ask Government to strengthen the existing arrangements for the check of such foreign exchange transactions. Further Government should consider amending the law to have test check of these transaction by the C&AG. In the meanwhile the C&AG should be requested to take it up rightaway on a "consent basis" so that no time is wasted.

CHAPTER II

MINISTRY OF HOME AFFAIRS

Expenditure on Police

Audit Paragraph

2.1. The variation in expenditure under some of the heads mentioned in the preceding paragraph are analysed below:—

- (a).....
 (b) Administrative Services

	1969—70	1970—71	1971—72
	(Crores of rupees)		
Police	86.16	101.60	118.82

The increase is mainly due to adjustments in the current year of certain liabilities of earlier years, more expenditure on movement of police battalions, Central Reserve Police, Border Security Force and Central Industrial Security Force.

[Para 4 of the Report of C.&A.G. Union Genl. (Civil) for 1971-72]

2.2. Referring to the increase in expenditure from Rs. 86.16 crores in 1969-70 to Rs. 101.60 in 1970-71 and Rs. 118.82 crores in 1971-72, the Committee desired to be furnished with the break-up of expenditure. In a statement furnished to the Committee, the Ministry of Home Affairs gave the break-up of expenditure as follows:—

Units of Expenditure	Actual Expenditure incurred during the years .			
	1968—69	1969—70	1970—71	1971—72
1	2	3	4	5
<i>Police :</i>				
Central Reserve Police	13,42,88,402	22,46,56,141	26,62,42,627	32,32,51,675
National Police Academy	20,56,313	22,57,997	21,61,466	[24,11,942

1	2	3	4	5
Central Detective Training School	6,94,138	7,87,306	7,94,294	8,66,514
CRP Training College	5,66,587	14,99,619	20,69,749	26,29,034
CRP Recruitment Training Centre	8,90,881	27,40,063	31,97,681	39,02,665
Central Bureau of Investigation (Deptt. of Personnel)	1,59,35,485	1,79,32,858	1,94,03,599	2,13,02,165
Grants-in-aid, Contribution etc.	10,20,187	10,21,514	14,46,295	15,53,830
D.G., Border Security Force	25,43,54,183	30,49,23,924	33,97,77,337	42,48,99,398
Border Check Posts	5,27,60,453	7,09,72,416	8,76,36,240	2,27,64,992
Indo-Tibetan Border Police	—	—	—	6,83,30,293
Assam Rifles	Provision included in Arunachal Pradesh		15,16,40,000	14,63,95,000
Central Finger Print Bureau	4,34,290	4,26,298	4,39,984	4,43,719
Central Forensic Science Laboratory (M.H.A)	5,90,257	8,18,060	19,18,038	6,91,882
Central Forensic Science Laboratory (Deptt. of Personnel)	—	—	—	8,28,983
Govt. Examiner of Questioned Documents	3,58,937	4,69,495	6,82,623	6,55,962
Inter-State Police Wireless Scheme	45,50,934	37,39,685	61,24,985	86,51,434
Regional Registration Officer	3,39,633	3,32,002	3,37,178	4,26,876
Charges paid to other Govt. Deptts.	6,69,73,032	2,97,00,939	2,78,06,069	4,99,27,697
Registration & Surveillance of Foreigners	—	84,53,024	1,11,01,492	26,79,661
Expenditure on providing Guards	—	79,500	9,300	—
Hospitality and Entertainment Expenses]	—	—	549	1,301
Police Awards	1,661	1,167	1,584	430
Bureau of Police Research and Development	—	—	2,14,782	5,41,725

1	2	3	4	5
Institute of Criminology & Forensic Science	—	—	—	1,34,125
Central Industrial Security Force	—	20,18,912	10,08,12,570	2,30,41,868
Total : Police	53,58,15,313	67,28,31,220	93,38,18,442	110,63,33,201
Delhi	5,55,50,933	6,20,85,000	7,44,48,000	7,81,75,000
Chandigarh	65,93,558	61,78,000	73,68,000	70,74,000
Andaman & Nicobar Islands	81,37,103	87,05,000	93,36,000	72,08,000
Arunachal Pradesh	13,77,46,233	13,29,06,000	80,62,000	1,23,56,000
Dadra & Nagar Haveli	2,80,798	3,23,000	4,59,000	3,76,000
Laccadive, Minicoy & Amindivi Islands	2,80,610	3,21,000	4,33,0000	7,87,000
Mizoram	—	—	—	7,84,000
	74,44,04,548	88,33,49,220	1,03,39,24,442	1,21,30,93,201
Deduct recoveries From other Govt. Deptts.—	(—)1,83,71,780	(—)2,17,31,000	(—)1,79,22,000	(—)2,48,77,319
Grand Net : Expenditure	72,60,32,768	86,16,18,220	1,03,60,02,442	1,18,82,15,882

The expenditure was Rs. 1,30,90,54 during 1972-73 and Rs. 1,27,19,15,500 during 1973-74 (Revised Estimates).

2.3. Explaining the reasons for increase in expenditure on Police, the Secretary, Ministry of Home Affairs stated: "So far as I can see, the main reason for the increase in expenditure is relatable to four major heads. There are four major items which account for quite a large part of the increase. They are, CRP, BSF, ITBP and the CISF. These, between them, account for probably the bulk of the increase in costs. In regard to CRP and BSF, it has been more a case of rationalisation, I would not say more, but, substantially a case of rationalisation of the existing forces. They were called by a certain name. Now, they are called by a different name for better command and control purposes. It would be easier to command and control, if you have a single organisation, than a mixture of forces like the India Reserve, Madhya Pradesh Police and so on. By bringing them under a single command and control, we can have better discipline, training, officering and so on. You can have some kind

of a rational pattern." He added that "the CRP and the BSF, between them, account for quite a large part of the increase in costs. Then, I come to ITBP. Here also, this is a case of rationalisation rather than a case of net increase. Upto a certain year, that is to say, upto 70-71 inclusive, the cost of this Force was shown in the Budget under the Head 'Border Check Posts.' This was so until some time ago. Then, it was transferred to some other head, this required a head of its own. So, from 1971-72, you have this specific figure about ITBP. Then, there is CISF. Of course, this is a new raising altogether. The increase in the strength of the Force has been ten-fold in four years. Naturally, this has got reflected in the cost increase. These are the major raisings, I would say, accounting for the increase. We feel these are all thoroughly justified and our present experience also is in line with that. Not a month passes in which we do not have pressing requests from State Governments on account of one trouble or the other and it is a fairly intricate task of operation and control to ensure that the optimum deployment, as it were, of the forces is available."

2.4. Referring to recommendation made in para 4 of the 36th Report (Third Lok Sabha), the Committee desired to know the action taken on the findings of the Committee of Officers set up to examine the question of streamlining the police force with a view to reducing the expenditure and avoiding duplication. The Secretary, Ministry of Home Affairs, stated that one Central Border Security Force was brought into existence under an Act of Parliament and a number of India Reserve Battalions have also been attached to it. The Government of India have thus assumed direct responsibility for the security of the Indo-Pakistan border although the policing of the borders constituted the main duties of the border security force it can also be used for internal security purposes. So, one of the outcomes of that thinking was raising of the B.S.F. and the other part of it was embodiment of certain India Reserve Battalions into C.R.P. The witness added that "we have removed duplication and that is the reason, the costs had to go up."

2.5. The Committee are very much concerned over large scale and continuous increase in unproductive expenditure on police in recent years. This is particularly deplorable in a poverty stricken country. The expenditure on police increased from Rs. 3 crores in 1950-51 to Rs. 48.27 crores in 1966-67, Rs. 72.60 crores in 1968-69, Rs. 118.82 crores in 1971-72, Rs. 130.91 crores in 1972-73 and Rs. 156.40 crores (BE) in 1974-75. This means a 52 times increase in 24 years. This is by any standard an alarming increase. There has been a large scale increase in Central Reserve Police, Border Security

Force and relatively recently created Central Industrial Security Force. The Committee are surprised that police forces of such large strength should be necessary over and above the substantially large forces of the State Governments who are required to do precisely the same job and are responsible for maintaining the law and order. (It is understood that the expenditure on State Police Forces has also risen to more than Rs. 300 crores during 1973-74). According to the Ministry of Home Affairs, the increase in expenditure is justified in view of pressing requests from State Governments for the deployment of central police on account of one trouble or the other.

2.6. The Committee feel that expenditure on Police organisations of different kinds has been increasing at such a rapid rate that it calls for an urgent review by an independent high powered Commission. The expenditure on Police both at the Centre and in the States has reached levels where clearly they are eroding the resources available for developmental activities. The Committee trust that Government will take a decision in this matter and appoint the Commission within the next two or three months.

Central Reserve Police

2.7. The Committee desired to know the reasons for increase in the expenditure on C.R.P. from Rs. 13.54 crores in 1968-69 to Rs. 32.33 crores in 1971-72. In a statement (Appendix II) furnished to the Committee, the Ministry of Home Affairs stated that upto 1964-65, there were 16 Battalions. During the period 1965-66 to 1972-73, 16 additional CRPF battalions were raised and 28 battalions of India Reserve Battalions were merged with the Central Reserve Police Force. The increase in expenditure was also partly due to more deployment of the Battalions, reorganisation of the force, increase in D.A. etc.

2.8. The Committee desired to know the reasons for increasing the strength of the CRP Force, the Home Secretary stated during evidence: "The strength of the CRP in 1965 was 17 battalions. The size of the force was considered small at that time for the various tasks facing the armed police in the country particularly in the context of problems of insurgencies in the North-East region and also infiltration problem of J&K and so on. There were requests from State Governments for more force and, in fact, the Central Government had to borrow a number of State battalions from some States in order to make use of centrally deployed forces in other parts of the country. In 1965 itself it was the case that such borrowed battalions numbered not less than 55 and so the point was

considered whether this position under which the Central Government had over the years come to have a fairly large commitments which were having to be fulfilled on the basis of borrowed battalions was a satisfactory one or not. And the view taken was that it was not a satisfactory situation. On the very narrow place of financial arrangements it was not satisfactory as it was reckoned to be a cheaper proposition to have a regular CRP battalions.

Consequently a number of these borrowed battalions were incorporated in the CRPF. Out of these 55 borrowed battalions which we had in 1965, 44 were termed as India-reserve battalions. In view of these reasons beginning in 1967 we started a policy of incorporating some of these State battalions into CRP and the Centre did so to the extent of 28 India-reserve battalions, that is, 7 in 1967, 19 in 1968 and 2 in 1969. Of the remaining 16 India-reserve battalions nine were embodied in another force, e.g. BSF and four in SSB."

2.9. The Secretary, Ministry of Home Affairs further explained, that "Today we have 60, i.e. 33 more have been added. Out of this 33, 18 Battalions were converted; no new raisings were involved in these. So the new raisings were 15 and out of this 15, seven were raised in 1968-69 in lieu of 7 I.R. battalions taken out of internal security duties and because of the need felt on account of the demands of the State Governments and the requirements of the situation in certain areas. Eight more had to be raised in 1971-72 and these were with reference to the Bangla Desh situation which was emerging at that time. So, when you come to think of it, the increase in terms of new raisings has not really been all that 'phenomenal'... I would say that the increase has been fairly normal. In fact, we in the Home Ministry think that we could have done with some more increase, but we have tried to manage with the least level we could manage with."

2.10. In a written reply, the Ministry of Home Affairs stated: "The justification for the increase was the law and order situation existing at the time of such raisings. The incorporation of the Indian Reserve battalions already on loan to the Government of India was on account of providing better supervision and improving the command structure and as a measure of rationalisation of the multiplicity of para-military forces deployed for maintenance of internal security."

2.11. The Committee desired to know about the cases where CRP Forces were deployed without a request from the State Government concerned. In a written reply, the Ministry of Home Affairs stated: "The CRPF is an armed Force of the Union raised

under Entry II of the Union List in the Seventh Schedule to the constitution. As the Central Government have a duty to go to the aid of States in preservation of internal peace and tranquillity, the CRP units are lent to the States on their request. Besides protecting the States from internal subversion, the C.R.P. units can also be used to protect the property of the Central Government and its affiliates.

Cases where the CRP units were sent to the States without the States' request for it, are as follows:—

- (i) In 1968 the CRP personnel were deployed in Trivandrum (Kerala) to protect the office of the Accountant General from the fury of a violent crowd who had surrounded the office.
- (ii) In 1969 the Government of West Bengal asked for withdrawal of CRP personnel deployed at Farraka Barrage. The request was not agreed to as the CRPF personnel were deployed at the Farraka Barrage for protection of the property belonging to the Central Government. The State Government were accordingly informed.
- (iii) In another instance in the year 1969, the Government of West Bengal demanded withdrawal of CRP contingents deployed in West Bengal for law and order duties. Keeping in view the request of the State Government, the CRP personnel deployed with the Government of West Bengal were withdrawn from active duty.

There has been no other case where any State Government objected to the deployment of the CRP in their areas on active duty. In fact the demands from the States for assistance of the CRP are so pressing that it often becomes difficult to meet them."

2.12. The following statement shows the number of times CRP was deployed for law and order duties during 1973:—

Andhra Pradesh	9 times
Assam	6 times
Bihar	1 time
J. & K.	3 times
Kerala	2 times
Manipur	2 times

Maharashtra	4 times
Madhya Pradesh	5 times
Meghalaya	3 times
Mysore	4 times
Nagaland	1 time
Orissa	2 times
Rajasthan	6 times
Tamil Nadu	14 times
West Bengal	8 times
Uttar Pradesh	12 times

At the instance of the Committee, the Ministry of Home Affairs furnished the following statement indicating break-up of outstanding amounts due from the States for deployment of C.R.P. Forces:

	Upto	1968-69	1969-70	1971-72	1971-72	1972-73	Total
Assam		1,21,36,732	68,65,237	31,73,364	1,24,56,009	1,25,80,592	4,72,11,934
West Bengal		20,76,815	5,09,774	4,02,87,599	5,67,25,165	3,85,42,309	13,81,41,662
Kerala		3,88,762	25,95,960	57,87,538	35,68,774	72,85,279	1,96,26,313
Andhra Pradesh		60,154	78,55,096	1,03,58,937	60,77,636	2,26,00,402	4,69,52,225
Maharashtra		..	1,33,086	5,05,019	..	..	6,38,103
Gujarat		77,13,033	21,33,575	..	..	..	1,08,46,608
Bihar		16,39,377	..	24,43,554	62,44,477	44,54,713	1,47,92,121
Tamil Nadu		84,000	..	12,77,549	13,61,549
Punjab		7,02,514	..	..	7,02,514
Himachal Pradesh		86,392	..	..	86,392
Haryana		5,43,631	..	..	5,43,067
Mysore		2,23,631	1,26,580	3,50,211
Rajasthan		3,03,865	3,03,865
Manipur		2,04,77,904	2,04,77,904
U.P.		5,94,094	5,94,094
Meghalaya		18,52,987	18,52,987
Tripura		88,30,771	88,30,771
Orissa		2,25,006	2,25,006
		2,40,24,873	2,10,92,728	6,39,71,984	8,52,95,692	11,91,52,051	31,35,37,328

2.13. Asked about the steps to recover the dues, the Ministry stated in a written reply: "After the deployment of the C.R.P. units in the States, bills regarding the cost of deployment are sent to the States by the Directorate General, C.R.P. and the reminders are also issued from time to time in case of defaulting States. A quarterly return is sent to the Ministry of Home Affairs about the progress of recoveries. The State Governments were reminded demi-officially at Home Secretary's level vide d.o. letter dated August 12, 1972. Simultaneously D.G./C.R.P. was advised to ask his field officers to contact the concerned State officials personally in order to expedite the recovery of dues."

2.14. At the instance of the Committee, the Ministry of Home Affairs have furnished the following information about the percentage of the personnel in Central Reserve Police Force recruited from different States:

STATES	PERCENTAGE
1	2
Andhra Pradesh	1.72
Assam	1.38
Bihar	8.88
Gujarat	0.16
Himachal Pradesh	4.89
Haryana	12.31
Jammu & Kashmir	3.04
Kerala	11.70
Madhya Pradesh	2.85
Manipur	0.11
Maharashtra	4.47
Mysore	1.62
Meghalaya	0.03
Nagaland	0.03
Orissa	1.34
Punjab	7.41
Tamil Nadu	1.54
Tripura	0.31
Uttar Pradesh	21.50
West Bengal	1.97
Rajasthan	10.26

UNION TERRITORIES

Andaman and Nicoba-	0.01
Arunachal Pradesh	0.03
Delhi	0.77
Goa	0.01
Mizoram	0.16
Nepal	1.22
Sikkim	0.03
Pondicherry	—

2.15. The Committee note that the expenditure on the Central Reserve Police has increased from Rs. 13.57 crores in 1968-69 to Rs. 32.33 crores in 1971-72 and to Rs. 38.78 in 1973-74. Upto 1964-65 there were only 16 battalions. During the period 1965-66 to 1972-73, 16 new battalions were raised and 28 battalions of the Indian Reserve Police were merged with Central Reserve Police Force. The total number of battalions at present stand at 60. In view of the fact that the merger of the Indian Reserve battalions with the Central Reserve Police force, Border Security Force and SSB has been almost completed, the Committee stress that there should be no further increase in expenditure.

From information furnished to them, the Committee find that during the year 1973, the Central Reserve Police was deployed 82 times in the various States. There were three cases in 1968-69 where the CRP units were sent to the States of Kerala and West Bengal without their requests including one case where the Central Government refused to remove CRP inspite of insistence of State Government.

2.16. The Committee note that there are large amounts of outstanding dues from the State Governments for deployment of Central Reserve Police Force in the past. It is indeed surprising that the Central Government should have allowed accumulation of arrears of the magnitude of Rs. 31.35 crores. It is necessary to emphasise this as out of the arrears a sum of Rs. 2.40 crores relates to the period upto 1968-69. The only step taken at the higher level by the Government all these years appears to have been the

writing of a mere demi official letter in August, 1972. The Committee stress that the vigorous efforts should be made to recover the outstanding dues from the State Governments expeditiously.

2.17. The Committee note that out of the total strength of the Central Reserve Police Force, the persons recruited from Uttar Pradesh accounted for 21.50 per cent, Haryana 12.31 per cent, Madhya Pradesh 2.85 per cent and Rajasthan 10.26 per cent. The Committee would suggest that recruitment should be made as far as possible from every part of the country.

Central Border Security Force

2.18. In a written reply, the Ministry of Home Affairs have stated:—

The Central Border Security Force has been brought into existence by taking over number of erstwhile State battalions under a unified command and control. A number of 'India Reserve' battalions have also been embodied to it. The Government of India have thus assumed direct responsibility for the security of the Indo-Pakistan border. Although policing of the borders constitutes the main duty of this Force, it can also be used, in certain situations, for internal security purposes.

The information about the raising of the BSF during the period 1968-69 to 1972-73 is given in the statement placed at Appendix III. The reasons for increase in expenditure have also been enumerated therein. Before coming into being of the BSF, the State Police battalions including the India Reserve battalions were responsible for the border security. The State Governments were reimbursed the cost of the battalions deployed on border security duties. As a part of rationalisation process and to improve the existing measures for border security when it was decided to raise the B.S.F. Gradually, these State battalions were taken over in the B.S.F. In addition, where the considerations of border security required augmentation of the force, additional new raisings in the B.S.F. were allowed."

2.19. In a note furnished to the Committee, the Ministry of Home Affairs have furnished the following information about the welfare scheme of the Border Security Force:—

"With a view of establishing proper rapport with the local population, the B.S.F. initiated a scheme of Border Welfare albeit on a very modest scale in 1970. Assistance

given under the Scheme supplements on a very modest scale the efforts of the State Governments. Under the Scheme, assistance is provided by way of some medical relief, provision of books, note-books, slates and uniforms for schools children, some warm clothing for very poor people living in high altitude areas, construction of some crossed drainage works, for repairs of equipment and maintenance of community schools. In some cases assistance has also been given for construction of schools and panchayat-ghars.

The amount spent on border Welfare Scheme in relation to the total expenditure on the Force since 1970-71 is as follows:—

Year	Amount spent on border welfare scheme of the B.S.F. (Rs. in lakhs)	Total expenditure on the BSF (since 1970-71) (Rs. in lakhs)
1970-71	1.29	3607
1971-72	1.26	4450
1972-73	.86	4465

2.20. The Committee are deeply concerned to note that the expenditure on Border Security Force has increased from Rs. 25.44 crores in 1968-69 to Rs. 42.49 crores in 1971-72, Rs. 45.90 crores in 1973-74, Rs. 57.41 crores in 1974-75 (Budget Estimate). In view of the fact that there is a large standing army the bounden duty of which is to guard the borders of the country, this amounts to another instance of duplication which could be ill-afforded. Moreover till 1968 the States forces were successfully guarding the borders. There is an appreciable rise in expenditure even after the cessation of hostilities on the Eastern border where we have now a friendly neighbour.

2.21. During the passage of the Bill in 1968 the Home Minister's indication as to the purpose of the force was policing of the Border on the other side of which there were hostile countries. Today although the situation has greatly changed in our favour, yet the country has to pay higher amount for the same purpose. This calls for an explanation.

2.22. The Committee note that with a view to establish rapport with the local population, the border security force initiated a

scheme of Border Welfare on a modest scale in 1970. Under this scheme assistance is provided by way of some medical relief, provision of books, uniform etc., to school children and warm clothing for poor people living in high altitude areas, construction of some cross drainage works, for repairs of equipment and maintenance of community schools. The expenditure was Rs. 1.29 lakhs in 1970-71, Rs. 1.26 lakhs in 1971-72 and Rs. 86,000 in 1972-73. The Committee are surprised that such a small amount was allocated for welfare activities of this nature and would recommend that such activities should be financed on an adequate scale.

Central Industrial Security Force

2.23. The Committee desired to know about the working of the Central Industrial Security Force. The Secretary, Ministry of Home Affairs explained "This force came into existence in 1969-70, with a very minimum quantum of men, mostly taken over from the existing watch and ward personnel of some of the public sector organisations. The present strength of the Force is 15,545 to be precise. In 1971-72, it had a strength of 10,220. It is a very young Force, I should say, and still at a formative stage and it has all the problems of young Force, going through various kinds of teething troubles of organisation and officering and so on.

2.24. In a written reply, the Ministry of Home Affairs have stated:

"The absence of well trained and disciplined watch and ward force for better protection of the undertakings of the Central Government was felt for a long time. In order to meet this objective, the Central Industrial Security Force was created in 1969 by an Act of Parliament. The present sanctioned strength of the Force is 17,330 personnel.

The Force is administered by the Inspector General assisted by some headquartered staff. For administrative convenience, the Force is divided in three zones, each placed under the overall supervision of an officer of the rank of Dy. Inspector General. There is a Training College of the Force at Hyderabad.

The C.I.S.F. has so far been inducted into 71 public sector undertakings. The induction of the Force in an undertaking is done after a formal request is received from the undertaking concerned. The staff strength deployed is decided in mutual consultation of the officers of the

Force and those of public undertakings, keeping in view the overall security requirements of the undertaking.

In view of the good work done by the Force, the demand for induction of the Force from various undertakings has gone up considerably and it has not been made possible for the Force to keep up with the demand. Steps, are therefore, being taken to increase the recruitment and to augment the training capability of the Force.

In view of the ascent origin of the Force, no management review has taken place about the utility of the Force but the same can be inferred from the appreciation of the services rendered by the Force, by controlling authorities of the Public undertakings. The Force has been instrumental in considerably preventing the theft of goods from the undertakings through better watch and ward. For example in Durgapur Steel Plant as against 4,375 thefts of brass bearings in 1970-71 the number of thefts came down to only 150 in 1972-73. Similar achievements has resulted in the Calcutta Port Trust, Bhilai Steel Plant, Madras Port Trust and other undertakings where the Force is deployed. It can, therefore, reasonably be informed that the CISF has been able to fulfil the objectives for which it was created.

The strength of the C.I.S.F. for the period from 1969-70 to 1972-73 was as follows:—

Year	Manpower strength as on 31st March
1969-70	1,568
1970-71	5,427
1971-72	10,220
1972-73	15,545

The increase in the C.I.S.F. was a result of additional demands coming from public sector undertakings and increase in the activities of the Force consequent on their deployment.

2.25. The Committee enquired about the outstanding dues on account of deployment of CISF, the Ministry of Home Affairs, in

a statement (Appendix) indicated the total amount as Rs. 2.35 crores as on 1-12-1973. The Ministry stated that continuous efforts are made for the recovery of the dues on account of the deployment of CISF. Officers posted in the undertakings try to expedite recoveries through personal contacts. Regular reminders are also issued from the Zonal Headquarters and headquarters of the Force. When necessary, efforts are also made through the Ministry of Home Affairs."

2.26. The Committee note that the strength of the Central Industrial Security Force which came into existence in 1969-70, increased from 1568 to 15545 in 1972-73. Forces have so far been inducted into 71 public sector undertakings. The Committee feel that already a large number of police forces have been created. In their opinion Government should review the entire position to see whether it is necessary to have such a large number of forces each created for performing limited functions in addition to the one responsible for overall maintenance of law and order and protecting Government properties.

2.27. The Committee are surprised to find that a total amount of Rs. 2.35 crores was outstanding as on 1st December, 1973 from the various State undertakings for the services rendered by the Central Industrial Security Forces, and part of the arrears relate to the year 1971-72. The Committee are of the opinion that there is no justification for any amount to remain outstanding. This force is assigned to every public undertaking with full regard to its requirements and on the clear understanding that it is liable for meeting the expenditure on this account. The Committee would await the progress of the recovery of arrears.

Modernisation of Police

2.28. The Committee asked the steps taken towards modernisation of State Police Forces and providing financial assistance to States. The Joint Secretary, Ministry of Home Affairs stated: "Starting from the year 1969-70, we have been providing financial assistance to the States for the modernisation of Police forces. In fact, there has been a demand for this sort of assistance from the Centre since a very long time, as the States were pleading that they were short of funds for the type of modernisation that is required to meet the type of criminals and the type of crimes that are being committed in the modern age. So, starting from 1969-70 we have been providing this assistance, and today the total assistance that we have provided to the States is Rs. 22.50 crores. For

the current year, i.e. 1973-74, we have a provision of Rs. 8 crores, but due to certain restrictions placed by the Government on considerations of economy, a decision has been taken to curtail this budget provision. An exercise is now in the Ministry, and probably there would be a saving of Rs. 2.5 crores out of this year's budget grant."

2.29. The purpose of this assistance is mainly provision of two or three major items of Police development. One is providing better mobility to the Police forces by providing them with better transport. The second is providing them with better communication facilities—and communication means providing them with VHF sets which one of our public sector undertakings is manufacturing, by channelising the supply. The third major item of help is equipping them with forensic science laboratories. In fact, we now give assistance of roughly about Rs. 5 lakhs towards the building part and there is no limit for the other parts. But we assess the type of equipment required for the Forensic Laboratories and the need of the States and give assistance accordingly. So, these are the items of help from the Centre to the States, I would say, in the non-Plan sector. In fact, there has been a demand from the States that there are certain major aspects of Police development which hitherto have been neglected in the States due to paucity of funds, and that this paucity of funds was due to the fact that this is a non-Plan subject, and therefore, in future at least some of the major Police development items should be included in the Plan. In this respect also, we have carried on a dialogue with the Planning Commission. I think during the course of the last one year we have had a couple of meetings with the Planning Commission—one at the Secretary's level and later at my level to work out the details—and at the official level there has been some break-through in the thinking and the recommendation of the Officials Committee was that certain items should be included in the Plan; but the Planning Commission is yet to take a final view of that."

2.30. In a written reply, the Ministry of Home Affairs have stated:—

"The Scheme of Modernisation of Police Forces was introduced in 1969-70 and since then an amount of Rs. 19.80 crores has been given to the States on loan-cum-grant basis. The assistance under the Scheme is given for provision of greater mobility, better tele-communications and provision of scientific aids to investigation. The loan component of the scheme is 75 per cent and 25 per cent is treated as grant-in-aid."

2.31. The Committee are informed that a scheme for modernisation of police force was introduced in 1969-70 and since then an amount of Rs. 19.80 crores has been paid to the State Governments on loan-cum-grant basis (75 per cent loan and 25 per cent grant). The scheme aims at greater mobility, better tele-communication, and providing scientific aids to investigation, as in the past due to paucity of funds, certain major aspects of police development were neglected. The question of inducting major police development items in the Plan has now been taken up with the Planning Commission.

2.32. The Committee however are extremely distressed to note that in spite of heavy expenditure on police in the Centre as well as in the States, the crimes alround, particularly economic crimes of various types, are very much on the increase and the performance of the police has been far from satisfactory as large number of cases of atrocities on Scheduled Castes and Scheduled Tribes continue to occur and minorities continue to have a feeling of insecurity. What is more, there is involvement of police personnel (including senior officers) in serious crimes.

Incidence of Crimes in Delhi

2.33. At the instance of the Committee, the Ministry of Home Affairs furnished a note explaining the position regarding the incidence of crimes in Delhi and the steps taken to control it.

The figures of crimes under the Indian Penal Code reported in the Union Territory of Delhi over the last five years 1969—73 is as follows:—

Dacoity	2	28	15	27	26
Murder	96	123	114	133	151
Attempt to murder	94	136	159	195	240
Robbery	43	363	327	378	454
Riots	92	192	241	447	417
Burglary	1230	3349	2640	3105	3033
Thefts	9997	18011		18720	19558
Misc. I.P.C.	6051	8041	9002	8587	10098
	17605	31243	29235	32592	34174

There was a sharp increase in the registered crimes from 17605 in 1969 to 31243 in 1970. Thereafter the rate of registration decreased in the year 1971 to 29235 and it increased in the year 1972 to

32592 and further increased in 1973 to 34174. A comparative statement of the crime figures in Urban Delhi and Calcutta is given below:—

	1968	1969	1970	1971	1972
Calcutta	11864	10801	10588	10911	9793
Delhi	15768	16254	28890	26933	30054

2.34. The marked increase in registration in the year 1970 was due to a decision taken to allow free registration of crimes in Delhi with a view to avoiding burking i.e., artificially reducing registered crime by discouraging complaints. This policy of free registration permits a more realistic assessment of the pattern and the situation of crimes in Delhi. The comparative figures of registration of crimes in Urban Delhi and Calcutta would show that the crimes registered in Delhi are higher. The volume of crime is also related to the increase in population. Resident population in Delhi has been increasing annually by one to two lakhs. Apart from this, resident population, there is a floating population in the city which materially contributes to criminal activities because of the adjoining States borders. The rapid urbanisation of the rural areas of the Union Territory of Delhi also contribute to a higher rate of registration of crime. Lastly, Delhi is the capital of the country, the seat of Parliament and the Central Government and headquarters of all political parties. Any happening anywhere in the country or even abroad has its effect in the city often resulting in demonstrations and law and order situation. The commitment of the Delhi Police for such demonstrations and processions etc., is so heavy that it detracts them from their normal functioning in regard to the prevention of crime, detection and investigation of cases registered with the police.

2.35. It was felt that to create immediate impact on the crime situation in Delhi, police presence on the streets by way of foot-patrolling in day and at night, has to be increased. As a long term measure, a proposal is being examined to sanction two additional battalions of the Delhi Armed Police in addition to the existing four battalions. As an immediate measure two battalions of the Central Reserve Police have been placed under the Delhi Police and these battalions have largely taken over the static guard duties and other such commitments of the Delhi Police. The men of the

Delhi Police so released are being put on duty for patrolling and this patrolling is being effectively supervised by senior rank officers of the Delhi Police. The Home Guards have been called up to reinforce the police in night patrolling. It is expected that this increase in the presence of the Police on the streets and the resultant surveillance by the police will go a long way in preventing crime in the urban areas of Delhi. The following steps have been taken by the Delhi Police to prevent and to control crime in Delhi:--

- (i) Special preventive patrolling is enforced in sensitive areas and anti-social elements are not allowed to raise their heads.
- (ii) The Missing Persons' Squad of Crime Branch deploys staff at different places, including railway stations, for the prevention of incidents of kidnapping of children as well as to round up unescorted and destitute children.
- (iii) Plain clothes policemen are deployed in running buses to the extent possible to prevent the incidents of pick-pocketing and to check the anti-social activities, such as eve-teasing etc.
- (iv) An Anti-Vice Squad functions in the Crime Branch to deal with the subject of social defence i.e., the suppression of immoral traffic in women and girls.
- (v) Raids are organised at the places of criminal hide-outs.
- (vi) Patrolling is done regularly by the Police Control Room Vehicles in their respective areas round the clock. This is meant to ensure prompt collection and dissemination of information to strengthen public confidence by prompt response to the calls for help and to take action till the local police take charge of the situation.
- (vii) The number of control room mobile vehicles for patrolling has been increased and their beats have been revised where necessary in the light of concentration of robbery in certain areas.
- (viii) Mohalla meetings in affected areas are being held to inspire confidence in the public and to elicit useful criminal intelligence.
- (ix) The responsibility of the Division Officers and Beat Constables for crimes committed in their areas is assessed

regularly and punishment is given for inefficiency and criminal intelligence.

- (x) Home Guards have been called up to reinforce the police in night patrolling.
- (xi) Under the Bombay Police Act, proceedings for externment out of the Union Territory of Delhi have been initiated against notorious bad characters of the city.
- (xii) A concerned drive was launched by the Delhi Police to complete the investigations pending with them and to file these cases in courts.
- (xiii) Motor vehicle thefts have been on the increase and an Auto Squad has been created to deal with this type of crime. The Squad has developed a certain expertise in the investigation of such cases.
- (xiv) One of the reasons for delay in filing cases in the courts was time taken to prepare copies of documents. A scheme has been formulated to obtain dry-duplicating machines which will duplicate records automatically and avoid delay caused by manual writing of duplicate copies.

2.36. At the instance of the Committee the Ministry of Home Affairs have furnished the following figures regarding the cases of corruption in Delhi in which policemen were involved:—

“During the last three years 1971, 1972 and 1973, 40 police officials have been found to be involved in 28 cases of corruption. Their break-up rank-wise is as under:—

Year	No. of cases	Insp.	Sub.Insp.	Asstt.S.I.	H.C.	Constable
1971	18	1	9	6	4	6
1972	5	1	2	2	—	3
1973	5	—	2	—	—	4

In order to eradicate corruption in police in the Union Territory of Delhi, surveillance on the staff of the police station is kept firstly by the superior officers of the Delhi Police Department in the form of inspection; regular and surprise visits to the police station

and by way of inquiries into public complaints. Such visits are made by the officers including the Inspector General of Police, Deputy Inspector General of Police. Another agency of surveillance and supervision over police staff is the Vigilance Branch of the Delhi Police which is headed by whole time Superintendent of Police. The Vigilance Branch conducts the inquiries into the complaints from the public against the police officials and into other grievances. There is also an Anti-Corruption Branch directly under the Delhi Administration. This is headed by a Superintendent of Police. The Anti-Corruption Branch not only lays traps and conducts raids in cases of alleged corruption, but also makes enquiries in complaints from members of the public regarding general misconduct by police officials. This Branch conducts secret enquiries on information against police officials and keeps a secret watch on police officials who do not enjoy a good reputation."

2.37. The Committee are alarmed at the large scale increase in the number of crime cases in the Union Territory of Delhi. The number of cases increased from 17,605 in 1968 to 34,174 in 1973. In spite of the fact that the expenditure on police in Delhi has increased from Rs. 5.56 crores in 1968-69 to Rs. 7.82 crores in 1971-72, it has come to be known as the crime city in India. The crime position in urban Delhi is far worse than what is in Calcutta having much larger population. In 1972 the total No. of crimes in urban Delhi was 30054 against only 9793 in Calcutta. The contention of the Ministry of Home Affairs that the commitment of Delhi police for attending to demonstrations and processions etc., is so heavy that it comes in the way of discharging their normal functions in regard to prevention of crime, detection and investigation of cases registered with the police, is not convincing. The Committee desire that special measures should be taken immediately to reduce the incidence of crime in Delhi.

2.38. The Committee note that 40 police officers were involved in cases of corruption during the years 1971 to 1973. There must be many many more such cases which go undetected. The Committee have been informed that the Vigilance Branch of Delhi Police conducts enquiries into complaints from public against police officials and other grievances, while an Anti-corruption Branch lays traps and conducts raids in cases of alleged corruption. The Committee suggest that adequate publicity should be given to the functioning of these two branches in order to facilitate reporting of cases of corruption against police officials.

2.39. The Committee are further distressed to see fairly frequent involvement of police personnel (including senior officers) in serious crimes. The Committee are strongly of the opinion that suitable legislation should be brought forward to punish police personnel found guilty, with maximum and exemplary punishment which should be enforced strictly.

CHAPTER III
CABINET SECRETARIAT
(DEPARTMENT OF PERSONNEL)

Reimbursement of cost of medicines to all India Services Officers
Audit Paragraph

3.1. Under the Central Services (Medical Attendance) Rules, 1944 which are applicable to all Central Government servants (and their families) other than those who belong to the three All India Services, i.e., the Indian Administrative Service, the Indian Police Service and the Indian Forest Service, reimbursement of cost of medicines which are essential for recovery or for prevention of serious deterioration in the condition of a patient is admissible. Similarly, officers of the three All India Services and their families are also entitled, under the All India Services (Medical Attendance) Rules 1954, to reimbursement of cost of such medicines essential for recovery or for prevention of serious deterioration in the condition of a patient.

3.2. However, under instructions issued by Government, prescription of expensive drugs, tonics laxatives or other elegant and proprietary preparations for those governed by the Central Services (Medical Attendance) Rules, when drugs of equal therapeutic value are available, is prohibited. A list of such items is issued by the Directorate General of Health Services from time to time. However, there is no restriction in the All India Services (Medical Attendance) Rules on reimbursement of the cost of such expensive drugs, laxatives other elegant and proprietary preparations for which drugs of equal therapeutic value may be available. In the result, while expensive or proprietary drugs can be prescribed for All India Services Officers and their families and cost thereof reimbursed, such drugs are not prescribed for other Central Government servants and their families and, even if prescribed by the authorised medical attendants and purchased by the Government servants, their cost is not reimbursed to them by Government.

3.3. Further, according to instructions issued by the Government reimbursement of cost of anti-biabetic drugs, although essential for prevention of serious deterioration in the condition of a

diabetic patient, is allowed to persons governed by the Central Services (Medical Attendance) Rules for three months after first detection, and for reimbursement in the cases of recurrence orders of the Ministry of Health are necessary. There being no such restriction for them, the All India Services officers and their families would be able to obtain these drugs at Government cost without any limit of time.

[Paragraph 35 of the Report of Comptroller and Auditor General of India for the year 1971-72, Union Government (Civil)].

3.4. Explaining the background of the case, the Secretary, Department of Personnel stated: "In August 1958, the Director General, Health Services addressed the Medical Officers forwarding a list of medicines which were not considered essential and the cost of which would not be reimbursed to the Central Government servants even if prescribed by the authorised medical attendant. The intention was that the cost of food preparations tonics, proprietary preparation or expensive drugs, where cheaper drugs of equal therapeutic value were available, should not be reimbursed."

The witness added: "In 1962 a note was introduced below Rule 2(h) (iii) of the Central Services (Medical Attendance) Rules..... the refund of the cost of preparations which are not medicines but are primarily tonics, toilet preparations or in the form of this note. If this note had been part of the rule, it would have been statutory. I find that it is not so. It is based on some Endorsement of the Health Ministry dated the 26th October, 1962—the relevant file is not traceable."

3.5. In a written reply, the Department of Personnel have stated:—

"Note (1) below sub-clause (iii) of clause (h) of Rule 2 of the Central Services (Medical Attendance) Rules, 1944, provides *inter alia*, that prescription of expensive drugs, tonics, laxatives, or other elegant and proprietary preparations for the use of Government servants and members of their families, when drugs of equal therapeutic value are available in the hospital and dispensaries, is prohibited. This note is an instruction issued by the Government to the authorised medical attendants not to prescribe these items for the use of Government servants and members of their families."

3.6. As regards the members of the All India Services, the following instructions were issued by the Ministry of Home Affairs to the State Governments on 6th October, 1958:—

“With reference to rule 2(k) of the All India Services (Medical Attendance) Rules, 1954, a doubt has recently been raised whether the list of medicines, in respect of which reimbursement is not admissible, issued by the Director General of Health Services, is applicable to the All India Services Officers. After careful consideration, the Government of India have decided that the said list need not be operative for purposes of All India Services (Medical Attendance) Rules, 1954. They, however, feel that cost of food preparations, tonics and expensive drugs where drugs of equal therapeutic value are, available, should not be reimbursed. In order to ensure the authorised medical attendants do not prescribe to All India Service tonics, and preparations, which are not medicines but primarily food or tonics, and expensive drugs (when drugs of equal therapeutic value is available for proprietary preparations) the State Government may issue suitable instructions to them.”

3.7. On the 2nd January, 1960, the Ministry of Home Affairs, while forwarding copies of the latest list of inadmissible medicines, as prepared by the Director General, Health Services to the State Governments stated “The list may serve as a guide even in respect of the All India Services Officers, if the State Governments themselves have not prepared any such list.” The form in which the orders contained in the letter of the 2nd January, 1960 were issued, was settled by the Ministry of Home Affairs, in consultation with the Ministry of Finance and the Comptroller and Auditor General.

3.8. The Secretary, Department of Personnel stated “In January, 1970, actually the All India Services (Medical Attendance) Rules were amended to provide that the treatment would not include the supply of preparations primarily used as food, tonics, toilet or disinfectants.

3.9. The witness added that the other category namely expensive medicines, laxatives and elegant and proprietary preparations for which other medicines of equal therapeutic value are available does not require a statutory amendment, because it was an instruction only. The position is not different between the Central Services and the All India Services.

3.10. In a written reply, the Department of Personnel have stated "prohibition on the prescription of this category of preparations; both in the case of members of the Central Services and in the case of members of the All India Services, is in the form of instructions to the authorised medical attendants which, as government servant, they are required to comply with. However, if, in an individual case, an authorised medical attendant, in disregard of the instructions of the Government, prescribes a prohibited item, the Government servant concerned (whether a member of an All India Service or a member of a Central Service) is entitled to the supply, or the reimbursement of the cost, of such item.

3.11. In this connection, the Ministry of Law, Justice and Company Affairs (Department of Legal Affairs) has held as follows:—

"The absence of a provision in the statutory rules in this regard does not foreclose the issuance of administrative instructions for the proper, effective and economic functioning of the Department, nor does it render the instructions any the less mandatory so far as the authorised medical Attendant is concerned."

3.12. This Department is considering the question of amending the All India Services (Medical Attendance) Rules, 1964, to prohibit the reimbursement of the cost of expensive drugs, tonics, laxatives or other elegant and proprietary preparations, when drugs of equal therapeutic value are available, even if any such preparation is prescribed by the Authorised medical attendant. A decision on this question will be taken after consulting the Governments of the States, are required by the All India Services Act, 1951, the Ministry of Finance and the Ministry of Health and Family Planning.

In another note, the Department have stated "Government is considering the question of amending the Central Services (Medical Attendance) Rules, 1944, and the All India Services (Medical Attendance) Rules, 1954, in this connection."

3.13. The Committee desired to know the reasons for delay of 7 years in amending the All India Services (Medical Attendance) Rules, 1954 and not amending the Central Services (Medical Attendance) Rules, 1944 after receipt of the advice of the Ministry of Law in 1963 that "execution instructions cannot override statutory rules." In a written reply, the Department of Personnel have stated "When the advice given by the Ministry of Law in 1963, was brought to the notice of the Ministry of Finance, that Ministry expressed the view that not only the All India Services (Medical Attendance) Rules, 1954, but also the Central Services (Medical Attendance)

Rules, 1944, would require to be amended and referred the case to the Ministry of Health, which agreed with the view expressed by the Ministry of Finance that the All India Services (Medical Attendance) Rules, 1954, would require to be amended. The Ministry of Home Affairs suggested that pending the amendment, the clarification sought by the Government of Rajasthan might be given, and referred the case with draft of the reply proposed to be given, to the Ministry of Finance and the Office of the Comptroller and Auditor General. With their concurrence, clarification was given to the Government of Rajasthan.

Thereafter, in 1961, the Ministry of Home Affairs considered the question of amending the All India Services (Medical Attendance) Rules, 1954, and referred the case to the Ministry of Health for indicating whether the Central Services (Medical Attendance) Rules, 1944 had been amended. The Ministry of Health intimated that it was considering a proposal for doing away with the list of inadmissible medicines prepared by the Director General of Health Services, under the Central Services (Medical Attendance) Rules, 1944 and suggested that the outcome of the proposal initiated in the relevant file of that Ministry, might be awaited. The Ministry of Health also intimated that the said file of that Ministry would be shown to the Ministry of Home Affairs in due course. Since the relevant file of the Department of Health has been reported by it to be not available, it has not been possible to ascertain whether that file was at all shown to the Ministry of Home Affairs. In March, 1969, Audit asked for certain files of the Ministry of Home Affairs, to deal with the case of a member of the Indian Administrative Service borne on the Mysore cadre. With reference to these files, Audit brought it to the notice of the Ministry of Home Affairs that a decision had not been taken on the question of amendment to the All India Services (Medical Attendance) Rules, 1954, which was considered in 1963 and 1964. The case was then examined by the Ministry of Home Affairs and it came to the notice of that Ministry that the Ministry of Health had not done away with the list of inadmissible medicines. However, the All India Services (Medical Attendance) Rules, 1954, were amended in early 1970, after consulting the State Governments, as required by the All India Services Act, 1951, without waiting for action by the Ministry of Health for the amendment of the Central Services (Medical Attendance) Rules, 1944.

3.14. The Ministry of Health and Family Planning (Department of Health) which is concerned with the amendment, interpretation

and administration of the Central Services (Medical Attendance) Rules, 1944, has stated as follows:—

“It is recollected that the Ministry of Law did not suggest any specific amendment to the CS(MA) Rules, 1944. The note below Rule 2(h) (iii) did not in any way restrict the reimbursement in respect of medicines which were considered essential for treatment but only it did not allow reimbursement in respect of certain preparations which were treated as foods, tonics, etc. and medicines for which cheaper substitutes were available. Moreover, the lists of inadmissible medicines are circulated to the Administrative Medical Officers of all the States for the benefit of the Authorised Medical Attendance. As far as we are aware these lists were not challenged by any Government servant covered by CS(MA) Rules and the question of amending the said Rules does not seem to have been taken up. Action has now been initiated to amend Rule 2(h) (iii) of the Central Services (Medical Attendance) Rules, 1944 so as to incorporate therein the essence of Note (1) below that Rule.”

3.15. In a written reply, the Department of Personnel have stated the following position regarding actual reimbursement of cost of inadmissible medicines in the various States “The State Governments were requested to intimate whether any member of an All India Service had been reimbursed (i) the cost of preparations, which were not medicines but were primarily food, tonic, toilet of disinfectant, or (ii) the cost of expensive drugs, laxatives or other elegant and proprietary preparations, even though drugs of equal therapeutic value were available.

3.16. In reply, the Government of Assam has intimated that no case has come to the notice of that Government in which a member of the Indian Administrative Service was reimbursed “the cost of tonic, toilet and disinfectant, etc.” This reply of the State Government presumably applies to both the categories of preparations mentioned in the proceeding sub-paragraph. Information in respect of members of the India Police Service and the Indian Forest Service has not so far been received from the Government of Assam, who have been requested to forward it expeditiously.

3.17. Information is still awaited from the Government of Jammu and Kashmir, who have been requested to forward it expeditiously.

3.18. The Government of Rajasthan has intimated that, at present, the Accountant General, Rajasthan, is not allowing the reimbursement of the cost of articles and preparations included in the list of inadmissible medicines circulated by the Director General of Health Services, Government of India. The Accountant General, Rajasthan, informed the Comptroller and Auditor General, on the 22nd August, 1973, that on receipt of a copy of letter No. 7/16/62-AIS(III), dated the 25th September, 1963, issued by the Ministry of Home Affairs, he had removed all pending objections and also stopped raising objections about the reimbursement of the cost of medicines included in the list of inadmissible medicines circulated by the Director General Health Services. He has also stated that he has now been raising objections on the basis of Rules 2 and 14 of the All India Services (Medical Attendance) Rules, 1954, as amended on the 6th January, 1970, relying on the list of inadmissible medicines issued by the Director General, Health Services, as a guide.

3.19. The Government of Uttar Pradesh has confirmed that members of the All India Services serving under that Government were not being reimbursed the cost of preparations which were not medicines but were primarily food, tonic, toilet, etc. This reply of the State Government presumably applies to both the categories of preparations mentioned in the opening sub-para.

3.20. The Government of Gujarat has intimated that it is not in a position to confirm that no member of an All India Service borne on the State Cadre has been reimbursed the cost of preparations, which were not medicines but were primarily used as food, tonic, toilet or disinfectant. The Government of Gujarat has further stated that the question of preparing a list of medicines in respect of which reimbursement should not be admissible is under the consideration of that Government.

3.21. The Committee asked why there was distinction regarding reimbursement of cost of anti-diabetic drugs to members of All India Services and Central Services, the Secretary, Department of Personnel stated "It came to my notice from the letter of the Deputy Comptroller and Auditor General that there was this distinction and thereafter there has been some correspondence between the Health Ministry and Finance and we have taken necessary action." He added "On the 23rd August, 1973 the Health Ministry issued order extending the benefit to the Central Services also." The Director General, Health Services stated "We have been pursuing the matter vigorously with the Ministry from a long back as

1967. The Secretary, Department of Personnel stated "This restriction was withdrawn in the case of all railway establishments in 1968. There was no discrimination in favour of the All India Services as compared to the Railway establishments. Restrictions had been withdrawn in 1968 itself, in the case of the latter."

3.22. The Committee deprecate the delay that has taken place in amending the Central Services (Medical Attendance) Rules, 1944 and All India Services (Medical Attendance) Rules, 1954 by incorporating therein the instructions already issued. This calls for an explanation. Although the Ministry of Law advised as early as 1963 that the executive instructions providing restrictions cannot over-ride the rules, the All India Services (Medical Attendance) Rules, 1954 were only partially amended by the Ministry of Home Affairs in 1970 by incorporating restrictions on re-imburement of cost of preparations which were primarily foods, tonics, toilet preparations or disinfectants. The other restrictions regarding reimbursement of the cost of expensive drugs tonics, laxatives, or other elegant and proprietary preparations for which drugs of equal therapeutic value are available was not incorporated in these rules. It is regrettable that Ministry of Health who were concerned with amending the Central Services (Medical Attendance) Rules, 1944 did not take any action in this direction for so long. The delay in amending the All India Services (Medical Attendance) Rules, 1954 was due to the fact that the case referred to by the Ministry of Home Affairs to the Ministry of Health in 1964 was not pursued by either of the Ministries until this matter was brought to their notice by the Audit in 1969. The omission on the part of the officials is inexcusable. The Committee desire that responsibility should be fixed in each Ministry and appropriate action taken. The Committee have been informed that Government is now considering amendment of both All India Services (Medical Attendance) Rules, and Central Services (Medical Attendance) Rules. The Committee hope that this will not take more than 6 months.

3.23. The Committee note that a distinction was drawn between the members of All India Services and Central Services for the purpose of re-imburement of anti-diabetic drugs. The position was rectified only in August, 1973 barely a few days before the officers of the Ministries concerned were to appear before the Committee. The Committee stress that in future no distinction should

be made between the members of All India Services and Central Services in such cases.

**NEW DELHI;
April 29, 1974.**

Vaisakha 9, 1896 (S).

**JYOTIRMOY BOSU,
Chairman,
Public Accounts Committee.**

APPENDIX I

(See para 1.97)

SUBJECT: *Export obligations against release of foreign exchange-procedures regarding.*

There are several categories of cases in which foreign exchange is released subject to an export obligation. The position in respect of each type of such cases is explained below.

1. *Advance import licences issued to Registered Exporters*

2. Advance import licences are issued to exporters for import of raw materials to meet import requirements for execution of export orders. The value of the advance licence is determined with reference to the f.o.b. value of the export order and the import content in the product to be exported.

3. Applications for advance licences are considered by a Committee under the Chairmanship of CCI & E. The Committee is called "Advance Licensing Committee". The members of the Committee include representatives of the Department of Economic Affairs, DGTD, and the Ministry of Commerce. Powers have also been delegated to the regional licensing authorities to decide applications for advance licences in certain cases. Generally, the regional licensing authorities can consider applications where the value of the advance licence does not exceed Rs. 10 lakhs or the f.o.b. value of export order does not exceed Rs. 50 lakhs, which ever is less.

4. The condition regarding export obligations is imposed on the advance licence itself. The condition stipulates the goods to be exported and their value, and also the period for completion of export obligation. It is also a condition of the advance licence that before the clearance of imported material, the licensee shall execute an export bond with a bank guarantee, equal to 50 per cent of the value of the advance licence, undertaking to fulfil the export obligation. The bank guarantee is given to the regional licensing authority concerned. The imported goods are released by the customs only after the party produces a evidence to them to show that the bank guarantee has been executed. From the current period, a provision has been made to accept a "legal agreement" to the export, in lieu of a bank guarantee, in respect of advance licences of Rs. 5 lakhs and above in value.

5. The licensing authorities concerned take follow-up action to see whether the licence holder has discharged the export obligation imposed on the advance licence. For this purpose, they maintain a register in which particulars of all such cases are entered. The bank guarantee is valid for a period of one year beyond the expiry of the period of export obligation, so that the licensing authority has adequate time to recover the bank guarantee amount in the event of default.

6. The licence holder is required to produce evidence to the licensing authority that he has fulfilled the export obligation. In the event of default, the amount of bank guarantee is forfeited. Besides, the license holder is liable to action under the Imports and Exports Control Act. Such action is of two types, namely, prosecution and department action. Section 5 of the Imports and Exports Control Act provides for a punishment with imprisonment for a term which may extend to two years and also with fine. In the absence of special and adequate reasons to the contrary to be recorded in the judgement of the court, such imprisonment shall not be for less than six months. Departmental action can be taken under the Imports Control Order by way of debarment from receiving further licences for a specified period. There is also a provision in the Imports Control Order which empowers the CCI & E to debar a licensee or importer or any other person from receiving licences if he fails to produce any document or information that is called for by the CCI & E or any other licensing authority.

7. In cases where a legal agreement is accepted in lieu of a bank guarantee, the licence holder, in the event of default, is liable to hand over to the STC or any other agency nominated by Government, twice the difference between the stipulated export obligation and the actual exports made in discharge of the obligation, for export by that agency, at such prices as it is able to obtain abroad. In addition, the licence holder has to pay liquidated damages to that agency equal to 5 per cent of the export obligation subject to a maximum of Rs. 5 lakhs.

8. For coordination of proper follow-up action, instructions were issued to the licensing authorities in May, 1972 requiring them to send quarterly reports to the CCI & E in respect of such cases. In the CCI & E's office, a separate cell known as "Export Obligation Cell" has been created to coordinate action.

(ii) *C.G. Licences (Import of machinery).*

9. In some cases, licences for import of capital goods are issued subject to an export obligation. As in the case of the advance licences referred to above, the export obligation in respect of CG

licences appears as a condition imposed on the licence itself. Before the clearance of goods against the licence, the licensee has to execute and export bond with a bank guarantee for an amount equal in value to the annual export obligation or a legal agreement, undertaking to fulfill the export obligation. Such export bond/legal agreement is executed with the licensing authority at the port at which the goods are imported. The mechanism for follow-up action and for proceeding against the defaulters in such cases is the same as explained above in the case of advance licences.

10. Since the period of export obligation in respect of CG licences extends over a number of years, the coordination for a proper follow-up action by the "Export Obligation Cell" in the office of the CCI & E in such cases is more intensive. The Export Obligation Cell maintains a parallel account in respect of each CG licence having an export obligation for the purpose of checking up with the licensing authorities from time to time the latest position in respect of each case. The licensing authorities also send annual reports to the "Export Obligation Cell" in respect of the cases for which they have to watch fulfilment of export obligation.

11. (iii) *Approvals of foreign collaboration.*

11. In some cases approval for foreign collaboration is granted subject to an export obligation. If, in such cases, the entrepreneur requires to import machinery, the export obligation appears as a condition imposed on the CG licence. The procedure for execution of bank guarantee/legal agreement and the mechanism for follow-up action and for proceeding against the defaulters is the same as in the case of CG licences referred to above.

12. If no machinery is to be imported in such cases, the party has to execute an export bond or a legal agreement with the CCI & E before the letter of approval of foreign collaboration is actually issued. The Export Obligation Cell in the CCI & E maintains a record of such cases and takes follow-up action. In the event of default, action can be taken to enforce the bank guarantee or legal agreement as the case may be. It is not possible to take other penal action in such cases under the Imports and Exports Controll Act, for the reason that no import licence is involved.

13. The Export Obligation Cell of the CCI & E has started maintaining records of such cases only with effect from 1970-71. Previous to that, the administrative Ministries concerned were responsible for taking follow-up action in such cases.

14. The Export Obligation Cell is also collecting particulars of cases pertaining to the period prior to 1970-71 from the Ministries concerned to see whether the parties have discharged their obligation.

15. In order to check whether the licensing authorities are taking proper action in cases involving export obligations, the Chief Auditor in the Department of Economic Affairs and the Inspection Team in the CCI & E carry out periodical scrutiny of the cases and the arrangements made in the licensing offices.

16. (iv) *Barter Deals*

There are hardly any cases now of advance licences under barter/link deals. But if there are any, the responsibility for watching the fulfilment of the export obligation is entrusted to the S.T.C. The S.T.C. watches the fulfilment of the export obligation by taking a bond.

17. (v) *Release of foreign exchange for location shooting of films abroad.*

For colour films for export, for which film producers require imported material, foreign exchange is released by the C.C.I. & E. and the export obligation is also watched by the licensing authorities in the same way as per advance licences.

For expenses connected with location shooting of films abroad, for travel of parties to foreign exchange is released by Department of Economic Affairs. The following procedure has been laid down in consultation with Ministries of Finance, Commerce and C.C.I. & E.:-

- (1) Producers intending to produce their pictures in full or part in foreign countries will submit the script to the Central Board of Film Censors for examination. The C.B.F.C. will scrutinise the script to make sure that the them or its presentation is not likely to damage India's image abroad and does not come into conflict with the censorship provision.
- (2) In submitting the script the producers will also indicate scenes and sequences which they opropose to shoot abroad. The C.B.F.C. will certify whether or not shooting of these sequences in foreign countries woud be necessary.

- (3) The Indian producers will also indicate the personnel necessary for going abroad, specifying the stations to visit and periods of halt. C.B.F.C. will give their remarks on this aspect as well.
- (4) The advice of the C.B.F.C. will be examined in the Information and Broadcasting Ministry who will make suitable recommendations to the Ministry of Finance, Department of Economic Affairs.
- (5) Cases recommended by the Ministry of Information and Broadcasting will be considered by the Department of Economic Affairs on the basis of the following conditions:
- (a) The Indian producer undertakes to earn abroad and to repatriate into India foreign exchange not less than 4 times the amount released to him for location shooting abroad. For example, if foreign exchange worth Rs. 'X' is released then foreign exchange worth Rs. 4 X will have to be repatriated;
 - (b) On the amount of Rs. 'X' released *vide* (a) above, export promotion entitlement will be nil. On the balance 3 X repatriated, the export promotion entitlement will be 50 per cent or half of normal rates, as may be announced by the Ministry of Commerce in consultation with Information and Broadcasting Ministry from time to time;
 - (c) For amount repatriated into India in excess of Rs. 4 X the minimum requirement prescribed under (a), above, full normal entitlements will be available on such excess amounts, as prescribed by the Ministry of Commerce from time to time;
 - (d) The Reserve Bank will prescribe such conditions as it deems fit to ensure compliance with (a) above, and will also impose such penalty as is considered appropriate in case of default thereof.
- (6) When the completed film is submitted to the C.B.F.C. for censorship examination the Board will satisfy itself that the scenes and sequences mentioned in the script had been duly incorporated from foreign locales and in the event of any lapses report the facts to the Information and Broadcasting Ministry.

Copies of sanctions issued by Department of Economic Affairs are endorsed to the R.B.I. and the C.C.I.&E. The R.B.I. watches the export obligation in such cases and forfeits the bank guarantee in cases of default.

It is only in cases where the party avails of both the facility of advance allocation and release of foreign exchange for location shooting that a need for coordination arises, so that the same exports are not counted twice. As already indicated copies of sanctions issued by the Department of Economic Affairs are also sent to the C.C.I.&E. and the licensing office concerned for keeping a watch on this aspect. Besides the foreign exchange audit team the Chief Auditor also gets a copy of such sanctions. That the same exports are not counted twice (once by the R.B.I. and secondly by the J.C.C.I.&E.) is verified by the audit team during the course of periodical inspection by the licensing office concerned.

APPENDIX II

(See para 2.7)

*Statement showing total Expenditure Incurred on CRPF Since 1955-66 and Explanatory note for the Excess Expenditure over the Previous Year—
Expenditure for Each Financial Year.*

EXPLANATORY NOTE FOR EXCESS OVER PREVIOUS YEARS EXPENDITURE

Financial year	Actual expenditure incurred on CRPF	New CRPF Bns. raised during the year (showing also date of raising)	India Reserve Bns. merged in the CRPF during the year (Showing also date of merger)	REMARKS.																		
1	2	3	4	5																		
1966-67 .	6,96,47,221	..		1. Upto 1964-65 there were 16 Bns. The 17th Bn. CRPF was raised on 1st June 1965. 2. The rate of DA was revised upwards <i>w.e.f.</i> 1-2-1967. This also contributed to the excess expenditure under Head Dearness Allowance. 3. There was more deployment of the Bns. in 1966 resulting in extra expenditure of 40 lakhs under Head Travelling Expenses and cost of Rations.																		
1965-66 .	<u>5,76,26,005</u>																					
Excess .	<u>1,20,21,216</u>																					
1967-68 . .	8,42,43,363		<table style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;">4 Bns.</td> <td style="text-align: center;">3 Bns.</td> <td style="text-align: center;">3 Bns.</td> </tr> <tr> <td style="text-align: center;"><u>1-4-67</u></td> <td style="text-align: center;"><u>1-5-67</u></td> <td style="text-align: center;"><u>1-1-68</u></td> </tr> <tr> <td style="text-align: center;">18,19</td> <td style="text-align: center;">23, 24</td> <td style="text-align: center;">20-26,27</td> </tr> <tr> <td style="text-align: center;"><u>21, 22</u></td> <td style="text-align: center;"><u>25</u></td> <td style="text-align: center;"><u> </u></td> </tr> <tr> <td style="text-align: center;">11</td> <td style="text-align: center;">10</td> <td style="text-align: center;">2</td> </tr> <tr> <td style="text-align: center;">months</td> <td style="text-align: center;">months</td> <td style="text-align: center;">months</td> </tr> </table>	4 Bns.	3 Bns.	3 Bns.	<u>1-4-67</u>	<u>1-5-67</u>	<u>1-1-68</u>	18,19	23, 24	20-26,27	<u>21, 22</u>	<u>25</u>	<u> </u>	11	10	2	months	months	months	During the year 1967-68, ten IR Bns. merged in the CRPF, resulting in excess in expenditure under all Head.
4 Bns.	3 Bns.	3 Bns.																				
<u>1-4-67</u>	<u>1-5-67</u>	<u>1-1-68</u>																				
18,19	23, 24	20-26,27																				
<u>21, 22</u>	<u>25</u>	<u> </u>																				
11	10	2																				
months	months	months																				
1966-67 .	<u>6,96,47,221</u>																					
Excess .	<u>1,45,96,142</u>																					

1968-69	13,57,45,812	2 Bns	1 Bn.	4 Bns	1 Bn	7 Bns	3 Bns.	2 Bn.	2 Bn	1 Bn.	1 Bn.
1967-68	8,42,43,363	1-4-68	1-12-68	1-2-69	1-3-68	1-4-68	1-6-68	1-7-68	1-9-68	1-11-68	1-1-69
Excess	5,15,02,449	33, 34,	47	48,49,50,	29	28,30,31	35,36,38	37,42	44,46	45	43
		11 months	3 months	51	1 Yrs.	32,39,40	9 Mths	8 Mths	6 Mths	4 Mths	2 Mths
				1 Month	10 Bn.	& 41					
						11 Mth.					

7 New CRPF Bns. were raised during the financial year 1968-69. 17 IR Bns. also merged during this period. Further this year had to bear the full impact of the expenditure on the 10 IR Bns. which merged in the CRPF in the previous year.

1969-70	22,46,58,000	24 Bns. Contd.	27 Bns. in existence
1968-69	13,57,45,812		
Excess	8,89,12,188		

1-4-69
52
11 mths

One IR Bn. was further merged on 1-4-69. Besides during the financial year the actual expenditure rose because of the full impact of the raising of 7 new Bns. and merger of 17 IR Bns. during the previous year. These merged Bns. also required equipment as per the CRPF pattern and consequently there was extra expenditure against other charges and stores and equipment to the extent of 1.75 crores (under Other Charges) and about .87 crores under Stores & Equipment Charges. Following further reasons are furnished to explain the excess of expenditure over the previous year's figures

1. CPAU Was created during this financial year.
2. Created :
 - (a) Office of DIGP, CRPF, Gauhati.
 - (b) Office of DIGP, CRPZ, Poona.
 - (c) Formation of Group Centre, CRPF, Avadi.
 - (d) One additional Coy. in 3rd Signal Bn. CRPF.

(e) Armed Inspection Team, Neemuch.

It would be observed that during this period, the force was re-organised and certain essential services/posts provided to increase the efficiency of the Force.

During this year excess expenditure was incurred mainly on account of grant of Interim Relief (Rs. 1.275 crores), more deployment of the force in West Bengal, increase in the rates of Daily Allowance since December, 1970 and general increase in prices. Some other reasons for excess expenditure are furnished below:

28 Bns. Contd.
(1R Bns.)

24 Bns. Contd.
(New Bns.)

1970-71 .	26,62,42,000	24 Bns. Contd. (New Bns.)	28 Bns. Contd. (1R Bns.)
1969-70 .	22,46,58,000		
Excess .	4,15,84,000		

Creation of following :—

1. Central Training College, Tele-communication, Neemuch.
2. Signal Group Centre, CRPF, Neemuch.
3. Group Centre, CRPF, Poona.
4. Increase of MT Platoon in each Bn.
5. 104 posts gazetted of Dy. SP. created in 52 Bns. in scale of Rs. 325-900 plus a special pay of Rs. 150- p.m.
6. One additional post of constable each in 52 Bns.
7. Payment of deputation allowance to IR Bn. personnel, permanent in their own states.

1971-72 .	32,32,51,000	24 Bns.	+ 5 Bns	3 Bns	28 Bns. Contd. (IR Bns)
1970-71 .	26,62,42,000		1-6-71	1-9-71	
Excess .	<u>5,70,09,000</u>		53,54,55, : 56,57	58, 59&60	
			9 months.	6 months.	

1972-73 .	36,70,82,889	32 Bns. Contd. (New Bns).		28 Bns. Contd. (IR Bns.)
1971-72 .	<u>32,32,51,000</u>			
Excess .	<u>4,38,31,889</u>			

During this year 8 new Bns. were raised. Besides more expenditure on Salaries, Expenditure on Travelling Expenses was incurred more because of deployment of Bns. in West Bengal to control Naxalite activities and guarding POW Camps. Besides, there was more expenditure under Travelling Expenses head on account of the full impact of this revision of rates of D.A. (about 50) w.e.f. 1-1-1971.

Excess expenditure had to incurred due to :

1. Grant of additional quantum of Interim Relief w.e.f. 1-8-72, accounting for '94 crores.
2. Switching over to 7.62 semi automatic rifles in place of '03 rifles (this charge account for 1.09 crores of extra expenditure).
3. Full impact of the raising of the 8 Bns. during the previous year on pay and allowances.

The rest of the increase in expenditure is attributed to general increase in price level in all spheres and especially in Wireless equipment, the cost of which increased by 50%

APPENDIX III

(See para 2.18)

Budget Provision for B.S.F. Included in Police Grant-Reasons for Increase

(Amount in lakhs of Rupees)

Year	Budget Provision.	Reasons for increase over provision for previous year
1968-69	Rs. 2099.33 lakhs.	<p>Increase Rs. 514.73 lakhs due to :—</p> <p>(a) Increase in rate of Dearness allowance to Central Govt. servants. Rs. 105.00 lakhs.</p> <p>(b) Taking over of 8 State/India Reserve Bns. during 1967-68. Rs. 409.73 lakhs.</p>
1969-70	Rs. 2718.79 lakhs.	<p>Increase Rs. 619.45 lakhs due to :—</p> <p>(a) Taking over of 7½ Bns. during 1968-69. Rs. 417.46 lakhs.</p> <p>(b) Increase in rate of dearness allowance to Central Govt. Employees. Rs. 40.00 lakhs.</p> <p>(c) Misc. including grant of Mess Allowance to BSF Personnel. Purchase of Helicopter etc. Rs. 162.00 lakhs.</p>
1970-71	Rs. 3133.78 lakhs.	<p>Increase Rs. 414.99 lakhs due to :—</p> <p>(a) Taking over of 4 India Reserve Bns. Rs. 230.00 lakhs.</p> <p>(b) Raising of two New Bns. Rs. 130.00 lakhs.</p> <p>(c) Misc. mainly due to placing of additional Bns. under Army control. Rs. 54.99 lakhs.</p>
1971-72	Rs. 3532.74 lakhs.	<p>Increase Rs. 398.96 lakhs due to :—</p> <p>(a) Grant of Interim Relief to Govt. servants. Rs. 220.13 lakhs.</p> <p>(b) Misc. mainly under T. A. and Other Charges Rs. 178.83 lakhs.</p>

1	2	3	4	5
1972-73	Rs. 4062.77 lakhs.	Increase Rs. 530.03 lakhs due to :—		
		(a) Raising of a Bn. in lieu of a CRP Bn.	Rs. 60.00 lakhs.	
		(b) Raising of half additional Bn. and creation of new Officers during 1971-72	Rs. 188.00 lakhs.	
		(c) Misc. increase mainly due to increase in rate of daily allowance and placing of additional Bns. under army control, increase in prices, etc.	Rs. 282.03 lakhs.	

APPENDIX IV

(See para—2.28)

Statement showing the year-wise and Undertaking-wise break-up of total amount outstanding for recovery as on 1-12-1973 for services rendered by C.I.S.B.

S. No.	Name of Undertaking	Amount outstanding as on [1-12-1973]	Year-wise break-up of amount outstanding}	Remarks	
1	2	3	4	5	
1	Fertiliser & Chemicals Travancore Ltd., Cochin	2,93,989.23	1971-72 1972-73 1973-74	1,73,788.20 1,17,400.03 2,801.00	
2	Fertiliser Corporation of India, Barauni	56,587.25	1973-74	56,587.25	
3	Fertiliser Corporation of India, Gorakhpur	1,42,423.59	1973-74	1,42,423.59	
4	Fertiliser Corporation of India, Ramagundam	72,553.75	1973-74	72,553.75	
5	Fertiliser Corporation of India, Sindri	1,71,692.46	1972-73 1973-74	72,229.93 99,462.53	
6	Fertiliser Corporation of India, Trombay	2,08,400.07	1971-72 1972-73 1973-74	14,850.49 14,850.49 1,78,699.09	
7	Fertiliser Corporation of India, Talcher	1,48,410.23	1971-72 1972-73	14,079.23 1,34,331.00	
8	Madras Fertiliser Ltd., Madras	71,862.35	1972-73 1973-74	1,020.56 70,841.79	
9	Planning & Development Fertiliser Corporation of India, Haldia	50,786.30	1973-74	50,786.30	
10	Fertiliser Corporation of India Durgapur	1,85,002.17	1973-74	1,85,002.17	
11	Fertiliser & Chemicals Travancore Udyogmandal.	3,63,696.51	1973-74	3,63,696.51	
12	Fertiliser Corporation of India, Nangal	1,30,627.61	1973-74	1,30,627.61	
13	Planning & Development Division, FCI, Sindri	54,692.69	1973-74	54,692.69	
14	Food Corporation of India, Digahat	1,07,593.73	1972-73 1973-74	47,786.30 59,807.43	

1	2	3	4	5
15	Food Corporation of India, Gaya.	42,143.81	1972-73 1973-74	825.00 41,318.81
16	Food Corporation of India, (FSD) New Jalpaiguri	3,28,758.22	1972-73 1973-74	1,57,652.06 1,71,106.16
17	Food Corporation of India, Mokameh	1,48,587.85	1972-73 1973-74	79,414.80 69,173.05
18	Food Corporation of India Phulwari Sharff (Solvent Extraction)	43,409.65	1972-73 1973-74	232.80 43,176.85
19	Food Corporation of India, Ujjain	108695.34	1970-71 1971-72 1972-73 1973-74	10,548.00 12,189.13 56,776.89 29,181.32
20	Copper & Lead Project Angi- gundala	31167.04	1973-74	31,167.04
21	Bharat Coking Coal, Jharia	14,20,685.92	1972-73 1973-74	16.80 14,20,669.12
22	Central Coal Washeries, Dhan- bad	1,82,588.65	1973-74	1,82,588.65
23	Iron Ore Project, Donimalai	86,516.89	1972-73 1973-74	14,763.97 71,752.92
24	Diamond Mines Project, Panna	1,20,538.69	1972-73 1973-74	4,690.45 1,15,848.24
25	Hindustan Copper Ltd., Khetri	4,05,215.93	1972-73 1973-74	99,384.89 3,05,831.04
26	NMDC Iron2 Mines, Kriburu	1,39,475.57	1972-73 1973-74	27,888.05 1,11,587.52
27	Copper Project, Rakha	55,735.54	1972-73 1973-74	1,371.15 54,364.39
28	Mines Uranium Corporation of India Ltd., Jaduguda	3,37,889.12	1972-73 1973-74	15,544.81 3,22,344.31
29	Iron Ore Project, D. 5, Balia - dila	40,418.41	1973-74	40,418.41
30	Iron Ore Project, D. 14, Balia- dila	2,51,349.87	1973-74	2,51,349.87
31	Bharat Aluminium Project, Korba	2,74,432.07	1973-74	2,74,432.07
32	Bank Note Press, Dewas	1,07,394.10	1972-73 1973-74	26,148.45 81,245.65
33	Mint, Hyderabad	59,5360.7	1972-73 1973-74	1,560.00 57,970.67

1	2	3	4	5	
34	Calcutta Port Commissioner, Calcutta	30,64,504·37	1971-72 1972-73 1973-74	21,46,630·32 31,30,050·51 19,86,823·54	On ac- count payment of Rs. 42 lakhs received against the amount of Rs. 72,63,504·37 billed.
35	Hindustan Shipyard Project, Cochin	3,06,808·69	1971-72 1972-73 1973-74	1,40,941·74 49,276·86 1,16,590·09	
36	Cochin Port Trust, Cochin	8,64,992·67	1971-72 1972-73 1973-74	2,13,195·00 10,47,427·08 3,04,370·59	On ac- count payment of Rs. 7 lakhs receiv- ed against Rs. 15,64,992·47 billed.
37	Haldia Port Trust, Haldia.	2,81,211·27	1973-74 1973-74	2,17,85·87 63,359·40	
38	Marmugoa Port Trust, Goa	1,84,534·03	1973·74	1,84,534·03	
39	Madras Port Trust Madras	6,86,191·24	1972-73 1973-74	3,18,011·21 3,68,180·03	
40	Madras Dock Labour Board, Madras	39,875·85	1973-74	39,875·85	
41	Paradip Port Trust, Paradip	89,646·55	1973-74	89,646·55	
42	Tuticorin Harbour Project, Tuticorin	94,634·05	1973-74	94,634·05	
43	Visakhapatnam Port Trust, Visakhapatnam	9,93,893·32	1972-73 1973-74	1,45,163·67 8,48,729·65	
44	Madras Atomic Power Project, Kalapakkam	5,01,191·14	1972-73 1973-74	34·00 5,01,157·14	
45	Indian Space Research Organisation, Thumba	3,54,835·68	1973-74	3,54,835·68	
46	Alloy Steel Plant, Durgapur	1,54,489·80	1973-74	1,54,489·80	
47	Bokaro Steel Plant, Bokaro	10,16,916·07	1970-71 1971-72 1972-73 1973-74	57,099·63 1,44,152·90 1,92,718·59 6,22,944·95	
48	Bhilai Steel Plant, Bhilai	4,36,500·09	1972-73 1973-74	2,590·67 4,33,909·42	

1	2	3	4	5
49	Durgpur Steel plant, Durgapur	14,34,608·60	1971-72 1972-73 1973-74	32,447·92 6,07,959·60 7,94,201·08
50	Rourkela Steel Plant, Rourkela	3,55,719·62	1972-73 1973-74	3,725·40 3,51,994·22
51	Tungabhadra Steel Plant, Tungabhadra	1,86,870·75	1972-73 1973-74	1,24,616·36 62,254·39
52	Salem Steel Ltd., Salem	47,923·79	1973-74	47,923·79
53	Beas Project, Talwara	25,321·35	1970-71 1971-72 1972-73 1973-74	3,321·30 7,383·30 11,700·00 2,916·75
54	Govt. Opium & Alkaloid Works, Neemuch.	12,887·34	1973-74	12,887·34
55	Govt. Opium & Alkaloid Works, Ghazipur	1,63,333·48	1972-73 1973-74	4,217·57 1,59,115·91
56	Haldia Refinery Project, Haldia	1,66,537·59	1970-71 1971-72 1972-73 1973-74	416·00 2,895·00 21,977·61 1,41,248·98
57	Heavy Engineering Corpora- tion, Ranchi	22,55,241·73	1972-73 1973-74	56,509·70 21,98,732·03
58	Hindustan Machine Tools, Ltd. Srinagar	1,99,265·56	1971-72 1972-73 1973-74	6,418·00 49,369·81 1,43,477·75
59	Hindustan Insecticides Ltd., New Delhi	48,995·59	1973-74	84,995·59
60	Gujarat Refinery, Baroda	2,28,688·56	1972-73 1973-74	1,84,305·98 44,382·58
61	Synthetic Indian Drugs & Pharmaceuticals, Hyderabad	2,48,604·13	1971-72 1972-73 1973-74	27,248·10 1,05,385·45 1,15,970·58
62	Indian Telephone Industries, Naini	98,173·28	1973-74	98,173·28
63	India Petro Chemicals Ltd., Baroda	1,33,850·25	1972-73 1973-74	801·06 1,33,049·19
64	Mining & Allied Machinery, Durgapur	9,18,001·38	1971-72 1972-73 1973-74	35,294·00 3,50,700·93 5,32,006·45
65	National Instruments & Ophthal- mic Glass Ltd., Jadavpur	65,723·47	1972-73 1973-74	7,815·75 57,907·72
66	Bharat Ophthalmic Glass Plant, Durgapur	46,832·44	1971-72 1972-73 1973-74	3,160·00 5,106·56 38,565·88
67	Madras Refinery Ltd., Manali	91,904·96	1973-74	91,904·96

1	2	3	4	5
68	Hindustan Zink Ltd., Unit Lead Smelter, Tundoo	44,125.04	1973-74	44,125.04
69	Neyveli Lignite Corporation Ltd., Neyveli	12,319.95	1973-74	12,319.95
70	Hindustan Organic Chemicals, Kolaba	2,30,163.32	1973-74	2,30,163.32
71	Hindustan Insecticides Ltd., Udyogmandal	1,13,256.57	1973-74	1,13,256.57
72	Shar Project, Distt., Nellore	3,61,961.21	1973-74	3,61,961.21
73	Palam Airport, Delhi	7,01,145.25	1973-74	7,01,145.25
74	Ring Road Press, Delhi	..	Nil	—
TOTAL :		<u>2,35,39,531.31</u>		

APPENDIX V

Summary of Main Conclusions/Recommendations

S. No.	Para	Ministry/Deptt. concerned	Conclusion/Recommendation
1	2	3	4
1	1.40	Finance	<p>The Currency Note Press, Nasik Road is primarily intended to meet the printing requirements of one rupee currency notes issued by the Government of India and bank notes of other denominations required by the Reserve Bank of India, the production of which is undertaken on the basis of indents received from the Reserve Bank of India. As at present two units of the Press known as old Currency Note Press and New Currency Note Press are printing notes. The optimum capacity of these two units has been estimated at 3636 million pieces per year. As the annual requirement of the Reserve Bank of India is much more a new press at Dewas is being set up, which will have an annual capacity of 1,000 million pieces of notes. The annual requirements of the Reserve Bank of India during 1969-70 and 1970-71 were 4,263 and 4,460 million pieces of notes respectively. The projections of the gross requirements of notes by the Reserve Bank of India given by the Ministry of Finance indicate that in 1974-75 the Bank will require about 5824 million pieces of notes. This demand is expected to go upto 7707 million pieces of notes by 1978-79. It is thus evident that even after the commissioning of the new press at Dewas, the Currency Note Press will not be in a position to meet the total requirements of the Re-</p>

serve Bank of India, unless of course the Government of India goes for metal coins in a big way. Further in the Old Currency Notes Press which was set up long ago, the machinery should be well maintained to keep it in proper order. This is necessary because of the limited resources of the Government. The Committee feel that before sanctioning the establishment of a new press at Dewas there ought to have been a realistic assessment of the requirements. That such an assessment was not made is clearly borne out by the fact that even after the commissioning of the new press, which is estimated to cost about Rs. 16 crores, the total installed capacity of the Currency Note Press will be nowhere near the minimum requirements of the Reserve Bank of India. The Committee desire that the capacity of Dewas Press should be increased and the machinery in the old Press at Nasik should be gradually replaced so as to ensure adequate capacity for meeting the total requirement of the Reserve Bank of India.

2 1.41

Finance

It has been stated that the capacity of the controlling section of the Press imposes a serious limitation on the utilisation of the built-in capacity of the printing section. Although the utilisation of the capacity of the controlling section is upto the maximum extent, the printing capacity of the press has not been put to optimum use because of the inadequacy of the controlling section. This shows poor planning. It is interesting to note that during the years 1967-68 to 1971-72 the actual production of notes had to be limited to the extent of the turnout by the Controlling Section even though the printing

section was geared to produce much more. This not only resulted in a shortfall of supplies to the Reserve Bank of India but also led to considerable available printing capacity remaining idle. The Committee would like the Government to take steps to increase the capacity of the controlling section to handle as much as would enable the Printing Section to work to maximum capacity.

3 I.56

-do-

The Committee are distressed to learn that a suggestion made by the Estimates Committee in 1958-59 for a proper costing system in the Currency Note Press has not yet been fully implemented. The proposals made by the General Manager for increasing the existing strength of the Costing Cell were turned down on the plea that in terms of the stringent economy measures no new posts could be created or upgraded. This is indeed strange in view of the fact that the introduction of the Costing system was primarily intended to serve as a measure of economy and ensure scientific working. The Committee were informed that the question of reorganisation of the Costing Cell alongwith other proposals for staff reorganisation had been assigned to the Indian Institute of Management, Ahmedabad for a detailed scrutiny. The Committee would like the study by the Institute to be completed early and the steps taken on the basis thereof be intimated to them.

4 I.57

-do-

One of the results of the lack of a proper costing system is that there is no reliable data for determining the cost of production of notes. A change in size of notes or a change in the combination of inks used for printing notes can materially affect the cost of produc-

tion. This underscores the need for a proper research cell which should constantly review the production methods as also the use of raw materials with a view to keeping the cost of production to the minimum. The Committee recommend that the necessary steps in this direction may be taken urgently. The Committee need hardly stress that there should be complete coordination in this regard between the Press, Reserve Bank of India and the Ministry of Finance.

5 1.68

Finance

The Committee are informed that after September, 1967, except for some small quantities of paper imported upto September, 1969, the entire requirement of paper was being met by the Security Paper Mill, Hoshangabad. However, during 1972-73 and 1973-74 due to labour trouble and 'go-slow' policy adopted by workers the production in the Hoshangabad Mill went down considerably. As compared to 1971-72 the production in the Mill during 1972-73 and 1973-74 (up to November, 1973) had gone down by about 494 and 820 metric tonnes respectively. The shortfall in production was of the value of Rs. 48.97 lakhs and Rs. 81.31 lakhs respectively. As a result of the shortfall in the production of the Mill the Currency Note Press had to import paper worth a crore of rupees. The authorities' inability to settle workers' demand in the Mill has thus not only resulted in the disruption of production in the Mill but also necessitated spending of valuable foreign exchange. It is unfortunate that a realistic and

conciliatory attitude was not adopted which would have saved valuable foreign exchange for the country. The Committee trust that allot efforts will be made to bring about satisfactory normalisation of labour relations in the Mill.

6 1.80 Finance

The Committee find that the percentages of allowable spoilage prescribed as long back as 1959-60 for achieving better efficiency in printing and having a check on quality of products are being considered as norms even though the actual percentages of spoilage over the years bear no comparison with them. The prescribed percentage of spoilage of paper was 4 per cent for all denominations of notes (except Rs. 100/-). However, the actual percentages of spoilage during 1971-72 in the case of all denominations were more than the prescribed figure. This calls for an explanation. In fact in the case of notes of ten rupee denominations the spoilage always exceeded the prescribed percentage by more than 1 per cent. The position should be carefully examined with a view to taking steps to fix the percentage of spoilage at realistic levels and to checking malpractices, if any.

001

7 1.82 Finance:

The Committee are informed that all the Reserve Bank branches and in places where there are no Reserve Bank branches, the State Bank branches are required to exchange soiled notes. Damaged notes could, however, be exchanged only at the Reserve Bank branches. As a matter of common experience it is seen that the exchange of soiled and damaged notes involves a cumbersome procedure entailing lot of harrassment for the common man. The

Committee think that the Ministry of Finance should, in consultation with the Reserve Bank of India, review the situation and lay down a simpler procedure for exchange of soiled and damaged notes as early as possible. One way out could be to authorise all the branches of all banks and all post offices to exchange the soiled notes.

The question of having a selective test check independently by the Comptroller & Auditor General of India of the foreign exchange transactions in so far as they involve some form of *quid pro quo* has been engaging serious attention of the Committee for some years. They have been informed now that apart from other considerations, it would be inappropriate to entrust the check of these transactions to the C&AG as he is not authorised by law to do so. The Committee have already clearly brought out the considerations which very much warrant such a check *vide* paragraph 1.37 of the 98th Report (1969-70). Their examination of issues involving foreign exchange transactions from time to time has revealed serious and widespread lapses and malpractices. They are therefore, fully convinced that it will be in the economic and financial interests of the country if their suggestion for an independent test check of foreign exchange transactions is accepted. Otherwise it would undoubtedly give a free hand to the economic offenders, which could not possibly be the Government's intention.

9 1.99

—do—

The Committee note that at present there are several categories of cases in which foreign exchange is released subject to an export obligation. These are: (i) advance import licences issued to Registered Exporters, (ii) Capital goods licences issued subject to an export obligation, (iii) Approval of foreign collaborations granted subject to an export obligation, (iv) barter deals and (v) Release of foreign exchange for location shooting of films abroad subject to certain conditions. The fulfilment of export obligation in most of these cases is being watched by the "Export Promotion Cell" in the Office of the Chief Controller of Imports and Exports. The Audit Wing of the Department of Economic Affairs exercises a selective test check. That this check is absolutely inadequate is clear from the fact that during the past 5 years only a meagre 249 cases of advance licences of the value of Rs. 11.26 crores have been covered. However, the result of even this inadequate check is very disturbing. In 20 per cent of the cases checked serious defaults in the fulfilment of export obligation have been detected.

102

10 1.100

—do—

In view of the above the Committee reiterate their recommendation contained in their 98th Report (Fourth Lok Sabha). They would specifically ask Government to strengthen the existing arrangements for the check of such foreign exchange transactions. Further Government should consider amending the law to have test check of these transactions by the C&AG. In the meanwhile the C&AG should be requested to take it up rightaway on a "consent basis" so that no time is wasted.

1	2	3	4
11	2.5	Home Affairs	<p>The Committee are very much concerned over large scale and continuous increase in unproductive expenditure on police in recent years. This is particularly deplorable in a poverty stricken country. The expenditure on police increased from Rs. 3 crores in 1950-51 to Rs. 48.27 crores in 1966-67, Rs. 72.60 crores in 1968-69, Rs. 118.82 crores in 1971-72, Rs. 130.91 crores in 1972-73 and Rs. 156.40 crores (BE) in 1974-75. This means a 52 times increase in 24 years. This is by any standard an alarming increase. There has been a large scale increase in Central Reserve Police, Border Security Force and relatively recently created Central Industrial Security Force. The Committee are surprised that police forces of such large strength should be necessary over and above the substantially large forces of the State Governments who are required to do precisely the same job and are responsible for maintaining the law and order. (It is understood that the expenditure on State Police Forces has also arisen to more than Rs. 300 crores during 1973-74). According to the Ministry of Home Affairs, the increase in expenditure is justified in view of pressing requests from State Governments for the deployment of central police on account of one trouble or the other.</p>

103

12 2.6

—do—

The Committee feel that expenditure on Police organisations of different kinds has been increasing at such a rapid rate that it calls for an urgent review by an independent high powered Commission.

The expenditure on Police both at the Centre and in the States has reached levels where clearly they are eroding the resources available for developmental activities. The Committee trust that Government will take a decision in this matter and appoint the Commission within the next two or three months.

13

5

—do—

The Committee note that the expenditure on the Central Reserve Police has increased from Rs. 13.41 crores in 1968-69 to Rs. 32.33 crores in 1971-72 and to Rs. 38.78 in 1973-74. Upto 1964-65 there were only 16 battalions. During the period 1965-66 to 1972-73, 16 new battalions were raised and 28 battalions of the Indian Reserve Police were merged with the Central Reserve Police Force. The total number of battalions at present stand at 60. In view of the fact that the merger of the Indian Reserve battalions with the central reserve police force, Border Security Force and SSB has been almost completed, the Committee stress that there should be no further increase in expenditure.

104

From information furnished to them, the Committee find that during the year 1973, the Central Reserve Police was deployed 82 times in the various States. There were three cases in 1968-69 where the CRP units were sent to the States of Kerala and West Bengal without their requests including one case where the Central Government refused to remove CRP inspite of insistence of State Government.

14

2.16

—do—

The Committee note that there are large amounts of outstanding dues from the State Governments for deployment of Central

Reserve Police Force in the past. It is indeed surprising that the Central Government should have allowed accumulation of arrears of the magnitude of Rs. 31.35 crores. It is necessary to emphasise this as out of the arrears a sum of Rs. 2.40 crores relates to the period up to 1968-69. The only step taken at the higher level by the Government all these years appears to have been the writing of a mere demi official letter in August, 1972. The Committee stress that the vigorous efforts should be made to recover the outstanding dues from the State Governments expeditiously.

15 2.17 Home Affairs

The Committee note that out of the total strength of the Central Reserve Police Force, the persons recruited from Uttar Pradesh accounted for 21.50 per cent, Haryana 12.31 per cent, Madhya Pradesh 2.85 per cent and Rajasthan 10.26 per cent. The Committee would suggest that recruitment should be made as far as possible from every part of the country.

16 2.20 -do-

The Committee are deeply concerned to note that the expenditure on Border Security Force has increased from Rs. 25.44 crores in 1968-69 to Rs. 42.49 crores in 1971-72, Rs. 45.90 crores in 1973-74, Rs. 57.41 crores in 1974-75 (Budget Estimate). In view of the fact that there is a large standing army the bounden duty of which is to guard the borders of the country, this amounts to another instance of duplication which could be ill-afforded. Moreover till 1968 the

States forces were successfully guarding the borders. There is an appreciable rise in expenditure even after the cessation of hostilities on the Eastern border where we have now a friendly neighbour.

17 2.21

-do-

During the passage of the Bill in 1968 the Home Minister's indication as to the purpose of the force was policing of the Border on the other side of which there were hostile countries. Today although the situation has greatly changed in our favour, yet the country has to pay higher amount for the same purpose. This calls for an explanation.

18 2.22

-do-

The Committee note that with a view to establish report with the local population, the border security force initiated a scheme of Border welfare on a modest scale in 1970. Under this scheme assistance is provided by way of some medical relief, provision of books, uniform etc., to school children and warm clothing for poor people living in high altitude areas, construction of some cross drainage works, for repairs of equipment and maintenance of community schools. The expenditure was Rs. 1.29 lakhs in 1970-71, Rs. 1.26 lakhs in 1971-72 and Rs. 86,000 in 1972-73. The Committee are surprised that such a small amount was allocated for welfare activities of this nature and would recommend that such activities should be financed on an adequate scale.

19 2.24

-do-

The Committee note that the strength of the Central Industrial Security Force which came into existence in 1969-70, increased from

1

2

3

4

1568 to 15545 in 1972-73. Forces have so far been inducted into 71 public sector undertakings. The Committee feel that already a large number of police forces have been created. In their opinion Government should review the entire position to see whether it is necessary to have such a large number of forces each created for performing limited functions in addition to the one responsible for overall maintenance of law and order and protecting Government properties.

20

2.27

Home Affairs

The Committee are surprised to find that a total amount of Rs. 2.35 crores was outstanding as on 1st December, 1973 from the various State undertakings for the services rendered by the Central Industrial Security Forces, and part of the arrears relate to the year 1971-72. The Committee are of the opinion that there is no justification for any amount to remain outstanding. This force is assigned to every public undertaking with full regard to its requirements and on the clear understanding that it is liable for meeting the expenditure on this account. The Committee would await the progress of the recovery of arrears.

107

21

2.31

-do-

The Committee are informed that a scheme for modernisation of police force was introduced in 1969-70 and since then an amount of Rs. 19.80 crores has been paid to the State Governments on loan-cum-grant basis (75 per cent loan and 25 per cent grant). The

scheme aims at greater mobility, better telecommunication, and providing scientific aids to investigation, as in the past due to paucity of funds, certain major aspects of police development were neglected. The question of inducting major police development items in the Plan has now been taken up with the Planning Commission.

22 2.32

-do-

The Committee however are extremely distressed to note that in spite of heavy expenditure on police in the Centre as well as in the States, the crimes aaround, particularly economic crimes of various types, are very much on the increase and the performance of the police has been far from satisfactory as large number of cases of atrocities on Scheduled Castes and Scheduled Tribes continue to occur and minorities continue to have a feeling of insecurity. What is more, there is involvement of police personnel (including senior officers) in serious crimes.

108

23 2.37

-do-

The Committee are alarmed at the large scale increase in the number of crime cases in the Union Territory of Delhi. The number of cases increased from 17,605 in 1968 to 34,174 in 1973. In spite of the fact that the expenditure on police in Delhi has increased from Rs. 5.56 crores in 1968-69 to Rs. 7.82 crores in 1971-72, it has come to be known as the crime city in India. The crime position in urban Delhi is far worse than what is in Calcutta having much larger population. In 1972 the total No. of crimes in urban Delhi was 30054 against only 9793 in Calcutta. The contention of the Ministry of Home Affairs that the commitment of Delhi police for

attending to demonstrations and processions etc., is so heavy that it comes in the way of discharging their normal functions in regard to prevention of crime, detection and investigation of cases registered with the police, is not convincing. The Committee desire that special measures should be taken immediately to reduce the incidence of crime in Delhi.

24 2.38 Home Affairs

The Committee note that 40 police officers were found involved in cases of corruption during the years 1971 to 1973. There must be many many more such cases which go undetected. The Committee have been informed that the Vigilance Branch of Delhi Police conducts enquiries into complaints from public against police officials and other grievances, while an Anti-corruption Branch lays traps and conducts raids in cases of alleged corruption. The Committee suggest that adequate publicity should be given to the functioning of these two branches in order to facilitate reporting of cases of corruption against police officials.

25 2.39 -do-

The Committee are further distressed to see fairly frequent involvement of police personnel (including senior officers) in serious crimes. The Committee are strongly of the opinion that suitable legislation should be brought forward to punish police personnel found guilty, with maximum and exemplary punishment which should be enforced strictly.

Cabinet Sectt.
(Deptt. of Personnel)

The Committee deprecate the delay that has taken place in amending the Central Services (Medical Attendance) Rules, 1944 and All India Services (Medical Attendance) Rules, 1954, by incorporating therein the instructions already issued. This calls for an explanation. Although the Ministry of Law advised as early as 1963 that the executive instructions providing restrictions cannot over-ride the rules, the All India Services (Medical Attendance) Rules, 1954 were only partially amended by the Ministry of Home Affairs in 1970 by incorporating restrictions on re-imbusement of cost of preparations which were primarily foods, tonics, toilet preparations or disinfectants. The other restrictions regarding re-imbusement of the cost of expensive drugs, tonics, laxatives, or other elegant and proprietary preparations for which drugs of equal therapeutic value are available was not incorporated in these rules. It is regrettable that Ministry of Health who were concerned with amending the Central Services (Medical Attendance) Rules, 1944 did not take any action in this direction for so long. The delay in amending the All India Services (Medical Attendance) Rules, 1954 was due to the fact that the case referred to by the Ministry of Home Affairs to the Ministry of Health in 1964 was not pursued by either of the Ministries until this matter was brought to their notice by the Audit in 1969. The omission on the part of the officials is inexcusable. The Committee desire that responsibility should be fixed in each Ministry and appropriate action taken. The Committee have been informed that Government is now considering amendment of both All India Services (Medical Attendance) Rules,

1

2

3

4

and Central Services (Medical Attendance) Rules. The Committee hope that this will not take more than 6 months.

27 3.23

Cabinet Sectt.
(Dept. of Personnel)

The Committee note that a distinction was drawn between the members of All India Services and Central Services for the purpose of re-imburement of anti-diabetic drugs. The position was rectified only in August, 1973 barely a few days before the officers of the Ministries concerned were to appear before the Committee. The Committee stress that in future no distinction should be made between the members of All India Services and Central Services in such cases.

The Committee has reviewed the membership of the Central Services and has recommended that the membership of the Central Services should be made permanent in such cases.

Department of Personnel
 (Private Secretary)

3.33

The Committee has recommended that the membership of the Central Services should be made permanent in such cases.

