

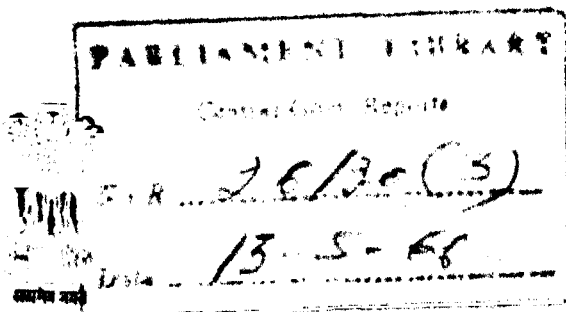
PUBLIC ACCOUNTS COMMITTEE **(1965-66)**

FIFTY-FOURTH REPORT

(THIRD LOK SABHA)

[Appropriation Accounts (Civil), 1963-64 and Audit Report (Civil), 1965 and Audit Report (Commercial) 1965 and Finance Accounts, 1963-64 relating to Ministries of Finance (including Planning Commission), Food, Agriculture, Community Development & Co-operation (Department of Agriculture), Home Affairs (relating to Andaman Administration), Industry, Iron & Steel, Mines & Metals, Labour, Employment & Rehabilitation (Department of Rehabilitation), Department of Social Welfare, Supply & Technical Development, Transport & Aviation; and Works, Housing & Urban Development.]

VOL. I—REPORT



LOK SABHA SECRETARIAT
NEW DELHI

April 1966/Vaisakha, 1888 (S)

Price : Rs. 3.30

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(PRESENTED TO LOK SABHA ON 10TH MAY, 1966) (Vol. I)

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*Appendices II—XXXIV printed in Vol. II

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

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PUBLIC ACCOUNTS COMMITTEE

(1965-66)

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3. Shri Ram Dhani Das
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- *19. Shri R. S. Panjhazari
20. Shri Ram Sahai
21. Shri Niranjana Singh
22. Shri Atal Bihari Vajpayee

SECRETARIAT

Shri H. N. Trivedi—*Deputy Secretary.*

Shri R. M. Bhargava—*Under Secretary.*

*Ceased to be members of the Committee consequent on their retirement from Rajya Sabha on 2-4-66 under art. 83(1) of the Constitution.

INTRODUCTION

1, the Chairman of the Public Accounts Committee, do present on their behalf this fifty-fourth Report on the Appropriation Accounts (Civil), 1963-64, Audit Report (Civil), 1965, Audit Report (Commercial), 1965 and Finance Accounts, 1963-64 in so far as these relate to the Ministries of Finance (including Planning Commission), Food, Agriculture, Community Development and Co-operation (Deptt. of Agriculture) and Home Affairs (relating to the Andaman Administration), Industry, Iron & Steel, Mines and Metals, Labour & Employment and Rehabilitation (Department of Rehabilitation), Department of Social Welfare, Ministries of Supply and Technical Development, Transport & Aviation and Works, Housing & Urban Development.

2. The Appropriation Accounts (Civil), 1963-64 and Audit Report (Civil), 1965, were laid on the Table of the House on the 12th March, 1965, Audit Report (Commercial), 1965 on the 29th April, 1965 and Finance Accounts, 1963-64 on the 16th August, 1965. The Committee examined the accounts at their sittings held on the 30th July, 25th September, and 11th October, 1965, 15th, 17th, 19th, 20th and 21st January, and 1st, 2nd, 4th, 5th and 8th February, 1966. A brief record of the proceedings of each sitting forms part of the Report (Part II)*.

As regards the accounts relating to the Andaman Administration, the Committee called for notes from the Ministries of Food, Agriculture & Community Development and Co-operation (Deptt. of Agriculture) and Home Affairs.

3. The Committee considered and finalised the Report at their sitting held on the 28th April, 1966.

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

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

5. The Committee place on record their appreciation of the assistance rendered to them in their examination of these accounts by the Comptroller & Auditor General of India.

They would also like to express their thanks to the officers of the Ministries etc. concerned, for the co-operation extended by them in giving information to the Committee during the course of evidence.

NEW DELHI;
28, April, 1966.
8, Vaisakha, 1888 (S).

R. R. MORARKA,
Chairman,
Public Accounts Committee.

I

MINISTRY OF FINANCE

National Defence Fund—Para 9, pp. 7-8, Audit Report (Civil), 1965

1.1. This Fund was constituted in November, 1962 with the object of mobilising resources for the defence of the country and for the welfare of the Armed Forces. The transactions relating to the Fund appear in the "Public Account" Section of the Government Accounts.

1.2. A broad analysis of the receipts and expenditure under the Fund during the two years 1962-63 and 1963-64 is given below:—

(in crores of rupees)

Receipts	1962-63	1963-64	Expenditure	1962-63	1963-64
Cash collections (Contributions received in gold ornaments, jewellery, silver, silver articles, etc. had not been converted into cash and credited to the fund).	50.30	7.88	Transfer to Revenue to meet expenditure on purchases of Defence equipment.	8.00	14.93
			Payment to the University Grants Commission to meet 50% of the cost of construction of 1000 Rifles Ranges in Educational Institutions.	0.12	..
			Payment to the Citizens' Central Council.	0.35	..
			Amount spent through Army and Air Force Relief Funds and other Defence Organisations.	0.15	0.11
			Other items .	0.27	0.08
			Closing Balance in the Fund.	41.41	34.17

1.3. The funds made available to the Citizens' Central Council were to be utilised for provision of amenities and welfare of the fighting forces and their families and for publicity to promote defence effort. Out of the funds received, the Central Council had paid advances amounting to Rs. 10.94 lakhs to the Citizens' State Councils during January, 1963 to March, 1963, but the audited accounts had not been received by the Central Council in several cases. A sum of Rs. 3.48 lakhs was also advanced in December, 1962 and January, 1963 to an individual and an organisation, both of whom have not rendered any account to the Central Council.

1.4. The Secretary of the National Defence Fund informed the Committee that Audit Reports for the financial year 1962-63 had been received from the State Citizens' Councils of Punjab, West Bengal, Uttar Pradesh, Gujarat, Kerala and Rajasthan but these had not yet been received from the State Citizens' Councils of Andhra Pradesh, Bihar, Himachal Pradesh, Delhi and Tripura. The accounts of the Maharashtra State Citizens' Council were in the process of being audited and the Report was expected to be received shortly. The State Governments concerned were being reminded in the matter.

1.5. Asked whether any State Government had disputed the necessity or the desirability of audit, the witness stated that in the beginning the States were not very particular to have an audit of their accounts. But later on, when the position was explained to them, the Maharashtra Government immediately started doing it. Then they wrote to the other States through the Citizens' Central Council advising them to follow suit. Asked how soon after the amounts were disbursed, instructions were issued that audited accounts should be produced, the witness stated that it was about 2 years thereafter.

1.6. Regarding the amount sanctioned to an individual, the witness stated that a grant of Rs. 40,000 was given by the Citizen's Central Council, and was to a person who was doing a lot of relief work in the forward areas during the emergency. Out of this amount a sum of Rs. 10,000 was given as *ad hoc* grant to compensate the Kasturba Seva Mandir which had incurred heavy losses in a fire at Tezpur. So far as the balance of Rs. 30,000 was concerned, vouchers for a major portion had been received. Referring to the decision of the Executive Committee of the N.D.F. that the accounts relating to the grants paid to the Red Cross Society and aforesaid individual should be audited by a private chartered Accountant to be approved by the Controller and Auditor General, the Committee asked whether action had been taken in this regard. The witness stated that the decision was communicated to both the parties. But the Indian Red Cross Society had stated that their

accountants were already being audited by the Accountant General, Central Revenues and there was hardly any point in having private Auditors to audit the accounts of the amounts received by them from the N.D.F. This matter would be looked into and also referred to the Red Cross Society.

1.7. Asked what the total amount collected in the NDF was, the witness stated that upto 15th December, 1965 it was Rs. 70.96 crores including Rs. 1.6 crores worth of gold, silver and jewellery donated to the fund and 'taken over to Govt. Stocks'. Out of this the total amount spent came to Rs. 27,97,72,000. In addition Rs. 5 crores were sent to the Special Fund created for the rehabilitation of ex-Servicemen. The Committee enquired whether the propriety of setting up of a fund for the rehabilitation of ex-Servicemen out of the NDF was examined. The witness replied in the affirmative and stated that the Executive Committee considered it as a laudable object and within the scope of the fund.

1.8. The Committee enquired whether all the items viz. gold, silver, jewellery etc. had been sold and proceeds realised, the witness stated that so far as gold ornaments etc. were concerned they were taken over to the Government stock after melting. In regard to rare jewellery of artistic value, a Committee under the Chairmanship of the Maharani of Gwalior had been appointed to examine the various items and some of these were sent to America where a special sale was organised. Part of it was sold and the rest was returned to India. The latest decision of the Executive Committee was that this should be sold to foreign tourists against travellers cheques. He added that a sale was organised in the Cottage Industries Emporium and the result was quite satisfactory.

1.9. The Committee are surprised to learn that when the funds were disbursed to the various States Citizens Councils etc., no condition was laid down regarding preparation and submission of audited accounts. A decision to get audited accounts was taken only about two years after the disbursement of the funds. The Committee desire that the question of obtaining audited accounts from such of the Citizens Councils as have not yet forwarded the audited accounts and also the Indian Red Cross Society and the individual mentioned above should be pursued vigorously.

1.10 Loans received from foreign sources—Para 16(a), page 14.

(In crores of rupees)

Source	Amount of loan authorised	Loan received		Loan repaid		Loan outstanding at the end of 1963-64	Rate of Interest		
		During 1963-64	Upto end of 1963-64	During 1963-64	Upto end of 1963-64				
U.S.A.	.	.	1372.18	200.00	859.72	14.33	33.43	826.29	2-1.2 to 5-3/4 ⁰ *
U.S.S.R.	.	.	383.81	67.42	193.79	15.65	48.57	145.22	2-1.2 ⁰
West Germany	.	.	304.33	21.22	235.93	8.23	69.54	166.39	3 to 6-3/4 ⁰
Canada	.	.	42.00	4.90	20.61	4.37	8.86	11.75	4-1/4 to 6 ⁰
Japan	.	.	98.11	7.51	25.61	1.76	2.03	23.58	5-3/4 to 6 ⁰
U.K.	.	.	272.65	34.72	209.42	7.34	15.35	194.07	(A)
International Bank for Reconstruction and Development	.	.	232.35	4.55	210.78	8.57	32.28	178.50	4 to 6 ⁰
International Development Association	.	.	142.84	39.86	47.32	..	..	47.32	No interest is charged. Only a service charge of 3/4 ⁰ payable on the amount outstanding

Poland	.	.	.	29.80	0.94	1.13	..	..	1.13	2-1/2%
Switzerland	.	.	.	15.25	1.41	1.64	..	..	1.64	3-3/4% above the official discount rate of Swiss Bank.
Austria	.	.	.	5.71	..	..	..	..	..	5-1/2% to 6%
Yugoslavia	.	.	.	19.05	0.65	0.65	..	..	0.65	3%
Rhodesia and Nyasaland	.	.	.	..	1.33 [@]	1.33	0.26	0.26	1.07	..
TOTAL	.	.	.	2918.08	384.51	1807.93	60.51	210.32	1587.61**	..

* Loans from the Agency for International Development bear only a credit fee of 1/2 per cent on outstanding amounts.

(A) Credit from Messrs. Lazard Bros & Company carries interest at 1 per cent above the U.K. Bank Rate (with a minimum of 4 1/2 per cent per annum). In respect of other credits, the rate of interest is equal to that applicable to similar loans for comparable period from the U.K. Consolidated Fund plus 1 per cent representing management charges.

@ Represents credit for miscellaneous stores received on deferred payment basis.

** Exclude; Rs. 25.71 crores outstanding in respect of the loan from Kuwait.

1.11. The Committee enquired whether any review had been undertaken by the Ministry in order to determine how far the projects financed by foreign loans were already remunerative, as recommended in para 8 of their Thirty-Sixth Report (3rd Lok Sabha). The Secretary Co-ordination stated that a rough calculation had been made as to the projects which were profitable and which were not. The results would be published in a review which would cover all projects. He added that the accounts were still being received from the various units and compiled for publication.

1.12. The Committee desired to be furnished with a note stating whether the foreign loans taken by Govt. had been utilised properly and whether they were serving the purpose for which the loans were utilised. The information is still awaited.

1.13. The Committee referred to the fact that when a project was undertaken, an assessment was made as to what would be the foreign exchange that would be earned/saved on completion of the project. The Committee enquired whether any study had been made to determine how far the Govt. had saved or earned foreign exchange as compared with the estimates made at the time of taking the loans for such projects. The Secretary, Economic Affairs stated that they would try to make such a study.

1.14. The Committee desire that the review suggested in para 8 of their 36th Report (3rd Lok Sabha) indicating how far the various projects financed from the foreign loans were (a) already remunerative (b) likely to become remunerative after some years, and (c) likely to continue unproductive so far as can be foreseen, should be completed early. They further desire that this review should also include the results of the study as to how far the Governments' expectations have been realised in respect of earnings saving the foreign exchange as a result of commissioning such projects.

Commitment charges on loans from the International Bank for Reconstruction and Development—para 16(b), page 15.

1.15. The agreements for the loans given by the International Bank for Reconstruction and Development provide that the Bank shall open a Loan Account on its books in the name of the borrower and shall credit to it the amount of the loan. The amount of the loan may be withdrawn from the Loan Account as provided in the

agreement, but the borrower is liable to pay to the Bank a commitment charge at 1 per cent per annum on the principal amount of the loan not withdrawn from time to time. The Commitment charge is payable from the day the agreement for the loan is made effective or from a date 60 days after the date of the agreement, whichever is earlier. (A loan agreement becomes effective when its execution and delivery have been duly authorised and all other events specified in the agreement as conditions to its effectiveness have occurred). During the period 1949-50 to 1963-64, Government of India paid commitment charges amounting to Rs. 174 lakhs in respect of loans received by Government.

1.16. Statements showing the commitment charges paid by Government upto 1964-65 in respect of the loans received by Government, public undertakings and companies in the private sector are given in Appendix II (Stts. I, II & III).

1.17. The Committee enquired whether the Government had taken any decision on the recommendation of the PAC (1964-65) made in para 19 of their 39th Report and whether it was not possible to include a clause in the loan agreement that in case of non-drawal of loans in accordance with the prescribed schedule, the extra cost, if any, to be borne by Government in raising the loan would have to be borne by the loanees.

1.18. The representative of the Ministry of Finance stated that there had been no specific case of a loan that the World Bank was due to make which could be made directly to a private sector party and which the Government was taking over. He added that in this case, they would have to consult not only the private party but also the World Bank before coming to a conclusion. In the case of public sector undertakings, the Government was the borrower and the provision for the payment of commitment charges rested with the Government.

1.19. The C. & A.G. pointed out that in the case of loans to private parties also the responsibility was that of the Government.

1.20. The Secretary, Deptt. of Economic affairs stated that the point whether it was borne by the Government or by the private sector was not very material. The real point was that more commitment charges than necessary should not be incurred. But inherently payment of a certain amount of commitment charges was unavoidable. Even if the drawal of the loan went perfectly accord-

ing to the original schedule, some minimum commitment charges would still be incurred. But if the drawal took too long due to bad estimates, delays or a surrender was not made in time, then the commitment charges would become more than what might have been necessary. It was therefore important that projects receiving loans should as far as possible, be implemented according to schedule.

1.21. The Committee asked if any part of the commitment charges could be avoided, the witness stated that in respect of Rs. 174 lakhs mentioned in the Audit para, he had examined and found that the commitment charges of Rs. 9·6 lakhs could have been avoided if they had not asked for extension of the drawals beyond the targeted date mentioned in the agreement. Another sum of Rs. 16·20 lakhs could have been saved if they had made surrenders in time.

1.22. The Committee enquired whether it was not possible to surrender the money in time. The Secretary, Deptt. of Economic Affairs stated "we must improve upon it".

1.23. The Committee desired to be furnished with a note analysing the total amount paid by the Government as commitment charges upto 1964-65 (including those paid by Public Undertakings and companies in the private sector). The note* furnished by the Ministry of Finance is at Appendix III.

1.24. In their note, the Ministry of Finance have stated that out of the total amount of Rs. 425·09 lakhs paid as commitment charges on the World Bank loans upto 1964-65, charges paid on account of extensions and cancellations amounted to Rs. 52·61 lakhs and Rs. 24·01 lakhs respectively.

1.25. The Committee feel concerned over the quantum of commitment charges (Rs. 425·09 lakhs) paid by Government to the International Bank for Reconstruction and Development upto 1964-65 in respect of the loans taken by the Government, Public Undertakings and companies in the private sector. The Committee note the Ministry's explanation that the bulk of the commitment charges were unavoidable, as most of the I.B.R.D. loans finance imports of capital plant and machinery which necessarily involve long delivery periods, say two or three years, and thus even utilisation of loans according to the original schedules and within the terminal dates involves payment of commitment charges over a long period. All the same, the Commit-

*Not vetted by Audit.

tee desire that every effort should be made to minimise the commitment charges that are avoidable, by utilisation of the loans within the original time schedule and by not embarking upon loan agreements for doubtful schemes, involving the possibility of the cancellation of loan agreements later. Even in case of loans for capital equipment involving long delivery period—more realistic time schedule should be prepared taking into consideration the time factor etc.

1.26. The Committee also desire that an early decision should be taken on the suggestions made in para 19 of their 39th Report (1964-65) regarding the feasibility of the industries taking loans direct from the World Bank on a guarantee of the Government, which would lessen the burden on Government. The Committee are not impressed by the argument that it does not matter whether the Government or the private party pays the commitment charges. In the opinion of the Committee it very much matters and therefore it should be ensured that in cases where the World Bank is not in a position to give loans direct to the industries concerned and Government have to step in as an intermediary. Government should make available the foreign loans received to the parties concerned on such terms and conditions as will not result in a loss to the public exchequer. This principle should be made applicable both in the case of public undertakings and companies in the private sector.

Utilisation of Central assistance for State Plan Schemes—para 19, pp. 16—18.

1.27. During the period of 3 years ending the 31st March, 1964, loans amounting to Rs. 865 crores and grants amounting to Rs. 287 crores were given to State Governments as Central assistance for Centrally sponsored schemes and State Plan Schemes. According to a procedure introduced from 1958-59, three fourths of the estimated assistance for each financial year is advanced to the State Governments in monthly instalments from May to January. These advances are adjusted by 'provisional' payments of grants-in-aid and loans in March of each year, with reference to figures of actual expenditure for the first three quarters and the anticipated expenditure for the last quarter. The provisional payments are subject to final adjustment on the basis of actual expenditure reported by the State Governments in June of the following year.

1.28. The financial assistance given by the Central Government relates to (a) Centrally sponsored schemes, and (b) 'Head of Development' in the State Plan Schemes. In respect of the State Plan Schemes, the reports received from State Governments indicate the expenditure by 'Heads of Development' and not under the individual schemes comprised in each 'Head of Development'.

1.29. The Public Accounts Committee (Third Lok Sabha) 1963-64 desired the Ministry of Finance to take vigorous steps to devise a method that would enable the Comptroller and Auditor General to exercise proper checks in regard to the Central assistance made available to the States and to apprise Parliament of the results of these checks. Government have since issued instructions (October, 1964) to State Governments that with effect from the accounts of 1965-66, the final adjustment of Central assistance to State Governments for Plan Schemes would be on the basis of audited figures of expenditure.

1.30. There is no procedure at present for the supply of particulars to Audit regarding "approved Schemes" under each "Head of Development" on which Central assistance is proposed to be utilised. It has been stated by the Ministry of Finance that the schemes included in the State Plans are drawn up within an agreed framework decided at the annual discussions with the Centre. The individual schemes under each Plan Head of Development, do not, with some exceptions, require the prior approval of the Government of India. It is expected however that the State Governments concerned will furnish the respective Accountants General, a full list of schemes included by them in their Plans.

1.31. According to Audit under the existing arrangements the financial assistance extended by the Government of India is not subject to any conditions in the following respects:—

- (i) The necessity for State Governments themselves taking steps to refund as soon as possible after the close of the year, the amounts of Central assistance drawn but not actually utilised during the year for expenditure on the approved schemes. (This condition will avoid large amounts remaining unspent with the State Governments, for the major part of the following year. At present any adjustment of unutilised amounts is left to be made by the Government of India only towards the close of the

following year after examining the statements of actual expenditure received from the State Governments).

- (ii) The necessity for obtaining the Government of India's sanction in the event of important modifications of the data or the considerations on which the schemes had been originally approved. At present specific approval by the Centre is stated to be given only for Irrigation and Power Schemes. In these cases at least, State Governments may be required to obtain the specific approval of the Government of India to revised estimates if they are more than 100 per cent of the original estimates or if there has been considerable modification in the targets expected to be achieved e.g. area to be irrigated as compared with the estimates framed at the time of the approval of the schemes; and
- (iii) The need for maintenance of detailed departmental accounts of the expenditure in a form which would be susceptible of test-check by Audit.

1.32. In particular, it is desirable, according Audit, that any special procedure followed in multi-purpose projects for making payments, submission and compilation of accounts and internal check should be subject to such directions as may be given by the Government of India. If this is done, it would facilitate effective financial control, and would give the Central Government an opportunity to offer advice regarding the steps to be taken to avoid unduly large arrears in the maintenance/internal check of project accounts.

1.33. Cases where the Central assistance has been shown as utilised after the release of the sanctioned amounts to autonomous bodies, cooperative institutions or other local bodies entrusted with the execution of the schemes, but the execution has been unduly delayed, or has not been taken at all, by those bodies may also be required to be reported to the Government of India for formal approval and regularisation.

1.34. The Committee enquired as to the reactions of the State Governments to the Finance Ministry circular issued in 1964 to the effect that the latter would sanction further loans only on the basis of audited statements. The Secretary, Department of Co-ordination stated that as it would apply to assistance to be given in the year 1965-66, the position would actually be known by the end of March, 1966. He added that the Governments of Andhra Pradesh, Bihar, Gujarat, Kerala, Madras, Maharashtra, Rajasthan, Uttar Pradesh and

West Bengal had already published the kind of statement required i.e., statement showing proper linking of the Budget Heads with the Heads of development. Replies from other states had not yet been received.

1.35. The Committee pointed out that at present, the State Governments themselves did not take steps to refund as soon as possible, after the close of the year, the amounts of Central assistance drawn but not actually utilised. The Secretary, Co-ordination stated that it took time for State Governments to finally adjust their accounts. All such statements showing how much they had actually spent under each scheme and the amount of refund due to the Central Government were received in September and the adjustment took place during the period after September and before March. That was generally done by making short payments to them on the assistance for that particular year. He added that it would not be a very feasible proposition to ask the State Governments to refund because they themselves would take this amount of time before they come to know how much they would have to refund. Actually from the statement relating to the last 3 years, it transpired that the payments which had to be made to the States had been in excess of the refunds. In the year 1961-62, the excesses to be recovered from the State Governments were Rs. 13.78 crores, while the payments were Rs. 32.25 crores. He added that the position regarding refunds differed from State to State.

1.36. As regards the point made in the audit para that the sanction of the Government of India was not required to be obtained in the event of important modifications of the data or the considerations on which the scheme had been originally approved, the witness stated that even under existing instructions the State Governments were required, in the case of irrigation, flood control and power schemes to come to the Planning Commission for approval where there was variation in estimates. He added that there had been five cases in which the revised estimates had been reviewed and approved by the Advisory Committee consisting of the Planning Commission, representatives of the Ministry of Finance and Central Water and Power Commission i.e., Kosi, Chambal, Ranapratap Sagar, Kunda and Shara-vati. In respect of the Nagarjunasagar project, the revised estimates were under review.

1.37. Asked about the need for maintenance of detailed departmental accounts of the expenditure in a form which would be susceptible to test check by Audit, the Secretary, Co-ordination stated that as far as he knew, the majority of multi-purpose projects had a

financial adviser attached to them and they followed the prescribed procedure regarding making payments and maintaining accounts.

1.38. The C. & A. G. observed that the F.As. had proved completely ineffective in making the multi-purpose boards conform to a principle. Once the money was drawn by these boards, which were supposed to be autonomous, there was no system or control by anybody so far as payment, sanction, accounting etc. were concerned. The Secretary, Co-ordination stated that the Ministry would look into this matter in consultation with the Auditor-General. The Committee pointed out that this referred not only to multi-purpose irrigation schemes, but also to other centrally-assisted schemes.

1.39. The C. & A. G. pointed out that the State Governments must be required to follow a particular procedure of maintaining accounts so that it could be known whether the State Governments had actually spent the money on these schemes out of the money drawn from the Central Finance Ministry. The Secretary, Co-ordination stated that with the necessary link between the budget and the scheme, which the State Governments had been asked to follow, this would facilitate the check. He added that U.P. was already following this method of accounts and replies were awaited from other States.

1.40. The Committee enquired as to the procedure followed in getting the formal approval of the Central Government for regularisation when Central assistance had been shown as utilised on schemes, after the release of the sanctioned amounts to autonomous bodies, co-operative institutions and other local bodies entrusted with the execution of the schemes, but the execution of which had been unduly delayed or had not been taken up at all. The Secretary Co-ordination stated that the Finance Ministry did not go into the actual details of the expenditure by the local bodies entrusted with the execution of the schemes, but under the new procedure prescribed it had been mentioned that even this expenditure by the local bodies would be subject to audit which would be necessary for making final adjustment. The Committee enquired how the Government of India satisfied themselves that the money advanced by State Governments to local bodies and other organisations out of the Central assistance was ultimately spent for the purpose for which it was granted.

1.41. The Secretary, Co-ordination replied that until now they could not know but under the new procedure prescribed there would be audit of the utilisation of the money by the local body or organisation which received grants or loans from the State Government.

The Committee enquired what scrutiny, if any, the Finance Ministry exercised in a case such as the loan of Rs. 2½ lakhs given to Bharat Sevak Samaj by the Andhra Pradesh Government for the construction of buildings. The Secretary, Department of Economic Affairs stated that it had been sanctioned by the Planning Commission as the administrative Ministry incharge of Bharat Sevak Samaj. A Financial Adviser belonging to the Finance Ministry must have come into the picture. The Committee enquired whether the Planning Commission had the authority to sanction loans to State Governments. The Secretary, Department of Economic Affairs stated that the Planning Commission had always been an administrative Ministry for certain purposes. The Secretary of the Planning Commission as a Secretary to the Government of India was also competent to issue orders on behalf of the President and the Planning Commission was competent to sanction loans to State Governments in regard to the subjects allocated to it.

1.42. The Committee note that pursuant to their recommendation, Government have issued instructions (October, 1964) to the State Governments that with effect from the accounts of 1965-66, the final adjustment of Central assistance to State Governments for plan schemes would be on the basis of the audited figures of expenditure. The Committee hope that each State Government will publish a statement of schemes included in its annual plan arranged under the heads of development indicating the provisions made for each scheme under the various budget heads of accounts and also furnish the requisite data to the Accountant General concerned to enable him to check that the grants were actually spent for the purpose intended and also economically. The Committee desire that the system should be kept under review by the Ministry of Finance in consultation with the Comptroller and Auditor-General with a view to effecting improvements and making the control of the Central Government over the utilisation of the assistance effective. The Committee would watch the results through future audit reports.

1.43. The Committee also suggest that the Ministry should discuss with the Comptroller and Auditor General about the other lacunae pointed out by Audit in this regard and send a Report to the Committee.

1.44. During evidence the Committee's attention was drawn to two instances of under-utilisation of Central assistance reported in the Audit Report of Uttar Pradesh, 1965 and a memorandum submitted by the Madhya Pradesh Government to the State Public Accounts Committee. In the latter case a wrong utilisation certificate was

issued by the State Government in order to receive the necessary assistance. The Committee enquired whether there was any system in the Finance Ministry to examine the Audit Reports of State Governments and the Reports of the Public Accounts Committee thereon. The Secretary, Department of Economic Affairs replied in the negative but added that henceforward they would organise a study of these reports. The Committee desire that such a study should be undertaken by the Ministry on a regular basis. This would enable the Ministry to know whether the grants/loans given by the Centre to the State Governments for specific schemes were being properly utilised for the intended purpose. This will also be helpful in watching the actual utilisation of Central assistance and applying the correctives where necessary.

India Government Mint, Bombay.

Extra expenditure—pages 196-97, Section XLI. Audit Report (Commercial), 1965.

1.45. The Mint Master, Bombay, invited tenders in November, 1960 for two "Bright Annealing Furnaces" and one "Atmosphere Generator". Out of three tenders received, the lowest quotation of Rs. 2,83,156 was accepted by the Mint Master in January, 1962 subject to certain conditions one of which was that payment would be made in full on receipt of the goods in satisfactory working condition. The delay of over one year in taking this decision was due, it is stated, to protracted correspondence with the tendering firms regarding the foreign exchange component for the machinery. Even then, the purchase could not be finalised as the firm pressed for 90 per cent payment on proof of despatch, as was the practice in the case of contracts placed by the D.G.S. & D. Before the final decision was taken the Ministry of Finance issued orders (March, 1962) that purchases costing more than Rs. 5,000 should be routed through the D.G.S. & D. A fresh indent was then sent by the Mint Master to the D.G.S. & D. who called for tenders in August, 1962 and placed an order with the same firm in February, 1963 at a cost of Rs. 2,99,023.

1.46. The administrative and other delays in this case resulted in an extra expenditure of Rs. 15,867 computed with reference to the original quotation received by the Mint Master.

1.47. The Committee enquired as to the present position about the receipt of the furnaces and the reasons for the delay in getting them. The Additional Secretary, Economic Affairs Department stated that a

lot of time was spent due to administrative delays and in trying to save the foreign exchange content.

1.48. In reply to a question, the witness/stated that a part of the machinery had been received. He added that the last extension given by the D.G.S. & D. was upto 31st December, 1965.

1.49. The Committee pointed out that it was a small order costing about Rs. 3 lakhs, which was placed in February, 1963 and had still not been fulfilled. The witness stated that the delivery period was 15 months and admitted that it was a bad case of delay.

1.50. The Committee regret to observe that in this case an extra expenditure of Rs. 15,867 had to be incurred in the purchase of two "Bright Annealing Furnaces" and one "Atmosphere Generator" due to administrative and other delays in placing orders after calling for tenders in November, 1960. What is more, supplies have not yet been completed after a lapse of more than three years of placing the order by the Director General, Supplies and Disposals. Thus, apart from incurring extra expenditure, the machinery required in 1960 have not yet been installed after a lapse of about six years. The Committee very much regret such long delays in the execution of small orders. They desire that the matter should be vigorously pursued with the Director General, Supplies and Disposals.

Loss—para 62, page 181: Audit Report (Civil), 1965.

1.51. A District Organiser of the National Savings Organisation, West Bengal, is alleged to have misappropriated investors' money amounting to about Rs. 19,965 during the period from April, 1960 to March, 1963. The loss came to light in March, 1963, when a complaint was made to the Organisation by the Central Excise Department.

1.52. The District Organiser concerned was suspended from the 9th April, 1963 and a charge sheet is reported to have been filed by the Police against the District Organiser.

1.53. The Committee enquired whether the accounts of the organisation were not subject to periodical internal check and if so, why the misappropriation was not detected earlier. The representative of the Ministry of Finance (Department of Economic Affairs) stated that in this case, there was a failure on the part of the Regional Director as well as the Assistant Regional Directors who should have scrutinised the receipt books to see how the collections made had been withheld. He added that so far as the monetary liability was concerned, the District Organiser was totally responsible and he was being prosecuted.

1.54. The Committee feel concerned to find that the mis-appropriation of the investors' money was continued by the District Organiser concerned over a period of three years without being detected. The Committee desire that the system should be examined with view to making it foolproof. They hope that necessary measures have been taken to tighten up supervision in order to prevent recurrence of such cases. The Committee would like to know the outcome of the prosecution launched against the District Organiser.

Finance Accounts, 1963-64

Guarantees given to State Bank of India—Page 44, Item (iv).

1.55. A guarantee in respect of each credit arrangement to the extent of Rs. 95 lakhs obtained by M/s. Richardson and Gruddas Ltd. from the State Bank of India on the basis of promissory note has been given by Government of India.

The Secretary (Revenue and Insurance) stated that he had occasion to deal with M/s. Richardson & Gruddas Ltd. and added: "On account of a large number of shares having been forged by Shri Mundhra, the company was taken over and run under the direct administration of the Calcutta High Court, who appointed an administrator. He found that the shares were of no use to him in offering as security in the usual way for getting loans because it was not certain which of the shares were forged and which were genuine." M/s. Richardson & Gruddas Ltd. also wanted to expand their business, to go in for more capital etc. Pending that they asked Government to help them with the guarantee. Because it was in the hands of an Administrator appointed by the High Court, the Government agreed to give the guarantee. The Director (Banking) explaining further stated that it was decided that for continuing employment and maintaining production the best thing would be that the old guarantors should be discharged and the State Bank of India should be given a guarantee by the President in order to enable them to advance a new overdraft amount of Rs. 95 lakhs needed by the company. Actually, on 4th September 1959 a tripartite agreement was entered into, between the President, the State Bank of India and M/s. Richardson & Gruddas Ltd. He added that the interests of Government were protected by the conditions included in the agreement that the Bank was prevented from releasing any securities charged to it on account of this loan without the consent of the President of India and the Government could revoke the guarantee at any time.

1.56. The Committee pointed out that if the assets were more than the amount to be paid under the guarantee and no risks were involv-

ed, the State Bank of India would not have asked the Government to guarantee. The Director (Banking) stated that it was more as an insurance providing for the continuance of the company in good hands and under Government management. The Secretary Economic Affairs stated that in many other circumstances too a guarantee was asked not because the assets by themselves were insufficient but something more than the assets were needed by way of abundant precaution.

1.57. The Committee enquired how could the Government be certain that good management would be allowed to continue and the High Court would not pass another order. The Secretary, Economic Affairs stated that if the High Court passed an order changing the management to somebody else, "that somebody else would be equally bound by the tripartite agreement."

1.58. The Committee observed that the Government did not have either a financial interest or controlling power at the time they gave the bank guarantee. The Secretary, Economic Affairs agreed.

1.59. The Committee pointed out that if after realisation of the security, there was a deficit of Rs. 50 lakhs, Government would have no remedy. The Secretary, Economic Affairs stated that if at any time it was found that the assets themselves were in-sufficient, then the marginal risk was always inherent in it. The Director (Banking) added that so long as the position was that the total security was more than the guaranteed amount, the Government was protected. Asked what would happen if the amount realised from the assets was less than Rs. 95 lakhs, the Secretary, Economic Affairs stated that their judgement in the circumstances was that the risk was small.

1.60. In reply to a question, the Director (Banking) informed the Committee that by a separate agreement M/s. Richardson Gruddas had committed itself to the position that if Government discharged the State Bank of India, it would be entitled, as against the company, to all the rights which the Bank had. He added that the guarantee for Rs. 95 lakhs still stood and the management of the company was in the hands of the Court nominee.

1.61. The Committee desire that apart from the conditions included in the tripartite agreement with the State Bank of India and M/s. Richardson & Gruddas Ltd. for protecting the interests of Government, the Ministry should review whether any further measure are necessary to have controlling power in the management of the Company to safe-guard the financial interests of Government. The Committee are also of the view that a clear stipulation should be made in

the agreement that during the currency of the guarantee the management would be in the hands of the Court/Government nominee.

Government companies and Corporations—page 46, item (vii)

1.62. A statement showing the particulars of guarantees given for the repayment of principal and interest to the State Bank of India in respect of cash credit facility, letters of authority etc. given by the Bank of Government Companies during the period 1957-64 is given in Appendix IV.

1.63. The Committee desired to know on what principles Government had guaranteed cash credit facilities to public sector companies. The Secretary, Department of Economic Affairs stated that with a view to introducing normal circumstances as quickly as possible, the public sector companies were encouraged to take cash credits from the banks, sometimes a little before they went into production. They were expected to be completely self-sufficient as time went on and the position would be reached when on the hypothecation of their assets they would get accommodation from the banks. During the intervening period the banks may not lend without additional guarantee of Government. These guarantees were to be progressively withdrawn as and when the public sector corporations were able to stand on their own feet. He added that the guarantees had to be given because government were the owners.

1.64. Asked whether the guarantee had been withdrawn in any case, the Director (Banking) stated that in the case of N.C.D.C., I.T.I., Bharat Heavy Electricals which stated production of their Tiruchi Unit and the Fertiliser Corporation, Government had been able to persuade the State Bank to lend substantial sums without the President's guarantees. Old guarantees were being retired one by one, most of which were only for 6 months except for agricultural purposes.

1.65. In reply to a question, the witness informed the Committee that 4 or 5 months back, the total outstandings to all public sector projects, mostly guaranteed by Government was about Rs. 77 or 78 crores.

1.66. The Committee appreciate the position explained by the Secretary, Department of Economic Affairs that in the case of Public Sector companies, the guarantees given by the Government would be progressively withdrawn as and when those companies went into production and were able to stand on their own feet. The Committee would like the Government to adequately safeguard the financial interests when they decide to give guarantees to private bodies, co-operative societies etc.

Guarantees given to the Bombay State Financial Corporation in respect of loan given by it to a private individual in April 1960—page 45.

1.67. An individual has purchased an evacuee property known as Ahmed Mills at Ambarnath and has mortgaged it to the Government of India along with certain other property situated at Ambarnath. The Bombay State Financial Corporation has agreed to advance to the individual a loan of Rs. 7 lakhs with interest at 6½% per annum for running the Mills on the security of a second mortgage of the property. The first mortgage is in favour of the Government of India in respect of Rs. 48,11,000 due to the Government from the individual. The entire loan of Rs. 7 lakhs has been guaranteed by the Government of India.

1.68. The Committee required what was the amount realised from the individual since the presentation of their 36th Report (1964-65), in which the Committee had dealt with this case (vide para 26). The Chief Settlement Commissioner stated that as regards the amount of Rs. 7 lakhs out of which Rs. 5 lakhs were actually disbursed to the party by the Bombay State Financial Corporation, the total amount that now remained was Rs. 1,60,000. The party paid Rs. 3,39,900 till now. As regards the amount due to the Ministry from the party, the witness stated that the total amount to be recovered from him was Rs. 68,11,000, out of which Rs. 20 lakhs was paid in the form of claims in respect of properties left in Pakistan. The remaining amount of Rs. 48,11,000 was to be paid by him in instalments of Rs. 4,81,100 each plus interest w.e.f. 20-10-61. Upto 20-10-65, he was to clear 5 instalments but he had cleared only 3 and he was in arrears of the 4th and 5th instalments which fell due on 20-10-64 and 20-10-65. This included interest at 4½% and the total amount was Rs. 10,40,860. He added that since the last meeting of the P.A.C. the party had paid only Rs. 1,50,000.

1.69 Referring to a note furnished by the Ministry of Rehabilitation in January 1966, the Committee pointed out that they recommended last year that in case of extension of time, the party should be charged market rate of interest; otherwise the amount should be recovered forthwith, but the Ministry had proposed to revise the rate of interest from 4½% to 7½% to bring it in conformity with the present market rate and to give him a rebate of 2% on prompt payment and to charge a penal rate of 9½% in the event of default. The witness stated that the party had sent a representation as regards the difficulties faced by the wool industry, which was referred to the Commerce and Industry Ministry. The Textile Commissioner had made a recommendation that the amount be recovered in 10 instalments.

1.70. The Committee enquired why the Ministry was not charging market rate of interest. The witness agreed that the party should not be given any rebate and promised to revise his note to the Finance Ministry accordingly.

1.71. The Committee are surprised that even inspite of their previous recommendation, the Rehabilitation Ministry proposed the effective rate of interest of 5½ per cent when the market rate was more than 7½ per cent. This indicates that no proper thought was given to this problem and the Committee's recommendation was not considered seriously. The Committee desire that no undue concession should be given to the individual in the repayment of the loan which is overdue. The Committee reiterate their recommendations made in para 26 of the 36th Report, (1964-65) in this regard and desire that an early decision should be taken in the matter.

PLANNING COMMISSION

Irregular grant of deputation allowance to an officer—Appendix I—Pages 184-185, Audit Report (civil), 1965

Sub-para (a) :

- 1.72 A senior Research Officer of the Planning Commission who was drawing a pay of Rs. 860 p.m. in the scale of Rs. 700-40-1100-50/2-1250 and working in the Rural Industries Planning Committee of the Commission was appointed to the post of Assistant Secretary of the Committee created in the scale of Rs. 900-50-1250. The orders for the creation of the post and the Research Officer's appointment were issued on the 27th April, 1963 but were given retrospective effect from the 28th June, 1962. In addition, the officer was treated as on 'deputation' from his regular line and he was allowed to draw a deputation allowance of 20 per cent from 28th June, 1962, over and above his pay in the Research Officer's scale, even though the new post did not involve any deputation outside the Planning Commission's Organisation. He thus drew Rs. 1,032 per month against Rs. 900 which he would have drawn under the normal operation of the rules.
- The Planning Commission have stated (October, 1964) that they are of the view that the physical transfer of an officer from one department to another is not an essential condition for the grant of deputation allowance and there is no bar to such allowance being sanctioned to officers appointed as a temporary arrangement to posts outside the regular line, and in the public interest in the same department.

From 18th February, 1964 the officer was selected for permanent appointment in the same post by the Union Public Service Commission who recommended an initial pay of Rs. 900 per month. No deputation allowance was thereafter allowed to him but the Planning Commission under their own powers sanctioned a higher initial start of Rs. 950 p.m.

1.73. The Committee enquired under what circumstances retrospective effect was given to the order for the creation of the post. The Secretary, Planning Commission stated that in the case of this particular appointment, the officer concerned had actually been doing the work of the Asstt. Secretary of the Rural Industries Planning Committee from June, 1962. Only the sanction for the purpose was issued on 27th April, 1963.

1.74. In reply to a question, the witness informed the Committee that R.I.P.C. was appointed on 18th April, 1962, and at that time only the post of a Member-Secretary was sanctioned. The Committee enquired as to the pressing reasons for appointing the R.O. as Assistant-Secretary when the Committee had hardly functioned for 2 months. The witness stated that the R.I.P.C. had undertaken a large programme in the rural industries field and it required Secretarial assistance for keeping minutes, arranging meetings etc. which duties were not performed by a Research Officer. One of the Joint Secretaries in the office of the Planning Commission was the Member-Secretary of the R.I.P.C., and he made out a case for the appointment of an Assistant Secretary.

1.75. The Secretary, Planning Commission explaining further stated that the earliest reference to the question of appointing an Assistant Secretary was on 23rd October, 1962, in a note prepared by the Member-Secretary of the R.I.P.C. There was some discussion between the Finance Ministry and the Planning Commission. In a note dated the 30-11-62 by the Joint Secretary-in-Charge of Administration it was suggested that "one Asstt. Secretary is S.R.O's. scale plus a special pay of Rs. 100, one R.O., two Grade I Investigators, etc. should suffice for the present". Finance Ministry pointed out in their note dated 21-3-1963 that creation of a post on S.R.O's. scale plus a special pay of Rs. 100 was not correct. There was an exchange of notings on this and finally it was decided in the Planning Commission's note dated 29th March, 1963 that

"we should under our own powers create a post of Assistant Secretary in the scale of Rs. 900—1,250 and appoint Shri..... to this post in consultation with the U.P.S.C.". The witness added that the creation of the post was within the powers of the Commission as those powers were delegated by the Ministry of Finance to all the Ministries. The Secretary, Department of Expenditure explained that on 31-5-1962 an order was issued delegating to the Ministries the power to create posts up to a certain range i.e. below Rs. 2,250 provided they had the budget provision. Subsequently this power was withdrawn, but at that point of time, Ministries had the power to create posts on this scale.

1.76. The Committee enquired whether under Rule 42 of G.F.Rs. the Planning Commission could create the post retrospectively without the concurrence of the Finance Ministry and against the express views of the Finance Ministry.

1.77. The Secretary, Department of Expenditure stated that if the Administrative Ministry made a note of the very special circumstances, then the need for obtaining the previous consent of the Finance Ministry for giving retrospective effect would not arise. But there had to be a certificate with regard to the very special circumstances.

1.78. The Committee enquired what were the special circumstances in this case. The representative of the Planning Commission stated that the powers to create posts were not restricted in any way. He added that the normal practice was that when posts were created with retrospective effect it was understood that the competent authority had applied his mind. The witness added that there was no rule to the effect that the competent authority was not authorised to create the post retrospectively. He stated that Rule 42 of G.F.Rs. required that sanctions creating temporary posts should specify the date from which the post was created and there was nothing prohibiting the authority from creating the post from any particular date. The Committee pointed out that unless the power was given to the authority to create a post retrospectively, that power could not be exercised retrospectively. The representative of the Planning Commission stated it was a matter of interpretation. The Secretary, Department of Expenditure stated: "there will have to be a recording of the very special circumstances and that perhaps cannot be dispensed with".

1.79. The Comptroller & Auditor General pointed out that according to a note dated 20-12-1962 recorded in the Planning Commission,

the Asstt. Secretary was not functioning even till November, 1962. The representative of the Planning Commission stated that the fact that the officer was working in that capacity could not be disputed because the Member-Secretary of R.I.P.C. had given a certificate to the effect that the officer had been looking after the work of R.I.P.C. from 28th June, 1962. The case passed through the Joint Secretary and was shown to the Deputy Chairman. The attention of the Deputy Chairman was specifically drawn to this statement and his orders were taken on 11-4-1963 that the creation of the post should be with retrospective effect.

1.80. With regard to the reference made to the U.P.S.C., the witness stated that the Ministry had the power to appoint a person for less than a year without reference to the U.P.S.C. As this appointment went beyond one year, it was referred to U.P.S.C. The Committee enquired what the position was between the period 27th June, 1963, when one year had expired, and 1964 when U.P.S.C. gave its approval. The witness stated that if the period between the appointment and selection of a suitable person by U.P.S.C. exceeded one year, the approval of the U.P.S.C. for the extension of the *ad hoc* appointment was obtained. This was done in 1963 and the U.P.S.C. agreed to the arrangement until the U.P.S.C. nominee became available.

1.81. The Committee enquired whether U.P.S.C. was informed that the Planning Commission proposed to appoint this officer with retrospective effect from June, 1962. The Secretary, Planning Commission stated that in a letter to the U.P.S.C. it was requested to agree to the *ad hoc* arrangement made. He added that the U.P.S.C. advertised the post, interviewed a number of candidates and finally selected the incumbent.

1.82. The Committee enquired whether it was the practice in Government departments to give deputation allowance to any person working in the same department. The Secretary, Planning Commission replied in the affirmative and stated that deputation allowance was given if it was a post of higher responsibility and not a post in the regular line of promotion. In this case the post of Asstt. Secretary was not in the regular line of promotion of R.O's. or S.R.O's. He added that it had been done in a number of other cases.

1.83. The Committee enquired as to who sanctioned the deputation allowance and at what level. The witness stated that the orders were issued with the approval of the then Additional Secretary of

the Planning Commission and after getting the orders of the Deputy Chairman of the Planning Commission.

1.84. The Committee are not happy over giving of retrospective effect to the order of creation of the post of Assistant Secretary in this case. They feel that this is a case where the power delegated to the Planning Commission to make appointment, was not used with due circumspection. The Committee doubt whether under the existing rule it is feasible at all to create a post retrospectively. They find it difficult to appreciate the view of the Planning Commission that under the rules there was nothing prohibiting the competent authority from creating a post retrospectively. According to the Ministry of Finance, in such a case there should be some special circumstances justifying the creation of a post retrospectively. The Committee are not convinced that there were any special circumstances for creating the post of the Assistant Secretary by the Planning Commission retrospectively. All the same, the Committee desire that this point regarding the feasibility and desirability of creating posts retrospectively should be examined by the Ministries of Home Affairs and Finance and clear instructions should be issued.

1.85. The Committee understand that the financial rules prescribe that retrospective effect to revision of pay or grant of concession to Government servants should not be given without the previous consent of the Finance Ministry. Therefore, in view of the fact that creation of the post retrospectively involves revision of the officer's pay retrospectively, this question of giving concession to the officer retrospectively should have the prior approval of the Finance Ministry. It is regrettable that this was not done in this case.

1.86. Another point requiring examination is how far it is justifiable to pay deputation allowance to officers working in the same department when they are posted in ex-cadre posts. The Committee were informed during evidence that this practice has been followed in a number of cases. The Committee have a feeling that this practice of posting officers in ex-cadre posts in the same Department and paying them deputation allowance is not a healthy one, and should be avoided as far as possible.

Sub-para (b)

1.87. An Officer of the Central Secretariat was holding the post of Private Secretary to a Minister in the scale of Rs. 900—50—1,250. He was appointed in January, 1960 to hold additional charge of the

ex-cadre post of the Director in the Planning Commission in the scale of Rs. 1,100—50—1,300—60—1,600 with effect from the 2nd November, 1959. For holding the additional charge, the officer was sanctioned subsequently in March, 1960, a special pay of Rs. 125 p.m. from the 2nd November, 1959. The Ministry of Finance to whom the case was referred in December, 1961 for the further continuance of the special pay wanted information to examine whether there was any necessity of continuing the additional charge for over two years. Instead of referring the case back to the Ministry of Finance, the officer was sanctioned a deputation (duty) allowance at 20 per cent. of his grade pay with effect from 4th May, 1961 in supersession, from that date, of their earlier orders granting him a special pay of Rs. 125 p.m. The grant of deputation allowance was objected to in audit as the officer was holding the post of Private Secretary as the primary post and the post of Director was held in addition to his own duties. The Commission then issued a fresh order in July, 1962 reversing the earlier arrangement and appointing him to the post of Director with retrospective effect from 4th May, 1961; and from that date he was treated as holding additional charge of the post of Private Secretary to the Minister.

1.88. The action of the Commission to pay deputation allowance to the officer by reversing the orders of his appointment retrospectively and the payment of deputation allowance to him notwithstanding the fact that both the posts were in the same Department, lacked justification according to Audit. The extra expenditure to Government on deputation allowance drawn by the Officer amounted to Rs. 240 p.m. from 4-5-1961 to 31-3-1962 and Rs. 250 p.m. thereafter.

1.89. It was stated (December, 1964) that from the beginning of the Third Plan there has been rapid expansion of the programme of Public Co-operation and this increased the work and responsibility of the Director, Public Co-operation, who besides formulating the schemes was also required to take responsibility for guiding such schemes and their implementation. There was, therefore, a shift in the officer's principal charge from the post of Private Secretary to Minister to that of the Director. It has also been added that no significance is to be attached to the orders issued, by reversing the orders of the officer's charges retrospectively from 4th May, 1961 beyond the fact that this had to be done in order to bring this case within the four corners of the orders under which the officer had opted to draw deputation (duty) allowance.

1.90. Asked whether the post of Director and the post of P.S. were full-time jobs or part-time jobs, the Secretary, Planning Com-

mission stated that both were full-time jobs but in the initial stages it was thought that one person could hold both the charges. The representative of the Planning Commission explaining further stated that upto a certain point of time, the individual's primary charge was that of a P.S. and his subsidiary charge was that of Director of Public Co-operation. When the programme of public co-operation was gathering momentum, with the concurrence of the Ministries of Finance and Home Affairs, he was given a special pay which continued upto the beginning of the Third Plan, when public co-operation became his principal charge.

1.91. The witness stated that when the Finance Ministry objected, the case was referred back to them and the approval of the Finance Minister himself was obtained on 6-5-1962 to the retention of a full-time post of Director Public Co-operation. When these orders were given effect to, the officer ceased to draw the special pay and became entitled to the deputation allowance which worked out to be somewhat more than the special pay he was getting previously. The witness added that the post of Director was in existence since 1959, but the person who was put in charge was holding a subsidiary charge. The Finance Ministry's approval was to the continuance of the post on a full-time basis.

1.92. The Committee asked whether the objection of the Finance Ministry was to the continuance of the post or to the officer holding two charges. The Secretary, Planning Commission stated that the Finance Ministry did not specifically object to the appointment of this officer, but their general impression was that the post of the Director was not required as it had been held as additional charge by the individual for two years.

1.93. The Committee note that the officer concerned was allowed to continue to hold two charges viz., Private Secretary to the Minister for Planning and Director of Public Co-operation for several years on one ground or the other. This enabled the officer to have the benefit of a special pay in the first instance and deputation allowance at higher rates later. Even the primary charge and the additional charge held by the officer was inter-changed. It was deposed before the Committee that both the charges were full-time posts. But at the same time the officer concerned continued to hold both the charges. The Committee find it difficult to reconcile this anomalous position. If both the charges were full-time posts, the Committee fail to understand how the public interest was served by putting them under the charge of the same officer. If on the other hand the post of Director of Public Co-operation did not justify the appointment of a

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full-time Director, the post itself, as suggested by the Finance Ministry, should have been abolished by Distribution of work among the existing sanctioned strength. The Committee cannot help coming to the conclusion that the anomalous position was continued to give benefit to the individual concerned. The Committee hope that the Planning Commission would avoid creating such anomalous situations in future. Asking one officer to discharge duties of two full-time posts for a long period is impractical and improper and not conducive to efficiency.

1.94. The Committee also find that some procedural questions are involved in this case, viz.

- (a) whether it was justifiable to grant deputation allowance when the officer held only the additional charge of the ex-cadre post;
- (b) whether it was not unusual that an officer of a regularly constituted service should hold the full charge of another ex-cadre post but hold the additional charge of his regular post.

The Committee suggest that these issues should be determined by the Ministry of Finance for future guidance.

Appropriation Accounts (Civil), 1963-64

Page 28—Grant No. 125—Capital Outlay on grants to States for development.

Group head A1(3) Project for Intensive Development for Rural Industries:

1.95. There was a saving of Rs. 49.27 lakhs against the original provision of Rs. 104 lakhs and was stated to be due to late start of the programme owing to non-completion of preliminaries.

1.96. The Committee desired to be furnished with the break-up of the expenditure State-wise as also the names of rural industries for which the grant had been given. The note furnished by the Planning Commission is at Appendix V. The Committee enquired whether the Planning Commission had evaluated the working of the Rural Industries Scheme. The witness stated that there had been a recent review of the Scheme and the report received was under consideration in the Planning Commission. At the instance of the Committee, the Planning Commission have furnished a copy of the review.

1.97. The Committee note with surprise from the Review of Progress 1964-65 that though the programme for intensive development of small industries in rural areas was sponsored in 1962, actual implementation started only from 1964-65.

1.98. The following table shows the details of the provision made in the Central budget and actual release of funds through payment sanctions for the three years 1962-63, 1963-64 and 1964-65:

(Rs. in lakhs)

	1962-63	1963-64	1964-65
Budget	11.00	150.00	250.00
Release of funds through payment sanction	10.25	84.00	200.60
Actual Expenditure	2.50	77.50	166.20

1.99. The above table shows that actual expenditure during the three years falls short of both the budget provision and the release of funds. This is due to (i) the fact that preliminary work could not be completed in time, and (ii) the cumbersome administrative and financial procedures which delayed execution of the programmes. The Committee also note from the review that the achievements would have been much more impressive if the project Organisations had adequate and timely technical guidance.

1.100. The Committee feel concerned over the slow progress of the rural industries schemes. The Committee would urge that the Planning Commission should ensure that the administrative and financial procedures coming in the way of the speedy execution of the programmes should be simplified suitably. The Commission should also ensure that adequate and timely technical guidance is made available to the project organisations.

Page 28—Grant No. 125—Capital Outlay on Grants to States for Developments.

A. (1) (2) Grant for Pilot Project Works/Schemes for utilisation of manpower.

1.101. An expenditure of Rs. 198.61 lakhs was incurred during the year 1963-64 on grants for Pilot Project Works/Schemes for utilisation of man-power. The Committee desired to know the details of this Scheme. Explaining the nature of the Pilot Project Works/

Schemes for utilisation of man-power, the representative of the Ministry stated that the basic objective of the programme was to provide seasonal employment to persons who were unemployed or under-employed in rural areas. The criterion for selection was that there should be works of labour intensive character in blocks or areas which had a very high incidence of unemployment. Blocks and areas have been taken up in four series and the total number of such blocks was about 995. The programme had been going on from 1961-62 and the total amount spent upto date was about Rs. 19 crores. The Committee enquired about the method and organisation of the programme i.e., how the money was spent and how people were employed. The witness stated that the broad frame-work was that a certain number of blocks were allotted to each State Government on the basis of report sent by them on the incidence of unemployment in certain areas and their ability to take up the programme. The State Governments then allot these Blocks to Panchayat Samitis and the Block Agencies. At the block level, an over-seer is made responsible for ensuring adequate supervision from the works point of view. The works were executed by Panchayats or their nominees. The programme was meant to be supplementary to the normal plan programmes.

1.102. In reply to a question as to the number of scheduled castes and scheduled tribes who were benefitted by the programme, the representative of the Ministry stated that the beneficiaries were mostly landless labourers, marginal and sub-marginal cultivators and there would be a large number of Harijans among them.

1.103. The Committee enquired if there had been an achievement audit of the scheme, the witness stated that the programme was intensively evaluated by the Programme Evaluation Organisation. He also added that it was no longer a pilot scheme but a regular one. At the instance of the Committee, the reports of the Programme Evaluation Organisation on these schemes were furnished.

1.104. The Committee find the following important features from the reports of the Programme Evaluation Organisation:

(1) Selection of Areas

The Programme Evaluation Organisation in their latest report have indicated that most of these blocks were located in areas which were subject to relatively high incidence of unemployment or were economically poor, backward or under-developed. The selection of blocks according to their evaluation showed a distinct improvement, as compared to the blocks in the I series

(2) Selection of Schemes

1.105. In the selection of works for projects the State Governments generally included agricultural schemes like minor irrigation works and soil conservation works. Non-agricultural schemes accounted for less than 25 per cent of the outlay in 11 of the 15 series. II Projects studied by the P.E.O. Soil conservation schemes were mainly in States like Madras, Kerala, Andhra, Gujarat and Rajasthan, in Series II Projects there was no integrated planning of soil conservation programme under these schemes with those under the regular programme of the State Governments. As a result, this scheme ran into problems of shortage of technical and trained personnel, inadequate administrative experience and rising costs. Even in cases where minor irrigation works were selected, e.g., Andhra and Kerala, there were certain difficulties.

(3) Operational Problems

1.106. There had been delays of varying periods in the commencement of works in many areas. The main reasons were delay in sanction of funds; finalisation of schemes and inclusion of new types of schemes without adequate provision and administrative streamlining. Lack of clear understanding or assurance about the continuity and extension of the sanction also adversely effected the work in some series. The change in the pattern of Government assistance to 50 per cent loan and 50 per cent grant also stood in the way of utilisation of funds by the Panchayat Samities in a few States like Rajasthan and Andhra Pradesh.

(4) Employment Generated

1.107. The following employments were generated by the scheme as given in the report of the P.E.O:

Eight Series I Projects (for which data were available.

The employment for 520 lakh man-days or for about 65,014 man-days per project. The annual average came to 34,507 man-days per project or 100 man-days of work for 345 persons. This was considered too small to have an impact on the problem of rural employment.

In the Series II projects the average employment of 47,000 man-days per project had been generated till June, 1963 which again could not be regarded as an impressive achievement.

1.108. The general conclusion arrived at by the P.E.O. was that while there had been formulation, scrutiny and selection of schemes for works items with high wage and productivity content and

while wage employment had been provided through the execution of these, no attempt had been made to do any systematic employment planning over a period, either for the areas or for the relevant population. Unless such a plan was drawn up for, say 3 to 5 years period and supported by a large enough portfolio of scheme, the vagaries in the fluctuation of employment from year to year will be difficult to avoid.

Pattern of Employment and Unemployment of Works in Selected Projects.

1.109. Some of the projects which were examined in 1963 showed that the workers employed usually belonged to the backward class or scheduled class or scheduled tribes.

Roll of Panchayats

1.110. Panchayats had been increasingly associated with the execution of programme.

Records

1.111. Records have been kept in most of the projects. Some improvement was considered necessary. The coverage and reliability of information in the muster rolls and other registers had been observed to be inadequate in many cases.

Labour Cooperatives

1.112. The progress in the organisation of Labour Cooperative continued to be poor.

The P.E.O. reached the following conclusion:

"The evaluation studies leave one with the impression of an *ad hoc* nature of these projects. There is no understanding or certainty in the State Governments that these projects are to be continued and expanded on a systematic basis over the whole plan period. This uncertainty makes it difficult for them to plan, programme and service these projects adequately. If the tempo of work and creation of employment in project areas are to be systematically built up, administrative and executive methods and procedures will need considerable modification and streamlining. Decentralisation of authority, changes in methods, manuals and procedures are among the pre-requisites for the successful planning and implementation of the rural manpower programme."

1.113. From the above, the Committee note that even though this programme was started in the year 1960-61, it was not reached the stage of stability as is evident from the report of the P.E.O. The Committee feel that the Government should make an attempt to have a systematic employment planning over a number of years rather than having *ad hoc* system from year to year as in this case. Extension of this scheme from year to year has not been conducive to its successful functioning. Further, schemes included in this programme should not only be labour intensive but also provide for training to the labourers so that they may be self supporting in due course. The Government should also try to avoid duplication of the schemes undertaken by the State Government as a part of their normal activities and the schemes taken up in this programme.

1.114. The Committee asked for a detailed written note on the following items from the Ministry.

1. No. of projects allotted to each state so far under the Rural Manpower Programme.
2. (a) Types of works carried out under Rural Works Programme according to the broad categories.
(b) Amount spent and what would have been the expenditure if these were carried through normal Government agencies.
3. No. of persons and the period for which they got employment under this scheme.
4. How far this scheme has been able to meet the objective in view. A comparative statement indicating the employment potential expected to be created and that actually created.
5. Whether an over-all control is kept at the Centre to ensure the execution of the projects according to the objective in view. If so, the details of the procedure adopted.
6. Arrangement which exists for Audit of the grants given to Village Panchayats and Block Samitis for the execution of these works.
7. The amount which is proposed to be spent on this scheme during the Fourth Five Year Plan.

The note has been furnished and is at Appendix VI.

1.115. The note indicates that the Rural Works Programme is a Centrally sponsored scheme. The entire expenditure is provided

by the Centre in the form of 50 per cent grant and 50 per cent loan. The loan amount is treated as 15 year loan while the first five years are moratorium period during which interest alone is recovered. The Central Government lays down certain broad criteria for selection of areas and schemes and methods to be followed in the implementation of the programme. The State Governments are responsible for the implementation of the programme according to these criteria. The State Governments furnish details about the selected areas and also quarterly reports about the progress of work in different blocks. The Ministry has also asked recently the State Governments to conduct a thorough review of the working of the programme with a view to identifying ineffective blocks. The evaluation study conducted by the P.E.O. have also focussed attention on administrative, organisational, technical and other deficiencies. These studies were also circulated to the State Governments for their information and necessary action. The Ministry also issued appropriate policy instruction to the State Governments from time to time to remedy deficiencies noticed.

1.116. An extract from the note is also reproduced below.

"In the Third Plan document, it was envisaged that tentatively, employment under the Rural Works Programme should be found for 100 days during the agriculture slack season for about 1 lakh persons for the first year; about 4 to 5 lakhs in the second year; about a million in the third year rising to about 2.5 million in the last year of the Plan. The Plan document reckoned that to reach these targets, the programme as a whole would entail an outlay of Rs. 150 crores over the plan period. The actual outlay provided for the programme over the plan period has been considerably less—Rs. 16.07 crores in all (including Rs. 5 crores allotted for the current financial year) and the impact on the employment situation has been considerably limited."

1.117. As against a target of a provision of employment for one million persons over 100 days in the year 1963-64 in the Third Five Year Plan, employment has only been provided for 1,79,000 persons.

1.118. Even though a part of short-fall in providing employment might be due to less provision of expenditure, the Committee feel the achievement has been much below the targets fixed for the Third Five Year Plan. This shortfall in achieving the targets requires looking into.

1.119. The Committee also observe from the note furnished by the Ministry that a lump sum provision of Rs. 148 crores has been made for special areas, Hill areas, Rural Manpower Works Programme in the Draft Fourth Plan. The exact amount to be provided in the Fourth Five Year Plan had not yet been finalised. In this connection the Committee would like to point out that even in the Third Five Year Plan the target of Rs. 150 crores was fixed for this scheme and as against this, an expenditure of about Rs. 16 crores is only expected to be incurred. The Committee are not sure whether the necessary administrative/executive machinery was existing to carry out these projects on such a large scale. On that the Planning Commission was not satisfied with the employment potential generated by these projects. Further the Government have also not examined how far they have been able to make a saving in expenditure by entrusting these works to the Block Samitis and Panchayats etc. It is also necessary that the administrative delays are avoided at different stages. The methods and forms for the preparation of accounts also require simplification so that they are easily understood by the Panchayats. In this connection the Committee would also like to draw the attention of the Ministry to para 12 of 55th Report (Third Lok Sabha) of the Estimates Committee, 1963-64 wherein the Estimates Committee had observed that "the Rural Works Programme should primarily be devoted to increasing agricultural production, development of village industries, construction of link roads and creation of remunerative assets....."

1.120. As substantial amount is proposed to be spent in the Fourth Five Year Plan for Rural Works Programme, the Committee suggest that the following points may be kept in view while sanctioning these works:

1. As far as possible the expenditure on such programmes should be on productive assets to avoid any inflationary impact on the economy.
2. There should be a proper machinery to execute such works.
3. There should be a proper accounting and Audit arrangements for such expenditure.
4. As far as possible the employment should be training oriented so that unskilled workers yet skilled and become self-supporting.

II

MINISTRY OF FOOD, AGRICULTURE, COMMUNITY DEVELOPMENT AND CO-OPERATION

(DEPARTMENT OF AGRICULTURE)

Expenditure on Transportation of Timber—Section XXXVII, page 193 of Audit Report (Commercial), 1965.

2.1. The quantity of timber extracted and the expenditure incurred on its transport by water crafts from the rafting depots to the central depots and export depots during the years 1960-61 to 1962-63 are indicated below:—

Year	Total timber extracted	Total transport cost	Transport cost per ton
	Tons	Rs.	Rs.
1960-61	54,318	9,75,392	17.96
1961-62	46,892	12,73,898	27.17
1962-63	54,155	14,88,786	27.49

2.2. The Ministry stated in September, 1964 that the increased transport cost was due to the utilisation of old minor crafts and the payment of increased wages and dearness allowances to the labourers engaged on the work. It has been reported by the Chief Conservator of Forests, Andamans that no estimates for the running and maintenance of each craft can be prepared by the Department as the running expenditure of each boat depends upon "the condition of the engines and spare parts." All the crafts with the Department are stated to be kept running only by incurring heavy expenditure on maintenance and repairs.

2.3. In this connection, the Committee had called for additional information from the Department of Agriculture. This information has been received and is enclosed in Appendix VII.

2.4. It has been explained in the note that reduction in the quantity of logs transported to the Forest Depots, during the year 1961-

62 is attributable to frequent break-downs of the boats which are used to transport timber extracted in different islands to timber depots. It has also been stated that targets for extraction of timber from the year 1960-61 to 1964-65 was 60,000 tons each year and during 1963-64 the logs extracted and transported weighed 55,827 tons.

2.5. The Committee regret to note that there has been shortfall in the extraction of timber year after year as compared to the fixed target of 60,000 tons with the result that during a four year period of 1960-61 to 1963-64 the total shortfall has been as much as 29,000 tons, which is equal to about six month's extraction.

2.6. The Committee, are however, glad to be informed that all possible steps are being taken to modernize the equipment and to replace the old crafts. As these schemes when implemented, would enable the Department to extract more timber and reduce the transport cost, which is at present heavy (Rs. 31.53 per ton during 1963-64 as against Rs. 17.96 per ton in 1960-61), the Committee would like the Department to give urgent attention to this matter.

The Committee feel that this malady should have been taken note of and remedied earlier as soon as the cost of transport recorded a steep rise from Rs. 17.96 in 1960-61 to Rs. 27.17 in 1961-62.

2.7. In the information furnished, a brief note on the working of the Forest Department, Andaman has been included.

2.8. The Committee feel perturbed to learn from this note that the net profit of the Government as a result of the working of the Andamans Forest Department has gone down substantially from Rs. 25,41,401 in 1961-62 to Rs. 10,83,917 in 1963-64. They would therefore desire that an immediate analysis of the causes of these dwindling profits should be made and prompt action taken to arrest this trend under intimation to the Committee.

2.9. The Committee further note that the work regarding Silvicultural Research will start soon after the Dy. Conservator of Forests being appointed for this purpose is in position.

2.10. Similarly, further work under Revision of Working Plan Scheme has been held up pending appointment of an officer for this purpose.

2.11. In order that the implementation of the schemes which have already been finalised are not held up and delayed, the Committee

would stress that appointment and posting of officers for the purpose should not be delayed.

2.12. The Committee of 1962-63 in para 40 of their 7th Report (3rd Lok Sabha) had expressed the hope that it would be possible to increase the intake of three saw Mills and to reduce the percentage of wastage.

2.13. The Committee note with regret that their expectations have been belied. They find that while in 1958-59 the intake was 23,348 tons, the outturn 12,553 tons and wastage 46.19 per cent. even in 1964-65, the intake is only 25,133 tons outturn 12,525 tons and wastage 50 per cent. The position has, therefore, deteriorated instead of showing improvement. The Committee would therefore, urge that reasons for this should be investigated and remedial steps taken.

2.14. The Committee of 1962-63 had also made certain observations and recommendations in para 41 of their 7th Report (3rd Lok Sabha) with regard to a seasoning kiln. The Committee at that time were informed that when the proposal for the seasoning kiln was formulated, the estimated requirement of the seasoned timber by the P.W.D. was 3,000 tons.

2.15. The Committee find however from the note furnished that there is poor demand for seasoned timber both in the Andamans and in the mainland and therefore it has not been possible to utilise the kiln to full capacity. Moreover the value fetched by auction of seasoned timber at Calcutta and Madras was not favourable.

2.16. The Committee are unable to accept the proposition that there was not enough demand for seasoned timber in the mainland. They feel that the matter needs a proper review.

2.17. It has been contended in the note that CPWD is gradually becoming conscious of the benefits of the seasoned timber and the local demand is also likely to increase in another five years time.

2.18. The Committee feel that no serious effort appears to have been made to tap the demand for seasoned timber properly and to utilise the capacity of the plant fully. They hope that vigorous efforts will be made towards this end.

2.19. The Committee find further that the Creosoting and Ascu Treatment Plants also have not yet reached anywhere near the installed capacity which is 1200 tons per annum. The production during

1964-65 of creosoted timber was 220 tons only and of Ascué-treated timber was 548 tons only.

2.20. As regard certain defects in the working of the contract with the licensee in North Andamans which were commented upon by the Committee in para 46 of their 7th Report (3rd Lok Sabha) and para 9 of the 26th Report (3rd Lok Sabha), it has been stated that in all the three following cases, the completion of arbitration proceedings is likely to take about two years:

- (i) First Arbitration case in respect of disputes and differences arising in the working of the Agreement from its inception upto the year 1960-61.
- (ii) Second Arbitration case in respect of the disputes and differences about the working of the agreement for the years 1961-62 and 1962-63.
- (iii) Third Arbitration case in respect of the disputes and differences about the working of the agreement for the year 1963-64.

2.21. The Committee have been further informed that criminal proceedings were launched against the Company in the A. & N. Islands for violation of certain directions of the Authorised Controller appointed under Defence of India Rules. The Company challenged the validity in the Calcutta High Court and succeeded. The Government have decided to go in appeal to the Supreme Court.

2.22. The Committee are alarmed at the state of affairs disclosed with regard to the working of the contract with the licensee in the North Andamans. The Committee regret to note that the arbitration, which was stated before PAC of 1962-63 to have been in progress, (para 46 of 7th report) (3rd Lok Sabha) is still proceeding in 1965-66 and is "likely to take about two years" more if arbitration proceedings are to take 5 or 6 years to settle then the very purpose of arbitration viz., expeditious settlement of dispute is defeated. Cases have arisen in respect of the disputes and differences arising in the working of the agreement for each of the years 1961-62, 1962-63 and 1963-64. This indicates that there is something radically wrong about the Agreement and its working that needs investigation by an independent agency as to how the agreement has been entered into with this particular company, what are the lacuna in the Agreement, whether it would not be desirable to cancel the agreement rather than spending Public funds on litigation and Arbitration year after year, and other such allied matters. The Committee desire this investigation to be set afoot at an early date.

III

MINISTRY OF HOME AFFAIRS

(Marine Department, Andamans)

Section XXXVI, Page 171 of Audit Report (Commercial), 1965:

1. Introduction

3.1. The Marine Department, Andamans, maintains a dockyard for survey, repairs and construction of sea-crafts, buoys and lighters in addition to providing navigational aids and efficient communication service between Andaman and Nicobar Islands.

2. Working Results

3.2. A comparative statement showing the working results of the different units of the Department for the 7 years ending 1962-63 is given below. (The Accounts for 1963-64 have not yet been prepared):—

1. Dockyard		Loss(Rs.)
(This comprises "Dry Dock" and "Slipways" and was constructed between June, 1954 and June, 1956 at a cost of Rs. 3.25 lakhs).	1956-57 to 1960-61 }	5,44,039
	1961-62	88,964
	1962-63	90,133
2. Ferry		Loss (Rs.)
(These were started in 1955 to provide inter-island communication locally in South, Middle and North Andamans).	1958-59 to 1960-61 }	2,91,039
	1961-62	60,325
	1962-63	78,706
3. Afloat		Loss (Rs.)
(This consists of 41 sea-crafts used for maintaining essential services and supplies in the Island)	1956-57 to 1960-61 }	21,08,492
	1961-62	3,66,369
	1962-63*	Accounts not prepared.
4. Stores Unit		Profit (Rs.)
(This is maintained to supply stores to the Dock-yard and to other Govt. Deptts. of Administration and also to private parties)	1956-57 to 1960-61 }	5,28,516
	1961-62	1,30,225
	1962-63	1,01,86

*The afloat is a service unit and the preparation of proforma account^s has been dispensed with by Government with effect from the year 1962-63.

3.3. The main reasons for the continued losses in the first two cases are given below:—

Dockyard.—The losses were due to non-recovery of full overhead charges from Government Departments and private parties in respect of jobs executed for them. These overhead charges ranged between 53.6 per cent and 94.4 per cent of direct labour during 1957-58 to 1962-63, whereas recoveries were made at 20 per cent from Government Deptts. and 30 per cent from private parties up to 1959-60. This was increased to 50 per cent, in both the cases from 1960-61.

In April, 1962 a Departmental Committee was appointed by the Government of India to examine the working of the Marine Department and to suggest how the working could be improved and the overhead charges reduced. The report of the Committee was submitted on 7th July, 1962. The Andamans and Nicobar Administration have stated (January, 1965) that their comments on the report were forwarded to the Ministry in January, 1964. They have added that further action to implement the recommendations is being taken by the Marine Engineer, Andamans.

Ferry Services.—The Administration have stated (January, 1965) that the loss in the ferry service was due to the low fare structure which has to be kept in order to provide means of communication to all the islands irrespective of the freight and fares because of the peculiar nature of this territory.

In this connection the Committee had called for additional information from the Ministry of Home Affairs. This information has been received and is at Appendix VIII.

It has been stated that the Dockyard suffered a loss of Rs. 86,974 during the year 1963-64.

3.4. The Committee feel unhappy to note that from 1956-57 to 1963-64 the Dockyard section of the Marine Department suffered a loss of more than Rs. 8 lakhs. Since, however, the Govt. have started taking action on the Report of the Departmental Committee appointed by Government in 1962 to examine the working of the Marine Department and to suggest how the working could be improved and the overhead charges reduced, the Committee would like to watch the results of the action taken through future Audit Reports.

3.5. The Committee feel constrained to observe in this connection that although the Report of the Committee was submitted in July, 1962, the comments of the Andaman & Nicobar Administration on

the report were forwarded to the Ministry in January, 1964. The Committee do not think that such long delays could be justifiable. It has also to be borne in mind that this delay has indirectly contributed to the loss suffered by the Administration as remedial steps were also delayed as a consequence. The Committee hope, the A&N Administration would ensure that all delays in the working of the Administration are eliminated.

3.6. The Committee also find that order for a motor (for replacing of Diesel oil run machinery by motor driven machinery) was placed on the DGS&D by the Harbour Master on 10th July, 1963 and the machinery is expected to be received shortly. The Committee feel that there has been inordinate delay in the procurement of the motor.

3.7. The Committee have been informed further that the Ferry Service also suffered a loss of Rs. 82.594 during 1963-64.

3.8. The Committee feel perturbed to note that the ferry Service of the Marine Deptt. has also been running at a loss since 1958-59 and the total loss suffered by the Ferry Service so far amounts to more than Rs. 5 lakhs. While the Committee appreciate that of a low fare structure has to be kept in order to provide means of communication to all the islands irrespective of the freight and fares because of the peculiar nature of the territory, they would like the Administration to consider the feasibility of a slight revision of fares as justified by present day realities and of reducing overheads etc. of the service to the extent possible.

Stores—Sub-para 3:

3.9. The table below indicates the opening and closing balances, purchases and issues of stores during the last four years:—

(In lakhs of Rupees)

	1959-60	1960-61	1961-62	1962-63
Opening balance	15.68	15.11	12.89	15.92
Purchases	14.77	11.94	15.67	11.61
Issues	15.40	14.48	12.67	13.21
Closing balance	15.11	12.89	15.92	14.67

No reconciliation of the expenditure on purchases as booked in the financial accounts with the value of stores actually received during the financial year was made by the Department. Similarly, no reconciliation in respect of recoveries from Government Deptts. and private parties as booked in the financial accounts with the value of stores issued during the year has been made.

3.10. The Committee are unhappy to note this and would desire that periodical reconciliation should be done to ensure correctness of the figures.

3.11. The Public Accounts Committee (1958-59) who were informed that the reserve limit of stock had been fixed at Rs. 12 lakhs and subsequently reduced to Rs. 10 lakhs, recommended that the stores should be kept within the prescribed limits and that the surplus should be disposed of quickly (c.f. para 110 of the Eighteenth Report—Second Lok Sabha). The Ministry have, however, stated (January, 1965) that the question of fixation of stock limits is still under consideration in consultation with the Ministry of Finance.

3.12. The closing balance of stores as on 31st March, 1963 included obsolete and surplus stores valued at Rs. 83,422 which were disposed of during 1963-64 at a loss of Rs. 70,100.

3.13. In the note furnished the details of disposal of obsolete and surplus stores have been given.

3.14. The Committee feel perturbed about the abnormal delay that has already taken place in deciding about the fixation of stock limits. Although the PAC made a recommendation in 1958-59, the matter was stated to be still (January, 1965) under consideration in consultation with the Ministry of Finance. The Committee, would like to know the reason if any for the abnormal delay of 7 years on such a simple matter.

Sundry Debtors Sub-para 4

3.15. The total outstanding dues on account of stores supplied, jobs executed, hire charges, etc. against Government Departments

and private parties as on 31st March, 1963 are indicated below:—

	Total Outstand- ings as on 31st March, 1963	Outstand- ings re- lating to the period prior to 1961-62	Remarks
Government Departments .	Rs. 13,34,753	Rs. 4,28,221	Rs. 5,23,024 since realised (January, 1965).
Private parties	37,310	22,039	Rs. 11,902 since realised (January, 1965). The recovery of a sum of Rs. 3,556 is doubtful as the parties are not traceable.

3.16. The Committee have been informed that the outstanding amount of Rs. 19,152 from private parties (as on 31-3-1965) relates to the dues for jobs undertaken in the Dockyard prior to 31-3-63. Since then credits are not being given to private parties.

3.17. The Committee are glad to note that credits are not being given to private parties since 1st April, 1963. They hope that suitable action would be taken to realise the outstandings of Rs. 19,152 from the private parties without further delay.

3.18. As regards the outstandings of Rs. 4,38,380, as on 31-3-65 from Government Deptts., the Committee find that these relate to the period from 1947-48 to 1962-63.

3.19. The Committee find that the amounts due for the period 1947-48 to 1951-52 are paltry. If the Admn. feel that the recovery of these sums is not possible at this distant date, it would be better to take steps to write them off.

3.20. As regards the dues for the period 1952-53 to 1962-63, the Committee desire that vigorous steps be taken to recover them from the Deptts. concerned. The Committee would also like some suitable steps to be taken now so that even in the case of Government Deptts., arrears are not allowed to accumulate.

IV

MINISTRY OF HOME AFFAIRS

Shipping Department, Andamans

Section XXXV, page 181 of Audit Report (Commercial), 1965

1. Introduction

4.1 The Shipping Department maintains three vessels (M.V. Andamans, M.V. Nicobar and SS. Cholunga) for the purpose of a regular cargo-cum-passenger service between the Mainland and Andamans as also for inter-island service.

4.2 The Shipping Corporation of India Limited was entrusted with the management and complete operational activities in respect of the first two vessels and the supply of personnel and stores only in respect of the third vessel under an agreement entered into in March, 1962 but made effective from July, 1956 for a period of ten years.

4.3 The actual direct cost of running the three vessels and overhead charges in respect of M. V. Nicobar and M. V. Andamans is reimbursed to the Corporation. In addition, the Corporation was also paid a lump sum payment of Rs. 25,000 per annum for the period from 4th December, 1957 to 1st August, 1960 and is being paid Rs. 30,000 per annum with effect from 2nd August, 1960 onwards.

2. Working results

4.4 The proforma accounts in respect of these vessels for the years 1956-57 to 1961-62 which were prepared in 1963-64 showed a

cumulative loss of Rs. 91.35 lakhs during that period as indicated below:

(The pro-forma accounts for the years 1962-63 and 1963-64 are yet to be prepared).

(In lakhs of Rupees)

Name of the Ship	1956-57 to 1959-60	1960-61	1961-62	Total loss to the end of 1961-62
1. M. V. Andamans (constructed by the Hindustan Shipyard, Ltd. Visakhapatnam at a cost of Rs. 99.55 lakhs and commissioned in Dec., 1957)	20.07	9.35	3.94	33.36
2. M. V. Nicobar (purchased second-hand in July, 1956 at a cost of Rs. 33.50 lakhs and commissioned after minor alterations in Nov., 1956.)	20.87	9.16	9.09	39.12
3. S.S. Cholunga (purchased second-hand in March, 1956 at a cost of Rs. 5.90 lakhs; started operation in June, 1957).	13.20	2.66	3.01	18.87

4.5. The main reasons for the continued losses in the operation of each of the vessels, as reported by the Department, are given below:

- (i) In the case of the first two ships a part of the loss was due to detention beyond the normal period of halt on account of occasional break-down of machinery, labour trouble, heavy weather, unfavourable tides, non-availability of berths due to congestion in the Ports and also non-availability of pilots in time. According to the Administration the loss of revenue on this account for the period ending 31st March, 1962 amounted to Rs. 7.73 lakhs and Rs. 3.41 lakhs for the first and second ship respectively.

The Administration have further added (January, 1965) that these vessels being passenger-cum-cargo ships have to undergo annual survey as required by the rules and have

to run according to schedule irrespective of the availability of full cargo for their take-off.

- (ii) *M. V. Andamans*.—The vessel has a structural defect and lists heavily on one side. She has, therefore, to carry 1.841 tons of ballast which results in a permanent loss in her carrying capacity.

This defect also necessitated reballasting at every survey which involved an expenditure of Rs. 6.99 lakhs up to 31st March, 1963.

- (iii) *M. V. Nicobar*.—The vessel being old, the expenditure on annual surveys amounted to Rs. 25.94 lakhs up to 31st March, 1962.

In order to reduce the losses in the working of *M. V. Andamans* and *M. V. Nicobar*, the freight rate for carriage of timber between the Andamans and the Mainland was increased *ad hoc* by Government (from Rs. 95.50 per ton to Rs. 108 per ton) with effect from 1st October, 1963. The Administration have stated (January, 1965) that, the passenger fare and freight rates being already high, there seems no scope for upward revision and that in the circumstances the case should be treated not as one of loss but as one of subsidising the service.

- (iv) *S. S. Cholunga*.—The factors responsible for the losses were (a) higher cost of coal at Port Blair by Rs. 40 per ton as compared with the price obtaining in the Mainland (b) increased maintenance cost on account of the ship being old, (c) insufficient number of passengers and short-fall in cargo load and (d) non-availability of night navigational facilities.

4.6. A high-powered Committee with the Director General of Shipping as Chairman and representatives of the India Steam Ship Company, Scindia Steam Navigation Company and the Shipping Corporation of India was appointed by the Ministry of Home Affairs in June, 1964 to conduct a detailed survey and make recommendations for improving the working of the shipping services. The Ministry have stated (January, 1965) that "the Committee has met once so far and is likely to meet again shortly."

4.7. The Committee have been furnished with the following figures of losses during 1962-63 in respect of the three vessels:

Vessel	Loss
	Rs.
M. V. Andamans	4,28,081
S. S. Cholunga	2,97,672
M. V. Nicobar	7,89,927
	15,15,680

4.8. The Committee have also been informed that the high-powered committee appointed to conduct a detailed survey and make recommendations for improving the working of the Shipping Services has not yet completed its work.

4.9. The facts disclose a very unsatisfactory state of affairs. The Shipping Deptt. has already suffered a total loss of more than a crore of rupees on the service of the three vessels maintained by them during the period 1956-57 to 1962-63. And yet the "High powered Committee" could not meet more than once between June 1964 (when the Committee was appointed) and January, 1965, and the work of the Committee is yet to be completed (January, 1966). The Committee are alarmed at the casual way in which the continued losses of the Shipping Deptt. are being accepted with equanimity, by the Govt. Deptt. The Committee, therefore, desire that this matter should be dealt with, with a real sense of urgency, so that both the operating efficiency and the financial results of the cargo-passenger service between the Mainland and Andamans as also

for inter-island service show a distinct improvement.

The Committee would also like to know the extent to which losses have been reduced or are likely to be reduced as a result of *ad hoc* increase in the freight for carriage of timber w.e.f. 1st October 1963.

Purchase of Ships, sub-para 3:

4.10. Indents for the purchase of one cargo and one passenger-cum-cargo ship were placed with the Director General, Supplies and Disposals during 1961-62, but the ships have not been received so far. The provision in the budget under the head "Purchase of ships for Andaman and Nicobar Islands" during the four years end-

ing 1963-64 and the amounts actually utilised (as shown in the Appropriation Accounts) are indicated below:

(Rupees in lakhs)

Year	Provision	Actual expenditure
1960-61	47.50	0.28
1961-62	49.01	Nil
1962-63	75.00	12.73
1963-64	38.22	22.79

4.11. The Administration have stated (January, 1965) that the question of procurement of ships was discussed in the meeting of the Shipping Committee for the Andaman and Nicobar Islands in November, 1964. In that meeting the Chairman of the Committee stressed that procurement action should be deferred until after the Committee had examined the needs of the Andamans traffic.

4.12. Notes showing the present position regarding purchase of ships have been furnished.

4.13. The Committee feel from a study of the notes that there have been delays and set-backs in the matter. They hope serious attention to the purchase of ships would be given so that further delays do not take place.

V

MINISTRY OF INDUSTRY

Non-recovery of instalments of loans—par 194, pages 146-147:

5.1. In August, 1956, the Ministry of Commerce and Industry sanctioned a loan of Rs. 2.50 lakhs to the Delhi State Government for disbursement to the Delhi Garments Co-operative Society which had been set up in the same month by the workers of a garment factory which had been closed down by the Delhi Cloth and General Mills. The State Government, however, pointed out:—

- (i) that the Society had no tangible security to offer for the loan;
- (ii) that under the State Government Rules, the maximum amount which could be advanced as loan was four times the share capital; and
- (iii) that under the Delhi State Aid to Small Scale and Cottage Industry Rules, no loan beyond the maximum limit of Rs. 50,000 could be advanced to the Society.

5.2. Subsequently, in October, 1956, the Ministry themselves sanctioned the loan direct to the Society.

5.3. The Society had not so far executed the hypothecation deed, the form of which was finalised by Government only in June, 1962.

5.4. The Managing Committee which was nominated by Government for the first five years in accordance with the bye-laws of the Society functioned till August, 1961. During this period cases of mis-management and other irregularities (such as, pledging of finished goods worth Rs. 80,000 in favour of a private bank, against a cash credit of Rs. 52,000) were also reported to Government. Despite this, Government released to the Society:—

- (i) a further loan of Rs. 5,000 in May, 1959 for the purchase of twenty-five sewing machines required for training women; and
- (ii) two grants aggregating Rs. 2,050 in March and September, 1959 for meeting expenditure in connection with the training of women.

5.5. The balance sheet of the Society as on 30th June, 1962, showed accumulated losses of Rs. 1.81 lakhs. In January, 1963, it was decided to liquidate the Society. An order to appoint a liquidator was issued by the Registrar of Co-operative Societies in March, 1964, but the liquidation proceedings had been stayed by the Chief Commissioner on an appeal made by the Society.

5.6. Except for Rs. 2,450 repaid by the Society in September, 1961, no repayment of loans or interest was made during the period of seven years till March, 1964. The amounts recoverable from them as on 31st March, 1964 were Rs. 2.53 lakhs (principal) and Rs. 0.47 lakh (interest).

5.7. This case had been dealt with by the Public Accounts Committee (1964-65)—S. No. 21 (para 23) of their 36th Report.

5.8. In the course of evidence, the Committee enquired as to what action had been taken on the recommendation of Public Accounts Committee made last year that a proper and thorough enquiry should be made regarding the loans given to the Delhi Garments Co-operative Society. The Secretary, Deptt. of Industry stated that having regard to the circumstances in which the Society was established, it was doubtful whether anything better could have been done. When a certain number of people are thrown out of employment, it was considered desirable to give them some occupation. The normal process of verification for registration of Co-operative Society was gone through, but the weakness in this case was that the members of the Society were not prepared to forget the fact that they were also owners or proprietors or part-proprietors of the Society. In other words, if they had had a technically qualified Manager to run the Society, the Society would have earned money.

5.9. The Committee enquired as to why the Society came to grief in spite of the fact that the Managing Committee consisted predominantly of Government officers. The witness stated that in earlier phases it was the people in public life in Delhi, who were associated with the Society. When the officials took charge of the Society for a while, they succeeded in avoiding losses. After that, when deterioration set in, the officials concerned decided that the Society should be taken to liquidation because they were convinced that the Society would not run.

5.10. The Committee enquired as to how all these concessions and aid were given to this Society when Delhi State Government was not in favour of giving assistance to the Society to such a large

extent. The witness stated "the matters were discussed in consultation with Finance and the Minister-in-charge at the time took the decision that this should be done in the larger interests of rehabilitation of a large number of people who would otherwise be thrown out."

5.11. The Committee desired to know how in spite of the Delhi State (Aid to Small Scale Cottage Industries) Rules and the advice of the State Government that no loan beyond a maximum limit of Rs. 50,000 should be advanced to the Society, the Ministry thought it proper to give such a huge loan to this Society. The witness stated that this decision was taken before the Ministry got this comment from the Delhi State Government. Although normally under the State Government rules more than Rs. 50,000 would not be sanctioned it was felt that having regard to the nature of the people who had been thrown out, the risk was worth taking and the loan was given. This was a matter of policy and not a commercial equation. If only the management of the Society had been proper it would have paid dividends.

5.12. Asked a question the witness stated that the decision to give the loan was taken by the Minister-in-charge of Industry. The genesis of the proposal was received by the Ministry of Industry from the then President of the Indian National Trade Union Congress, Delhi State. On receipt of the letter, a full discussion took place with the then President of the Indian National Trade Union Congress, Delhi State, a representative each of the Delhi State and Labour Union and the official view was that the idea was not an untenable one and could be supported.

5.13. In reply to a question the witness stated that the Delhi State Government in accordance with their rules would not have sanctioned more than Rs. 50,000 and with this amount it was not possible to start a society of this kind. That was why the Ministry gave the loan directly to the Society. The witness added that there was another case, viz., the Family Welfare Society to whom the Government of India gave a direct loan and that society also went into liquidation.

5.14. The Committee pointed out that they had received a registered letter stating that a person had a decree against this Society for Rs. 70,000 and desired that a note might be furnished stating, whether Government dues had any preferential claim or first charge over the Society when the Central Government had given a loan.

5.15. In a note furnished by the Department of Industry (Appendix IX), it has been stated *inter alia*:

"As regards the question whether the Government dues have any preferential claim, the position is that under the provisions of sections 24 and 65(i) of the Bombay Cooperative Societies Act, (VII) of 1925 as extended to the Union Territory of Delhi, the claim of the Government will have priority over the claims of all other creditors."

5.16. The Committee hope that the Ministry will take all necessary steps to safeguard the financial interests of Government.

5.17. The Committee desired to know what were the total liabilities of the society. The witness stated that according to the balance sheet, which was certified by the liquidators, the total liabilities including the current liabilities were Rs. 4,47,000.

5.18. The Comptroller and Auditor General informed the Government that out of the sanctioned loan of Rs. 2,50,000, a sum of Rs. 75,000 was towards the share capital of the society and would be repayable to Government in two equated annual instalments of principal and interest the balance amount of Rs. 1,75,000 would be repayable to Government in ten equated annual instalments of principal and interest.

5.19. The representative of the Ministry stated that nothing had been repaid out of Rs. 75,000 which should have been returned in 1958, as the Society was not in a position to pay anything even at that stage. The total amount of loan of Rs. 2,50,000 was paid to the society in one instalment and this was really utilised for the purchase of machines. When loan was given, Government arranged for the drawing up of a detailed scheme which would enable the factory to be run economically by the members of the society.

5.20. The Committee regret to note that notwithstanding the provisions of the Delhi State (Aid to Small Scale and Cottage Industries) Rules which restricted grant of loans to the extent of Rs. 50,000 in such cases and the advice of the State Government that the society had no tangible assets to offer, the Ministry of Industry thought it proper to give direct a loan (Rs. 2.50 lakhs) to the society. If, despite these, limitations the loan was given to the society in the larger interests of rehabilitation of a large number of people who would otherwise have been thrown out of employment, the Committee feel that steps should have been taken to safeguard the financial interests of Government by way of obtaining adequate security for the amount of the loan advanced.

5.21. The Committee regret to note that inspite of their recommendation for a proper inquiry made last year, no steps have been taken to undertake such an inquiry.

5.22. The Committee enquired what were the terms of this loan. The witness stated that the condition was that the society would pledge the existing assets as well as those to be created out of the loan money. The hypothecation deed was drafted to fulfil this obligation. He added that if this hypothecation deed had been executed in time, and even if the machines had been mortgaged directly to Government it could have given Government greater security. As the Managing Committee (which was elected by the Members themselves) refused to sign this document at that stage, it could not be executed between 1962 and March, 1964. Government tried to get the Registrar of the Cooperative Societies "to influence them not to go back on their commitment." During the whole of September and October, 1962, Government were trying to persuade them or use the good offices of the Registrar to get them to sign the document. In January, 1963, Government came to the conclusion that in view of the continued unsatisfactory working of the society it should be liquidated and the Registrar of the Cooperative Societies was requested to take necessary steps towards that direction.

5.23. The Committee pointed out that the first complaint against the society came to the Ministry in 1957 but the Ministry had decided only in January, 1963 that the society should go into liquidation, and that during the period of these six years the Ministry went on getting complaints after complaints and enquired whether the official members of the Committee made any reference to any of these complaints in their report to the Ministry. The witness stated that the official representative of the Managing Committee was submitting reports regarding the working of the society from time to time and these reports were brought to the notice of all concerned including some times the Minister.

5.24. The Committee had desired to be furnished with a note stating whether the Ministry of Industry and Supply (Deptt. of Industry) had examined the question of fixing responsibility on anybody for the lapse for not preparing the hypothecation documents and executing it in time and if so, the result thereof.

5.25. In a note (Appendix X) furnished by the Ministry of Industry it has been stated that:

"It is the view of the Ministry that no individual officer could be blamed. The delay in the execution of the

hypothecation documents and its eventual non-execution appears almost inevitable, however, regrettable. This has been occasioned by (i) the initial decision to advance money in anticipation of the execution of the documents; (ii) the unavoidable delay that is inherent in the transaction in that the items of machinery should be first released by the Delhi Cloth Mills before they could become the property of the Society, to the mortgaged in favour of Government; (iii) the changes in the effective management of the Society and their internal differences, and, finally by the management of the workers themselves refusing to take responsibility to sign the documents.

This, however, is not likely to adversely affect Government's ability to recover the amount due, though this is not a completely extenuating factor."

5.26. In the opinion of the Committee it was very unusual for the Government to give loan to the Society without executing the necessary documents. The Committee find no justification for this decision.

5.27. They are also not convinced of the reasons advanced for non-execution of agreement for such a long time. While the loan was sanctioned on 25th October, 1956 without executing any agreement, the society approached the Government on 25-1-1957 for a copy of the agreement. But Government had not been able even to finalise the form of agreement till August, 1961 when a defective agreement was attempted to be got signed. Agreement was finalised only on 30th June, 1962. Even after finalising the agreement on 30th June, 1962 it could not be executed till 29-1-63 when a decision was taken that the society should go into liquidation in view of (1) the financial position of the society; (2) the defective working of the society; (3) the society was reluctant to sign the mortgage agreement. On 4-3-63 the decision to liquidate the society was communicated to the Development Commissioner, Delhi.

5.28. The Committee regret to observe that notwithstanding the fact that the society approached Government in January, 1957 for a copy of agreement to be executed by them, Government could not get the agreement signed during the period of 6 years i.e. between 25-1-57 and 4-3-63 by the society to whom a loan of Rs. 2.5 lakhs had been sanctioned on 25-10-56. In the opinion of the Committee, the responsibility for this long delay of 6 years lies primarily with the Ministry. The Committee cannot understand this failure to get the agreement executed particularly because the society was already

under the influence of the Government and at least for sometime the full control of its affairs was in the hands of Government nominees. This, in the opinion of the Committee, is a clear case of negligence and dereliction of duty. The Committee hope that in future Government will take necessary steps to avoid such long delays in execution of agreements.

5.29. At the instance of the Committee, the Ministry of Industry have furnished a comprehensive note (Appendix XI) covering all aspects of the loan given to the Delhi Garments Cooperative Society.

5.30. The Committee are not happy at the manner in which unusual concessions were given to the society and the failure to take proper steps to safeguard the financial interests of Government.

5.31. The Committee have noted the following disquieting features in this case:—

- (i) During the period from 1956 to 1962, cases of mismanagement and other irregularities such as pledging of finished goods worth Rs. 80,000 in favour of a private bank against a cash credit of Rs. 52,000 were reported to Government. Adequate efforts were not made by the Ministry to look into the affairs of the Society and to set them right.
- (ii) Charges of mismanagement and irregularities were levelled against the society even when the management had as its chairman a Government nominee. Further in spite of the fact that officials of Government on the managing Committee were reporting to the Ministry about the unsatisfactory state of affairs of the Society, no action was taken to get the hypothecation deed signed in time so as to safeguard the financial interests of Government.

5.32. The Committee also note from the documents furnished that:

- (i) As regards complaints relating to import licences and incentives, it has been stated that necessary action is being taken and if any irregularity is detected, the matter will be referred to the police for investigation.
- (ii) Regarding the allegations that the parts of the machines were changed, it has been stated that the verification of this matter at this stage as well as the fixation of responsibility is physically impossible.

- (iii) About the complaints against office bearers, investigations are being made and if any omission on the part of any office bearers comes to the notice of the liquidator, necessary legal action will be resorted to.

5.33. In view of the serious nature of irregularities committed in this case, the Committee desire that an enquiry should be held to find out why the unusual concessions were given and how far the office bearers of the Society were responsible for its failure, and why the document remained unexecuted for such a long time.

5.34. The Committee also desire to be informed of the final position of the recovery of the outstanding dues from the assets of the society.

Delay in repayment of loans—Para 105—Pages 147—149.

5.35. In the three cases mentioned below, there has been considerable delay in enforcing the recovery due from firms in Faridabad, which have defaulted in the repayment of loans advanced to them for industrial purposes:

1. Dogra Steel Industries, Faridabad.

Loans totalling Rs. 85,907 were sanctioned in October, 1956 and March, 1957 which were repayable in five equated annual instalments commencing from the third anniversary of the date of payment of the loans—interest being reckoned at 4-1/2 per cent.

A sum of Rs. 8,942 was paid by the firm during March-April, 1960 towards a part of the interest accrued on the loans; no repayment of principal has been made so far.

The firm executed a hypothecation deed pledging their assets, existing as well as those to be created thereafter, to the President of India. The deed was later revised in June, 1959 to the effect that the assets created by the firm after the payment of the loans would be a second charge against Government loans.

Government gave the firm a moratorium in June, 1961 upto March, 1962, but no further payments have been made by the firm. The total amount outstanding for recovery from the firm at the end of March, 1964 was Rs. 1,04,026—principal (Rs. 85,907 and interest (Rs. 18,119).

2. Faridabad Industrial & Quarrying Co., Ltd.

Loans totalling Rs. 46,548 were sanctioned in Feb., 1956 and November, 1959 which were repayable in five equated annual instalments com-

As against a total amount of Rs. 49,833 due as principal and interest as on 31st March, 1964, the firm have paid a sum of

mening from the third anniversary of the loans, interest being reckoned, at 4½ per cent. The firm pledged machinery worth Rs. 0.96 lakh as security for the repayment of the loans.

Rs. 9,534 only so far, leaving a sum of Rs. 40,299 still due (December, 1964).

Government issued a legal notice to the firm in December, 1963; it was stated in June, 1964, that the question of institution of a civil suit was under consideration.

3. *Indian Hardware Industries, Ltd. Faridabad*

Rs. 7,99,981 were paid during December, 1954 to August, 1959, repayable in 13 equated instalments commencing from the third anniversary of the disbursement of the loans (rate of interest 4½ per cent).

The loans were paid to the firm on the security of their existing assets worth Rs. 5 lakhs and of assets worth about Rs. 8 lakhs to be acquired for the expansion of their factory after shifting it from Bombay to Faridabad.

In addition, Government allotted to the firm a plot measuring 4 acres in the industrial area and seven plots measuring 3.47 acres in the residential area adjoining the industrial area, in Faridabad, and also constructed a factory building and six residential quarters on the plots according to the firm's plan and specification, at Government cost (Rs. 3.16 lakhs as against Rs. 2.50 lakhs anticipated originally at the time of sanction in April, 1954).

The firm were to pay rent of the land and buildings for at least five years, at 4 per cent on cost of land and development, and 5½ per cent on cost of buildings—the firm having the option to purchase any time during this period or thereafter land at its market value and buildings at their depreciated value. The

Out of a total amount of Rs. 2,96,573 due for repayment on 8th January, 1963 towards principal and interest, the firm actually repaid Rs. 88,645 only. Only representation made by them in February, 1963, Government agreed as a special case that the firm instead of making lump sum payment every year, should pay an amount of Rs. 10,000 every month, to cover the equated instalments of loans falling due from time to time as also a part of arrears of loans, No. written agreement was, however, concluded with the firm in this respect. Under this arrangement, a sum of Rs. 1.20 lakhs was collected during a period of one and a half years up to 31st August, 1964, as against Rs. 1.80 lakhs due. The principal and interest which were overdue for recovery from the firm as on 31st August, 1964 under the original terms of repayment agreed upon at the time of sanction of the loans amounted to Rs. 1.24 lakhs and Rs. 1.03 lakhs respectively.

The balance sheet of the firm as on 30th June, 1963 disclosed an accumulated loss of Rs. 1.50 lakhs.

The proposed factory was expected to be installed by June, 1954 and to provide employment to 100 displaced persons in the begi-

in ~~question~~ whether the firm have been paying the rent regularly and whether they have exercised the option to purchase the land and buildings is awaited (February, 1965)

ning, to 175 after one year, and to 250 after two years. The buildings were completed in October, 1955, and production started in January, 1956.

It was noticed that the number of workers in the employ of the firm even in October, 1959, i. e., 3½ years after the production had started, was 185 which included 122 displaced persons. The purpose for which the loan and other facilities were given to the firm have thus been achieved only partially.

(1) *Dogra Steel Industries, Faridabad.*

5.36. The Committee enquired about the present position of recoveries due from the Dogra Steel Industries, Faridabad. The representative of the Ministry stated that the firm had been defaulting in their payments. The law Ministry was consulted in the matter and a plaint was under preparation in that Ministry, and it would be filed very shortly in the Court. The Committee enquired as to why the deed was revised in June, 1959. The witness stated that the deed was revised in June, 1959. as the firm wanted to expand and wanted some more Capital to be raised. They could do this only if the first charge of Government atleast against the new machinery was waived; otherwise nobody would be prepared to advance money to this firm. Government after consulting Ministries of Law and Finance agreed that there was no harm in doing that so long as their charge against the machinery already existing was secured.

5.37. In reply to a question, the witness stated that Government was justified in giving this concession as otherwise they would have had to fore-close at that stage. It was not then clear whether Government should take the matter to the Court. If they were allowed to expand, there was a chance of the money coming back to Government.

5.38. In reply to a question, the witness stated that it was not that they were not in a position to pay. It was a question of their profits not being enough to make the full payment after meeting their expenses. Given time they would certainly be able to pay. Now Government had taken a decision to take them to the Court because they were convinced that the firm did not intend to pay.

5.39. The Committee enquired whether it was understood that the Government would supply them the raw materials and give them the necessary import licence. The witness stated that, whether in the matter of grant of import licence, industrial licences, or loans or any kind of transactions, Government would never promise any raw materials.

5.40. The Committee desired to know what were the assets of this firm at present as against their hypothecation to the Central Government. The witness stated that according to the firm's balance-sheet of 1963-64, machinery as per last balance sheet was Rs. 3,48,000 - addition during the year Rs. 15,000/- total Rs. 3,63,000/- less depreciation Rs. 35,000/- the net assets would be Rs. 3,28,000/-. It was the expectation of Government that they would be able to realise the money in full if they file a suit.

5.41. The Committee are surprised and cannot understand as to why this delay in filing the suit when the Government has considered that the party has no intention to pay.

The Committee may be informed whether the suit for the recovery of the amount of loan due from the Dogra Steel Industries Faridabad has since been filed in the Court and the result thereof.

(2) *Faridabad Industrial & Quarrying Co., Ltd.*

5.42. The Committee enquired the present position of the Faridabad Industrial and Quarrying Company Ltd. The witness stated that the Department of Company Law had issued a notice to this company on the ground that they had not paid up their instalments to the Ministry of Industry, in respect of their loan. Subsequent to this, there seemed to have been some negotiations between the Deptt. of Company Law Administration and the Company and they were now reorganising the Company and on the basis of that, the Department of Company Law Administration had withdrawn their notice. He added that the Department of Industry had sought the advice of the Ministry of Law and a legal notice to the firm was under issue.

5.43. The Committee may be informed of the further developments in this case.

(3) *Indian Hardware Industries Ltd., Faridabad*

5.44. The Committee enquired what steps Government proposed to take to recover the amount due from the Indian Hardware

Industries Ltd., Faridabad. The witness stated that Government had further discussions with the Company and they agreed to an instalment payment of Rs. 10,000/- a month. They had been paying for the last five months regularly and if they would continue, Government's money would be recovered rather earlier. Further, the Company had been made to understand that Government would not give any further loophole for them but they would take the matter to the Court. The witness added that the loans had been given between 1954 and 1959 in varying amounts at simple interest and on 31st March, 1965 the interest due was Rs. 1,11,000/-.

5.45. In reply to a question, the witness stated that out of a total amount of Rs. 2.96 lakhs due for repayment by the Company as on 8th January, 1963, the firm had actually paid Rs. 88,645/- but nothing was paid as interest till 1963. This amount of Rs. 88,645/- was adjusted against the principal and not against the interest.

5.46. The Committee enquired whether there was arrears of rent due from the firm for the land and buildings allotted to them. The witness stated that the rent had been paid regularly and the ownership of the land and buildings still vested in Government.

5.47. The Committee desire to be informed of the latest position regarding the recovery of amounts due from the Indian Hardware Industries, Faridabad.

Loans to Small Scale and Cottage Industries in Delhi—para 106, pages 149-150.

5.48. Assistance to small-scale industrial units in Delhi by way of loans for the promotion and development of existing industries as well as for the establishment of new industrial units is given through the Delhi Administration. The following points came to notice of Audit during a test-check of the accounts of these loans:—
(a) *Defaults in repayment of loans:*

5.49. (i) Loans aggregating Rs. 89.48 lakhs were disbursed during 1952-53 to 1962-63. The extent of defaults in repayment of

loans as on 31st October, 1964 was as follows:—

(In lakhs of Rupees)

year in which loans were paid	No. of loanecs	Amount disbursed as loan	Amount due for recovery	No. of defaulters and amount due	
				No.	Amount
1952-53 to 1960-61	1563	66.48	42.83	570	3.70
1961-62	296	11.00	2.20	109	0.41
1962-63	191	12.00	1.20	59	0.40
TOTAL	2050	89.48	46.23	738	4.51

5.50. (ii) Out of the 738 cases of default, 313 cases were referred to the Collector for recovery as arrears of land revenue, after a lapse of 2 to 4 years from the dates of default, while the remaining 425 cases had not yet been referred to him at all (October, 1964).

5.51. In a number of cases the whereabouts of the defaulters were reported to be untraceable. The cases had however, been referred to the Collector for recovery.

5.52. The Department informed Audit in December, 1964 that "the number of defaulters can be reduced if the units of the loanecs were inspected at regular intervals say once in 6 months. But the number of inspectors being five and that of the loanecs being 2237, it has not been possible to pursue any effective programme of regular inspections of the loanee units, artisans, etc."

5.53. The Committee enquired whether the Ministry were satisfied with the working of the Small Scale Industries Units in Delhi to whom loans were sanctioned through the Delhi Administration. The witness stated that the number of defaulters had come down from 738 to 333 and the amount had come down from Rs. 4,51,000 to Rs. 2,47,000. The usual revenue recovery procedure was being adopted in recalcitrant cases. Delhi Administration had inspectors and inspections of outstanding cases were being carried out regularly. 12 loanecs who disappeared without leaving their addresses were now located and 4 of them had actually paid their dues also.

5.54. In reply to a question, the witness stated that about 200 more cases had occurred since 1st October, 1964 involving an amount of about Rs. 1 lakh and this was also overdue.

5.56. The Committee trust that vigorous steps will be taken to effect recovery of the outstanding amounts from the defaulters. They would like to be informed of the progress made in this regard.

(b) *Non-receipt of Utilisation Certificates*

5.56. Each loanee is required to furnish to the Director of Industries, within three months of the receipt of the loan, a certificate specifying that the loan has been utilised for the purpose for which it was sanctioned. The inspectorate staff of the Director of Industries is also required to ensure, by scrutiny of the accounts of the loanees, the proper utilisation of the loans. No consolidated record was being maintained to watch the timely receipt of the utilisation certificates or submission of the inspection reports by the inspectorate staff. A test check of 52 cases, where loans were granted from March, 1956 to March, 1962 brought out the following position:

No. of cases	Amount of loan granted	Remarks
	Rs.	
21	95,000	No utilisation certificates were furnished by the loanees nor were the factories inspected by the inspectorate staff.
7	15,000	Loanees neither submitted the utilisation certificates nor produced vouchers on being contacted by the inspectorate staff.
7	8,500	Though utilisation certificates were furnished by the loanees, their correctness could not be verified by the inspectorate staff due to the non-production of the accounts by the loanees.
12	21,500	The factories had either closed down or shifted to unknown places without submitting the utilisation certificates.
5	17,300	Reports of the inspectorate staff contained vague remarks about utilisation of loans, e.g., "stated to have been utilised" etc.

5.57. The Department has explained (December, 1964) that the "omissions are attributable to deficient supervision over the utilisation of loans due to paucity of staff".

5.58. In evidence the Committee were informed that out of 21 cases, utilisation had since been verified in respect of 7 cases. The other 14 cases had been referred to the collector for recovery. The

strengthening of the Inspectorate had been taken in hand. The Delhi State Government had set up a study team and they had recommended an increase in the strength by about 10 inspectors and they were taking steps in that direction.

5.50. The Committee feel that unless utilisation certificates are received in time and the Inspectorate staff of the Director of Industries submitted Inspection Reports regularly, the Government will not be able to know whether the money has been utilised for the purpose for which it was advanced. The Committee are surprised how such an unsatisfactory situation was allowed to continue for such a long time. They trust that steps would be taken to ensure that utilisation certificates are furnished by the loanees in time and they are properly scrutinised.

VI

MINISTRY OF IRON AND STEEL

Iron and Steel Equalisation Fund—para 74, page 96, Audit Report (Civil) 1965

6.1. The Receipts and Payments Account of the Fund for the year 1963-64 and its Balance Sheet as on 31st March, 1964 are reproduced in Appendix XII of this Report.

A summary of the transactions for the four years ending 31st March, 1964 is given below:

(In crores of rupees)

year	Receipts	Payments	Cash balance at the end of the year.
1960-61	31.81	17.29	40.13
1961-62	25.45	12.69	52.89
1962-63	34.26	23.09	64.06
1963-64	13.44	14.42	63.08

The closing cash balance of the Fund includes unallocated receipts amounting to Rs. 14.39 lakhs, which have been treated as "deposits" pending allocation; out of this amount, receipts amounting to Rs. 9.32 lakhs have remained unallocated from periods prior to 1963-64.

6.2. After considering the report of the Committee, which examined the existing system of control on iron and steel and submitted its report in October, 1963, Government announced, on the 29th February, 1964:

- (a) the removal of the statutory control over the price of bulk of the steel production; and

- (b) the appointment of a Joint Plant Committee for the planning and programming of steel indents, constituted with Iron & Steel Controller as the Chairman and one representative from each Plant and the Railway Ministry.
- (c) the maintenance of a Freight Equilisation Fund by the Joint Plant Committee.

Government also decided that there would be no new transactions to the Iron and Steel Equalisation Fund with effect from 1st March, 1964, other than those resulting from the previous transactions, the possibility of routing imports of steel through the Mineral and Metal Trading Corporation or through the Joint Plant Committee, was also stated to be under consideration.

The Joint Plant Committee actually started functioning only with effect from 1st August, 1964. The manner in which the transactions relating to the period 1st March, 1964 to 31st July, 1964 are to be adjusted still remains unsettled.

Government's decision on the proposal to canalise the imports of iron and steel material through a single agency has not yet been finalised. in the meantime, the Iron & Steel Controller continues to arrange import of steel.

Balance Sheet

6.3. (a) Sundry Debtors: The outstandings against 'Sundry Debtors' amounted to Rs. 10,86.25 lakhs as on 31st March, 1964 as against Rs. 7,27.52 lakhs as on 31st March, 1963. A year-wise analysis of this figure is given below:—

(In lakhs of rupees)

Year to which the outstandings pertain		Amounts
Up to 1959-60	.	54.83
1960-61	.	5.78
1961-62	.	14.15
1962-63	.	124.73
1963-64	.	886.76
TOTAL		1086.25

The dues fall broadly under the following categories:—

(In lakhs of rupees)

(i) Surcharge from main producers	708.83
(ii) Dues against re-rollers	219.86
(iii) Surcharge on imported steel	147.76
(iv) Dues from controlled stockists.	3.60
(v) Sundry dues	6.20

(i) *Surcharge from the main Producers (Rs. 708.83 lakhs):*—The amounts which accrued to the Fund on account of surcharge payable by the main producers and the amounts realised during the year, were as follows:—

	Balance due on 1st April, 1963	Additions during the year ended 1963-64	Amount realised during the year	Balance due on 31st March 1964
(In crores of Rupees)				
Private Sector	4.51	8.07	8.27	4.31
Public Sector	0.40	6.39	4.01	2.78
TOTAL	4.91	14.46	12.28	7.09

The amount of Rs. 7.09 crores is stated to have been reduced to Rs. 1.36 crores as at the end of November, 1964.

(ii) *Dues against re-rollers (Rs. 219.86 lakhs).*—The dues represent recoveries on account of surcharge and revaluation of stock on different dates as a result of increases in the statutory selling prices. The bulk of this amount is due from four re-rollers, of which one firm alone owes Rs. 170.88 lakhs, the claims against whom are stated to be covered by firm's counter-claims. In respect of another re-roller against whom an amount of Rs. 20.90 lakhs was outstanding as on 31st March, 1964 and who had been permitted by the Iron and Steel Controller in August, 1963 to make re-payments in instalments of Rs. 40,000 per month, it was noticed that there were considerable

delays in preferring claim bills as shown below:—

Period of transactions	Amount involved (in lakhs of rupees)	Claim preferred in
1959	2.21	October/November, 1962.
1960	3.83	Sept. to Dec., 1963 & March, 1964.
1st January, 1961 to 24th Oct. 1962	11.72	March, 1964.
1962 and 1963.	0.42	April and July, 1964.

It has been stated (December, 1964) that the amount of Rs. 20.90 lakhs due against the firm as on 31st March, 1964, has since been reduced to Rs. 16.26 lakhs against which the counter-claims of the firm amount to Rs. 8.29 lakhs. A demand notice for the recovery of the entire amount in lump sum is also stated to have been issued to the firm in January, 1965.

(iii) *Surcharge on imported steel (Rs. 147.76 lakhs).*—The amounts pending recovery from importers of steel on account of surcharge on imported steel at the end of 1963-64 showed an increase of Rs. 41.76 lakhs over that at the end of 1962-63 which stood at Rs. 106 lakhs. The increase is stated to be due to inclusion of fresh surcharge cases arising out of new contracts placed and also to increase in the quantum of surcharge as a result of increase in the controlled column I prices.

The dues are outstanding against fifty-seven firms, and include Rs. 76.95 lakhs relating to the period 1958-59 to 1962-63. The number of firms which owe Rs. 5 lakhs and over is ten; the dues against a firm dealings with whom had been commented upon in Para 55 of the Central (Civil) Audit Report, 1960, and its three other allied firms, alone account for Rs. 56.24 lakhs.

(iv) *Amounts due from controlled stockists (Rs. 3.60 lakhs).*—This includes an amount of Rs. 2.07 lakhs relating to the period from 1952-53 to 1962-63, of which three cases involving Rs. 1.65 lakhs are sub-judice.

(v) *Sundry dues (Rs. 6.20 lakhs).*—The outstandings at the end of 1963-64 include an amount of Rs. 6.04 lakhs relating to 1955-56 recoverable from the Metal and Steel Factory, Ishapore—a Govern-

ment ordnance factory. The factory is stated to have preferred counter-claims of Rs. 36.76 lakhs against the Department, of which Rs. 2.75 lakhs only have been settled so far (February, 1965) and adjusted against the dues of Rs. 6.04 lakhs.

6.4. (B) *Amounts Due but not billed for.*—Besides, an estimated amount of Rs. 483.77 lakhs was also outstanding for recovery, in respect of which the claim bills had not yet been issued to the parties concerned by the Iron and Steel Controller. The charges which relate to the period prior to 1962-63 amount to Rs. 4 lakhs in respect of which claim bills are stated (December, 1964) to have since been issued.

6.5. The Committee referred to the decision taken by the Ministry regarding the suspension of transactions relating to the Fund from 1st March, 1964 and desired to know how much of the outstandings had been cleared since the decision was taken. The Secretary, Department of Iron & Steel stated that on the 31st March, 1964 the amount shown outstanding from the main producers was approximately Rs. 7 crores. By 31st December, 1965 the entire amount was recovered.

6.6. The Price & Accounts Officer of the office of the Iron & Steel Controller added that in respect of bills issued between 1st April, 1964 and 31st December, 1965, the outstandings against the main producers were Rs. 2.02 crores as on 31st December, 1965. Clarifying the position, it was explained by Audit that only claims billed upto 31st March, 1964, i.e., for Rs. 7.08 crores had been paid and not that all arrears had been cleared. The witness confirmed the position and stated that there were plenty of old claims relating to Tatas which had not been reconciled. Some of them related to 1949-53 and the amount involved was roughly about Rs. 1½ crores. Asked when these would be finalised, the witness stated that the Ministry wanted an *ad hoc* settlement of the case but ultimately it was decided not to have it. The Ministry claimed an amount of Rs. 1.80 crore and the Tatas wanted to pay Rs. 1 crore. The Ministry wanted an *ad hoc* settlement at Rs. 1.40 crores. The Tatas had made a payment of Rs. 1 crore. The witness explained that in this case the vouchers apart from being thousands in number were so ancient that the figures were not easily decipherable and as such the Ministry had proposed an *ad hoc* settlement. The final view of the Government was, how-

ever, not to have it settled that way but to reconstruct the vouchers and to arrive at the exact figure.

6.7. As regards dues outstanding against rerollers, as on 31st March, 1964 against an amount of Rs. 219 lakhs roughly, the amount outstanding at the end of December, 1965 was Rs. 32.88 lakhs.

The amount outstanding on 1st January, 1966 in regard to the surcharge on imported steel was Rs. 103.97 lakhs as against Rs. 147.76 lakhs outstanding on 31st March, 1964. Explaining the reasons for the substantial outstanding under this head, the witness stated that all the parties against whom dues were outstanding claimed that they had equal amounts to recover from the Government and therefore they were reluctant to pay. Asked why arrears had accumulated in regard to any particular year so far as the claims regarding the subsidy were concerned, the witness explained that before the claims of the parties were admitted they were required to furnish documents to substantiate them and the parties took considerable time to produce the documents. There were plenty of claims pending for a long time which could not be admitted for want of sufficient documents from the claimants. It was also stated in evidence that for the adjustment of the pending claims, a special Committee was appointed on 30th August, 1965 with full powers of the Government to take *ad hoc* decisions across the table. The Committee held nine sittings and had cleared 321 bills so far. The witness further added that till the claims were admitted they were not shown in the balance sheet of the fund. The Price and Accounts Officer stated that the estimated liability and assets were shown in the balance sheet at page 224 of the Audit Report. The head "amount outstanding but not billed for" was on the assets side while the amount of Rs. 10.95 crores, shown against the head "for which credit notes have not been issued" reflected the liability for all reasons including liability on account of estimated subsidy. The Committee were informed by Audit in evidence that on 31st March, 1965 the corresponding figure of liability was about Rs. 6.50 crores of which the import subsidy was Rs. 1.75 crores.

6.8. The Committee were informed that all the bills had been issued in respect of the cases shown under the head 'amount outstanding but not billed for', in the balance sheet at page 224 of Audit Report (Civil), 1965. Out of the sum of Rs. 483.77 lakhs shown under this head, a sum of Rs. 479.33 lakhs related to the period of 1963-64

and a sum of Rs. 4 lakhs related to the period prior to 1962-63. The breakup of the figure was:—

Main producers	Rs. 4 17 crores
Controlled Stockists	Rs. 53,000
Re-rollers	Rs. 49 lakhs
Importers	Rs. 16,42,000

Explaining the system of granting subsidy and recovery of surcharge on imported steel, the representative of the Ministry stated that in these cases where the price of imported steel was lower as compared to the controlled price at which it was sold in India, the importer was allowed, apart from the actual cost of steel purchased, a certain amount for handling charges, commission e'tc. The importer charged Indian controlled price for supplying the imported steel from parties whom supplies were made as directed by the Steel Controller. This price could sometimes be higher than the price at which he had imported the steel plus his own commission. In other cases it could be lower. If the importer had realised more than he had to pay the differences to Government. On the other hand, where the imported price was higher but he had realised less, Government had to pay him a subsidy. It was the normal rule that a bank guarantee was obtained from the importer to safeguard the recovery of the surcharge. But there had been one or two cases where there had been some omission to obtain bank guarantee but it was not a deliberate exception but a mistake. It had occurred because of the lack of co-ordination between the different sections in the Steel controller's office and because of not following the proper procedure.

6.9. The Committee desired to know whether the mistakes of not taking bank guarantee were committed in respect of all the firms or particularly the big firms. The witness stated that the mistake was committed not in respect of two or three firms but over a period i.e., 1958/1959/1960. At that time, the procedure was very defective. Letter orders were issued first and the contract was concluded subsequently. In many cases the provision of surcharge or bank guarantee was not mentioned in the letter order. The mistake had occurred in almost all the cases of 60 parties.

Explaining the reasons for not recovering the dues, the witness stated that although it was not covered by bank guarantees in most of the cases it was covered by counter claim of subsidy. Asked why the liability was not settled since 1955 the witness stated that the documentation on the basis of which these claims could be admitted had been incomplete. The Secretary of the Ministry had suggested

the appointment of a Committee, where Audit would be represented for coming to a decision on old outstanding cases. This was not agreed to by the C. & A. G. Therefore, the Ministry appointed a High Powered Committee of their own with the Iron & Steel Controller as the Chairman and the Ministry of Finance represented on it to examine the validity of the claims. This Committee had examined 300 cases but 100 cases had again been returned by Audit. In reply to a question the witness agreed that 10 years were too long a period for not settling the dues and stated that even though the Committee appointed by the Ministry were willing to waive certain documents, the Audit did not accept it and unless Audit agreed, payments could not be made. The witness stated that the only way out was to appoint a Joint Committee where all parties were represented and claims were either accepted or rejected. There was no use Government setting up a Committee if ultimately the claim was not admitted in Audit. Some decision was to be taken in regard to documentation. The Secretary of the Ministry further felt that the Committee which at present comprised of the representatives of the Ministry of Iron & Steel, Ministry of Finance and the Price and Accounts Officer would become very effective if Audit could be associated with it.

6.10. The Comptroller and Auditor General at this stage pointed out that Audit could not take executive responsibility for Government's action. But if Government wanted to finish the work and to take responsibility the Auditor General could agree to a post-audit. The Secretary of the Ministry stated, "I would certainly take the responsibility because there is no use keeping the cases in our books pending for years. It is no good to any body. Of course you (Audit) have a right to criticise. But the only way is to take some *ad hoc* decisions which must be compromise decisions, because if the documents were there this trouble would not have been there."

6.11. Asked to explain the circumstances in which the mistakes were committed in not obtaining bank guarantee and what action, if any, was taken on the person responsible, the representative of the Ministry read out the following:—

"The amount of bank guarantee to be asked for is determined after calculation of the surcharge value recoverable from the importers and this used to be done in steel control by a section different from that responsible for issuing the contract. Then the customs clearance permit to allow clearances of the imported material through customs was being issued by a third section. During those days, on acceptance of the offer, a letter order used to be

issued in the first instance, followed by a formal acceptance of tender. There was a sectional order issued on the 5th December, 1959, stipulating the action to be taken by the surcharge section on the receipt of a letter of order for watching the receipt of bank guarantees and to follow up recovery action in respect of contracts involving surcharges payable to Government. Unfortunately, in some cases, the letter orders did not provide for submission of bank guarantees and were also not endorsed to the surcharge section. There was no detailed procedure or instruction as to how bank guarantees should be asked for or its receipt verified with the receipt in the surcharge section on acceptance of tender involving surcharge."

6.12. He added, "So with these three or four sections being involved, the difficulty was, that if one Section failed to carry out its duties, the whole procedure went to pieces." He further added that defects in procedure were rectified in 1963 when a fresh set of orders were issued. He further conceded that the observance of their own office order by the Steel Controllor's office was not very strict.

6.13. Asked to explain the difficulty in settling dues from rerollers one of whom alone owed Rs. 170.88 lakhs, the witness stated that the present outstanding was Rs. 9 lakhs which would also be adjusted very shortly against a counter-claim of the firm to the extent of Rs. 33 lakhs which had been admitted by Audit.

In these cases, the witness added, if the firms had equal or large claim on Government they treated it as a kind of adjustment and since Government also took a long time to settle the firm's claim, the dues remained on both sides. The Committee pointed out that under the system, people were encouraged to make some claims against Government so that they could hold up Government's money. Admitting that sometimes these claims were exaggerated the witness stated that if Government settled the claims of firms against them quickly they could also enforce their own claims quickly.

6.14. Adverting to the delay in preferring bills in this case, the witness added that the price extras which were payable for certain sections were fixed only after the report of the Tariff Commission (to whom a reference was made) was received and because of this there was an accumulation of arrears from 1957 onwards in compiling the figures for about four years.

6.15. Even though the Ministry ~~proceeded~~ in liquidating arrears amounting to Rs. 7.08 crores billed upto 31st March 1964, the Committee find that a large amount of money roughly about Rs. 1½ crores still remains to be cleared, and some of the items related to the period 1949—1953. The outstandings against the rollers by the end of December, 1965 amounted to Rs. 32.88 lakhs. They are unhappy to note that an amount of Rs. 103.97 lakhs was outstanding on 1st January, 1966 in regard to the surcharge on imported steel. From a note furnished by the Ministry, the Committee find that there were 24 parties against whom surcharge dues for more than Rs. 1 lakh each remained outstanding.

6.16. The Committee regret to observe that for a long time the Ministry were not alive to the necessity of tightening up the administrative machinery as a result of which arrears went on accumulating. It is surprising that some of the arrears are more than a decade old—during which period no serious effort seems to have been made to evolve a better system. According to evidence there was no detailed procedure or instruction as to how bank guarantees should be asked for and their receipt verified on acceptance of a tender. There was virtually no co-ordination between the different sections in the office of the Iron and Steel Controller which issued the contracts which determined the bank guarantee and which issued the customs clearance permit. The Departmental order of 1959 was not only inadequate but it was never given a fair trial either for the Committee find that many letter orders were issued which did not provide for submission of bank guarantee and there were instances where the letter orders were not endorsed to the Surcharge Section also. There were as many as 101 cases subsequent to the issuance of the order of 1959 (which stipulated a bank guarantee) where either the bank guarantee was not obtained or they were not furnished by the parties when they were called upon to do so. It is all the more surprising that it took nearly 5 years for the Ministry to locate the loopholes, in the administrative order and an amendment thereto was issued only in 1963.

6.17. The natural consequence of all these was that the Ministry at a later date found themselves in a helpless position to effect recovery of arrears because either the documents were not available or safeguards were not adequate and even after ten years the Ministry have to carry a huge back log of arrears.

6.18. The Committee feel that the Ministry should appoint a departmental Committee to go into the details of the administrative

procedure now obtaining in the office of the Iron and Steel Controller to streamline the administrative machinery so as to ensure that the defects referred to above do not recur in future and also to enable the Iron and Steel Controller to effect quicker recoveries of arrears.

6.19. As regards the clearance of arrears, in view of the fact that the C. & A. G. has agreed to do post Audit instead of pre-audit the Committee hope that the High Powered Committee would now be able to move quickly in the matter and liquidate the arrears without any further delay.

6.20. The Committee also notice that, by and large, a practice has developed where the firms do not make any payment to Government, if they have any claim on Government and this delays the settlement of cases. The Committee feel that Government should try to determine the claims of the firms early so that they are also able to pursue their own claims with promptitude. In any case, the Ministry should consider the feasibility of introducing suitable provisions in the rules for laying down a time limit by which the firm should prefer their claims complete with all papers and documents and also a time limit by which a final decision should be taken by the Iron & Steel Controller.

Joint Plant Committee

6.21. The Committee pointed out that the Joint Plant Committee had taken over the functions of accepting and planning of indents only on 1st August, 1964, but it had assumed responsibility for freight equalisation adjustment with effect from 1st March, 1964. They desired to know whether Government had considered the question of recovery from the J.P.C. an appropriate amount for the work done by the Iron & Steel Controller during the period 1-3-1964 to 31-7-64. The witness explained that upto 1st March, 1964 it was the responsibility of the Iron & Steel Controller to look after price fixation, subsidy etc. It was decided by Government that from 1st March, 1964, the work relating to decontrolled categories should be handed over to J.P.C. The JPC. started doing certain portion of the work which it was to do eventually, but it could not take over certain other portion of the work as it had to recruit staff, settle procedure etc. During this period the Iron & Steel Controller continued to perform the duties and the JPC was ready to take over the duties only on 1st August, 1964. The JPC recovered a very small amount of surcharge during this period. But for Freight Equalisation they (JPC) did not recover anything because ultimately Freight Equalisation had to be adjusted with the main producers. He added that probably the JPC had charged annas eight or Re. 1 per tonne as surcharge for the

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purpose of administrative expenses and if they had charged a high sum which would enable them to collect a certain amount of money in this period, the surcharge had to be reduced in future so that JPC might not have large sums remaining with them on account of administrative costs recovered from the consumers. He further stated that since Govt. itself had set up this body which could not get into its stride for a few months, it would not have been correct for the Govt. to recover any money from the J.P.C. Asked under which account a sum of about Rs. 2.70 crores recovered by JPC during this period was shown, the witness stated that it must be on account of freight equalisation which was attended to by JPC since 1st March, 1964. He added that this probably related to outstanding transactions prior to 1-3-1964.

In reply to a question the witness stated that the amount of Rs. 64 crores which was lying in the Public Account of India was already a part of the Consolidated Fund. It was not the intention to continue its separate existence as a fund for any length of time. He however agreed to check up the position.

6.22. From a note furnished by the Ministry, the Committee find that the question of merging the balance in the Steel Equalisation Fund with the Consolidated Fund of India is still under consideration. They would like to be informed of the decision taken in the matter.

6.23. The Committee then enquired whether the Ministry had examined a recommendation made earlier by the PAC, that the Joint Plant Committee should be put on a statutory basis. The representative of the Ministry stated that they are seized of the matter. The Ministry of Law had pointed out some difficulties in constituting JPC into a statutory body and the Ministry were examining whether as an alternative the organisation could be constituted into a company with a very nominal share capital of one rupee each.

6.24. The witness stated that the producers had fixed a price and out of that price they were collecting one rupee per tonne to meet their own administrative expenditure and paying it to JPC which was their own voluntary organisation. He further contended that instead of charging Re. 1 per tonne, if the Committee of producers had decided to raise the announced prices of decontrolled items by one rupee in each category and then internally kept back 8 or 12 annas for the administration of this office, the semblance of a cess would not have been there. The producers were directed to fix the price in such a manner that first they should make up their mind as to what should be the proper price for the producers and they could then realise something more to pay for the cost of running this

organisation. He further added that under a system of decontrol, the producers could charge any price for the decontrolled items and in that case it would not be called a tax.

6.25. The Committee pointed out that the organisation had the patronage of the Govt. for the Iron and Steel Controller was the Chairman, and the Ministry determined the amount and the mode of collection of the money and people were bound to pay it. Though not called a tax, the collection of money had all the ingredients of a tax. When pointed out by the Committee that even though not a legal body, JPC was collecting huge amounts of money, the witness stated that the Ministry of Law had suggested that it would be highly cumbersome to constitute it into a statutory body and a simpler course of attaining the objective would be to form it into a company. The Committee pointed out that it would have been a different matter if it was a voluntary organisation of the producers. But the Ministry was playing a very important role and people were subjected to a compulsory payment under the advice of or with the approval of the Government. The witness further added "We had never liked the idea of a company for this. That was why it had taken such a long time to make up our minds as to what to do. We would have preferred some kind of a board like Tea Board or the Coffee Board or something like that, but we were advised that under the Essential Commodities Act the formation of such a board would be improper; the Law Ministry said that if we wanted a thing like that, we should bring forward a Bill in Parliament as we could not do it under the Essential Commodities Act, because in their opinion it was improper to do it in that manner." The Committee pointed out that there could be no difficulty in having a separate act of the Parliament on this subject, if necessary. In reply to a question the witness stated that at the present moment J.P.C. was not a statutory body. On enquiring whether the J.P.C. had been set up under the Iron and Steel Control Order, the witness stated that they had been advised that such a body could not be validly created under the Iron and Steel Order and that what had been done was not quite correct. Asked why the Ministry had taken a long time to regularise the matter the witness stated that even though they were advised to form it into a company, it did not seem to them to be a satisfactory form. Justifying the formation of the J.P.C. the witness stated that it was a deliberate decision of the Govt. to decontrol the price. Government could have allowed the main producers of steel to fix any price and devise any system for distribution, they liked. But Govt. felt that to do such a thing immediately might produce somewhat chaotic conditions in the market and so they allowed the producers voluntarily to form themselves

into a group, so that the whole thing could be done in an orderly manner. The producers found that in order to function in an orderly manner they would have to have some staff and in order to meet the cost of the Staff the J.P.C. on behalf of producers included an element in the price. When pointed out by the Committee that the amount that the Joint Plant Committee was collecting was far in excess of the requirement of payment of staff, the witness stated that JPC on an advice from the Ministry had decided to reduce the charges.

6.26. The Committee would like to reiterate their earlier recommendation made in para 35 of their 39th Report (Third Lok Sabha) to put J.P.C. on a statutory footing. They feel that the present status of this Committee is questionable because according to legal opinion such a Committee cannot be created under the Iron and Steel Control Order. Even then the said Committee is collecting an amount which is far in excess of the requirement for payment to the staff and the burden of which is ultimately falling on the consumers.

6.27. The association of the Iron and Steel Controller with that Committee has further created an anomaly in the sense that the said Committee virtually enjoys the authority and protection of the Government. The amount it collects has the characteristics of a levy and yet the amount so collected does not form part of Consolidated Fund of India. expenditure therefrom is not audited by the C.&A.G. and thus it is not accountable to Parliament. The right to collect an amount which has all the characteristics of a cess by an organisation whose status is legally not viable without the sanction of the Parliament creates an anachronism of peculiar nature. The Committee are surprised that the Ministry of Law had advised the Ministry of Iron and Steel to constitute J.P.C. into a company. For the limited purpose for which the J.P.C. has been created, company form of management is least suitable. Moreover, in the opinion of the Committee authority to collect a compulsory charge, assumes the colour of a tax, by whatever name called, and hence it should not be entrusted to a company form of organisation, the Law Ministry's opinion notwithstanding. The Committee are of the view that the best solution to this problem would be to place the J.P.C. on a statutory footing as originally recommended by the P.A.C.

Delay in recovery of surcharge—para 75, page 100

6.28. On 3rd June, 1961 the Iron and Steel Controller placed an order on a firm for the supply of 1,372 tons of M.S. flats at a total

cost of Rs. 8.85 lakhs. In terms of the contract the firm was to receive payment for the cost of stores as follows:—

- (i) at the controlled (column 1) prices from the consignees other than Railways,
- (ii) at the controlled prices or the landed cost, whichever was higher, in the case of Railway consignees.

The firm was required to pay a surcharge to the Iron and Steel Equalisation Fund equal to the excess of the price so realised over the price at the contracted rate.

6.29. A bank guarantee to cover the payment of surcharge was also required to be furnished by the firm immediately but they failed to do so. Despite this failure, customs clearance permits were issued to the firm to secure release of the material at Calcutta Port during September, 1961. A provisional bill for the payment of surcharge amounting to Rs. 1,12,810 was preferred against the firm only in July, 1962, i.e., about 10 months after the arrival of the material. The amount still (July, 1964) remains unrealised even after a lapse of two years.

6.30. It was noticed that the performance bond for Rs. 26,570 representing 3 per cent of the value of the contract which the firm had furnished for the satisfactory performance of the contract had also been released in March, 1962 before the assessment of the surcharge payable by the firm was made. The Iron and Steel Controller has stated (June, 1964) that the firm has submitted a consolidated case of dues to and from the Government and that a special cell has been set up for examining all the cases concerning them for arriving at a final position in this regard.

6.31. The Committee desired to know whether dues had been recovered from the firm and responsibility was fixed in regard to the various lapses in this case. The Committee were told that the amount that was due from this firm was recovered by adjustments against certain claims of a sister firm of the same group of companies. Explaining the delay of 10 months in linking the claims, the Price and Account Officer, stated that according to the then procedure a letter order had to be issued first which was to be followed by a contract. In this particular case the letter order did not make any provision for recovery of surcharge or for getting a bank guarantee. The copy of the letter order was also not given to the Surcharge Section for preferring the surcharge bill. The mistake was committed not only in respect of the firm in question but also in respect of different contractors. Asked how the performance bond was released before the receipt of surcharge amount, the

witness stated "It should not have been released because the firm had failed in terms of the contract. The performance bond should not have been released that way. But if there was a bank guarantee the surcharge is covered by that". When pointed out by the Committee that in this case the bank guarantee was not taken, the witness stated that the Purchase Section which took the performance bond and the Surcharge Section which took the bank guarantee did not co-ordinate their work. The Purchase Section released the performance bond without making a cross check whether bank guarantee had been taken. Asked if the Committee would be right in its impression that there were too many sections in the Office of the Iron and Steel Controller and that there was no co-ordination between them, the Secretary, Ministry of Iron and Steel stated. "That was position then". He further added that to rectify the position an order was issued in 1963 which was as follows:—

"Before the letter order/acceptance of tender is issued, the draft will be sent to the Import Subsidy Section for calculation of surcharge, if any. The Import Subsidy Section will calculate the approximate amount of surcharge plus 10 per cent and return the file to the Purchase Section within two days. The letter order/acceptance of tender will then be issued with the specific stipulation that the handling agents will not be allowed to clear the material unless the bank guarantee is furnished by them and that they would be solely responsible for any demurrage, rental, damage or loss that may be incurred due to delay in furnishing bank guarantee resulting in delay in issuing the customs clearance permit. The handling agents will return within two days from the date of, receipt of the duplicate copy of the letter order/acceptance of tender duly signed by them, along with an application for import licence showing the value for which the licence is to be issued to the Purchase Section, who will forward the application to the Steel Import Control Section or the Regional Office of Iron and Steel Controller, Bombay or Madras as the cases may be, immediately."

At the instance of the Committee the witness read out the earlier order which was as follows:—

"Letter to the importer asking him to furnish guarantee should issue on the day the letter order is received or on the next working day. The fact of non-receipt of bank guarantee within three days as required by letter order should be reported to the Purchase Section on the Fourth day promptly."

The witness added that in this case, unfortunately, the letter order did not provide for surcharge or bank guarantee and a copy of this was also not sent to the Purchase Section.

6.32. The Committee pointed out that though the orders were already there it was a failure of human system and not of the administrative system. In reply to a question the witness stated that there was a machinery to ensure that the importer of steel supplied the imported goods at the landed cost. However, sometimes some types of irregularities by importers in sale of imported material do occur and they took action on receipt of complaint. However, the Ministry were now trying to arrange all imports through M.M.T.C.

6.33. The Committee desired to know whether Government had examined and taken decision regarding the claims and counter claims of this firm which had submitted a consolidated case of dues to and from Government and for consideration of which a cell was created. The Secretary of the Ministry stated that according to the conclusion arrived at by the cell, the firm was told that it owed to the Government a sum of Rs. 25 to 27 lakhs. The firm did not agree and wanted that the whole matter might be referred to arbitration. Since arbitration was likely to take a long time a High Powered Committee was appointed by Government on the 30th August, 1965. This Committee was yet to take up the case of firm 'A'. The Iron and Steel Controller stated that they had taken a decision not to deal with this firm hereafter. The Secretary of the Ministry added, "I agree with you that they (the Committee) should have taken up this firm first but I do not think that they were trying to show special favours to them."

6.34. The Committee cannot resist the feeling that the party secured for itself a favoured treatment from the Office of the Iron and Steel Controller where for reasons unknown, all rules and regulations were set at naught and the Government machinery seemed to have worked more to uphold the interest of the party than that of the Government. The successive events relating to this case, depict the following serious lapses:—

- (i) The letter order in this case strangely enough excluded the vital provisions of recovery of surcharge.
- (ii) Copy of the letter order was not endorsed to Surcharge Section for recovery of surcharge.
- (iii) The firm did not furnish any bank guarantee not being provided in the letter order though otherwise provided in the rules, and the Iron and Steel Controller did not

show any firm intention to obtain it or to look into the case as to how such a lapse could occur.

- (iv) Even when a Committee was appointed in 1965 to look into these cases, the case of firm 'A' was not considered despite the fact that it was accountable for many lapses and also for 35 per cent of the total outstanding amount.
- (v) The irregularity/favour shown to this particular firm was brought to the notice of the Department through an Audit para in 1960.

6.35. In the face of all these facts the Committee find the arguments of the Ministry that the stalemate had arisen because of lack of coordination between the different branches of the Office of the Iron and Steel Controller and that no special favour was shown to this firm as unconvincing. It is inconceivable that multiple lapses should occur only in the case of a particular firm. While the Committee note with satisfaction the decision of the Iron and Steel Controller not to have any dealings with this firm in future, they would very strongly urge that a thorough investigation should be made into this case for the various lapses at different stages and that the delinquent officials should be dealt with suitably. The Committee would like to be informed of the action taken in this matter.

Extra Expenditure, Para 76, page 100:

6.36. In March, 1960 the Iron and Steel Controller issued a tender enquiry for the import of 4,708 long tons of mild steel sheets for the Posts and Telegraphs Department. Tenders opened on 25th May, 1960, were valid for acceptance till 10th June, 1960. The invitation to tenders *inter alia* stipulated "ultimate tensile stress—27 to 32 tons per square inch. Elongation on 8" gauge length 20 per cent to 23 per cent". The lowest and the second lowest offers were as given below:—

Name of the firm	Prices quoted in dollar	Specifications as regards elongation
'A'	191.327 to 196.868 (inclusive of commission).	As per DIN 1623 which specifies only the minimum elongation as 20%.
'B'	159.40 to 164.50 (exclusive of commission).	Minimum 20% tolerance.

6.37. The offers were considered by the Iron and Steel Controller on 6th June, 1960 in consultation with the indenter (the General Manager, Post and Telegraph Workshops), and were found acceptable subject to confirmation from their foreign principals that the range of elongation would be "minimum 20 per cent and maximum 23 per cent." No confirmation in this respect was sought from these firms, but firm 'A' furnished this confirmation on 8th June, 1960, and on the same day, the indenter advised the Iron and Steel Controller to place a contract on firm 'A' on the ground that firm 'B' had "failed to produce" the requisite confirmation. The Iron and Steel Controller placed a contract on firm 'A' on 20th June, 1960.

6.38. It has been noticed in this connection that:—

- (i) The Director General, India Stores Department, London advised on 9th August, 1960 that inspection would be made with reference to 20 per cent minimum elongation only without any reference to "23 per cent or maximum";
- (ii) During a discussion with the Indenter in July, 1960 the representative of firm 'A' confirmed that "there was no scope for testing maximum limit according to standard specification"; and
- (iii) An earlier contract for the purchase of 2,000 tons of similar material for the Posts and Telegraphs Deptt. placed by the Iron and Steel Controller in February, 1960 which originally provided for, 19-21 per cent., elongation was subsequently amended (July, 1960) to provide for "20 per cent., minimum elongation", without any maximum limit, as the samples were found to have passed the load test.

It would thus appear that the specification offered by firm 'B' could have met the requirements and that by ignoring the cheaper offer quoted by that firm, Government had to incur an extra expenditure of over Rs. 7 lakhs.

6.39. The Committee desired to know why confirmation was not obtained from firm 'B' when it was specifically decided on the 6th June, 1960 to obtain such confirmation. The witness explained that the tenders were opened on the 6th June, 1960. The specification as given in the invitation to tender required that the elongation should be a minimum of 20 per cent and a maximum of 23 per cent. Neither the lower nor the higher tenderers mentioned the maximum elongation though the firms accepted the minimum. The offers were open only till the 10th June, 1960. Both the firms were approached

to confirm that the maximum elongation would also be adhered to after a discussion was held between the P. & T. Deptt. and the Purchase Officers of the Iron and Steel Controller. One firm gave this confirmation on the 8th June, 1960 and the other firm failed to do so. Therefore, the witness added, in consultation with the indenter, it was decided that the order should be placed on the first firm which had given confirmation in respect of the maximum elongation and the contract was given on the 8th June, 1960. Asked whether the other firm was consulted, the witness stated that although not recorded on the file, the firm were approached and orders were placed on the firm which accepted the maximum elongation since the indenter at that time was insisting on the maximum elongation condition. He also added that the firm quoting lower rates had never complained that he had been either ignored or by passed.

6.40. The Committee enquired whether the statement of the officer that he had asked both the parties for confirmation had been verified with reference to party 'B' i.e. whether such a reference was made to party 'B' or not. The witness stated that the Iron & Steel Controller had verbally asked over the telephone the other firm 'B' to confirm the statement of the officer concerned. The Committee wanted to know why on both the occasions the fact that the firms were consulted were not put down in writing, the witness conceded that the initial consultation should have been recorded and as regards the second instance, it was decided only on the 10th January, 1966 to obtain confirmation of the statement of the officer which was actually sought from the firm on the telephone on the 11th January, 1966.

6.41. Asked whether the final supply was according to specifications, the witness stated that a relaxation was made with the relaxation in elongation up to 13 per cent. He added that at the earlier stage the maximum elongation was 10 per cent and when relaxation maximum was asked for (by the party) the matter was referred to the indenter and the indenter had accepted the relaxation.

6.42. The witness stated that the supplier firm wanted a relaxation and that was agreed to in consultation with the indenter. He, however, stated that the main point was whether both firms were given an opportunity to confirm that they accepted the maximum elongation. Their information was, although it was not on record, that both were asked. The Iron & Steel Controller informed the Committee that the P. & T. Board wanted that this material should be supplied

urgently in this case. The representative of P. & T. Board read out the following note recorded in their files:

"The case was discussed with Mr. ———— Assistant Iron and Steel Controller in his office on 8th June, 1960. AGM(P) sent me to discuss the matter with Mr. ————. It is known from Mr. ———— that Messrs. (Firm 'B') have failed to produce their principal's confirmation on the elongation range. Only Messrs (Firm 'A') have confirmed that the sheets will be within the range of elongation 20—23 per cent. They have also confirmed shipment from September.

Under the circumstances the offer of (Firm 'A') is worth consideration if found suitable in all respects by the Iron and Steel Controller."

6.43. The Committee desired to know the reasons why on 19th August, 1960 the specification was changed to 20 minimum and 25 maximum, while on June 6, 1960, the requirements were 20 minimum and 23 maximum. The representative of the P. & T. Board stated that they were wiser after the event. He added that some tests were conducted after June and before August, 1960 with regard to some Japanese steel sheets obtained by them. It was found that from the manufacturing point of view the minimum elongation was more important. The Committee referred to letter No. GMW-P/15/7, dated 19th August, 1960 from the General Manager, P. & T. Workshops to Iron & Steel Controller and copy to Messrs (Firm 'A') and pointed out that an unusual step was taken by the P. & T. Board as it was not customary for indenter to write to the supplier for amendment of a clause. The representative of the P. & T. Board stated that the letter was issued to the Iron & Steel Controller and a copy thereof was sent to the firm and the Iron & Steel Controller could have taken action if he felt that he could get cheaper price.

6.44. In reply to a question the Committee were informed that the case was referred to police jointly by the P. & T. Board and the Iron & Steel Controller in August, 1965. The Committee desired to know the grounds for referring the matter to police. The representative of the P. & T. Board stated that emanating out of an audit para, the notings on the files of the General Manager, Workshops were gone into and it gave rise to doubts. One of the reasons for causing the investigation was that on 20th July, 1960 the A.G.M., (Purchase) had recommended the cancellation of the German offer if they were not able to supply the sheets of the required elongation. The A.G.M. had suggested that a fresh tender enquiry with revised specifications might be resorted to.

4.45. The General Manager, Workshops had said that the specification should be re-examined and revised in consultation with the National Metallurgical Laboratory and other technical advice which might be readily available from reputed manufacturers. But this order of the G.M. dated 20th July, 1960, was not conveyed by his subordinate officers to the Iron and Steel Controller. No action was taken on the orders of the General Manager.

6.46. The P. & T. Deptt. wanted to find out why the orders were not conveyed, whether there was a case of *malafide* or not. After a discussion between the Secretaries of the Ministries of Communications and the Deptt. of Iron & Steel it was felt that the matter might be placed before C.B.I. for investigation and it was referred to them on 21st August, 1965. The explanation of the concerned persons for not transmitting the orders of G.M. was taken. The papers were handed over to the C.B.I. in October, 1965. The Committee pointed out that the plea of urgency which was advanced earlier in this case was not sustained because the General Manager was prepared to await for fresh tenders and fresh offers. The representative of the Deptt. of Iron & Steel stated that an item was given priority if it was so desired by the indenter.

6.47. From evidence the Committee find that a chain of events had occurred in this case which cannot rule out the possibility of a collusion between the firm and the officials. The sequence of events was as follows:

- (i) The tenders were invited but the offer was not according to the terms of the tender.
- (ii) The parties were verbally asked to confirm.
- (iii) The party quoting higher rates gave the confirmation while there was nothing on record to show that the second party was consulted.
- (iv) The order was placed with the party quoting high rates and later on relaxation was given as regards the specifications of the material which was asked for by the party.
- (v) Even when the relaxation was agreed to the implications of the relaxation were never examined.
- (vi) The P. & T. Board resorted to an unusual practice of informing the party about the amendment of clause of a contract entered into by the Iron and Steel Controller.
- (vii) Even when the A.G.M. had suggested that a fresh tender enquiry might be called for with the revised specifications, it was not put into effect; and

- (viii) The P. & T. Board were very rigid at the outset about these specifications of the materials. But in actual practice the element of maximum elongation did not really mean much because subsequently they climbed down to a lower specification.

Since the matter has already been referred to C.B.I. for verification, the Committee would like to be informed of the findings and the action taken thereon.

VII

MINISTRY OF MINES AND METALS

Coal Board

Coal purchases by the major ports, para 124, p. 163-64 Audit Report (Civil), 1965

7.1. The Public Accounts Committee in paragraph 20 of their 5th Report (1963-64) (Third Lok Sabha) commented upon the unscientific and irrational system of grading and pricing of coal in the collieries and drew attention to the loss likely to be entailed on consumers who had no arrangements for conducting an independent analysis.

7.2. A review of the practice obtaining in the major ports has confirmed the apprehension expressed by the Committee as indicated below:—

- (a) At the Calcutta Port, arrangement was made for the first time during 1963-64 for sample testing of coal in the Government Test House and the question whether suitable deduction should be made in cases of deviation from the specifications is stated to be under consideration (November, 1964).
- (b) At Bombay, where coal valued at Rs. 18 lakhs was purchased during 1963-64, the quality and grade of coal received from the collieries were not tested to ascertain whether they conformed to the specifications required. The Bombay Port Trust authorities have stated that in their opinion, such tests are not necessary as the grades of coal, determined after inspections and tests arranged by the Coal Controller, are invariably endorsed on the Railway Receipts when the coal is despatched and the field staff of the Bombay Port Trust are able to identify the quality of coal by visual inspection.
- (c) At Visakhapatnam Port, where the annual purchases were valued at more than Rs. 11 lakhs during 1963-64, there are no arrangements for testing the specifications of the coal supplies arranged by the Coal Controller.

(d) Madras and Cochin Ports obtain their supplies through the Southern Railway without conducting any independent tests of their own.

(e) At Kandla Port, where coal valued at Rs. 1.41 lakhs was purchased during 1963-64, the Port authorities depend upon the grading of collieries as determined by the Coal Controller, Calcutta and no independent scientific test is carried out.

7.3. The Ministry of Steel and Mines hold the view that "the grade given by the Coal Board represents what the grade of coal loaded by a particular colliery is expected to be according to the technical assessment made by the Board". They have further stated (January, 1965) that it was clarified by them as early as February, 1954 that a consumer could come to an arrangement with the collieries for payment on the basis of the actual quality of coal received. They propose to take steps to bring this position again to the notice of all important consumers.

7.4. The Committee invited the attention of the Chairman of the Coal Board, to a note submitted by the Ministry to the Committee in April, 1965 wherein—it was stated that the grade given of coal coming from a particular colliery was expected to be according to the technical assessment made by the Board. It was open to the consumers to make their own arrangements for the analysis of the coal and to pay on the basis of the results of such analysis. The Committee desired to know how government ensured that higher prices were not charged by the collieries, for the coal purchased on the basis of grades fixed erroneously, from such of the consumers as had no arrangements for independent analysis of coal samples. The Chairman of the Coal Board stated that the Board fixed the grades of coal from time to time on the basis of sample results and since the grade could not be changed very quickly, the prices and grades would not always be very equal and closely related to each other. In respect of coking coal going to steel plants there was a system of monthly sampling and the Board were trying to revise the grades almost every month but for non-coking coal which was of a inferior quality such efforts were not made. The ports were generally using coal of lower grades. Asked whether the frequency of the grading and sampling was increased in respect of ports and railways, the witness stated that the Railway authorities were doing quite a lot of their own sampling while the ports were not major consumers as compared to power houses, cement factories etc. and they were not doing their own testing. In reply to a question the witness stated that

in case the coal of a particular colliery was graded 'A' by the Board but on a subsequent analysis done by the consumer it was found to be of 'B' grade, the consumer had to pay grade 'A' price and there was no remedy for that particular consignment. Since the consumer kept on buying coal continuously, he could pay for the next consignment according to a revised price based on his tests. The witness stated that if the consumer had any agreement with the colliery, he could pay according to his own finding if the coal was of inferior quality but if he had no such agreement he had to pay the price fixed by the Coal Board.

7.5. The Committee pointed out that there was no independent arrangement for getting the coal tested at the ports of Bombay, Visakhapatnam and Kandla while the ports of Madras and Cochin obtained their supply through Southern Railway without conducting any independent analysis. They desired to know whether the Ministry could consider the continuance of the unsatisfactory position justified vis-a-vis the clarification issued by the Ministry of Steel and Mines in February, 1954 that it was for the consumer to accept the coal and to pay for it on the basis of an independent analysis. The representative of the Ministry stated that as far as Cochin and Madras were concerned, they received their supplies through the Southern Railway and the Railway Board had stated that the analysis would be made at the destination, sheds. Bombay and Kandla ports had not set up any organisation for testing coal and they were checking up the standard on the basis of visual inspection. The Committee invited the attention of the witness to sub-para (b) wherein the Bombay Port Trust had stated that such tests were not necessary and desired to know whether the Ministry had satisfied themselves with such an explanation. The representative of the Ministry of Transport stated that even though they had taken up the matter with the port trust, no replies had been received from them.

7.6. In reply to a question, the Officiating Chairman, Calcutta Port Trust stated that in 1963-64, for the first time, they introduced the system of testing. Prior to that there was no such system. The Coal Controller used to nominate the parties and those parties used to supply coal to them at the controlled rate. For the first time in 1963-64, they had invited open tenders and tested the coal supplied to them. After testing, on the basis of the result, if the coal was found suitable, then payments were made according to the grade, at the controlled rate. But they could not take many tests and had taken in all about 15 tests. Seven tests were taken for Grade I in

which four were found to be below grade and three were found of correct grade. Eight tests were made for the selected 'A' Grade coal at the National Government Test House. Out of these eight tests, two were found of the correct grade and six of below grade. When the result of the tests was conveyed to the suppliers, they refused to accept the result. The suppliers pleaded that they had supplied the coal of correct grade. There was, thus, a dispute. As they could not function without the supply of coal, they had to come to some kind of compromise settlement and made an *ad-hoc* cut in the year 1963-64. The witness further stated that in 1964-65, they again sought to impose this condition on the suppliers. The suppliers accepted it, but later they raised a similar dispute. In the year 1964-65 they took out a larger number of tests. 34 tests were made for Grade I coal. Only three cases were found of the correct grade and in 31 cases supplies were found to be below grade. For the Grade 'A' Coal, they took out 14 tests. Out of these tests, five were of correct grade and nine were below grade. In this year also (1964-65) the suppliers contested the results of the tests. The suppliers contended that they had supplied coal of the correct grade which was according to the Coal Board gradation. Again there was a dispute with the supplier. In the current year, 1965-66, they had imposed this condition but no party was prepared to come forward and accept this condition. Then, one party was persuaded to supply the coal. This party supplied coal for three months and then withdrew. Another party had come forward and it had accepted the condition. They had taken tests and the supplier had accepted the test and for the last two or three months, the system appeared to be working all right. The witness added that it was still to be seen whether at the end of the year, the supplier would raise any dispute or not.

7.7. In reply to a question, the witness stated that the suppliers did not agree to the imposition of the test result of one wagon on the other wagons. So, they were supposed to check every wagon and this was not possible. On the point there was a dispute with the supplier.

7.8. The Committee pointed out that under the Coal Control Order, any dispute in regard to the application of the procedure or the results of such sampling and analysis would be referred to the Coal Controller whose decision thereon would be final and binding on the colliery owner and the consumer. The Committee enquired whether the dispute was referred to the Coal Controller. The Chairman, Calcutta Port Trust, stated that in 1963-64, they had disputes. They had referred the disputes to the Coal Controller. He passed it on to the Coal Grading Board of which he himself was the Chairman. It

was a statutory organisation. The Coal Grading Board gave them a certificate saying that the mines from which supplies were made had been tested by the Board and a certificate was issued to that effect and therefore they could assume that the grade was correct. The witness added that the dispute was with regard to whether the grade supplied was correct and it was not about quantity of coal supplied to them.

7.9. The Committee enquired if the supplier was not happy with the sampling and testing by the government organisation then whether these two facts were referred to the Coal Controller. The witness stated that these particular things were not referred but the entire dispute was referred to him. On the opinion given by the Coal Grading Board, they settled the dispute with the supplier. He further stated that in future they would refer these things also to the Coal Grading Board.

7.10. In reply to a question the witness stated that they did not pay higher price of coal to colliery owner as stipulated in the Coal Control Order that in addition to the price fixed (Control price) every colliery owner should be paid higher price where in pursuance of an agreement between him and the consumer, the grade of the coal supplied was determined by sampling and analysis at the destination in accordance with the procedure laid down by Government in this behalf. He added that on the other hand, they were recovering from the suppliers the cost of testing (Rs. 50 per sample).

7.11. The Committee enquired whether this arrangement of scientific analysis could be recommended to other Ports in the light of the experience gained by the Calcutta Port. The Chairman, Calcutta Port Trust, stated that they could not draw the conclusion from the experience so far gained in the last 2-3 years that this step could be recommended to all ports for all the time. The supplier had been contesting and the flow of supplies got endangered. The witness added that in a port like Calcutta if they did not get timely supply of coal, the work at the port might come to a standstill. In 1964-65, they found that a great majority of coal supplied to them was of inferior grade. As regards the quality of coal supplied during 1965-66, the witness stated that at the end of July, 1966 he would be able to give the position. The Secretary, Department of Transport, Shipping and Tourism assured the Committee that if the experience of Calcutta port commended itself, they would certainly ask the other ports to follow suit.

7.12. In reply to a question the Secretary, Department of Transport, Shipping and Tourism stated that the apprehension of the

Calcutta port was that there might be an inordinate delay if they started sampling from each and every wagon and the supplier contested the test unless done in his presence. The witness suggested that it was well worth examining very carefully as to how much money could be saved by this process and if the savings were substantial it would be worth while for other ports to accept it. He also assured the Committee that they would send instructions to ports to be very careful about the quality of coal they get and they should take steps to see that whatever they pay for, was in accordance with the quality received.

7.13. The Committee desired to know whether the Southern Railway sent the results of the analysis to the Madras port and Cochin port. The Chairman, Cochin Port Trust, stated that they did not run their own Railways and as such their requirements of coal were extremely little. They required coal only for a few of their vessels and some static machines. The witness added that they had accepted the grading laid down by the railways who sold the coal to them. It was not worth while for them to go in for any sampling or grading procedure as their requirements were so small.

The Chairman, Madras Port Trust, stated that the area of the Madras Port was very limited and the quantity of coal that they got was very small. The railways supplied coal to them according to their own gradation.

7.14. In reply to a question the Committee were informed by the representative of the Ministry of Mines and Metals that a technical Committee had considered the recommendation of the Public Accounts Committee regarding revision of the system of grading of coal and had submitted a Report in 1963. The matter was still under consideration and a decision as to whether the calorific value is to be the basis for pricing or not would be taken shortly.

7.15. From the evidence the Committee find that excepting in the Port of Calcutta there is no independent arrangement at other ports for getting the grade of coal tested to ensure that the supplies are made strictly according to the specifications. The ports of Bombay, Visakhapatnam and Kandla depend on the grading of collieries done by the Coal Controller while the ports of Madras and Cochin obtain their supplies through the Southern Railway without conducting any independent test of their own. The port of Bombay further hold that such tests are not necessary and they only conduct some visual inspection. In a note furnished to the Committee in April, 1965, the Ministry upheld the view that "the grade given by the Coal

Board represents what the grade of coal loaded by a particular colliery is expected to be according to the technical assessment made by the Board."

7.16. Against this background, the Committee find from evidence that neither the view of the Ministry nor the contentions of the Bombay Port authorities are substantiated by facts. During 1963-65, according to evidence, 63 tests were carried out and out of these in 50 cases it was found that the coal supplied was of inferior quality.

7.17. The Committee feel distressed by this revelation because under the existing system even when coal is found to be of inferior quality, the consumer has to pay at least for that consignment according to the superior grade assigned by the Coal Board unless he has an agreement with the colliery to the contrary. In the face of these facts, the Committee fail to understand how the Bombay Port authorities can claim that the "visual inspections" which they are now conducting are adequate to ensure that supplies are according to specification. They are further surprised to be informed that Bombay Port authorities failed to furnish any explanation for their stand even when called upon to do so and that the Ministry did not take any further action in the matter. Since all the consumers are not likely to have their own arrangements for testing and for the sake of equity, it is essential that the testing done by the Coal Board for allocating grades should be done so carefully as to eliminate all possibilities of mistakes and errors. In order to avoid such variations and disputes which result in compromise payments being made by the contractors, the Committee feel that the Coal Board should enforce the standards laid down for the allocation of the grades more strictly. They should also consider the feasibility of making frequent sample tests even in respect of the coal that is supplied to ports.

7.18. The Committee hope that the Ministry will take an early decision on the recommendations of the Committee which was constituted to consider the question of revising the system of grading of coal and whose report was submitted as early as in 1963. The Committee also hope that Government will carefully analyse the results of tests conducted at Calcutta Port to devise their future policy in this regard.

Audit Report on the Accounts of the Coal Board for the Year 1963-64.

7.19. The Coal Board set up under the Coal Mines (Conservation and Safety) Act, 1952, for the purpose of maintenance of safety in coal mines and conservation of coal, is financed from the net proceeds

of excise duty levied on all coal and coke raised/manufactured and despatched from the collieries. With effect from 8th June, 1961, Government are also levying an additional excise duty for financing the scheme of payment of subsidy on movement of coal/coke by the rail-cum-sea route.

7.20. A summary of Receipts and Payments under the main heads during 1962-63 and 1963-64 is given below:

Receipts		Payments			
	1962-63 (In lakhs of Rupees)	1963-64 (In lakhs of Rupees)		1962-63 (In lakhs of Rupees)	1963-64 (In lakhs of Rupees)
Opening Balance .	289.48	170.91	Revenue Expenditure		
			Administration of the Board	19.95	22.56
Excise Duty received under Section II.	405.46	460.16	Grant of Stowing materials and other assistance etc.		
			Grant	211.0	290.15
Loan from Govt. of India	..	200.00			
Interest on Investments.	8.84	9.60	Loan . . .	1.79	—
Repayment of Loan for purchase of stowing plant	4.95	9.25	Other measures connected with the Administration of the Act.	6.21	3.04
Miscellaneous .	2.59	1.35	Protective works	15.68	20.49
			Contribution to Mining Research Station	9.00	8.25
			Assistance to Collieries handicapped, by adverse factor, etc.	131.61	159.99
			Miscellaneous	2.26	0.83
			Capital expenditure		
			Central Ropeway Scheme	141.93	130.97
			Buildings for office accommodation	0.98	0.26
			Closing Balance	170.91	214.76
TOTAL .	711.32	851.30		711.32	851.30

7.21. The details of the closing balance for the last five years ending with 1963-64 are given below:

Year	Investment	Cash	Total
(In lakhs of Rupees)			
1959-60	268.26	7.69	275.95
1960-61	247.11	24.64	271.75
1961-62	227.10	62.38	289.48
1962-63	155.69	15.22	170.91
1963-64	220.64	(-)5.88*	214.76*

The investments as at the end of 1963-64 comprised:

- (i) Rs. 160.00 lakhs in short term deposits; and
- (ii) Rs. 60.64 lakhs in Government loans.

7.22. The Committee desired to know why the issue of cheques was not restricted to the extent to which there was balance in the current account and the reasons for making payment aggregating to Rs. 93.62 lakhs to the parties on the last two days of the financial year. The Chairman of the Coal Board stated the heavy issue of cheques was because the Board got the money from the Government towards the end of the year. Many assistance claims had been finalised and they were disbursed as the money became available.

7.23. As regards the issuance of the cheques in excess of the amount available in the current account, the Chairman Coal Board stated "It was an oversight; we did not have a written agreement with the Bank." Asked whether any action was taken when the matter came to the notice of the Board, the Chairman, Coal Board stated "No action has yet been taken." The Committee pointed out that the Bank might have even honoured the cheques but it was very improper for a Government organisation to issue cheques on accounts which did not have sufficient funds.

7.24. The Committee take a very serious view of the cheques having been issued in this case without any balance in the accounts of the Coal Board. The Committee feel that this appears to have

*There was an overdrawal of cheques on the current account with the State Bank of India, Calcutta to the tune of Rs. 8.34 lakhs on 31st March 1964, but the cheques were not actually encashed on that date.

been done primarily with a view to ~~the funds~~ the funds at the close of the year and in that haste the Coal Board did not even have in view the balance to their credit in the bank. The Committee would suggest that the case should be investigated thoroughly and responsibility fixed for this lapse. They further hope that such mistakes will be strictly avoided in future.

Delay in the recovery of an irregular payment, Para 2, page 2:

7.25. In respect of assistance allowed to Bogra Seam of Satgram Colliery, on account of the gassy nature of mines, the recovery of an irregular payment of Rs. 14,654 made during February-July, 1961 for the two quarters ended with June, 1961, is still awaited. The irregular payment came to light in August, 1964 and the Board asked the colliery to refund the amount in September, 1964.

7.26. The Committee were told in evidence that after the receipt of the Audit Report, the Chairman, Coal Board had taken up the matter with the Chief Inspector of Mines, who had stated that there was some mix up in his office because of which non-compliance of instructions which was partial, had not been reported earlier. The Chairman of Coal Board stated that since the Chief Inspector of Mines was not present it was not known why the first report was revised subsequently and whether any action had been taken by him for the mistake committed.

7.27. The Committee were informed by Audit that the colliery had since refunded the irregular payment.

The Committee further understand from Audit that the Ministry had stated that the Chief Inspector of Mines reported in August, 1964, that the colliery did not comply with his orders to introduce cap lamps before July, 1961 and hence assistance was not payable for the period to July, 1961.

The Committee fail to understand why the Chief Inspector should have taken three years to detect this non-compliance and to report on it. They hope that proper steps will be taken by the Board to avoid recurrence of such cases in future.

Extra Expenditure, Para 3—Page 2:

7.28. Assistance amounting to Rs. 4.51 lakhs was sanctioned by the Board in 1961-62 to Bhowrah (North) Colliery for trench cutting work; this assistance constituted 85 per cent of the actual expenditure to be incurred by the colliery and was based on the rate of Rs. 135 per thousand cft. quoted by the contractor to whom the

work had been entrusted by the colliery in November, 1960. The contractor abandoned the work in October, 1961; thereafter the colliery appointed another contractor for the execution of the work at the rate of Rs. 165 per thousand cft. On this basis of the increase in the rates, the Board paid an extra assistance of Rs. 76,000 to the colliery.

7.29. The grant of extra assistance to the colliery does not appear to be justified, as the extra cost incurred in the execution of the work could have been recovered by the colliery from the defaulting contractor by invoking the provision in the agreement with him for the recovery of liquidated damages in the event of his failure to complete the work. In reply to an audit enquiry, the Board has stated (December, 1964) that:

"It was reported that no recovery of the extra cost from the defaulting contractor was possible because he had already drawn a large amount as advance from the colliery prior to the termination of the work."

Government have now stated (March, 1965) that the Board proposes to issue a circular to all collieries advising them to take adequate security deposit from their contractors, which would be forfeited in the event of their failure to complete the work.

7.30. The Committee were told in evidence that at that time there was no clause in the contract providing that any abandoned work was to be done at the cost of the original contractor. Explaining the system of granting assistance, the Chairman of the Coal Board stated that the collieries were paid assistance who assigned the work to their own contractors. In the coal fields labour was scarce, contractors were very few and some time the protective works against fire had to be done in a very great hurry as time could not be lost on such work. In this case the contractor failed to do the work and the job had to be awarded to the next lowest tenderer. The witness added that there was no particular loss to the Government because the work was done when the prices were higher and the original contractor had refused to do the job because of rise in prices. However, if the original contractor had done the job, it would have been cheaper. In reply to a question as to how a collusion between the contractor and the colliery owners was avoided, the witness stated: "It is unnecessary to postulate collusion. Total number of them is so very small. We do have open tender and they have their schedule of rates. We have our own officers on the tender Selection Committee".

7.31. He also added that Board were trying to have a departmental organisation for doing this work also and it could be tested only in future whether the work could be done cheaper departmentally. He felt that a unified control of protection works would be better. In reply to a question the witness stated that the schedule of rates was revised from time to time and the rates, by and large, did not exceed more than five per cent of the scheduled rates. He also added that the assistance given for protective work was on a uniform basis and for stowing it was on a quantity basis.

7.32. The Committee find that the losses suffered in this case was because of multiple lapses for which the administration alone is to be blamed.

It is surprising that the usual practice of making a provision in the contract that in case a work is abandoned it should be completed at the risk and cost of the original contractor was not followed in this case and the contractor had drawn a huge sum as advance from the colliery before the completion of the work and the authorities did not consider it worthwhile to safeguard their own position by obtaining adequate security from the contractor as a result of which recoveries could not be effected.

The Committee would like to be informed of the results achieved by doing the work departmentally and progress made in regard to the introduction of any unified control over the protective work.

Drawal of loans in Advance-payment of avoidable interest para 4, Page 3:

7.33. Out of a loan of Rs. 4 crores sanctioned by the Government of India in May, 1963, for the Central Ropeways Scheme, carrying interest at 5 per cent, the Board drew a sum of Rs. 2 crores in July, 1963. Of this Rs. 69 lakhs remained unutilised with the Board on 31st March, 1964.

It has been stated by the Board that the amount was retained for making an advance payment of Rs. 60 lakhs to a contractor, which was to be made within a month of deposit of the security by the contractor. The security was deposited on 6th March, 1964, and the advance was also paid in May, 1964. The drawal of Rs. 60 lakhs much in advance of requirements has resulted in avoidable interest charges of Rs. 70,000 upto February, 1964.

7.34. The Committee desired to know the difficulty in drawing the amount of Rs. 60 lakhs from Government after the contractor had actually deposited the security money which would have avoided

the unnecessary payment of interest of Rs. 70,000. The Chairman, Coal Board stated that in June, 1963 it was thought that the contract between the Coal Board and the contracting firm would be formally executed within a period of one month. The Board proceeded on that anticipation but unfortunately there were some difficulties between the US AID authorities and the Indian authorities at Washington. Even after the US AID had passed it on a preliminary basis, there was a delay of four months in signing the agreement. The Committee pointed out that the Board would have been justified in drawing the money in advance if it was not possible to draw it within one month of the signing of the agreement. The witness stated that the amount was invested in short term deposit though there was some loss of interest. In reply to a question the witness stated that the ropeways were intended for bringing sand from the river Damodar to be given to collieries at Jharia probably free. He further added that there would be three ropeways and of these one was completed. It entailed a cost of 6½ crores and was 19 miles in length. The second ropeway which was not completed would cost Rs. 7½ crores and it would have a length of about 44 miles. The third one was being put up in Raniganj area and it would have length of 24 miles. The first ropeway was completed by about 25th December, 1965 and trial runs were being conducted.

7.35. The Bihar Government had not given the licence for the first ropeway as they wanted to have trials to find out whether the ropeway would function efficiently. The Committee were told that the issue of the notification granting the licence was only a question of a few days.

7.36. The Committee desired to know how the investments made on these three ropeways was proposed to be recovered. The representative of the Ministry stated that the capital investment on these three ropeways would be of the order of Rs. 18.75 crores and it was anticipated that certain escalation claims to the extent of Rs. 2½ crores would also be there because of rise in customs duty etc. The total estimated cost for all the three ropeways would be of the order of Rs. 21 crores or so. These ropeways were being financed by the Government with the idea that after they were put into operation there would be a special levy on coal to repay the loan and to meet the operating charges. It was a loan at present given to the Coal Board which was to be paid back by them in due course. At the instance of the Committee the witness agreed to furnish figures of interest liability in foreign exchange and interest on the investment so far made in regard to the three central ropeways.

7.37. The information is still awaited.

7.38. In view of the very heavy amount of loan (viz., Rs. 21 crores to know the final decision taken by Government to ensure timely repayment of this loan and the details worked out for this purpose, approximately) earmarked for 3 ropeways, the Committee would like

7.39. The Committee are not convinced by the arguments advanced by the representative of the Coal Board in this case. The retention of the amount could have been justified only if there were any occasion for doubt that the amount of Rs. 60 lakhs which was to be paid to the contractor within a month of his depositing the security money, would not be available within that period. Nothing was stated during evidence to substantiate such an apprehension. The amount retained was bearing an interest of 5 per cent which of course, was neutralised to some extent by short term investment. The Committee feel that even the resultant loss could have been avoided if the Board instead of drawing the amount much in advance of the requirement had done it at the proper time. The Committee hope that the Board should in future exercise better control on their borrowings and avoid infructuous expenditure.

7.40. At the instance of the Committee, the witness agreed to furnish a detailed statement showing: (a) the basis on which the amount of assistance given under the head "Assistance to collieries handicapped by adverse factors etc." vide item E of the Statement of Receipts and Expenditure of the Coal Board for the year ended 31st March, 1964 (Appendix XIII) was determined; (b) how it was verified that the amount of money given as assistance was spent economically and for the purpose for which it was given; (c) the names of the collieries to which assistance amounting to more than Rs. 2 lakhs was given during the last three years i.e. 1962-63, 1963-64 and 1964-65 and (d) a note showing the amount of arrears under Item 4 of the statement of Receipts and Expenditure as on the last date for 1963-64 and whether the arrears had been cleared.

7.41. The Committee regret to note that the statements have not been furnished.

VIII

MINISTRY OF LABOUR, EMPLOYMENT & REHABILITATION

(DEPARTMENT OF REHABILITATION)

Compensation Pool 1963-64—para 51, pages 63—66; Audit Report (Civil), 1965.

(A) Payments of compensation:

8.1. (i) The following amounts were paid as compensation and rehabilitation grants to displaced persons from West Pakistan during and upto the year 1963-64:

(In lakhs of rupees)		
	During 1963-64	Up to 1963-64
(1) Compensation	3,67.42	1,24,19.88
(2) Rehabilitation Grants	1,11.46	60,62.02
TOTAL	478.88	1,84,81.90

The figures of compensation include value of acquired evacuee properties transferred in kind, which amount to Rs. 262.62 lakhs and Rs. 66,65.06 lakhs during and up to 1963-64, respectively.

8.2. The total number of compensation applications pending with the Chief Settlement Commissioner's Organisation as on 31st March, 1964 was 2,962 out of a total of 5,05,517 received till that date, as against 3,799 outstanding as on 31st March, 1963 out of a total of 5,05,103 received till that date.

8.3. The liability of the Pool in respect of 19,291 cases which had been settled till 31st March, 1964 by issue of Statements of Accounts but which awaited utilisation by the persons concerned on that date is estimated as Rs. 3.23 crores.

8.4. The Committee desired to know when the Ministry would expect to clear the *589 applications for compensation pending at the

* According to Audit.

end of September, 1965 with the Chief Settlement Commissioner's Organisation. The Chief Settlement Commissioner stated that the Ministry had informed the Public Accounts Committee last year that on 31st December, 1964, 1056 cases were pending with Government and these would be disposed of by the end of 1965-66. In June, 1965 Government took a decision to condone the delay in the filing of applications for compensation in 3,169 cases. The delay was condoned on the basis of a Press Note issued in November, 1963 wherein the displaced persons were advised to file their applications for condonation of delay before 31st January, 1964. The question whether the delay should or should not be condoned in these cases was examined in consultation with the Ministry of Finance. In view of the fact that most of the applications were received from widows, minors, uneducated and illiterate persons, it was decided that the delay in all these cases might be condoned on an *ad hoc* basis. Orders were issued to the Regional Settlement Commissioner to accept applications for compensation from the claimants who had requested for condonation. The particulars of these persons were intimated to the Regional Settlement Commissioner and intimation was also sent to the claimants asking them to file their applications for compensation within 35 days of the receipt of the communications. The first batch of applications for condonation was sent in June, 1965 and the last batch was sent on 11th October, 1965. 742 applications for compensation were received from January to November, 1965. Out of the total number of 1,798 applications (1056 plus 742), 1107 had already been disposed of, leaving a balance of 691 applications on 30th November, 1965. In addition to these, about 2,500 cases were expected as a result of the condonation of delay. The present rate of disposal was about 100 cases per month and the present expectation was that the work would be practically completed by 30th June, 1967.

8.5. In a note furnished subsequently at the instance of the Committee (*Vide* Appendix XIV), the Ministry of Rehabilitation have stated that the total number of compensation applications registered so far with the various Regional Settlement Commissioners is 5.07 lakhs. Out of this, only 882* compensation and Rehabilitation Grant cases are pending with Regional Settlement Commissioners. The earliest case pending bears registration number B/T/47/3609/IVNT dated 21st July, 1953.

8.6. The Committee note with regret that cases registered in 1953 are still pending for disposal. They hope that 882* cases pending

* Not Vetted by Audit.

at present will be cleared with the proposed time limit i.e. 30th June, 1967.

8.7. The Committee desired to know what steps were proposed to be taken by the Ministry to secure an early utilisation of Rs. 10,127. Statements of Accounts involving a liability of Rs. 1.17 crores which still remained to be utilised at the end of November, 1965. The witness stated that the total number of Statements of Accounts pending on 30th November, 1965 was 9,908 involving a liability of Rs. 1.10 crores. In addition, for the new cases which were expected as a result of the condonation of delay, the Ministry were expected to issue Statement of Accounts for about Rs. 2.50 crores. He also informed the Committee that Law did not provide for the lapsing of the statement of Accounts which was not utilised.

8.8. The Committee desire that the Ministry should impress upon the beneficiaries that 9,908 statements of Accounts involving a liability of Rs. 1.10 crores at the end of November, 1965, should be utilised at an early date. The Committee would like to watch the progress of utilisation of Statements of Accounts by the persons concerned, through future Audit Reports.

8.9. Asked about the number and value of evacuee property which still remained to be disposed of, he stated that on 30th November, 1965 Government had 6,742 Government built properties and 6,511 evacuee properties which were yet to be disposed of.

8.10. In their note given in Appendix XV the Ministry of Rehabilitation have stated that the total value of urban acquired property which still remained to be disposed of in Jullundur, Delhi, U.P., Bombay, and Indore regions comes to Rs. 1.91 crores. (Information in respect of Jaipur and Patna regions is still awaited).

8.11. The Committee enquired about the reasons for the delay in the disposal of this evacuee property. The witness stated that the main reason for delay was that in some cases properties had to be acquired after a decision was taken by a Competent Officer in regard to evacuee shares and after separating evacuee and non-evacuee shares, these properties were advertised for sale, if they were not within the allottable limit. When the property was within the allottable limit and a claimant or non-claimant wanted to purchase it, the Ministry had given the property to him on instalment basis. Where these people did not take these properties or were not in a

* According to Audit.

position to buy them, Government auctioned the properties. Sometimes, it was found that the persons residing in those properties (tenants) came in the way of these auctions. At that time police aid was also taken. The witness added that at a number of places it was found that the price obtaining was not competitive. When it was felt that price obtained was below the reserve price, the property was re-advertised for sale.

8.12. The Committee desired to be furnished with a statement showing:

- (i) The number of cases (out of about 13,000 pending) where Government had actually held auctions more than twice; and
- (ii) Whether by postponing these auctions or by re-auctioning, Government had realised a better price or a lower price.

8.13. This information has been furnished by the Ministry of Rehabilitation and is at Appendix XVI.

8.14. The Committee find from the statement that out of 801 cases where properties were put to auction twice, only in 117 cases, the subsequent bids were more than the first bid. In 187 cases subsequent bids were less than the first bid and in 31 cases, no bids were offered in subsequent auctions. No. of properties which were put to auction more than twice was 466. In view of this experience, the Committee feel that Government have to exercise care in coming to a conclusion as to whether bids in the first auction were really less competitive or not. The additional administrative expenditure involved in retaining custody of these properties for a longer duration should also be born in mind, before rejecting a bid in the first auction.

8.15. The Committee also desire that effective steps should be taken to dispose of the remaining evacuee properties expeditiously.

(B) *Arrears of rent, etc.*

8.16. (i) *Acquired Evacuee property.*—Arrears of rent in respect of acquired evacuee properties (excluding the evacuee land) amounted to Rs. 441.88 lakhs as on 31st March, 1964, as given below:—

	(In lakhs of rupees)
Arrears as on 1st April, 1963.	471.42
Demands during the year	36.65
Total	508.07

Less amount realised during the years	31·04
Reduction as a result of Corrections in the demands	29·46
Irrecoverable amount of written off	5·69
TOTAL	66·19
Balance due on 31st March, 1964.	441·88

8.17. The Committee were informed in evidence, that the arrears of rent regarding acquired evacuee property amounting to Rs. 441·88 lakhs on 31st March, 1964 had since been brought down to Rs. 385·29 lakhs on 30th November, 1965 i.e. in 18 months the arrears were reduced by Rs. 56·59 lakhs.

8.18. Asked about the reasons for the slow progress, the witness stated that at the time of partition, refugees were settled in the evacuee properties that were available then. But the displaced persons did not continue to stay in the houses given to them. They went from place to place whereas Government Registers showed that rental arrears were due from the persons to whom the houses were originally allotted. This work was at that time being managed by the State Governments and not by the Centre. Later on, it was decided that in respect of properties which were transferred to claimants, rent should be charged upto 1955 and in respect of non-claimants also some other date was prescribed. But during all these periods, the rents were shown as demands. Thus, Government were faced with a demand which was not real but artificial. When Government started recovering rent, they came across difficulties i.e. persons actually occupying the houses were different from those to whom they were allotted and whose names were shown in Government Registers. A good portion of it would have to be written off as they were irrecoverable.

8.19. At the instance of the Committee, the Ministry of Rehabilitation has furnished a detailed note explaining the reductions made in the demand as a result of corrections and the reasons for making these corrections and is at Appendix XVII.

8.20. The Committee note with regret and surprise that on the basis of outstanding shown in the registers, the Government is not in a position to state the effective arrears of rent out of outstanding

amount of Rs. 3.85 crores. The Committee feel that the Ministry should work out the extent of effective arrears so that efforts are concentrated for recovery of the same.

8.21. Asked about the total amount collected during 1963-64 in cash or adjusted against claims and how much of the demand was corrected, the witness stated that Rs. 14.06 lakhs were recovered in cash or adjustment made and the demand was corrected to the extent of Rs. 15.74 lakhs making a total of Rs. 29.80 lakhs. In reply to a question whether any rent was accruing to the Government now, the witness stated that the monthly accrual was Rs. 1.35 lakhs and most of it was being recovered every month.

8.22. The Committee enquired at what level the demands were corrected and who was the authority for correcting these demands. The witness stated that the Settlement Commissioner, the Assistant Custodian or Managing Officers correct the demands.

8.23. In reply to a question, the witness stated that Government had so far written off in states other than Delhi an amount of Rs. 31.46 lakhs due from widows and destitutes. In Delhi the amount written off was Rs. 1.17 lakhs.

8.24. In view of the fact that outstandings (Rs. 60 to 70 lakhs) against widows and destitutes are distributed over a large number of people, the Committee feel that per capita writing off would be very small. To expedite scrutiny of these cases as also writes off, the Committee suggest that the Ministry of Rehabilitation should consider the desirability of delegating some limited powers to their junior officers for write off.

8.25. (ii) *Government-built property in Delhi.*—In respect of the period up to 31st March, 1964, a sum of Rs. 45.91 lakhs on account of rent, etc. of properties was due from private parties as on 30th September, 1964, comprising:

Rent	Rs. 19.02 lakhs.
Ground Rent	Rs. 16.22 lakhs.
Instalment money in respect of properties sold on hire-purchase basis.	Rs. 10.66 lakhs.

8.26. The Committee desired to know the present position of the amount of Rs. 28.59 lakhs which remained to be recovered as at the end of September, 1965. The witness stated that Rs. 45.91 lakhs was

shown as outstanding on 30-9-1964. This had been reduced to Rs. 26.74 lakhs as on 31-12-1965.

8.27. Asked about the steps which Government were taking to recover these arrears amounting to Rs. 26.74 lakhs, the witness stated that out of this, a sum of Rs. 3.01 lakhs were to be recovered by the Director of Estates since Government had transferred five markets viz. Kamla Market, Prahlad Garden Market, Sarojini Market, Central Market and Raisina Road Market to them. As regards balance amount of Rs. 23.73 lakhs, Government were taking steps to attach the properties of the persons and recover the dues if they failed to pay the amount after a notice was given. As far as Government Departments were concerned, the Ministry of Rehabilitation had asked for their assistance in getting the arrears of rent cleared. Special units had been set up for this purpose.

8.28. The Committee enquired if the Government had considered the question of recovering the rent in advance in the case of the private parties. The witness stated that according to the terms of tenancy for houses/shops in Delhi, the rent was to be paid regularly on the 10th of the month succeeding. Government had entered into agreement with the tenants when the properties were allotted to them.

8.29. The Committee desired to know as to how much amount was due from private parties and how much from Government Depts. The Secretary, Ministry of Rehabilitation stated that out of Rs. 26.74 lakhs, the rent dues were about Rs. 9.72 lakhs of which about Rs. 3.67 lakhs were due from Government Depts. The representative of the Ministry further stated that instructions had been issued recently to recover the amounts due from the parties and the results would be available next year only.

8.30. The Committee desired to be furnished with a note showing:

- (i) when was the total amount of arrears of rent of Rs. 26.74 lakhs due for recovery and to which period these amounts relate.
- (ii) The yearly realisation of arrears of rent from Government and Private parties separately.

8.31. This information has been furnished by the Ministry of Rehabilitation and is at Appendix XVIII.

8.32. From the note the Committee observe that an amount of Rs. 7.10 lakhs had been collected from private parties during 1957-61, 1964-65 and 1965-66 (upto 12/65). The question of recovery of arrears of rent to the tune of Rs. 3.67 lakhs outstanding against Government Departments has already been taken up with the various Departments. The Committee desire that vigorous efforts may be made to recover the outstanding arrears of rent both from private parties as well as from Government Departments.

(C) *Delay in the recovery of dues from local bodies etc.*

8.33. A sum of Rs. 10.63 lakhs was recoverable from the Delhi Municipal Corporation on account of compensation in respect of 1,082 evacuee properties acquired by it during 1961-62 under the Slum Clearance Act; out of this, a sum of Rs. 8 lakhs was paid by the Corporation during March, 1962, and the balance of Rs. 2.63 lakhs still remains to be recovered. It has been stated by Government (December, 1964) that the matter is under correspondence with the Corporation with a view to expediting settlement.

Similarly, a balance of Rs. 0.75 lakh remains to be recovered from the Delhi Municipal Corporation in respect of 245 evacuee properties acquired by it during 1956. It has been stated (December, 1964) that the Corporation has preferred a counter-claim of Rs. 0.25 lakh on account of expenditure incurred by it on providing amenities to certain properties initially transferred to the Corporation but subsequently withdrawn from the Corporation.

8.34. The Committee desired to know the present position of the sum of Rs. 2.63 lakhs which remained to be recovered from the Delhi Municipal Corporation being the balance of compensation in respect of 1,082 evacuee properties acquired by it during 1961-62 under the Slum Clearance Act. The witness stated that the Delhi Municipal Corporation had to pay Government an amount of Rs. 1,62,000 as balance amount of compensation in respect of 1,066 evacuee properties. Originally the properties were 1,096. 20 out of these were withdrawn from the Corporation. There was some dispute regarding the basis of assessment of compensation, number of tenants and amounts of rents payable by them. It was decided at a meeting held on the 26th June, 1965 with the representatives of the Corporation that the rent mentioned in the record of the Regional Settlement Commissioner be adopted as the basis for calculating the amount of compensation. This was adopted and the amount was calculated and it had been accepted by the Corporation. The Corporation had stated that they would pay it up shortly.

8.35. The Committee enquired about the present position of the non-recovery of the balance of Rs. 0.75 lakh from the Corporation in respect of 245 evacuee properties acquired by it during 1956. The witness stated that the amount of compensation payable by the Corporation had been assessed at Rs. 60,322.78. As some more properties were acquired, the Corporation had agreed to pay on an *ad hoc* basis a sum of Rs. 1 lakh. The Corporation provided certain amenities in these properties for which they had asked for a rebate of Rs. 24,000. The Ministry of Rehabilitation had asked for the particulars of the amenities provided. After verification, a decision would be taken in this regard.

8.36. The Committee would like to be apprised of the progress of recovery of outstanding arrears from the Delhi Municipal Corporation on account of compensation in respect of evacuee properties acquired by it.

(D) *Delay in the finalisation of payments of house/tax/service charges to local bodies:*

8.37. An amount of Rs. 13.88 lakhs was paid by the Department to the local bodies up to 31st March, 1956 as house tax on Government-built properties, pending finalisation of the basis on which the tax should be assessed. Action to finalise the amount payable still remains to be taken even after a lapse of more than seven years. The matter is stated to be under examination (December, 1964).

8.38. The Committee desired to know the basis on which the Delhi Municipal Corporation had sent a demand of Rs. 10.20 lakhs which was being scrutinised by the Regional Settlement Commissioner. The witness stated that the assessment for the year 1947 had been adopted as the basis of calculating the property tax and service charges. In the case of Government-built properties, the calculation of property tax and service charges was on the basis of the rental value of the property i.e. annual rent fixed by the Department less 10 per cent on account of repairs etc. This was agreed to between the parties.

8.39. Asked, when the basis was agreed to, what the difficulty in finalising it was, the witness stated that the Corporation had sent to the Ministry bills amounting to Rs. 10.21 lakhs in respect of acquired evacuee property during the month of October, 1965. In the case of Government-built properties, they sent bills for Rs. 13.38 lakhs on 1st December, 1965. All these bills were sent to the Ministry on 20th December, 1965 only. These bills were being checked and scrutinised by the Regional Settlement Commissioner. The scrutiny would be completed by the end of March, 1966.

8.40. In reply to a question as to what the amount already paid was the Secretary Ministry of Rehabilitation stated that for local bodies in Delhi, they had already paid Rs. 56.07 lakhs pertaining to the period prior to 1956. For the subsequent period i.e. 1956—58 the claims were for about Rs. 33.20 lakhs. These claims were upto 7th of August, 1958 and thereafter the Corporation itself was entitled to recover these taxes under the law, from the persons to whom the Ministry had transferred the properties.

8.41. The Committee hope that the Ministry would be able to settle the dues of Delhi Municipal Corporation expeditiously after scrutinising the bills received by them.

(E) *Transfer of residual work:*

8.42. In May, 1963 the work of the Settlement Organisation in U.P. was transferred to the State Government with effect from 1st April, 1963 on payment of the following charges:

Item of work	Charges
(a) Collection of balance cost of acquired evacuee and Government-built properties transferred to allottees/purchasers on instalment basis and issue of conveyance deeds/sale certificates etc.	10 per cent of the actual amount collected by the State Government.
(b) Collection of rent dues of evacuee urban properties.	
(c) Verification and correction of demand of rent of rural properties, primarily agricultural plots.	5 per cent of the total demand to be verified and corrected.
(d) Collection of arrears of rent and other dues of rural properties after demands have been verified and corrected.	15 per cent of the amount collected.
(e) Disposal of rural agricultural plots including issue of conveyance deeds/sale certificates.	3 per cent of the sale proceeds realised.

8.43. The State Government was required to render to the Chief Settlement Commissioner's Organisation, a progress report on the work done during each quarter in the prescribed proforma, but no such report has been rendered so far (November, 1964).

8.44. The transfer of the work on the above terms was approved by the Ministry of Finance on an understanding that the staff of the Regional Settlement Commissioner, Uttar Pradesh should be reduced from a date not later than 1st June, 1963 and that suitable reduction in the grant to the State Government for headquarters staff might be made during 1963-64 (in consideration of the agency charges separately payable to them under these arrangements). Information as to the extent to which reductions have been given effect to is awaited (December, 1964).

8.45. The Committee desired to know how in the absence of the three half-yearly reports ending with September, 1964; 31st March, 1965 and 30th September, 1965 relating to the progress of collection of dues of plots etc. by the State Government, the Government ensured that the work was progressing satisfactorily and that the consideration on which work was transferred to the State Government on a Commission basis, had actually materialised. The witness stated that the half yearly reports showing the position of work as on 31st March, 1964, 30th September, 1964 and 31st March, 1965 had since been received on 22nd December, 1964, 30th October, 1965 and 30th October, 1965 respectively. In spite of repeated reminders, the State Government could not be persuaded to send these reports in time. The witness added that they had reviewed the work done by the U.P. Government and it was found that they had not been very active in the recovery.

8.46. The Committee desired to know the total amount of commission paid to the U.P. Government. The witness stated that so far Central Government had not paid any amount to the U.P. State Government. As regards the amounts of recoveries made by the State Government, the witness stated that upto 30th October, 1965 they made recoveries under different items—

- (i) collection of cost of evacuee properties—Rs. 3,14,529 and Government-built properties—Rs. 5,63,990 (ii) collection on account of rent on acquired property and unacquired property—Rs. 2,30,234.

8.47. The Committee asked if in regard to item (e) of the Audit para—Disposal of rural agriculture plots including issue of conveyance deeds/sale certificates Government received any complaints about the disposal of rural agricultural plots by the U.P. Government. The witness stated that they had not received any complaints. So far as the sale of the plots was concerned, out of 47,232 plots that they were required to sell, they had so far sold only 338. When the

Ministry had asked about the unsatisfactory work done, the State Government authorities replied that they had difficulties. The witness added that the main reason was that the State Government had not appointed any special staff, in addition to the Tehsildars who were working for this purpose.

8.48. In reply to a question, whether Government was thinking of taking back this piece of work from the State Government, the Secretary, Ministry of Rehabilitation, stated that they were going to review the position next month.

8.49. The Committee would like to know the result of this review.

8.50. The Committee enquired about the reduction in staff made as a result of transfer of this work to U.P. Government. They also asked about the reduction in staff which Ministries of Finance and Rehabilitation expected would take place when they approved this scheme of transfer of work to U.P. Government.

8.51. The representative of the Ministry of Finance stated that no specific number of staff to be reduced was mentioned. As the work gained momentum from one side to the other, staff reduction had to be assessed and carried out. In advance, neither staff to be reduced nor the amount to be saved, was worked out. The Chief Settlement Commissioner stated that there had been gradual reduction in the staff of the settlement organisation at Lucknow as a result of transfer of work to the State Government. After May, 1963, 7 posts of class II and 100 posts of class III and class IV had been reduced. The witness further stated that there were two items of work. One item of work related to the recovery of rent. This work was being done by Agency System. This work had now been transferred to the U.P. Government and the Agency System had now been disbanded. The second item related to evacuee shares in properties. This work had to be transferred to the U.P. Government according to the decision arrived at between the Ministry of Rehabilitation and U.P. Government. The U.P. Government later on stated that this work could not be taken up by them as they were not in a position to do that work. So it was decided that the Ministry of Rehabilitation should take up that work.

8.52. The Ministry of Rehabilitation has also furnished a note regarding transfer of residual work to U.P. Government and is at Appendix XIX.

8.53. The Committee desired to be furnished with the following information:

- (i) What was the actual staff position (category-wise) in the office of the Regional Settlement Commissioner U.P. in May, 1963?
- (ii) What was the staff position in the office of the Regional Settlement Commissioner U.P. in January, 1966?
- (iii) How much reduction in the staff was effected (year-wise) in pursuance of the orders issued for the transfer of work to the U.P. State Government with effect from 1st April, 1963 on a commission basis?
- (iv) What was the percentage of reduction in the expenditure (year-wise) consequent of transfer of residual work to U.P. State Government?

8.54. The Committee regret to state that the information is still awaited.

8.55. Asked if there was any communication from the U.P. Government that they were not inclined to take up the work, because of paucity of staff, the Secretary Ministry of Rehabilitation stated that the then Joint Secretary, Finance was requested to go and discuss the matter in Lucknow with U.P. Government in 1963. He came back and reported that he found the U.P. Government were not inclined to do this work. This was his impression.

8.56. The Committee desired that the report of the Joint Secretary, Finance who visited U.P. and gave the report that the U.P. Government were not willing to do this work, might be read for the information of the Committee. The representative of the Finance Ministry replied:

"The File which I have before me only deals with proposals to transfer the work. There also it is mentioned that the then Joint Secretary had visited Lucknow and had discussions with the Chief Secretary, Government of U.P. on 12th December, 1962 and as a result of this proposals were made that this work should be transferred."

8.57. From the evidence, the Committee note that there was nothing available on record to show that the U.P. Government was not in a position to take up this work as was claimed by the representative of the Ministry of Rehabilitation.

8.58. The Committee also regret to note that the Ministry did not receive quarterly progress reports in time from the State Government of U.P. The Ministry have also not yet calculated the extent of reduction in expenditure resulting from the transfer of this work to the Government of U.P. The Committee feel that the Ministry should have taken prompt measures to effect reduction in their staff on transfer of work to the U.P. Government. The Committee would like to be informed of the reduction in expenditure if any, as a result of transfer of this work to the Government of U.P.

Transfer of evacuee agricultural lands allotted to non-claimant displaced persons to the Government of Rajasthan—Para 52, pages 66-67.

8.59. Evacuee lands in Bharatpur and Alwar Districts of Rajasthan, which had been allotted on rental basis to non-claimant displaced persons from West Pakistan during 1948 and 1949, were finally transferred to them, on the enactment of the Displaced Persons (Compensation and Rehabilitation) Act, 1954, at a price of Rs. 450 per standard acre; the amount was to be recovered over a period of 15 years as provided in Rule 63 of the Compensation Rules.

8.60. Subsequently, in 1959, the Rajasthan Zamindari and Biswedari Abolition Act, 1959 was enacted without any provision excluding the evacuee land from its purview as had been done in other States. The failure of the State Government to include such a provision despite the assurance given by them to the Central Government in this respect resulted in a loss to the Compensation Pool.

8.61. The allottees did not pay up the dues including the arrears of rent and the price of the land, and demanded that they should be allowed to become owners of the lands by payment of compensation at Rs. 150 per standard acre under the Act. The State Government (as the agency for the recovery of the Central Government dues) did not take action to evict them when the arrears accumulated, before the enactment of the Act.

8.62. In December, 1962, the Government of India entered into a package deal with the State Government whereby about 80,000 standard acres of land valued at Rs. 3.58 crores, in occupation of the non-claimant displaced persons, was transferred to the State Government with effect from 1st April, 1963 for a consolidated price of Rs. 1 crore. This amount was treated as a loan to the State Government repayable with interest over a period of 9 years ending on 1st April, 1972.

8.63. It has been stated that the Rajasthan Government could not, in fairness, be asked to pay to the Central Government a larger amount than that which they would have had to pay as compensation under the Rajasthan Zamindari and Biswedari Abolition Act, if the land had been owned by private Zamindars.

8.64. According to the deal, the State Government was also to recover from the displaced persons and pay to the Government of India rent for the lands in question upto 31st March, 1963. The rent was fixed at a rate equivalent to the land revenue rates, except for the year 1951-52, when owing to the failure of the crops, it was agreed to be recovered @ $5/8$ times the land revenue rates. The State Government, however, continued to apply the reduced rate after 1951-52 also, resulting in short collection to the extent of Rs. 9 lakhs for the three years ending with 1954-55; the Government of India agreed in December, 1960 to receive rent from the State Government on the same basis "considering the practical difficulty and ambarassment involved to the State Government in having to realise the dues for the last so many years at the usual rates".

8.65. The amount of rent actually realised by the State Government so far and the amount payable by them to the Government of India under the above arrangements has not yet been worked out (December, 1964).

8.66. The Committee desired to know why the Ministry of Home Affairs did not obtain the remarks of the Ministry of Rehabilitation before getting the assent of the Bill from the President. The representative of the Home Ministry stated that the position in this matter was that when some bills had to be reserved by the Governors for consideration of the President, according to a convention, the State Governments sent the draft bills to the Ministry of Home Affairs. These were referred to the Ministries concerned according to the distribution of business. The Ministries concerned in the present case were the Ministry of Food and Agriculture dealing with lands and land reforms and the Ministry of Law. In addition, there was also the Planning Commission which dealt with land reforms policy broadly. These Ministries and Planning Commission were consulted. The draft Bill was received in May, 1958 and returned after consultation with the Ministry of Food and Agriculture, Ministry of Law and Planning Commission in June, 1958. It was passed by the State Legislature on 9th January, 1959 and sent to the Home Ministry on 12th January, 1959. Again the process of consultation was repeated with these three Ministries who were concerned. The Ministries did not object and the Bill was presented before the President recommending it for his assent which was communicated on 13th

January, 159. He further added that if there was any other Ministry, which on account of its ownership of a certain property or for any other reason connected with the programmes of development or its operations, required that a particular point of view ought to be reflected in the State Legislation, the correct thing would be to inform the Ministry concerned about their position. Here the Ministry concerned would be not the Home Ministry but the Ministry of Food and Agriculture who should have been informed so that they could have taken into account the difficulties of the Rehabilitation Ministry in formulating their comments on the State Legislation.

8.67. Asked to whom the Ministry of Rehabilitation had sent their views besides Rajasthan Government, the Secretary, Ministry of Rehabilitation stated that they did not send to any one and it appeared to have been a slip. The Chief Settlement Commissioner stated that the Rehabilitation Ministry was under the impression that their views would be given due consideration by Rajasthan Government and that would be reflected in their legislation. This unfortunately did not happen.

8.68. The representative of the Rehabilitation Ministry stated that in substance, they had no case. The Ministry of Rehabilitation asked the Rajasthan Government later on why they could not make exemption in their favour.

8.69. The Comptroller and Auditor-General informed the Committee that similar legislations had been passed by other States. They had specifically excluded the evacuee property. In this particular case there was no such exclusion. The Home Ministry would not have been unaware that there were properties in Rajasthan also. It was not understood how the constitutional validity of this legislation was not questioned because after all when the Home Ministry got this kind of legislation, it was the general practice to compare it with other similar legislations.

8.70. The representative of the Home Ministry stated that that was not the practice in the Home Ministry which only processed the case as coordinating Ministry between the various Ministries substantially concerned with the subject matter of a particular legislation. Each substantive Ministry dealt with the aspects of a particular legislation with which it was concerned. If such a scrutiny was necessary, the Home Ministry would leave it to the substantive Ministry concerned to make this scrutiny. It was referred to Law Ministry and Agriculture Ministry and planning Commission.

8.71. From the evidence, the Committee observe that due to lack of coordination between the Ministries of Rehabilitation, Food and Agriculture, Law and Planning Commission, the difficulties of the Ministry of Rehabilitation could not be taken into account while formulating Central Government's comments on the proposed State Legislation before its enactment.

8.72. The Committee feel that the Ministry of Rehabilitation should have pointed out to the sponsoring Ministry, viz., the Ministry of Food and Agriculture the desirability of excluding the evacuee's lands from the proposed legislation to be enacted by Rajasthan Government. The Ministry of Food and Agriculture was also not vigilant enough as otherwise they themselves should have consulted the Ministry of Rehabilitation or even suggested exclusion of evacuee lands from the proposed legislation as had been done in the case of other States.

8.73. The Committee also suggest that the Ministry of Home Affairs should issue instructions, which should be clear and comprehensive for the guidance of various Ministries as regards the correct procedure to be followed in such matters.

Dandakaranya Project

Extra expenditure on purchase of trailers—Para 53, pages 67-68:

8.74. (i) Without inviting tenders, a firm was asked on 28th March, 1960 to deliver 40 numbers 3 ton trailers at their quotation of Rs. 3,500 per trailer f.o.r. Calcutta. The firm was informed that formal order would follow in due course.

8.75. Before formal orders were placed, however, a limited tender enquiry was issued on 3rd April, 1960 for the trailers (non-tipping type) "to ascertain if better supplies at competitive rates could be located". Two quotations were received on 8th April, 1960—one tender from the firm indicated above at the rate previously quoted (viz., Rs. 3,500) and the second from another firm for Rs. 2,750 each f.o.r. Raipur for delivery at the rate of 20 trailers per month commencing in 4/6 weeks. The quotation of the second firm was ignored on the ground that the delivery by the first firm was 'ex-stock' and that the trailers could be changed to "tippers" at site by fitting a hydraulic ram. (The fact that a similar arrangement existed in the trailers offered by the second firm was ignored). Formal orders were placed on the first firm in July, 1960* at a comparatively higher rate involving an extra expenditure of Rs. 38,475 for these trailers.

* August, 1960 accounting to Audit.

8.76. Twenty of the trailers had been received between April, 1960 and June, 1960 (before the formal orders were placed) and the delivery of the remaining 20 of the trailers ordered at a higher cost on grounds of urgency was completed only in March, 1961, i.e., after a year of the date of acceptance of original quotation. Of these, 7 trailers (received in April, 1960, May, 1960 and March, 1961) were lying at a transit centre without being put to any use upto August, 1963.

8.77. The firm had also been advised in August, 1960 that 10 of these trailers were to be with hydraulic arrangement for "tipping" at an extra cost of Rs. 1,000 each. In November, 1960, however, the Superintending Engineer of the project pointed out that only "non-tipping" trailers without hydraulic arrangements were required. The firm did not agree to the change and the trailers had to be accepted involving an additional expenditure of Rs. 10,000.

8.78. (ii) A demand for a second lot of 68 trailers was advertised in December, 1960 but of the supplies accepted against this order:

(a) 4 number of 5 ton trailers purchased at the rate of Rs. 4,100 each were found to be defective in some respects. The firm has not rectified the defects so far (June, 1964) in spite of repeated requests; action to get the defects rectified and to recover the cost from the firm is stated to be under contemplation (June, 1964).

(b) 10 trailers received in July, 1961 were lying at the transit centre even upto August, 1963.

8.79. The Committee desired to know whether it was not possible for the Project Authorities to issue a tender enquiry in October, 1959 itself rather than to wait until March, 1960 and then on grounds of urgency to order a selected firm to make supplies at their quoted rates without testing the market. The Chief Administrator, Dandakaranya Development Authority stated that at the time when the first tender was issued in August, 1959, the recommendation was that the purchase would be in respect of 5 ton-trailers. It was found at a subsequent date, that the tractors would not be able to operate 5 ton trailers. The second tender for 3 ton trailers was issued in April, 1960. In the case of 3 ton trailers because the supplies were urgently required, only limited open tender was issued.

8.80. Asked when the order was placed on the firm, the representative of the Dandakaranya Development Authority stated that the letter was issued to the firm on 28th March, i.e., before the tenders were invited, the 3 ton trailers were purchased.

8.81. In reply to a question as to why no tenders were invited for 3 ton trailers, the witness stated that the Dandakaranya Development Authority decided in 1959 to purchase 100 tractors and 300 trailers. At that time, they thought that they would get 35 to 40 H.P. tractors which could pull heavier trailers. In August, 1959, tenders were limited for purchase of 35 to 40 H.P. tractors as well as for 5 ton trailers. Later on at a meeting held in March, 1960, the Chief Engineer suggested that 14 H.P. tractors and 28 H.P. tractors should be purchased immediately. By using these tractors, they could not pull the heavier trailers. Hence the Chief Engineer said that 14 H.P. and 28 H.P. tractors with 3 ton trailers might be purchased as they would be useful. Earlier the tender enquiry was for 5 ton trailers which were urgently required. As against the total requirements of 300 trailers only a few viz., 40 H.P. trailers were purchased earlier.

8.82. The Committee pointed out that the decision to purchase tractors and trailers was taken by Dandakaranya Development Authority in August, 1959 and enquired as to why they waited till March, 1960 to place the order. The Chief Administrative Officer stated that even though the authority had decided about these purchases it was necessary for them to get the sanction of the Ministry as it was beyond their powers of sanctioning this expenditure. This sanction was received on 29th February, 1960. It was only after this that the action was initiated to make these purchases. Asked if the Chief Accounts Officer was consulted as suggested by the Chief Engineer in his letter dated 8th March, 1960 before placing the order on 28th March, 1960, the witness stated that subsequently the Financial Adviser and C.A.O. were consulted. They did not consult the Chief Accounts Officer before placing the order. The Director (Stores purchase) got the *ex-post-facto* approval of the Chief Accounts Officer.

8.83. As some of the files relating to this case were with S.P.E the Committee desired to be furnished with a detailed note regarding (i) supply of 40 numbers of 3 ton-trailers (out of which 20 were supplied during April-June, 1960 and the balance in March, 1961), (ii) Reasons for delay of one year from the date of acceptance of original quotations in the supply of 20 trailers, (iii) also the reasons for condoning this delay.

8.84. This information has been furnished by the Ministry of Rehabilitation and is at Appendix XX.

8.85. The Committee observe from the note furnished by the Ministry that the supply order for 40 numbers of trailers was placed by the Director of Stores (Purchase) on 28th March, 1960 without

obtaining the prior approval of the Chief Administrator and concurrence of the Financial Adviser. Since the transaction involved was the single tender purchase, it required prior approval of the Chief Administrator and also the concurrence of the Financial Adviser and ratification by the D.D.A. The proposal to place the order for 40 numbers of 3 ton trailers was got approved by the Chief Administrator on 14th May, 1960 and concurred by the Financial Adviser by 22nd June, 1960 and the formal supply order was placed on 6th August, 1960. The last date of the delivery of supplies was 25th August, 1960. The supplies were actually completed in April, 1961.

8.86. It has also been stated in the note that the supplier offered the trailers on 25th August, 1960 for inspection, but for want of approved drawings which the Director of Inspection, Calcutta required, the inspection could not be carried out. It has, therefore, been stated that the supplier was not at fault for delay in supplies.

8.87. The Committee find no justification for delay in supplying the approved drawings to the Inspecting officer. The Department had incurred an extra expenditure of Rs. 38,475 in this case merely on the plea that they needed the supply urgently. There was, therefore, no justification for any delay in supplying of the approved drawings. The Committee feel that the requirement, the D.D.A. was not so urgent for these trailers as it was made out to be on 28th March, 1960 when orders were placed in anticipation of the sanction of the Chief Administrator. Had the requirements of trailers and their dates of supplies been assessed more realistically, the Committee feel the extra expenditure of Rs. 38,475 could have been avoided.

8.88. The Committee also understood in evidence that some of the files relating to these deals were taken away by the S.P.E. The Committee would like to be informed of the results of the case in connection with which the S.P.E. took away those files.

Extra expenditure-Para 54, Pages 68-69:

8.89. Tenders were received in July, 1959 for a crankshaft Grinder 60" capacity. The lowest offer for Rs. 40,000 and three other offers for Rs. 42,500, Rs. 42,603 and Rs. 48,500 respectively, were rejected on the ground that they were on "forward delivery" basis. The fifth lowest offer ex-stock for Rs. 52,000 was accepted on grounds of urgency.

8.90. Although this decision involved additional expenditure to the extent of Rs. 12,000 on grounds of urgency, the supply order was issued only in May, 1960 i.e., after a lapse of seven months from

the date of acceptance of tender. The machine was received in October, 1960 and was installed in August, 1962, after the expiry of guarantee period of one year.

8.91. The delay in installation has been attributed to non-receipt of inspection manual, and non-availability of power required to put the machine into commission, etc.

8.92. Soon after its installation, the machine developed serious defects (August-September, 1962). It was reported in October, 1962 that on account to the unsatisfactory performance of the machine, a number of crankshafts for the tractors which were to be repaired with the help of the machine had to be sent to other workshops at Calcutta and Bhopal for grinding, incurring an expenditure of Rs 21,000 approximately. The defects in the machine are stated to have since been rectified in the Project workshop (August, 1964).

8.93. The Committee desired to know how Government justified the urgency if the issue of the supply order could be delayed for 7 months from the date of acceptance of tender. The Chief Administrator D.D.A. stated that the details of the accessories which the firm was prepared to supply with the machine had to be obtained from the firm itself. These details could be got only after sending reminders.

8.94. The Committee pointed out that to purchase particular thing on the basis of urgency the detailed specifications of that, were given after seven months. When the machine was supplied, it was defective. The defective machinery was installed after one year. The defects were not removed for four years. From what had happened, the general conclusion was that there was hardly any urgency.

8.95. The representative of D.D.A. stated that primary consideration was urgency. The other consideration was that no foreign exchange was necessary. No import licence was to be procured.

8.96. The Committee pointed out that as regards import licence and foreign exchange, barring one firm, nobody wanted an import licence. The offers received were Rs. 40,000; Rs. 42,500; Rs. 42,600; Rs. 48,500 and Rs. 52,000. The witness stated that the purchase of the Crankshaft Grinder even at a higher price of Rs. 52,000 ex-stock was being agreed to due to the following reasons:

(i) the equipment was required very urgently;

(ii) foreign exchange and import licence would not be necessary.

8.97. The Committee observe that the Crankshaft Grinder 60" was purchased on the basis of the urgency which did not exist. Tenders were invited in July, 1959, and supply order was issued only in May, 1960. The machine received in October, 1960 was installed in August, 1962 after the expiry of the guarantee period of one year. The delay in the installation has been attributed to non-receipt of inspection manual and to non-availability of power required to commission the machine. In view of this the Committee feel that there was no urgency in purchasing this expensive machine if the project authorities were not equipped with the necessary facilities to operate it. The Committee therefore feel that the extra expenditure of Rs. 12,000 could have been avoided, as there was no urgency in this case.

8.98. Owing to defects in the machine, the Grinding jobs for which it had been purchased were got done elsewhere at an expenditure of Rs. 21,000. It is also understood from Audit that the machine was jointly inspected by the representatives of D.G.S. & D. Bombay and the Divisional Manager of the Project. The Works Manager who later examined the machine reported that the machine had been "highly used before being sold". The Committee would like that the responsibility should be fixed for the perfunctory inspection of the machine by officers of the Project and D.G.S.&D.

8.99. It is also understood from Audit that 10 per cent (Rs. 5,842) of the payment of the firm's bills has been held up. The Committee suggest that the desirability of forfeiting this amount may be considered.

IX

DEPARTMENT OF SOCIAL WELFARE

Social Welfare and Rehabilitation Directorate. Para 61—Pages 78-79, Audit Report (Civil), 1965.

9.1. The Social Welfare and Rehabilitation Directorate was set up in 1947 for the rehabilitation of unattached women and children who came to Delhi after the partition of the country. From June, 1952 the rehabilitation and care of the non-displaced destitute women and children was also entrusted to the Directorate. The Directorate is running a residential institution known as "Kasturba Niketan" for displaced unattached women and children, 19 training-cum-production centres for the benefit of women and a Refugee Handicraft Shop for promoting the sale of the articles manufactured in the training-cum-production centres.

9.2. The Department has not prepared the income and expenditure accounts for the years 1961-62, 1962-63 and 1963-64 for ascertaining the profit or loss in running the shop. (The sale proceeds amounted to Rs. 1.93 lakhs during 1963-64). No balance sheet showing the financial position has also been prepared (December, 1964).

9.3. It has been stated (December, 1964) that the delay in the preparation of accounts had been due to illness of the manager of the shop for about 1½ years and that a new incumbent has been recently appointed.

(A) Kasturba Niketan Home

9.4. (i) The Kasturba Niketan Home, which started with a strength of 1,300 inmates in 1952 was functioning with only 333 to 471 inmates during 1963-64. The Home pays a small maintenance allowance to the inmates and also runs a hospital and a training-cum-production centre for their benefit. The following table shows that although the strength of the inmates has been decreasing from

year to year, there has been no corresponding reduction in the cost of establishment employed in the Home.

Year	No. of inmates in receipt of cash doles and/or entitled to accommodation and medical facilities	Expenditure on establishment (in lakhs rupees) ² ₄
1957-58	1050—1373	0.65
1961-62	605—714	0.69
1962-63	471—605	0.70
1963-64	333—471	0.65

(B) *Training-cum-production centres*

9.5. (i) On an average, there were 654 trainees and 1,341 wage earners in all the 19 training-cum-production centres run by the Directorate during 1963-64. The administrative expenditure of the Directorate on imparting training and, thereafter, providing work to the wage-earners during 1963-64 amounted to Rs. 4.99 lakhs, as against Rs. 4.31 lakhs earned by the 1,341 wage earners.

9.6. The Committee enquired whether the working of the Directorate and its various units was at any time reviewed to see whether the administrative expenditure was justified. The Secretary, Department of Social Welfare stated that the strength of the staff had been reduced continuously. While in 1957 there was one class II staff; 24 class III and 49 class IV staff, in 1963 strength of class II remained the same and the strength of class III and IV staff came down to 13 and 31 respectively. In spite of this reduction in the strength of the staff, there was no corresponding decrease in the total establishment expenditure due to increase in pay as a result of the recommendations of the Pay Commission and also due to the staff getting their annual increments during these years. Therefore there had been no corresponding reduction in the establishment expenditure.

9.7. Asked whether 43.2% of expenditure on administration of the Board was not considered as on the high side by the Department, the witness added that as the Directorate was not being run on business lines, but was meant for giving training and making people fit for earning their own living in future, it had not been

possible to reduce the administrative expenditure on the Directorate and that the expenditure was not on high side. In spite of this the Directorate had tried to increase the output of these people and give them better training and also to keep the staff under scrutiny

9.8. The Committee then pointed out that out of the total expenditure of Rs. 12.61 lakhs on the Directorate, the expenditure on the administration alone was Rs. 5.45 lakhs. The witness stated that according to their investigations, certain fees and the Centre charges amounting to Rs. 1.57 lakhs which the Directorate had earned, had not been taken into account by Audit. Therefore, though Rs. 4.99 lakhs had been shown on account of establishment charges, the actual administrative charges worked out to Rs. 3.42 lakhs.

9.9. The Committee then pointed out that Rs. 4.99 lakhs was the amount spent on giving training to 654 persons and providing work to 1,341 wage earners. According to the letter No. 30/5 C4-SS/SW/5, dated the 17th December, 1964 from the Department of Social Security to the A.G.C.R., the figure on administrative expenditure was Rs. 5.45 lakhs.

9.10. The witness promised to look into this and to furnish the Committee with a note explaining the difference in the figures of administrative expenditure on the Directorate as given by the Directorate (Rs. 4.99 lakhs) and as given by them to Audit (Rs. 5.45 lakhs). The note is at Appendix XXI.

9.11. The Committee fail to understand why the Directorate could not explain the position to Audit earlier either when the draft Audit para was sent to them or when the para was included in the Audit Report so as to avoid this controversy. The Committee were given to understand that a review of the administrative expenditure of the Directorate was being undertaken by the Government. The Committee would like to be informed of the result of this review.

9.12. The Committee referred to the training-cum-production centre where the administrative expenditure on imparting training to 654 persons and providing work for 1,341 wage-earners during 1963-64 amounted to Rs. 4.99 lakhs as against Rs. 4.31 lakhs earned by the wage-earners. Explaining this high expenditure as compared with the earnings of the wage earners, the Secretary of the Department stated that as these wage-earners were novices and aged, their preliminary products were useless and thus were unable to earn anything. Only when their products reached a good standard, these were sold in the market.

9.13. In reply to a question, the Committee were informed that these wage-earners were paid on piece rate basis as approved by the Ministry of Home Affairs. The earnings of these wage-earners varied between Rs. 50 and Rs. 150 per month.

9.14. As regards decrease in the number of inmates of Kasturba Niketan, while its establishment expenditure was the same or increasing, the Director of the Social Welfare & Rehabilitation Directorate stated that firstly it was due to the increased salaries paid to the staff from time to time. Secondly, there were some supervisory and other functions which had to be continued even though the number of inmates was less. The Committee enquired of the reasons for the sharp decline in the profits of the Refugee Handicraft Shop during 1963-64. (The net profits in 1961-62, 1962-63, 1963-64 were Rs. 12,143, Rs. 25,658 and Rs. 2,163 respectively). The witness stated that the Directorate had received a bulk order worth Rs. 80,000 from the National Discipline Scheme in 1962-63. This order was not given to the Directorate next time. That accounted for the higher earning and expenditure in the year concerned. On the order of Rs. 80,000 the earning of the Directorate amounted to about Rs. 13,000. As regards the wide fluctuations in the profits of the shop (viz., Rs. 12,143 in 1961-62, Rs. 25,658 in 1962-63 and Rs. 2,163 in 1963-64) the Committee were informed that the profit of Rs. 25,658 in 1962-63 was due to a certain order to be executed. Though the order was continued to be completed in the following year (1963-64) the trading accounts were placed in the year 1962-63. As the Directorate had a continuing system of supplying things, some part of the earning which should have gone in the following year got accounted for in the previous year.

9.15. The Committee then pointed out that in spite of the continuing system of supply as followed by the Directorate, so far profit and loss account was concerned, it was not permissible to adjust the profits accruing in one year, in another year. No accounting system would permit such adjustment. The Secretary of the Department thereupon admitted the mistake committed in adjusting the accounts of the shop in such a way. As regards the position of profits for the year 1964-65, the Director of the Directorate stated that profits for 1964-65 were Rs. 7,777 on the turnover of the business worth Rs. 1,35,000. The turnover of the business for 1963-64 amounted to Rs. 55,145.

9.16. The Committee enquired as to whom audit fees as claimed by the Directorate, was paid. The witness stated that the Directorate did not pay any cash; it was by proforma adjustment with A.G.C.R. while calculating the profit and loss this figure of audit

fee was added to see how the Directorate had fared even though this fee might not have been paid. The A.G.C.R. insisted that this figure should be included in the profit and loss account because if the Directorate were a private organisation then some form of audit fee would be payable.

9.17. In reply to another question, the witness stated that during the sickness of the manager of the Refugee Handicraft Shop for 1½ years, the accountant of the shop was functioning as manager also. The witness agreed that the work of the shop did suffer on that account.

9.18. The Committee are surprised to learn that the Directorate had evolved a procedure of preparing Profit & Loss Account which was not on the generally accepted principles. The Committee feel that the Directorate should examine this matter in consultation with Audit and revert to the proper procedure of preparing Profit & Loss Accounts, which will give a true picture of the financial position of the Directorate.

9.19. The Committee also consider it unfortunate that despite the prolonged illness of the manager for 1½ years, no satisfactory arrangements were made to fill up the post.

Central Social Welfare Board

Improved maintenance of wool account—Para 102(b)—Page 140.

9.20. In November, 1962 the Ministry of Education entrusted to the Central Social Welfare Board the execution of a programme for the provision of knitted woollen garments to the jawans. Wool was to be purchased by the Board at ex-mill price and sold at the same price to registered voluntary organisations and other recognised agencies or selected individuals for knitting garments. The Board was required to hand over the knitted garments to the Ministry of Defence.

9.21. During the period November, 1962 to April, 1964, the Board purchased 27,862 packets of wool costing Rs. 6 lakhs (approximately). A part of this expenditure was contributed by the Central Citizens Council. The wool was distributed as follows:—

	Packets
(a) State Committees	14,237
(b) Army/Police Offices	1,550
(c) Indian Red Cross Society	6,150
(d) Individuals and institutions	5,925
TOTAL	27,862

9.22. It was noticed from the stock registers and other records of the Board that the value of garments handed over to the Ministry of Defence was about Rs. 1.27 lakhs only and that wool valued at Rs. 4.73 lakhs was still to be accounted for either in the shape of finished garments provided to the jawans or as unconsumed wool (August, 1964).

9.23. It has been stated by the Department that the knitted articles were returnable to the Board only in respect of category (d) mentioned above. In the case of the remaining three categories, the knitted articles were to be handed over to the military authorities direct under intimation to the Board. Since the State Committees were receiving wool from sources other than the Board also, separate details of the articles knitted with the wool supplied by the Board were not kept by them. The State Committees have since been asked to certify that the wool received by them from the Board has been fully utilised and the knitted garments handed over to the authorities concerned.

9.24. In the case of wool supplied to individuals and institutions, the Department has stated (November, 1964) that the knitted garments had been received by the Board in most of the cases and that the remaining institutions had been reminded to send the garments or unutilised wool left with them.

9.25. The Committee desired to know how the Board satisfied itself about the proper utilisation of wool by various agencies to whom these were distributed. The Chairman, Central Social Welfare Board, stated that as far as wool transaction was concerned the Board had realised the full amount of Rs. 6 lakhs and odd which it had spent. The wool was distributed to various voluntary organisations all over the country and they had been requested to hand over the finished goods to the military authorities of the respective areas. Most of these organisations had sent their accounts but some were still to come. Since 1964, the Board had received all the accounts except for the amount of Rs. 19,000. In regard to this amount of Rs. 19,000 the Board had been writing to the agencies concerned persistently. The Board had asked the NEFA Administration to hand over the finished garments to the military authorities there but no reply was received from the NEFA Administration.

9.26. The Committee appreciate the fact that out of wool accounts worth Rs. 6 lakhs, the Board has received all the accounts except for the amount of Rs. 19,000 only. The Committee hope that by persistent efforts on the part of Board this amount will also be covered

seen. But what is disturbing to the Committee is that all the communications from the Board to NEFA Administration in this regard remained unreplyed. The Committee would like this matter to be taken up at an appropriate level.

Transfer of Welfare Extension Projects to Mahila Mandals/Voluntary Organisations—Para 102 (d)—Pages 141-142.

9.27. In 1958, the Board decided to hand over the work relating to the Welfare Extension Projects (as originally patterned) to such voluntary organisations as were willing to continue the activities with the Board's grants. During the period 1st April, 1961 to 31st March, 1964, projects comprising 1,638 centres were transferred to 683 Mahila Mandals/voluntary organisations along with a part of the equipment acquired for the scheme.

9.28. In Uttar Pradesh, equipment of the value of Rs. 1.48 lakhs became surplus after the transfer. Information regarding the position in other States is not yet available. A consolidated record of such equipment showing the value of equipment (i) originally acquired (ii) since disposed of and (iii) lying surplus is not available with the Board.

9.29. It has been stated by the Department that the inspectors and Welfare officers of the Board see in the course of their visits to these institutions that the equipment given to them is properly utilised, but no regular undertaking had been obtained from the Mahila Mandals, etc., to guard against the use of assets transferred to them for other purposes.

9.30. The Board agreed to meet 75 per cent of the total expenditure incurred by the Mandals for running the centres, the remaining 25 per cent of the expenditure being met by grants from the State Governments, local bodies and from private contributions. Grants amounting to Rs. 78.21 lakhs were paid to the Mahila Mandals, etc., during the three years ending March, 1964 without obtaining information about the matching contribution raised from other sources.

9.31. An Evaluation Committee consisting of both officials and non-officials appointed by the Board in January, 1964 observed that the Mahila Mandals and other voluntary organisations which had taken over the projects had neither the resources nor the technical knowledge to organise the programmes and that their standard of performance had not been very satisfactory.

9.32. The Committee desired to know about the transfer of Welfare Extension Projects to Mahila Mandals and other voluntary organisations. The Chairman, of the Board stated that the Board had to close down some of the welfare extension projects started earlier and hand them over to Mahila Mandals and other voluntary organisations. The total value of the equipment rendered surplus in 1961 by the welfare extension projects in U.P. had been Rs. 5.15 lakhs. Out of this, equipment valued at Rs. 4.37 lakhs had since been handed over to the organisations which had undertaken to run these projects. Serviceable equipment worth about Rs. 23,418 had been auctioned. Equipment worth Rs. 63,000 was still to be disposed of. Information regarding the position of equipments lying in other States was still awaited.

9.33. In reply to a question the witness stated that the Board contributed 75 per cent of the total expenditure of these centres and the remaining 25 per cent was to be raised by them as their own matching contribution. The Board on receipt of the accounts of these organisations and calculating its percentage of 75 per cent, released the grants to these organisations and the rest 25 per cent was treated as their own contribution.

9.34. The Committee then desired to be furnished with a statement of funds raised by Mahila Mandals and other voluntary organisations from private contributions, other than Rs. 78 lakhs given by the Board. The Committee regret to note that the required information is still awaited.

9.35. In reply to a question as to what was the financial control exercised by the Board over these organisations, the Chairman of the Board stated that accountants were posted at these centres. The State Social Welfare Boards also send their welfare officers and inspectors to look into their accounts and to see whether they were receiving their payments or whether the children were given their *nasta* etc. All these things were checked by the members of District Social Welfare Boards. The funds were released to these centres when the audited balance sheets were approved by the Board. These accounts were audited by private as well as by Government auditors. In Orissa and Assam the Accounts were audited by the Government auditors, in other cases by Chartered Accountants.

9.36. The Committee enquired of the procedure followed in releasing grants to Mahila Mandals and various other organisations. The Officer-in-Charge (Projects) of the Board, while explaining the procedure, stated that generally the grant was released in advance. As

soon as the grant was sanctioned, 50 per cent was released. Then during the course of the year on receipt of unaudited statements of accounts of previous year from the organisation, 25 per cent or 50 per cent of the grant was issued depending upon the performance of these organisations. In the case of well-organised organisations there was no third instalment to be released but in case of Mahila Mandals whose performances were not found satisfactory there was a third instalment also to be paid to these organisations. The adjustment of the grant released during the year was made in the next year when the audited statements of accounts from these organisations were received. The total expenditure was compared with the budget approved and then 75 per cent of the amount was calculated, treating the balance 25 per cent as the contribution of the organisation. If on scrutiny it was found that more than 75 per cent, of the total expenditure of the organisation had been released then the balance was adjusted in the next year and in case less than the proportionate amount had been released then also the adjustment would be made in the next year. So there was no method of ensuring before the grant was released that the matching grant would be available. When they released next year's grants they ensure that necessary matching grant was raised by the organisation and then only they sanctioned next year's grants. It was only in a few cases that the matching grant was not available; otherwise this system was adopted in 99 per cent of the cases.

9.37. In reply to a question, the Secretary to the Board informed the Committee that during 1964-65 the total amount of grants released to these organisations was Rs. 25,11,500 and the maximum amount given to any one organisation was about Rs. 40,000 to Rs. 50,000. The Committee desired to be furnished with a note indicating the number of complaints received against these voluntary organisations due to their non-maintenance of proper accounts and their performance and, if so, in how many cases payment of grants was stopped. The Committee regret to note that the required information is still awaited.

9.38. The Committee deprecate the delay in furnishing the information asked for by them, as it is necessary that the information is examined by them before they come to any conclusion. They desire that the information called for should be furnished without any delay. In view of the adverse comments of the Evaluation Committee appointed by the Board in January 1964 about the performance of the Mahila Mandals and other voluntary organisations which had taken over the projects the Committee would like to be informed of the concrete steps taken by the Board to improve the working of these

organisations and to ensure that the funds given to them are properly utilised.

Socio-economic Programme, Para 102(e)—Pages—142-143:

9.39. In May, 1958, the Board decided to provide assistance to voluntary welfare institutions for setting up small industries, units ancillary to large industries, handloom training-cum-production units, etc., with the object of enabling needy women and physically handicapped persons to earn full or half wages to supplement their meagre income. Each unit was to employ 30 to 35 workers.

9.40. The Board approved an outlay of Rs. 104.43 lakhs for creating an employment potential for 12,000 women by the end of March, 1966; the amount released up-to 31st March, 1964 was Rs. 30.80 lakhs to 46 units against sanctions totalling Rs. 36.36 lakhs for 58 units.

9.41. A test-check of the accounts received in the Central Office of the Board has brought out the following points:—

- (i) The number of women actually employed in the 43 units (3 units out of 46 units since stopped working) was 1,013. The average *per capita* expenditure for providing employment worked out to Rs. 3,040 as against Rs. 870 as originally envisaged. In one unit 25 women were trained at a cost of Rs. 3.11 lakhs. In 13 units not more than 15 workers each were employed.
- (ii) All the institutions to whom the grants have been sanctioned under this scheme have been asked by the Board to furnish their trading and profit and loss accounts and the balance sheets in addition to the income and expenditure statements. It has, however, been noticed that the majority of institutions are not submitting their trading and profit and loss accounts duly certified by chartered accountants.
- (iii) It was observed from the accounts and the reports furnished by the Inspectors of the State Board/Small Industries Services Institutes that six production units had sustained a loss of about Rs. 54,000 up to 31st March, 1963, due to poor sale, sub-standard quality of products and heavy production costs, etc. One of the production units had suffered a loss of Rs. 24,241 up to 31st March, 1963, against a total grant of Rs. 74,000 received by it.

- (iv) 13 units for which grants amounting to Rs. 2.17 lakhs had been paid up to 31st March, 1964 could not go into production so far (August, 1964) due to delay in procurement of machinery and equipment, non-availability of raw material, technical personnel, etc.
- (v) In two of the handloom units, one at Madras and the other at Manipur, expenditure totalling about Rs. 50,000 was incurred on stipends to trainees during the period of training which started in November, 1960 and April, 1960 respectively. The production operations at Madras unit had to be stopped in July, 1963 due to the trained workers having left the jobs for better wages in other industrial units. The other unit at Manipur continued the training upto March, 1962, but could not enter the production stage as the trainees did not stay on with the unit after training.

9.42. The Secretary to the Board stated that upto 10th October, 1965, the total number of units assisted was 93 and the amount released was Rs. 30.84 lakhs in respect of Socio-economic programme.

9.43. The Committee enquired whether any evaluation had been made of the achievements of the programme. The witness stated that an evaluation was conducted last year by the Evaluation Committee of outside experts, approved by the Board. The Evaluation Committee had suggested that the working capital should be a loan rather than in the form of a grant. The Board was working out the details as to how to give effect to this suggestion and adopt the revised system.

9.44. The Committee hope that the new revised system of assistance to the various units, as suggested by the Evaluation Committee, will soon be given a fair trial.

Non-receipt of audited statements of accounts and utilisation certificates, Para 102(h)—Pages 144-45:

9.45. In paragraph 90(A) of the Central (Civil) Audit Report, 1963, a reference was made about the non-maintenance of consolidated records to ascertain the extent to which the receipt of utilisation certificates and audited accounts was in arrears. The position continues to be unsatisfactory as in most of the cases such records are not being maintained and in cases, where they have been maintained, they do not contain complete information.

9.46. In respect of 'one year grants', which are being administered by the State Boards with effect from 1st April, 1961, no information

is available with the Central Social Welfare Board about the number of cases where audited accounts have not yet been received and the amount of unspent balance lying with the grantees.

9.47. The information in respect of other grants, as collected by the Board from their files, indicates the following position as in November, 1964.

Category of grants	Number of projects and institutions from which audited accounts are still due
Building grants	964
Mahila Mandals and other voluntary organizations	198
Plan period grants	137
Other grants	53

9.48. The position in respect of the finalisation of the accounts of the State Board and Welfare Extension Projects for the years 1957-58 to 1962-63 is given below:—

Year to which the accounts relate	Number of accounts not yet finalised	Number of accounts received but still awaiting finalization by the Board
1957-58	35	35
1958-59	40	40
1959-60	73	44
1960-61	150	..
1961-62	249	224
1962-63	302	85

9.49. Giving the latest position of the ~~memorandum~~ of audited accounts, which were due, the Secretary to the Board gave the following figures:—

Building grant	745
Mahila Mandals and other voluntary organizations	71
Plan period grants	25
Other grants	27

9.50. Regarding the building grant, the Chairman of the Board stated that the Board had not received audited accounts in all cases because the members and Chairman of the Project Implement Committee had changed. The Board was pursuing the matter. In some cases the construction work was stopped due to non-availability of raw materials. Therefore, they could not send the accounts to the Board.

9.51. The witness stated that the audited accounts had been received since last year from all the other categories including Mahila Mandals and other voluntary organizations.

9.52. The Committee were further informed that audited statements were always accompanied by utilisation certificates. Giving the latest position about the number of accounts received and not yet finalised the Secretary to the Board stated that for 1957-58 number of accounts not yet received was 5, for 1958-59 nothing due, for 1959-60 nothing due, for 1960-61 number due was 73; 1961-62 number due was 42 and 1962-63 number due was 52.

9.53. The position of accounts received but not yet finalised was:—

1958-59	3
1959-60	4
1960-61	Nil
1961-62	56
1962-63	44

9.54. The Committee regret to note that accounts for the year as far back as 1958-59, even though received, still remain to be finalised by the Board. They hope that an early action would be taken in finalising the accounts. The Committee would also like the Board to take suitable steps to ensure that such heavy arrears in the finalisation of accounts do not arise in future.

Audit Report on the Accounts of the Employees' State Insurance Corporation for the year 1962-63

1. General

9.55. A review of the Annual Accounts for the year 1962-63 shows an excess of income over expenditure by about Rs. 207 lakhs. The total income of Rs. 1,341 lakhs comprised:

	(Rs. in lakhs)
(i) Employers' Special Contribution	654
(ii) Employees' Contribution	602
(iii) Interest & Dividend from investments	83
(iv) Miscellaneous income	2

The expenditure of Rs. 1,134 lakhs consisted of :—

(i) Medical Benefits :	
(a) Payments to State Governments as corporation's share of expenses on providing medical care	449
(b) Medical treatment and care expenses incurred direct by the Corporation	23
(ii) Cash & Other benefits to insured persons and their dependents incurred direct by the Corporation	531
(iii) Interest on loans	2
(iv) Administrative Expenses :	
(a) Superintendence	63
(b) Field work	52
(c) Other charges	14

9.56. According to the reports of the Actuary of the Corporation, the outstanding income pending recovery (which has not been included in the Accounts) was as follows:—

	(Rupees in lakhs)		
	1960-61	1961-62	1962-63
(i) Employers' Special Contribution due to be recovered in respect of covered factories	47	48	72
(ii) Employees' Contribution due in respect of covered factories.	35	37	43

The outstandings have shown a progressive increase. The amounts in arrear for a period of more than one year are not separately available.

9.57. At the outset the Committee wanted to know the cause of delay of placing the Audit Report on the part of ESIC for 1963-64 on the Table of the House. The Director-General, Employees' State Insurance Corporation, stated that the Audit Report was received in July, 1965 and the delay was due to the fact that there was no meeting of the Corporation in October, 1965 due to emergency conditions. The Draft Report had to be adopted by the Corporation before placing it on the Table of the House. The Corporation consisted of 25 members from all over India. Due to emergency conditions the Corporation could not meet in October, 1965 and it was then thought that the meeting of the Corporation should be held at a time which was suitable to all non-official members. The Committee pointed out that the delay in presenting the Report had deprived the Parliament of its right to get the accounts in time. The witness, however, expressed regret over this delay and promised to send the accounts to the Committee immediately.

9.58. It was then pointed out that several years ago the Minister concerned has assured the Lok Sabha that there would not be any delay in placing the annual Report of the Corporation on the Table of the House.

9.59. The Committee are constrained to note the delay in placing the Audit Reports on Employees State Insurance Corporation on the Table of the House in time. This delay in presenting the report tantamounts to deprivation of the right of the Parliament to receive the accounts in time. The Committee take a serious view of this delay and hope that in future the Audit Reports will be presented to Parliament soon after they are submitted by Audit, so that, they are available to the members of Parliament and the Public Accounts Committee for examination without delay.

9.60. Explaining the proportion of superintendence and field expenses of the Corporation, the D.G. of the Corporation stated that out of the total expenditure of Rs. 63.32 lakhs in 1962-63, the expenditure on pay and allowances under superintendence was to the tune of Rs. 50.25 lakhs and the field expenses for the same year amounted to Rs. 51.68 lakhs. In 1963-64 the total expenditure on superintendence came to Rs. 75.38 lakhs and on field expenditure to Rs. 59.56 lakhs. There was contingency expenditure on Adarma equipment which was meant for field work. If this expenditure was excluded, then the proportion of expenditure on field work would be more

than on superintendence. The witness further added that superintendence from the offices could not be divorced from field work. In insurance some of the permanent benefits were decided at regional levels. Cases of recurring benefits viz. disability benefits, would also have to be dealt with in the regional offices and would fall under superintendence.

9.61. The Committee referred to the following passage in the reply which the Ministry gave in respect of recommendation contained in para 57 of 20th Report of P.A.C. (Third Lok Sabha) which stated "that the Corporation is constantly devising ways and means to decentralise all possible items of work, and it is expected that with progressive decentralisation the expenditure on superintendence will decrease in the years to come." The witness stated that with the amendments under way which were likely to be considered by Parliament in near future, the proportion on field expenses may increase.

9.62. The Committee then enquired of figures of pay and allowances for the years 1962-63 and 1963-64. The witness informed the Committee that for 1962-63 under pay and allowances the figure was Rs. 50.25 lakhs while for field expenses the figure was Rs. 45.03 lakhs. In 1963-64 the expenditure for pay and allowances was Rs. 54.79 lakhs and for field expenses the figure was Rs. 51.07 lakhs.

9.63. The witness further added that inspite of progressive decentralization the total expenditure would not decrease, though the proportion of expenditure between the superintendence and field expenses might decrease. 5,500 people were working under the Corporation and their pay and allowances were increasing since the Corporation introduced the Central Government pay and allowances. Even with the transfer of some of the works from the Corporation to local offices, the expenditure would not go down. He added that cash benefits were administered directly by the Corporation through its 350 to 360 local offices where payment was made.

9.64. The Committee then desired that a note showing how this reduction in the expenditure on superintendence after decentralization of its activities can be effected, might be furnished to them. The note is at Appendix XXII.

9.65. In the note submitted at the instance of the Committee, it is stated that the feasibility of decentralisation of further items of work to local offices was being examined. However due to progressive expansion in the coverage by Employees State Insurance Scheme and increase in number of insured persons, the total expenditure

under A-Superintendence will never be less than that being incurred earlier. The Committee would like to be ~~informed~~ of the ~~progress~~ made in the decentralisation of further items of work to local offices.

9.66. Coming to the new item of expenditure viz Pension Reserve Fund, the D.G. of the Corporation stated that the Corporation had accepted the pension scheme for its employees. The employees of the Corporation were brought under the Pension Scheme in 1963 effective from 4th December, 1959. So arrears for all the employees who had come under the Pension Scheme had to be adjusted right from the date when they joined the Corporation. Therefore, this year some *ad-hoc* adjustment on this account was made. The employees appointed after December, 1959 were compulsorily brought under this Pension Scheme but some of them recruited earlier opted for Provident Fund Scheme.

9.67. In reply to a question the witness stated that the contribution to the Provident Fund was made at the rate of 8½%. The Committee thereupon desired that a note, as to what was the contribution in 1961-62 to the Provident Fund and under which head it had been adjusted, might be furnished to the Committee. The note is at Appendix XXIII.

9.68. Giving the figures of outstanding dues, the D.G. of the Corporation stated that a sum of Rs. 25.25 lakhs as employers' special contribution and Rs. 12.51 lakhs on account of employees' contribution was still outstanding. The earliest period to which these outstandings related was the year 1952-53.

9.69. As regards the steps taken to recover these amounts the witness stated that the employers' contribution in implemented areas had been raised from 1½% to 2½%. The employees' contribution was statistically assessed at 2.4%. The procedure adopted in recovering the employers' contribution was the same as adopted for the recovery of land revenue. The Corporation sent the requisition to the Collectors and then the certificate proceedings were conducted. In regard to employees' contribution, the amount was recovered through E.I. Court. The witness further added that there was no case practically where the Corporation had not taken the help of either a revenue court or E.I. court in recovering these amounts.

9.70. The Committee desired to know the figures of outstanding amount upto 1962. The witness stated that for the period 1960 the employers' contribution outstanding was Rs. 14 lakhs and employees' contribution outstanding was Rs. 11 lakhs; and upto 1961 i.e. includ-

ing 1960 the employers' contribution outstanding was Rs. 18 lakhs and employees' contribution outstanding 15 lakhs. In the cases involving Rs. 14 lakhs as employers' contribution certificate proceedings were pending for the last six years.

9.71. In reply to a question the witness stated that the largest amount due from a single person in respect of employers' special contribution was Rs. 5.72 lakhs from Rajasthan State Electricity Board. The Corporation had exempted the employees' contribution from recovery. Recovery proceedings in respect of employers' special contribution were still pending. The State Government is trying to get exemptions from the Central Government even in regard to employers' contribution. If that happened, then all arrears would also be waived.

9.72. Explaining the delay in recovery proceedings the witness stated that the Corporation was persuading the Revenue Officers to expedite the recovery. Sometimes these organisations got themselves exempted from the payment of these arrears.

9.73. The Committee inquired whether there were cases in which employees had paid their contribution but the employers had not deposited the amount with the Corporation. The witness stated that there were a few cases and in those cases action not merely to recover the contribution was taken but also in some cases they were prosecuted for criminal breach of trust. But such cases were not many.

9.74. Referring to the figure of Rs. 14 lakhs recoverable from the employers and Rs. 11 lakhs recoverable from the employees as being the amounts over due till 1960, the witness stated that recovery was made from the employers only. It was possible that the money might have been deducted from the employees' salaries but the employers might not have paid to the Corporation. In all cases employer was liable to pay these dues though in early years of the scheme in some cases dues were not recovered from the employees.

9.75. In reply to a question the witness stated that there were some representations from the employers as regard the amount of Rs. 11 lakhs saying that they had not collected this amount. Giving the circumstances under which the amount of Rs. 11 lakhs represented as employees' contribution, fallen into arrears, the witness stated that there were three types of arrears which amounted to Rs. 11 lakhs. The first type of arrears related to the factories employing more than twenty persons and working since 1952, but came to the

notice of the Corporation much later. In that case the employer was liable to pay employees' contribution from the time this scheme was implemented i.e. from 1962.

9.76. The second type of arrears arose in cases where the factory was already covered and was working from 1952 and where the employer had defaulted and he had not paid the employees' contribution thereafter. The third type of case was where the employee has paid and the employer has also to pay but the employer has delayed in making the payment.

9.77. When the Committee wanted to know the actual break-up of Rs. 11 lakhs, the witness stated that it was very difficult to give the break-up. The Committee then desired that break-up of arrears of Rs. 11 lakhs which represented the employees' contribution, and the replies received from the employers when this demand was made, might be furnished to the Committee. The Committee regret to note that the information is still awaited.

9.78. The witness further stated that the Corporation, in addition to going to E.S.I. Court in the case of chronic defaulters, also took recourse to the provision of section 85 of the Act in dealing with chronic defaulters. Among the defaulters 50 per cent were major persistent defaulters and 50 per cent were new defaulters.

9.79. In reply to a question the Committee were informed that despite this default on the part of the employers, employees continued to get the benefits.

9.80. The Committee regret to note that large amounts representing the employers' and employees' contributions to the Corporation, still remain to be recovered from the employers and that these outstandings are showing a progressive increase. This clearly shows that the Corporation had not taken effective steps to recover these arrears. The Committee would therefore, like the Corporation to take special measures to realise these arrears and also to ensure that such arrears do not accumulate in future.

9.81. It is all the more surprising that the Corporation has not been able to recover its dues even from a Government Body (Rajasthan State Electricity Board) which are pending for the last 14 years. The Committee would like to know the final decision in this respect.

9.82. The Committee also take a serious view of the practice on the part of the employers in collecting the employees' contribution

but not crediting it to the Corporation immediately. Even though such cases are stated to be few in number, the Committee feel that firm and deterrent action is called for as this results in the Employers deriving irregular and unintended benefits from the contribution of the Employees and depriving the Corporation of the use of funds which are legitimately theirs.

Lands and Buildings

9.83. The value of lands and buildings owned by the Corporation at the close of the three years ending 1962-63 was as follows:—

	1960-61	1961-62	1962-63
	(Rupees in Lakhs)		
(i) Lands & Buildings (wholly owned by the Corporation).			
Office Buildings.	13.03	13.23	13.71
Hospitals and Dispensaries.	7.61	14.61	64.13
	20.64	27.84	77.84
(ii) Corporation's share of Hospitals and Dispensaries (jointly owned by the Corporation and State Govt.)	0.85	1.16	3.47

9.84. In addition, advance payments made to State Governments, D.G.S. & D. and the C.P.W.D. for the construction of Hospitals, Office buildings, Equipments etc. were outstanding at the end of 1962-63 to the extent of Rs. 426.14 lakhs. It was stated that construction in some cases had been completed but that the audited accounts of expenditure in respect of these constructions had not been received from the State Governments who were being reminded.

9.85. Giving the latest position regarding the adjustment of advance payments made to State Governments, the Director General of the Corporation stated that the un-adjusted advance payment now amounted to Rs. 224 lakhs as against 426 lakhs mentioned in the audit para. The matter was being taken up at demit-official level and the concerned parties were being pressed for adjustment of advance payments. Since the work was on Government to Government basis some delay was inescapable. Explaining the delay the witness stated that the final accounts were prepared by the Accountant Generals of States on the basis of accounts given by P.W.Ds. of

State Governments and Labour and Health Departments of the States who administered the Employees State Insurance in different States.

9.86. As regards the adjustment of old accounts outstanding for the last 7 or 8 years the witness stated that the Corporation was writing to each State Government in this matter. The difficulty in these cases was that some of construction works were not yet complete. It was only after the completion of works that final audited accounts were available.

9.87. The Committee desired to know whether the Corporation had any arrangement to know the progress of construction work. The witness informed the Committee that the Corporation had two procedures for this purpose. One was that the Corporation received each month from each State a progress report showing the progress in construction of E.S.I. hospitals and dispensaries. The other way of knowing the progress of construction work was that at the meeting of the Corporation each member of the Corporation from each State would give an account of the progress of construction in his State. The witness further informed the Committee that the progress reports sent by the State Governments were studied by a special cell of the Corporation. Moreover, the officials of the Corporation also visited the sites of construction to see the progress of the work.

9.88. In reply to a question whether in view of the huge construction programme the Corporation had ever considered the question of having its own building organisation, the witness stated that this question was considered on several occasions. But in view of shortage of technical personnel it was difficult for the Corporation to have its own building organisation. The Committee were further informed that the Corporation had very recently sanctioned capital works to the extent of about 30 crores of rupees all over India and that would come to Rs. 5-6 crores each year. The works have been sanctioned but expenditure will be spread over a number of years.

9.89. The Committee are not satisfied with the action taken by the Corporation in adjusting the outstanding accounts pending for the last seven to eight years. The Committee would like to suggest that in cases of advance payment to State Governments, the Corporation should fix the targets for the completion of construction work as well as for the finalisation of accounts etc. and it should be adhered to as far as possible.

9.90. In view of the magnitude of the construction work (Rs. 30 crores) sanctioned by the Corporation, the Committee feel that greater supervision and control over the construction work is called

for on the part of the Corporation. They desire this matter to be examined carefully and suitable measures taken.

Loans and Cash Balances

(i) Loans granted to State Governments Rs. 23.12 lakhs

9.91. The Standing Committee of the Corporation resolved in December, 1955 that a loan of one crore of rupees might be granted to the Government of Bombay as asked for by them for the purpose of construction and equipment of the hospitals at Bombay, Ahmedabad and Sholapur. The Government of Bombay obtained the sanction of the Government of India in September, 1956 for their obtaining this loan from the Employees' State Insurance Corporation. The first instalment of loan of Rs. 23.12 lakhs carrying an interest of 4 per cent per annum was paid to the Government of Maharashtra in October, 1962.

9.92. No loans have been given to any other State Governments.

(ii) Cash Balances

(a) Investment in Govt. of India and State Govt. Securities and short term deposits with the State Bank of India.		Rs. 1,807.82 lakhs.
(b) Cash in hand and with the Bankers in the current accounts—Cash in hand		Rs. 2.92 lakhs
Cash with the State Bank of India		Rs. 90.67 lakhs
Cash with the Central Bank of India and the bank of Baroda.		Rs. 0.35 lakhs
Cash with the State Bank of Saurashtra, Hyderabad, Travancore, Mysore and Patiala.		Rs. 3.00 lakhs
		Rs. 96.94 lakhs

9.93. Explaining the present position regarding the drawal of the balance of Rs. 58.83 lakhs by the Maharashtra Government, the Director General of the Corporation stated that the Government of Maharashtra had, so far, drawn a sum of Rs. 63 lakhs, out of a loan of Rs. 1 crore sanctioned in 1956. They were now paying interest at 4 per cent. This loan was given for the construction of Worli Hospital which had been completed but its staff quarters would be completed in another two or three months.

9.94. The Committee enquired whether any time-limit was fixed for the completion of the hospital at the time of granting the loan. The witness replied in the negative but added that in future the

Corporation would insist on a time-limit at the time of granting the loan.

9.95. As regards the balance of Rs. 37 lakhs out of the sanctioned loan of Rs. 1 crore the witness stated that the Government of Maharashtra would draw this amount as the Hospitals in Aundh, Mulund and Chembur were yet to be completed. In reply to a question the witness stated that the Corporation obtained the sanction of the Central Government before granting the loan, under section 28(12) of the E.S.I. Corporation Act, 1948. When the Committee pointed out that section 28(12) referred to spending money only and not to giving of loans, the witness promised to examine the matter.

9.96. As regards repayment of principal, the witness again promised to verify whether the repayment of principal was to begin after the last instalment was drawn. The information is still awaited.

9.97. The Committee do not approve of the practice of the Corporation granting big loans outright. The Committee feel that in such cases the Corporation should study the building programme for which the loan is asked for and issue the loan in instalments depending on the progress of the building work. Such phasing of the loans would not only prevent the amount being locked up, but also ensure its proper utilisation.

9.98. The Committee are not sure whether the Corporation was authorised under Section 28(12) of the E.S.I. Act to advance loans. They would like this matter to be examined in consultation with the Ministry of Law and the result communicated to them.

Sickness Benefit to Insured Persons

9.99. Section 58(2) of the Employees' State Insurance Act, 1948 provides that where the incidence of sickness benefit payment to insured persons in any State is found to exceed the All India Average the amount of such excess shall be shared between the Corporation and the State Government in such proportion as may be fixed by agreement between them. It was observed that the incidence of sickness benefit payment to insured persons exceeded the All-India Average in Andhra Pradesh, Assam, Kerala, Madhya Pradesh, Madras and Mysore during the years 1959-60 to 1961-62 to the extent of Rs. 57.23 lakhs but no action has been taken by the Corporation to share the excess with the State Governments concerned.

The Corporation stated in November, 1963 as under:—

"The Employees' State Insurance Scheme has not yet been implemented throughout the country and as such the question of All-India Average does not at present arise. The benefit provisions of the Scheme have so far been extended to about 68 per cent only of the total coverable employees throughout the country. The general question of policy raised by Audit will, however, be placed before the Standing Committee and the Corporation for its directions."

9.100. Explaining the position of the Corporation as regards the fixing of "All India Average" payment of sickness benefit to insured persons, the Director General of the Corporation stated that the Corporation had not covered 80 per cent of the total industrial population. Moreover, large industrial centres of Gujarat and substantial portion of the industrial population in the States of Bihar and Assam still remained uncovered by the Act. In these circumstances the 'All India Average' could not be reached and so the Corporation felt it prudent to waive recovery of excess expenditure from the States.

9.101. When the Committee pointed out that the question of waiving of the recovery did not arise at all, the D.G. of the Corporation stated that the 'All India Average' would not be reached till 1968 and in case there was any excess expenditure, it would be regarded as waived.

9.102. The Secretary Department of Social Welfare also informed the Committee that the question of 'All India Average' was referred to the Department also, and the Department had agreed that in the present situation it was difficult to arrive at an "All India Average" in a fair and square manner.

9.103. The Committee enquired as to how 80 per cent coverage gave the 'All India Average' figure. The Secretary to the Deptt. stated that it was an *ad hoc* arrangement and the idea behind this percentage was that the bulk of the industrial population was covered.

9.104. The Committee thereupon desired to know as to how this percentage of 80 per cent was fixed. The C. & A.G. referred to a note where in the Asstt. Actuary of the Corporation was asked to confirm the factual accuracy relating to State Government shares of the excess above the 'All India Average' and the total amount thereof. The certificate in which the confirmation was given read as "the

figures relating to State Government share and the excess above all India average (in respect of the States in which there was excess incidence) are confirmed".

9.105. Explaining this the D.G. of the Corporation stated that it was very difficult to work out an 'all India average' till most of the industrial population was ~~settled~~ and till the quality of medical care in each State was more or less satisfactory and uniform.

9.106. In reply to a question the Secretary of the Department informed the Committee that the Department had not consulted the Law Ministry as regards the application of 'All India Average'.

9.107. In reply to another question the D.G. informed the Committee that the recovery of excess payment had been waived till 31st March, 1968 because with the increase in industrial population within the next two years or so, 90 per cent of the total coverable persons would be covered and a set pattern would be evolved.

9.108. The Committee would like that the question of application of 'All India Average' be referred to the Ministry of Law for their opinion.

Locking up of Funds

9.109. The work of construction of a dispensary with residential quarters at Roopnagar, Delhi was entrusted to the Central P.W.D. as a deposit work. A sum of Rs. 1 lakh was accordingly deposited with them on the 20th March, 1962 without acquiring the necessary land. The Delhi Development Authority to whom this plot belonged informed the Corporation in May, 1963 that the land in question had already been transferred to the Central Government in September, 1961.

9.110. The refund of the advance of Rs. 1 lakh paid to C.P.W.D. had not yet been obtained (November, 1963).

9.111. The Corporation have explained that the amount of Rs. 1 lakh had been deposited by them at the instance of the Delhi Administration who had proposed the construction and who prior to 1st April, 1962 were responsible for the administration of medical arrangements for insured persons in the Delhi region under the Employees' State Insurance Scheme.

9.112. Explaining the circumstances under which the amount of Rs. 1 lakh was deposited with the CPWD, the D.G. of the Corpora-

tion stated that the amount was deposited because medical care was under Delhi Administration at that time. Normally the Board accepted the advice of the State Government in regard to any payment to be made. In regard to the reimbursement of the amount, it was suggested that the amount would be adjusted against the dues which the Corporation had to pay to Delhi Administration. The witness further added that more than six months back the Delhi Administration was asked to adjust all the accounts. To this there had been no reply.

9.113. In reply to a question the witness stated that in November, 1962 ~~Saral~~ Saral ~~and~~, Medical Services, Delhi, asked the Superintending Engineer to take up the construction work at once as deposit work. A copy of that letter was also endorsed to the Corporation. When the Committee pointed out that Superintendent of Medical Services had no powers to order construction, the Chief Accounts Officer of the Corporation stated that the Medical Superintendent Delhi wrote to Superintending Engineer to take up the construction at an early date as the scheme had already been sanctioned. A copy of that letter was sent to the Corporation saying that the money be paid to him.

9.114. When the Committee asked whether the plans and estimates for the construction of the dispensary were sanctioned, the D.G. of the Corporation promised to look into this. Thereupon the Committee desired that a note on the circumstances under which the sum of Rs. 1 lakh was deposited with C.P.W.D. for the construction of a dispensary etc, before its plans and estimates were sanctioned, might be furnished to the Committee. The note is at Appendix XXIV.

9.115. From the note submitted at the instance of the Committee it is clear that there was undue delay at every stage in this case which resulted in locking up of the amount of Rs. 1 lakh sanctioned for the construction of a hospital. What is more surprising is that all correspondence in adjusting this amount against the dues to be paid to Delhi Administration, remains unattended to. The Committee would like that this matter be taken up at a higher level and finalised without further delay.

X

MINISTRY OF SUPPLY & TECHNICAL DEVELOPMENT

Director General of Supplies and Disposals

Extra Expenditure due to delay in taking purchasing decision—Para 70(a)—Page 103. Audit Report (Civil), 1965.

(A) Boot accessories.

10.1. A limited tender enquiry was issued by the Director General, Supplies and Disposals in January, 1963, for the purchase of boot accessories to meet certain urgent demands of the Defence Services. The lowest offer received for "lifts leather" (hereinafter mentioned as item 1) was from firm 'A', while those for "tips filling" and "soles half plain" (hereinafter mentioned as items 2 and 3 respectively) were from firms 'B' and 'C'.

10.2. The offers of the firms were valid for two months, up to 15th March 1963, but no decision was taken during this period, although the tender enquiry had been issued on an urgent basis allowing only twelve days to the tenderers to submit their quotations. On 15th March, 1963, the firms were invited to keep their offers open up to 15th April, 1963. Firm 'A' agreed, while firms 'B' and 'C' demanded increased rates, as a result of which the rates quoted by firm 'A' then became the lowest for items 2 and 3 as well.

10.3. On 23rd March, 1963, a counter-offer was made to firm 'A' in respect of item 1, on the ground that their quotations for two of the four sizes were 5 to 8 per cent higher than the last purchase prices. The firm, however, did not agree and instead withdrew their offer for all the items tendered for (including items 2 and 3) on the 29th March 1963.

10.4. The purchase was later negotiated afresh with several firms and five contracts at higher rates were placed in June 1963. The delay in taking a purchase decision in the above cases resulted in an extra cost of Rs. 12.66 lakhs computed with reference to the rates which would have been payable if a contract for all the items had been placed on firm 'A'.

10.5. The Committee desired to know whether the Department was justified in issuing a limited tender enquiry and that too allowing only 12 days to the tenderers to quote for the entire supplies

when 70 per cent were required over a period from April, 1963 to September, 1964. The witness stated that on 28th October, 1962 they received a letter from the Army Head Quarters requesting them to arrange supplies against their 1963-64 requirements during 1962-63 and 1964-65 requirements during 1963-64. These indents were forward programme indents and D.G.S.&D. thought that these instructions applied to all forward programme Indents and proceeded accordingly.

10.6. To a question the witness stated that in respect of all Defence Indents received immediately after November, 1962, the Department issued a limited tender enquiry allowing a short period, to the tenderers to quote.

10.7. The Committee are not convinced with the explanation that limited tender was issued because of the urgency of the demand. They feel that the present Indent was placed on 3rd December, 1962 after the issue of the 28th October, 1962 letter so that the Defence Ministry placed this Indent with the full knowledge of their requirements and this was not to be governed by their general letter of October, 1962 i.e. before the Chinese aggression. Even if the Department wanted to be doubly sure a better course would have been to refer it back to the Defence Ministry and ask them whether they wanted it to be treated as an operational indent or whether the D.G.S.&D. was to take the dates given in the Indent as operative.

10.8. In reply to a question, the witness stated that there was no communication from the Defence Ministry regarding delay in supply of boot accessories. He added that the D.G.S.&D. were having monthly meetings with the representatives of the Ministry of Defence where a reference regarding the delay in supply of boot accessories must have been made. The Committee thereupon desired to be furnished with a copy of the minutes of the monthly meetings held with the representatives of the Ministry of Defence where a reference regarding the delay in supply of boot accessories was made. In a note submitted by the Department of Supply it has been regretted that it has not been possible to locate the minutes of the monthly meetings where representatives of Defence Ministry must have made a reference to the delay in supply of boot accessories.

10.9. In view of the facts placed before the Committee and the fact that the Defence Ministry did not raise the question of delay in supplies, the Committee are of the opinion that there was no urgency involved in this case.

10.10. In reply to another question, the witness admitted that the biggest order (to the tune of Rs. 21.96 lakhs) was given to a party who had not quoted at all. This party was given a fairly large order for certain stores also in December, 1962. In the present case tender enquiry had not been sent to him although he was a registered party whereas D.G.S.&D. had sent tender enquiry to 18 and odd parties. The reason for placing a bulk order with this firm to the tune of Rs. 21.96 lakhs out of Rs. 49.85 lakhs appeared to be that the firm offered a discount of 3 per cent if they were given an order for Rs. 6 lakhs each of the items required.

10.11. The Committee are unable to understand how a bulk of the order to the tune of Rs. 21.96 lakhs out of Rs. 49.85 lakhs was given to a party who had not quoted at all. This in the opinion of the Committee violates the sanctity of the tender system and provide scope for favouritism etc. The Committee are not at all convinced by the argument of the 3 per cent discount as the Committee believe that it is always easy for a non-tenderer to give a small reduction to get the business and defeat the rightful claim of his competitor. The Committee trust that this question will be thoroughly looked into during the detailed investigation referred to in the next para.

10.12. During the course of evidence, the Secretary (Department of Supply & Technical Development) accepted that there were many unsatisfactory features in this case and the Ministry had instituted a very detailed enquiry into the whole business and that some irregularities which came to light in the process of examination were as under:—

- (i) There had been all through delay, vacillation and on more than one occasion, D.G.S.&D. wanted to obtain fresh tenders when the market was rising.
- (ii) In the case of one firm who had not submitted any samples, they kept on sending telegrams to the Inspector-General of Stores in Kanpur asking him to send a report even though samples had not been submitted.
- (iii) In taking decision, in the case of one party, at one time, they had said that he had withdrawn his offer and raised the prices; therefore, his offer should be ignored. But in the case of another, who had done the same thing, his offer was not ignored.
- (iv) The party whose offer was supposed to be ignored, was also given an order and orders given were not in relation to the capacity which had been reported.

10.12. The Committee are not at all happy at the manner in which this case has been dealt with. They desire that immediate steps should be taken to expedite the completion of the enquiry already instituted and to fix responsibility for the failures which contributed to the loss.

Bark Babul—Para 79 (B)—Page 103.

10.14. Against an advertised tender enquiry issued in July, 1962 by the Director General, Supplies and Disposals for the purchase of 36.26 lakhs Kilograms of Bark Babul required by the Defence Services, fourteen offers were received, of which the lowest offer was from firm 'A' who had quoted a rate of 18 nP per Kg. for 5 lakh Kgs. and 18½ nP. per Kg. for another 5 lakh Kgs. The offer was valid upto 30th September, 1962.

10.15. During subsequent negotiation (22nd September, 1962) with the tendering firms for a reduction in the quoted prices, firm 'A' stated that their original quotations should be deemed to be final if the Director General of Supplies and Disposals did not hear from them till 26th September, 1962. No further communication was received from firm 'A' till that date; an order for the purchase was actually issued to them only on the 18th October, 1962, after the expiry of the validity period, and was, therefore, not accepted by the firm. The order was cancelled and the cancelled quantity was later repurchased from the same firm in December, 1962 at an enhanced price of 20½ nP. per Kg.

10.16. The delay in placing the order thus resulted in an extra expenditure of Rs. 22,950 (including Sales Tax).

10.17. In regard to this case, the Committee were informed in evidence "the failure of the officer concerned was that the tenders stipulated 3 p.m. on 26th September, as the last hour at which they should expect an extension of the validity. He illadvisedly waited till 27th and 28th happened to be a holiday. Therefore, they asked for extension of time which was found to be an error, and the officer had already been proceeded against. An entry is made in his character roll".

10.18. The Committee note that disciplinary action has been taken against the defaulting officer.

10.19. The Committee pointed out that they had made a recommendation earlier that in order to get over such difficulties, an officer knowing the Contract Act must be employed by the Depart-

ment. The witness stated that the proposal was under the examination of the Law Ministry.

10.20. The Committee are not satisfied with the delay in implementing their recommendation concerning the appointment of an officer well-versed in Law of Contract. The Committee can hardly find any justification for making a reference to the Ministry of Law. The Committee desire that their recommendation be implemented without further delay.

Extra Expenditure due to rejection of lower offer—Para 80 of Audit Report (Civil), 1965—Page 104.

10.21. Against two indents received from the Defence Services in June, 1962 and December, 1962, for stopper corks water bottles, the Director General, Supplies and Disposals, issued a limited tender enquiry in March, 1963. A part of these supplies was required between October, 1963 and March, 1964, and the rest during April, 1964 to September, 1964. The offer at Rs. 2.40 a dozen from firm 'A' was the lowest, but it was rejected on the ground that a satisfactory report on the capacity of the firm received from the Defence Inspectorate in May, 1963, conflicted with an adverse one received from the same authority earlier in April, 1963. The contract was, therefore, awarded to another firm 'B' on 5th July, 1963, for a quantity of 48,560 dozens at Rs. 3.25 per dozen, although the Defence Inspectorate had clarified the contradiction on 12th June, 1963, confirming the satisfactory capacity of firm 'A'.

10.22. The rejection of the lower offer of firm 'A' resulted in an extra expenditure of Rs. 41,276.

10.23. An attempt was later (August, 1963) made by the Director General, Supplies and Disposals, at the instance of the Ministry to persuade firm 'B' to reduce the contract price to the level of firm 'A', viz., Rs. 2.40 per dozen, but without success.

10.24. The Committee were informed in evidence by the Secretary, Department of Supply and Technical Development that this case was dealt with by the Director General of Supplies & Disposals himself. There was an error in interpreting the instructions of the Director General by the Office because his note read as under:—

"Coverage of this item need not be delayed further. We may straightway place an order on Messrs (B) for 80 per cent of the quantities required at Rs. 3/25 per dozen—quality B. We may further keep a reservation on them for the

Balance 20 per cent to be decided on receipt of report on Messrs (A1 & A2)."

10.25. The Intention of the D.G. was that the first 80 per cent of the first quantity required was to be placed on this firm (B) and the balance was to be decided at a later stage. This was treated as one indent by the office and they placed an order on the firm for the entire period of delivery. They reserved only the balance of 20 per cent.

The question arose whether the manufacturer (Messrs A1 & A2) was capable of supplying. The confusion was created by two very conflicting Reports. There was the original report on these two other companies (A1 and A2).

The officer-in-Charge of the General Stores Inspection Depot (Defence Inspectorate, Bombay) reported that M/s A1 and M/s A2 were one and the same. No separate report was therefore sent by him in respect of M/s. A1. The Defence Inspector on another case reported that M/s. A2 were not manufacturers but were sole selling agents of the firm B on whom large orders were placed. The records available with D.G.S.&D. did not prove that M/s A1 were not manufacturers and therefore they decided to ask their own inspecting officer to make an inspection in Bombay. He sent a telegram on 25-5-63 to inform D.G. that M/s. A1 and A2 were both capable of producing 10,000 pieces and 8,000 pieces respectively. There was a confirmatory letter on 10.6.63. They recommended the placement of order on both the firms. Because of these two conflicting reports, it was noticed from the Defence Inspector's letter of 10.6.63 that the office address and factory premises were just the same. Therefore the D.G. himself examined the case and he had noted as under:—

"The established suppliers in this case are M/s. (B). They have quoted Rs. 3.95 for quality 'A' Rs. 3.25 for quality 'B' and Rs. 2.45 for quality 'C'. Quality 'C' is, however, not available now as the firm have reported that their stocks of material for the quality have been destroyed in a fire. We are, therefore, in a position to order quality 'B' at Rs. 3.25 per doz. For purposes of comparison we need consider only offers below this rate."

10.26. The Inspection Officer reported in connection with firm 'A' that during his visit, it appeared that a show was being enacted. M/s. A2 had a few packages with the stamp of M/s. A1 who were the sole selling agents. That was why there was such a suspicion in regard to the capacity, in the mind of D.G. and he passed the order

mentioned above. This appeared to have been a bonafide disbelief in the capacity which was verified and bonafide mis-interpretation of the instructions of D.G. But these were the manufacturers and the established suppliers.

10.27. The Committee pointed out that in the first place the report was not so adverse about the capacity of the firm to supply. In the second place, D.G. had a doubt. In reply to the clarification sought by the D.G.S.&D. the Inspector General of stores wrote on 12.6.1963 saying:—

“I would like to mention that I have already personally looked into the matter and confirm the capacities reported vide our telegram.”

10.28. The clarification therefore came with clear confirmation that this firm was quite capable of supplying Government's requirements. But the order was placed on another firm at prices 50 per cent higher.

10.29. The witness stated that in November, 1963, long after these orders had been placed, D.G. himself again recorded as under:—

“I am still not satisfied that M/s. A1 and A2 are two distinct entities.”

10.30. He asked the Director of Inspection, Bombay to pay another visit to the two establishments and to report specifically if the same equipment was being shown as belonging to both the establishments. The witness added that the occasion for this was that the firm's representative wrote to the Deputy Minister. The Deputy Minister found it difficult to appreciate the action taken by the D.G.S.&D. He recorded a note to this effect with which the Minister incharge of the Department agreed. The balance 20 per cent of the order was placed on M/s. A1 who supplied the quantity at Rs. 2.40 and the other order at Rs. 3.25 was also executed.

10.31. The Committee do not appreciate the reasons advanced for placing the orders with a firm whose rates were Rs. 3.25 a dozen as against the other firm whose rates were substantially lower i.e., Rs. 2.40 per dozen. The argument that there were conflicting reports about the capacity of the firm offering the lower rates is not substantiated in as much as on 12th June, 1963 the Inspector General of Stores stated in reply to clarification sought, that he had personally looked into the matter and confirmed the capacities reported in their telegram. Moreover, the capacity report was not so adverse as it was sought to be made out.

10.32. In the opinion of the Committee, if, inspite of such categorical confirmation of the capacity of the firm, there was doubt the D.G. S. & D. could wait and obtain a further report, as the supplies were not required urgently.

10.33. In the opinion of the Committee the instructions were clear and did not lend themselves to any alternate interpretation. They are, therefore, unable to understand how the misinterpretation of the orders of D.G.S. & D arose as they were quite explicit. Even Secretary stated in evidence "If I were an Assistant-Director, I would have also interpreted the instructions in the same manner as he had done."

10.34. The Committee consider it unfortunate that a senior officer should have recorded an important order involving financial implications, in a manner which to say the least, did not convey the intention properly. They desire that this lapse should be taken due note of.

Delay in Securing Reimbursement of the cost of stores—Para 81 of Audit Report (Civil), 1965—Pages 104-105.

10.35. Purchase of stores on behalf of non-Government parties is normally undertaken by the Director General, Supplies and Disposals on receipt of advance deposits covering the cost of stores and departmental charges. Instructions were, however, issued in October, 1957 whereby stores required by Government companies and corporations could be purchased by the Directorate General, and paid for by Government in the first instance subject to the condition that:—

- (i) the Financial Advisers of the companies/corporations would record a certificate on the indents, to the effect that requisite funds to cover the purchase have been provided; and
- (ii) reimbursements of the cost of stores and departmental charges would be made by the companies/corporations within seven days of receipt of demands from the Accounts Officer concerned.

This facility was extended, in May, 1958, to all the Electricity Boards under the administrative control of the State Governments.

10.36. It has, however, been noticed that the limit of seven days within which reimbursements were required to be made was not observed in several cases and that there have been delays of several months in the payment of demands. In respect of 43 such parties from whom reimbursement had been claimed by the Pay and Accounts Officers, (Department of Supply) up to 31st March, 1964, a total

amount of Rs. 44.49 lakhs was outstanding for recovery as on 30th September, 1964. Of this, Rs. 10.05 lakhs related to the period prior to 1st April, 1963. The parties which owed Rs. 1 lakh and over each are mentioned below:—

(In lakhs of rupees)

	Period	
	Up to 1962-63	1963-64
(i) Municipal Corporation of Delhi	8.14	11.24
(ii) Indian Drugs and Pharmaceuticals Ltd	..	8.51
(iii) Andhra Pradesh Electricity Board	4.46	0.76

10.37. In respect of the demands raised during the period 1st April, 1964 to 31st October, 1964, it was noticed that out of a total claim for reimbursement of Rs. 14.40 crores from 109 such parties, amounts totalling Rs. 7.10 crores were reimbursed within a period of one month; another Rs. 5.03 crores were reimbursed after the expiry of one month; the balance viz., Rs. 2.27 crores still (December, 1964) awaits realisation.

10.38. The Committee desired to know if the decision taken in November, 1964, regarding withdrawal of post-deposit facilities from persistent defaulters was implemented. The witness stated that letters were written to the parties concerned according to these decisions. Recently, Government had written to a most persistent defaulter, the Commissioner of Delhi Municipal Corporation suggesting that a penal rate of interest at the rate of 12% from the date it became payable would be charged unless it was paid in that month. Very large amounts were outstanding against the Delhi Municipal Corporation of the facilities of rate contract would be withdrawn if satisfactory response was not received. It was proposed not only to withdraw the facilities but also charge penal interest at 12% on all outstandings and it was hoped that the situation would improve.

10.39. In reply to a question the witness stated that considering the difficulties experienced, Government were now thinking of reversion to the old system of deposit by local authorities which had later on been relaxed. The witness added that as a result of persuasion that

had been done, it was hoped that the outstandings would be cleared. In the case of M/s Indian Drugs & Pharmaceuticals, they had now cleared their major dues.

10.40. The Comptroller & Auditor-General pointed out that similar cases might arise in future. According to him a Constitutional point was involved in this as Government was giving financial accommodation to, these undertakings without the vote of Parliament. They enquired the results of the meeting held in December, 1964 between the Accountant General and Department of Supply & Technical Development at which this aspect of the matter was supposed to have been taken up by the Ministry. The witness stated that the Constitutional position was not taken into account. They had taken note of this and they would immediately take action on this matter.

10.41. The Committee would like the constitutional point raised by the C. & A.G. to be examined thoroughly and the decision taken in the matter communicated to the Committee at an early date.

10.42. In reply to a question, the Committee were informed that out of 43 parties mentioned in the audit para as defaulters against whom demands were raised by Pay and Accounts Officer upto 31st March, 1964, only five parties were defaulters now, of whom Delhi Municipal Corporation was one. The amount due was Rs. 26 lakhs, out of which one party viz. Delhi Municipal Corporation had to pay about Rs. 18 lakhs.

10.43. The witness further stated that claims were raised during 1964-65 against 108 parties amounting to Rs. 26.92 crores in all. Out of these 72 parties owed an amount of Rs. 2.76 crores as on 31st May, 1965. Again it was the Delhi Municipal Corporation which was the chief defaulter to the extent of Rs. 53.56 lakhs. The witness added that the liquidation of these arrears by the D.M.C. was under consideration of Government and as soon as a reply was received from the Commissioner, Delhi Municipal Corporation, action would be taken immediately.

10.44. At the instance of the Committee, the Ministry of Industry & Supply (Department of Supply & Technical Development) furnished a statement showing the total amount outstanding against all such non-Government Parties at the close of each month during 1963-64 and loss of interest thereon suffered by Government which is at Appendix XXV. From the Statement, the Committee find that the amount outstanding at the close of each month on an average during 1963-64 was Rs. 5,64,54,556.00 and loss of interest for one month on an

average was Rs. 1,76,420. Loss of interest for the year 1963-64 was Rs. 21,17,040.00 or Rs. 16,23,064.00 after taking into account the period of seven days allowed to take parties for effecting payment.

10.45. The Committee are perturbed to note the magnitude of the amounts involved, especially the loss of interest which amounted to more than Rs. 21 lakhs during 1963-64 alone. (This amount has been calculated at the nominal rate of interest of 3.75 per cent only. If the amount is calculated at the market rate of interest, it would be much higher.) The Committee feel that it is high time that Government reconsidered the whole matter and reverted to the old system of obtaining a deposit from local authorities, in advance, so that Government may not continue to lose huge sums of money annually. Simultaneously the procedure of making recoveries from these non-Government parties should be so streamlined as to ensure payment within a period of seven days of the receipt of demand and charging penal interest in cases of default.

Extra Expenditure—Para 82 of Audit Report (Civil). 1965—Pages 105-106

10.46. In response to a tender enquiry issued by the Director General, Supplies and Disposals, in December, 1962, for the purchase of 16,451 pieces of scarlet blankets to meet an urgent demand of the Defence Services, four offers were received in January, 1963. The lowest offer (Rs. 31.00 per blanket) was rejected, as it was from an unregistered firm which had asked for assistance in procuring yarn. The next two lower offers from firms 'A' and 'B' were at Rs. 39.94 and Rs. 40.50 per blanket, respectively.

10.47. Firm 'A' offered blankets conforming to civil specifications involving a weight of 4 lbs. as against the weight of 5 lbs. provided in the Defence specifications. Firm 'B' offered blankets of the required Defence specifications.

In reply to an enquiry from the Director General of Supplies and Disposals, firm 'A' agreed to make supplies according to the required specification at an enhanced rate of Rs. 50 each. This offer was accepted and an order for 14,000 blankets was placed with them in March, 1963, without taking into account the much lower rate of Rs. 40.50 offered by firm 'B'. The extra expenditure amounted to Rs. 1.33 lakhs.

10.48. Government have stated (December, 1963) that firm 'B' had offered blankets of the required Defence specifications but that in reply to a question on the tender form they had also mentioned that

the blankets would be of quality similar to those supplied against an earlier contract placed in July, 1962 which conformed only to civil specifications. It is not clear why no opportunity was given to firm 'B' to clarify this discrepancy and why the negotiations were restricted only to firm 'A' which had quoted a higher rate.

10.49. The Committee were informed in evidence that in this case, there had been an error by the Assistant Director who pointed out to the Director that the specifications to which firm 'B' offered to supply the blankets were civil specifications, which in fact was found to be wrong. The witness stated that on a previous occasion, they had supplied according to defence specifications. In this case, therefore, this order should have been placed on firm 'B' and some body higher up should have looked into the specifications because the price of the other tenderer was 25% more.

10.50. The officer concerned, who was a temporary Government servant, resigned on the 8th February, 1963 and he had taken employment with a public sector undertaking viz. M/s The Drugs and Pharmaceuticals. The facts of the case were reported to the head of the public sector undertaking. A vigilance enquiry into this case was also ordered a few days ago. As soon as the results of the vigilance enquiry were known, these would also be reported to the head of the public sector undertaking because in case there was a vigilance angle, obviously, this officer would not be fit to hold office even in a public sector undertaking. Government was already proceeding in this case.

10.51. The witness further stated that it was decided that this case should be reported, because the public sector undertaking also should have people who were free from this kind of record or vice.

10.52. The Committee would like to be apprised of the results of the vigilance enquiry being held into this case and the action taken against the delinquent official.

Loss due to non-observance of rules—Para 83—of Audit Report (Civil), 1965—Pages 106-107.

10.53. On 18th July, 1961, the Director General, Supplies and Disposals placed certain orders on various firms for the supply of "Blankets Barracks" to cover an indent received from the Defence Services in August, 1960. Delivery of stores was desired by the indenter between April, 1962 to October, 1962.

10.54. On 21st July, 1961, the Director General received a telegram dated 20th July, 1961 (followed by a letter dated 18th July, 1961 received on 22nd July, 1961) from one of the firms stating that the price of Rs. 22-10 per blanket quoted by them was exclusive of excise duty which would be charged extra. The firm's contention was accepted in respect of an order covering 77,000 blankets and the price amended to Rs. 23-37 each (inclusive of excise duty).

10.55. As regards another order for 33,000 blankets, which had also been placed with the firm, they alleged that the dates of delivery as specified in the order varied from that stipulated in the tender (i.e. delivery by 31st August, 1961 had been specified instead of in April, 1962); this order was then cancelled without any financial repercussions, and the cancelled quantity was later repurchased from the same firm on 18th August, 1961 with certain other quantities indented for by the Defence Services in June, 1961, at a negotiated rate of Rs. 23-25 each.

10.56. The Ministry of Law who were subsequently consulted at the instance of audit, expressed the following opinion (October, 1963):

- (i) In respect of the order for 77,000 blankets, the contract had been concluded by the order dated 18th July, 1961, which had already been issued before the receipt of the firm's modified offer.
- (ii) In respect of the order for 33,000 blankets, there was no concluded contract owing to the variation in the terms of delivery shown in the order with those offered by the firm in their tender.

10.57. The extra payment of Rs. 97,790 for excise duty against the order for 77,000 blankets was thus unjustified.

10.58. In respect of the second order for 33,000 blankets, the *suo moto* change in the date of delivery made at the time of placing the order involved Government in an extra expenditure of Rs. 37,950.

10.59. The Committee desired to know why revision of prices was allowed to the firm after the contract had been mailed, without ascertaining the legal position first. The witness stated that in this case also the same officer was at fault (referred to in connection with para 82 of Audit Report). The rules provided that the only means of communication recognised for acceptance of tenders were telegram or registered letters and the rules are quite definite that express

delivery letters are not to be sent. In this case, the error was committed, in sending an express delivery letter as a result of which the tenderer had the opportunity to change the offer. That was the first default. The Committee desired to know how the tenderer took advantage of the issue of express letter to change the offer. In a note furnished (Appendix XXVI) by the Department of Supply & Technical Development, it has been explained that in the case of express delivery letter, neither the sender nor the Post Office of issue is in possession of documentary proof of having despatched the communication whereas it is not so in the cases of telegram|registered letter|certificate of posting. In the present case, the firm denied having received the advance tender forwarded with the express letter. The second default was that the delivery date was changed from the original period given in the tender notice to immediate delivery, which again resulted in the suppliers claiming that the contract was not in force and it had to be renegotiated.

10.60. In reply to a question the witness stated that this matter was not referred to Vigilance Department. There was no *mala fide* in this case. It was just a case of violation of rules by a temporary officer. This case was also being reported to the head of the public sector undertaking (where the officer had gone) and a letter was under issue.

10.61. The Committee understand from Audit that in these cases, the Post Master, Mirzapur did, in fact, confirm delivery of two express delivery letters to the firm on 20th July, 1961. The Committee fail to understand how the firm's statement regarding the non-receipt of the advance Acceptances of Tender was accepted by the Department and why legal opinion was not obtained before agreeing to the increase in the price of the first contract. In the second case, the variation in the dates of delivery helped the firm in wriggling out of the contractual obligation, leading to the cancellation of the contract without financial repercussion necessitating repurchase later from the same firm at enhanced rates. The effect of this was that the Government was put to a loss of Rs. 1.36 lakhs.

Another point which the Committee note is that in the first contract, the price of Rs. 22.10 per blanket previously quoted by the firm as 'inclusive of excise duty' was, as a result, modified as 'exclusive of excise duty; this price finally worked out to Rs. 23.37 after taking into account the excise duty. In the case of the second contract which was cancelled, the cancelled quantity was repurchased from the same firm as a result of negotiations at Rs. 23.25 per blanket only inclusive

of excise duty. In the face of these facts, it is difficult for the Committee to rule out the possibility of *mala fide* in this case. The Committee, therefore, feel that an inquiry should be made in this case with a view to fixing responsibility and the results communicated to the Committee and to the Public Sector Undertaking where the officer is now working.

***Finalisation of prices without reference to cost of production—
Para 84 of Audit Report (Civil), 1965—Pages 107-108.***

10.62. In August, 1958 and March, 1959, the Director General, Supplies and Disposals, entered into two agreements with the Indian Copper Corporation (the only indigenous manufacturer) for the supply of indigenous fire-refined copper ingots. The prices were to be based on average London Metal Exchange Price (spot quotations) of electrolytic copper of the month previous to the month in which the supplies were effected with an addition for freight, insurance and landing cost at Indian ports (£15 per ton in respect of the first agreement and £10 per ton in the case of the second), and for profit at 3½ per cent on the c.i.f. cost. It came to notice in 1960 when a third agreement was being negotiated with the firm that as the London prices referred to in the earlier agreements related to "electrolytic copper", a rebate could have been claimed in fixing the prices for "fire-refined copper" which was to be supplied under the agreements. The extra payment for the quantity of 19,796 cwt. supplied by the firm against the 1958 and 1959 agreements amounted to Rs. 59,400 (computed on the basis of the rebate of £4-10sh. per ton secured from the firm in respect of the 1960 agreement).

10.63. It has been stated by the Director General, Supplies and Disposals (July, 1962) that they were not aware of the price differential at the time of concluding the agreements of 1958 and 1959.

Further, the element of £15, per ton for freight, insurance and landing cost at Indian ports, included in the 1958 agreement, was based on certain verbal enquiries reported (June, 1958) to have been made by the Development Officer (Metals) of the late Ministry of Commerce and Industry from the Director of the British Metal Corporation (India) Private Limited, Calcutta, the agents of copper manufacturers in Rhodesia; the rate of £10 per ton in the 1959 agreement was based on a similar provision stated (February, 1959) to have been included in an agreement concluded by the State Trading Corporation for the purchase of electrolytic copper. In the 1960 agreement, however, the rates for freight, insurance, etc., were to be obtained by the firm from the British Metal Corporation (India)

Private Limited, every month; the rates so ascertained were to form the basis of payment to the firm. A rate of £8-16sh. per ton, was thus paid in respect of the 1960 agreement, as compared with rates of £15 and 10 per ton respectively allowed in the 1958 and 1959 agreements. The extra payments to the firm on the basis of this comparison would work out to about Rs. 48,000.

10.64. The Committee desired to know why the price differential between electrolytic and fire refined copper was not known to the D.G.S.&D. The witness stated that this appeared to have been a case of ignorance on the part of a Development Officer from whom advice was taken. This was rectified by D.G.S.&D. themselves in the course of subsequent years.

10.65. Explaining how the mistake occurred, the Secretary, Ministry of Industry and Supply (Department of Supply and Technical Development) stated that the local manufacture was of a very small quantity. It was found that at that time, sometimes the price of electrolytic copper was higher while at other times the price of fire-refined copper was higher depending apparently on their availability. The quotations from London were generally for electrolytic copper and not for fire-refined copper. No price was quoted for the fire-refined copper at that time. Therefore those who negotiated for this agreement accepted the price of the electrolytic copper. The very next year when they came to know that S.T.C. had paid a smaller amount for cover the C.I.F. for a contract negotiated by them, they came to realise that there was a price differential between fire refined copper and electrolytic copper. Therefore they, themselves, claimed a rebate and got it. This was only a case of ignorance and no *malafide* was involved.

10.66. In a Memo (Appendix XXVII) submitted subsequently in this connection by the Ministry of Industry & Supply (Department of Supply & Technical Development) it has been stated that the London Metal Market Exchange rates were given separately for copper fire refined and commercial quality copper with effect from 1st July, 1963 only in the Magazine "The Eastern Metals Review" published at Calcutta.

10.67. The Committee pointed out that since the officer in the D.G.S.&D. was a technical man who knew the difference between electrolytic copper and fire refined copper, he should also have known which was costly and which was cheaper, which was better and which was inferior. The witness stated that copper was a highly speculative commodity and its price depended upon demand and supply. It was not possible for a Development Officer to say

at a particular time whether electrolytic or fire-refined copper would be cheaper especially when the quotation available was only for electrolytic copper.

10.68. The Committee desired to know if the price of electrolytic copper was not always higher than the price of fire-refined copper. The witness stated that it was not so and it depended on the cost of production. In May, 1960, the quotation for fire-refined copper was from Rs. 160 to Rs. 181 whereas the price of electrolytic copper was Rs. 166. Possibly the world was going very much more towards the manufacture of electrolytic copper and the manufacture of fire-refined copper was being given up in many cases. On being asked if the cost of production of electrolytic copper was more than the cost of production of fire refined copper, the witness stated that it might be 'probably so'. But it was possible that there was some subsidy given to fire-refined copper.

10.69 The Committee are of the opinion that since the Department has a technical Branch with fully qualified technical officer, they should have known that there is difference between electrolytic copper and fire-refined copper and the possibility of price differential should have attracted the notice of the technical organisation in the D.G.S.&D. Had this price differential been taken note of in time extra expenditure of Rs. 59,400 could have been avoided. The Committee hope that such cases will not recur.

Purchase of Boots Combat—Para 85 of Audit Report (Civil), 1965—Pages 108-109.

10.70. Against an urgent demand for the Armed Forces, the Director General, Supplies and Disposals placed orders in January, 1963, on the basis of negotiations, for the purchase of 2,63,070 pairs of Boots Combat valued at Rs. 106.60 lakhs, on two firms 'A' and 'B'. The firms agreed to make supplies at the rates at which they had already been supplying boots in sizes 5 to 12 against their earlier contracts with the Directorate General (*viz.* Firm 'A' @ Rs. 40.50 per pair, exclusive of 10 per cent excise duty and Firm 'B' @ Rs. 42.95 per pair inclusive of excise duty), but as there was scarcity of hooks, they agreed to reduce the prices as shown below to allow for the use of eyelets instead of hooks.

Firm 'A' for 1,60,000 pair @ Rs. 40.09 (exclusive of 10 per cent. excise duty).

Firm 'B' for 1,03,070 pairs @ Rs. 41.30 (inclusive of excise-duty).

The reduction in price secured from firm 'A' was thus only Re. 0.50 per pair as against Rs. 1.65 nP. per pair secured from firm 'B'. This involved payment of higher prices amounting to Rs. 1.84 lakhs to firm 'A'.

10.71. In reply to an audit enquiry made in October, 1963, it was stated by the Director General (October, 1964) that "no useful purpose would have been served by further negotiations with them on the subject nor was there any time to do so in the face of an operational demand."

10.72. The contracts were initially placed for boots in sizes 6 to 11; but later, on the advice of the Defence Inspectorate, the quantities ordered in sizes numbers 6 to 11 were changed to 7 to 12, to accommodate the use of more than one pair of socks. Firm 'B' agreed to supply the revised sizes without any extra charge, but firm 'A' was allowed an extra charge of Rs. 1.50 per pair on all sizes of boots. As stated above, both the firms had agreed to make these supplies at the rates provided in the earlier contracts which covered sizes 5 to 12. There was thus no justification for the payment of extra charge to firm 'A', which amounted to Rs. 2.40 lakhs.

10.73. As a result of an audit objection, an attempt was later made (September, 1964) by the Directorate General to persuade the firm to refund the increase drawn by them, but the firm did not agree.

10.74. The Committee desired to know the reasons for securing in-adequate rebate from the firm 'A' for using eyelets in place of hooks. The Committee were informed in evidence that during the period December, 1962—January, 1963, Indian troops had to fight at higher altitude in the North-East Frontier and Rubber—Protected Shoes with fleece lining were very important. There were only two possible suppliers in the country viz firms 'A' and 'B' and Government had to place the orders on these two parties. Firm 'A' in their letter dated 1st December, 1962 had categorically stated that 0.50 Paise was the maximum rebate that they were willing to give on this score because of the absence of hooks and were not prepared to give any further rebate. In these circumstances Government could not do anything very much further to press them because then the risk was that Government might not have secured protective boots for the army.

10.75. In reply to a question the witness stated that deliveries required in the indent were 78,000 pairs between December, 1962

and March, 1963; 39,000 pairs between October, 1963 and March, 1964 and 39,000 pairs between April and September, 1964. But later on, after the North East Frontier incident. Additional Secretary Ministry of Defence wrote to D.G.S. & D. on 17th December, 1963 saying that it would be necessary to step up the rate of delivery of this item to 50,000 pairs a month for at least a few months because it was necessary to protect the troops in snowbound areas. Therefore, Government had to go all out to try and get the best supplies they could.

10.76. The Committee desired to be furnished with a note as to when the first delivery of boots was made by firm 'A'.

10.77. In a note furnished by the Ministry of Industry & Supply (Department of Supply & Technical Development Appendix XXVIII) it has been stated that the first delivery of boots combat was made on 18th March, 1963 by firm 'A'.

10.78. The Committee enquired by D.G.S. & D. wrote to firm 'A' subsequently to reduce the prices of certain items and what was the result thereof. The witness stated that after an Audit objection was received in October, 1963, an attempt was made to secure a reduction in price but that was not agreed to by the firm.

10.79. Asked a question, the witness explained that the Defence Inspectorate said as a result of experience in the North-East Frontier, that troops, particularly people from areas who were not used to the cold, should wear even 3-4 socks in order to protect them from cold. Therefore the Inspectorate at Kanpur without referring to D.G.S. & D. Contacted both the suppliers and asked them to give the higher sizes rather than the lower sizes. The original sizes of 5-12 would have meant an average of $8\frac{1}{2}$. That was why the boots that were supplied were of larger size. They needed extra rubber and fleece.

10.80. When the Committee pointed out that the sizes 7-11 remained constant, the witness stated that the explanation given and the explanation which was put up to the Finance before the increase of Rs. 1:50 per pair was accepted was that one price for a number of sizes did not go on the average. They had calculated the cost on an average of $8\frac{1}{2}$ sizes on the basis of which they quoted the price. Now the average size worked out to $9\frac{1}{2}$. Therefore, the cost of production was higher as more fleece and rubber adhesive etc. were required. The firm had asked for increase of

Rs. 2.40 per pair which included Rs. 1.50 on account of cost of increased fleece. They were persuaded to give up to this claim partly, but they insisted on Rs. 1.50 per pair towards cost of increased fleece. The Inspector of Stores certified this amount as being reasonable taking in view the material that was required and concurrence of Ministry of Finance was obtained.

10.81. The Committee enquired whether the increase was given to both the firms. The representative of the Ministry stated that when the Inspector Defence Inspectorate approached the other firm 'B', he was able to persuade them to accept the order without any price increase. D.G.S. & D. did not know that the officer had approached the firm 'B' also. If they had known that firm 'B' had agreed to increase the size without raising the price, they could have put it to firm 'A' that they should also not ask for the increase in the price. But there being only two companies, and firm 'A' being the larger one, they were practically in a monopoly position and Government were therefore, not in position to really negotiate.

10.82. Asked a question the witness stated that an order had already been placed with the firm 'B'. The capacity of firm 'B' was must smaller than firm 'A'. But as a result of efforts made by D.G.S. & D.—as this was a requirement for Indian troops—both firms had agreed to increase their capacities—20,000 in the case of firm 'A' and 18,000 in the case of firm 'B'.

10.83. When the Committee pointed out that there was not much difference in the capacity of the two firms, the witness stated that actually at that time, D.G.S. & D. did not know the concession which firm 'B' had extended because the approach was made by the Army authorities without the knowledge of D.G.S. & D.

10.84. The Committee pointed out that if there had been any change in the agreement it should have been known to D.G.S. & D. as they had placed the order and they were bound to know any variation in price etc. The witness admitted that there had been a failure on the part of D.G.S. & D. They should have made enquiries from Army Authorities when they (Army Authorities) asked for a change in sizes whether the same thing was not required of firm 'B'. They did not ask this question. Only when Audit pointed out this thing to D.G.S. & D. in October, 1963, they made inquiries from the Army Authorities.

10.85. Asked a question the witness stated that the D.G.S. & D. did not negotiate with these parties. It was the Army people who

did it directly. Firm 'A' asked for an increase in price and they brought it to the notice of the D.G.S. & D. In the case of firm 'A' the Chief Inspector of Textiles and Clothing confirmed to D.G.S. & D. on 14th May, 1963, that an increase in price of Rs. 1.50 per pair was wanted. This was discussed in the Ministry and with Financial concurrence the agreement was amended giving an increase in price. Another important point raised by the Army Authorities was that as the boot had to be used with 3 or 4 pairs of woollen socks, the dimensions of the boot should be increased and this would provide additional space.

10.86. The Committee pointed out that the only point was that firm 'B' could be persuaded to agree to this change, while Firm 'A' could not. The witness stated that these two were the only suppliers. They were having some kind of monopoly position and D.G.S. & D. negotiated as far as they could. They could not get more out of them.

10.87. The Committee enquired whether some action was contemplated against the firm 'A'. The witness stated that it was a question of competition. When other people preferable to firm 'A' were found, orders were placed with other people. In this case they were the only two suppliers. When limited number of suppliers were only there, it was difficult to get the same price from all the three or four. It was a matter of negotiation. Either Government did not have their supplies or they paid the price. The witness added that there was no third supplier. These were very specialised stores and difficult to make.

10.88. In reply to a question he stated that quite often orders were placed with firm 'A' for non-operational requirements, where they were competitive.

10.89. To a question, the witness stated that they would certainly consider taking action against firm 'A' in respect of future orders as they had taken advantage of the Government's weak position in the present case.

10.90. The Committee feel unhappy over the manner in which this case has been dealt with by the D.G.S. & D. They regret to note that no efforts were made to persuade firm 'A' to agree to the variations in the sizes of boots without an increase in the contract prices, even though firm 'B' had actually agreed to this when approached. In regard to the use of eyelets in place of hooks also, the Committee feel that there was still scope for negotiating an increase in the rebate of

Rs. 0.5 per pair actually allowed by firm 'A' to Rs. 1.65 per pair agreed to by firm 'B', as they do not think that such a vast difference like this was justified in the prices of specific items like eyelets and hooks. In the matter of supplies for the Defence Forces, the Committee would not like Government to be placed in a weak position vis-a-vis suppliers in India on the ground of their being monopolists. Government, should, therefore, contemplate taking suitable action against the firm which took advantage of Government's weak position in the present case, in respect of future orders. They hope that Government will also take remedial measures against such situations arising in future.

10.91 The other aspect of the case which is regrettable is the absence of liaison between the Defence Authorities and the Department of Supply & Technical Development. It is indeed surprising that the Army Authorities negotiated with firm 'B' for price reduction and D.G.S. & D. knew nothing about it. The Committee would like strict instructions to be issued to all Government Departments so that the closest liaison is maintained between the Indentors, Suppliers and the D.G.S. & D. with regard to all Government indents.

India Supply Mission, London

*Non-Verification of contractors Documents as provided in contract—
Para 86—Pages 109-110.*

10.92. (A) The contracts concluded between September, 1956 and November, 1958 under a licence agreement with a firm in the U.K. for manufacture of an equipment in India contained a provision that the stores manufactured by the firm would be delivered at prices not less favourable than those given by the firm to its other licencees or favoured customers, excepting Her Majesty's Government; it was, however, stipulated that the firm would "provide reasonable facilities to Government of India to enable the Government to satisfy itself that the prices are fair and reasonable."

10.93. An attempt to verify the prices in respect of certain items was made only in September, 1961 (two years after Audit had drawn attention to the matter); but no satisfactory check could be conducted since the firm refused to furnish certain detailed data regarding cost, on the ground that they were not being furnished to any customer including the British Air Ministry.

10.94. In July, 1963, Government accepted the view taken by the I.S.M. that the exercise of the rights under this clause was to be made only in those cases where there was sufficient reason to

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believe that the prices were not reasonable. The amount paid to the firm upto October, 1964 against the contracts without any verification of costs amounted to £2,020,170 (Rs. 2.69 crores) representing more than 90 per cent of the total value of the contracts.

10.95. (B) Under a licence contract concluded with a second firm for manufacture of another equipment, orders were placed on the 26th February, 1958 for tools and fixtures valued at £102,874 (subsequently increased to £134,421). There was a provision in the contract:

"That, should the Government of India so wish, the Contractor's documents can be examined by the Technical Cost Department of the British Ministry of Supply, and/or the corresponding representatives of the Government of India, and contractor will provide all facilities for this examination to be carried out."

On the 6th March, 1958, the firm intimated that their promise regarding the inspection of documents extended to estimates of cost only and did not cover other documents. As a result of discussion with the firm, the above clause was amplified to provide that normally the examination would be confined to scrutiny and examination of the estimates by the Technical Cost Department of the Ministry of Supply and/or the representatives of the Government of India. It was also agreed that where additional explanation was needed to explain genuine doubts, the firm would supply the explanation from actual figures but that such cases would be "limited to those where either large differences exist or where a fundamental principle is involved."

10. 96. No steps were initiated for a cost examination till Audit pointed out the omission in March, 1960. In October, 1962 the firm agreed to make available all documents generally supplied by them in similar cases to the British Ministry of Supply but added that all records were not available at that late stage. Both the U.K. Ministry of Aviation and the Hindustan Aircraft Ltd., who were requested to scrutinise the cost documents expressed their inability to do so; the U.K. Ministry of Aviation intimated that their Technical Cost Directorate was short of staff while the Hindustan Aircraft Ltd., stated that they were not in a position to prepare any estimate of the cost as the method of manufacture at their end widely differed from the methods employed by the foreign firm. The I.S.M. then accepted the proposal of the firm to furnish a certificate from their Commercial Auditors regarding the basis of pricing. The Auditors in their certificates (produced in January, 1964)

stated that they were not able to express any opinion as to the labour hours or the cost of material used in the estimates.

10.97. The total amount due under the contract (Rs. 17.92 lakhs) has been finally paid to the firm.

10.98. The Committee desired to know about the delay in taking action to verify the reasonableness of prices charged by the firm and about the payment of about Rs. 2.69 crores by Government without verification.

10.99. Explaining the present case the witness stated that orders were issued by the Defence Forces that they wanted to buy certain quantity of equipment. Generally, these were proprietary items and therefore, Government's bargaining position was weak. The foreign firms "accept sometimes a cost-examination clause; if they are short of orders, they want to sell more. When the actual verification is put through they make things extremely difficult."

10.100 The Committee are surprised at the explanation given because:—

- (a) This is not the first time that such a clause was inserted;
- (b) The fact that the item involved was of proprietary nature was also not unknown;
- (c) If the insertion of such a clause does not serve any practical use, the Government should have devised some other means of safeguarding its position;
- (d) In any case the Government's rights, to information and verification should have been tested in a Court of Law if the party was not co-operating, in view of the huge amount involved.

The Committee feel that effective steps should have been taken to implement the price verification clause.

10.101. The Committee desired to be furnished with a note stating the reason for the delay of two years to verify the prices in this particular case. Ministry of Industry & Supply (Department of Supply & Technical Development) has submitted a note (Appendix XXIX) stating the reasons for the delay of 2 years to verify the prices. Referring to this note, the Committee enquired whether there was no check or review of cases periodically in the India Supply Mission, London to see if any action was pending in any particular case and if so why no action was taken for 23 months (June

1959 to May 1961) in this case (Contract No. H-1081). The witness stated that there were prescribed procedures for the review of pending cases. He, however, added that in these cases the price build up could be examined only after the supplies were made because there was always the question of price variation. The witness further added that in the case of sub-para 'A' of para 86 of Audit Report (Civil), 1965, these were fixed price contracts regarding the Engines. In the fixed price contracts, in the case of 6 Engines, the Hindustan Air Craft Limited which had the financial authority to accept the price, had accepted the price quoted by the suppliers. In the course of their own negotiations, the supply Department only tried to improve the terms which were offered. The prices in these two cases relating to sub-para 'A' were actually related to that original contract. In respect of the original contract, the British Government's Ministry of Aviation certificate was obtained that price charged for the engines was fair and reasonable. Action was taken at the appropriate time to see what was the implication of the price variations. The witness, however, admitted that if the matter had been pursued a little earlier, more information could have been obtained in regard to the actual expenditure. Much time was spent in making some investigations in this regard. Finally the difference which they could not fully account for was £1800. The Company stated that there was no justification in the case of fixed price contracts which had been entered into after negotiation in the first stage, for any body to come along and ask for an inspection of their books and so on. However, eventually the company did make available some information at the last stages but there was still some amount which was unaccounted for.

10.102. The Committee enquired whether there was no system in the India Supply Mission, London to follow up closely whether the particular conditions of contract were being implemented or not (between June 1959 and May 1961 no action was taken in this case viz., contract No. 1081). The witness stated that (in May, 1961 when audit wanted cost examination in this) in another case the India Supply Mission, London wrote to the Ministry of Industry and Supply asking whether a cost accountant would be sent or whether a certificate from the Ministry of Aviation using the facilities of the British Government might be obtained. In reply, the Ministry stated that there was no need for a cost accountant to go to London because that would be much expensive and unless there were reasons to believe that prices were exorbitant or unreasonable it was not necessary to go into any detailed cost examination.

10.103. The Committee were further informed in evidence that for a considerable time, only two officers who were responsible at the

Director and Deputy Director levels were dealing with the notes contained in the file relating to these contracts. The file had not come to anybody else for a considerable time. The C. & A.G. stated that these officers were "representatives of HAL sent to progress these contracts and to see that deliveries are made at proper time and adequate and correct supplies are made. It was more or less an individual's jobs because of the technical competence and technical ability involved." Nobody really was responsible under him for not taking action for 23 months except the technical officer. In this particular case the direction should have come from the top.

10.104. The Committee are not convinced with the arguments advanced for the delay of 23 months in this case. The procedure followed in India Supply Mission, London in such matters leaves much to be desired because under the existing procedure there is every possibility of failure to pursue cases in the event of transfer or retirement or resignation of the concerned officers. The Committee therefore, desire that steps should be taken to improve the present procedure so that such serious delays are avoided in future.

10.105. Asked a question, the witness stated that Hindustan Aeronautics Ltd. was an autonomous body and could buy air craft from abroad. They preferred to buy them through India Supply Mission, London otherwise they would have to have a separate organisation. As the India Supply Mission, London did the work of H.A.L., officers from the H.A.L. were taken for this purpose. As regards the three officers involved, one of the officers was still in Government service and was in the H.A.L. If as a result of the investigation, he was found guilty of inordinate delay, the matter would be reported to H.A.L. for taking action. As regards the other two, no action could be taken as they left the service of H.A.L.

10.106 The Committee desire that a thorough investigation should be made immediately for the lapses in this case. The Committee may be informed of the results of investigations and action taken against the officers found guilty.

XI

MINISTRY OF TRANSPORT AND AVIATION

Loan to the Delhi Educated Persons' Cooperative Transport Society Ltd.

Para 24, p. 22 (Page 199—Appendix VII)—Audit Report (Civil), 1965
11.1:

(In lakhs of rupees)

Name of the loanee	Amount outstanding on 31-3-64		Earliest period to which the arrears relate
	Principal	Interest	
Delhi Educated Persons' Cooperative Transport Society Ltd.	1.02	0.31	1962-63

11.2. The Committee desired to know the position in regard to the repayment of loan by the Delhi Educated Persons' Cooperative Transport Society Ltd. The representative of the Ministry stated that the loan was repayable in five instalments. Instalments could not be paid as the society was running at a loss. In about six months from the date the first instalment fell due, the society had gone under Liquidation. Asked whether the amount of loan was secured or unsecured, the witness stated that this was a pilot scheme and the sanctioning order giving the loan said that the Delhi Administration would have the loan agreement signed. However, the agreement could not be signed till the date of the liquidation of the society. In reply to a question, the witness stated that the loan was given in April, 1962 and the society went into liquidation in Nov., 1963. The witness admitted that between April, 1962 and November, 1963 the agreement could not be signed. Explaining the reason, the representative of the Ministry stated that the agreement was to be executed by the Delhi Administration with the society incorporating the terms and conditions of the loan. The draft of the agreement received from the Delhi Administration was sent to the Delhi Administration along with the sanctioning order. It was received

back from the Delhi Administration who said that the agreement came into conflict with one of the local laws—the Usurious Loans Act, 1919. The agreement was, therefore, modified and sent back again in June, 1963.

11.3. The Committee enquired the reasons for giving the loan to the society before signing the agreement. The witness stated that this was a pilot project and Government was anxious to start it with the least possible delay. This was one of the three or four pilot projects taken up throughout the country for helping educated unemployed persons by forming them into co-operative societies. There were fifty members in this society.

11.4. As regards the work done by the society, the Chief Secretary, Delhi Administration stated that this society purchased trucks from out of the loan advanced by Govt. of India. Those trucks were plied all over the country. The witness added that after scrutinising the affairs of this society he found that most of the members had not deposited their share money which was Rs. 1,000 per head. The members of the society had been taking advances without any genuine purpose. The trucks were being plied in places like Gorakhpur and Kanpur without the income being regularly credited to the accounts of the society. They also incurred haphazard expenditure on miscellaneous repairs to vehicles at various places and submitted chits which could not be verified. Due to all these irregularities committed by the society, Government decided to wind up the society.

11.5. There was another major irregularity committed by this society. They were required to repay their loans in instalments but this obligation was not fulfilled.

11.6 In reply to a question, the witness stated that Rs. 3.39 lakhs was given to this society as loan and they did not repay this amount. After the society had been wound up, the trucks belonging to the society were auctioned and the amount thus realised was credited to Govt. account.

11.7. The Committee desired to know the financial position of the society at the time of liquidation. The witness stated that the liquid cash had disappeared. They had issued a charge sheet to the Secretary of the society who was an officer of the Delhi Administration in the grade of Rs. 210-425 and had also lodged a report with the police. He added that they also wanted to proceed against the members of the society who had been misusing the trucks. No evidence was, however, forthcoming as it was very difficult for them to find facts from places like Gorakhpur and Kanpur where the trucks had been taken.

11.8. The Committee desired that a note might be furnished giving all facts from the beginning as to how the loan was given to the society; why agreement was not executed, why the society went into liquidation, what were the assets of the society; what were the chances for recovering the money and what action, if any, was taken against the officers. The Committee also desired that a copy of the bye-laws of the society might be furnished. The information is still awaited.

11.9. In this case the Committee are perturbed to find that a number of irregularities had been committed which are summarised as follows:

1. Loans had been advanced to the society without entering into any agreement.
2. Most of the members of the society had not deposited their share money which was Rs. 1,000 per head.
3. The members of the society had been taking advances without any genuine purpose.
4. The trucks were being plied in places like Gorakhpur and Kanpur without the income being regularly credited to the accounts of the society.
5. The members of the society incurred haphazard expenditure on miscellaneous repairs to vehicles at various places and submitted chits which could not be verified.
6. Obligation to repay loan in instalments had not been fulfilled.

11.10 The Committee regret that Government failed to watch the working of the society and ultimately the society went into liquidation. The Committee consider it a serious lapse on the part of the authorities to have advanced a loan to this society without entering into an agreement with them.

11.11 The Committee desire that thorough investigation should be made in this case and the possibility of launching prosecution against the members of the society should be examined. They should be informed of the action taken in due course. It is most regrettable that a society formed of the educated unemployed should give such a poor account of itself. The Committee are sorry to observe that this example would discourage Government from launching any such project for helping the educated unemployed persons.

Border Roads—Irregularities in muster rolls, Para 63, page 80, Audit Report (Civil), 1965

11.12. Under the works and accounting procedure for the construction of Border Roads the Commanders, Task Forces are empowered to employ skilled or unskilled labour on an "as required basis".

In the engagement of such labour by a Task Force, certain procedural and financial irregularities were noticed by Audit during February-March, 1962.

11.13. A court of enquiry convened in May, 1962 to investigate the irregularities recorded that it could be reasonably concluded:

(i) that payment on muster rolls/casual personnel bills had not been made correctly in every case; and

(ii) that the labour shown as employed had not been employed to the fullest extent in all cases.

11.14. It has been intimated by the Border Road Development Board in December, 1964 that the Special Police Establishment, which was asked to investigate into these irregularities, had completed their investigation and that the papers were now being examined by the Central Vigilance Commission. Pending the result of this examination, departmental proceedings against the delinquent officials had been held over.

11.15. The Committee desired to know the finding of the Special Police Establishment/Central Vigilance Commission who enquired into procedural and financial irregularities committed by the Task Force. The Secretary, Deptt. of Transport, Shipping and Tourism, stated that the latest position was that on the advice of the Central Vigilance Commission, charge-sheets were filed in the court of Sub-Judge, Gauhati, on 28-5-65 against three of the five officers who were considered to be implicated in this case. One was an Executive Engineer and two were Assistant Executive Engineers. About the fourth man who was a Task Force Commander of the rank of Superintending Engineer, there was no evidence to justify his prosecution. The Central Vigilance Commission had recommended that departmental action should be taken in regard to the fifth man.

11.16. In reply to a question, the Secretary, Border Roads Development Board, stated that the S.P.E. submitted the report on 20-11-64 and the Central Vigilance Commission sent their recommendations to the Home Ministry first on 30-1-1965. In regard to one particular case, there was a little delay as some time was taken in deciding whether that case could be dealt with departmentally or not. In regard to that particular officer's case, the recommendations of the Central Vigilance Commission were sent to the Defence Ministry on 11-5-1965. The charge-sheet was filed before the Special Judge, Gauhati, on 28-5-1965 against three officers. With regard to time

taken in filing the charge-sheet, the witness explained the procedure and stated that when it was decided to prosecute those officers and file a charge-sheet, the same had to be prepared by the legal branch attached to the S.P.E. After that, it is submitted to the Ministry concerned. In this case the Ministry happened to be the Defence Ministry. In the Defence Ministry in the case of service (Army) officers, the Adjutant-General's Branch, the Judge-Advocate General and the Chief of the Army Staff have to be consulted. That process of consultation took some time. In reply to a question, the witness stated that one of the officers was an army officer and two were civilian officers.

11.17. The Committee enquired about the amount involved and charges against those officers. The witness stated that the charges were those of committing conspiracy with the object of obtaining irregular advances and abuse of official position. The amount involved had not been mentioned in the charge-sheet. They did not know the exact amount involved in this case. The number of muster rolls which came under scrutiny related to the period February 1961 to December, 1961. Total value including payment made to genuine persons was Rs. 3.08 lakhs approximately. The S.P.E. did not contest that the entire labour was fictitious.

11.18. The Committee desired to know the total amount sanctioned for the project where the irregularities had taken place, the actual amount spent and the amount defalcated. The witness stated that he had the figures for the project as a whole for that area but he did not have the figures as to what was the total amount spent. He added that it would be extremely difficult to find out the value of work done and the money spent on it. The loss in terms of money would be the loss in respect of fictitious payments made. In reply to a question, the witness stated that they did not make any assessment of the loss sustained by the Government.

11.19. The Committee regret to note that the Ministry of Transport does not know the loss which the Government had suffered as a result of irregularities disclosed in this case. They feel that efforts should have been made by the Ministry of Transport to find out the amount of money defalcated in this case. They desire that after the *modus operandi* adopted in this case in committing the irregularities are analysed, preventive measures should be taken to guard against such cases arising in future.

11.20. Giving a brief history of the case, the witness stated that there were a number of muster rolls and the irregularities committed were also large in number. Some of them were placed before the court of enquiry even before the Chinese aggression took place. They tried to get some finger-print experts to look into those cases in order to establish which of them were fictitious. But before the finger-print expert's advice could be obtained, the Chinese attack came in. Since the people at that time had to be evacuated under orders of the Army, when it was done, some of the documents belonging to the court of enquiry and also some other documents pertaining to various cases of other units were lost. On the loss of documents they had a further court of enquiry as to how and under what circumstances those documents were lost. Three officers had gone into those cases. According to their findings no further probe was necessary. Those officers were satisfied about the circumstances under which the documents were lost. The witness added that as far as individual officers were concerned, there were one or two procedural irregularities for which they had been warned to be more careful in future.

11.21. On being pointed out by the Committee that the police had complained that there was some charge against the officer who conducted the court of enquiry, the witness stated that the police had registered a case against that particular officer 8 to 9 months after the enquiry committee had gone into the matter.

11.22. The Committee enquired the purpose of the court of enquiry and the exact terms of reference given to the court of enquiry. The witness stated that the terms of enquiry were to investigate the alleged financial irregularities—irregularities in regard to a certain number of muster rolls which appeared to be fictitious and certain local purchases made by not following the prescribed procedure. The Secretary, Deptt. of Transport, Shipping and Tourism, stated that in this case the administrative check failed as even individual at the top, the Task Commander was involved. It was second check viz. Audit, which detected this.

11.23. The Committee regret to observe that investigations against officers who had committed financial irregularities in the engagement of skilled and unskilled labour were completed after a period of three years. It shows that such a serious case was dealt with in a routine manner. They deprecate the way in which this case had been handled at different stages.

11.24. During evidence, it was stated that the charge-sheet against three officers was filed before the Special Judge, Gauhati, on 28-5-1965. The Committee would like to know the result of the prosecution launched against these delinquent officers.

11.25. The Committee are surprised to learn that there were charges against the officer himself who conducted the Court of Enquiry. They feel that it is necessary to find out whether, in these circumstances, the Report of the Court of Enquiry was a full, fair and complete one.

11.26. The Committee enquired whether the irregularities had been noticed elsewhere also. The witness stated that there was "one more serious case in the NEFA area" which had been investigated by the SPE and in that case the prosecution had either been launched or was due to be launched. This case took place towards the end of 1962 and investigations were started when the then Prime Minister received some anonymous complaints. The Committee desired that a detailed note giving full facts of the case other than the one referred to in the audit para pertaining to falsification of muster rolls might be furnished. The note might state when the case came to the notice of the Ministry, what steps were taken by the Ministry; the present position of the case and the amount involved.

11.27. In the note* furnished by the Department of Transport, it is mentioned that the present position of the case is that concurrence of the Ministry of Defence to prosecute two officers in the Court of Special Judge has been given on 5-2-1966. The Central Vigilance Commission would now write to the Ministry of Home Affairs to issue sanction for prosecution of the two officers in the Court of the Special Judge. The SPE would then file charge-sheets in the Court against these two officers.

11.28. The Committee would like to be appraised of the result of the prosecution. They would also like that this complicated and dilatory procedure should be simplified with a view to prosecuting the guilty persons expeditiously.

Unnecessary grant of a loan—para 107, pp. 150-151. Audit Report (Civil), 1965

11.29. On 18th October, 1962, Government agreed to extend a loan of Rs. 144 lakhs to the Madras Port Trust during the currency of the 3rd Five Year Plan, for their plan works on the understanding that such financing would be resorted to only after their own resources had been utilised to the fullest practicable extent.

11.30. Although the Port Trust had a balance of Rs. 200 lakhs in the revenue account at the commencement of the financial year

*Not vetted by Audit.

1962-63, a loan of Rs. 50 lakhs was released to them on 25th October, 1962 repayable in 25 years and bearing interest at the rate of 4½ per cent. In December, 1964, Government had stated to Audit that—

- (i) the loan was sanctioned as the Government of India had been given to understand by the Port Trust that they had already utilised their resources to the fullest possible extent and had even drawn upon the accumulation in their Renewals and Replacement Fund which were normally not intended for diversion to cover expenditure on capital project;
- (ii) a clear picture about the likely balance in the revenue account of the Port Trust was not available to the Department at the time they recommended the grant of this loan to the Ministry of Finance; and
- (iii) the fact regarding the availability of the balance came to their notice only towards the end of November, 1962.

11.31. The Committee desired to know how Government satisfied themselves about the eligibility of the Madras Port Trust to the release of the loan without examining the financial position from their accounts. The Secretary, Department of Transport, Shipping & Tourism, stated that before the grant of loan they asked the Madras Port Trust to let them know the financial position of the Port. The Madras Port Trust supplied the financial position to them in the prescribed proforma. That proforma did not have a column for reserves. Therefore the Port Trust forgot to mention Reserve of the order of Rs. 2 crores. This omission in the proforma has now been rectified.

11.32. On being pointed out by the Committee that sanction of Government was to be given after the Port Trust's own resources had been utilised to the fullest possible extent, the Chairman, Madras Port Trust, stated that in the Second Five Year Plan, many major works were undertaken in the Madras Port. The International bank for Reconstruction and Development had informed them that so far as rupee expenditure for Second Plan Schemes was concerned they must raise their own money to the extent possible. So all their surpluses were diverted to it. During the short span of four years from 1958 to 1962, they raised resources to the tune of Rs. 8 crores. In their budget estimate for 1962-63 which was framed earlier, they had estimated that balance might be of the order of Rs. 148 lakhs. Rs. 148 lakhs included Rs. 40 lakhs which were deposits paid by the users of the Port. The Port Trust had already drawn not only from its own revenue surplus but also from its revenue reserve fund as well as Renewal and Replacement Fund. Therefore, very little

money was left to finance their capital project works. Originally i.e. at the time they made an application for loan to the Government of India, in the budget estimates they had anticipated a balance of Rs. 148 lakhs. But at the end of the year, it turned out to be Rs. 200 lakhs. Previously for allotting Rs. 8 crores for plan schemes they had withdrawn from the Revenue Reserve Fund as well as from the Renewal and Replacement Fund. From Renewal and Replacement Fund they had borrowed Rs. 155 lakhs. This had to be repaid to that Fund. They had also to repay instalment of World Bank loan. Therefore, they applied to the Government for Rs. 258 lakhs for the Third Five Year Plan and requested the Government that Rs. 144 lakhs might be given for 1963-64.

11.33. The Committee desired to know why the Madras Port Trust borrowed the money at the rate of 4½% interest while they invested it at the rate of 3% interest. The Chairman, Madras Port Trust stated that the exact rate of interest at which they had actually deposited the money was not readily available. On being asked as to how did the Transport Ministry satisfy themselves that the resources of the Madras Port Trust had been utilised to the fullest extent possible before the grant of loan, the Secretary, Department of Transport, Shipping and Tourism stated that after giving the loan of Rs. 50 lakhs to the Madras Port Trust they realised that the resources were not fully utilised. Therefore, further loans were not given. In reply to a question, the witness added that according to the report submitted by the Port Trust at that time, they felt that perhaps a loan of Rs. 50 lakhs was at least justified. At present the resources of the Madras Port Trust were dwindling down to Rs. 25 lakhs. In 1965-66, it would be minus. Explaining the reasons for the grant of loans, the witness stated that in the earlier years from 1953-54 to 1957-58, they were giving loans to the port. When the Port Trust did not use its own resources in 1957, they did not give any loan. Subsequently when they came with a request that the money that they had got in their funds was not sufficient for their operational expenditure, Government gave a loan of Rs. 50 lakhs. He added that no loan had been given for four years when there was a lot of development work in the offing.

11.34. The Committee desired that a statement might be furnished stating how long the loan of Rs. 50 lakhs was kept in fixed deposit and at what rate of interest. The statement* has been furnished and is at Appendix XXX.

*Not vetted by Audit.

11.35. The Committee find two lapses in this case. Firstly, Government had sanctioned a loan of Rs. 50 lakhs to the Madras Port Trust without finding out the balance in the revenue account of the Port Trust. Secondly, it was sanctioned on the specific condition that the resources of the Port Trust had been utilised to the fullest practicable extent. It was admitted in evidence that after giving the loan Government had realised that the resources were not fully utilised by the Madras Port Trust. The Committee regret to note that full verification of the financial position of the Madras Port Trust was not made in this case before releasing loan of Rs. 50 lakhs in October, 1962. It is also unfortunate that the Madras Port Trust, while supplying the financial position to the Govt. of India in the prescribed proforma failed to mention the reserve of the order of Rs. 2 crores. The Committee hope that such omissions would not occur in future.

11.36. The Committee desire that in future every possible care should be taken by Government in such cases and the financial need of the institutions should be examined fully before giving loan.

Visakhapatnam Port

Para 125, pp. 164-165, *Audit Report (Civil)*, 1963.

11.37. *General*.—The Visakhapatnam Port was under the direct control of the Government of India till 28th February, 1964, after which date it was constituted into a Port Trust under the Major Port Trust Act, 1963.

11.38. (i) The financial results of the Port for the three years ending 31st March, 1964 are summarised below:—

	1961-62	1962-63	1963-64
	(In lakhs of rupees)		
Capital at charge.			
At the beginning of the year . . .	814.34	879.33	997.80
At the close of the year	879.33	997.80	1,222.93
Gross earnings.			
(excluding Pilotage account and drawals from Reserve Funds) . . .	170.46	188.78	234.28
Gross working expenses.			
(excluding Pilotage account but including payment of interest and repayment of loan and contribu- tions to obligatory Reserve Funds vis. Depreciation Reserve Fund and Revenue Reserve Fund)	174.46	188.50	188.29

	1961-62	1962-63	1963-64
Net earnings (+)			
Deficit (—)	—4.00	+0.28	+45.99
Percentage of working expenses to gross earnings	102.35	99.85	80.37
Percentage of net earnings/deficit to mean capital at charge	—0.47	0.03	4.14

11.39. The increase of Rs. 45.50 lakhs in the gross earnings during 1963-64 over those of 1962-63 was mainly under receipts from imports (Rs. 6.62 lakhs), handling charges (Rs. 7.65 lakhs), lands and buildings (Rs. 11.45 lakhs) and terminal and siding charges (Rs. 4.98 lakhs). Gross working expenses in 1962-63 included Rs. 12.17 lakhs towards payment of arrears of pay and allowances to staff consequent on revision of pay scales.

11.40. Gross working expenses in 1963-64 included Rs. 5.92 lakhs towards payment of arrears of shunting engine charges to railways.

11.41. Interest charges on the entire capital outlay are being adjusted in the accounts by debit to 'revenue' from 1961-62. During the earlier years, interest charges were adjusted in the accounts only on the capital outlay incurred after 1st April, 1946.

11.42. Government have stated (August, 1962) that a long term review of the financial position of the Port is being made, this will cover the forecast of the revenue and expenditure during the next 60 years, the interest to be paid on capital at charge, the extent to which the Port charges can be increased and the extent to which capital data should be scaled down.

11.43. The Committee enquired whether the review of the financial position of the Visakhapatnam Port which would cover the forecast of the revenue and expenditure for the next 60 years had been completed. The Secretary, Department of Transport, Shipping and Tourism stated that the idea of the review was to ascertain as to what extent the Port Trust would be in a position to repay the loan and to what extent the loan should be treated as equity investment. The Transport Ministry held discussions with the Chairmen of various ports and also had discussions with the Ministry of Finance. They had not arrived at any definite conclusion. Asked as to when they would arrive at a decision, the witness stated that the case was

with the Finance Ministry and as soon as they agreed to their proposals, the decision of the Government of India would be conveyed to the Port authorities.

11.44. The Committee may be apprised of the decision taken in the matter.

Uneconomic working of a dredger—sub-para (iii), pp. 165-166

11.45. In 1958, a Suction Dredger was purchased at a cost of Rs. 129.54 lakhs. At the request of the Port Administration, the dredger was fitted with coal-fired boilers at an extra cost of Rs. 5.39 lakhs. The suppliers and the Consulting Engineers had recommended that the dredger with oil-fired boilers would be more advantageous from the point of view of operation, maintenance and efficiency but the Port authorities decided on the installation of coal-fired boilers for the reason that the operational cost of oil-fired boilers was likely to be much higher, even after allowing for the higher calorific value of oil as fuel.

11.46. The output of the dredger was less than 40 per cent. of its maximum capacity during 1960-61 and 1961-62 and this was attributed to the poor quality of coal used in the boilers in the absence of standard 'A' grade coal. The matter was taken up with the Coal Controller who informed the Port that high grade coal would not be available and that the Port should arrange to change over to oil fuelling.

11.47. In July, 1963, the Government sanctioned the conversion of coal-fired boilers to oil-fired ones, at an estimated cost of Rs. 1.90 lakhs (which has since been revised to Rs. 2.58 lakhs in June, 1964) as it was expected that such conversion would result in an annual saving of Rs. 2.20 lakhs after allowing for the extra cost of fuel. The conversion has not yet been completed (November, 1964).

11.48. The extra expenditure of Rs. 5.39 lakhs incurred on getting coal-fired boilers in place of oil-fired ones and the estimated expenditure of Rs. 2.58 lakhs on the proposed re-conversion of the boilers to oil-fired ones have arisen from the rejection of the recommendation of the suppliers and the Consulting Engineers that the adoption of oil-fired boilers would be advantageous in several respects.

11.49. Explaining the reasons why a dredger with coal-fired boilers instead of oil-fired boilers was purchased and why the advice of suppliers and the Consulting Engineers to obtain dredger with oil-fired boilers was rejected, the Secretary of the Department of Trans-

port, Shipping and Tourism stated that at the time when the dredger was ordered, the Railways were in charge of the Visakhapatnam Port. As the Railways owned mines, they were interested in carrying the coal in their own transport. Therefore, they decided to purchase the dredger with coal-fired boilers. When this decision was taken, it was possible to get the particular grade of coal. But subsequently because of high priority projects which came into existence, this high grade coal had been earmarked for them. Therefore, this particular coal was not available for the dredger. The only alternative was to switch over to oil-firing.

11.50. In reply to a question, the witness stated that the decision to convert it was taken in July, 1963 when the Coal Controller informed them that high grade coal would not be available. The equipment had been received from Holland and it was in process of conversion. The witness admitted that with oil-firing the efficiency of dredger would increase. Coal-firing did not bring in full efficiency and to that extent there was loss.

11.51. The Committee desired that a note might be furnished explaining why it had taken a long time to convert the coal-fired boilers into oil-fired boilers even though a decision was taken in this regard in 1963.

11.52. *The note has been received and is at Appendix XXXI. From the note the Committee find that the sanction of Government of Rs. 1.90 lakhs (involving a foreign exchange component of Rs. 1.33 lakhs) to convert the coal-fired boilers into oil-fired boilers one was given on 29th July, 1963. On receipt of the same in the Port, an indent was placed by the Port on 12th September, 1963, on the D.G.S.&D. Madras branch. The Madras branch of the D.G.S.&D. called for tenders in October, 1963. The rate quoted by the Indian Agents of the Dutch firm was valid upto 1st December, 1963. The date fixed by the Indian Agents was quite short, since it involved foreign exchange in excess of Rs. 1.33 lakhs originally sanctioned by Government. In the meanwhile, the tenderer increased his rates and therefore, Government was requested in May, 1964 to sanction Rs. 2.58 lakhs involving foreign exchange of Rs. 1.85 lakhs. The revised sanction was received on 5th June, 1964. The acceptance of tender was finalised by the Madras unit of the D.G.S.&D. with the representative of the Dutch firm in Madras on 31st July, 1964.

11.53. The Committee regret to note that the original decision to purchase the dredger fitted with coal-fired boilers as against oil-fired

*Not vetted by Audit.

~~Loss~~ which was recommended by the suppliers and consulting engineers, was not sound. If originally oil-fired boilers had been obtained, this loss by way of initial extra cost and the expenditure on conversion as also due to less efficiency of the coal-fired boiler could have been avoided. The Committee also regret to note that the Visakhapatnam Port Trust failed to estimate correctly the amount of the money required to convert coal-fired boiler into oil-fired boiler. They feel that had the Port authorities estimated correctly, there would not have been such a long delay in the conversion of the boilers and a lot of money could have been saved.

11.54. The Committee trust that as stated in the note, the equipment will be fitted in June/July, 1966.

Loss in running of Steam Ferry—sub-para (iv), p. 166

11.55. The Tepparevu Steam Ferry Service run by the Port has been working at a loss since 1951-52, except for small profits earned during the two years 1954-55 and 1955-56; the loss during the years 1961-62, 1962-63 and 1963-64 amounted to Rs. 67,500, Rs. 59,857 and Rs. 79,331 respectively.

11.56. The Committee desired to know the reasons for recurring losses incurred in running the Tepparevu Steam Ferry Service. The Chairman, Visakhapatnam Port Trust, stated that before the port was started as a major port, District Board was running the ferry service. One of the conditions of the State Government was that the port should undertake to run this ferry service and since then this service was being run. More or less throughout, they had been incurring a loss on running this ferry. Actually it was a short of public service. The cost of running this service, maintenance, repairs, staff charges, etc. had increased. He added that the rates which they levied were already high and they would not like to enhance the charges further. The Committee desired that a note might be furnished stating the reasons why since 1951-52 there was a continuous loss except for the years 1954-55 and 1955-56, when there was a profit in running the steam ferry by the Port. The *note has been received and is at Appendix XXXII.

11.57. In reply to a question, the witness stated that the loss per year came to Rs. 50,000 to Rs. 60,000. He added that the Gokhale report had said that it would be the responsibility of Government to run such inland transport ferry service regardless of expenditure.

*Not vetted by Audit.

11.58. The Committee enquired if they had examined that it was Government's normal responsibility to run this ferry service. The witness replied in the negative.

11.59. In reply to another question, the witness agreed that the agreement with the State Government had expired in 1963 and it was no longer a contractual obligation.

11.60. The Committee are surprised to note that in spite of heavy losses incurred by the Visakhapatnam Port Trust year after year and the fact that the agreement with the State Government expired in 1963, the Port Trust continued to run the ferry service.

11.61. In evidence, it was stated that Gokhale report had recommended that it would be the responsibility of Government to run such inland transport ferry service regardless of expenditure. On the expiry of this contract in 1963, the Visakhapatnam Port Trust should have taken up this matter with the State Government. The Committee see no reason why the Visakhapatnam Port Trust should continue to run this ferry service when the agreement with the State Government had expired in 1963 and it was no longer a contractual obligation on their part to run it.

11.62. They desire that the question of continuing the running of the Tepparevu Steam Ferry Service at a loss by the Visakhapatnam Port Trust should be examined early.

Cochin Port

Audit Report on the accounts of the Cochin Port Trust for the period 29-2-1964 to 31-3-1964.

Para 4

11.63. The collection of Revenue to the extent of Rs. 4.52 lakhs was in arrears as on 31st August, 1964 and was outstanding from 1952-53 onwards. The major portion of the outstandings was due from departments of the Government of India.

11.64. The Committee enquired the present position of the collection of revenue. The Chairman, Cochin Port Trust, stated that the total amount at present outstanding was Rs. 2,39,000. The major portion of the outstanding was due from Government departments and the amount outstanding against private parties was only Rs. 24,000. The major portion was from Customs Department. The witness added that the difficulty had been that the Government ports had been dealing with Government Departments on a departmental

basis. After the formation of the Trust, they asked for deposits to be made with them before transacting the business. Some of the Departments had agreed. The witness expressed the hope that if this was done, the amount of outstanding would be much smaller.

11.65. The Committee are not happy to note that the collection of Revenue is outstanding to the extent of Rs. 2,39,000.

11.66. They desire that vigorous efforts should be made to recover the outstanding amount from Government Departments as well as from private parties.

Kandla Port

Purchase of a Water Current Meter, para 127 (d), p. 171: Audit Report (Civil) 1965

11.67. The Kandla Port Organisation purchased on the recommendations of the Survey of India Department in June, 1962 a 'Boehneck' Water Current Meter costing Rs. 75,748 to check the tidal observations carried out by that Department in Kandla creek, in connection with the modification to the oil jetty at Kandla. It was commissioned in July, 1962 but stopped functioning after working for only 10 hours, due to large quantities of silt having been deposited inside the meter.

11.68. The suppliers to whom the matter was reported, made the following observations in August, 1962:—

- (i) "the 'Boehnecke' current meter was developed for investigating the direction and velocity of sea-currents in great depths and was not suitable for measurements in Waters especially in river estuaries with a heavy siltation."
- (ii) "As indicated in the pamphlet supplied with the offer, the meter was not provided with pressure tight seals and sea water would flow through the entire instrument; the stamping mechanism as well as gear and worm wheel transmission block up when silt intruded".

11.69. It was further stated by them that when the orders were received, they were not aware of the purpose for which the instrument was ordered, as otherwise they would have recommended 'Bifilar' current meter which was suitable for river estuaries and harbours and was also considerably cheaper in price.

11.70. The reasons why the purchase of 'Boehnecke' meter was recommended by the Survey of India when actually pamphlets of both the types of meters mentioned above had been made available to them by the Port authorities, are not known. The meter is lying idle (August, 1964).

11.71. The Committee desired to know the basis on which the Boehnecke Water Current Meter was considered suitable by the Survey of India. The witness stated that the Deputy Director of Survey of India stayed in Kandla Port for 3 days and studied site conditions. After collecting all the details, the Survey of India recommended the purchase of Boehnecke meter. This was suitable for measuring the velocity and current below a depth of 50 meters and below. In reply to a question, the witness stated that after studying the site conditions, the Survey of India gave specifications of the meter and the same specifications were passed on to the Director General of Supplies and Disposals for procuring the meter. On those specifications, the DGS&D invited the quotations and the quotations were sent to the Director General, Survey of India, and he recommended the purchase of this meter. In reply to another question, the witness stated that the meter was purchased in June, 1962 and it was put into use in July, 1962. When it was found that this meter was not suitable, they contacted first the Survey of India and then Indian Ocean Expedition for disposal. Other ports were also approached but they expressed no desire to have it. The DGS&D had been requested to dispose it of.

11.72. With regard to the advice given by the Survey of India for the purchase of this particular type of meter, the Secretary, Department of Transport, Shipping & Tourism, stated that the Survey of India was responsible for the purchase of this particular type of meter. He read out the following from one of the letters received from the Survey of India.

11.73. "When our officers gave their recommendations to you they had thought that according to the best knowledge and information gained from the literature, etc., that this Boehnecke current meter, which is known for its robustness and accuracy, would be better suited for the purpose and for future use as well, without limitations regarding its use below depths of 50 meters and more."

11.74. The Committee desired that a note might be furnished explaining the action taken when it was known in 1962 that the 'Boehnecke' water current meter would be of no use to the port authorities, the dates on which references were made to the different parties for

the sale of the water meter and copies of the correspondence the port authorities had with the Survey of India on this issue. The note* has been received and is at Appendix XXXIII.

11.75. The Committee regret that due to wrong advice given by the Survey of India, Government had incurred to incur a loss of about Rs. 76,000 on the purchase of Boehnecke Current Meter which worked only for 10 hours. The Committee are at a loss to understand how, even after one Senior Officer of the Survey of India had inspected and studied the site conditions for 3 days in October, 1959 and had studied literature on Boehnecke Current Meter, he recommended the purchase of Boehnecke Current Meter.

11.76. From the note furnished by the Department of Transport, Shipping and Tourism, the Committee find that the firm which had supplied this meter had written to the Survey of India that the Boehnecke Current Meter which they supplied was an instrument especially developed for investigating the direction and velocity of currents in great depths. It was not suitable for measurements in waters in river estuaries with a heavy siltation. Further, they had stated that when receiving the order they did not know for which purpose the instrument would be used. Otherwise they would have recommended Biflar Current Meter which served for measuring and recording the direction and velocity of water currents in seas, river estuaries and harbours at a depth not exceeding 50m. This instrument was considerably cheaper than Boehnecke Current Meter. In reply to it, the Deputy Director, Survey of India in his letter No. 4705/42-E-10 (Tidal) dt. 8-11-62 had pointed out to the firm that their descriptive literature had been somewhat misleading.

11.77. The Committee are of the view that if the descriptive literature was misleading, it was the responsibility of the Survey of India to get clarifications from the firm before recommending purchase of such a costly meter.

11.78. It is also surprising that the purpose for which the instrument would be used was not intimated to the firm nor were their views taken on the use of Boehnecke Current Meter. This meter was considered suitable only on the basis of information given in the pamphlet which according to the Survey of India was misleading. They feel that the purchase of such a costly meter was recommended without adequate examination of the needs of the port as also the usefulness of the equipment for the same. The Committee desire

*Not vetted by Audit.

that in future while ~~recommending~~ or purchasing costly equipments etc., the usefulness and working of equipments should be examined thoroughly in collaboration with the suppliers and as far as possible proper trials under field conditions conducted.

11.79. From the note, the Committee also find that the Kandla Port Trust enquired from the Survey of India vide their letter dated 24-9-62 the circumstances under which the Boehnecke Current Meter which did not meet their requirements, was recommended at the initial stage. As no reply was received from the Survey of India, they were again reminded on 28-8-64 to expedite reply. In spite of it when no reply was received, the Survey of India was continuously reminded for 19 times until 7-1-1966 when Kandla Port Trust received the reply. In their D.O. letter dated 7-1-66 the Survey of India had stated as under:

"On going through the case, it is found that none of the officers, who were then concerned with this aspect, are at present with us and that they have been transferred several years ago to other Directorates....".

11.80. The Committee consider it most unfortunate that the Survey of India did not reply to the letters of the Kandla Port Trust for more than 3 years. The Committee feel that this inordinate delay in giving reply to Kandla Port Trust requires to be examined properly. The Survey of India did not also consider it necessary to intimate to the Kandla Port Trust the circumstances under which the purchase of this meter was recommended. They take a serious view of this lapse and desire that explanations of those officers who recommended purchase of Boehnecke Current Meter without ascertaining the complete details of its working should be obtained and suitable action taken against them, if they are found responsible for giving wrong technical advice.

11.81. In the note the Deptt. of Transport, Shipping & Tourism has stated that the Director General of Supplies and Disposals has been requested to arrange the disposal of the Boehnecke Current Meter. The Committee would like to know the result thereof.

Outstanding Recoveries, para 127(e), pp. 171-172.

11.82. The Kandla Port has been supplying water to the Gandhidham Municipality from 1st July, 1960, but the water charges have been paid regularly by the Municipality only from August, 1963 after it was superseded and an Administrator was appointed. An amount of Rs. 2.44 lakhs relating to the earlier period (out of the

total claim of Rs. 3.94 lakhs) still awaits recovery and the question is stated to be under correspondence with the State Government.

11.83. No agreement had been got executed so far for the bulk supply of water to the Municipality as the inclusion of a provision for the guarantee by the State Government for the payment of the charges, was stated to be under consideration.

11.84. With regard to the recovery of arrears of water charges from the Gandhidham Municipality, the witness stated that the agreement had been entered into with the Gandhidham Municipality. The Municipality had paid Rs. 10,000 out of Rs. 40,000 being the first instalment. They had promised to pay the remaining amount on receipt of a grant from the Government which was expected very shortly.

11.85. The Committee trust that the Kandla Port Trust will recover the balance amount of arrears from the Gandhidham Municipality, expeditiously.

Loss on account of damage to a machine, Page 187—Appendix—I—Item I, Audit Report (Civil), 1965.

11.86. A lathe was purchased by the Kandla Port in May, 1955 for the workshop at a cost of approximately Rs. 29,000. The package containing the lathe was not immediately removed to the workshop, but was kept at the jetty, covered by tarpaulin. The machine was damaged in September, 1955 when a tanker berthed at the jetty caught fire. Further deterioration of the lathe occurred due to its exposure to sun and rain for more than a year thereafter. A new lathe in substitution of the damaged one was purchased in January, 1957 at a cost of Rs. 31,350.

11.87. The Department stated in September, 1964 that the lathe could not be removed immediately because of lack of proper transport facilities. The salvage value of the machine has been assessed at Rs. 4,000 and the question of repairing the machine is reported to be under consideration.

11.88. The Services of the officer responsible for the further deterioration of the machine were terminated in 1960, before responsibility for the loss could be fixed; the question of filing a suit against him for recovery of the loss incurred, is reported to be under consideration (September, 1964).

11.89. Explaining the circumstances under which the lathe caught fire and deteriorated further due to exposure to sun and rain for more than a year, the witness stated that the lathe was purchased in May, 1955. From the jetty it could not be removed as they had no crane of that capacity at that time. Mobile crane of 6 ton was expected by the end of June, 1955, to remove the lathe from jetty. The crane came in September, 1955. The lathe was on the wharf. An oil tanker caught fire and the lathe was damaged by that fire. The Mechanical Superintendent who was in charge of the workshop and who knew about lathes thought that the lathe was completely damaged and it was only scrap. So it was kept in open. At that time the workshop building was also not ready. They raised a claim against the oil tanker owners. Then correspondence went on. When the claim was being examined, it was stated by the oil tanker owners that the lathe could be repaired and they paid a total compensation of Rs. 22,500.

11.90. In reply to a question, the witness stated that the services of the Mechanical Superintendent were terminated in 1960. The witness admitted that upto 1960 no action was taken as lathe was considered complete scrap and discussion was going on to settle the claim. As regards carrying out the repairs, the witness stated that up to 1962 it was not repaired as the legal opinion was that it should be repaired after the settlement of claim. He added that the cost of lathe was about Rs. 29,000 and they had recovered Rs. 22,500 from the ESSO Company. The claim against the company was made in 1960. The cost of repair plus the cost for sending it & bringing it back from Bombay where it was being reconditioned would be about Rs. 32,000. A similar new lathe now would cost them Rs. 65,000.

11.91. The committee inquired whether they had drawn the attention of the ONGC where the Mechanical Superintendent had joined after termination of his services from port to the fact that the antecedents of the Mechanical Superintendent were not satisfactory. The witness stated that they had not written specifically in those words. But they got his explanation after reference to them. They asked for his explanation as to why he did not take care of doing certain things and that explanation came through them.

11.92. The Committee desired that a comprehensive note might be furnished explaining the present case as to when the claim was first made against ESSO and their reply thereto; when the Com-

mittee was constituted to fix responsibility and when it had submitted the report and the action taken thereon and when and how the officer who had left the Kandla Port and joined the ONGC was recruited in the Port Organisation. The note* has been received.

11.93. The Committee regret that the Mechanical Superintendent who was incharge of the workshop of the Kandla Port and had knowledge of lathes gave wrong opinion, and considered that the lathe had been damaged to such an extent that it had become unserviceable while later on it was discovered that the lathe was repairable. In the opinion of the Committee either the Mechanical Superintendent had inadequate knowledge of lathes or he did not examine carefully the burnt out machine. The wrong opinion given by the Mechanical Superintendent not only delayed the repair of the lathe but also resulted in further deterioration as it was kept exposed to sun and rain.

11.94. From the note submitted by the Deptt. of Transport, Shipping and Tourism, the Committee find that the question of compensation was finally decided in August, 1962 and the cheque for Rs. 22,500 was received in Sept., 1962. Thereafter, the further action for getting the lathe repaired, was taken up. In February, 1965, the estimate for reconditioning of the lathe was got approved from the Board and the machine had been sent for repair to Bombay where the work of reconditioning was in progress.

11.95. The Committee are not happy to note that after the settlement of claim in September, 1962, more than 2 years were taken to get the estimate for the reconditioning of the lathe sanctioned and send it for repairs. They feel that all efforts should have been made to get the machine repaired early to avoid further deterioration.

Appropriation of departmental receipts towards expenditure, Page 187—Appendix I Item 2 Audit Report (Civil), 1965.

11.96. The General Financial Rules provide that the departmental receipts should be deposited into the treasury immediately after collection without appropriating them for departmental expenditure. The amount required for expenditure should be drawn from the treasury on a proper voucher and under proper sanction.

11.97. In contravention of these rules the officer-on-special-duty in-charge of the Organisation for the movement by road, of essential commodities for the civil population of Assam (which was established on 21st November, 1962) utilised the departmental receipts for his

* not vetted by Audit.

expenditure to the extent of Rs. 1.36 lakhs during the period ending March, 1964. The irregularity continued upto March, 1964 in which month the Organisation was converted into a limited company. No attention was paid to the objection raised by Audit in April, 1963 or to the subsequent instructions issued by the Ministry in January, 1964 after the matter had been reported to them by Audit. The head of the Organisation had been authorised to incur expenditure by drawing funds against letter of credit issued in his favour in the Siliguri Sub-Treasury and the Reserve Bank of India, Calcutta upto monthly monetary limit of Rs. 40,000 at each of these places. By appropriating departmental receipts the head of the Organisation exceeded this limit without authority.

11.98. At Gauhati also, the entire expenditure of the Organisation during the period February, 1963 to June, 1963 was met, not by obtaining the money from the treasury against the authorised letter of credit but by appropriating the departmental receipts (Rs. 55,902). The exact amount thus utilised is being ascertained.

11.99. As regards utilisation of departmental receipts amounting to Rs. 1.36 lakhs during the period from December, 1962 to March, 1964 by the Officer-on-Special-Duty-In-charge of the Central Road Transport Organisation, Siliguri, the Secretary, Deptt. of Transport, Shipping and Tourism, stated that it was an irregularity but because of operational function and emergency, the officer concerned found it difficult to comply with the General Financial and Treasury Rules.

11.100. In reply to a question, the witness admitted that if the audit had not brought this fact to their notice, they would not have known about this irregularity. Only after the audit objection was raised the officer concerned apprised the Transport Ministry about it.

11.101. The Committee enquired why the officer was allowed to utilise departmental receipts even after April, 1963 when it was pointed out by Audit. The representative of the Ministry stated that the limits of the letter of credit (Rs. 40,000 at each of the three treasuries) were fixed when the total fleet was 40 trucks. With the further increase in the number of trucks which ultimately reached the figure of 79 the expenditure further increased, leaving no other way but to find funds for expenditure from out of the revenue earned, as the limits of letter of credit were inadequate. Further even the letter of credit could not be utilised to its full extent. (Rs. 1,20,000 on three treasuries i.e. Rs. 40,000 each) as the General Manager who was the only officer authorised to operate upon the letter of credit could not be physically present at all the branches of the organisation towards the close of the months.

11.102. In reply to a question, the witness stated that this irregular procedure came to the notice of the Ministry in August, 1963 from the report of inspection of the accounts of the officer on Special Duty, Siliguri, for the period 22-11-1962 to the date of inspection 30-6-1963. The witness added that they had taken up the question of raising the limit under the letter of credit with the Finance Ministry. The Finance Ministry required some further information. In the meanwhile, they thought it better to ask him to stop this practice till the limit of letter of credit was revised upwards.

11.103. The Committee further pointed out that the officer did not draw money from February, 1963 to June, 1963 from the treasury and utilised only departmental receipts for expenditure. This was also pointed out to the officer concerned by Accountant General West Bengal in his report in October, 1963. The Committee enquired if it did not strike the Ministry as something serious. The Secretary, Deptt. of Transport Shipping and Tourism, further stated that they had drawn the attention of the officer at that moment. Apparently he just went on doing that. He admitted that the officer concerned should have observed the Rules.

11.104. The Committee are surprised to find that the Officer-on-Special-Duty In-charge of the Central Road Transport Organisation, Siliguri utilised the departmental receipts during the period from December, 1962 to March, 1964. In contravention of General Financial and Treasury Rules which required that the departmental receipts should be deposited in treasury immediately after collection and should not be appropriated for departmental expenditure.

11.105. The Committee are not fully convinced with the argument of the representative of the Department of Transport, Shipping and Tourism that because of operational function and emergency, the officer concerned found it difficult to comply with the General Financial and Treasury Rules. They feel that if it was so, then the officer concerned should have brought this fact to the notice of the Ministry of Transport and taken their specific orders on the subject. They are sorry to find that the officer concerned himself adopted this course and did not even care to inform the Ministry of Transport about it. The Ministry came to know about this irregularity only when the Audit brought it to their notice.

11.106. In this case, the Committee find that the Officer on Special Duty not only utilised the departmental receipts but also exceeded the monthly monetary limit of Rs. 40,000 upto which he had been authorised to incur departmental expenditure by drawing funds against the letter of credit issued in his favour. In the opinion of the Com-

mittee, the Officer concerned should not have exceeded the monthly limit of Rs. 40,000 till the question of raising the limit was decided.

11.107. The Committee are also surprised to find that the Officer was allowed to utilise departmental receipts even after it was pointed out by Audit. The Committee feel that after the irregular procedure adopted by the Officer was pointed out by Audit, the Government should have taken a serious view of that and the officer concerned should have been asked to stop the same forthwith. They hope that Government would ensure that such cases do not occur in future.

XII

MINISTRY OF WORKS, HOUSING AND URBAN DEVELOPMENT

*Chief Technical Examiner's Organisation Para 55, Pages 69-70
Audit Report (Civil), 1965:*

12.1. The number of cases taken up for technical examination by the Chief Technical Examiner and those in which defects were noticed are given below:—

Period	No. of bills, contracts, muster rolls and works	Percentage of cases in which defects were noticed	Remarks
	Examined	Commented upon	
January, 1962 to March, 1963	2,348	1,371	58 During the period 1957 to 1961 the corresponding percentage was 59
April, 1963 to March, 1964	1,428	669	47 ..

12.2. The Committee pointed out during the course of evidence that according to the latest (13th) Report of the C.T.E. the percentage of cases in which defects were noticed during 1964-65 was 43 and desired to know what steps Government proposed to take to improve the position. The Secretary, Ministry of Works & Housing stated that the percentage had gone down from 47 in 1963-64 to 43 in 1964-65. This itself reflected a steady improvement going on in the Department. The percentage covered a number of major as well as minor cases. The Department had tried to evolve a method of working out percentages in future in a slightly different manner to show exactly how many of these cases were important ones and how many unimportant. To judge the improvement it was not only sufficient to look at the percentages but also to go into other matters viz. (1) the amount of overpayments as compared to the work load. (Overpayments of

about Rs. 4.81 lakhs were only a small fraction of the work load of about Rs. 45 crores); (2) the number of vigilance cases during the year (the number was only 1 in this particular year); and (3) the number of typically bad cases where there was *prima-facie* malafide or gross negligence (the number of such cases during the year was only 7 of a value of Rs. 4,000 or more). Out of 401 cases, if the 7 typically bad cases were excluded, the average amount of money involved in these cases was less than Rs. 1,000 per case.

12.3. In reply to a question as to what percentage of works were actually inspected by the Chief Technical Examiner, it was stated to 25 to 30 per cent and those were mostly the larger works; in terms of money value, the percentage would be higher.

12.4. The Committee pointed out that in sample checking, 43 per cent of the cases were found defective which indicated the need for 100 per cent checking. The Chief Technical Examiner stated that actually the operations covered by the C.T.E.'s organisation were: site examination of works, scrutiny of bills, contracts and muster rolls. The percentages which were given in the C.T.E.'s report did not mean that defects were found in all the cases. It only meant that so many observations were issued. As regards performance of the Department it should be judged from the serious cases of irregularities, and the Vigilance cases which had arisen out of the examination made by the CTE organisation. In reply to a question the witness stated that the mistakes of the value of Rs. 4.81 lakhs were discovered out of the total works valued at Rs. 20 crores.

12.5. The Committee note that the percentage of cases where defects were noticed by the S.T.E. have come down from 47 in 1963-64 to 43 in 1964-65. The Committee feel that this figure still constitutes a very high percentage in regard to the execution of sub-standard works. Since the examination of the C.T.E. is limited to 25 per cent to 30 per cent of the total value of works, the Committee are unable to get a fair idea of the working of the Department. The Committee, therefore, desire that the scope of the work of the C.T.E. should be enlarged to cover a larger number of cases.

Sub para (B)

12.6. Overpayments of Rs. 4.81 lakhs covering the following items of irregularities were accepted by the Central Public Works De-

partment during the period from April, 1963 to March, 1964;—

	No. of items	Amount (in lakhs of rupees)
Sub-standard execution of works	321	3.64
Incorrect measurements	23	0.67
Less recovery on account of materials issued to the contractor by Department	49	0.26
Other miscellaneous irregularities	36	0.24

12.7. Adjustments/recoveries in 101 cases involving a total amount of Rs. 0.85 lakh were made till the end of March, 1964, leaving a balance of Rs. 3.96 lakhs.

12.8. The Committee were informed in evidence that the balance of overpayments which still remained to be recovered was only Rs. 27,371.02; the break-up of the amount was as follows: (1) Rs. 9,040.26—under arbitration, (2) Rs. 8,166—adjustment now being made, (3) Rs. 4,045—circulated for adjustment to divisions where credits might be existing and adjustments could be made, (4) Rs. 3,780—being recovered (5) Rs. 1,574—held over as cases were with SPE and (6) Rs. 402—to be written off.

12.9. Asked a question as to what steps had been taken apart from the CTE's examination to see that the sub-standard execution of works was reduced to the minimum, the witness stated that repeated instructions and exhortations were given to the officers to see that strict action was taken against contractors and against officers wherever defects were found. Strict and better supervision was being introduced as far as possible.

12.10. The Committee observe from the Audit Report that out of overpayments valued at Rs. 4.81 lakhs accepted by the CPWD, Rs. 3.64 lakhs related to sub-standard execution of works. They feel that this indicates lack of proper supervision of works on the part of the Departmental officers. The Committee hope that suitable steps will be taken by the Ministry to improve the position.

Sub-para (c)

12.11. The position in regard to the recovery of overpayments in respect of the period up to March, 1963 is given below:—

Period	Overpayments accepted by the Central Public Works Department		Overpayments not recovered upto March, 1964	
	No. of cases	Amount (in lakhs of rupees)	No. of cases	Amount (in lakhs of rupees)
January, 1957 to December, 1960.	731	19·12	126	7·70
January, 1961 to March, 1963	788	14·65	267	8·23

12.12. An analysis furnished by the Chief Technical Examiner in early 1962 indicated that delay in effecting the recoveries was due to :—

- (i) delay in sanctioning substituted statements and reduction statements by competent authorities;
- (ii) delay in preparation of final bills due to pressure of other work on departmental officers; delaying tactics on the part of contractors; transfer of officers and sometimes closure or amalgamation of divisions, etc; and
- (iii) non-availability of sufficient amounts at the credit of the contractors against which the recoveries could be adjusted.

12.13. Besides, in certain cases, contractors had resorted to arbitration against assessment of over-payments.

12.14. The Committee were informed in evidence that the latest figure available with the Chief Engineer, CPWD was that a sum of Rs. 4,23,819 was still due for recovery. These had not yet been certified by the Accountant General. The Committee enquired as to why arbitration had taken such a long time, the representative of the Ministry stated that the reasons were: (1) the number of arbitrators were not enough to deal with all cases, (2) the arbitration cases had to be completed within a certain period of time and if they were not completed, extension of time had to be got from the court and it took months to get extension; (3) there were delays deliberate or otherwise occasioned by either party; (4) sometimes the papers were not found in CPWD and the officers had to be sent for; and (5) the contractors adopted delaying tactics.

12.15. The Committee pointed out that if the contractors did not accept arbitration award, the Department still dealt with them and gave contracts. The witness stated that by merely not paying on

the basis of a Court decree or arbitration award, a contractor did not render himself liable to be black listed. He further added that once an arbitration award had been given on the basis of a decree, that was final and in most cases the contractors did pay. There might be an exception here and there. The Committee enquired whether in any case the security deposit had been refunded even though some amount was due from the contractor. The witness stated that there were some cases where security deposit was incorrectly refunded. Vigilance cases were proceeded with accordingly.

12.16. The Committee desired to be furnished with a statement showing (i) the number of arbitration cases pending at present, (ii) when they were first referred to arbitration, why there had been delay, (iii) what steps had been taken to overcome the procedural delay, (iv) the results of arbitration cases during the last five years, and (v) how many had gone against the Government and how many in favour of the Government. They also desired to be furnished with a statement showing the arbitration cases which had been decided but the contractors have not yet paid the amount as per the award.

12.17. The Committee regret to observe that the above information is still awaited.

12.18. They also regret to note from the Audit Report that there were delays in sanctioning substituted statements by the competent authorities and preparation of bill etc. which resulted in delay in the recovery of the overpayments. The Committee hope that steps will be taken to recover the balance of Rs. 4.23 lakhs which has been outstanding for a number of years.

Sub-para (D)

12.19. Certain defects in the execution of the work "Construction of a Bridge over River Subarnarekha" were pointed out to the Department by the Chief Technical Examiner in August, 1961. In June 1964, i.e. after about three years, the amount recoverable from the contractor on this account was worked out by the Department as Rs. 54,071, recovery of the amount is still pending (December, 1964). The recovery related to the poor finish of R.C.C. work and double payment for variations in the price of steel used.

12.20. The Committee desired to know the reasons for the delay of about 3 years in accepting the defects and assessing the overpayments and if this amount had since been recovered. The wit-

ness stated that this amount had already been recovered in full in May, 1965. In order to arrive at the exact amount of overpayment it was necessary to ascertain from the Iron & Steel Controller the controlled rate of steel prevailing in 1951. A reference was made in July, 1963 and a reply was received in December, 1963. Again in December, 1963, the figures received from the Steel Controller were sent to the CTE and to the division to work out the exact amount and this was worked out and communicated in July, 1964 and intimated to A.G. West Bengal and clearance was made in May, 1965.

12.21. The Committee observed that when the defects were pointed out by CTE the Department took 3-4 years in assessing the actual amount to be recovered and their claim was likely to be jeopardised in the meantime. The Chief Technical Examiner stated that the observations which were made by CTE's organisation had a bearing on the interpretations of the terms of the contract and they were not readily accepted by the Department and that really resulted in a certain amount of delay when the Department gave a reply. CTE organisation thought it unsatisfactory and called for more details. When the Department agreed that the observations of CTE were correct, they took measures to work out the money in terms of the interpretation finally agreed upon. The Committee pointed out that the Executive Engineer did not answer the queries of the CTE promptly with the result that the entire claim of the Government remained in suspense. There was delay of one year on the part of the Executive Engineer in supplying the necessary information to CTE. Asked if the explanation of the concerned officer was obtained for this delay, the witness stated that they would look into this matter.

12.22. The Committee enquired whether any responsibility had been fixed for the acceptance of sub-standard execution of work by the Departmental authorities. The witness replied in the negative and stated that the bulk of the thing depended upon the price of steel and the interpretation of the terms of the contract. It was not anybody's fault.

12.23. While noting that the entire amount of overpayment has been recovered in this case, the Committee regret to observe that there was a delay of about 3 years in accepting the defects pointed out by the CTE and assessing the overpayment made to the contractor. They note that the Executive Engineer did not answer the queries of the CTE promptly which resulted in the entire claim of the Government remaining under suspense. They would like to be informed of the action taken to fix responsibility for the various

lapses viz., acceptance of sub-standard works, delays in dealing with the objection of the CTE etc.

Disciplinary action, sub-para (E)

12.24. The total number of cases of disciplinary action in progress at the end of 1963-64 was 24 as shown below:—

No. of Cases	Period during which action was initiated
14	1960
5	1961
4	1962
1	1963

12.25. The Committee desired to know the reasons for the delay in finalising disciplinary action particularly in 14 cases which have been pending for over five years and what was the present position. The witness stated that the present position was that three cases were decided and 11 were still pending. In respect of 1961, all the five cases were still pending. In respect of 1962, one was decided and three were pending. In 1963, there was one case and that had been decided. In 1964, there was one case which was not yet decided. In 1965, there was no case.

12.26. The Committee enquired why it had taken so long to decide these cases and desired to know in any one particular case of 1960, why delay had taken place. The witness stated that in 1960 there were 14 cases. In fact five cases were linked up together and that was really one case. They were tried together. Here SPE were asked to look into it and they gave the report in June, 1960. The charges were framed against the Executive Engineer/the Assistant Engineer and other officers. The SPE only said that it was a fit case for holding a departmental enquiry. Against these persons charge-sheets were framed in April, 1962. The Executive Engineer had retired on reaching the age of 55.

12.27. From a note furnished by the Ministry it is seen that generally the delays in the finalisation of disciplinary cases are due to procedural requirements. Some of the factors contributing to delay have been stated to as follows:—

12.28. "(a) Delay in the submission of defence statements by the accused officers for want of records, which often get locked up with court cases, arbitration cases, police enquiries etc.

12.29. (b) Delay occurs in conducting oral inquiries owing to pre-occupation and transfers of Inquiring Officers and also dilatory tactics followed by the accused officials or non-availability of witnesses. Since the setting up of the Central Vigilance Commission and appointment of more Commissioners of Departmental Inquiries, position regarding cases of Gazetted Officers has improved but in cases of non-gazetted officers, the position is still far from satisfactory and the question of creating a post of whole-time Superintending Engineer for conducting the departmental inquiries against the non-gazetted officers is under consideration with the Ministry.

12.30. (c) After the oral inquiry is completed, if a major penalty has to be imposed, second opportunity has also to be given under article 311 of the Constitution and at this stage also considerable delay occurs due to various technical points raised by the accused officials which are to be examined carefully.

12.31. (d) The cases of class I officers have to be decided by the Ministry after consulting the U.P.S.C. and cases of all gazetted officers are required to be shown to C.V.C. before passing final orders."

12.32. It has been added in the note that taking into consideration the difficulties mentioned above the C.C.S. (CC&A) Rules have been revised and the new rules of 1965 have come into force w.e.f. 1-12-1965. It is hoped that with the introduction of these rules, procedural delays would be reduced to some extent.

12.33. The Committee would watch the effect of the revised procedure consequent on the revision of the C.C.S. Rules through subsequent Audit Reports. They may be informed of the position regarding appointment of a whole-time officer for conducting departmental enquiries against non-gazetted officers, which was stated to be under consideration of the Ministry.

Outstanding dues—Para 56—Pages 71-72, Audit Report (Civil), 1965:

(a) Government of India, Stationery Office, Calcutta

12.34. In respect of the cost of paper and other stationery articles supplied by the Stationery Office, Calcutta to the paying departments of Government upto 31st March, 1963, a sum of Rs. 45.73 lakhs was pending recovery on 31st March, 1964. as indicated below:—

12.35. (a) Rs. 17.87 lakhs relating to supplies made prior to April, 1956—Acceptance of debit memos from the consignees is still awaited in these cases. Some of the consignees are reported

to have expressed their inability to accept the debits owing to the destruction of old records.

12.36. A proposal to issue instructions to the consignees to accept debits on the basis of certificates issued by the Stationery Officer was stated to be under the consideration of the Government in December, 1964.

12.37. (b) Rs. 9.92 lakhs relating to supplies made during the period 1956-57 to 1960-61—in these cases also the acceptance of debit memos has not been received from the consignees. It has been stated (December, 1964) that debits are now being raised on the basis of delivery memos signed by the consignees' representatives at the time of taking delivery of articles.

12.38. (c) Rs. 17.94 lakhs relating to the years 1961-62 and 1962-63.—The amount which is still (December, 1964) pending recovery is Rs. 4.88 lakhs, after taking into account the recovery of Rs. 7.10 lakhs reported to have since been effected during 1964-65 and the debits for Rs. 5.96 lakhs raised against the railways in respect of the cost of ticket boards supplied to them.

12.39. The Committee were informed in evidence that a new procedure had been laid down after the experience of these difficulties in the past. In the case of out-station indentors, as soon as the goods were despatched, book debits would be raised against the departments concerned on the basis of the Railway receipt but this would not apply to the local indentors. The new procedure was decided with the concurrence of the Ministry of Finance and the Comptroller and Auditor General of India.

12.40. The Committee desired to know the position of the outstanding balance of Rs. 17.87 lakhs pertaining to the period prior to April, 1956. The witness stated that Rs. 17.38 lakhs was the present balance outstanding. He added that since the records of the indentors were destroyed, the only way of adjusting this was to take the accounts and registers which had been audited and to accept debits on the basis of these registers. The case was referred to the Ministry of Finance and the decision was awaited. Since the audited registers were available, debits could be raised, and the entire amount would be recovered.

12.41. The Committee enquired why the department did not ask for the receipts from these various indentors, the witness stated that the procedure was that within seven days of receipt at out-stations the indentors had to send the receipt to the stationery office. But they did not do so.

12.42. In reply to another question the witness stated that the latest balance pertaining to the period 1958-59 to 1960-61 as on 27th January, 1966 was Rs. 2.67 lakhs. The balance for 1961-62 and 1962-63 was Rs. 1.73 lakhs. When the procedure was changed in 1960-61 an amount of Rs. 17.94 lakhs was outstanding.

12.43. The Committee desired to be furnished with further information on the following points:

- (i) note explaining whether the usual procedure of issuing reminders by the inspection wing to the indentors was followed, and if so whether replies were received.
- (ii) note explaining why debits could not be raised after 1961 when the new procedure was introduced and they also desired to know why no action was taken in spite of the fact that the inspection notes were not received.

12.44. The Committee regret to observe that notes are still awaited.

12.45. The Committee further regret to observe that prompt action was not taken to recover the cost of stationery by the Stationery Office, Calcutta and heavy amounts were allowed to accumulate. Even after the modification of the procedure in 1961, the recoveries were not made promptly with the result that a sum of Rs. 1.75 lakhs was outstanding in January, 1966. The Committee would, therefore, suggest that suitable steps should be taken to streamline the procedure further in order to eliminate the delays in regard to the preparation of bills and recovery. As regards the amount outstanding prior to 1960-61, the Committee desire that the matter should be settled without further delay.

B. Government of India, Forms Store, Calcutta

12.46. An amount of Rs. 46,783 relating to the period 1948-49 to 1962-63 representing the cost of forms supplied by the Government of India, Forms Store, Calcutta was pending recovery as on 31st July, 1964 from parties who were required to make payment in cash.

12.47. It was noticed that the amounts due from each of them had not been worked out nor had any effective steps been taken for the realisation of the dues.

12.48. Similarly, in respect of supplies of forms to the paying Government Departments, during the period 1958-59 to 1962-63, the recovery of a total amount of Rs. 1.38 lakhs remained pending on 31st July, 1964. In these cases debits have not been raised against consignees as the necessary debit advices indicating the number and

the date of railway receipts in the case of the out-station despatches, or the consignees' receipts in respect of the local deliveries, have not so far been made available to the Pay & Accounts Office (December, 1964).

12.49. The Committee were informed in evidence that certain cash paying indentors were supplied certain standard forms like T.A. Bills forms, Pay Bill forms and other forms in general use and they were supposed to remit the cost of the forms after receiving them. Some of them did not remit the cost in spite of reminders and in spite of the Manager of the Forms Store at Calcutta pursuing the matter.

12.50. The Committee enquired as to the reasons for the amounts due from each of the indentors not being worked out and why no effective steps were taken for the realisation of the dues. The witness stated: "that only the individual accounts were not available as they were not opened. When a certain parcel was despatched to an indenter, that was pursued separately. Whatever had been sent to him over the years could be totalled."

12.51. The Committee pointed out that the amount of Rs. 46,793 was outstanding from 1948-49 and no action was taken till 1965 and indent-wise amount was worked out only in 1965. The witness stated that there were a large number of despatches to various parties. A number of payments were received. The amounts shown as outstanding were the amounts left out. The Department evidently had not pursued this matter quick enough. They were now trying to get them together and recover the amount.

12.52. The Committee enquired whether the question of introducing the system of receiving advance deposits from the indentors had been examined and implemented. The witness stated that it was now in the process of examination. As considerable staff was required for working, all aspects of the matter will be considered and then a reference would be made to the Finance Ministry one way or the other.

12.53. The Committee desired to be furnished with a detailed note stating:—

- (i) whether it was known to the Department before it came in the Audit para that arrears were due from 1948-49 regarding cost of forms supplied by Stationery Office; and
- (ii) whether there was any system to ascertain how much money was due and whether attempt had been made to

recover the same and whether there was any lapse on the part of local officials.

12.54. The Committee regret to note that the information is still awaited.

12.55. The Committee deprecate the manner in which the recovery of the cost of forms supplied to various parties was dealt with by the Forms Stores, Calcutta. It is unfortunate that an amount of Rs. 48,793 had been outstanding, a part of which relates to a period as early as 1948-49, and no effective steps were taken to realise the same. It is also regrettable that not only there was a failure on the part of the local officer to pursue the matter of recovery, but also no proper check was exercised by the higher authorities until the matter was pointed out by Audit. This is indicative of gross negligence. The Committee desire that the reasons for the lapses at various stages should be examined and responsibility fixed.

12.56. The Committee are also not happy to learn that the suggestion made by the Ministry to examine the feasibility of introducing the system of receiving advance deposits from the indentors was not promptly dealt with by the Controller of Printing and Stationery and the matter was stated to be still under examination.

They desire that a decision should be taken without further loss of time.

Undue benefit to a licensee Para 57—Pages 72-73, Audit Report (Civil), 1965.

12.57. Under a licence granted by the Government of India, the Federation of Indian Chambers of Commerce and Industry were allowed the temporary use and occupation of 4,90,934 sq. metres of land and the structures for holding the Indian Industries Fair, 1961, during the period 14th November, 1961 to 10th January, 1962. The Federation made the following payments to Government in terms of this agreement:—

(i) Ground rent:

Area (In sq. Metres)	Description	Rate of fee payable by the Federation to government	Amount (In lakhs of Rs.)
1	2	3	4
(a) 4,23,048	Open land	Rs. 1 per 0.836 sq. metre.	
(b) 31,993	Six pavilions structures	Rs. 1 per 0.836 sq. metre.	
(c) 17,361	Thirteen pavilions/structures.	Rs. 9 per 0.093 sq. metre.	

1	2	3	4
(d)	13,369	Parking space for car, scooter, bus cycle stand etc. (outside Exhibition Grounds).	Rs. 1 per 0.836 metre. 23.90
(e)	6,063	Utility structures (such as gates, booking offices, telephone booths, latrines, baths, etc.)	Rs. 2 per 0.093 sq. metre.
(ii)		One-third of the cost of development of land incurred by Government.	4.68
(iii)		Cost of horticultural work carried out by Government.	0.77
(iv)		Cost of electrical works executed by Government.	8.95
Total			38.30

12.58. The deed stipulated that allotment of space covered by the six pavilions, etc. in category (b) above would be made by the Government and that the allottees would make payment of ground fee to the Federation at Rs. 3 per 0.093 sq. metre.

12.59. The amount payable as ground fee by the Central Government Departments/Autonomous Bodies worked out to Rs. 18.60 lakhs (for about 29 per cent. of the total area allotted); in addition, Government also loose Rs. 9.36 lakhs being two-third of the cost of development. This situation could have been avoided if before granting the licence, an estimate had been obtained of the costs to be incurred by the lessees and the allotment of accommodation required by Government arranged at rates calculated on a "no profit no loss" basis.

12.60. It is seen from the accounts of the exhibition furnished by the Registrar of Companies that the Federation had collected by way of rentals alone, a sum of Rs. 89.40 lakhs and had made a net profit of Rs. 47.56 lakhs.

12.61. The Committee desired to know as to why a clause was not put in the lease deed that wherever accommodation would be required by the Government would be given to Government on the

same rates at which the Government gave land to the Federation. The witness stated that the agreement between the Federation and the Government in respect of leasing of the exhibition grounds was discussed and considered fully in the inter-departmental Committee and a decision was taken to fix certain rates for open land for pavilion group and other groups. Government could have taken the position that for the Government requirements the Federation would provide accommodation either at the same rate as that at which the pavilions were given to them or at some other concessional rates but the decision definitely was that from Government also, they should charge something much more than what would cost to them (Federation). It was a decision incorporated in the indenture signed between the Government and the other party viz. the Federation.

12.62. The witness added that the intention of Government for charging ground rent at the rate of Rs. 1 per sq. yard only from the Federation was to encourage them to organise the fair.

12.63. In the course of further discussion the Committee were apprised of the record of the inter-ministerial meeting held on the 21st October, 1960 when the terms and conditions of the lease were decided upon. In reply to a question, the representative of the Ministry stated that the rate of rent charged at the Indian Industries Fair, 1961 was the same as was charged when the World Agriculture Fair was held. The decision to charge the Federation at old rates was taken at the same meeting. The witness, however, admitted.

"The provision should have been that if they make a profit, they should surrender it to government and if they make a loss, they would be subsidised."

12.64. Explaining further the representative of the Ministry stated that when this Fair was planned, it was decided to hold it under the aegis of the Federation. The Government was interested in its success. When the terms and conditions specifying the lease of land and structures were finalised the idea underlying was neither to give a subsidy to the Federation nor to enable it to make such huge profits. Nor was there any intention to make a commercial deal with the Federation. The only objective in this case was to fix reasonable rates of rent. The witness further stated that the Federation apprehended some loss and it was agreed that in case Federation suffered a loss, the Government would consider if the rates of rent charged from the Federation could be reduced. The provision of sharing profits on the part of the Government was not incorporated as it was not expected that the Federation would earn such huge profits.

12.65. The Committee then pointed out that the Federation realised about Rs. 90 lakhs as rent from the participants in the Fair. It was known that one-third of the land was occupied by Government. The Federation paid to the Government Rs. 23.90 lakhs as rent for the entire land. It was, therefore, known that Government itself was going to pay to the Federation as rent for land a sum larger than what the Federation paid to them for the entire land. The Committee, therefore, desired to know how it could be concluded that there would be a loss. The Secretary of the Ministry stated that the possibility of earning profits could not be foreseen because the number of participants was not known in the beginning. The decision as to how many Government departments would be participating in the Fair was taken as the exhibition grew and a larger number of participants joined the Fair. The witness further added that when the agreement was drawn up the Government envisaged hiring of six pavilions covering 31,093 square meters. To the extent these pavilions were not utilised, nothing would be paid for the structures.

12.66. Coming again to the question of claiming profits on the part of the Government, the Secretary of the Ministry stated that the Government charged rent for the land on the basis of prevailing rates and what was reasonable in the light of past experience. Thereafter, if the Federation made profits after incurring certain expenditure in development the Government was not in a position to claim the profits thus earned. The witness further added that the Government paid Rs. 2 per sq. ft. extra towards expenditure incurred on development, care and maintenance of the organisation, on staff and other overheads.

12.67. In reply to a question whether Government did not have the results of the earlier World Agriculture Fair when proposals for this exhibition were being considered, the Secretary of the Ministry stated that the World Agriculture Fair authorities were asked to pay Rs. 35 lakhs as rent and they had paid so far only Rs. 3 lakhs and the rest of the amount was under dispute. The witness further informed the Committee that if the World Agriculture Fair authorities had paid at the rates laid down for the Federation then there would not have been any profits.

12.68. The Committee then desired to know as to what would have been government's policy in case the Federation had suffered losses. The witness stated that Government in case of loss would have honoured its oral commitment of reducing rates charged from the Federation, and further added that in this case the Government had not approached the Federation for a share of the profits.

12.69. The Committee desired to be furnished with further information on the following points:—

- (i) a note stating whether the open land of four lakh sq. yards remained as open land and whether other pavilions were constructed by the Federation at their own cost;
- (ii) a comparative statement of rents charged by the Ministry for accommodation given to the Government and to other non-government parties at India 1958 Exhibition and the World Agriculture Fair; and
- (iii) a note stating the rates charged for land by Government in World Agriculture Fair and how it compared with the rates in the present case, the area of the land given to the World Agriculture Fair authorities and those to the Federation and the amount of rent paid by Government to the Federation.

12.70. The Committee regret to note that the notes on the above points are still awaited.

12.71. The Committee are amazed at the explanation of the Ministry that at the time of fixing the terms and conditions for the lease of the land they did not envisage that the Federation would be making profits in the whole transaction and on the other hand they had a fear that the Federation might suffer losses. It is clear from the lease deed that the land was allotted to the Federation on payment of ground rent at Re. 1 per sq. yd. and in turn they were allowed to charge 27 times of this amount which obviously left a large margin of profit to the Federation. If, as stated in evidence, the intention was neither to give a subsidy to the Federation nor to enable it to make huge profits, the Committee fail to understand as to why a suitable provision was not incorporated in the lease deed to the effect that the allotment of land to Government or semi-Government organisations by the Federation could be made on a no-profit-no-loss basis. The Committee can hardly rescist the conclusion that the officers dealing with this case failed to safeguard the interests of Government while fixing the terms and conditions of the lease of land and finalising the lease deed with the Federation.

12.72. The Committee are also of the view that Government should lay down a clear policy that the concessional rent etc., to be charged for the government land for organising exhibition would be available to the parties concerned only if exhibitions are organised on "no-profit-no-loss basis."

Land and Development Office

Para 60—Pages 74 to 78, Audit Report, (Civil), 1965.

Outstanding demands Sub-para A

12.73. A total amount of Rs. 27.07 lakhs remained to be recovered:

Nature of demand	No. of Cases	Amount (in lakhs of rupees)	Remarks
(a) Premia	Not known	8.03	This includes Rs. 7.24 lakhs recoverable from local bodies.
(b) Ground rent			
(i) Perpetual leases.	1,633	15.20	This includes 814 cases involving Rs. 8.53 lakhs in which breaches of the conditions of leases were noticed. Of the rest, Rs. 4.13 lakhs were due from local bodies State Government etc.
(ii) Temporary leases.	62	1.37	
(c) Damages for breach of terms of leases	57	2.47	The quantum of damages in the remaining 757 cases was still to be worked out.

12.74. Giving the latest position of the outstandings, the witness stated in evidence that out of the total amount of Rs. 27.07 lakhs outstanding, a sum of Rs. 17.63 lakhs remained to be recovered. As regards delay in assessing damages in 757 cases, the witness stated that a decision had been taken that damages would be calculated on certain basis for pre 1st November, 1965 cases and on different basis for post 1st November, 1965 cases. Action to assess the damages in these cases, on the principles laid down, had been completed.

12.75. The Committee desire that the recovery of the outstanding demands should be expedited without further loss of time.

Non-preparation of consolidated records. Sub-para D.

12.76. The work of preparation of consolidated records indicating the extent of land/plots available for allotment was still not com-

plete; the Public Accounts Committee (1963-64) had been assured that efforts were being made to improve the position.

12.77. Giving the latest position of the completion of consolidated records of plots available for allotment, the witness stated that there were three kinds of lands—Rehabilitation lands, Notified Area Committee lands and Nazul lands. For rehabilitation lands, survey reports had been completed for 17 colonies and 40 colonies still remained to be surveyed. In regard to Notified Area Committee lands, 25 per cent of the work had been done and the rest was in hand. In regard to Nazul lands, all records were complete. Targets had been fixed for the completion of the records but due to shortage of staff and difficulty in tracing the papers these could not be achieved.

12.78. The Committee trust that the work of preparation of consolidated records would be pursued vigorously since it has already been delayed.

Non-revision of ground rent, Sub-para E Perpetual leases:

- | | |
|--|---|
| (i) Number of cases which became due for revision
(from 1947 onwards) in terms of the leases. | 480 |
| (ii) Estimated increase in the ground rent per annum. | Rs. 15 lakhs |
| (iii) Number of cases in which ground rent was actually revised up to August, 1964. | 19 |
| (iv) Increase in the annual rent involved in (iii) above). | Rs. 0.68 lakh
(increase not yet effected as the cases are under litigation). |

12.79. Audit was informed by Government in January, 1965 that the Delhi Administration had been requested to appoint a Special Collector for expediting the revision of ground rent.

Temporary leases:

12.80. In respect of such leases as were on a year-to-year basis, increases in the rates of ground rents (based on the increases of the free-hold value of land notified in January, 1958 and July, 1960) had not been effected up to August, 1964. The total loss suffered by Government on this account has not been worked out. The position was stated to be under investigation (January, 1965).

12.81. Stating the position regarding the appointment of a special Collector, the witness stated that the Chief Commissioner, Delhi, who was requested to appoint a special collector for expediting the revision of ground rent cases, had refused to do so. According to the Chief Commissioner under legal provisions, that work had to be done by the existing Collector or Deputy Commissioner. The result was that there was no progress in this work. The witness further stated that it was not correct to say that 19 cases which had been finalised, were under litigation. In these 19 cases assessment had been made as to what the increase should be but it was for the Collector to decide the amount. It was only after the Collector had given the figure of assessment that these cases would be treated as finalised. Since there was no decision at the level of Collector, all the cases were held up.

12.82. The Committee desired to know the action proposed to be taken to meet this situation. The witness stated that the Chief Commissioner would again be requested to help in expeditious disposal of these cases. He further added that the Collectors were heavily over worked and this was extra work for them.

12.83. The witness further promised to approach the Ministry of Home Affairs for persuading the Chief Commissioner to accept the proposal of appointing a Special Collector for dealing with these cases which involved an amount of Rs. 270 lakhs.

12.84. In reply to a question as to whether the D.D.A. was competent to revise the ground rent the witness stated that under the terms of the lease the revision of ground rent was to be done by the Collector or Deputy Commissioner.

12.85. The Committee regret to note that the work of non-revision of ground rent has been unduly delayed. They would like to be informed of the further efforts made in this regard including the appointment of Special Collector as promised by the Secretary, Ministry of Works, Housing and Urban Development in the course of evidence.

Delay in encashment of cheques Sub-para G.

12.86. 53 cheques (bearing various dates between May, 1963 and December, 1963) covering an amount of Rs. 1.65 lakhs tendered by the lessees in settlement of their dues had not been encashed during their currency and had thus lapsed, although the Public Accounts Committee (1962-63) had been assured that such contingencies would not recur.

12.87. Audit was informed in January, 1965 that cheques in respect of eight cases remained to be returned to the parties concerned as at the end of November, 1964.

12.88. Giving the present position, the witness stated that all the cheques had been returned to the respective parties. Since there were breaches in the properties these cheques could not be cashed because by cashing these cheques the breaches would have been thus got waived. So these cheques were held up. But when audit objected to their being held up in the Ministry, these cheques were returned. When the Committee pointed out that it was a serious matter to get cheques accumulated without being cashed, the witness promised to ensure their return to the parties concerned in order to avoid any financial difficulty. In reply to a question, the witness stated that out of 53 cases fresh cheques had been received from 33 parties totaling to an amount of Rs. 79,000 and 20 cases were still pending involving the balance.

12.89. A similar irregularity in the working of the Land and Development Office was reported to the Public Accounts Committee in 1962-63. In para 97 of their 8th Report (Third Lok Sabha), the Committee had expressed their dissatisfaction over the fact that cheques were lying uncashed in the Land and Development Office. The Committee were then assured that the working of the Land and Development Office had since been rationalised and such contingency would not recur. The Committee are dismayed to find that inspite of their observations and the assurance given by the Ministry irregularities are recurring and cheques covering an amount of Rs. 1.65 lakhs tendered by the lessees in settlement of their dues had not been encashed during their currency.

Loss of rent—Para 62 Appendix I—Item 1, Page 187, Audit Report (Civil), 1965

12.90. In respect of a piece of Government land at Reading Road, New Delhi, measuring about 640 sq. yards, under the 'C' Division of the Central Public Works Department failure to notice the encroachment on it for about eleven years, resulted in a loss of rent amounting to Rs. 37,750 for the period from February, 1947 to August, 1959.

12.91. The land was being used by a firm since February, 1947, for use as an approach road to their motor workshop. The encroachment came to the notice of the authorities only in September, 1958, as a result of representations made by the residents in the localities.

12.92. In December, 1959, Government decided to close the road, but on a representation made by the firm, they agreed in December, 1960 to lease out the land to the firm on rent of Rs. 250 per mensem chargeable from September, 1959.

12.93. The recovery of rent for the period prior to September, 1959 was foregone on the advice of the Ministry of Law.

12.94. The Committee desired to know the circumstances under which the encroachment of Government land escaped the notice of the department. The witness stated that at the point where Punchquin Road and Reading Road meet, there were some quarters. In the 'Durgah' nearby, there were some shops and workshops. From there to the main road, there was no pucca road and for a long time the people working in the shops in the 'Durgah' had been using the gap between the quarters as a path to come to the road. In 1958 it was brought to light that a road lying within the Government colony was being used by private parties. The matter was examined and the Law Ministry was consulted. The Law Ministry advised that they could not claim anything for the past because there was no agreement or lease, but they could recover some money from one party who was major a user by saying that they would stop his entry and exit.

12.95. In reply to a question, the witness stated that the agreement with the owners of the workshop was entered into with effect from 4th September, 1959. According to the terms of the lease, the lessor might terminate the tenancy by one month's notice in writing as per law to the lessee without paying any compensation to the lessee. It was a monthly tenancy.

12.96. The Committee are constrained to note that unauthorised occupation of Government land remained unnoticed for 11 years. This indicates a clear failure on the part of the Departmental officers to follow the instructions prescribed in the C.P.W.D. Code regarding inspection of Government buildings and works in the division and to take suitable measures to prevent encroachment on Government land. They trust that the Ministry will conduct a special review to ensure that there are no further cases of unauthorised occupation of Government land in the city, which require regulation.

Non-recovery of dues—Appendix I—Item 3—Page 188, Audit Report (Civil), 1965.

12.97. In respect of the work relating to the construction of garages and servants quarters in the Office of the Comptroller and Auditor

General of India, which was completed in December, 1958, the final bill of the contractor was settled in November, 1961, i.e., after more than three years, and showed that an amount of Rs. 19,500 was recoverable from him mostly on account of cost of materials supplied by the Department, and of labour engaged on the contractor's behalf. A sum of Rs. 6,810 was also recoverable from the contractor as compensation for delay in the completion of the work. Out of the total amount of Rs. 26,310 thus recoverable a sum of Rs. 13,248 still remains to be recovered from the contractor who asked for arbitration in September, 1962. An arbitrator was appointed by the Government only in June, 1963 and the award is awaited (December, 1964).

12.98. The Committee desired to know why there was delay of more than 3 years in the preparation of the final bill of the contractor. The Chief Engineer, C.P.W.D., stated that the work was completed on 8th December, 1958 and the accounts of contractors were finalised in November, 1961. As regards delay, the witness stated that some time was taken to finalise the accounts because the work had been completed through departmental and other agencies. As the contractor did not complete the work, they had to execute some of the works departmentally till they were in a position to employ another agency. Another agency was employed who completed the work in December, 1958. The bill could be finalised only after working out the cost of work done departmentally and the work done by the other agency. All this took time.

12.99. The Committee enquired how excess cement and steel worth Rs. 5,259 was supplied to the contractor. The witness stated that the contractor removed that with *mala fide* intentions. This was done against the agreement. In reply to a question, the witness stated that they could not establish that it was a case of theft. But they would recover the cost of the materials at penal rate. He added that on the request of the contractor the case had been referred for arbitration in 1963. The arbitration proceedings had not yet been finished. The witness promised to furnish a note on the present stage of the arbitration proceedings.

12.100. It has been stated in the note subsequently furnished to the Committee that the first hearing was held on the 13th January, 1966 when the Arbitrator desired certain data and documents to be submitted to him. The next date of hearing has not so far been fixed by the Arbitrator.

12.101. The Committee have on earlier occasions emphasised the need for prompt finalisation of accounts of contractors. In this case

they regret to observe that the work was completed in December, 1958 but the accounts of the contractor were finalised only in November, 1961 almost three years later. It is also unfortunate that the contractor was allowed to lift excessive material to the extent of Rs. 5,249. The Committee trust that suitable action will be taken to fix responsibility in this case.

12.102. The Committee are also not happy to note the delay in the institution of arbitration proceedings. The case was referred for arbitration in 1963, but the first hearing of the case was held only on 13th January, 1966.

Overpayment to a contractor—Appendix I—Item 6—Page 189, Audit Report (Civil) 1965.

12.103. The final bills of a contractor relating to wood work in the following buildings under the Construction Division No. IV, settled after delays of five to six years showed overpayments amounting to Rs. 82,369 as follows:

Name of the Building	Final bill settled in	Amount overpaid
(Time of completion)		Rs.
(1) Central Board of Revenue Building. (August, 1955)	July, 1961	48,317
(2) Multi-storeyed Building at Queen Victoria Road. (January, 1956)	March, 1961	34,052

12.104. The bulk of the overpayment in respect of item (1) above and the entire overpayment in respect of item (2), resulted from the fact that deductions for deviations from the agreed standards, in the execution of certain items of work had not been carried out from the running bills.

12.105. In the first case a portion (Rs. 17,909) of the security deposit (Rs. 23,879) had been refunded to the contractor in January, 1956, i.e. five years before the finalisation of the contractor's account and the balance had been adjusted against recoveries due from him in respect of certain other contracts. In the second case, a sum of Rs. 2,225 available from the security deposit and a further sum of

Rs. 6,621 due to the contractor in respect of another work were adjusted against the overpayment of Rs. 34,062 leaving a balance of Rs. 25,206.

12.106. The contractor did not pay the amount, and in June, 1961 asked for arbitration. An arbitrator was appointed in May, 1962, after nearly one year; his award is awaited (December, 1964).

12.107. The Committee enquired whether Government had fixed responsibility for accepting the sub-standard work and paying for it without any reduction in the contract rates. The witness stated that the disciplinary aspect of this case was being looked into and suitable action would be taken against the defaulting officer. As regards arbitration proceedings, the representative of the Ministry stated that in one case the claim was for Rs. 48,317 and an award was given in their favour for Rs. 27,418. They had gone to the court for a decree and would recover this amount. In the second case, the amount involved was Rs. 25,206 and the award was still awaited. Out of overpayments amounting to Rs. 82,369 made to the contractor, Rs. 8,846 had already been adjusted from the security deposit.

12.108. In reply to a question, the witness stated that they could not take action against the officers concerned as the records of the case were with the Arbitrator. He agreed that no action was taken against the officials earlier, though this case was discovered by them in 1961, the contractor asked for arbitration in June, 1961 and the case went to arbitration in May, 1962 and December, 1962.

12.109. The witness promised to furnish a note giving the details of the case and why no disciplinary action was taken against the officers concerned.

12.110. The Committee regret to observe that the note is still awaited.

12.111. From the facts of the case it is clear that the irregularities were discovered in 1961 and the case was referred to the arbitration in May and December, 1962. They are constrained to note the failure on the part of the Department to consider the disciplinary aspects of the case and take suitable action during this period 1961 and 1962 to fix responsibility for acceptance of sub-standard work.

12.112. The Committee would also like to observe that it is a common, though lame excuse that action could not be taken as the records were in the court/arbitration or with police. The Committee

cannot appreciate this difficulty because the copies of these records could always be obtained and necessary action taken.

Government of India Press, Nasik Road

*Delay in installation of machinery and occupation of a building—
Sec. XL pp. 195-96 of Audit Report (Commercial), 1965.*

12.113. Machinery and equipment costing Rs. 17.75 lakhs purchased for the Government of India Press, Nasik Road during the period 1949 to 1959 were installed between July 1957 and July, 1962. In certain cases (machinery costing about Rs. 8.70 lakhs) the delay ranged between 1 and 12 years and above as indicated below:

Cost of the Machinery	Delay in installation
Rs.	
50,844	12 years and above.
66,847	6 to 10 years.
1,72,569	3 to 6 years.
5,79,503	1 to 3 years.

12.114. The indent for machinery was placed in August, 1947 and it was expected that the entire machinery would arrive only in the course of 4 to 5 years.

12.115. The Ministry informed Audit in September, 1964, as follows:—

“As a rule, the purchase of machinery is generally arranged to synchronise with the construction of accommodation to house the machinery. In the case of the Nasik Press, even a rough synchronisation was out of question having regard to the special circumstances due to which an order for machinery had to be placed even in advance of selection of a site for the Press. Naturally, the construction of the buildings could not keep pace with the arrival of machines.”

12.116. The course of events explained by the Ministry, however, brought to light the following aspects:—

12.117. The proposal for the setting up of the New Press was submitted to the Standing Finance Committee in March, 1948. The machinery started arriving in 1949, but firm proposals for the purchase of land and construction of Press building at Nasik were formulated at the end of January, 1951. The formal administrative approval was issued in January, 1952.

12.118. The construction of the building was completed by the C.P.W.D. in April, 1955 against the stipulated date of October, 1953 owing to difficulties in getting steel and other construction materials; the air-conditioning equipment was sanctioned in April, 1954 and installed by January, 1958.

12.119. The General Manager's bungalow which was constructed in the beginning of 1954 at a cost of Rs. 35,000 was handed over to the Department by the C.P.W.D. in November, 1958, i.e. after nearly 5 years from the date of construction. The bungalow was thereafter used as a guest house up to the end of 1959 when it was allotted to the General Manager who was placed in charge of the Press.

12.120. The Committee desired to know the special circumstances in which the order for the machinery had to be placed even in advance of the selection of the site for the press and the reasons for delay at various stages. The representative of the Ministry stated that the case related to the year 1947 when the country was partitioned. The order was placed by the D.G.I.S.D. in London in accordance with the decision taken by the Partition Council. The proposal for setting up the new press was approved by the Finance Committee in March, 1948. The site for the press was chosen at Nasik in September, 1948. The decision to have a Rotary wing was taken in January, 1949. In January, 1951, the proposal to purchase land and construction of buildings at Nasik was submitted to the Standing Committee of Parliament of the Ministry. In February, 1951 this proposal was approved. In September, 1951 the proposal was again submitted to the Standing Finance Committee and approved by them. In January, 1952, administrative approval and financial sanction was issued. But the equipment had started arriving from June, 1949 and its installation was undertaken from March, 1958 to July, 1962 on various dates.

12.121. The Committee pointed out that the press started full fledged working only in 1962 though the buildings were ready in 1955. The Chief Controller of Printing and Stationery stated that the buildings were ready in April, 1955 and the machinery though it started arriving from 1949 its receipt was completed only in 1959. The Rotary machines for forms printing were received in February,

1958. Some machines referred to in the audit para were complementary machines which were received much earlier. The cameras and offset machines could not be used because air conditioning was completed in January, 1958. He added that he could not find any information regarding prior planning of air-conditioning of the building.

12.122. In reply to a question, the witness stated that the press was working on no-profit no-loss basis.

12.123. The Committee desired that a note might be furnished indicating:

- (i) the dates on which orders were placed for different machines and the dates when the machines were received;
- (ii) why the question of a building or other facilities were not thought of at the time of sanctioning the project and why those were thought of piecemeal; and
- (iii) in the absence of the machine for 12 or 13 years, how the work was done, by whom and what was the extra cost.

The note* furnished by the Ministry is at Appendix XXXIV.

12.124. In the opinion of the Committee, this case reveals lack of proper planning which resulted in the costly machines and equipment remaining idle for periods ranging from 1 to 12 years. Had the matter been pursued promptly the delays in obtaining administrative approval for the setting of the press, acquisition of land and construction of buildings could have been minimised. The Committee are surprised that the plan for the construction of a building for a Rotary (form) Wing was not included in the original scheme and approval for the same was obtained 2 years later although its setting up was also approved in 1949. The Committee trust that the Ministry will ensure better planning and proper co-ordination in the setting up of such projects in future.

General

Delay in the submission of notes.

12.125. During the course of the examination of the Audit Report relating the Ministry of Works, Housing and Urban Development on the 1st and 2nd February, 1966, the Public Accounts Committee had desired further information on certain points. A list of points on which further information was required by the Committee was sent

*Not vetted by Audit.

to the Ministry on the 16th February, 1966, in which they were asked to furnish the additional information by the 4th March, 1966. Information on three more points was also asked to be furnished at the latest by the 19th April, 1966. Out of 23 points, information on 10 points only has so far been received.

12.126. The Committee need hardly emphasise that in the absence of additional information, it is difficult for the Committee to formulate their views. The Committee would, therefore, like to urge the Ministry to ensure that the information asked for is invariably furnished within the time limit prescribed.

R. R. MORARKA.

Chairman,

Public Accounts Committee.

NEW DELHI;
The 28th April, 1966.

Vaisakha 8, 1888 (Saka).

APPENDIX I

Summary of main Conclusion/Recommendation

No.	Para No.	Deptt./ Ministry concerned	Conclusions/Recommendations
1	2	3	4
1	1.9	Finance	The Committee are surprised to learn that when the funds were disbursed to the various States Citizens Councils etc., no condition was laid down regarding preparation and submission of audited accounts. A decision to get audited accounts was taken only about two years after the disbursement of the funds. The Committee desire that the question of obtaining audited accounts from such of the Citizens Councils as have not yet forwarded the audited accounts and also the Indian Red Cross Society and the individual mentioned above should be pursued vigorously.
2	1.14	Do.	The Committee desire that the review suggested in para 8 of their 36th Report (3rd Lok Sabha) indicating how far the various projects financed from the foreign loans were (a) already remunerative (b) likely to become remunerative after some years, and (c) likely to continue unproductive so far as can be foreseen, should be completed early. They further desire that this review should also include the results of the study as to how far the Governments

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expectations have been realised in respect of earning/saving the foreign exchange as a result of commissioning such projects.

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Do.

The Committee feel concerned over the quantum of commitment charges (Rs. 425.09 lakhs) paid by Government to the International Bank for Reconstruction and Development upto 1964-65 in respect of the loans taken by the Government, public Undertakings and companies in the private sector. The Committee note the Ministry's explanation that the bulk of the commitment charges were unavoidable, as most of the IBRD loans finance imports of capital plant and machinery which necessarily involve long delivery periods, say two or three years, and thus even utilisation of loans according to the original schedules and within the terminal dates involves payment of commitment charges over a long period. All the same, the Committee desire that every effort should be made to minimise the commitment charges that are avoidable, by utilisation of the loans within the original time schedule and by not embarking upon loan agreements for doubtful schemes, involving the possibility of the cancellation of loan agreements later. Even in case of loans for capital equipment involving long delivery period—more realistic time schedule should be prepared taking into consideration the time factor etc.

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The Committee also desire that an early decision should be taken on the suggestions made in para 19 of their 39th Report (1964-65) regarding the feasibility of the industries taking loans direct from the World Bank on a guarantee of the Government, which would lessen the burden on Government. The Committee are not impressed by the argument that it does not matter whether the Government or the private party pays the commitment charges. In the opinion of the Committee it very much matters and therefore it should be ensured that in cases where the World Bank is not in a position to give loans direct to the industries concerned and Government have to step in as an intermediary. Government should make available the foreign loans received to the parties concerned on such terms and conditions as will not result in a loss to the public exchequer. This principle should be made applicable both in the case of public undertakings and companies in the private sector.

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The Committee note that pursuant to their recommendation, Government have issued instructions (October, 1964) to the State Governments that with effect from the accounts of 1965-66, the final adjustment of Central assistance to State Governments for plan schemes would be on the basis of the audited figures of expenditure. The Committee hope that each State Government will publish a statement of schemes included in its annual plan arranged under the heads of development indicating the provisions made for each scheme under the various budget heads of accounts and also furnish the requisite data to the Accountant General concerned to enable him to check that the grants were actually spent for the purpose intended and also economically. The Committee desire that the system should

1	2	3	4
			be kept under review by the Ministry of Finance in consultation with the Comptroller and Auditor-General with a view to effecting improvements and making the control of the Central Government over the utilisation of the assistance effective. The Committee would watch the results through future audit reports.
6	I 43	Do.	The Committee also suggest that the Ministry should discuss with the Comptroller and Auditor General about the other lacunae pointed out by Audit in this regard and send a Report to the Committee.
7	I-44	Do.	The Committee desire that such a study should be undertaken by the Ministry on a regular basis. This would enable the Ministry to know whether the grants/loans given by the Centre to the State Govts. for specific schemes were being properly utilised for the intended purpose. This will also be helpful in watching the actual utilisation of Central assistance and applying the correctives where necessary.
8	I-50	Do.	The Committee regret to observe that in this case an extra expenditure of Rs. 15,867 had to be incurred in the purchase of two "Bright Annealing Furnaces" and one "Atmosphere Generator" due to administrative and other delays in placing orders after calling for tenders in November, 1960. What is more, supplies have not yet

been completed after a lapse of more than three years of placing the order by the Director General, Supplies and Disposals. Thus, apart from incurring extra expenditure, the machinery required in 1960 have not yet been installed after a lapse of about six years. The Committee very much regret such long delays in the execution of small orders. They desire that the matter should be vigorously pursued with the Director General, Supplies & Disposals.

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Finance

The Committee feel concerned to find that the mis-appropriation of the investors' money was continued by the District Organiser concerned over a period of three years without being detected. The Committee desire that the system should be examined with a view to making it foolproof. They hope that necessary measures have been taken to tighten up supervision in order to prevent recurrence of such cases. The Committee would like to know the outcome of the prosecution launched against the District Organiser.

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Do.

The Committee desire that apart from the conditions included in the tripartite agreement with the State Bank of India M/s. Richardson & Cruddas Ltd. for protecting the interests of Govt., the Ministry should review whether any further measures are necessary to have controlling power in the management of the Company to safeguard the financial interests of Government. The Committee are also of the view that a clear stipulation should be made in the agreement that during the currency of the guarantee the management would be in the hand of the Court/Government nominee.

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11	I 66	Do.	<p>The Committee appreciate the position explained by the Secretary, Deptt. of Economic Affairs that in the case of Public Sector companies, the guarantees given by the Government would be progressively withdrawn as and when those companies went into production and were able to stand on their own feet. The Committee would like the Government to adequately safeguard the financial interests when they decide to give guarantees to private bodies, co-operative societies etc.</p>
12	I 71	Rehabilitation	<p>The Committee are surprised that even inspite of their previous recommendation, the Rehabilitation Ministry proposed the effective rate of interest of 5½% when the market rate was more than 7½%. This indicates that no proper thought was given to this problem and the Committee's recommendation was not considered seriously. The Committee desire that no undue concession should be given to the individual in the repayment of the loan which is overdue. The Committee reiterate their recommendations made in para 26 of the 36th Report, (1964-65) in this regard and desire that an early decision should be taken in the matter.</p>
13	I 84	Planning Commission	<p>The Committee are not happy over giving of retrospective effect to the order of creation of the post of Asstt. Secretary in this case. They feel that this is a case where the power delegated to the Planning Commission to make appointment, was not used with due circumspection. The Committee doubt whether under the existing</p>

rule it is feasible at all to create a post retrospectively. They find it difficult to appreciate the view of the Planning Commission that under the rules there was nothing prohibiting the competent authority from creating a post retrospectively. According to the Ministry of Finance, in such a case there should be some special circumstances justifying the creation of a post retrospectively. The Committee are not convinced that there were any special circumstances for creating the post of the Asstt. Secretary by the Planning Commission retrospectively. All the same, the Committee desire that this point regarding the feasibility and desirability of creating posts retrospectively should be examined by the Ministries of Home Affairs and Finance and clear instructions should be issued.

14 I-85 Planning Commission The Committee understand that the financial rules prescribe that retrospective effect to revision of pay or grant of concession to Govt. servants should not be given without the previous consent of the Finance Ministry. Therefore, in view of the fact that creation of the post retrospectively involves revision of the officer's pay retrospectively, this question of giving concession to the officer retrospectively should have the prior approval of the Finance Ministry. It is regrettable that this was not done in this case.

15 I-86 Do. Another point requiring examination is how far it is justifiable to pay deputation allowance to officers working in the same department when they are posted in ex-cadre posts. The Committee were informed during evidence that this practice has been followed in a number of cases. The Committee have a feeling that this practice of posting officers in ex-cadre posts in the same Department and paying

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them deputation allowance is not a healthy one, and should be avoided as far as possible.

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193 Planning Commission

The Committee note that the officer concerned was allowed to continue to hold two charges viz., Private Secretary to the Minister for Planning and Director of Public Co-operation for several years on one ground or the other. This enabled the officer to have the benefit of a special pay in the first instance and deputation allowance at higher rates later. Even the primary charge and the additional charge held by the officer was inter-changed. It was deposed before the Committee that both the charges were full-time posts. But at the same time the officer concerned continued to hold both the charges. The Committee find it difficult to reconcile this anomalous position. If both the charges were full-time posts, the Committee fail to understand how the public interest was served by putting them under the charge of the same officer. If on the other hand the post of Director of Public Co-operation did not justify the appointment of a full-time Director, the post itself, as suggested by the Finance Ministry, should have been abolished by distribution of work among the existing sanctioned strength. The Committee cannot help coming to the conclusion that the anomalous position was continued to give benefit to the individual concerned. The Committee hope that the Planning Commission would avoid creating such anomalous

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cedures coming in the way of the speedy execution of the programmes should be simplified suitably. The Commission should also ensure that adequate and timely technical guidance is made available to the project organisations.

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1 113

Food, Agriculture,
Community Develop-
ment and Co-opera-
tion.

From the above the Committee note that even though this programme was started in the year 1960-61, it has not reached the stage of stability as is evident from the report of the P.E.O. The Committee feel that the Government should make an attempt to have a systematic employment planning over a number of years rather than having an ad hoc system from year to year as in this case. Extension of this scheme from year to year has not been conducive to its successful functioning. Further, schemes included in this programme should not only be labour intensive but also provide for training to the labourers so that they may be self supporting in due course. The Government should also try to avoid duplication of the schemes undertaken by the State Governments as a part of their normal activities and the schemes taken up in this programme.

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(Do.

Even though a part of short-fall in providing employment might be due to less provision of expenditure, the Committee feel the achievement has been much below the targets fixed for the Third Five Year Plan. This short-fall in achieving the targets requires looking into.

Do.

The Committee also observe from the note furnished by the Ministry that a lumpsum provision of Rs. 148 crores has been made for special areas, Hill areas, Rural Manpower Works Programme in the Draft Fourth Plan. The exact amount to be provided in the Fourth Five Year Plan had not yet been finalised. In this connection the Committee would like to point out that even in the Third Five Year Plan the target of Rs. 150 crores was fixed for this scheme and as against this, an expenditure of about Rs. 16 crores is only expected to be incurred. The Committee are not sure whether the necessary administrative/executive machinery was existing to carry out these projects on such a large scale, or that the Planning Commission was not satisfied with the employment potential generated by these projects. Further the Government have also not examined how far they have been able to make a saving in expenditure by entrusting these works to the Block Samitis and Panchayats etc. It is also necessary that the administrative delays are avoided at different stages. The methods and forms for the preparation of accounts also require simplification so that they are easily understood by the Panchayats. In this connection the Committee would also like to draw the attention of the Ministry to para 12 of 55th Report (Third Lok Sabha) of the Estimates Committee, 1963-64 wherein the Estimates Committee had observed that "the Rural Works Programme should primarily be devoted to increasing agricultural production, development of village industries, construction of link roads and creation of remunerative assets.....".

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23	1 120	Food, Agriculture, Community Development and Co-operation.	<p>As substantial amount is proposed to be spent in the Fourth Five Year Plan for Rural Works Programme, the Committee suggest that the following points may be kept in view while sanctioning these works:</p> <ol style="list-style-type: none"> 1. As far as possible the expenditure on such programmes should be on productive assets to avoid any inflationary impact on the economy. 2. There should be a proper machinery to execute such works. 3. There should be a proper accounting and Audit arrangements for such expenditure. 4. As far as possible the employment should be training oriented so that un-skilled workers get skilled and become self-supporting.
24	2 5	Do.	<p>The Committee regret to note that there has been shortfall in the extraction of timber year after year as compared to the fixed target of 60,000 tons with the result that during a four year period of 1960-61 to 1963-64 the total shortfall has been as much as 29,000 tons, which is equal to about 6 months' extraction.</p>
	2 6	Do.	<p>The Committee, are however, glad to be informed that all possible steps are being taken to modernize the equipment and to replace the</p>

oldcrafts. As these schemes when implemented, would enable the Department to extract more timber and reduce the transport cost, which is at present heavy (Rs. 31.53 per ton during 1963-64 as against Rs. 17.96 per ton in 1960-61), the Committee would like the Department to give urgent attention to this matter.

The Committee feel that this malady should have been taken note of and remedied earlier as soon as the cost of transport recorded a steep rise from Rs. 17.96 in 1960-61 to Rs. 27.17 in 1961-62.

25 2-8 Do.

The Committee feel perturbed to learn from this note that the net profit of the Government as a result of the working of the Andamans Forest Department has gone down substantially from Rs. 25,41,401 in 1961-62 to Rs. 10,83,917 in 1963-64. They would therefore desire that an immediate analysis of the causes of these dwindling profits should be made and prompt action taken to arrest this trend under intimation to the Committee.

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26 2-11 Do.

In order that the implementation of the schemes which have already been finalised are not held up and delayed, the Committee would stress that appointment and posting of officers for the purpose should not be delayed.

27 2-13 Do.

The Committee note with regret that their expectations have been belied. They find that while in 1958-59 the intake was 23,348 tons, the outturn 12,553 tons and wastage 46.19 per cent, even in 1964-65, the intake is only 25,133 tons outturn 12,525 tons and wastage 50 per cent. The position has therefore, deteriorated instead of showing

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			improvement. The Committee would therefore, urge that reasons for this should be investigated and remedial steps taken.
28	2.16	Food, Agriculture, Community Development and Co-operation.	The Committee are unable to accept the proposition that there was not enough demand for seasoned timber in the mainland. They feel that the matter needs a proper review.
29	2.18	Do.	The Committee feel that no serious effort appears to have been made to tap the demand for seasoned timber properly and to utilise the capacity of the plant fully. They hope that vigorous efforts will be made toward this end.
	2.19	Do.	The Committee find further that the Creosoting and Ascue Treatment Plants also have not yet reached any where near the installed capacity which is 1200 tons per annum. The production during 1964-65 of creosoted timber was 220 tons only and of Ascue-treated timber was 542 tons only.
30	2.22	Do.	The Committee are alarmed at the state of affairs disclosed with regard to the working of the contracts with the licensee in the North Andamans. The Committee regret to note that the arbitration, which was stated before PAC of 1962-63 to have been in progress, (para 46 of 7th report) (3rd Lok Sabha) is still proceeding, in 1965-66 and is "likely to take about two years." If more arbitra-

tion proceedings are to take 5 or 6 years to settle then the very purpose of Arbitration, viz. expeditious settlement of dispute is defeated. Cases have arisen in respect of the disputes and differences arising in the working of the agreement for each of the years 1961-62, 1962-63 and 1963-64. This indicates that there is something radically wrong about the Agreement and its working that needs investigation by an independent agency as to how the agreement has been entered into with this particular company, what are the lacuna in the Agreement; whether it would not be desirable to cancel the agreement rather than spending Public funds on litigation and Arbitration year after year, and other such allied matters. The Committee desire this investigation to be set afoot at an early date.

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Home Affairs

The Committee feel unhappy to note that from 1956-57 to 1963-64, the Dockyard section of the Marine Department suffered a loss of more than Rs. 8 lakhs. Since, however, the Government have started taking action on the Report of the Departmental Committee appointed by Government in 1962 to examine the working of the Marine Department and to suggest how the working could be improved and the overhead charges reduced, the Committee would like to watch the results of the action taken through future Audit Reports.

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Do.

The Committee feel constrained to observe in this connection, that although the Report of the Community was submitted in July, 1962, the comments of the Andaman & Nicobar Administration on the report were forwarded to the Ministry in January, 1964. The Committee do not think that such long delays could be justifiable.

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			It has also to be borne in mind that this delay has indirectly contributed to the loss suffered by the Administration as remedial steps were also delayed as a consequence. The Committee hope, the A&N Administration would ensure that all delays in the working of the Administration are eliminated.
32	3.6	Home Affairs	The Committee feel that there has been inordinate delay in the procurement of the motor.
	3.8	Do.	The Committee feel perturbed to note that the Ferry Service of the Marine Deptt. has also been running at a loss since 1958-59 and the total loss suffered by the Ferry Service so far amounts to more than Rs. 5 lakhs. While the Committee appreciate that a low fare structure has to be kept in order to provide means of communication to all the islands irrespective of the freight and fares because of the peculiar nature of the territory, they would like the Administration to consider the feasibility of a slight revision of fares as justified by present day realities and of reducing overheads etc. of the service to the extent possible.
33	3.10	Do.	The Committee are unhappy to note this and would desire that periodical reconciliation should be done to ensure correctness of figures.

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| 34 | 3-14 | Do. | The Committee feel perturbed about the abnormal delay that has already taken place in deciding about the fixation of stock limits. Although the PAC made a recommendation in 1958-59, the matter was stated to be still (January, 1965) under consideration in consultation with the Ministry of Finance. The Committee, would like to know the reason if any for the abnormal delay of 7 years on such a simple matter. |
| 35 | 3-17 | Do. | The Committee are glad to note that credits are not being given to private parties since 1st April, 1963. They hope that suitable action would be taken to realise the outstanding of Rs. 19,152 from the private parties without further delay. |
| 36 | 3-19 | Do. | The Committee find that the amounts due for the period 1947-48 to 1951-52 are paltry. If the Administration feel that the recovery of these sums is not possible at this distant date, it would be better to take steps to write them off. |
| 37 | 3-20 | Do. | As regards the dues for the period 1952-53 to 1962-63, the Committee desire that vigorous steps be taken to recover them from the Departments concerned. The Committee would also like some suitable steps to be taken now so that even in the case of Government Departments, arrears are not allowed to accumulate. |
| 38 | 4-9 | Do. | The facts disclose a very unsatisfactory state of affairs. The Shipping Deptt. has already suffered a total loss of more than a crore |
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of rupees on the service of the three vessels maintained by them during the period 1956-57 to 1962-63. And yet the "High powered Committee" could not meet more than once between June, 1964 (when the Committee was appointed) and January, 1965, and the work of the Committee is yet to be completed (January, 1966). The Committee are alarmed at the casual way in which the continued losses of the Shipping Deptt. are being accepted with equanimity, by the Government Department. The Committee therefore, desire that this matter should be dealt with, with a real sense of urgency, so that both the operating efficiency and the financial results of the cargo-cum-passenger service between the Mainland and Andamans as also for inter-island service show a distinct improvement. The Committee would also like to know the extent to which losses have been reduced or are likely to be reduced as a result of ad hoc increase in the freight for carriage of timber w.e.f. 1st October, 1963.

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The Committee feel from a study of the notes that there have been delays and set-backs in the matter. They hope serious attention to the purchase of ships would be given so that further delays do not take place.

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5.16

Industry

The Committee hope that the Ministry will take all necessary steps to safeguard the financial interests of Government.

41	5.20	Do.	The Committee regret to note that notwithstanding the provisions of the Delhi State (Aid to Small Scale and Cottage Industries) Rules which restricted grant of loans to the extent of Rs. 50,000 in such cases and the advice of the State Government that the society had no tangible assets to offer, the Ministry of Industry thought it proper to give direct a loan (Rs. 2.50 lakhs) to the society. If, despite these limitations, the loan was given to the society in the larger interests of rehabilitation of a large number of people who would otherwise have been thrown out of employment, the Committee feel that steps should have been taken to safeguard the financial interests of Government by way of obtaining adequate security for the amount of the loan advanced.
42	5.21	Do.	The Committee regret to note that in spite of their recommendation for a proper inquiry made last year, no steps have been taken to undertake such an inquiry.
43	5.26	Do.	In the opinion of the Committee it was very unusual for the Government to give loan to the society without executing the necessary documents. The Committee find no justification for this decision.
44	5.27	Do.	They are also not convinced of the reasons advanced for non-execution of agreement for such a long time. While the loan was sanctioned on 25th October, 1956 without executing any agreement, the society approached the Government on 25-1-1957 for a copy of the

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agreement. But Government had not been able even to finalise the form of agreement till August, 1961 when a defective agreement was attempted to be got signed. Agreement was finalised only on 30th June, 1962. Even after finalising the agreement on 30th June, 1962 it could not be executed till 29-1-63 when a decision was taken that the society should go into liquidation in view of (1) the financial position of the society; (2) the defective working of the society; (3) the society was reluctant to sign the mortgage agreement. On 4-3-63 the decision to liquidate the society was communicated to the Development Commissioner, Delhi.

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5.28

Industry

The Committee regret to observe the notwithstanding the fact that the society approached Government in January, 1957 for a copy of agreement to be executed by them, Government could not get the agreement signed during the period of 6 years i.e. between 25-1-57 and 4-3-63 by the society to whom a loan of Rs. 2.5 lakhs had been sanctioned on 25-10-58. In the opinion of the Committee, the responsibility for this long delay of 6 years lies primarily with the Ministry. The Committee cannot understand this failure to get the agreement executed particularly because the society was already under the influence of the Government and at least for some time the full control of its affairs was in the hands of Government nominees. This, in the opinion of the Committee, is a clear case of negligence

and dereliction of duty. The Committee hope that in future Government till take necessary steps to avoid such long delays in execution of agreements.

46 5.30 Do.

The Committee are not happy at the manner in which unusual concessions were given to the society and the failure to take proper steps to safeguard the financial interests of Government.

47 5.31 Do.

The Committee have noted the following disquieting features in this case:--

- (i) During the period from 1956 to 1962, cases of mismanagement and other irregularities such as pledging of finished goods worth Rs. 80,000 in favour of a private bank against a cash credit of Rs. 52,000 were reported to Government. Adequate efforts were not made by the Ministry to look into the affairs of the society and to set them right.
- (ii) Charges of mismanagement and irregularities were levelled against the society even when the management had as its chairman a Government nominee. Further in spite of the fact that officials of Government on the Managing Committee were reporting to the Ministry about the unsatisfactory state of affairs of the society, no action was taken to get the hypothecation deed signed in time so as to safeguard the financial interests of Government.

48 5.33 do.

In view of the serious nature of irregularities committed in this case, the Committee desire that an enquiry should be held to find out why the unusual concessions were given and how far the office

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			members of the Society were responsible for its failure, and why the document remained unexecuted for such a long time.
49	5.34	Industry	The Committee also desire to be informed of the final position of the recovery of the outstanding dues from the assets of the society.
50	5.41	Do.	The Committee are surprised and cannot understand as to why this delay in filing the suit when the Government has considered that the party has no intention to pay.
			The Committee may be informed whether the suit for the recovery of the amount of loan due from the Dogra Steel Industries, Faridabad has since been filed in the Court and the result thereof.
51	5.43	Do.	The Committee may be informed of the further developments in this case.
52	5.47	Do.	The Committee desire to be informed of the latest position regarding the recovery of amounts due from the Indian Hardware Industries, Faridabad.
53	5.55	Do.	The Committee trust that vigorous steps will be taken to effect recovery of the outstanding amounts from the defaulters. They would like to be informed of the progress made in this regard.

45 5.59 Do.

The Committee feel that unless utilisation certificates are received in time and the Inspectorate staff of the Director of Industries submitted Inspection Reports regularly, the Government will not be able to know whether the money has been utilised for the purpose for which it was advanced. The Committee are surprised how such an unsatisfactory situation was allowed to continue for such a long time. They trust that steps would be taken to ensure that utilisation certificates are furnished by the loanees in time and they are properly scrutinised.

55 6.15 Iron and steel

Even though the Ministry succeeded in liquidating arrears amounting to Rs. 7.08 crores billed upto 3-3-1964, the committee find that a large amount of money roughly about Rs. 1½ crores still remains to be cleared, and some of the items related to the period 1949-1953. The outstandings against the rerollers by the end of December, 1965 amounted to Rs. 32.88 lakhs. They are unhappy to note that an amount of Rs. 103.97 lakhs was outstanding on 1-1-1966 in regard to the surcharge on imported steel. From a note furnished by the Ministry, the Committee find that there were 24 parties against whom surcharge dues for more than Rs. 1 lakh each remained outstanding.

56 6.16 Do.

The Committee regret to observe that for a long time the Ministry were not alive to the necessity of tightening up the administrative machinery as a result of which arrears went on accumulating. It is surprising that some of the arrears are more than a decade old—during which period no serious effort seems to have been made to evolve a better system. According to evidence there was no detail-

ed procedure or instruction as to how bank guarantees should be asked for and their report verified on acceptance of a tender. There was virtually no co-ordination between the different sections in the office of the Iron and Steel Controller which issued the contracts, which determined the bank guarantee and which issued the customs clearance permit. The Departmental order of 1959 was not only inadequate but it was never given a fair trial either for the Committee find that many letters orders were issued which did not provide for submission of bank guarantee and there were instances where the letter orders were not endorsed to the Surcharge Section also. There was as many as 101 cases subsequent to the issuance of the order of 1953 (which stipulated a bank guarantee) where either the bank guarantee was not obtained or they were not furnished by the parties when they were called upon to do so. It is all the more surprising that it took nearly 5 years for the Ministry to locate the loopholes in the administrative order and an amendment thereto was issued only in 1963.

6.17

Iron and Steel

The natural consequence of all these was that the Ministry at a later date found themselves in a helpless position to effect recovery of arrears because either the documents were not available or safeguards were not adequate and even after ten years the Ministry have to carry a huge back log of arrears.

6.18

Do.

The Committee feel that the Ministry should appoint a departmental Committee to go into the details of the administrative procedure now obtaining in the office of the Iron and Steel Controller to streamline the administrative machinery so as to ensure that the defects referred to above do not recur in future and also to enable the Iron and Steel Controller to effect quicker recoveries of arrears.

6.19

Do.

As regards the clearance of arrears, in view of the fact that the C. & A. G. has agreed to do post Audit instead of pre-audit, the Committee hope that the High Powered Committee would now be able to move quickly in the matter and liquidate the arrears without any further delay.

6.20

Do.

The Committee also notice that, by and large, a practice has developed where the firms do not make any payment to Government if they have any claim on Government and this delays the settlement of cases. The Committee feel that Government should try to determine the claims of the firms early so that they are also able to pursue their own claims with promptitude. In any case, the Ministry should consider the feasibility of introducing suitable provisions in the rules for laying down a time limit by which the firm should prefer their claims complete with all papers and documents and also a time by which a final decision should be taken by the Iron & Steel Controller.

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57	576.22	Iron and Steel	<p>From a note furnished by the Ministry, the Committee find that the question of merging the balance in the Steel Equalisation Fund with the Consolidated Fund of India is still under consideration. They would like to be informed of the decision taken in the matter.</p>
58	6.26	Do.	<p>The Committee would like to reiterate their earlier recommendation made in para 35 of their 39th Report (Third Lok Sabha) to put J.P.C. on a statutory footing. They feel that the present status of this Committee is questionable because according to legal opinion such a Committee cannot be created under the Iron and Steel Control Order. Even then the said Committee is collecting an amount which is far in excess of the requirement for payment to the staff and the burden of which is ultimately falling on the consumers.</p>
	6.27	Do.	<p>The association of the Iron and Steel Controller with that Committee has further created an anomaly in the sense that the said Committee virtually enjoys the authority and protection of the Government. The amount it collects has the characteristics of a levy and yet the amount so collected does not form part of Consolidated Fund of India, expenditure therefrom is not audited by the C. & A. G. and thus it is not accountable to Parliament. The right to collect an amount which has all the characteristics of a cess by an organisation whose status is legally not viable without the sanction of the Parliament creates an anachronism of peculiar nature. The Committee are surprised that the Ministry of Law had advised the</p>

Ministry of Iron and Steel to constitute JPC into a company. For the limited purpose for which the JPC has been created, company form of management is least suitable. Moreover, in the opinion of the Committee authority to collect a compulsory charge, assumes the colour of a tax, by whatever name called, and hence it should not be entrusted to a company form of organisation, the Law Ministry's opinion notwithstanding. The Committee are of the view that the best solution to this problem would be to place the J.P.C. on a statutory footing as originally recommended by the P.A.C.

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6.34

Do.

The Committee cannot resist the feeling that the party secured for itself a favoured treatment from the office of the Iron and Steel Controller where for reasons unknown, all rules and regulations were set at naught and the Government machinery seemed to have worked more to uphold the interest of the party than that of the Government. The successive events relating to this case, depict the following serious lapses:—

- (i) The letter order in this case strangely enough excluded the vital provisions of recovery of surcharge.
 - (ii) Copy of the letter order was not endorsed to surcharge section for recovery of surcharge.
 - (iii) The firm did not furnish any bank guarantee not being provided in the letter order though otherwise provided in the rules, and the Iron and Steel Controller did not show any firm insistence to obtain it or to took into the case as to how such a lapse could occur.
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(iv) Even when a Committee was appointed in 1965 to look into these cases, the case of firm 'A' was not considered despite the fact that it was accountable for many lapses and also for 35 per cent of the total outstanding amount.

(v) The irregularity/favour shown to this particular firm was brought to the notice of the Department through an Audit para in 1960.

In the face of all these facts the Committee find the arguments of the Ministry that the stalemate had arisen because of lack of co-ordination between the different branches of the office of the Iron and Steel Controller and that no special favour was shown to this firm as unconvincing. It is inconceivable that multiple lapses should occur only in the case of a particular firm. While the Committee note with satisfaction the decision of the Iron and Steel Controller not to have any dealings with this firm in future, they would very strongly urge that a thorough investigation should be made into this case for the various lapses at different stages and that the delinquent officials should be dealt with suitably. The Committee would like to be informed of the action taken in this matter.

Communications
(P&T Board)

From evidence the Committee find that a chain of events had occurred in this case which cannot rule out the possibility of a collusion between the firm and the officials. The sequence of events was as follows:

- (i) The tenders were invited but the offer was not according to the terms of the tender.
- (ii) The parties were verbally asked to confirm.
- (iii) The party quoting higher rates gave the confirmation while there was nothing on record to show that the second party was consulted.
- (iv) The order was placed with the party quoting high rates and later on relaxation was given as regards the specifications of the material which was asked for by the party.
- (v) Even when the relaxation was agreed to the implications of the relaxation were never examined.
- (vi) The P. & T. Board resorted to an unusual practice of informing the party about the amendment of clause of a contract entered into by the Iron & Steel Controller.
- (vii) Even when the A.G.M. had suggested that a fresh tender enquiry might be called for with the revised specifications, it was not put into effect; and
- (viii) The P. & T. Board were very rigid at the outset about these specifications of the material. But in actual practice

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the element of maximum elongation did not really mean much because subsequently they climbed down to a lower specification.

Since the matter has already been referred to C.B.I. for verification, the Committee would like to be informed of the findings and the action taken thereon.

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7-15

Mines and Metals

From the evidence the Committee find that excepting in the Port of Calcutta there is no independent arrangement at other ports for getting the grade of coal tested to ensure that the supplies are made strictly according to the specifications. The ports of Bombay, Visakhapatnam and Kandla depend on the grading of collieries done by the Coal Controller while the ports of Madras and Cochin obtain their supplies through the Southern Railway without conducting any independent test of their own. The port of Bombay further hold that such tests are not necessary and they only conduct some visual inspection. In a note furnished to the Committee in April, 1965, the Ministry upheld the view that "the grade given by the Coal Board represents what the grade of coal loaded by a particular colliery is expected to be according to the technical assessment made by the Board."

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7-16

Transport

Against this background, the Committee find from evidence that neither the view of the Ministry nor the contentions of the Bombay

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Port authorities are substantiated by facts. During 1963—65, according to evidence, 63 tests were carried out and out of these in 50 cases it was found that the coal supplied was of inferior quality.

The Committee feel distressed by this revelation because under the existing system even when coal is found to be of inferior quality, the consumer has to pay at least for that consignment according to the superior grade assigned by the Coal Board unless he has an agreement with the colliery to the contrary. In the face of these facts, the Committee fail to understand how the Bombay Port authorities can claim that the "visual inspections" which they are now conducting are adequate to ensure that supplies are according to specifications. They are further surprised to be informed that Bombay port authorities failed to furnish any explanation for their stand even when called upon to do so and that the Ministry did not take any further action in the matter. Since all the consumers are not likely to have their own arrangements for testing and for the sake of equity, it is essential that the testings done by the Coal Board for allocating grades should be done so carefully as to eliminate all possibilities of mistakes and errors. In order to avoid such variations and disputes which result in compromise payments being made by the contractors, the Committee feel that the Coal Board should enforce the standards laid down for the allocation of the grades more strictly. They should also consider the feasibility of making frequent sample tests even in respect of the coal that is supplied to ports.

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64	7.18	Transport	<p>The Committee hope that the Ministry will take an early decision on the recommendations of the Committee which was constituted to consider the question of revising the system of grading of coal and whose report was submitted as early as in 1963. The Committee also hope that Govt. will carefully analyse the results of tests conducted at Calcutta Port to devise their future policy in this regard.</p>
65	7.24	Mines and Metals	<p>The Committee take a very serious view of the cheques having been issued in this case without any balance in the accounts of the Coal Board. The Committee feel that this appears to have been done primarily with a view to exhaust the funds at the close of the year and in that haste the Coal Board did not even have in view the balance to their credit in the bank. The Committee would suggest that the case should be investigated thoroughly and responsibility fixed for this lapse. They further hope that such mistakes will be strictly avoided in future.</p>
66	7.27	- do -	<p>The Committee were informed by Audit that the colliery had since refunded the irregular payment.</p> <p>The Committee further understand from Audit that the Ministry had stated that the Chief Inspector of Mines reported in August, 1964 that the colliery did not comply with the orders to introduce cap lamps before July, 1961 and hence assistance was not payable for the period to July, 1961.</p>

The Committee fail to understand why the Chief Inspector should have taken three years to detect this non-compliance and to report on it. They hope that proper steps will be taken by the Board to avoid recurrence of such cases in future.

67 32 Mines and Metals

The Committee find that the losses suffered in this case was because of multiple lapses for which the administration alone is to be blamed.

It is surprising that the usual practice of making a provision in the contract that in case a work is abandoned it should be completed at the risk and cost of the original contractor was not followed in this case and the contractor had drawn a huge sum as advance from the colliery before the completion of the work and the authorities did not consider it worthwhile to safeguard their own position by obtaining adequate security from the contractor as a result of which recoveries could not be effected.

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The Committee would like to be informed of the results achieved by doing the work departmentally and progress made in regard to the introduction of any unified control over the protective work.

68 7-37 —do—

The information regarding the interest liability in foreign exchange and interest on the investment so far made in regard to the three Central ropeways is still awaited.

69 7-38 —do—

In view of the very heavy amount of loan (viz., Rs. 21 crores approximately) earmarked for 3 ropeways, the Committee would

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like to know the final decision taken by Govt. to ensure timely repayment of this loan and the details worked out for this purpose.

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The Committee are not convinced by the arguments advanced by the representative of the Coal Board in this case. The retention of the amount could have been justified only if there were any occasion for doubt that the amount of Rs. 60 lakhs which was to be paid to the contractor within a month of his depositing the security money, would not be available within that period. Nothing was stated during evidence to substantiate such an apprehension. The amount retained was bearing an interest of 5 per cent which of course, was neutralised to some extent by short term investment. The Committee feel that even the resultant loss could have been avoided if the Board instead of drawing the amount much in advance of the requirement had done it at the proper time. The Committee hope that the Board should in future exercise better control on their borrowings and void infructuous expenditure.

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7-41

—Do.—

The Committee regret to note that the statement on the following points have not been furnished by the Ministry: —

- (a) the basis on which the amount of assistance given under the head "Assistance to collieries handicapped by adverse factors etc." vide item E of the Statement of Receipts and Expenditure of the Coal Board for the year ended 31st March, 1964 (Appendix XIII) was determined; (b) how

it was verified that the amount of money given as assistance was spent economically and for the purpose for which it was given; (c) the names of the collieries to which assistance amounting to more than Rs. 2 lakhs--

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| 72 | 8 6 | Labour, Employment
& Rehabilitation

Deptt. of Rehabilitation | The Committee note with regret that cases registered in 1953 are still pending for disposal. They hope that 882 cases pending at present will be cleared with the proposed time limit i.e. 30th June, 1967. |
| 73 | 8 8 | Do. | The Committee desire that the Ministry should impress upon the beneficiaries that 9,908 statements of Accounts involving a liability of Rs. 1.10 crores at the end of November, 1965, should be utilised at an early date. The Committee would like to watch the progress of utilisation of statements of Accounts by the persons concerned, through future Audit Reports. |
| 74 | 8.14 | Do. | The Committee find from the statement that out of 801 cases where properties were put to auction twice, only in 117 cases, the subsequent bids were more than the first bid. In 187 cases subsequent bids were less than the first bid and in 31 cases, no bids were offered in subsequent auctions. No. of properties which were put to auction more than twice was 466. In view of this experience, the Committee feel that Government have to exercise care in coming to a conclusion as to whether bids in the first auction were really less than competitive or not. The additional administrative expenditure involved in retaining custody of these properties for a longer duration should also be borne in mind, before rejecting a bid in the first auction. |

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75	8.15	Labour, Employment] & Rehabilitation	The Committee also desire that effective steps should be taken to dispose of the remaining evacuee properties expeditiously.
76	8.20	Deptt. of Rehabilitaion Do.	The Committee note with regret and surprise that on the basis of outstanding shown in the registers, the Government is not in a position to state the effective arrears of rent out of outstanding amount of Rs. 3.85 crores. The Committee feel that the Ministry should work out the extent of effective arrears so that efforts are concentrated for recovery of the same.
77	8.24	Do.	In view of the fact that outstandings (Rs. 60 to 70 lakhs) against widow and destitutes are distributed over a large number of people, the Committee feel that per capita writing off would be very small. To expedite scrutiny of these cases as also writes off, the Committee suggest that the Ministry of Rehabilitation should consider the desirability of delegating some limited powers to their junior officers for write off.
78	8.32	Do.	From the note the Committee observe that an amount of Rs. 20.70 lakhs had been collected from private parties during 1963-64, 1964-65 and 1965-66 (upto 12/65). The question of recovery of arrears of rent to the tune of Rs. 3.67 lakhs outstanding against Government Deptts. has already been taken up with the various Deptts. The Committee desire that vigorous efforts may be made to recover the

outstanding arrears of rent both from private parties as well as from Govt. Deptts.

79 8 39 Do.

The Committee would like to be apprised of the progress of recovery of outstanding arrears from the Delhi Municipal Corporation on account of compensation in respect of evacuee properties acquired by it.

80 8 41 Do.

The Committee hope that the Ministry would be able to settle the dues of Delhi Municipal Corporation expeditiously after scrutinising the bills received by them.

81 8 49 Do.

The Committee would like to know the result of this review.

82 8 54 Do.

The Committee regret to state that the information is still awaited.

83 8 57 Do.

From the evidence, the Committee note that there was nothing available on record to show that the U.P. Government was not in a position to take up this work as was claimed by the representative of the Ministry of Rehabilitation.

84 8 58 Do.

The Committee also regret to note that the Ministry did not receive quarterly progress reports in time from the State Govt. of U.P. The Ministry have also not yet calculated the extent of reduction in expenditure resulting from the transfer of this work to the Govt. of U.P. The Committee feel that the Ministry should have taken prompt measures to effect reduction in their staff on transfer

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			of work to the U.P. Govt. The Committee would like to be informed of the reduction in expenditure if any, as a result of transfer of this work to the Govt. of U.P.
85	8 71	Rehabilitation, Agriculture Law Planning Commission Home Affairs	From the evidence, the Committee observe that due to lack of coordination between the Ministries of Rehabilitation, Food and Agriculture, Law and Planning Commission, the difficulties of the Ministry of Rehabilitation could not be taken into account while formulating Central Government's comments on the proposed State Legislation before its enactment
86	8 72	Deptt. of Rehabilitation Deptt. of Agriculture	The Committee feel that the Ministry of Rehabilitation should have pointed out to the sponsoring Ministry i.e. the Ministry of Food and Agriculture the desirability of excluding the evacuee's lands from the proposed legislation to be enacted by Rajasthan Govt. The Ministry of Food and Agriculture was also not vigilant enough as otherwise, they themselves should have consulted the Ministry of Rehabilitation or even suggested exclusion of evacuee lands from the proposed legislation as had been done in the case of other States.
87	8 73	Home Affairs	The Committee also suggest that the Ministry of Home Affairs should issue instructions, which should be clear and comprehensive for the guidance of various Ministries as regards the correct procedure to be followed in such matters.

88 8.87 Rehabilitation

The Committee find no justification for delay in supplying the approved drawings to the Inspecting officer. The Department had incurred an extra expenditure of Rs. 38,475 in this case merely on the plea that they needed the supply urgently. There was, therefore, no justification for any delay in supplying the approved drawings. The Committee feel that the requirement of the D.D.A. was not so urgent for these trailers as it was made out to be on 28th March, 1960 when orders were placed in anticipation of the sanction of the Chief Administrator. Had the requirements of trailers and their dates of supplies been assessed more realistically, the Committee feel the extra expenditure of Rs. 38,475 could have been avoided.

89 8.88 Do.

The Committee also understood in evidence that some of the files relating to these deals were taken away by the S.P.E. The Committee would like to be informed of the results of the case in connection with which the S.P.E. took away those files.

90 8.97 Do.

The Committee observe that the Crankshaft Grinder 60" was purchased on the basis of the urgency which did not exist. Tenders were invited in July, 1959, and supply order was issued only in May, 1960. The machine received in October, 1960 was installed in August, 1962 after the expiry of the guarantee period of one year. The delay in the installation has been attributed to non-receipt of inspection manual and to non-availability of power required to commission the machine. In view of this the Committee feel that there was no urgency in purchasing this expensive machine if the project authorities were not equipped with the necessary facilities to operate it.

The Committee therefore feel that an extra expenditure of Rs. 12,000 could have been avoided, as there was no urgency in this case.

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| 91 | 8 98 | Rehabilitation | <p>Owing to defects in the machine, the Grinding jobs for which it had been purchased were got done elsewhere at an expenditure of Rs. 21,000 - It is also understood from Audit that the machine was jointly inspected by the representatives of D.G.S. & D. Bombay and the Divisional Manager of the Project. The Works Manager who later examined the machine reported that the machine had been "highly used before being sold". The Committee would like that the responsibility should be fixed for the perfunctory inspection of the machine by officers of the Project and D.G.S. & D.</p> |
| 92 | 89-9 | Do. | <p>It is also understood from Audit that 10% (Rs. 5842) of the payment of the firm's bills has been held up. The Committee suggest that the desirability of forfeiting this amount may be considered.</p> |
| 93 | 9-11 | Department of Social Welfare | <p>The Committee fail to understand why the Directorate could not explain the position to the Audit earlier either when the draft Audit para was sent to them or when the para was included in the Audit Report so as to avoid this controversy. The Committee were given to understand that a review of the administrative expenditure of the Directorate was being undertaken by the Government. The Committee would like to be informed of the result of this review.</p> |

94	9.18	Department of Social welfare	The Committee are surprised to learn that the Directorate had evolved a procedure of preparing Profit & Loss Accounts which was not on the generally accepted principles. The Committee feel that the Directorate should examine this matter in consultation with Audit and revert to the proper procedure of preparing Profit & Loss Accounts, which will give a true-picture of the financial position of the Directorate.
95	9.19	—do—	The Committee also consider it unfortunate that despite the prolonged illness of the manager for 1½ years, no satisfactory arrangements were made to fill up the post.
96	9.26	—do— Home Affairs	The Committee appreciate the fact that out of wool accounts worth Rs. 6 lakhs, the Board has received all the accounts except for the amount of Rs. 19,000 only. The Committee hope that by persistent efforts on the part of Board this amount will also be covered soon. But what is disturbing to the Committee is that all the communications from the Board to NEFA Administration in this regard remained unreplyed. The Committee would like this matter to be taken up at an appropriate level.
97	9.34	—do— Social Welfare	The Committee regret to note that a statement of funds raised by Mahila Mandals and other voluntary organizations, from private contributions, other than Rs. 78 lakhs given by the Board, is still awaited.
98	9.37	—do—	The Committee regret to note that the information indicating the number of complaints received against these voluntary organizations

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			due to their non-maintenance of proper accounts and their performance and, if so, in how many cases payment of grants was stopped, is still awaited.
99	9.38	—do— Social Welfare	<p>The Committee deprecate the delay in furnishing the information asked for by them, as it is necessary that the information is examined by them before they come to any conclusion. They desire that the information called for should be furnished without any delay. In view of the adverse comments of the Evaluation Committee appointed by the Board in January 1964 about the performance of the Mahila Mandals and other voluntary organisations which had taken over the projects the Committee would like to be informed of the concrete steps taken by the Board to improve the working of these organisations and to ensure that the funds given to them are properly utilised.</p>
100	9.44	—do—	<p>The Committee hope that the new revised system of assistance to the various units, as suggested by the Evaluation Committee, will soon be given a fair trial.</p>
101	9.54	—do—	<p>The Committee regret to note that accounts for the year as far back as 1958-59, even though received, still remain to be finalised by the Board. They hope that an early action would be taken in finalising the accounts. The Committee would also like the Board to take suitable steps to ensure that such heavy arrears in the finalisation of accounts do not arise in future.</p>

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| 102 | 9.59 | —do— | The Committee are constrained to note the delay in placing the Audit Reports on Employees State Insurance Corporation on the Table of the House in time. This delay in presenting the report tantamounts to deprivation of the right of the Parliament to receive the accounts in time. The Committee take a serious view of this delay and hope that in future the Audit Reports will be presented to Parliament soon after they are submitted by Audit, so that, they are available to the members of Parliament and the Public Accounts Committee for examination without delay. |
| 103 | 9.65 | —do— | The Committee would like to be informed of the progress made in the decentralisation of further items of work to local offices. |
| 104 | 9.77 | —do— | The Committee desired that break-up of arrears of Rs. 11 lakhs which represented the employee's contribution, and the replies received from the employers when this demand was made, might be furnished to the Committee. The Committee regret to note that the information is still awaited. |
| 105 | 9.80 | —do— | The Committee regret to note that large amounts representing the employers' and employees' contributions to the Corporation, still remain to be recovered from the employers and that these outstandings are showing a progressive increase. This clearly shows that the Corporation had not taken effective steps to recover these arrears. The Committee would therefore, like the Corporation to take special measures to realise these arrears and also to ensure that such arrears do not accumulate in future. |
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106	9.81	—do— Social Welfare

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It is all the more surprising that the Corporation has not been able to recover its dues even from a Govt. Deptt. (Rajasthan State Electricity Board) which are pending for the last 14 years. The Committee would like to know the final decision in this respect.

107	9.82	—do—
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The Committee also take a serious view of the practice on the part of the employers in collecting the employees' contribution but not crediting it to the Corporation immediately. Even though such cases are stated to be few in number, the Committee feel that firm and deterrent action is called for as this results in the Employers deriving irregular and un-intended benefits from the contribution of the Employees and depriving the Corporation of the use of funds which are legitimately theirs.

108	9.89	—do—
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The Committee are not satisfied with the action taken by the Corporation in adjusting the outstanding accounts pending for the last seven to eight years. The Committee would like to suggest that in case of advance payment to State Governments, the Corporation should fix the targets for the completion of construction work as well as for the finalisation of accounts etc. and it should be adhered to as far as possible.

109	9.90	—do—
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In view of the magnitude of the construction work (Rs. 30 crores) sanctioned by the Corporation the Committee feel that greater

supervision and control over the construction work is called for on the part of the Corporation. They desire this matter to be examined carefully and suitable measures taken.

110 9.96 —do—

As regards repayment of principal, the witness promised to verify whether the repayment of principal was to begin after the last instalment was drawn. The information is still awaited.

111 9.97 —do—

The Committee do not approve of the practice of the Corporation granting big loans outright. The Committee feel that in such cases the Corporation should study the building programme for which the loan is asked for and issue the loan in instalments—depending on the progress of the building work. Such phasing of the loans would not only prevent the amount being locked up, but also ensure its proper utilisation.

112 9.98 —do—
Law

The Committee are not sure whether the Corporation was authorised under Section 23(12) of the E.S.I. Act to advance loans. They would like this matter to be examined in consultation with the Ministry of Law and the result communicated to them.

113 9.108 —do—

The Committee would like that the question of application of 'All India Average' be referred to the Ministry of Law for their opinion.

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114	9.115	Social Welfare Home Affairs	From the note submitted at the instance of the Committee it is clear that there was undue delay at every stage in this case which resulted in locking up of the amount of Rs. 1 lakh sanctioned for the construction of a hospital. What is more surprising is that all correspondence in adjusting this amount against the dues to be paid to Delhi Administration, remain unattended to. The Committee would like that this matter be taken up at a higher level and finalised without further delay.
115	10.7	Supply & Tech. Development	The Committee are not convinced with the explanation that limited tender was issued because of the urgency of the demand. They feel that the present Indent was placed on 3-12-1962 after the issue of the 28th October, 1962 letter so that the Defence Ministry placed this Indent with the full knowledge of their requirements and this was not to be governed by their general letter of October, 1962 i.e. before the Chinese aggression. Even if the Department wanted to be doubly sure a better course would have been to refer it back to the Defence Ministry and ask them whether they wanted it to be treated as an operational indent or whether the D.G.S. & D. was to take the dates given in the Indent as operative.
116	10.9	—do—	In view of the facts placed before the Committee and the fact that the Defence Ministry did not raise the question of delay in supplies,

the Committee are of the opinion that there was no urgency involved in this case.

117 10.11 Supply & Tech.
Development

The Committee are unable to understand how a bulk of the order to the tune of Rs. 11.96 lakhs out of Rs. 49.85 lakhs was given to a party who had not quoted at all. This in the opinion of the Committee violates the sanctity of the tender system and provides scope for favouritism etc. The Committee are not at all convinced by the argument of the 3 per cent discount as the Committee believe that it is always easy for a non-tenderer to give a small reduction to get the business and defeat the rightful claim of his competitor. The Committee trust that this question will be thoroughly looked into during the detailed investigation referred to in the next para.

118 10.13 —do—

The Committee are not at all happy at the manner in which this case has been dealt with. They desire that immediate steps should be taken to expedite the completion of the enquiry already instituted and to fix responsibility for the failures which contributed to the loss.

119 10.18 —do—

The Committee note that disciplinary action has been taken against the defaulting officer.

120 10.20 —do—

The Committee are not satisfied with the delay in implementing their recommendation concerning the appointment of an officer well-versed in Law of Contract. The Committee can hardly find any justification for making a reference to the Ministry of Law. The Committee desire that their recommendation be implemented without further delay.

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121	10 31	Supply & Tech. Development	<p>The Committee do not appreciate the reasons advanced for placing the orders with a firm whose rates were Rs. 3 25 a dozen as against the other firm whose rates were substantially lower i.e. Rs. 2.40 per dozen. The argument that there were conflicting reports about the capacity of the firm offering the lower rates is not substantiated in as much as on 12th June, 1963 the Inspector General of Stores stated in reply to clarification sought that he had personally looked into the matter and confirmed the capacities reported in their telegram. Moreover, the capacity report was not so adverse as it was sought to be made out.</p>
	10 32	—do—	<p>In the opinion of the Committee, if, in spite of such categorical confirmation of the capacity of the firm, there was doubt the D.G.S. & D. could wait and obtain a further report, as the supplies were not required urgently</p>
	10 33	—do—	<p>In the opinion of the Committee the instructions were clear and did not lend themselves to any alternate interpretation. They are, therefore, unable to understand how the misinterpretation of the orders of D.G.S. & D. arose as they were quite explicit. Even Secretary stated in evidence "If I were an Assistant-Director, I would have also interpreted the instructions in the same manner as he had done."</p>

10 34	—do—	The Committee consider it unfortunate that a senior officer should have recorded an important order involving financial implications, in a manner which to say the least, did not convey the intention properly. They desire that this lapse should be taken due note of.
10 41	—do—	The Committee would like the constitutional point raised by the C. & A.G. to be examined thoroughly and the decision taken in the matter communicated to the Committee at an early date.
122 10 44	—do—	From the Statement, the Committee find that the amount outstanding at the close of each month on an average during 1963-64 was Rs. 5,64,54,556 00 and loss of interest for one month on an average was Rs 1,76,420—Loss of interest for the year 1963-64 was Rs. 21,17,040 00 or Rs. 16,23,064 00 after taking into account the period of seven days allowed to the Parties for effecting payment.
123 10 45	—do—	The Committee are perturbed to note the magnitude of the amounts involved, especially the loss of interest which amounted to more than Rs. 21 lakhs during 1963-64 alone. (This amount has been calculated at the nominal rate of interest of 3.75 per cent only. If the amount is calculated at the market rate of interest, it would be much higher.) The Committee feel that it is high time that Government reconsidered the whole matter and reverted to the old system of obtaining a deposit from local authorities, in advance, so that Government may not continue to lose huge sums of money annually. Simultaneously the procedure of making recoveries from these non-Government parties should be so streamlined as to ensure payment

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			within a period of seven days of the receipt of demand and charging penal interest in cases of default.

124	10.52	Supply & Tech. Development	The Committee would like to be apprised of the results of the vigilance enquiry being held into this case and the action taken against the delinquent official.
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125	10.61	—do—	<p>The Committee understand from Audit that in these cases, the Post Master, Mirzapur did, in fact, confirm delivery of the two express delivery letters to the firm on 20th July, 1961. The Committee fail to understand how the firm's statement regarding the non-receipt of the advance Acceptances of Tender was accepted by the Department and why legal opinion was not obtained before agreeing to the increase in the price of the first contract. In the second case, the variation in the dates of delivery helped the firm in wriggling out of the contractual obligation leading to the cancellation of the contract without financial repercussion necessitating repurchase later from the same firm at enhanced rates. The effect of this was that the Government was put to a loss of Rs. 1.36 lakhs.</p>
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Another point which the Committee note is that in the first contract, the price of Rs. 22.10 per blanket previously quoted by the firm as 'inclusive of excise duty' was, as a result, modified as exclusive of excise duty; this price finally worked out to Rs. 23.37 after taking into account the excise duty. In the case of the second

contract which was cancelled, the cancelled quantity was repurchased from the same firm as a result of negotiations, at Rs. 23:25 per blanket only inclusive of excise duty. In the face of these facts, it is difficult for the Committee to rule out the possibility of *mala fide* in this case. The Committee, therefore, feel that an inquiry should be made in this case with a view to fixing responsibility and the results communicated to the Committee and to the Public Sector Undertaking where the officer is now working.

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10.69

Do.

The Committee are of the opinion that since the Department has a technical Branch with fully qualified technical officer, they should have known that there is difference between electrolytic copper and fire-refined copper and the possibility of price differential should have attracted the notice of the technical organisation in the D.G.S. & D. Had this price differential been taken note of in time extra expenditure of Rs. 59,400 could have been avoided. The Committee hope that such cases will not recur.

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The Committee feel unhappy over the manner in which this case has been dealt with by the D.G.S. & D. They regret to note that no efforts were made to persuade firm 'A' to agree to the variation in the sizes of boots without an increase in the contract prices, even though firm 'B' had actually agreed to this when approached. In regard to the use of eyelets in place of hooks also, the Committee feel that there was still scope for negotiating an increase in the rebate of Rs. 0.50 per pair actually allowed by firm 'A' to Rs. 1.65 per pair agreed to by firm 'B', as they do not think that such a vast difference

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like this was justified in the prices of specific items like eyelets and hooks. In the matter of supplies for the Defence Forces, the Committee would not like Government to be placed in a weak position vis-a-vis suppliers in India on the ground of their being monopolists. Government should, therefore, contemplate taking suitable action against the firm which took advantage of Government's weak position in the present case, in respect of future orders. They hope that Government will also take remedial measures against such situations arising in future.

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10.91

Supply & Tech.
Development

The other aspect of the case which is regrettable is the absence of liaison between the Defence Authorities and the Department of Supply & Technical Development. It is indeed surprising that the Army Authorities negotiated with firm 'B' for price reduction and D.G.S. & D. knew nothing about it. The Committee would like strict instructions to be issued to all Government Departments so that the closest liaison is maintained between the Indentors, Suppliers and the D.G.S. & D. with regard to all Government indents.

128

10.100

—do—

The Committee are surprised at the explanation given because:—

(a) This is not the first time that such a clause was inserted;

- (b) The fact that the item involved was of proprietary nature was also not unknown;
- (c) If the insertion of such a clause does not serve any practical use, the Government should have devised some other means of safeguarding its position;
- (d) In any case the Government's rights to information and verification should have been tested in a Court of Law if the party was not co-operating, in view of the huge amount involved.

The Committee feel that effective steps should have been taken to implement the price verification clause.

281

129	10.104	Supply & Tech. Development	The Committee are not convinced with the arguments advanced for the delay of 23 months in this case. The procedure followed in India Supply Mission, London in such matters leaves much to be desired because under the existing procedure there is every possibility of failure to pursue cases in the event of transfer or retirement or resignation of the concerned officers. The Committee therefore, desire that steps should be taken to improve the present procedure so that such serious delays are avoided in future.
130	10.106	—do—	The Committee desire that a thorough investigation should be made immediately for the lapses in this case. The Committee may

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		Supply & Tech. Development	be informed of the results of investigations and action taken against the officers found guilty.
131	11.8	Transport & Ariation	The Committee desired that a note might be furnished giving all facts from the beginning as to how the loan was given to the society; why agreement was not executed, why the society went into liquidation, what were the assets of the society; what were the chances for recovering the money and what action, if any, was taken against the officers. The Committee also desired that a copy of the by-laws of the society might be furnished. The information is still awaited.
132	11.9	—do—	<p>In this case the Committee are perturbed to find that a number of irregularities had been committed which are summarised as follows:—</p> <ol style="list-style-type: none"> 1. Loans had been advanced to the society without entering into any agreement. 2. Most of the members of the society had not deposited their share money which was Rs. 1,000 per head. 3. The members of the society had been taking advances without any genuine purpose. 4. The trucks were being plied in places like Gorakhpur and Kanpur without the income being regularly credited to the accounts of the society.

5. The members of the society incurred haphazard expenditure on miscellaneous repairs to vehicles at various places and submitted chits which could not be verified.

6. Obligation to repay loan in instalments had not been fulfilled.

133 11.10 Transport &
Aviation

The Committee regret that Govt. failed to watch the working of the society and ultimately the society went into liquidation. The Committee consider it a serious lapse on the part of the authorities to have advanced a loan to this society without entering into an agreement with them.

134 11.11 —do—

The Committee desire that thorough investigation should be made in this case and the possibility of launching prosecution against the members of the society should be examined. They should be informed of the action taken in due course.

It is most regrettable that a society formed of the educated unemployed should give such a poor account of itself. The Committee are sorry to observe that this example would discourage Govt. from launching any such project for helping the educated unemployed persons.

135 11.19 —do—

The Committee regret to note that the Ministry of Transport does not know the loss which the Government had suffered as a result of irregularities disclosed in this case. They feel that efforts should

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have been made by the Ministry of Transport to find out the amount of money defalcated in this case. They desire that after the *modus operandi* adopted in this case in committing the irregularities are analysed, preventive measures should be taken to guard against such cases arising in future.

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11.23

Transport &
Aviation

The Committee regret to observe that investigations against officers who had committed financial irregularities in the engagement of skilled and unskilled labour were completed after a period of three years. It shows that such a serious case was dealt with in a routine manner. They deprecate the way in which this case had been handled at different stages.

11.24

—do—

During the evidence, it was stated that the charge-sheet against three officers was filed before the Special Judge, Gauhati, on 28-5-1965. The Committee would like to know the result of the prosecution launched against these delinquent officers.

11.25

—do—

The Committee are surprised to learn that there were charges against the officer himself who conducted the Court of Enquiry. They feel that it is necessary to find out whether, in these circumstances, the Report of the Court of Enquiry was a full, fair and complete one.

137	11 28	Transport and Aviation	The Committee would like to be apprised of the result of the prosecution. They would also like that this complicated and dilatory procedure should be simplified with a view to prosecuting the guilty persons expeditiously.
138	11 35	—do—	The Committee find two lapses in this case. Firstly, Government had sanctioned a loan of Rs. 50 lakhs to the Madras Port Trust without finding out the balance in the revenue account of the Port Trust. Secondly, it was sanctioned on the specific condition that the resources of the Port Trust had been utilised to the fullest practicable extent. It was admitted in evidence that after giving the loan Government had realised that the resources were not fully utilised by the Madras Port Trust. The Committee regret to note that full verification of the financial position of the Madras Port Trust was not made in this case before releasing loan of Rs. 50 lakhs in October, 1962. It is also unfortunate that the Madras Port Trust, while supplying the financial position to the Government of India in the prescribed proforma failed to mention the reserve of the order of Rs. 2 crores. The Committee hope that such omissions would not occur in future.
	11.36	—do—	The Committee desire that in future every possible care should be taken by Government in such cases and the financial need of the institutions should be examined fully before giving loan.
139	11.44	—do—	The Committee may be apprised of the decision taken relating to repayment of loan by the Visakhapatnam Port Trust.

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140	115	Transpor & Aviation	<p>The Committee regret to note that the original decision to purchase the dredger fitted with coal fired boilers as against oil fired boilers which was recommended by the suppliers and consulting engineers, was not sound. If originally oil fired boilers had been obtained, this loss by way of initial extra cost and the expenditure on conversion as also due to less efficiency of the coal fired boilers could have been avoided. The Committee also regret to note that the Visakhapatnam Port Trust failed to estimate correctly the amount of the money required to convert coal fired boilers into oil fired boilers. They feel that had the Port authorities estimated correctly, there would not have been such a long delay in the conversion of the boilers and a lot of money could have been saved.</p>
	11.54	—do—	<p>The Committee trust that as stated in the note, the equipment will be fitted in June/July, 1966.</p>
141	11.60	—do—	<p>The Committee are surprised to note that in spite of heavy losses incurred by the Visakhapatnam Port Trust year after year and the fact that the agreement with the State Government expired in 1963, the Port Trust continued to run the ferry service.</p>
	11.61		<p>In evidence, it was stated that Gokhale report had recommended that it would be the responsibility of Government to run such inland transport ferry service regardless of expenditure. On the expiry of</p>

this contract in 1963, the Visakhapatnam Port Trust should have taken up this matter with the State Government. The Committee see no reason why the Visakhapatnam Port Trust should continue to run this ferry service when the agreement with the State Government had expired in 1963 and it was no longer a contractual obligation on their part to run it.

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| | 11.62 | Transport & Aviation | They desire that the question of continuing the running of the Tepparevu Steam Ferry Service at a loss by the Visakhapatnam Port Trust should be examined early. |
| 142 | 11.65 | —do— | The Committee are not happy to note that the collection of Revenue is outstanding to the extent of Rs. 2,39,000. |
| | 11.66 | —do— | They desire that vigorous efforts should be made to recover the outstanding amount from Government Departments as well as from private parties. |
| 143 | 11.75 | Transport & Aviation
<u>Education</u> | The Committee regret that due to wrong advice given by the Survey of India, Government had to incur a loss of about Rs. 76,000 on the purchase of Boehnecke Current Meter which worked only for 10 hours. The Committee are at a loss to understand how, even after one Senior Officer of the Survey of India had inspected and studied the site conditions for 3 days in October, 1959 and had studied literature on Boehnecke Current Meter, he recommended the purchase of Boehnecke current meter. |

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144	11.77	Transport & Aviation Education	The Committee are of the view that if the descriptive literature was misleading, it was the responsibility of the Survey of India to get clarifications from the firm before recommending purchase of such a costly meter.
	11.78	—do—	It is also surprising that the purpose for which the instrument would be used was not intimated to the firm nor their views taken on the use of Boehnecke Current Meter. This meter was considered suitable only on the basis of information given in the pamphlet which according to the Survey of India was misleading. They feel that the purchase of such a costly meter was recommended without adequate examination of the needs of the port as also the usefulness of the equipment for the same. The Committee desire that in future while recommending or purchasing costly equipments, etc., the usefulness and working of equipments should be examined thoroughly in collaboration with the suppliers and as far as possible proper trials under field conditions conducted.
145	11.80	—do—	The Committee consider it most unfortunate that the Survey of India did not reply to the letters of the Kandla Port Trust for more than 3 years. The Committee feel that this inordinate delay in giving reply to Kandla Port Trust requires to be examined properly. The survey of India did not also consider it necessary to intimate to

the Kandla Port Trust the circumstances under which the purchase of this meter was recommended. They take a serious view of this lapse and desire that explanations of those officers who recommended purchase of Boehnecke Current Meter without ascertaining the complete details of its working should be obtained and suitable action taken against them, if they are found responsible for giving wrong technical advice.

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| 146 | II.81 | Transport & Aviation | In the note the Deptt. of Transport, Shipping & Tourism has stated that the Director General of Supplies and Disposals has been requested to arrange the disposal of the Boehnecke Current Meter. The Committee would like to know the result thereof. |
| 147 | II.85 | —do— | The Committee trust that the Kandla Port Trust will recover the balance amount of arrears from the Gandhidham Municipality expeditiously. |
| 148 | II.93 | —do-- | The Committee regret that the Mechanical Supdt. who was in-charge of the workshop of the Kandla Port and had knowledge of lathes gave wrong opinion, and considered that the lathe had been damaged to such an extent that it had become unserviceable while later on it was discovered that the lathe was repairable. In the opinion of the Committee either the Mechanical Supdt. had inadequate knowledge of lathes or he did not examine carefully the burnt out machine. The wrong opinion given by the Mechanical Supdt. not only delayed the repair of the lathe but also resulted in further deterioration as it was kept exposed to sun and rain. |
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149	11.95	Transport & Aviation	The Committee are not happy to note that after the settlement of claim in September, 1962, more than 2 years were taken to set the estimate for the reconditioning of the lathe sanctioned and sent it for repairs. They feel that all efforts should have been made to get the machine repaired early to avoid further deterioration.
150	11.104	—do—	The Committee are surprised to find that the Officer-on-Special-Duty-In-charge of the Central Road Transport Organisation, Siliguri, utilised the departmental receipts during the period from December, 1962 to March, 1964 in contravention of General Financial and Treasury Rules which required that the departmental Receipts should be deposited in treasury immediately after collection and should not be appropriated for departmental expenditure.
151	11.105	—do—	The Committee are not fully convinced with the argument of the representative of the Deptt. of Transport, Shipping and Tourism that because of operational function and emergency, the officer concerned found it difficult to comply with the General Financial and Treasury Rules. They feel that if it was so, then the officer concerned should have brought this fact to the notice of the Ministry of Transport and taken their specific orders on the subject. They are sorry to find that the officer concerned himself adopted this course and did not even care to inform the Ministry of Transport about it. The Ministry came

to know about this irregularity only when the Audit brought it to their notice.

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| 152 | 11.106 | Transport and Aviation | In this case, the Committee find that the Officer on Special Duty not only utilised the departmental receipts but also exceeded the monthly monetary limit of Rs. 40,000 upto which he had been authorised to incur departmental expenditure by drawing funds against the letter of credit issued in his favour. In the opinion of the Committee, the Officer concerned should not have exceeded the monthly limit of Rs. 40,000 till the question of raising the limit was decided. |
| 153 | 11.107 | —do— | The Committee are also surprised to find that the Officer was allowed to utilise departmental Receipts even after it was pointed out by Audit. The Committee feel that after the irregular procedure adopted by the Officer was pointed out by Audit, the Govt. should have taken a serious view of that and the officer concerned should have been asked to stop the same forthwith. They hope that Government would ensure that such cases do not occur in future. |
| 154 | 12.5 | Works, Housing & Urban Development | The Committee note that the percentage of cases where defects were noticed by the C.T.E. have come down from 47 in 1963-64 to 43 in 1964-65. The Committee feel that this figure still constitutes a very high percentage in regard to the execution of sub-standard works. Since the examination of the C.T.E. is limited to 25% to 30% of the total value of works, the Committee are unable to get a fair idea of the working of the Department. The Committee, there- |

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			fore, desire that the scope of the work of the CTE should be enlarged to cover a larger number of cases.
155	12.10	Works, Housing and Urban Development.	The Committee observe from the Audit Report that out of overpayments valued at Rs. 4.81 lakhs accepted by the CPWD, Rs. 3.64 lakhs related to sub-standard execution of works. They feel that this indicates lack of proper supervision of works on the part of the Departmental officers. The Committee hope that suitable steps will be taken by the Ministry to improve the position.
156	12.17	—do—	The Committee regret to observe that the information regarding arbitration cases is still awaited.
	12.18	—do—	They also regret to note from the Audit Report that there were delays in sanctioning substituted statements by the competent authorities and preparation of bill etc. which resulted in delay in the recovery of the overpayments. The Committee hope that steps will be taken to recover the balance of Rs. 4.23 lakhs which has been outstanding for a number of years.
157	12.23	—do—	While noting that the entire amount of overpayment has been recovered in this case, the Committee regret to observe that there was a delay of about 3 years in accepting the defects pointed out by the CTE and assessing the overpayment made to the contractor.

They note that the Executive Engineer did not answer the queries of the CTE promptly which resulted in the entire claim of the Government remaining under suspense. They would like to be informed of the action taken to fix responsibility for the various lapses viz., acceptance of sub-standard works, delays in dealing with the objection of the CTE etc.

158 12.33 —do—

The Committee would watch the effect of the revised procedure consequent on the revision of the C.C.S. Rules through subsequent Audit Reports. They may be informed of the position regarding appointment of a whole-time officer for conducting departmental enquiries against non-gazetted officers, which was stated to be under consideration of the Ministry.

159 12.44 —do—

The Committee regret to observe that notes referred to in para 12.43 of this Report are still awaited.

12.45 —do—

The Committee further regret to observe that prompt action was not taken to recover the cost of stationery by the Stationery Office, Calcutta and heavy amounts were allowed to accumulate. Even after the modification of the procedure in 1961, the recoveries were not made promptly with the result that a sum of Rs. 1.73 lakhs was outstanding in January, 1966. The Committee would, therefore, suggest that suitable steps should be taken to streamline further the procedure in order to eliminate the delays in regard to the preparation of bills and recovery thereof. As regards the amount outstanding

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prior to 1960-61, the Committee desire that the matter should be settled without further delay.

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12 54

Works, Housing
and Urban Development.

The Committee regret to note that the information called for by the Committee as mentioned in para 12-53 of the Report is still awaited.

12 55

—do—

The Committee deprecate the matter in which the recovery of the cost of forms supplied to various parties was dealt with by the Forms Stores, Calcutta. It is unfortunate that an amount of Rs. 46,798 had been outstanding a part of which relates to a period as early as 1948-49, and no effective steps were taken to realise the same. It is also regrettable that not only there was a failure on the part of the local officer to pursue the matter of recovery, but also no proper check was exercised by the higher authorities until the matter was pointed out by Audit. This is indicative of gross negligence. The Committee desire that the reasons for the lapses at various stages should be examined and responsibility fixed.

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12 56

—do—

The Committee are also not happy to learn that the suggestion made by the Ministry to examine the feasibility of introducing the system of receiving advance deposits from the indentors was not promptly dealt with by the Controller of Printing and Stationery and the matter was stated to be still under examination.

They desire that a decision should be taken without further loss of time.

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12 70

—do—

The Committee regret to note that the notes on the points referred to in para 12.69 of the Report are still awaited.

12.71

—do—

The Committee are amazed at the explanation of the Ministry that at the time of fixing the terms and conditions for the lease of the land they did not envisage that the Federation would be making profits in the whole transaction and on the other hand they had a fear that the Federation might suffer losses. It is clear from the lease deed that the land was allotted to the Federation on payment of ground rent at Rs. 1 per sq. yd. and in turn they were allowed to charge 27 times of this amount which obviously left a large margin of profit to the Federation. If, as stated in evidence, the intention was neither to give a subsidy to the Federation or to enable it to make huge profits, the Committee fail to understand as to why a suitable provision was not incorporated in the lease deed to the effect that the allotment of land to Government or semi-Government organisation by the Federation would be made on a no-profit-no-loss basis. The Committee can hardly escape the conclusion that the officers dealing with this case failed to safeguard the interests of Government while fixing the terms and conditions of the lease of land and finalising the lease deed with the Federation.

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	12.72	Works Housing and Urban Development Home Affairs	The Committee are also of the view that Government should lay down a clear policy that the concessional rents etc. to be charged for the government land for organising exhibition would be available to the parties concerned only if exhibitions are organised on no profit, no loss basis.
163	12.75	--do--	The Committee desire that the recovery of the outstanding demands should be expedited without further loss of time.
164	12.78	--do--	The Committee trust that the work of preparation of consolidated records would be pursued vigorously since it has already been delayed.
165	12.85	--do--	The Committee regret to note that the work of non-revision of ground rent has been unduly delayed. They would like to be informed of the further efforts made in this ground including the appointment of Special Collector promised by the Secretary, Ministry of Works, Housing and Urban Development in the course of evidence.
	12.89	Works Housing and Urban Development	A similar irregularity in the working of the Land and Development Office was reported to the Public Accounts Committee in 1962-63. In para 97 of their 8th Report (Third Lok Sabha), the Committee had expressed their dissatisfaction over the fact that cheques were lying cashed in the Land and Development Office. The Committee were then assured that the working of the Land and Development

Office had since been nationalised and such contingency would not recur. The Committee are dismayed to find that inspite of their observations and the assurance given by the Ministry irregularities are recurring and cheques covering an amount of Rs. 1.65 lakhs tendered by the lessees in settlement of their dues had not been encashed during their currency.

166 12 96 —do—

The Committee are constrained to note that unauthorised occupation of Government land remained unnoticed for 11 years. This indicates a clear failure on the part of the Departmental officers to follow the instructions prescribed in the CPWD Code regarding inspection of Government buildings and works in the division and to take suitable measures to prevent encroachment on Government land. They trust that the Ministry will conduct a special review to ensure that there are no further cases of unauthorised occupation of Government land in the city, which require regularisation.

167 12 101 —do—

The Committee have on earlier occasions emphasised the need for prompt finalisation of accounts of contractors. In this case they regret to observe that the work was completed in December, 1958 but the accounts of the contractor were finalised only in November, 1961 almost three years later. It is also unfortunate that the contractor was allowed to lift excessive material to the extent of Rs. 5,249. The Committee trust that suitable action will be taken to fix responsibility in this case.

12.102 —do—

The Committee are also not happy to note the delay in the institution of arbitration proceedings. The case was referred for arbitra-

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tion in 1963, but the first hearing of the case was hold only on 13th January, 1966.

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12.110

Works Housing
and Urban Deve-
lopment.

The Committee regret to observe that the note regarding discipl-
inary action against the officers concerned is still awaited.

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12.111

—do—

From the facts of the case it is clear that the irregularities were
discovered in 1961 and the case was referred to the arbitration in
May and December, 1962. They are constrained to note the failure
on the part of the Department to consider the disciplinary aspects
of the case and take suitable action during this period 1961 & 1962
to fix responsibility for acceptance of sub-standard work.

12.112

—do—

The Committee would also like to observe that it is a common,
though lame excuse that action could not be taken as the records
were in the court/arbitration or with police. The Committee can-
not appreciate this difficulty because the copies of those records
could always be obtained and necessary action taken.

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12.124

—do—

In the opinion of the Committee, this case reveals lack of proper
planning which resulted in the costly machines and equipment re-
maining idle for periods ranging from 1 to 12 years. Had the matter
been pursued promptly the delays in obtaining administrative
approval for the setting of the press, acquisition of land and cons-
truction of buildings could have been minimised. The Committee

are surprised that the plan for the construction of a building for a Rotary (form) Wing was not included in the original scheme and approval for the same was obtained 2 years later although its setting up was also approved in 1949. The Committee trust that the Ministry will ensure better planning and proper co-ordination in the setting up of such projects in future.

171

12.126

—do—

The Committee need hardly emphasise that in the absence of additional information, it is difficult for the Committee to formulate their views. The Committee would, therefore, like to urge the Ministry to ensure that the information asked for is invariably furnished within the time limit prescribed.

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