

**PUBLIC ACCOUNTS COMMITTEE**  
**1959-60**

**THIRTIETH REPORT**  
**(SECOND LOK SABHA)**

**[Audit Report on the Accounts of the Damodar Valley Corporation for the year 1957-58]**



**LOK SABHA SECRETARIAT**  
**NEW DELHI**

*July, 1960/Asadha, 1982 (Saka)*

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**COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE  
1959-60**

**CHAIRMAN**

**Shri Upendranath Barman\***

**MEMBERS**

2. **Shri T. Manaen**
3. **Shri Maneklal Maganlal Gandhi**
4. **Pandit Jwala Prashad Jyotishi**
5. **Shri Shamrao Vishnu Parulekar**
6. **Shri Radha Raman**
7. **Shri Rameshwar Sahu**
8. **Shri T. R. Neswi**
9. **Shri Raghubar Dayal Misra**
10. **Shri T. Sanganna**
11. **Shri Vinayak Rao K. Koratkar**
12. **Shri Jaipal Singh**
13. **Shri Aurobindo Ghosal**
14. **Shri Yadav Narayan Jadhav**
15. **Shri Shraddhakar Supakar**
16. **Shri Amolakh Chand\*\***
17. **Rajkumari Amrit Kaur**
18. **Shri Rohit Manushankar Dave**
19. **Shri T. R. Deogirikar**
20. **Shri Surendra Mohan Ghose**
21. **Shri Jaswant Singh**
22. **Shri S. Venkataraman.**

**SECRETARIAT**

**Shri V. Subramanian—Deputy Secretary.**

**Shri Y. P. Passi—Under Secretary.**

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\*Shri Upendra nath Barman was elected to serve as a Member of the Public Accounts Committee on the 10th September, 1959, (vice Dr. P. Subbarayan, who ceased to be a member of the Committee on his appointment as a Minister) and was appointed as the Chairman of the Committee on the 12th September, 1959.

\*\*Ceased to be a Member of the Committee with effect from the 3rd April, 1960 consequent on retirement from the Rajya Sabha.

## INTRODUCTION

I, the Chairman of the Public Accounts Committee, having been authorised by the Committee to present on their behalf, present this Thirtieth Report on the Audit Report on the Accounts of the Damodar Valley Corporation for the year 1957-58.

2. The Audit Report in question was laid on the Table of the House on the 29th August, 1959.

3. The Committee examined the Audit Report at their sittings held on the 28th, 30th and 31st March, 1960.

4. The Working Group constituted by the Committee on Damodar Valley Corporation Accounts considered the statement showing action taken or proposed to be taken pursuant to the recommendations made in the earlier Reports of the Committee relating to the D. V. C. accounts at their sitting held on the 19th April, 1960. Their observations as adopted by the Committee have been embodied at appropriate places in the body of this Report.

5. A brief record of the proceedings of each sitting of the Committee has been maintained and forms part of the Report.

6. The Committee considered and approved this Report at their sitting held on the 28th April, 1960.

7. A statement showing the summary of the main conclusions/recommendations of the Committee has been appended to this Report (Appendix IV). For facility of reference, these have been printed in italics in the body of the Report also.

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

NEW DELHI;  
*The 4th July, 1960.*  
Asadha 13, 1882 (S)

UPENDRANATH BARMAN,  
*Chairman,*  
*Public Accounts Committee.*

## GENERAL FINANCIAL REVIEW OF THE EXPENDITURE OF THE PROJECT DURING THE YEAR 1957-58

The Damodar Valley Scheme which is a multi-purpose project for the unified development of the Damodar River Valley aims at (1) Flood Control; (2) Irrigation; (3) Generation and transmission of electricity; (4) Promotion of all-the-year round navigation; (5) Promotion of afforestation and control of soil erosion in the Damodar Valley; and (6) the promotion of public health and agricultural, industrial, economic and general well-being of the people in the Damodar Valley and its area of operation.

2. Pursuant to these objectives, a phased programme was worked out. The present programme comprises of: (i) four dams at Tilaiya, Konar, Maithon and Panchet Hill with a Hydro-electric station attached to each (except in the case of Konar where the construction of the station has been deferred on financial grounds); (ii) a thermal power station at Bokaro with 200,000 K.W. ultimate capacity; (iii) a grid covering over 800 miles of transmission lines and a number of sub-stations and receiving stations; and (iv) an irrigation barrage at Durgapur with 1,550 miles of irrigation-cum-navigation channels.

3. The total expenditure chargeable to these Projects undertaken by the Corporation is allocated among the three main objects viz., Power, Irrigation and Flood Control and the total amount of capital is provided by the three participating Governments viz., the Central Government, the State Governments of Bihar and West Bengal in the manner envisaged in Sections 30—36 of the D. V. C. Act, 1948. The Corporation have to pay interest at such rate as may from time to time be fixed by the Central Government. For a period not exceeding 15 years from the date of the establishment of the Corporation (i.e. upto 1963) the interest charges are being capitalised.

4. During and to the end of the year, 1957-58, the following amounts were provided by the Participating Governments, as Capital required for execution of the projects undertaken by the Damodar Valley Corporation:—

		During 1957-58 Rs.	End of 1957-58 Rs.
Central Government .. ..		3,27,00,000	28,16,86,167
Govt. of West Bengal .. ..		9,32,00,000	67,84,03,633
Govt. of Bihar .. ..		3,30,00,000	21,52,77,000
<b>TOTAL ..</b>		<b>15,89,00,000</b>	<b>1,17,53,66,800</b>

5. The capital expenditure during and to the end of the year, 1957-58, on the main objects, viz., Power, Irrigation and Flood Control is shown below:—

Objects	During 1957-58	End of 1957-58
	Rs.	Rs.
Power .. .. .	9,28,19,275(a)	61,75,59,536(b)
Irrigation .. .. .	3,95,70,810	32,64,85,596
Flood Control .. .. .	2,29,70,827	21,79,60,586
TOTAL ..	15,53,60,912	1,16,20,05,718

(a) Includes a credit of Rs. 394.15 lakhs on account of sale of power and a charge of Rs. 156.13 lakhs on account of direct working expenses of the Power System.

(b) Includes a credit of Rs. 870.16 lakhs on account of sale of power and a charge of Rs. 499.28 lakhs on account of direct working expenses of the Power System.

The following projects were under construction:—

**Maithon**

(Maithon Dam was opened in September, 1957 and one unit of Hydel Plant was commissioned in November, 1957).

**Panchet Hill.**

**Durgapur Barrage & Canals**

(Barrage completed in April, 1955 and opened in August, 1955, canals under construction).

**Transmission and Distribution System.**

**Bokaro 4th Unit.**

**Durgapur Thermal Power Station.**

Some residual works in connection with the Bokaro Thermal Power Station, Konar, Tilaiya and Durgapur Barrage were continued during the year and a small expenditure was also incurred in connection with the Thermal Power Station at Chandrapura.

*Allocation under Sections 33 and 34 of the D. V. C. Act—Paras 2(b) and (c) of Audit Report—*

6. The Dams at Tilaiya, Konar, Maithon and Panchet Hill are intended to serve more than one of the three principal objects of the Project. According to Section 33 of the Act, expenditure common to two or more of the main objects is required to be allocated to each of the main objects in proportion to the expenditure which

according to the estimate of the corporation would have to be incurred solely for that object.

7. As stated in para 22 of the 3rd Report of the Public Accounts Committee (Second Lok Sabha) this question was referred in November, 1956 to an *ad hoc* Committee consisting of the representatives of the D. V. C. and the participating Governments. This Committee which submitted their Report on 4th November, 1958, could not come to any agreed conclusion in regard to the allocation of cost of each dam under the three heads—flood control, irrigation and power. As the primary responsibility for the allocation of cost of dams is that of the D. V. C. the Corporation decided on 27th November, 1958 that the cost of each dam should be allocated separately and the storage capacity available for the three main objects should broadly be the basis for the allocation of cost. The Corporation adopted the new formula with effect from the accounts for 1958-59 and intimated accordingly to the participating Governments on the 18th December, 1958.

8. In evidence, the Committee were informed that the Government of West Bengal had protested against the allocations made by the D. V. C. and requested the Central Government in June, 1959, to refer the matter to arbitration as provided in Section 49 of the D. V. C. Act. The Central Government, after consulting the Ministry of Law had made a reference about 3 months ago to the Government of Bihar inviting their comments on the proposal for arbitration. No reply had, however, been received so far.

9. The decision in this case has also held up the final allocation of the capital expenditure on irrigation between the State Governments under Section 34 of the D. V. C. Act, according to which the divisible capital cost under "Irrigation" for both the States of Bihar and West Bengal would be shared by the State Governments in proportion to their guaranteed annual off-takes of water for agricultural purposes. The Committee were informed that the cost allocated to the head 'Irrigation' had been changed on the basis of the new formula laid down by the Corporation under Section 33 of the D. V. C. Act. The Corporation also requested the State Governments of West Bengal and Bihar on 10th January, 1959 to review the position and to advise their final annual guaranteed off-take of water for re-allocation of the divisible capital cost under "Irrigation". However, the State Governments had not yet replied to the Corporation in the matter despite repeated reminders.

10. The Committee would like to refer to their recommendation in para 15 of their 14th Report (Second Lok Sabha) and reiterate the imperative need for setting this question without further delay.



## II

### UTILIZATION OF STORED WATER

*Utilisation of water for irrigation purposes—para 12 of Audit Report, pages 7-8—*

11. The revised forecast of 1954 in respect of the irrigation development in the Lower Valley referred to in the Audit para had again been revised in 1957 as under:

	Kharif (in acres)		Rabi (in acres)	
	1954 forecast	1957 forecast	1954 forecast	1957 forecast
1956-57	2,00,000	45,000	20,000	..
1957-58	4,00,000	75,000	50,000	..
1958-59	6,00,000	4,00,000	70,000	5,000
1959-60	8,00,000	6,00,000	1,00,000	20,000
1960-61	8,40,762	8,00,000	1,30,000	40,000
1961-62	..	8,40,762	..	70,000
1963-64	..	..	3,00,000	..
1967-68	..	..	..	3,00,000

The target for *kharif* irrigation for 1958-59 was again revised in 1958 to 2,96,561 acres. Against this target, only 2,29,393 acres were actually irrigated during that year. This is exclusive of about 2.2 lakh acres which received water from existing canals of the West Bengal Government which are also not included in the above targets.

12. No revenue had been realised by the Corporation but it had claimed Rs. 22,60,050 and Rs. 35,14,337 from the West Bengal Government for the areas irrigated during 1957 (3,06,005 acres) and 1958 (4,45,951 acres) respectively. The claims were stated to be under the consideration of the West Bengal Government.

13. In a note (Appendix II) furnished by the Corporation to the Committee at their instance, it is reported that irrigation targets for 1958-59 had to be revised as the progress of construction of the canal was slower than anticipated due to hard soil encountered in excavating a stretch of the canals and other bottlenecks, namely, transport, paucity of reliable contractors for minor works, non-availability of kiln burnt bricks and of steel materials. In the Committee's opinion, frequent revision in the targets of construction and provision of irrigation water is indicative of not only defective planning and insufficient appreciation of the problems involved but also of inadequacy of measures adopted to reach the targets.

14. The shortfall of irrigated acreage with reference to the revised target for 1958-59 has been explained by the Corporation in its note as due to breaches in the canal banks, absence of minor distributaries in certain places, unauthorised cuts by villagers, etc. The main difficulty in the way of effective and economic utilization of water, according to the evidence of the General Manager of the Corporation before the Committee was absence of field channels, a matter on which it had no control. Action in this regard lay with the Government of West Bengal. Although, that Government had passed necessary legislation (which took effect from February, 1959) for overcoming the difficulties, no executive action has yet been taken. This, in the view of the Corporation, might be due to a lacuna in the Act.

15. The Committee were surprised to know from the Secretary of the Ministry that he was seized of this difficulty only at the sitting of the Committee. They would urge that the Central Government should take up the matter with the State Government in regard to early excavation of field channels.

The Committee are also concerned at the non-realisation of irrigation revenue all these years. If the matter is delayed further, the financial interests of the Corporation will be seriously jeopardised.

16. The Committee have pointed out in para 7 (Introduction) and para 55 of their 14th Report (2nd Lok Sabha) that the participating authorities have a responsibility to ensure that the objects for which the Corporation was set up are achieved. They, therefore, stress the need for concerted efforts on the part of the participating authorities to ensure full and economic utilisation of irrigation facilities.

### III

#### ENGINEERING, MACHINERY AND STORES

##### *Infructuous expenditure in purchasing Recording tape—Para 4 of Audit Report, page 4.*

17. 300 rolls of recording tape (paper) for automatic recording of the proportion of concrete used in different stages of construction were indented for by a Project Manager on 28th June, 1954, at an estimated cost of Rs. 34,600. This was for use in Blaw-knox Batching Plant already in operation. The indent was marked 'immediate' and a particular firm was named as the supplier. The Purchase Department obtained a quotation from this firm on 5th July, 1954. At the instance of the Chief Engineer seven other firms were contacted but only one of them quoted for the tape; this was not also upto specification. Orders were, therefore, placed with the first firm (named by the indenter) on 30th September, 1954. The supply was received in November, 1955 and it could not be used at Maithon. It was subsequently utilised at Panchet in November, 1957, but due to defective quality of the recording ink, the tape did not record readings satisfactorily and gave incorrect data.

18. The Committee were informed in evidence that the reasons for the delay of more than a year in getting the tape (marked 'immediate' in June 1954) was due to the delay in the foreign firm getting the necessary import licence. Initially there was some misunderstanding on the part of the firm who thought that the store was covered by Open General Licence. As oral enquiries made by the firm did not elicit any reply the firm made a reference in writing to the Customs Office in Calcutta in January, 1955 who replied on 25th March, 1955 that the store was not covered by Open General Licence. The import licence was ultimately received by the firm on the 16th May, 1955. The dock strike in London accounted for a further delay of three months in its shipment, which was beyond the control of the firm.

19. *The Committee feel that there has been lack of proper planning on the part of the Corporation in this case. Not only was there a delay of 3 months in placing the order for an item of store required 'immediately' but no timely action was taken to get the supplies quickly.*

**Construction Plant and Machinery—Idle working hours, etc.—Para 6 of Audit Report—page 4—**

20. The actual working hours of about 100 machines used on the Panchet Hill Project during the period from March, 1956 to March 1958 were only 18% of the basic schedule hours. The percentage had gone down further to 8·09 during the period from April, 1958 to March, 1959.

21. The Committee were informed in evidence that out of the 120 earth moving machines at Panchet, 83 machines had been brought over from Maithon when they were 3 or 4 years old. Further, most of the machines could not be put to use during the monsoons. Moreover in some cases, due to the break down of one machine some other connected machines also had to stand idle till it was put in order. In reply to a question whether in working the basic schedule hours, all these factors were not taken into consideration, the representative of the Corporation stated that according to the formula given by the Plant and Machinery Committee the basic schedule hours were calculated on the basis of each machine working for 16 hours per day for two shifts and on 26 days per month. *The Committee doubt the purpose of such calculations if they are not realistic.*

22. *To examine the matter further the Committee desired to be furnished with a detailed note regarding the basis on which the basic schedule hours for the machines used on the Panchet Hill Project were worked out, the reasons for low utilisation of these machines and the percentage utilisation of the labour employed to operate these machines during 1957-58 and 1958-59. This information is still awaited.*

**Unsatisfactory state of accounts—Para 10 of Audit Report, page 7—**

23. During the period from May, 1954 to April, 1957, 240 new tyres and 185 new tubes were received in a Motor Workshop from the Central Stores. The examination of the detailed statements in respect of 78 tyres and 60 tubes sent to Audit by Project authorities in May, 1959 disclosed that whereas in a majority of cases no job registers and machinery log books were maintained, in other cases the entries appeared to have been made subsequently.

24. It was admitted by the representative of the Corporation that in this case job cards etc. were not maintained properly. It was, however, stated in extenuation that on the basis of the records then maintained all the tyres and tubes had been accounted for. Necessary records were now being maintained properly.

25. *The Committee need hardly emphasise the importance of the maintenance of proper accounts to exercise efficient control over the cost of repairs of vehicles. They trust that this will be strictly followed in future.*

*Overpayment to a supplier—para 33 of Audit Report, page 22—*

26. In February, 1952, orders for the supply of 5 Nos. Euclid Bottom Dumps were placed on a supplier who had quoted a rate of Rs. 1,65,000/- per unit f.o.r. Calcutta. This price was based on the f.o.b. Cleveland price of \$ 25,290 (Rs. 1,21,392), ocean freight \$ 3,400 (Rs. 16,320/-) and Customs duty Rs. 17,784/- per unit i.e., Rs. 1,55,496/- plus a profit element of Rs. 9,504/- to the supplier. The purchase order contained an escalation clause, viz., that the change in f.o.b. Cleveland price would be limited to 5 per cent either way but full escalation would apply to any increase in the ocean freight and customs duty.

The manufacturer's invoice showed the basic price for the units to be \$ 1,26,450 (Rs. 6,06,960/-) which figure included \$ 10,116 (Rs. 48,556.80) as distributor's discount and \$ 5,816.70 (Rs. 27,920.16) as additional cash discount. The net price for the 5 Dumps as per invoice was, therefore, \$ 1,10,517.30 (Rs. 5,30,483.04) only against the gross figure of \$ 1,26,450 (Rs. 6,06,960/-) as shown in the invoice. As it was clear from the manufacturer's invoice that f.o.b. Cleveland price quoted originally by the supplier was not the net figure of cost to him, Audit felt that the payment to the supplier should have been based on the net f.o.b. price as invoiced by the manufacturers as otherwise the supplier would get a hidden profit of Rs. 76,476.96 (Rs. 6,06,960/- minus Rs. 5,30,483.04). The Corporation, however, made payment on the basis of the gross price.

27. In evidence, it was stated by the representative of the Corporation that as the gross f.o.b. price invoiced by the manufacturers was the same as quoted by the supplier in his tender, which had been accepted by the Corporation, it was thought that the payment would have to be made on that basis. It was also stated that the amount of Rs. 9,504/- (which had not been shown separately in the invoice) was not considered by the Corporation to be a second item of profit, but a rate charged for certain services rendered by the supplier. It was, however, pointed out by Audit that the D.G.S. & D. to whom a reference was made in the matter held the view that the payment should be made at the price invoiced by the principals to the firm in India (exclusive of any rebate, commission, discount, etc.). If the supplying firm had included its commission in the f.o.b. price quoted by it without disclosing it and even if there had been

no change in the price invoiced, the final price shown in the invoice should be less by the amount of commission.

28. *The Committee feel that in accordance with the procedure followed by the D.G.S. & D. in this regard, the basis of payment to the supplier should have been the net f.o.b. price as invoiced by the manufacturers (i.e., exclusive of rebate, commission, discount, etc.), instead of the gross f.o.b. price.*

29. The Committee enquired whether the procedure followed by the D.G.S. & D. in this behalf was also being followed by the Corporation now. They were informed that it was not so, but that the matter would have to be discussed in detail with the Ministry of Works, Housing and Supply. *The Committee desire that in the interest of uniformity, an early decision should be taken in the matter.*

*Loss of a jeep—para 36 of Audit Report—pages 23-23—*

30. In December, 1950, the Corporation purchased a jeep for Rs. 12,246/- and allotted it for the exclusive use of a Central Government Officer, attached to the Corporation. The car which had been covered by a risk note for Rs. 11,252 with an Insurance Company against all risks, including loss by theft, was stolen from the officer's residence in October, 1951 by which time a policy had not been issued. In November, 1951 the Insurance Company offered to pay Rs. 9,564/- (i.e., Rs. 11,252/- as mentioned in the cover note less 15% as depreciation). The Corporation, however, claimed Rs. 12,246/- mentioned in the proposal form submitted subsequent to the theft by the Corporation in November, 1951. Before a settlement was reached the car was seized by the Police in December, 1951 and the suspected thief prosecuted in June, 1952. In October, 1953, an agreement was reached between the Corporation and the Insurance Company whereby the former undertook to apply to the Police Magistrate for the return of the jeep to them and the Insurance Company undertook to bear the cost of such repairs to the car as were certified to be necessary by their surveyors. The Corporation solicitor, however, had advised in December, 1952 that while the Corporation could claim the full insured value from the Insurance Company they could claim only the cost of repairs if they took the car back. The Jeep was made over to the Corporation in July, 1954 by the Police, but it was returned to them in April, 1955, under the direction of the High Court in March, 1955, following a Criminal Revision Petition by the accused pending final court orders.

The Corporation, on legal advice, decided not to file a petition to the Court and in May, 1955, wrote to the Insurance Company that the Jeep Car had been totally lost and the Company was liable to

make good the loss. The Company repudiated the liability for total loss, contending that their liability was limited to repairs as per the agreement of October, 1953. The matter was then referred to arbitration. (Each party nominated an Arbitrator who appointed an Umpire). The finding of the Umpire (in July, 1957) was that the Corporation was not entitled to recover any sum at all in respect of its claim against the Insurance Company and each party should bear its own cost.

In July, 1958, the Corporation sanctioned the write-off of a sum of Rs. 12,246/- being the original cost of the Jeep and accessories. The cost of legal and arbitration proceedings borne by the Corporation amounted to Rs. 14,166.

31. It was admitted in evidence that the case could have been handled in a more businesslike manner. *The Committee trust that the Corporation will ensure that such cases do not recur.*

## IV

### FINANCIAL IRREGULARITIES AND INFRUCTUOUS EXPENDITURE

*Negotiation after receipt of open tenders—para 13 of Audit Report, pages 8-9*

32. Tenders were received on August 18, 1955 by a Project Manager for two works, viz., construction of lock and bridge with exit channel at chainage (A) and at chainage (B).

The lowest tenders for the works costing Rs. 7,63,639/- and Rs. 7,50,268/- respectively were submitted by the same contractor. While the tenders were under disposal, the fourth lowest tenderer for the work (A), who had not tendered for (B), offered to reduce his rate by 3%. This reduction brought down his offer to Rs. 7,63,501/- and he, therefore, became the lowest tenderer for work (A). On 4-10-1955 the Project Manager requested the Corporation's approval for awarding the work (A) to this contractor (fourth lowest tenderer) at his reduced rates and the other work (B) to the tenderer whose quotation was the lowest for both the works. The Corporation, however, did not see sufficient grounds for rejecting the lowest tender as that firm was reported to be working satisfactorily. It, therefore, decided on 14-10-1955 that if the Project Manager preferred to give only work (B) to the lowest tenderer, negotiations should be conducted with all dependable contractors who had quoted for the work at (A) in view of the large value of the contract. The Project Manager accordingly negotiated with five of the tenderers who had quoted rates higher than the fourth lowest tenderer, but the lowest, the second and the third lowest were not invited for negotiations.

33. Explaining why the Project Manager did not negotiate with the first three lowest tenderers, it has been stated by the Corporation in a note (Appendix III) submitted to the Committee that the Project Manager considered that it would be advisable to allot only one work to the lowest tenderer but did not furnish any reasons in support. The third lowest tenderer was not considered suitable by him; but he did not state precisely why the second lowest tenderer was not called in for negotiations when he sought the approval of the Corporation. In his view, the fourth lowest tenderer apart from his becoming the lowest tenderer for work (A) as a result of his offer to reduce his rates, was a qualified engineer. The quality of



his work would, therefore, be much better. Later at a meeting both the Project Manager and the Additional Chief Engineer felt that one work should be awarded to the fourth lowest tenderer as he was definitely more competent. The Corporation thought it would be desirable to award work (A) to the fourth lowest tenderer, a firm with engineering qualifications, as such a course would relieve its supervisory staff (the Corporation was also reported to be short of technical personnel) of a good deal of work in explaining drawings, layout plans, etc. Accordingly, the Corporation decided unanimously in November 1955 to confirm the action of the Project Manager.

34. As regards the non-imposing of penalty on the contractor for not completing the work (A) in time, the Committee were informed that the delay was to a large extent due to circumstances beyond his control. The work was paid for at the stipulated rates and there was no additional expenditure to the Corporation. The other contractor (lowest) did not complete the work (B) in time and as dewatering work was undertaken by the Corporation, penalty was imposed on him under clause 2 of the contract.

35. *The Committee have no hesitation to observe that the procedure followed in the matter of awarding contracts in this case was objectionable and cut across the principle of competitive tendering.*

*Avoidable extra-expenditure due to enhancement of rates, para 14 of Audit Report, page 9—*

36. In July, 1952, tenders were invited for the supply *inter alia* of 15,00,000 cft. of boulders for the Durgapur Barrage. The lowest offer of Rs. 39/6 - per % cft. made by two tenderers A & B, for the supply of 5,00,000 cft. and 2,00,000 cft. respectively was accepted on 22-9-1952. Orders for the supply of the remaining quantity of 8,00,000 cft. boulders were issued on 22-9-1952 to the next higher tenderer at Rs. 44/8/- per % cft. After supplying 60,879 cft. and 40,681 cft. respectively the contractors A and B petitioned the Engineer-in-Charge for a higher rate on 11-5-1953 representing that while submitting their tenders, their experts assured them that the stone locally available would be breakable by manual labour, but after breaking about 25,000 cft. the quarry appeared to be of hard granite requiring blasting. Instead of taking action under clauses 2 and 3 of the contracts for failure on the part of the contractors to supply the contracted materials, the Engineer-in-Charge sanctioned on 6-7-1953 that "as surface boulders are not available", blasted boulders might be paid for @ Rs. 44/8/- per % cft. (i.e. at Rs. 5|2|- higher than the original rate) for the balance of the contracted supply. Supplementary Agreements were accordingly entered into with both of these contractors on 24th September, 1953. At the enhanced

rate, contractor A supplied 3,59,705 cft. and contractor B, 1,61,173 cft. resulting in an extra payment of Rs. 26,694/-. The specification attached to the tender notice contemplated the possibility of blasting operations.

37. It was explained to the Committee by the Secretary of the Corporation that in September, 1952 the Engineer-in-Charge wrote to the Corporation that "the rates of 'A' and 'B' are lower, as the contractors would collect boulders from the surface, but such supply is limited". He proposed for a fixed rate so that further supplies, if available, could be had without delay. The Corporation agreed that for blasted boulders a rate of Rs. 44/8/- could be given. Subsequently, in May, 1953, the tenderers 'A' and 'B' requested the Engineer-in-Charge for revision of rates as they had to undertake blasting work and he granted their request. To a question as to whether the third tenderer indicated that he would have to undertake blasting operations, the reply was in the negative. It was therefore, a matter of inference from the Engineer's letter referred to above that the third tenderer had to do blasting work.

38. *The Committee are not satisfied with the explanations. None of the tenderers had specified in their tenders so to whether they would supply from the surface quarries or by blasting operations. Nor was there any evidence to show that the quarries were earmarked for surface collection by 'A' and 'B' and collection by blasting operations by the third firm. Therefore, the Committee have found no basis for the presumption made that tenderers 'A' and 'B' would have incurred losses if they were to complete supplies at the rate contracted for (Rs. 39-6-0 per % cft.). In the opinion of the Committee action on the part of the Engineer-in-Charge to enhance the rate of supplies to Rs. 44/8/- per % cft. on his own authority was questionable. They understand that where a contractor incurs losses, the normal procedure is to compensate him to the extent of actual losses suffered by him after scrutiny of his accounts and provided he had exercised due prudence and care in execution of the contract. The Committee regret that an arbitrary departure from this procedure was made in this case.*

*Irregularities in awarding a contract, para 25, pages 14—17—*

39. On 3-11-1956 limited quotations were called for from six firms for driving and installing, 814 Nos. of 18 R.C.C. piles together with pile capping etc. in connection with pile foundation work for a Thermal Power Station. It was stipulated that "the scope of work shown in these drawings constitutes approximately 50 per cent of the total work. The owner reserves the right to award the remaining scope of work to the successful bidder on the same price and terms". It was also provided that the contractors should indicate

unit prices for additions and deductions in the length of piling which was based on assumed length of 40 feet, on the strength of boring tests carried out by the Corporation. Only two quotations were received and the lower one for Rs. 5,76,130/- was accepted on 27-12-1956.

Later, in February, 1957, owing to a change in the exact location of the Power Plant twelve trial borings were carried out which revealed that the average depth upto which these piles could be driven was only 24 feet from the ground level. Thus though the length of the piles to be driven would be considerably less than what was originally estimated in the tender papers, the work order was issued on 1-3-1957, and the contract was signed on 13-5-1957.

Subsequent progress in the work of driving and installing 814 piles showed that the average depth upto which these 814 piles were driven worked out to about 13.2 feet only. In spite of this the contractor was asked on 31-5-1957 to carry out the remaining portion of the work at the old rates and terms. In all 1,858 Nos. of piles were driven and installed at a total payment of Rs. 6,44,595.04 to the contractor.

The original quotation was on the basis that 74,320 Lft. (1858+40) would be driven and installed but actual work turned out to be 22,949 Lft. only. The average length per pile driven and installed thus came to 12.4 feet.

The cost of driving and installing the pile worked out to Rs. 28|1|- per Lft. against the contractor's quotations of Rs. 12|8|- (Rs. 500 for 40 ft.) and Rs. 11|8|- (Rs. 460 for 40 ft.) per Lft.

40. It was explained to the Committee that as the work was of a highly specialised nature undertaken by only about half a dozen firms in India, tender enquiries were confined to them. Out of the two firms who responded, the offer of the lowest tenderer was accepted. *Nevertheless the Committee feel that open tenders could and should have been invited to secure effective competition. It was brought to their notice by the Comptroller and Auditor General that in this case for a work estimated to cost Rs. 14 lakhs the notice allowed to the intending tenderers to give their quotations was only 12 days. The Committee see little justification for this haste.*

41. As regards reasons for not inviting fresh tenders when it was known that the piles would not have to be driven as deep as originally anticipated, the Secretary of the Corporation stated that with the issue and acceptance of the letter of intent, a legal commitment had been made. Further, the original tender provided for variations and consequent rebate/additional expenditure in case the piles were to be driven less/more deep.

42. The Committee find it difficult to accept this plea. *They feel that with the change of location of the Power Station and consequent reduction in the assumed length of piles the circumstances had materially changed and as such withdrawal of the letter of intent could be legally and morally justified. It is unfortunate that legal opinion was not obtained at that time, especially when the financial stakes on the basis of drastic reduction in the assumed length of piles were considerable. Again no disability attached to the Corporation for inviting fresh tenders for the work (1044 numbers of piles) not originally contracted for. It was stated in evidence that it could not be presumed that cheaper offers would have been received thereby. The Committee are of opinion that as the work had become comparatively easy there was every likelihood of more firms coming forward for the same or the existing contractors reducing their rates, had the Corporation cared to take such action.*

*Extra-expenditure in despatching coal by railway wagons. Para 27 of Audit Report, pages 17-18—*

43. A contract for raising coal etc. from the Bermo Mines for two years from 6-2-1954 was executed on 5th April, 1954. Although according to the agreement the contractor was expected to deliver the coal into the ground hopper of the aerial ropeway bunker, he actually used to deliver the coal into the railway wagons before the aerial ropeway was commissioned. After the ropeway was brought into use in July 1954 with the installation of one bunker, the contractor continued to deliver coal partly into the railway wagons and partly into the ground hopper of the aerial ropeway bunker. Between August and December, 1954, 27,128 tons 8 cwt. of coal were transported through railway wagons at an approximate cost of Rs. 70,149 (rate Rs. 2.586 per ton) against the equivalent cost of Rs. 9,549 (rate Rs. 0.352 per ton) by the ropeway, resulting in an avoidable expenditure of Rs. 60,600.

44. It was urged before the Committee that one aerial ropeway bunker was available which was utilised fully; some quantity of coal had perforce to be despatched by rail in order to meet the requirements of the Power Station. The Committee are, however, not convinced by this explanation inasmuch as it was admitted that from August, 1954, the Mines Manager, D.V.C. repeatedly asked the coal raising contractor to deliver sufficient quantity of coal in the ground hopper of the aerial ropeway bunker, but the contractor pleaded his inability for want of a sufficient number of tubs for the purpose. There was also no contemporaneous record to show that the rope-

way bunker could not take in more coal than was being handled by it at the time.

45. *The Committee deplore the tendency to controvert facts stated in the Audit Report when they are examining the accounts and the Audit Reports and taking evidence. They would invite attention in this connection to the observations contained in para 37 of their First Report (1st Lok Sabha) and para 6 (Introduction) of their 25th Report, Vol. I and stress that all explanations and factual data must be furnished to Audit within the time allowed for furnishing comments on the draft audit paragraph. If further facts come to notice later they should also be intimated to Audit for due verification and posting the Committee with up-to-date information at the time of examination by them.*

*Short recovery of discount—para 34 of Audit Report, page 22—*

46. A firm agreed to allow cash discount to the Corporation on each purchase order placed on the former, for the spares of certain equipment, at the rate of 5 per cent on the first one lakh of rupees worth of order, 10 per cent on the next nine lakhs and 12½ per cent on all additional purchases. An Indenting Officer placed several piecemeal indents aggregating Rs. 4,20,992/- from July, 1953 to November, 1953 instead of bulking them for six months as required under the directives issued by the Corporation from time to time. Separate purchase orders were also issued in each case, and additional discount to the extent of Rs. 11,516/- was lost thereby. Similarly, four other indents by the same Officer aggregating Rs. 3,76,904/- were followed by four separate orders on the firm between 20th May, and 25th June, 1953, resulting in a further loss of discount of Rs. 7,600/-.

47. In extenuation, it was stated by the representative of the Corporation that the indents for spares in this case were received from the Heavy Repairs Workshop, Maithon for carrying out repairs to machines received there from time to time during the construction stage of the Project. In order to avoid delay in the repairs work, the indenting officer placed indents for spares, as and when required, instead of bulking them for six months, as required by the directives of the Corporation. In two cases, however, it was admitted, two indents bearing the same date were received from the same indenting officer. While in one case, one of the indents being of an emergent nature was kept separate from the other indent, there was nothing on record to justify the placing of two separate indents in the other case. The officer's explanation, however, could not be obtained as he had retired a long time ago. In reply to a question,

it was stated that instructions had again been issued by the Corporation for the placing of indents after set intervals except in emergent cases.

48. *The Committee regret that due regard was not shown by the officers of the Corporation to its directives in respect of bulking of indents. They desire that the Corporation should impress on the officers in charge of placing indents the need for observing the first and important canon of financial propriety, viz., the same vigilance should be exercised by every public officer in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.*

## V

### GENERAL

*Extra expenditure in the shape of bonus—para 9 of Audit Report, pages 5-6—*

49. On 27-3-1957 the Corporation took a decision that certain items of work, including mainly (1) Earth Dam 14·50 lakhs cyds. and (2) Concrete work 44,530, cyds. should be completed before 10th June, 1957 and that to achieve this an incentive bonus should be given to the personnel (including supervisory staff) employed on the works and on ancillary services. The amount actually paid as bonus was Rs. 2,22,876/-. The need for paying the incentive bonus was questioned by Audit as according to the rate of average monthly progress of work during November, 1956 to February, 1957 (when there was no incentive bonus) the Concrete work would have been completed before the target date of 10th June, 1957, and the balance of earth work remaining to be completed would have been only about 10 per cent of the scheduled quantity. The Corporation explained to Audit that the average maintained in the earlier and cooler part of the working season rapidly fell in the later and warmer part, because of interruptions by rains and lower output of labour due to excessive heat, higher lift and curtailed working space on the dam and fall in the overall efficiency of mechanical equipment, due to fatigue and strain. They, therefore, maintained that had incentive bonus not been allowed, the target could not have been achieved. It was, however, admitted that, in working out the monthly targets of outturn, no decline in output in the summer months had been provided in the project calculations.

50. The representative of the Corporation stated in evidence that as a result of this bonus the output during the summer months of March to June, 1957 was 8·72 lakh cyds. as against 4·43 lakh cyds. during March, 1956 to mid-June, 1956 and 7·20 lakh cyds. during November 1956 to February, 1957. Thus as a result of this bonus the output instead of decreasing during the summer months as compared to winter months, as in the previous year, had registered an increase of about 1·50 lakh cyds.

51. The Committee were, however, informed that in addition to the bonus, over-time allowance amounting to Rs. 14,000 was also granted during 1957 to personnel employed in mechanical and other workshops who were entitled to this allowance under the Factories

Act. No account was also taken of certain additional machines which were transferred to Panchet in April, 1957.

52. *The Committee feel that while working out the scheme for bonus and fixing the target date for the completion of work, all the relevant factors should have been taken into consideration.*

*Premature purchase of Cutters—Infructuous Expenditure—para 32 of Audit Report, pages 21-22—*

53. Two hulls of old cutters (small boats), viz., "Heron" and "Osprey" were purchased from the Director General, Supplies and Disposals, in September, 1953 for Rs. 2,000/- and Rs. 800/- respectively for the Barrage and Irrigation Department and the Maithon Project to be used on (i) periodical verification of Navigation Canals, (ii) observation of the soundings at the Barrage, and (iii) removing stranded people during floods.

The boats were taken to the Ultadanga Canal for renovation. The "Heron" was renovated in July, 1955, but has not yet been brought into use. An expenditure of Rs. 20,000/- was incurred on this Cutter by the end of 1957-58 (i.e., purchase price Rs. 2,000/-, cost of repairs including accessories Rs. 10,800/-, demurrage and toll and other charges Rs. 3,200/-, pay of Serang and Lasker Rs. 4,000/-). A further expenditure of Rs. 3,268/- was incurred till the end of August, 1959.

The "Osprey" involved an expenditure upto 14th July, 1958, of Rs. 17,000/- approximately (i.e., purchase price Rs. 800/-, renovation charges Rs. 13,000/- and demurrage and toll charges, etc. Rs. 3,200/-). The boat was transferred to Maithon only in July, 1958.

54. The Committee enquired about the justification of the purchase of the hulls despite the advice of the Financial Adviser to the contrary. It was stated by the representative of the Corporation that as the price of the hulls was very low and the Chief Engineer-in-Charge, Barrage and Irrigation thought that a launch would be required for inspection of navigation canals, observation of soundings upstream and downstream, etc., it was decided to purchase the hulls to make use of them not only for the intended purposes later on but also during the construction period.

55. As regards the delay in the commissioning of the boats, it was stated that one of the boats which was proposed to be used at Durgapur for the inspection of navigation canal could not be commissioned as there was not sufficient water all the year round



in the Durgapur Barrage Pool till last year. The delay in the commissioning of the other boat was ascribed mainly to difficulties in the procurement of marine-engine and other parts required for its renovation.

56. *The Committee are not convinced by the explanations offered by the Corporation. They feel that the purchase of the hulls long before they were actually required for use was not justified. They are concerned that the advice of the Financial Adviser against this purchase, which was given duly taking into account the opinion of technical officers, did not receive the attention it deserved. Further, the Committee find it difficult to understand why immediate steps were not taken by the Corporation to remove the boats from the Ultadanga Canal after these had been renovated, and to moor them at a place where demurrage charges would not have been payable. They also do not find any justification for the employment of the Serang and Lasker for the boat "Heron", when it was not put to any use.*

## VI

### OUTSTANDING RECOMMENDATIONS

57. The Committee now proceed to deal with some of the important items outstanding from their previous Reports; others have been referred to in Appendix I of the Report.

*Purchase of Transmission Towers, paras 55—58 of 3rd Report (Second Lok Sabha)—*

58. In this case which related to the purchase of Transmission Line Towers, the supplying firm had been paid *inter alia* a sum of Rs. 1,34,945 under price variation clause in respect of steel drawn upto 15th December 1956, including Rs. 24,684 on account of price variation which took place after the due date of delivery viz., 30th June, 1956.

59. The Committee (1957-58) had observed that as the contractor had defaulted in adhering to the date of completion, that circumstance would justify the imposition of penalty or liquidated damages but cannot confer on him a right to claim payments which he could not have claimed if he had fulfilled the contract in time. They wanted to be informed of the extent of the penalty imposed on the firm and also of the recovery of the overpayment on account of price variation.

60. In a note submitted to the Committee (Appendix I, annexure I) it has been stated that according to the opinion of the Additional Solicitor General obtained by the Ministry of Law the parties had contemplated that the price variation clause might apply in respect of goods delivered after the stipulated period and, therefore, this clause would apply in respect of such goods. (Though this opinion was actually obtained in connection with another case, in the opinion of the Ministry of Law, the conclusions arrived at hold good in the present case also).

61. *The Committee feel that this ambiguity could have been avoided had the extension been granted to the firm on the explicit condition that the price variation clause would not apply in respect of supplies made after the due date. They will also like to be informed as to why no penalty could be imposed on the firm for not adhering to the date originally scheduled for completion of supplies.*

**Execution of works without entering into agreements with the contractors, para 90 of Third Report (Second Lok Sabha)—**

62. This case related to the construction of some staff quarters at Durgapur estimated to cost about Rs. 6 lakhs, which was entrusted to two contractors without executing any written agreement beforehand. The Committee had adversely commented upon this case in para 24 of their 18th Report (First Lok Sabha). The Committee were informed that one of the two contractors who had put in some extra claims refused to sign the agreement and the matter had, therefore, gone up for arbitration.

63. From a note submitted to the Committee (Appendix I, annexure II) they find that as a result of the award of the arbitrator the Corporation had to pay a sum of Rs. 1,19,698-14-0 to the contractor. *The Committee reiterate their earlier recommendation that save in exceptional circumstances no work of any kind should be commenced without the prior execution of the contract documents. They trust that this will be strictly followed in future.*

**Purchase of Anderson concrete mixer, paras 86—89 of 14th Report (Second Lok Sabha)—**

64. In this case Rs. 5,946/- being the value of one Anderson Concrete Mixer were written off as it was found unserviceable and beyond economic repairs. It had not been used since its procurement in 1950. The Committee (1958-59) adversely commented upon this case in paras 88 and 89 of their 14th Report (Second Lok Sabha).

65. *The Committee are not satisfied with the explanations furnished by the Corporation in this matter (Appendix I, annexure VIII). They regret to note that there had been considerable slackness on the part of various officials concerned who dealt with this matter resulting in avoidable loss to the Corporation.*

**Non-imposition of Penalty, paras 90—93 of 14th Report (Second Lok Sabha)—**

66. In para 93 of their 14th Report (Second Lok Sabha) the Committee commented upon the waiving of penalty by the Corporation for delay in payment of dues by the consumers for supply of power. The Committee were then informed that the Corporation was considering a proposal to introduce a rebate system for payment by a specified date on the lines similar to that in force in the Calcutta Electric Supply Corporation instead of the present system of penalty.

67. In a note submitted to the Committee (Appendix I, S. No. 33) it has, however, been stated that as ascertained from the Calcutta Electric Supply Corporation no rebate is allowed to consumers with High Tension supplies for payment of their bills by the due date and no financial penalty is imposed if such bills are paid after the due date. If the bills are not paid by the due date action is taken under section 24 of the Indian Electricity Act, 1910 which provides that the consumer is liable to discontinuance of supply if he neglects to pay the bills of the suppliers. The idea of allowing a rebate for payment by a specified date has, therefore, been given up by the Corporation.

68. *The Committee are of opinion that as the agreement by the Corporation with the consumers for the supply of power expressly provides that the defaulting consumers should pay a surcharge of one per cent per month from the due date of payment of the monthly bill for power supplied, the Corporation should in future strictly enforce the provisions of penalty for the non-payment of bills by due dates.*

NEW DELHI;  
The 4th July, 1960.  
Asadha 13, 1882 (S).

UPENDRANATH BARMAN,  
Chairman,  
Public Accounts Committee.

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**P A R T II**  
**Proceedings of the sittings of the Public Accounts**  
**Committee held on 28th, 30th, 31st March and**  
**28th April, 1960**

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**PROCEEDINGS OF THE FIFTY-SEVENTH SITTING OF THE  
PUBLIC ACCOUNTS COMMITTEE HELD ON MONDAY, THE  
28TH MARCH, 1960**

**69. The Committee sat from 15.00 to 17.00 hours.**

**PRESENT**

**Shri Upendranath Barman—Chairman**

**MEMBERS**

- 2. Shri T. Manaen**
- 3. Pandit Jwala Prasad Jyotishi**
- 4. Shri Shamrao Vishnu Parulekar**
- 5. Shri Radha Raman**
- 6. Shri Rameshwar Sahu**
- 7. Shri T. R. Neswi**
- 8. Shri T. Sanganna**
- 9. Shri Jaipal Singh**
- 10. Shri Amolakh Chand**
- 11. Rajkumari Amrit Kaur**
- 12. Shri Rohit Manushankar Dave**
- 13. Shri T. R. Deogirikar**
- 14. Shri Jaswant Singh.**

**Shri A. K. Chanda—Comptroller and Auditor General of  
India.**

**Shri G. S. Rau—Additional Deputy Comptroller and Auditor  
General.**

**Shri D. A. Qadri—Additional Accountant General, West  
Bengal (DVC).**

**SECRETARIAT**

**Shri Y. P. Passi—Under Secretary.**

**WITNESSES**

**Ministry of Irrigation and Power**

**Shri T. Sivasankar—Secretary.**

**Damodar Valley Corporation****Shri S. Lall—Chairman.****Shri U. K. Ghosal—General Manager and Secretary.****Shri V. G. Kamath—Financial Adviser.****Shri B. Parthasarathy—Chief Engineer (Civil).****Shri K. Subramaniam—Commercial Engineer.****Ministry of Finance (Department of Expenditure)****Shri S. Vohra—Joint Secretary.****Ministry of Finance (Department of E. A.)****Shri A. R. Shirali—Additional Budget Officer.****Audit Report on the Accounts of the Damodar Valley Corporation  
for 1957-58.****Allocation under Section 32—Para 2(a), Page 2—**

70. According to Audit para the question of inter-Governmental allocation of expenditure on soil conservation, afforestation and other developmental activities under Section 12(e) and (f) of the D.V.C. Act was still under consideration. Explaining the latest position the representative of the Ministry of Irrigation and Power stated that in the light of the statements of the case prepared by the State Governments of West Bengal and Bihar the matter was again referred to the Attorney General who reiterated his earlier opinion that such expenditure should be shared equally by all the three participating States. The recommendation of the Attorney General had been accepted and the allocation finally made by the D.V.C. in the accounts for 1958-59, in accordance with his advice.

**Allocation under Section 33—Para 2(b), page 2—**

71. According to Section 33 of the D.V.C. Act, expenditure common to two or more of the main objects of the Project is required to be allocated to each of the main objects in proportion to the expenditure which according to the estimate of the Corporation would have to be incurred solely for that object.

72. The Committee were informed that a Committee appointed to go into this question could not come to any agreed conclusions but the Corporation on their own had decided the new ratios in this regard and adopted the same with effect from the accounts for 1958-59. The Corporation intimated its decision to participating Governments on 18th December 1958. However, the Government of West Bengal protested against the allocation made by the D.V.C. and requested the Central Government in June, 1959 to refer the

matter to arbitration as provided in section 40 of the D.V.C. Act. The Central Government after consulting the Ministry of Law had made a reference about 3 months ago to the Government of Bihar inviting their comments on the proposed arbitration. No reply had, however, been received so far from the Government of Bihar.

*Allocation under section 34—Para 2(c), Pages 2-3—*

73. According to Section 34(2) of the D.V.C. Act, the divisible capital cost under irrigation for both the States of Bihar and West Bengal is to be shared by the State Governments in proportion to their guaranteed annual off-take of water for agricultural purposes. The Corporation, had, however, decided to postpone the final adjustment of the outlay on this basis until the question of allocation of the cost of dams under Section 33 of the D.V.C. Act was finalised.

74. The Committee were informed that as the Corporation had since finally approved the allocation of the cost of different dams under Section 33 of the D.V.C. Act, the cost allocated to the head 'Irrigation' had also been changed. The Corporation requested the State Governments of West Bengal and Bihar on 10th January, 1959 to review the position and to advise their final annual guaranteed off-take of water for reallocation of the divisible cost of Irrigation. However, despite repeated reminders, the replies from the State Governments had not yet been received.

75. In reply to a question whether there was any possibility of providing irrigation in Bihar from Dams constructed by the D.V.C., the representative of the Corporation stated that though some schemes were prepared by them to carry out certain irrigation works in Bihar territory from Tilaiya, the Government of Bihar considered that the investment per acre was too high. However, they had not communicated their final decision about these schemes to the Corporation so far.

*Infructuous expenditure in purchasing Recording Tape, para 4, page 4—*

76. 300 rolls of recording tape (Paper) for automatic recording of the proportion of concrete used in different stages of construction could not be used at Maithon due to delay in its supply. It was used at Panchet Project but due to defective quality of recording ink, the tape gave unsatisfactory results.

77. When asked what were the reasons for the delay in the receipt of the tape the representative of the Corporation stated that at the time of procurement of the batching plant the recording



equipment was part of that plant and with it some rolls of tape were also obtained. But when its stock was running out of purchase order was placed on a foreign firm on 30th September, 1954. However, there was misunderstanding on the part of the firm that the purchase was covered by Open General Licence. The firm's oral enquiries to Customs Office, Calcutta, received no definite response. Even after the firm addressed them in writing in January, 1955, the Customs Office took a long time in intimating that the purchase was not covered by Open General Licence and in issuing the Import Licence. The Import Licence could be obtained only on the 13th May, 1955. A further delay of three months, it was stated was due to dock strike in London which was beyond the control of the supplier.

78. When asked how the recording was done in the absence of the tape, the Committee were informed that the quality control over concrete was carried out through laboratory tests and personal supervision. It was, however, added that whereas from the laboratory tests only the strength of the concrete could be ascertained, the recording tape recorded the proportion of different constituents that had gone into each batch of concrete. Thus the recording tape was an additional check over and above the personal supervision and the laboratory test.

79. Explaining the reasons for the non-utilisation of the recording tape at Panchet the representative of the Corporation stated that firstly some defects were noticed in driving motor which had to be set right. Further the imported ink received from Maithon was no longer fit to be used. Instead of importing ink, several indigenous inks were tried for recording, which were, however, not found suitable. Eventually, it was added, one suitable indigenous ink was found out and with that ink the recording tape was used at Panchet from February, 1958 to June, 1959. The Committee were, however, informed that a large portion of concreting had already been completed till February, 1958 and the recording tape could be utilised only for a small portion of concreting.

*Construction Plant and Machinery—Para 6, page 4—*

80. The actual working hours of about 100 machines used on the Panchet Hill Project during the period from March, 1956 to March, 1958 were only 18% of the basic schedule hours.

81. The Committee were informed that the percentage of working hours to basic schedule hours had gone down to 8.09 during the period from April, 1958 to March, 1959.

82. Explaining the reasons for the low working hours, the representative of the Corporation stated that out of 120 earth moving machines at Panchet 83 machines had been brought over from Maithon and were 3-4 years old. Further, because of climatic conditions most of the machines could not be used during the monsoon season. Moreover, in some cases, due to the breakdown of one machine some other connected machines also had to stand idle till it was put in order.

83. When asked whether in working the basic schedule hours, all these factors were not taken into consideration, the representative of the Corporation stated that according to the formula given by the Plant and Machinery Committee the basic schedule hours are calculated on the basis of each machine working for 16 hours per day in 2 shifts and 26 days per month. The Committee, however, felt that such calculations were not realistic and should have been worked out more scientifically.

84. To examine the matter further the Committee desired to be furnished with a note regarding the labour employed to operate these machines, their percentage utilisation and cost of idle labour etc.

*Loss in the disposal of surplus sheet piles—para 7, page 8—*

85. The Audit para disclosed that the disposal of 302 tons of surplus sheet piles to a Project resulted in a loss of about Rs. 1 lakh.

86. The Committee were informed that out of 438 tons of surplus sheet piles, 119.47 tons were sold to the Chambal Project at issue price (without loss) while 301.50 tons were sold to the U.P. Government at the market price resulting in a loss of Rs. 57,000 (approx.) over the book-value. Elucidating the position further, the representative of the Corporation stated that though the Government of U.P. were also asked to pay the issue price for the sheet piles they objected to it and were prepared to pay only the market price. The C.W.P.C. also upheld the contention of the Government of U.P.

87. The Committee, however, felt that there should have been uniformity in the price charged from both the projects. The representative of the Ministry agreed to ask the Corporation to reconsider this case.

88. In reply to a question the Committee were informed that the balance of 17 tons of piles still in stock were proposed to be utilised by the D.V.C. itself.

**Extra expenditure due to non-acceptance of the lowest acceptable tender—para 8, page 5—**

89. In this case, the lowest tender of Rs. 5/10/- per %O gallons for carrying water in tanks mounted on motor trucks, from the D.V.C. water-point for sprinkling on earth embankments and/or certain roads of the Project at an estimated cost of Rs. 1.60 lakhs, was rejected by the Corporation as the earnest money in matured G.P. Notes could not be accepted by them, as advised by the Reserve Bank of India. Work of the value of Rs. 10,000/- at a negotiated rate of Rs. 7/- per %O gallons, was therefore allotted to the lowest and the 2nd lowest tenderer in November, 1955, as an interim arrangement and it was decided to re-tender for the balance of the work. On retender, the lowest quotation was Rs. 7/11/- per %O gallons. The work was then allotted, under the orders of the Corporation to the previous two lowest contractors in the ratio of 40.60, at a negotiated rate of Rs. 6/12/- per %O gallons against their original offers of Rs. 5/10/- and Rs. 6/3/- per %O gallons.

90. The Committee enquired why work of the value of Rs. 10,000/- was allotted to the two contractors at a negotiated rate of Rs. 7/- per %O gallons instead of at the rates quoted by them. The representative of the Corporation stated that as the work to be done pending the selection of a firm on the basis of a fresh invitation of tenders had been reduced to 1/16th of the original work the contractors were not prepared to undertake the work at their original quotations.

91. Explaining as to why the work was not allotted to the second lowest tenderer instead of re-tendering the representative of the Corporation contended that as the lowest tender had to be rejected only on technical grounds and the difference between the lowest and the second lowest tenderer was substantial, viz., Rs. 9 per %O gallons, the Chief Engineer thought that by re-tendering it might be possible to secure again the same lowest quotation as previously obtained.

92. Asked whether it was not possible for the Corporation to ask the lowest tenderer to give fresh security instead of re-tendering the representative of the Corporation stated that it was not possible to do so as it was considered that under their rules, it would have amounted to reviving the tender.

**Extra expenditure in the shape of bonus—para 9, pages 5-6—**

93. On 27th March, 1957 the Corporation took a decision that certain items of work should be completed before 10th June, 1957 and to achieve this an incentive bonus was given amounting to Rs. 2.23 lakhs.

94. When asked whether the purpose for which bonus was granted had been fulfilled the representative of the Corporation stated that as a result of this bonus the output during the summer months of March to June, 1957 was 8.72 lakh cyds. as against 4.43 lakh cyds. during March, 1956 to mid-June, 1956 and 7.20 lakh cyds. during November to February 1957. Thus as a result of this bonus the output instead of decreasing during the summer months as compared to winter months, as in the previous year, had registered an increase of about 1.50 lakh cyds.

95. In reply to a question it was, however, admitted that in fixing the period for which the bonus should be given no account was taken of certain additional machines which were transferred to Panchet in April, 1957.

*Unsatisfactory state of accounts—para 10, page 7—*

96. The accounts of tyres and tubes received in a motor workshop from the Central Stores revealed discrepancies with regard to the utilisation of 83 new tyres and 64 new tubes of the aggregate value of Rs. 22,000.

97. The representative of the Corporation admitted that in this case job cards and registers were either not maintained or maintained improperly. It was, however, stated in extenuation that on the basis of the records then maintained all the tyres and tubes had been accounted for. It was also added that the necessary records were now being maintained properly.

98. The Committee then adjourned till 15.00 hours on Wednesday, the 30th March, 1960.

**PROCEEDINGS OF THE FIFTY-EIGHTH SITTING OF THE  
PUBLIC ACCOUNTS COMMITTEE HELD ON WEDNESDAY,  
THE 30TH MARCH, 1960**

**99. The Committee sat from 15.00 to 17.30 hours.**

**PRESENT**

**Shri Upendranath Barinan—Chairman**

**MEMBERS**

- 2. Shri T. Manaen**
- 3. Shri Maneklal Maganlal Gandhi**
- 4. Pandit Jwala Prasad Jyotishi**
- 5. Shri Shamrao Vishnu Parulekar**
- 6. Shri Radha Raman**
- 7. Shri Rameshwar Sahu**
- 8. Shri T. R. Neswi**
- 9. Shri T. Sanganna**
- 10. Shri Vinayak Rao K. Koratkar**
- 11. Rajkumari Amrit Kaur**
- 12. Shri Rohit Manushankar Dave**
- 13. Shri T. R. Deogirikar**
- 14. Shri Surendra Mohan Ghose**
- 15. Shri Jaswant Singh**

**Shri A. K. Chanda, Comptroller and Auditor General of  
India.**

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

**Shri D. A. Qadri, Addl. Accountant General, West Bengal  
(D.V.C.).**

**SECRETARIAT**

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

**WITNESSES**

**Ministry of Irrigation & Power**

**Shri T. Sivasankar, Secretary.**

**Damodar Valley Corporation**

**Shri S. Lall—Chairman**

**Shri U. K. Ghosal—General Manager and Secretary.**

**Shri V. G. Kamath—Financial Adviser.**

**Shri B. Parthasarathy—Chief Engineer (Civil).**

**Shri K. Subramanian—Commercial Engineer.**

**Ministry of Finance (Department of Expenditure)**

**Shri S. Vohra, Joint Secretary.**

**(Department of Economic Affairs)**

**Shri R. Saran, Under Secretary.**

**Audit Report on the Accounts of the Damodar Valley Corporation  
for the Year 1957-58.**

*Utilisation of water for irrigation purposes, para 12, pages 7-8—*

100. The revised forecast of 1954 in respect of the irrigation development in the Lower Valley referred to in the Audit para had again been revised in 1957 and the latest targets were as follows:

				Kharif (in acres)	Rabi (in acres)
1956-57	..	..	..	45,000	..
1957-58	..	..	..	75,000	..
1958-59	..	..	..	4,00,000	5,000
1959-60	..	..	..	6,00,000	20,000
1960-61	..	..	..	8,00,000	40,000
1961-62	..	..	..	8,40,762	70,000
1967-68	..	..	..	..	3,00,000

The above targets did not include area which used to receive irrigation through the existing canal system of the West Bengal Government. The Kharif area actually irrigated in 1958-59 was 2,29,393 acres. This was exclusive of the area referred to above. The Corporation had claimed Rs. 22,60,050 and Rs. 35,14,337 from the West Bengal Government for the areas irrigated during 1957 (3,06,005 acres) and 1958 (4,45,951 acres) respectively. The claims were stated to be under consideration of the West Bengal Government.

101. The Committee enquired about the difficulties in the way of effective utilisation of the water and how it was proposed to overcome them. The Secretary of the Corporation stated that the absence of field channels was their main difficulty. The present system of irrigation by flow across the surface of the land was uneconomical. But the excavation of channels which would make for economic utilisation of water was outside the scope of the D.V.C's functions as laid down by Statute Act. The Planning Commission had been pressing the West Bengal Government to take up this work. The West Bengal Act of 1958 for levy of water rates had empowered the executive to compel villagers to excavate channels for watering their fields. But that provision had so far not been implemented. At the instance of the Committee, the Secretary of the Ministry promised to enquire of the West Bengal Government as to why the instructions from the Planning Commission had not been given effect to.

102. The Committee enquired whether the decision taken on April 6, 1959 to hand over the canal system to the West Bengal Government from December 1, 1959, had been implemented. They were informed that it was proposed to implement that decision from June 1, 1960 as floods in October, 1959 had damaged a number of canals. The repair work, the Committee were assured, would be completed before the end of May, 1960.

103. The Committee then referred to the downward revision of irrigation targets from time to time with reference to the figures for the year 1958-59. In that year according to the revised forecast of 1954, it was proposed to irrigate 6,00,000 acres and 70,000 acres in the *kharif* and *rabi* seasons respectively. These figures had come down to 4,00,000 acres and 5,000 acres, respectively. The acreage actually irrigated was, however, only 2,29,393 upto 1958-59 *kharif*. As the witnesses were not posted with full information, the Committee desired to be furnished with a note reconciling various discrepancies and explaining the reasons for the short-fall of achievement with reference to targets.

104. The Committee referred to the irrigation needs during *rabi* season and the inability of the D.V.C. to cope with that because of demand for water from industrial projects. The witness stated that if the participating State Governments, more especially the West Bengal Government, desired that water should be reserved for *rabi* irrigation and need not be made available to industrial units in the area, the D.V.C. would act accordingly.

*Negotiation after receipt of open tenders, para 13, pages 8-9—*

105. Tenders were received on August 18, 1955, by a Project Manager for two works, viz., "construction of lock and bridge with exit channel at chainage (A) and at chainage (B) respectively."

The lowest tenders for the works costing Rs. 7,63,639 and Rs. 7,50,268 respectively had been submitted by the same contractor. While the tenders were under disposal, the fourth lowest tenderer for the work (A), who had not tendered for (B), offered to reduce his rate by 3%. That reduction brought down his offer to Rs. 7,63,501 and he became the lowest tenderer for work (A). On 4th October, 1955 the Project Manager requested the Corporation's approval for awarding the work at (A) to the fourth lowest tenderer at his reduced rates and the other work at (B) to the lowest tenderer. The Corporation, however, decided on 14th October, 1955 that even if the lowest tenderer should be allowed one work only, negotiations should be conducted with all the suitable contractors who had quoted for the work at (A). The Project Manager accordingly negotiated

with five of the tenderers who had quoted rates higher than the fourth lowest tenderer, but the lowest, the second and the third lowest were not invited for negotiation.

106. The Committee enquired why the Project Manager did not negotiate with the lowest, the second and the third lowest tenderers. They were informed by the Secretary of the Corporation that arguments for and against the course recommended by the Project Manager had been gone into in detail and the final decision was in favour of what the Project Manager had recommended. For, the lowest tenderer had already in his hand an item of work valued at Rs. 5 lakhs. Out of these two works an order of Rs. 7½ lakhs was given to him and there was reason to believe that his resources were not enough to cover another item of work\*. The second lowest tender had been submitted by a partnership firm which had come into existence immediately before the submission of the tender and the Project Manager had no knowledge of their resources or abilities.

107. Asked whether the fourth lowest tenderer had any experience of work with the D.V.C. the witness replied in the negative. He, however, added that the fourth tenderer himself was a qualified engineer and had been working as such. About the number of partners in this firm, the witness had nothing on record. The Committee were not satisfied with the explanation and desired to have a detailed note showing the differences in the terms offered by the four firms and the reasons for eliminating the first three. They also desired information to be furnished in that note regarding the expenditure, if any, incurred by the Corporation, on account of the fourth lowest tenderer completing the work after 2 years and the grounds for grant of extensions and non-levy of any penalty for his failure to execute the contract in time.

*Avoidable extra-expenditure due to enhancement of rates, para 14, page 9—*

108. In July, 1952, tenders were invited for the supply *inter alia* of 15,00,000 cft. of boulders for the Durgapur Barrage. The lowest offer of Rs. 39-6-0 per % cft. made by two tenderers A & B, for the supply of 5,00,000 cft. and 2,00,000 cft. respectively was accepted on 28-10-1952. Orders for the supply of the remaining quantity of 8,00,000 cft. boulders were issued on 22-9-1952 to the next higher tenderer at Rs. 44-8-0 per % cft. After supplying 60,879 cft. and 40,681 cft. respectively the contractors A and B petitioned the Engineer-in-Charge for a higher rate on 11-5-1953 representing that while submitting their tenders, their experts assured them that the stone locally available would be breakable by manual labour, but

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\*According to Audit this position is not sustainable by facts as per records.



after breaking about 25,000 cft. the quarry appeared to be of half granite requiring blasting. Instead of taking action under clauses 2 & 3 of the contracts for failure on the part of the contractors to supply the contracted materials, the Engineer-in-Charge sanctioned on 6-7-1953 that "as surface boulders are not available", blasted boulders might be paid for @ Rs. 44-8-0 per % cft. (i.e., at Rs. 5-2-0 higher than their original rate) for the balance of the contracted supply. Supplementary Agreements were accordingly entered into with both of these contractors on 24th September, 1953. At the enhanced rate, contractor A supplied 3,59,705 cft. and contractor B, 1,61,173 cft., resulting in an extra payment of Rs. 26,694/-.

109. The Committee pointed out that as the specifications attached to the tender notice contemplated the possibility of blasting operations the revision of the rate in favour of tenderers A & B seemed unjustified.

The Secretary of the Corporation stated that in September, 1952, the Engineer-in-Charge wrote to the Corporation "the rates of 'A' and 'B' are lower, as the contractors would collect boulders from surface, but such supply is limited." He proposed that a fixed rate be approved so that if further material was available upto that rate the supply order could be placed for the requisite quantity without any delay. The Corporation agreed that for blasted boulders a rate of Rs. 44/8 could be given. Subsequently in May, 1953, the tenderers 'A' and 'B' requested the Engineer-in-Chief for revision of rates as they had to undertake blasting work and he granted their request.

He contended that clause 3 to the contract, [viz., "All necessary blasting operations, if required, will have to be undertaken by the contractor with safeguards under the explosives regulations. The responsibility for all accidents during the transit, storage and operation during and after quarrying lie with the supplier."] contemplated only the safety precautions to be observed and had no direct reference to rates.

He, however, agreed that the party after accepting the job should have done it. But the Engineer-in-Charge agreed to the enhancement of rate without reference to the Corporation as the latter had already agreed to a ceiling rate for the work.

110. To a question whether the tender of the third firm indicated that it would have to undertake blasting operations, the witness replied in the negative. Asked how it was understood that the third firm had to do blasting work, the witness agreed that it was a matter of inference from the Engineer's letter referred to above. He also admitted that there was nothing on record to show that there was any demarcation of area into two, the one for surface collection by

the first two firms and the other for collection by blasting operations by the third; nor was there any estimate of boulders available on surface, the only document on record in this connection being the Engineer's letter of September, 1952 quoted above.

*Doubtful payment to contractors, para 16, pages 10-11—*

111. In December, 1953, after due survey the work of cutting and uprooting trees along Eden Canal Bank from chainage 2150 to chainage 2800 was entrusted to a contractor who was required to cut down 700 palm trees of girth from 12" to 5 feet (including rooting out and stacking at site beyond 100 feet from Canal bank) and 1040 other trees of girth from 12" to above 16 feet. The final bill for the work, paid in October 1954, amounted to Rs. 8,187/- for 2116 trees of girth from 12" above.

At about the same time, the earth excavation work from chainage 2170 to chainage 2800 was entrusted to four contractors at inclusive rates which covered *inter alia* 'clearing jungle and uprooting trees below 12" girth from site of canal banks and borrow pits.' Subsequently in 1957, by supplementary agreements, a sum of Rs. 39,152/- was paid to these four contractors for removing more than 11,000 roots of trees of more than 12" girth for this section of the canal. Later on doubts had arisen about the existence of these trees and the matter was reported to be under investigation, by the Corporation.

112. The Committee enquired about the result of the investigation. They were informed that the original bid sheets confirmed the existence of more than 11,000 stumps and the auction sale proceeds thereof had been credited to the D.V.C.

*Arbitration expenses, para 18(a), pages 11-12—*

113. Arbitration proceedings had been instituted against a major contractor on the Konar Dam in regard to certain items of claims and counter-claims and certain matters arising out of the D.V.C. Enquiry Report. Although the proceedings started in 1957 the appointment of the arbitrator had been extended from time to time and Rs. 2,14,747 had been spent upto end of August, 1958.

114. The Committee were informed that upto December, 1959, Rs. 4 lakhs had been spent on arbitration referred to in para 18(a) above. They enquired whether by the latest date *viz.*, April 21, 1960 proceedings would be finalised. The witness replied in the negative. He added that evidence from both sides had been heard on all the items under dispute. Arguments were now being heard. Out of 82 items only 11 items involving claims worth Rs. 94 lakhs had been disposed of upto March, 1960.

**Irregularities in awarding a contract, para 25, pages 14—17—**

115. On 3-11-1956 limited quotations were called for from six firms for driving and installing, 814 Nos. of 18" R.C.C. piles together with pile capping etc. in connection with the pile foundation work for a Thermal Power station. It was stipulated that "the scope of work shown in these drawings constitutes approximately 50 per cent. of the total work. The owner reserves the right to award the remaining scope of work to the successful bidder on the same price and terms." It was also provided that the contractors should indicate unit prices for additions and deductions in the length of piling which was based on assumed length of 40 feet, on the strength of boring tests carried out by the Corporation. Only two quotations were received and the lower one for Rs. 5,76,130/- was accepted on 27-12-1956.

Later, in February 1957, owing to a change in the exact location of the Power Plant, twelve trial borings were carried out which revealed that the average depth upto which these piles could be driven was only 24 feet from the ground level. Thus though the length of the piles to be driven would be considerably less than what was originally estimated in the tender papers, the work order was issued on 1-3-1957, and the contract was signed on 13-5-1957.

Subsequent progress in the work of driving and installing 814 piles showed that the average depth upto which these 814 piles were driven worked out to about 13·2 feet only. In spite of this the contractor was asked on 31-5-57 to carry out the remaining portion of the work at the old rates and terms. In all 1,858 Nos. of piles were driven and installed at a total payment of Rs. 6,44,595·04 to the contractor.

The original quotation was on the basis that 74,320 Lft. (1858 x 40) would be driven and installed but actual work turned out to be 22,949 Lft. only. The average length per pile driven and installed thus came to 12·4 feet.

The cost of driving and installing the pile worked out to Rs. 28/1/- per Lft. against the contractor's quotations of Rs. 12/8/- (Rs. 500 for 40 ft.) and Rs. 11/8/- (Rs. 460 for 40 ft.) per Lft.

116. The Committee enquired about the reasons for not inviting open tenders. The witness stated that the heavy piling work was done by about half a dozen firms in India. Consequently tender enquiries were sent to only six specialised firms. Two out of the six responded and the offer of the lowest tenderer was accepted.

117. The Committee wanted to know the reasons for not inviting fresh tenders when it was known that the piles would not have to be driven as deep as originally anticipated. The witness stated that the letter of intent issued by the Corporation on December 28, 1956 was accepted by the firm on December 31, 1956 and it became legally valid. The Committee were not inclined to agree with this view and alluded to the change in the conditions of the tender. The witness stated that the tender provided for variations and consequent rebate/ additional expenditure in case the pile were driven less/more deep.

118. When asked whether legal advice had been taken in this matter, the witness stated that legal advice had been obtained in other similar cases. He contended that the only possibility was to invite a fresh tender for the additional piles numbering 1044. But, he added, it could not be presumed that thereby cheaper rates would have been received because in response to earlier invitation to tender only two offers had been received. The C.&A.G. intervened to say that only 12 days had been allowed to the intending tenderers when quotations were invited for a contract of this magnitude.

*Extra-expenditure in despatching coal by railway wagons, para 27, pages 17-18—*

119. A contract for raising coal etc. from the Bermo Mines for two years from 6-2-1954 was executed on 5th April, 1954. Although according to the agreement the contractor was expected to deliver the coal into the ground hopper of the aerial ropeway bunker, he actually used to deliver the coal into the railway wagons before the aerial ropeway was commissioned. After the ropeway was brought into use in July, 1954 with the installation of one bunker, the contractor continued to deliver coal partly into the railway wagons and partly into the ground hopper of the aerial ropeway bunker. Between August, 1954 and December, 1954, 27,128 tons 8 cwt. of coal were transported through railway wagons at an approximate cost of Rs. 70,149 (rate Rs. 2.586 per ton) against the equivalent cost of Rs. 9,549 (rate Rs. 0.352 per ton) by the ropeway, resulting in an avoidable expenditure of Rs. 60,600.

120. The Committee enquired the reasons for the D.V.C. permitting the contractor to continue to deliver some coal in the railway wagons which resulted in an avoidable expenditure of Rs. 60,600. The witness stated that by sending the coal through railways the contractor did not stand to gain as freight was paid to the railways.

The Comptroller and Auditor General intervened to say that as the railway head was nearer to the contractor he saved some money on the transport and the Corporation had to pay more by way of freight to the railways.

The witness stated as only one out of three bunkers was ready some quantity of coal had to be despatched by railways in order to meet the requirements of the Thermal Power station. He contended that one bunker that was available was utilised fully.

121. The Comptroller & Auditor General pointed out that in November, 1954, the Mines Engineer requested the contractor for supply of at least 400 tons of coal at the ground-hopper of the aerial ropeway. He also read out of another letter written in January, 1955 in which it was stated that the contractor had pleaded his inability to load sufficient coal in the aerial ropeway ground-hopper for want of a sufficient number of tubs for the purpose.

122. The Committee wanted to know whether there was any contemporaneous record to show that more coal could not be transported by ropeway because of its limited capacity. The witness could not say whether there was any contemporaneous note.

123. The Committee then adjourned till 15.00 hours on Thursday, the 31st March, 1960.

**PROCEEDINGS OF THE FIFTY-NINTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON THURSDAY, THE 31ST MARCH, 1960**

124. The Committee sat from 15.00 to 16.30 hours.

**PRESENT**

1. Shri Upendranath Barman—*Chairman*

**MEMBERS**

2. Shri Maneklal Maganlal Gandhi
  3. Pandit Jwala Prasad Jyotishi
  4. Shri Shamrao Vishnu Parulekar
  5. Shri T. R. Neswi
  6. Shri T. Sanganna
  7. Shri Vinayak Rao K. Koratkar
  8. Shri Amolakh Chand
  9. Rajkumari Amrit Kaur
  10. Shri Rohit Manushankar Dave
  11. Shri T. R. Deogirikar
  12. Shri Surendra Mohan Ghose
  13. Shri Jaswant Singh.
- Shri A. K. Chanda, *Comptroller and Auditor General of India.*
- Shri G. S. Rau, *Addl. Deputy Comptroller and Auditor General.*
- Shri D. A. Qadri, *Addl. Accountant General, West Bengal (D.V.C.).*

**SECRETARIAT**

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

**WITNESSES**

*Ministry of Irrigation and Power*

Shri T. Sivasankar, *Secretary.*

*Damodar Valley Corporation***Shri S. Lall, Chairman.****Shri U. K. Ghosal, General Manager and Secretary.****Shri V. G. Kamath, Financial Adviser.****Shri B. Parthasarathy, Chief Engineer (Civil).****Shri K. Subramaniam, Commercial Engineer.***Ministry of Finance (Deptt. of Expenditure)***Shri S. Vohra, Joint Secretary.***Ministry of Finance (Deptt. of E.A.)***Shri A. G. Krishnan, Under Secretary.****Audit Report on the Accounts of the Damodar Valley Corporation  
for 1957-58**

*Working of the power system—sale of power to a consumer at a price lower than the cost of production and delivery—para 30(a) of Audit Report, pp. 19—21*

125. According to audit para the rate at which power was sold to a firm worked out to 0.467 annas per kwh which was less than the cost of generation and transmission (0.603 anna) per kwh.

126. Explaining the reasons for the sale of power at the rate lower than the cost of generation and transmission the representative of the Corporation stated that the cost of supplying power to a consumer consisted of two parts viz. fixed cost i.e., the cost incurred on capital equipment and the variable cost i.e. the actual cost of generation of power. The tariff for supply of power also accordingly consisted of two parts viz. fixed charge or demand charge depending upon the quantum of power contracted for by the consumer and the energy charge depending upon the extent to which the power was actually used by the consumer. As the fixed charges represented about 70% of the total charge, in the case of bulk consumers who utilised more units per kva than an average consumer, the cost of power would be lower than the average cost of generation and, therefore, power was sold to the bulk consumer in question at a lower rate. But it was not less than the marginal cost of supplying power to them.

127. Asked whether the corporation was justified in fixing the tariff in this manner, which according to Audit was even against the opinions expressed by some experts the representative of the Corporation explained that while the KWH charge basis was

normal in the case of small consumers viz. for domestic supply the method of fixing the tariff both on kva charge and kwh charge was a universal practice in the case of bulk consumers viz. for industries, etc.

128. In reply to a question the Committee were informed that the practice followed by the Corporation was similar to the practice followed by other electrical undertakings and the pattern of rates charged from all the consumers was the same.

129. To a question whether the Corporation was now earning profit on the sale of power and had been able to make up the previous losses, the representative of the Corporation stated that the Corporation was getting about 5·8 per cent. profit on the capital invested and the losses during the earlier years would be wiped out during the current year (1960-61). He added that due to delay in the implementation of some schemes the Corporation had not been able to make up the losses by 1959-60 as forecast earlier.

130. In reply to a question, the Committee were informed that the revised agreement entered into by the Corporation with the firm was advantageous to the Corporation and the T.C.A. expert had agreed to the revised rates offered to this firm.

*Para 30 (b)*

131. When asked to state the reasons for fixing the average cost of coal at Rs. 10/- per ton for another consumer against Rs. 9/- per ton on which the D.V.C. tariff was based for the purpose of levying surcharge on account of rise in the cost of coal, the representative of the Corporation stated in extenuation that it was a negotiated contract with a bulk consumer who was going to put up his own plant. The firm had also agreed not to claim any rebate if the price of coal went down from Rs. 9|- per ton.

*Premature purchase of cutters—infructuous expenditure—para 32 of Audit Report, pages 21-22—*

132. According to Audit para the Corporation purchased two old cutters (small boats) from the D.G.S.&D. for Rs. 2,000|- and Rs. 800|- respectively in September, 1953, for the Barrage and Irrigation Department and the Maithon Project. The total expenditure incurred upto August, 1959, on both the cutters was Rs. 23,268|- and Rs. 17,052/- respectively on repairs, renovation, demurrage and toll charges, etc. While one boat was transferred to Maithon only in July, 1958, the second boat has not been brought into use so far.



133. At the outset the representative of the Corporation stated that though these boats were booked as 'disposal boats needing repairs' these were only hulls. The Chairman pointed out that this fact should have been brought to the notice of Audit when the draft para was sent to the Corporation for factual verification so that the correct position could be presented to the Committee.

134. The Committee sought the justification for the purchase of these boats against the advice of the Financial Adviser (who was not convinced of its immediate necessity). The representative of the Corporation stated that as the price was very low and the Chief Engineer-in-Charge, Barrage and Irrigation thought that a launch would be required not only for the inspection of navigation canals, etc. but also for observation of soundings upstream and downstream of the barrage, it was decided to purchase them in order to make use of them during the construction phase and for inspection purposes.

135. Explaining the reasons for one of the boats not being transferred to site so far the representative of the Corporation stated that there was not sufficient water all the year round in the Durgapur Barrage pool till last year. However, it was added that as the steel project had started functioning and the water was now being maintained at a certain level in the barrage pool all the year round, arrangements were being made to shift the boat there.

136. Asked why the other boat could not be transferred to Maithon till July, 1958 incurring heavy demurrage charges, the representative of the Corporation stated in extenuation that there was delay in the procurement of marine engine and other parts and in carrying out repairs. Various other difficulties were also experienced in getting it removed from there.

137. In reply to a question why one of the boats could not be hired to the Government of West Bengal as proposed by the Corporation in September, 1958, the Committee were informed that the Government of West Bengal did not agree to the proposal.

*Overpayment to a supplier—para 33 of Audit Report, page 22—*

138. In this case the Corporation made payment to a supplier for the supply of five Nos. Euclid Bottom Dumps at the gross price of Rs. 8,06,960 which included a sum of Rs. 76,476·96 as distributors' discount and additional cash discount allowed to the supplier by the manufacturer instead of at the net f.o.b. Cleveland price of Rs. 5,30,483·04 as invoiced by the manufacturer.

139. Explaining the reasons for making payment to the contractor on the gross-price, the representative of the Corporation stated that

in this case overpayment was pointed out by Audit after the payment had been made by the Corporation to the supplier. As the price included in the invoice by the supplier was the same as quoted by him while submitting the quotations and which had been accepted by the Corporation, they were of the view that the payment had to be made on that basis. It was also contended that the amount of Rs. 9,504 (which had not been shown separately in the invoice) could not be considered as a second item of profit but a rate charged for certain services rendered by the supplier.

140. The Committee were, however, informed that the D.G.S. & D. to whom a reference had been made in this case held the view that payment should be made at the price invoiced by the principals to the firm. If the firm had included their commission in the f.o.b. price quoted by him without disclosing it and even if there had been no change in the price invoiced, the final price shown in the invoice should be less by the amount of commission.

141. To a question whether the Corporation was now following the procedure as followed by the D.G.S. & D. the representative of the Corporation replied in the negative and added that the matter will have to be discussed further in detail with the Ministry of Works, Housing and Supply.

142. In reply to a further question it was stated that in the case of open tenders, as in this case, the Corporation did not make all the purchases through D.G.S. & D. However, in cases where the rate contract had been entered into by the D.G.S. & D. the Corporation availed of the rate contract benefit.

*Short recovery of discount—para 34 of Audit Report, page 22—*

143. In this case the Corporation suffered a loss of Rs. 19,116 due to short recovery of discount as an indenting officer placed several piece-meal indents for the spares of certain equipment instead of bulking them for six months as required under the directives issued by the Corporation from time to time and separate purchase orders were issued in each case.

144. Explaining the reasons for the placing of piece-meal indents by the indenting officer the representative of the Corporation stated that these indents were received from the heavy repairs workshop at Maithon handling repairs to the machines that were received at Maithon from time to time during its construction stage. In order to avoid delay in the repairs work the indenting officer instead of waiting for six months for bulking the requirements for spares placed indents as and when required. It was, however, disclosed that in two cases two indents bearing the same date were received from the

same indenting officer. While in one case one of the indents being of emergent nature was kept separate from the other indent, there was nothing on record to justify the placing of two separate indents on the 20th August, 1953 in the other case. It was, however, added that the indenting officer had left the services of the Corporation a long time ago. His explanation, therefore, could not be obtained.

145. In reply to a question the Committee were informed that orders had been issued by the Corporation for placing the indents at set intervals except in emergent cases to avail of such discounts.

*Loss of a Jeep—para 36 of Audit Report, pages 23-24—*

146. Referring to the case mentioned in this Audit para the representative of the Corporation admitted that this case could have been handled in a more business-like manner.

147. The Committee then adjourned *sine die*.

**PROCEEDINGS OF THE SIXTY-FIRST SITTING OF THE PUBLIC  
ACCOUNTS COMMITTEE HELD ON THURSDAY, THE 28TH  
APRIL, 1960.**

**148. The Committee sat from 15.30 hours to 16.00 hours.**

**PRESENT**

**Shri Upendranath Barman—*Chairman.***

**MEMBERS**

- 2. Shri T. Manaen**
- 3. Pandit Jwala Prasad Jyotishi**
- 4. Shri Shamrao Vishnu Parulekar**
- 5. Shri Radha Raman**
- 6. Shri T. R. Neswi**
- 7. Shri T. Sanganna**
- 8. Shri Vinayak Rao K. Koratkar**
- 9. Shri Yadav Narayan Jadhav**
- 10. Rajkumari Amrit Kaur**
- 11. Shri Rohit Manushankar Dave**
- 12. Shri Surendra Mohan Ghose**
- 13. Shri Jaswant Singh.**

**Shri G. S. Rau, *Additional Deputy Comptroller and Auditor-General.***

**SECRETARIAT**

**Shri V. Subramanian—*Deputy Secretary.***

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

**149. The Committee considered their draft Thirtieth Report on the Audit Report on the Accounts of the Damodar Valley Corporation for the year 1957-58 and approved it subject to certain modifications here and there.**

**150. The Committee also decided that this Report may be presented to Lok Sabha by the next Committee (1960-61).**

**151. The Committee then adjourned till 10.00 hours on Friday, the 29th April, 1960.**

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## **APPENDICES**

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## APPENDIX I

*Statement showing action taken or proposed to be taken on the outstanding Recommendations of the P. A. C. relating to the D.V.C. Accounts*

Sl. No.	Ref. to Ministry/Deptt. para No. of the Report	Particulars of the Recommendations	Remarks of the Ministry	Comments	
1	2	3	4	5	6
1	7	Irrigation & Power (Introduction)	D.V.C.	3rd Report (Second Lok Sabha)	83
		<p>Another problem which requires immediate attention is the question of establishment charges at this stage of the Damodar Valley Project. Although the Project is in the final phase of its construction, the establishment expenditure has shown no corresponding reduction. The Public Ac-</p> <p>A note has been sent to the Audit for vetting. Note awaited.</p>			

counts Committee in this Report have made certain recommendations to effect economy in the administration and it is hoped these recommendations will be implemented soon.

11 Irrigation & Power  
D.V.C.

(ii) The Committee trust the Corporation will address itself to the question of incidence on administrative charges and keep the expenditure on Administration to the minimum.

86 Do.

(iii) The Committee are unable to understand why even at this stage of progress of the Project the administrative expenditure persists in the upward direction instead of registering a steep decline. The whole problem needs the urgent attention of Government.

2 45 D.V.C.

The Committee are unable to appreciate the implicit reliance evinced by the Corporation on the advice of manufacturers

Out of the surplus spares valued at Rs. 2.36 lakhs spares to the value of Rs. 4,724 have since been disposed of. The attempts Further progress will be watched through future Audit Reports.

of the earth moving machinery. They feel that instead of relying solely on the advice of the manufacturers, the Corporation should have made efforts to assess the actual consumption of spares either from their own experience with these machines or from the experience of others who had utilised such machines in the past. The Committee would like to be apprised of the disposal of these surplus stores.

to dispose of the balance have not yet been successful.

3 47

D.V.C.

The Ministry of I. & P. have not so far apprised the Committee about the result of the arbitration proceedings in the case referred to in para 10 of the Audit Report on the accounts of the D.V.C. for 1955-56. In the absence of this, the Committee are obliged to reserve their comments in this case till they hear in the matter further.

The arbitration proceedings have not yet been concluded.

The result of arbitration may be intimated.

25

4 49

Ministry of I.& P.

D.V.C.

The Committee would like to be apprised of the progress of the case referred to in para 13 of Audit Report, 1955-56 regarding the purchase of excess

The case is still pending before the Calcutta High Court.

The outcome of the case may be intimated.



material from Kuljian Corporation who were entrusted with the construction of Bokaro Power House. In the meantime, the Committee would reserve their comments.

5 53 Ministry of I. & P. The Committee would like to reiterate their often repeated observation that the maintenance of excessive stocks involved the tax-payer in a fourfold loss; there is loss of interest on capital unnecessarily locked up, there is loss arising from the possibility of the stores becoming obsolete and unsaleable or disposable only at a rate lower than the cost price; there is also avoidable expenditure on care and maintenance staff besides expenditure on storage accommodation.

D.V.C.

The position with regard to the disposal of surplus stores as at the end of May, 1959 was as follows :—

Further progress in the disposal of surplus stores may be intimated.

(Figures in lakhs of Rs.)

Types of Stores	Book value of stores declared upto 31-5-59	Book Value of stores disposed surplus of upto in hand upto 31-5-59	Book value of stores balance declared surplus of upto in hand upto 31-5-59
(a) Plant & Machinery	196.81	111.78	85.03
(b) Spares	36.57	9.72	26.85
(c) Other stores	43.08	24.77	18.31

The Committee should like to be apprised, in due course, of the latest position in respect of disposal of surplus stores in the

custody of the D.V.C. and at other projects undertaken by the Government of India.

[Further comments of PAC (1958-59)].

The Committee may be intimated further progress made in this regard.

6 58 D.V.C. In the case relating to the purchase of Transmission Towers, the Committee are unable to see how the question of any price variation taking place after the guaranteed date of completion of supplies could conceivably entitle the contractor to any compensation. The Committee consider that as there has been default on the part of the contractor in adhering to the date of completion, that would justify the imposition of penalty or liquidated damages but cannot confer on him a right to claim payments which he could not have claimed if he had fulfilled the contract in time. See para 61 of the Report. (Annexure I). A note has been submitted.

The Committee should be informed in due course of the extent of the penalty imposed on the firm and also of the recovery of the overpayment on account of price variation.

Final decision awaited.

7 90 Ministry of I.&P./  
Finance/D.V.C.

In the case relating to the construction of some staff quarters at Durgapur, the Committee were informed that one of the two contractors who had put in some extra claims had refused to sign the Agreement as he had demanded high rates and the matter had, therefore, gone up for arbitration. The Committee would await the results of the arbitration.

The outcome of the arbitration may be intimated.

The Contractor claimed Rs. 2,97,571/8/5 (including interest on Security Deposit amounting to Rs. 12,280/-). The Arbitration awarded Rs. 1,19,698/14/- including interest on Security Deposit amounting to Rs. 4,332/10. The Contractor also claimed, without specifying any amount, interest on sums due to him but not paid. The Arbitrator awarded a sum of Rs. 8,729/- against this claim. The particulars are furnished in Annexure II.

See para 63 of the Report.



ing results of these two wings are constantly kept under review by the Corporation to improve the overall productivity of the Project.

10 I & P/D.V.C. . The Committee would once again emphasise an early settlement of the long outstanding question of allocation of expenditure under Section 32 of the D.V.C. Act.

The Attorney General of India has, on reconsideration of the representation of the Governments of West Bengal and Bihar, re-affirmed his earlier opinion that the expenditure on objects other than flood control, irrigation and power would be treated as common expenditure to be shared equally between the three participating Governments. The D.V.C. have reported that they have given effect to the decision of the Attorney General in the Accounts for 1958-59.

No Comments.

11 I & P./D.V.C. . The Committee feel that the afforestation and soil conservation schemes are not being given the attention they re-

The Corporation and the participating Govts. are alive to the importance of soil conservation and afforestation works in

No comments.

quire. The plea of paucity of funds put forth does not appear to be valid, as against the actual allotment of a sum of Rs. 38.54 lakhs for this purpose in 1957-58, the Corporation spent only Rs. 14.39 lakhs. The Committee desire that the D.V.C. should plan out a phased programme for soil conservation work including afforestation in the Valley as an integral part of the Project and implement it more vigorously.

the Damodar Valley area. The Corporation have been asked to prepare a phased programme for soil conservation including afforestation in the Valley as an integral part of the Project. The Central Government have also tentatively decided to allot sums of sufficient magnitude for soil conservation works in the Valley during the rest of the Second Five Year Plan and to make specific provision in this regard during the Third Plan.

A provision of Rs. 213 lakhs was made in the Second Five Year Plan for soil conservation and afforestation schemes including schemes for head water control. Head water control schemes are in fact soil conservation-cum-irrigation schemes. A sum of Rs. 70 lakhs was earmarked for the head water schemes. The Corporation have reported that certain schemes which they had in view had been

dropped on various grounds. Against the balance of Rs. 143 lakhs, an expenditure of Rs. 38.4 lakhs has been incurred upto the end of 1958-59. Provisions for Rs. 25.5 lakhs and Rs. 22.6 lakhs have been made for expenditure on soil conservation and afforestation schemes of the D.V.C. during the years 1959-60 and 1960-61 respectively.

12 15 I & P/D.V.C.

The Committee trust that it should now be possible for the Corporation to finalise the allocation of expenditure between the various objects as envisaged under Section 33 of the Damodar Valley Corporation Act. Expedient settlement of this long outstanding question is imperative, specially when the Project has already entered upon the final phase of its execution, and the Revenue Accounts of the Project would be opened from 1963-

The Committee set up for the allocation of the cost of dams could not reach a unanimous decision. The Corporation accordingly considered the matter in great detail and have arrived at their own conclusion. They are taking steps to adjust the expenditure in the light of these.

The matter was also considered at the participating Governments' Conference held in April, 1959. It was decided

See para 10 of the Report.

64 for evaluating the Financial working of the Project.

that the D.V.C. were fully competent to arrive at their own conclusions in regard to the allocation of the cost of dams. Now that they had announced a decision, any participating Government not satisfied with the decision could resort to arbitration as provided in section 49 of the Damodar Valley Corporation Act, if they so desired.

In pursuance of this decision the Government of West Bengal have protested against the allocation given by the D.V.C. and have requested the Central Government to refer the matter to arbitration. This request is under examination.

13 19 D.V.C.

The Committee feel that the Corporation were not justified in changing the design of the Harza Gates so soon after the decision taken to manufacture the gates in their own workshop and to import them after having spent considerable amounts on the manufacture of one prototype and on other

The Damodar Valley Corporation have given the following comments :—

“The Board of Consultants recommended the use of *standard proven gates instead of new and untried ones*. The payments for the imported gates have not yet been finalised but a rough calculation indicates that it will

No comments.



preliminaries. Had the Corporation adhered to their design of Harza Gates, the cost of the Gates would have been less; there would have been a saving of foreign exchange and the technique of production would have also been established.

not exceed Rs. one lakh each. The reported cost of the departmental gate, *viz.*, Rs. 1,79,603/-, did not include the cost of design work done by the *Maithon Design Office* amounting to Rs. 36,155/-. If this cost is distributed over 15 gates, the cost of the gate manufactured at the Maithon Workshop would be Rs. 1,82,000/-. It is believed that if all the gates had been manufactured at the Maithon Workshop, the cost would have been somewhat less but it would not, in any case, be less than Rs. one lakh each. It would not, therefore, have been desirable for the Corporation to take the risk of rejecting the expert opinion of the Board of Consultants even on the ground of cost.

It may be recalled that the Board of Consultants discussed this matter in February, 1955 and

agreed with the Chief Engineer that one gate should be manufactured at the Workshop as an experimental measure. The gate manufactured at the workshop which was installed in the Panchet Hill Dam in May 1958 is reported by the Superintending Engineer (30-10-59) to have worked satisfactorily. The technique of production has, therefore, been established.

14 22 D.V.C.

The Committee observe that although the manufacturing operation of bricks at Panchet was completed in June, 1953, the losses were reported to the Corporation in October, 1956 i.e., after a lapse of more than 3 years. The Committee learnt that the Brick Supply officer involved in the present case was the same person who was earlier alleged to have committed certain grave irregularities for not having maintained the initial Account records etc, properly and whose conduct had already been commented upon by the Committee in paras 19-22 of

A note has been submitted (Annexure III).

The result of investigation to fix the responsibility in the matter may be intimated.

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their 18th Report (First Lok Sabha). It is obvious that there had been grave neglect of duties on the part of the Engineering Officers concerned in not exercising proper and effective supervision both on the brick manufacturing operations and on the conduct of the Brick Supply Officer. The Committee desire that a stern view of these grave lapses should be taken and the Officers concerned dealt with expeditiously on release of the records by the Civil Court.

15 25—26 D. V. C.

(i) The Committee are of opinion that there was little justification for expending money on air-freight of two Euclid Loader Belts. The Committee, therefore, desire that the matter should be investigated and responsibility fixed.

(ii) There has been procedural delays both in placing the

A note has been submitted  
(Annexure IV).

No comments.

supply order and in procuring the import licence for these belts.

(iii) The Committee are unable to understand why the advertisement could not be sent to the D.G., C. I. & S., for publication in the 'Indian Trade Journal' on 3rd May, 1956—the date on which quotations called for belts were received. They also see no reason why the Corporation took 40 days to obtain written declarations both from the Goodyear and Dunlop Companies to the effect that the belts could not be manufactured in India and further 4 months to get the Import Licence through the office of licensing authority, D.V.C. and the two manufacturing firms *viz.*, Dunlop and Goodyear were all stationed at Calcutta.

(iv) The Committee are distressed to observe that such procedural delays should have overtaken autonomous Corporations like the D.V.C., to

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avoid which the device of creating autonomous bodies had been resorted to.

16 30 DVC . . . (i) The Committee regret to observe that the explanations given for placing a new purchase order for bushings etc., required for Tilaiya Project are unconvincing. It is evident that both the supplying firm in India and the Insurance Company in their attempt to gain their ends by out-witting each other had succeeded in doing so at the expense of the Corporation. They are concerned at the vacillation displayed by the Corporation in this matter, which was taken advantage of by the other two parties. In Committee's opinion, a direct reference to the manufacturers in Japan by the Corporation was the obvious course and the Committee regret to state that they could not get

The Damodar Valley Corpora- No comments.  
tion have explained. "In cases where materials are imported through the local representative of Foreign Manufacturers, it is the customary procedure to refer all matters technical or commercial to the local representative of the Manufacturer and the same procedure was followed in this case. The Corporation had no reasonable grounds to think that the Manufacturer's representatives in India would tender any incorrect or wrong advice in the matter".

a convincing answer explaining this omission. The result was that the Corporation was over-burdened with spare worth Rs. 72,000.

31 DVC

(ii) The Committee are surprised at the scant regard paid by the Corporation to the remark of the Financial Adviser in this case. The Committee feel that this matter merits more serious attention.

The Corporation have reported that they had not disregarded the advice of the Financial Adviser and that it was on his advice that orders were issued to the Chief Electrical Engineer about the 3rd week of February, 1956 requesting him to dispose of 25 surplus bushings valued at Rs. 62,240/- The Chief Electrical Engineer in his circular letter dated the 10th May 1956 offered the bushings to seven commercial firms at Calcutta and Bombay and to the Chief Electrical Engineers of the Government of Madras, Bihar, Madhya Pradesh, West Bengal, Andhra and Travancore-Cochin. It was also circulated to the Ministry of Commerce and Industry and the Central Water and Power Commission with a view to assisting the Corporation in getting the surplus

bushings disposed of. The Ministry of Commerce and Industry advised the Corporation to contact two commercial firms, *viz.*, National Electrical Industries and Crompton Parkinson, to whom references had already been made by the Corporation direct. The two commercial firms referred to by the Ministry of Commerce and Industry replied saying that they were not interested in the bushings, while the other commercial firms did not respond. The Chief Electrical Engineers of the Governments of Madras, West Bengal and Travancore-Cochin also replied saying that they were not interested. The other Governments did not respond. No further communication was received from any of these parties since then and the matter rested there. On an enquiry from the Audit

Department they were informed in Chief Electrical Engineer's letter of 18th September, 1957 that it had not been possible to sell the bushings or use any of them in departmental works. Since then the Chief Electrical Engineer examined the feasibility of utilising them by the Corporation and his report of July, 1958 indicates that all the 33 KV bushings can be utilised not only on the Japanese equipment for which they were originally procured but also on the other makes, 33 KV Power Transformers/or 33 KV oil circuit Breakers with a slight physical modification in the mounting arrangement. None has however been used yet.

17 34 I&amp;P/DVC

The Committee are surprised at the manner in which the Corporation had chosen to deal with the Executive Engineer concerned in the case of departmental construction of cables trenches. Not only had they failed in their duty

Noted .

No comments.



in not punishing the Officer, but they had recommended the services of an officer who was found lacking in his capacity, to another undertaking owned by Government. This, the Committee feel, should not have been done by the Corporation. They are glad that the Hindustan Steel Limited have since been informed of these facts of this case. The Committee trust that the Corporation will see that such cases do not recur.

18 36 I&P/DVC

The Committee would like the report of the Committee, set up by the Government of India to investigate whether full value of the money spent on the Bokaro Thermal Power Station had been achieved, to be expedited. It is their considered opinion that in such cases, it might be preferable to appoint a small Committee with full-time Mem-

Noted. The Committee submitted its report on the 19th October, 1959. The report is under consideration.

The action taken by Government on the Report of the Committee may be intimated.

bers to ensure quicker and more positive results.

. The Committee endorse the view of the Comptroller and Auditor-General that while considering the financial working of the Power System, the following factors should also have been taken into account :

(a) interest on the accumulated amount of interest ;

(a) Two alternative methods of dealing with interest during construction are adopted in commercial Accounting, *vis.* (i) to keep the interest during construction in a separate account to be written off when finance permits ; (ii) to capitalise interest during construction. In course of discussions relating to the Third Loan, the World Bank advised that interest should be capitalised upto the end of the year in which construction is completed and the project goes into operation. There is no objection to adopt the latter procedure. An *ad hoc* rate of 10%

No comments

on capital expenditure including Overhead and Audit charges has been included in the proforma account for 1958-59 as well as the revised proforma account for the period ending 1957-58 referred to hereafter.

(b) the charges for the supply of water from Konar Dam to the Bokaro Thermal Power Station for cooling purposes ;

(c) the actual audit and general overhead charges (a debit of only 2-1/2% of the expenditure was being made now on an *ad hoc* basis); and

(d) a sum of nearly Rs. 26 lakhs payable to the Sindri Fertilisers factory.

(b) Noted. This has been included in the revised proforma account. No comments.

(c) The actual (average) Overhead and Audit charges as at the close of accounts for 1957-58 work out to 2.2% only. Do.

(d) The outstanding liability, viz. Rs. 26 lakhs on account of the purchase of power from Sindri is not an established liability in view of the fact that Sindri's claim is untenable. According to See S.No. 20(ii).

our calculations, the claims and counter claims would amount to a net debit of about Rs. 4 lakhs against the Corporation. As Sindri does not accept our claims and we do not accept theirs, it is proposed to refer the matter to arbitration.

20

43 I&P/DVC

(i) The Committee regret to observe that the DVC had grievously erred in the case of power purchased from Sindri. According to the financial forecast by the Corporation, a net revenue of Rs. 25.55 lakhs was anticipated upto 30th June, 1953. Actually, however, the Corporation incurred a net loss of Rs. 49.71 lakhs from 1st January, 1952 to 30th June, 1955, the date of termination of the Sindri Contract. The bulk of the loss (Rs. 47.09 lakhs) was reported to have been incurred between March 1953 and June, 1955. Even assuming that the Corporation entered into this contract with the best of intentions

A note has been submitted (Annexure V). No comments.

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(they were under no obligation to supply power to the Collieries before they started commissioning production of power), it is surprising why they should have continued the supply of purchased power at a heavy loss to themselves. It appears no steps were taken to review the rates either. It is apparent that this initial mistake had led to the continuance of the subsidised rates even after the Corporation had started purchasing power in July, 1952. This resulted in a loss of Rs. 1.95 crores on the Power System. The Committee understand that even in August, 1956, the Corporation were warned by the World Bank about the uneconomic power rates charged by the Corporation but the Corporation revised its tariff only in January, 1959 i.e., after 2-1/2 years. It is regrettable that

the Corporation did not take timely notice of the advice of the World Bank. The Committee, therefore, feel that this matter deserves the serious consideration of Government.

ii) The Committee understand that the payment of standing and other charges by the DVC from November, 1953 to the date of termination of the contract is still under dispute with the Sindri Fertilisers and the Corporation have put forth the claim for refund of the capital charges which they had paid to the Sindri Fertilisers. The Committee desire that the matter should be settled expeditiously.

The need for quick disposal of the remaining bamboos (60,000) purchased for construction of houses for displaced persons from submerged area of Talaiya reservoir is obvious as further delay is fraught with the risk of pilferage and deterioration.

Noted. The Corporation have referred the matter to Govt. for arbitration. It is under consideration.

The matter will be watched through future Audit Reports.

The DVC have reported that the bamboos have since been sold for Rs. 555/-.

No comments.

45 DVC

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48 I&amp;P/DVC . . .

The Committee regret to note that despite the observations made by them in para 95 of their 3rd Report (1957-58), the question of the acceptance of vacant houses and land by the Govt. of Bihar and the compensation payable therefore, has not yet been settled. They desire that this matter which has been pending for the last 5-6 years should be settled without any further delay by convening a Conference of the participating Govts. In the meantime, the possibility of handing over the vacant houses to the Bihar Government pending the settlement of compensation might be explored.

The Bihar Government agreed in March, 1959 to take over the vacant houses and land at a valuation to be made by the Public Works Department.

The Committee would like to know :

- (i) whether the Govt. of Bihar have taken over the vacant houses and land?  
 (ii) if so, what is the amount of Compensation paid by them ?

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55 I&amp;P/DVC (See also para 7 of Intro.)

The Committee regret to note the poor rate of utilisation of DVC water for irrigation purposes. It is hardly necessary for the Committee to point out that the participating authorities as the financiers of the

See remarks against S. No. 8.

See paras 15-16 of the Report.

Corporation have a responsibility to ensure that the objects for which the Corporation were set up are achieved. The Committee trust that their dual roles will be appreciated by the participating authorities as a concomitant of the setting up of the Corporation.

24 59 D.V.C.

The Committee are unhappy over the manner in which the working of the Bermo Colliery taken on lease by D.V.C. had been handled. In their opinion, the technical execution of the mine by the DVC expert was perfunctory. Even in the matter of operating this mine through contractors, the Corporation did not act in a businesslike manner. The Corporation did not invoke the provisions of the penalty clause in the contract against the contractor for his failure to fulfil the contract. The Committee could not get any satisfactory explanation for

A note has been submitted  
(Annexure VI).

No comments.



this favoured treatment to the contractor. They suggest that the Corporation should conduct an early enquiry into this matter.

23 61 D.V.C. . . . The DVC have explained as No comments.

The Committee cannot help observing that with a little more forethought by the Corporation, the extra expenditure in the case of mining the Bermo Colliery could have been avoided.

“ Audit has observed that had the rates for 4 years been accepted with the stipulation of the tenderers that no compensation would be payable for termination of the contract after the expiry of one year, there would have been less expenditure to the extent of Rs. 49,000/-. This calculation is hypothetical. The scope of the 1954 contract was not the same as that of the 1956 contract because the earlier contract provided for delivery of coal to the ground hopper of the Aerial Ropeway while the second contract provided

for delivery to the Kopeway Bunker and the rates for the two items of work cannot be the same. As such, the rates in the first contract would have been ineffective in respect of work covered by the second contract. The fact that the Contractor had ultimately to continue to deliver coal at the ground hopper for some time after the second contract was not foreseeable at the time the first contract was finalised.

A note has been submitted (Annexure VII). No comments.

(i) In the opinion of the Committee, the Corporation have erred not only in sending more staff and equipment than was necessary for the land available for reclamation at Maithon but also in allowing the staff to remain idle without being utilised on other work.

(ii) The Committee were surprised to hear that the decision taken by the Corporation to ignore the expenditure on

26 63 63 & DVC

65 Do.

the above staff in working out the unit rate per acre was not brought to the notice of the Financial Adviser, DVC. Under the DVC Act, the Financial Adviser was responsible for the preparation of the Budget of the Corporation, the compilation of the annual and other financial statements and for supervision of the manner in which the accounts of the Corporation are maintained and made available for Audit. It was, therefore, his duty to have ensured that all connected expenditure was accounted for under the relevant head of account so that the unit cost rate, etc. were worked out taking into account all the expenditure. It is, therefore, evident that he had failed in his duty.

37 68 I & P/DVC (i) The Committee consider that the implementation of the In the matter of a fishery development fishery experts are No comments are

Fishery Scheme at Tilaiya Reservoir is not as it should be. While they appreciate the cautious approach of the Corporation in this matter, they feel ever-caution might result in the expenditure becoming nugatory. If the ultimate aim is to make the scheme a commercial proposition, the Corporation should phase the scheme in a manner which will facilitate its fruition. They would be well-advised to plan accordingly in consultation with the experts on Fisheries.

Do.

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(ii) The Committee understand that the Corporation had sanctioned on the 17th March, 1958, an expenditure not exceeding Rs. 14.25 lakhs for fishery works during the Second Five Year Plan in all reservoirs. The Committee expect that the extension of the scheme to the other reservoirs will be based on sound technical advice, specially when the experiment at Tilaiya according to the Corporation, is still in the investigation stage.

consulted frequently and all steps for fishery development are being taken according to their advice. The process of stocking big reservoirs takes time and it is only after a few years that it becomes ready for commercial exploitation. Out of a sum of Rs. 14.25 lakhs, sum of Rs. 2.23 lakhs was spent during the first two years of the Second Five Year Plan and a further sum of Rs. 1.53 lakhs has been spent during 1958/59. (The rate of stocking the Tilaiya Reservoir has been accelerated and it is expected that Tilaiya will be taken up for commercial exploitation soon.) Extension of this scheme to other reservoirs is also being made according to the advice of the fishery experts

The Audit Department, in their note of 19-10-59 suggested that facts and figures showing the anticipated financial results of the Scheme and the year from which commercial exploitation will begin may be

indicated in the note. The scheme prepared in 1957 anticipated that the scheme is likely to pay for itself with effect from the 6th year of operation, i.e. 1961-62. This was, however, based on certain assumed figures which have now to be corrected in the light of actuals upto 1958-59 and the estimates for the two following years. An attempt is being made to prepare a revised account.

(i) The Committee consider it unfortunate that the Chairman, DVC should have acted in the manner disregarding the advice of the Financial Adviser in the case of purchase of boats. He displayed undue haste in putting through this deal which lacked justification. The Committee would like to know whether the Financial Adviser communicated this case to the Government of India for decision, as required

A review of the requirement of boats has since been completed and allocation made after considering the project requirements. Out of the 46 boats (27 purchased from Patiala and 19 from other sources) only 9 Fol and Sail boats have been considered surplus to requirements and disposal action has already been taken. The remaining 37 boats are necessary for execution of various works of

under the existing convention and whether any action was taken by the Government thereon.

74

Do.

(ii) The question of assessing the absolutely essential requirement of boats should be finalised without any further delay and the surplus boats disposed of to the best advantage of the Corporation.

the projects including tourism. The surplus boats were offered to a number of projects and private parties some of whom showed some interest but no firm order has been received. In the circumstances, the question of sale by inviting tenders is being considered. The Financial Adviser of the Corporation did not report the matter to Government.

29

77

Do.

The move to Ranchi in all the 3 years viz., 1955, 1956 and 1957 lacked justification and the expenditure incurred thereon was completely wasteful.

Noted.

No comments.

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Do.

The Committee would recommend that now that the Project is nearing completion, the Corporation should settle the location of their Headquarters Office in the valley which has been pending decision for the last 8 years or so, without any further delay.

The Corporation have decided, in consultation with the participating Governments to move their headquarters from Calcutta to Panchet and Maithon gradually, subject to the availability of funds for the construction of buildings. It is expected that the move of all the major offices to the new headquarters will be completed within about two years.

Do.

31 84 DVC

The Committee are not satisfied with the explanations furnished by the Corporation in the case of air-conditioning of some rooms on the second floor of Anderson House. In their opinion, the procedure followed in this case was very objectionable. Since the space to be air-conditioned was increased and two of the firms offering the highest and second highest tenders were consulted about the adequacy of their plant for the increased area, the decision not to consult the firm offering the lowest tender lacked justification. In the context of the fact that this firm had offered a plant of practically the same capacity as that offered by the highest tenderer, it is apparent that the Corporation had already decided to place the contract with the second highest tenderer for reasons of their own.

The procedure of purchases laid down by the Corporation does not authorise any deviation from the prescribed procedure without the prior sanction of the Corporation. In this particular case, the deviation was made by the Corporation itself on grounds which were considered by it as urgent. In view of this, it does not seem necessary to issue any instructions to the subordinate officers.

No comments.

Do.

(ii) The Committee are also not convinced of the plea of urgency for not calling for open tenders from all the 21 approved suppliers of air-conditioning equipment. As all the firms were in Calcutta an enquiry could have been made simultaneously from all of them.

85 All other Ministries/I&P DVC.

The Recommendation has been brought to the notice of all expenditure Divisions by the Ministry of Finance (Department of Expenditure).

(iii) The Committee have come across a number of cases where plea of urgency was often put forth whenever the administration failed to observe the prescribed rules and procedure. On scrutiny, however, in most cases the urgency could not be established. The Committee would urge that strict instructions be issued by Government to all Executive Officers that no deviation should be made from the prescribed procedure, unless there was compelling necessity.

32 86 DVC

(i) The Committee regret to observe that the case of purchase of Concrete Mixers is a typical case of scant regard

A note has been submitted (Annexure VIII).

See para 65 of the Report.



for public funds. It has been stated by the Corporation that as the Officers concerned had left the service of the Corporation before the case came to notice no further action could be taken in the matter. But the Committee find from the evidence before them that the Corporation could have instituted investigation into the purchase much earlier.

89

DVC

(ii) The Committee would like the irregularities committed by the Engineer-in-Charge in this case to be communicated to the Government of West Bengal (where he is working at present) for such action as may be considered necessary. They would also urge that action should now be taken to fix the responsibility on the Inspector of the Corporation, who certified that the machines were in good working condition at the time of their purchase

(i) The Committee see no justification for the waiving of penalty by an autonomous and commercial Corporation like the DVC for delay in payment of dues by the consumers including private consumers for the supply of power continuously for six years from 1951-52 to 1957-58. The plea put forth by the Corporation that some period was necessary to enable the consumers to get accustomed to the procedure of billings, scrutiny of meter readings and procedure of payment during the initial stages of supply is hardly convincing, as normally the consumers of power are expected to pay the charges billed for and to point out errors in the bills separately.

(ii) The proposal of introducing a Rebate System for payment by a specified date on the lines similar to that in force in the Calcutta Electric Supply Corporation instead of the present system of penalty, which is stated to be

It has been ascertained from the Calcutta Electric Supply Corporation that they do not allow any rebate to consumers with High Tension supplies for payment of their bills by the due date and no financial penalty is imposed if such bills are paid after the due date. If the bills are not paid by the due date action is taken under Section 24 of the Indian Electricity Act, 1910 which provides that the consumer is liable to discontinuance of supply if he neglects to pay the bills of the suppliers. The idea of allowing a rebate for payment by a specified date has, therefore, been given up.

See para 68 of the Report.

under consideration of the Corporation, should be finalized quickly. They would like to watch the results of the working of the new procedure through the subsequent Audit Reports.

34 96 D.V.C. . . . The Committee regret to note that despite the observations made by them in para 13 of their 18th Report (1955-56) in the matter of reconciliation of balances of Stores with Financial Accounts, an efficient standard of store-accounting which is necessary for avoidance of pilferage and loss of stores by fraudulent means, has not so far been achieved by the Corporation.

The D.V.C. have explained : No comments.

“The reconciliation of stores accounts with the financial accounts cannot be carried out during the course of the year. The accounts of the year are closed on the 30th June of the following year. The Divisions take a month or more to complete the subsidiary books of account. It is only after this date that the reconciliation of stores accounts may be taken up. As the stores are of various types and the items are numerous, it takes some considerable time for them to tabulate and value them for the purpose

of reconciliation with the financial accounts. Specific dates were fixed for the various Projects to complete the reconciliation but all could not adhere to the dates either due to difficulties encountered in course of reconciliation or due to the volume of transactions. Suitable extensions were given in appropriate cases and the reconciliation in respect of the year has been completed by all projects”

The D.V.C. have explained : No comments.

The Committee would like to know the actual results of the working of the Cold Storage Plant at Burdwan during 1958-59.

“Balance Sheet for the year 1958-59 (yet to be audited) discloses a profit of Rs.2,500/-. The net loss to end of 1958-59 would be of the order of Rs. 102,732/-.”

No comments.

Noted.

(i) According to the D.V.C. the anticipated financial return from Tilaiya High Level Irrigation Scheme indicates that the scheme cannot be productive. In the light of

D.V.C.

Finance/I & P/  
D.V.C.

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this anticipation, the Committee would like to caution the Government of India and the DVC against incurring any further expenditure towards the implementation of this scheme.

101 Finance/I & P/  
D.V.C.

(ii) The Committee would emphasise the necessity of having a proper unified development of the entire lower valley as a whole instead of resorting to the solution of individual problems for local and short term benefits.

In accordance with the recommendation of the 'Lower Damodar Valley Investigation Committee', the following items of work were to be undertaken by the proposed Conservancy Board:

- (a) Study of effects of dam on Lower Valley;
- (b) Prevention of encroachment of a river by private interest;
- (c) Controlled cultivation above normal HFL in Chars;
- (d) Drainage problems in canal areas;
- (e) Co-ordination of activities of different authorities.

This was considered as the Conference of the participating States on DVC in April, 1959 and it was decided that the work relating to item (a) should be undertaken by the DVC and the rest by the West Bengal Government.

No comments.

Noted.

The Committee can do no more than to reiterate their recommendation made in para 32 of their 3rd Report (Second Lok Sabha) that delays in the execution of works resulting from non-stocking of essential spare parts could be curtailed with proper planning and foresight.

All Ministries/I&P/  
D.V.C.

106

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Do.

The D.V.C. have explained:

"The Maithon Power House has already been in operation since October, 1957 while the Panchet Hill Power House went into operation in September, 1959.

(ii) As already stated TEXMA-

(i) The Committee see no reason why no penalty could be imposed on both the suppliers for non-delivery of the timber by the stipulated date. They would like to be apprised of the final outcome of the action when taken against them and also of the fulfilment of the contract by TEXMACO.

D.V.C.

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108 I & P/DVC

(ii) The Committee view with great concern the repeated changes in the scheduled dates for the completion of the Panchet Hill and Maithon Dam Projects, as they add to the cost of the projects considerably and affect their productivity. It should now be possible for the Corporation to adhere to the revised Schedule for their completion.

CO was entitled to extension of time upto the end of April, 1959. As the supply of gates was completed about the middle of April, 1959, there is no question of imposing any penalty.

Regarding the first Supplier of timber, it may be observed in the first instance that the main reasons for the change in the construction schedule of the Panchet Hill Project were the following:

- 81
- (1) Discovery of a Fault Zone in the Power House foundation and the time taken by the Experts to take a decision on the manner of treatment of the Fault Zone;
  - (2) Non-availability of steel for completing the Trestle Bridge;
  - (3) The heavy floods of the 4th July, 1957 and the 20th July, 1957; and
  - (4) Difficulty in obtaining timber.

The four contributing factors mentioned above cannot be considered in isolation as they acted simultaneously. It is not, therefore, possible to determine the actual contribution of the last factor to the delay in completion of the work and to work out the loss incurred by the Corporation on that account. The Corporation, however, had to make good the shortfall of 130 tons of timber by purchase

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from other sources. The extra cost (Rs. 1,324/8) incurred by the Corporation in procuring the balance of 130 tons is being recovered from the final bill of the Supplier which still awaits payment. As this Supplier and the associated firm which undertook to complete the supply have already been blacklisted by the Corporation, no further action is proposed to be taken. Regarding the second supplier, it is not possible to reopen the matter since they had already been given extension of time and the supply was completed within the extended period.

(ii) The Maithon Dam and Hydro-electric Station have already been completed. The Panchet Hill Dam has also been substantially completed, leaving only some minor works which will not in any way affect the supply of water for irrigation and Power. The Pan-

39 109

I & P/DVC

The Committee would like to be informed of the final disposal of the remaining wagon drills and the total loss sustained by the Corporation in this case.

chet Power House, went into operation in September, 1959."

Out of 9 surplus drills, seven have already been lifted, one on the 3rd April, 1957, five on 1st February, 1959 and one on the 3rd April 1959 by other Projects at the depreciated value, and there was no loss on this account. The eighth drill has been reserved by the Bombay Government while the ninth drill still awaits disposal.

No comments.

40 114

Do.

In the case of excess payment to M/s. Hind Patel & Co. for certain items of work done on Konar Dam, although 97 sittings had taken place and the expenditure incurred so far on arbitration amounted to nearly Rs. 2 lakhs, the matter has not yet reached a settlement. The Committee are amazed at the manner in which things are allowed to take their own course.

A note has been submitted. (Annexure IX).

The result of arbitration may be intimated to the Committee.

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## **Annexure I**

**(Reference para 60 of the Report)**

***Ministry of Irrigation & Power***

### **Para 5 of Audit Report 1954-55—Purchase of Transmission towers.**

In para 3 of the Revised Note on the above item furnished to the Lok Sabha Secretariat with the Ministry of I. & P. O. M. No. 18(8)DVC/57, dated the 11th January, 1958 (enclosure II), it was stated that, in view of the observations of audit, the matter was under further examination. The matter has since been further examined in consultation with the Ministry of Law. A copy of the opinion obtained by that Ministry from the Additional Solicitor General is enclosed (enclosure I). This opinion was actually obtained by the Ministry of Law in connection with another case. In the opinion of the Ministry of Law, the conclusions arrived at hold good in the case of the agreement entered into by the Damodar Valley Corporation with Messrs. Kamani Engineering Corporation Ltd. for supply of transmission line towers. This note has been seen by the Comptroller and Auditor General of India.

**Sd./ P. P. AGARWAL,**

***Joint Secretary to the Govt. of India.***

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**Enclosure 1**

**OPINION**

I have read the Further Statement of case prepared by Shri H. C. Daga.

2. My reasons for the opinion on the price variation clause have already been given. Further facts have been brought to my notice. The question is what is the effect of the further facts.

3. I was of the opinion that the period of delivery was the essence of the contract and the price variation clause would only apply if such variation took place before the stipulated period of delivery. It is true that the period of delivery was waived and the performance was accepted after the expiry of the period but the terms of the original contract do not as a matter of course apply to the prolonged contract but only such terms apply as they could properly and reasonably be applicable to the prolonged contract.

4. From the Further Statement of Case, it appears that the parties had in contemplation that the price variation clause may apply in respect of the goods delivered after the stipulated period. It may, therefore, be fairly argued that after the period of delivery was extended the application of price variation clause for deliveries after the original due dates cannot be ruled out. In the light of new materials brought to my notice in the Further Statement of Case, it appears to me that the price variation clause will apply in respect of the supplies made after the original due dates.

Sd/- H. N. SANYAL,  
*Additional Solicitor-General of India.*

**NEW DELHI;**

**22nd December, 1958.**

**No. ASG/17/58, dt. 22-12-1958.**

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## Enclosure II

The firm has so far been paid a sum of Rs. 1,34,945 under the price variation clause in respect of steel, bolts and nuts drawn upto 15th December, 1956. This payment includes Rs. 24,684 being escalation charges in respect of materials delivered between 1st July, 1956 and 15th December, 1956. As the guaranteed date of delivery of the Transmission Towers was 30th June, 1956, the D. V. C. held, in the first instance, that price escalation should not apply to materials drawn after this date. The firm, however, insisted on payment in terms of the Agreement and the matter was, therefore, further examined by the Corporation in consultation with their Law Officer and the Financial Adviser. The points which had to be considered in this connection were that the firm could not place orders for steel until it had received the quota from Government and that the price payable by it was the ruling rate of the date of delivery of steel and not the date of order. All orders were placed by the firm before 30th June, 1956 but a part of the steel was delivered after this date. Further, the price variation clause in the Agreement with the firm was not subject to any condition or proviso which would entitle the Corporation to rule out the claim to price increase based on actual payment and date of delivery. The Law Officer of the Corporation expressed the opinion that, having regard to the circumstances of the case and the provisions of the Contract, the firm was entitled to price variation in respect of materials actually delivered to them after 30th June, 1956. Some further payment may also have to be made in respect of steel delivered after 15th December, 1956.

2. The audit department have pointed out that the contract provides for extra payment on account of upward variation in the price of steel and that the supplies should be completed by a certain date. They are, therefore, unable to see how the question of any price variation taking place after the guaranteed date of completion of supplies could conceivably influence the payments due under the contract. The audit department are, therefore of the view that if there has been a default on the part of the contractors (as there has actually been) in adhering to the guaranteed date of a execution of the contract, that circumstance might justify the imposition of a penalty on the contractor but cannot confer on him a right to claim payments which he could not have claimed if he had fulfilled the

contract in time. The Corporation have, however, waived the penalty for the delay in supply.

3. As already stated in para 1 above, the Corporation had consulted their Law Officer in the matter and acted in accordance with his advice. The matter is, however, under further examination in view of the observations of audit in paragraph 2 above.

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**Annexure II**  
(Reference para 63 of the Report)  
**PARTICULARS OF AWARD**

	Contractor's claim	Arbitrator's award
	Rs.	Rs.
1. Cost of Works—8-E. Type, 8-F Type, 12-G Type at Durgapur for staff accommodation	1,57,132 2 6	70,700 0 0
2. Cutting charges of A.C. Sheets for roofing due to odd size supply	2,000 0 0 (Approx.)	..
3. Putting valanoids on roofs including putting the same in between gaps of A.C. Sheets on the roofs and ridges including material supply	10,500 0 0 (Approx.)	3,166 4 0
4. Shifting charges for two occasions of the stores of the Contractor for occupation of completed buildings for hospital and other purposes	200 0 0	..
5. Taking out damaged A. C. Sheets due to hail storm after the completion of the items and delivery of the same and refixing the new sheets with bolts and nuts including mending of damages	4,000 0 0	2,000 0 0
6. Shifting charges of unused materials of the Corporation from Contractors' store to the store of the Corporation	1,000 0 0	..
7. Adjustment of value of surplus materials not use in the work	15,000 0 0 (approx.)	..
8. Extra charges for carrying of water from a distant place inside a remote village for non-availability of water supply nearabout the worksite as promised by DVC calculated at 10% of the gross amt. as detailed in 1st part of "A" Schedule	38,183 12 0	10,000 0 0
9. Charges for loss and damage for compelling the workers and labourers to sit idle for the illegal non-supply of materials in contravention of the agreement made by them originally proposed and works executed at a higher ridge than calculated at the rate of 15% on the gross amount	57,275 10 0	29,500 0 0
10. Interest on balance of earnest and security money amounting to Rs.11, 280/- upto the date of the award at the commercial interest rate of 12½% p.a.	12,280 0 0	4,332 10 0
<b>TOTAL</b>	<b>2,97,571 8 6</b>	<b>1,19,698 14 0</b>
11. Interest for illegal withholding of legitimate claims from August, 1953 up-to-date of the award	As fixed by Arbitrator.	8,799 0 0

### **Annexure III**

**(Reference S. No. 14 of the Statement)**

**The Damodar Valley Corporation has communicated as follows:**

**A review of the accounts of bricks disclosed two things, e.g. (i) the quantity of bricks transported from the brickfield to the worksite by departmental trucks was not correctly ascertainable and (ii) the Stores Officer who was merely maintaining a ledger based on transport notes supporting transfer of bricks from the brickfield to the worksite and requisitions supporting withdrawals from the worksite to the job did not receive all the transport notes and requisitions. Further, the mere fact that certain bricks have been transferred from the brickfield to worksite does not prove that they were actually used on the work. The Superintending Engineer, Panchet Hill Project, was therefore asked to assess the quantity of bricks likely to have been used on the works on the basis of the quantity of work done in the Colony from the beginning upto date, and to compare the quantity so arrived at with the total quantity of bricks manufactured or purchased from private sources. The assessment has been made with reference to para 252(a) of the C.P.W.A. Code. The work has since been completed and it is found that the deficiency is of the order of 2.83 lakhs against the total quantity of 156 lakhs manufactured and purchased. The deficiency works out to about 1.8 per cent. which is not considered unusual particularly in view of the fact that the soil of Panchet cannot produce first class bricks and the quantity manufactured included 16 lakhs of sun-burnt bricks.**

**It is true that the same Officer manufactured bricks for Maithon and Panchet Hill but a scrutiny of his accounts and the handing-over report of June, 1953 does not disclose any discrepancy. The percentage of deficiency does not indicate that there was anything seriously wrong. In any case, an investigation to fix the responsibility, if any, on the Engineering Officers will be taken up as soon as the Measurement Books and other records still lying in the Court are received back.**

**Regarding the delay in reporting the loss to the Corporation, it may be observed that the accounts could not be finalised as a number of claims of Contractors complaining of non-payment for supplies or transport had to be investigated and some of them had gone up to the Civil Court. The report was submitted to the Corporation as soon as it was possible for the Field Officers to do.**



#### Annexure IV

(Reference S. No. 15 of the Statement)

The Comments of the DVC are as follows:—

The matter was fully investigated but it was found difficult to fix responsibility on any particular individual. So far as the Indenting Officer was concerned, a reference to para 7 of the Audit Report for 1956-57 will show that the Audit Department itself ultimately dropped their earlier contention about the delay in placing the indent. Apparently, they were satisfied about it.

Para 25 of the 14th Report of the PAC states that the Corporation ordered air-lifting of the belts despite an offer from the Hirakud Project Authorities to loan a belt till March, 1957. The import licence was received on the 21st December, 1956. As the delivery time per sea-freight was 20 to 24 weeks, sea-freighting would have brought the materials to Calcutta about June, 1957 but the Hirakud Project authorities agreed to issue a belt on loan on condition that it would be returned in March, 1957. An enquiry from the supplier indicated that if the materials were air-freighted, they would be arriving at Calcutta by the end of February, 1957. As the loaders had been working without a spare since 12th September, 1956, it was considered inadvisable to take the risk of a breakdown of the loaders. Meanwhile, as a precaution, arrangements were made with the Hirakud Project to obtain a belt on loan. As the belts, however, arrived at Calcutta about the 3rd week of February, 1957 the delivery order issued by the Hirakud Project on 8th February, 1957 was cancelled at the instance of the Corporation.

Para 7 of the Audit Report states that had the Import licence been issued on the firm immediately after the purchase order was issued in August, 1956, the additional cost of transport amounting to Rs. 16,200 could have been avoided. It is not possible for obvious reasons to issue an Import Licence *immediately* after a purchase order is issued. Even if the import licence could be obtained within a month from the date of receipt of the Supplier's application (which has rarely, if ever, been possible), it is extremely doubtful whether sea-freighting would have brought the belts to Calcutta by March, 1957, as the Suez was in blockade at the time and the belts would have had to be brought by sea *via* Cape of Good Hope.

The major incidents which provided the bottleneck were some procedural delays in the offices of the Controller of Purchase and Stores, M/s. Dunlops and the J.C.C.I. and the unfortunate loss of a letter issued by the Indenting Officer. While the loss of the letter was an accident, the Corporation had very little control over the administration of Dunlops and the JCCI. There was admittedly some procedural delay in the Corporation Office but more energetic action on the part of the Corporation Officials could save, at the most, about a month. That is to say, allowing for the procedural delays in the Offices of Dunlops and the J.C.C.I. and the loss of an important letter issued by the Panchet Hill Project, the Import licence would have been available some time about the third week of November, 1956. An order issued thereafter to sea-freight the belts would not have brought the materials to Calcutta before the end of May or June, 1957.

The urgency of the case arose out of the fact that the work of closing the river gap was already under way and any break-down of the Euclid Loaders for want of belts would not enable the Project to raise the height of the Dam before the monsoon of 1957 to the required level so as to avert danger from floods. The loaders had been working without a spare since 12th September, 1956 and nobody could predict the behaviour of the machines. A loader belt made of rubber may get damaged all of a sudden or it may last for an unexpectedly long period. The rate of wear and tear of rubber belts is not a constant factor and it is not possible to predict how long it will produce satisfactory performance. Audit has drawn attention to the fact that one of these belts was actually brought into use in March, 1958 but nobody could predict in July or September, 1956 how long the belt issued in July, 1956 would last. The Corporation could not ignore the importance of providing against a possible breakdown of the loaders which would not only mean a set back to the work but also involve additional expenditure in the form of idle labour awaiting arrival of the belts.

The attention of the Controller of Purchase and Stores has been drawn to the procedural delays in his office in this case and he assured the Corporation that every attempt will be made to prevent such delays in future.

## Annexure V

(Reference S. No. 20 of the Statement)

The net revenue of Rs. 25.55 lakhs estimated in 1950 related to purchase of power from Sindri for the period Sindri was to operate as an independent unit, i.e., from 1st January, 1952 to 30th June, 1953. It is not therefore, appropriate to compare this forecast with the Revenue account for the period 1st January, 1952 to 30th June, 1955 as Sindri was connected to the D.V.C. Grid with effect from March 1953 when the Bokaro Thermal Power Station went into operation and Sindri was kept as a stand-by for operating reasons. The charges incurred on such stand-by power should properly be treated as part of the system cost. An attempt to separate these costs and relate them to the revenue from the small amount of energy drawn from the stand-by plant is bound to lead to aberrant results. Therefore, an assessment of loss on the purchase and resale of Sindri energy after it ceased to be an independent unit is not only of no significance but also leads to incorrect conclusions.

It is however, admitted that the original forecast of a net revenue of Rs. 25.55 lakhs during the period Sindri was an independent unit did not materialise. This is because the forecast of 1950 was based on the estimated fixed and running charges, likely to be payable to Sindri based on best information available at that time. These charges were subject to adjustments when actual capital cost and running costs were known. Actual capital cost figures were available only in May, 1957 nearly two years after termination of the contract and the actual running cost upto 1952-53 was known just a month before termination of the contract and for other years after a year or two later.

There was, therefore, no opportunity to review and revise the estimated profits. Accordingly to the actuals, the average fixed charge per month had increased from Rs. 1,12,519 to Rs. 1,57,100 (about 40 per cent.) and the average energy charge from 0.163 anna per KWH to 0.463 anna per KWH (28 per cent.). This abnormal increase in capital and working cost of Sindri resulted in the large variation between the estimates and the actuals. A fair assessment of profit and loss in respect of power purchased from Sindri could be made only for the period Sindri was operating in isolation from the rest of the System. The statement in the Audit Report that the

working expenses including interest and depreciation exceeded the receipts from the sale of energy by Rs. 2.63 lakhs during July, 1952, to February, 1953 is misleading as the period selected excludes the earlier period of the Sindri operations.

A revised revenue account has been prepared for the period ending 1957-58 after taking into account 10 per cent. of capital cost including overhead and audit charges to cover interest during construction and the cost of cooling water drawn by the Bokaro Thermal Power Station. The account shows an accumulated deficit of Rs. 236 lakhs which includes cost of cooling water to the order of Rs. 35.44 lakhs. This loss cannot be held to have been due to the sale of purchased power at an uneconomic rate. A deficit during the first few years of working of a Power System is a normal feature of all Electrical Undertakings and DVC anticipated it and took it into account in fixing the tariff. The tariff is fixed at such a level that the revenue in later years, when the load grows, could wipe out the deficit of earlier years. During the early years of operation, it is not practicable to relate the tariff to the actual cost of production nor it is possible to regulate the cost of production to the price at which energy can be sold. A proforma revenue account prepared on the basis of the actual for 1958-59 and the estimated receipts and expenditure for 1959-60 and 1960-61 indicates that this deficit of Rs. 236 lakhs as at the close of accounts for 1957-58 will come down to about Rs. 6 lakhs at the end of 1960-61. The cost of cooling water included in the accounts up to end of 1960-61 is Rs. 80.00 lakhs. The Corporation's previous forecast that the deficit would be wiped out in 1959-60 did not take into account the cost of cooling water drawn by the Bokaro Thermal Power Station nor interest on interest. It was also based on the then construction schedule.

The PAC have observed that the DVC was under no obligation to supply power to the collieries. It is necessary in this connection to trace the background history. The Sindri Fertilisers and Chemicals Ltd. had agreed to increase the capacity of their station by 30 MW and make available to the Bihar Government the extra power resulted from the expansion provided the entire liability for capital charges on account of the expansion and running charges for operation were met by Government. The arrangement, therefore, was that the Bihar Government would pay for a period of 20 years (Normal life of a thermal plant) the interest and depreciation and the actual running expenses and in return get a supply upto 22.5 MW to meet the immediate need of the Collieries. In 1948

when the DVC was set up, it was obvious that it was not economical to have two Grids operating in the same area. The arrangement already made by the Bihar Government with the Sindri Fertilisers was, therefore, taken over by the DVC in order to—

- (i) build up an economic load for the large Thermal Station contemplated at Bokaro;
- (ii) facilitate starting up operation of the Bokaro Power Plant; and
- (iii) provide some immediate relief to the collieries where there was an acute power shortage.

It will be seen from the above that the contract with Sindri Fertilisers did serve the interest of the DVC apart from supplying power to the collieries.

As regards the point that the Corporation disregarded the advice tendered by the World Bank in August, 1956 about the revision of the tariff, the position is that the DVC power tariff was tentatively fixed in May, 1951 in consultation with the Central Electricity Commission and on the basis of the data then available. The Tariff Schedule of 1951 came up for review by a TVA Expert in 1953 who did not make any adverse comments but suggested that the matter should be constantly reviewed. Since then the matter was reviewed from time to time by the Chief Electrical Engineer and the Commercial Engineer of the Corporation and a report was submitted to the Government of India in May 1954. The Government of India communicated to the Corporation in October 1954 certain observations of the CWPC in which the Commission found on examination that "the financial position of the DVC, when its system is fully loaded, appears to be satisfactory." They, however, observed that it would be desirable to review the power sale policy from time to time. In the meantime the cost estimates and the Construction Schedules of the dams and the Hydro-electric Installation came up for revision and the Government of India appointed a Committee in December, 1954 to examine and report on the adequacy or otherwise of the revised estimates of the DVC projects. The Corporation, therefore, decided in August, 1956, that a second review of the tariff should be carried out after taking into account the FA's and the CWPC's observations on the first review and the latest cost estimates and the time schedules. The Committee on Estimates completed their labours some time about the end of 1955. Meanwhile, a representative of the World Bank sent a report of his

end-use inspection of the DVC projects in November, 1955 in which he stated as follows:

"While this may not be the moment for an upward change in the base of electricity rates, a continuing study should be carried on so that when construction costs and operating costs are more definitely known, rates may be established in line with sound business practices."

The second review was finalised by the commercial Department of the Corporation in April, 1956 and the Bank was informed in April, 1956 that a continuous study of the rates is being made and the rates will be reviewed and revised as soon as more definite data regarding capital and operating costs are available. The result of the April, 1956 review was reported to the Government of India in July, 1956.

Meanwhile the representative of the World Bank with an Italian Consultant visited India in May, 1956 and his report of inspection communicated to the Government of India in August, 1956 stated as follows:

"In the opinion of the Mission the whole question of power rates calls for urgent review. It appears unlikely that with the present low rates, the electricity undertaking of the DVC can ever obtain even with utilisation of full capacity, adequate revenues to provide a reasonable profit."

"The whole question of power rates should be reviewed and adjusted in order that DVC's electricity undertaking can operate on a profitable basis."

This note of the World Bank was discussed at a conference held in New Delhi on 10th December, 1956 in which representatives of the Corporation, the Central Government and the World Bank were present. It was pointed out by the DVC that the Corporation had already undertaken a review of its power rates and that this review was now under the consideration of the Government of India. In the discussion it was brought out that the Indian Electricity (Supply) Act of 1948 limits profits by electric utility undertakings to 5 per cent. of the capital base. Although the DVC does not come within the purview of the Electricity Act of 1948, the Central Government was of the opinion that it should not be allowed appreciably to exceed the profits of the other electricity utilities. The DVC agreed that it would establish rates for sale of electricity as soon as practicable which would permit the Corporation to earn

at least the maximum percentage permissible under law on its capital base. It was also pointed out that there was currently under consideration an amendment to the Electricity Supply Act which would permit the utility earnings to be related to the prevailing bank rate which was then  $3\frac{1}{2}$  per cent. This would permit the Utilities to earn upto  $5\frac{1}{2}$  per cent. on their capital base.

A copy of the second review of April, 1956 was also sent to the World Bank for their comments. The comments of the Government of India were received about the end of February, 1957 and the Financial Adviser's comments were also received a few days thereafter. As the matter was getting delayed, the observations of the Government of India and the Financial Adviser were examined by the Commercial Department of the Corporation and, as advised by the Financial Adviser, the Commercial Engineer recommended certain increases in the tariff in May, 1957. A cable reminder was sent to the IBRD in May, 1957 for comments and the recommendations of the Commercial Engineer examined by the Corporation in consultation with the Financial Adviser. The World Bank's comments were received through the Government of India in August, 1957.

The recommendations of the World Bank were discussed at a meeting held at New Delhi on 13-9-1957 in which representatives of the Ministry and the CW & PC were present. The Commercial Engineer's proposals of May, 1957 for revision of the tariff were further modified in October '57 in accordance with the decision of this meeting. The matter was then discussed at a meeting at New Delhi held on 14-11-57 in which representatives of the Ministries of Finance, Irrigation & Power, the CW & PC and the World Bank were present. It was explained that the DVC had now finalised their proposals for an upward revision of the rates which would approximate to what the traffic would bear. The tariff was finally approved by the Corporation in December, 1957. The consumers were served with notice in December 1957 and the Participating Govts. informed in January 1958. The revised tariffs were brought into force from 1-1-58 for all new consumers. In the case of others, they became effective on expiry of due notice in accordance with their contracts.

## **Annexure VI**

**(Reference S. No. 24 of the Statement)**

**The Additional Accountant General, D.V.C., has observed as follows:**

**"The first contract provided a penalty clause which *inter alia* laid down that if on account of the contractor's failure to supply the required quantity of coal the Corporation had to purchase the shortfall from outside sources, etc., they would be entitled to recover from the contractor an additional expenditure incurred by them on such coal over the cost of obtaining the equivalent quantity of coal under this agreement *vide* Clause 33 of agreement with the Coal raising contractor dated 7th February, 1954. As the Corporation were not required to purchase coal during the subsistence of the contract for two years from 7th February, 1954, from outside sources, etc., there was no question of recovering any extra cost from the contractor.**

**In respect of the second contract there was a similar provision in respect of penalty. The contractor raised the full quantity of coal that could be raised from the area exposed to coal faces. As the coal raising contractor was not responsible for removing the overburden for exposing coal faces except when removal of overburden by mechanical process was impossible, he was not liable to any penalty. This view of the Corporation was accepted."**



## **Annexure VII**

**(Reference S. No. 26 of the Statement)**

**The DVC have explained:—**

**“It is stated that the staff were posted in November, 1952 while the machines were moved in December, 1953 and that for 9 months during the period from February, 1954 to March, 1955 the staff and the machines were practically idle.**

**The machines with the staff were moved out for reclamation work in November, 1952 but there was work between December, 1952 and December, 1953 and no idle labour was involved. Trouble arose when the machines and the men were moved to the Jamtara area in December, 1953. The Bihar Government authorised the DVC in December, 1953 to take up immediately reclamation of 2,000 acres of land in anticipation of option by the displaced persons. The machines and the men were moved to the Jamtara area in December, 1953 and reclamation work started from 12th January, 1954. About 230 acres of land were procured by amicable settlement with the owners and reclamation of this area was completed in February, 1954. The work was interrupted at this stage and could be resumed only on 23rd May, 1954 in the circumstances explained below. Some local elements began moving in the area instigating the people not to allow reclamation of their waste land. They induced the people not to accept land reclaimed by DVC. The people objected to survey of their land by the DVC and threatened to lie down in front of the machines if reclamation was proceeded with. The Deputy Commissioner Dumka, was approached to assist the Corporation Officials against obstructions by interested persons. The S.D.O., Dumka, issued orders that land which had been ploughed up should not be taken over. The people took advantage of this order and started ploughing up all waste lands. The Deputy Commissioner was then requested to apply the provisions of the Waste Land Reclamation Act for taking possession of waste land or even the Jamabandi lands which were fallow for more than 5 years and which intervened between sizeable blocks. The difficulty in getting land was then discussed in a conference attended by the Deputy Commissioner, Dumka, the S.D.O., Jamtara, the Land Acquisition Officer, Maithon, and the Director of Rehabilitation. Attempts to obtain possession of land by amicable settlement suggested by the**

Deputy Commissioner did not meet with success. The Deputy Commissioner and the S.D.O., Jamtara, were again approached and the Govt. of Bihar was requested to release Jamabandi and Gochar lands for acquisition. The matter was further discussed in a conference on 30th March 1954 attended by the representatives of the Bihar Government and the Corporation and it was decided that sample reclamation should be undertaken in three blocks selected by people and the reclamation of DVC land should continue. It was also decided that Jamabandi land and intervening between sizeable blocks should also be acquired inspite of objections of interested people. As the procurement of land for reclamation was taking time, it was suggested that the people should be encouraged to reclaim the land selected by them by manual labour but the people concerned refused. As the land selected for sample reclamation was forest area, it took time to get clearance from the Forest Department. Eventually after the continued efforts the possession of the area for sample reclamation was obtained and work, was resumed on 23rd May, 1954 and continued upto 24th July, 1954. As, however, the availability of land was rather in a fluid state, the MEM Division is reported to have started gradual withdrawal of staff. Two thirds of the machines are stated to have been shifted to the Dhanbad area by November, 1954 and the balance completely withdrawn between November, 1954 and January, 1955 as soon as it became clear that there was no prospect of getting any more land. This statement finds support from the quantum of the idle labour bill between August, 1954 and February, 1955 furnished by Audit.

The Committee seems to suggest that the staff should have been withdrawn earlier and utilised somewhere else. It may be appreciated that the closing down of a camp of the MEM Division and bringing it back to the place involve considerable expenditure. As there was a prospect of getting possession of land at any time it was not considered desirable to disband the organisation and re-establish it, which would involve infructuous expenditure. There was, however, a gradual diminution of the staff to take up work elsewhere and as soon as it became clear that no more land will be available and sufficient lands were available for work elsewhere, the staff was completely withdrawn. Corporation feels that the retention of the staff and the machine at Jamtara area were, under the circumstances, beyond its control.

As regards the question of ignoring the sum of Rs. 95,881 representing the cost of idle labour from the calculation of unit rate per acre, the points that require further elucidation are:

- (a) Whether the ignoring of the expenditure from the calculation of unit rate has had any repercussion on the financial accounting point of view;
- (b) Whether the specific issue was considered by the Corporation;
- (c) Whether the Financial Adviser was in any way responsible for the manner in which the unit rate was worked out by the Executive Engineer.

As regards (a) and (b), it may be stated that the full cost of the work including the cost of labour remaining idle was debited to the Maithon Project, and, therefore, the expenditure in question was not ignored so far as the financial accounting was concerned.

Unit rate is worked out to compare the actual cost with the estimated cost, in order to enable the executive engineer to ascertain the reasons for increase in cost, if any, and to take effective measures against extravagance or leakage. The Executive Engineer explained that the expenditure on idle labour was charged to the work concerned but it was excluded from the calculation of unit rate only to show the real cost of operation. The inclusion of the expenditure in question would increase the rate per acre from Rs. 591·4 to Rs. 675·4, but it would make no difference in the financial accounting as already explained. In this particular case, it was known to the Executive Engineer that due to sufficient land being not available, the total expenditure on the job would be more than what would be under normal circumstances. It may be observed in this connection that MEM Division is a Service Unit which undertakes work for other projects or divisions of the Corporation, not against a firm unit rate but on the basis of actual cost including all overheads. As such, its financial consideration is to recover the full cost from the party for whom a particular work is undertaken. As the full cost of this work including the cost of idle labour was recovered from the Project concerned, the normal financial requirement of the division was satisfied. In view of what has been stated above, coupled with the consideration that there was no need in this particular case for ascertaining the reasons for excessive unit rate had the expenditure been included in the unit cost, the Corporation did not pursue the matter and therefore it was not specifically brought to the notice of the Financial Adviser.

As regards (c), it may be stated that cost accounting procedure has been prescribed for the MEM Division in consultation with the Financial Adviser. It is the practice to work out the unit rate per

sure in respect of each operation. The object of working out unit rate is to compare it with the estimates and the actual cost of other operations and to see that the rate is reasonable. In working out this rate the cost of labour remaining idle under normal operating conditions such as those occasioned by breakdown of machines, fuelling, field servicing and similar other causes is taken into account. In this particular case some labour remained idle due to the failure on the part of the owner to deliver the land for reclamation. As the full cost was recovered, the Corporation is of opinion that the inclusion of this cost under extraordinary circumstances outside the scope of normal operating conditions would have served no practical purpose but would produce an inflated cost which would not provide an appropriate basis of comparison either with the estimated rate or the cost of similar operations.

It is true that the Financial Adviser is responsible for the supervision of the manner in which the accounts of the Corporation are maintained. As the costing procedure had already been prescribed by the Corporation in consultation with the Financial Adviser, the day-to-day maintenance of the accounts according to the prescribed procedure is the responsibility of the Executive and the Accounts Officers attached to the Field Offices. The unit rate is calculated by the Executive from the financial accounts prepared by the Accounts Officers and, therefore, the Corporation would like to suggest that there has been no failure on the part of the Financial Adviser in the discharge of his statutory responsibilities.

### **Annexure VIII**

**(Reference para 65 of the Report)**

**The Damodar Valley Corporation has explained as follows:**

**"This is an old case of 1950 in respect of which it is difficult to lay hands on all the relevant documents. The purchase was made from East India Railway, Barwadi, which is a Government organisation. A further investigation has, however been carried out after going through the files available on the subject.**

**Regarding the sanction to the purchase, the investigation reveals that the Engineer-in-Charge was not oblivious of the need for obtaining Corporation's sanction. In fact, the files show that he had been making enquiries from the Purchase Department for the cost price of the Mixers and the last reminder issued by him was in November, 1950. No further papers are traceable to show how this was pursued thereafter. The matter was referred to the then Engineer-in-Charge, at present an employee of the Government of West Bengal, and he has drawn Corporation's attention to the fact that the Project estimates for the Barrage and Irrigation Project prepared by him in 1951 provided for a number of Concrete Mixers and these were covered by the final sanction issued by the Corporation in September, 1951 and therefore there was no need for obtaining specific sanction for this particular purchase already made. It is noticed that on the 10th September, 1951, Corporation sanctioned the overall Irrigation Project estimate for a sum of Rs. 19,96,26,000. It was stated in the sanction that the *orders* and sanctions which have already been placed or issued are included in this sanction. As such, specific sanction for this particular purchase *already effected* was not essential. In the circumstances, the Corporation would suggest that no action against the Officer need be taken.**

**Regarding the responsibility of the Inspector of the Purchase Department he explained in January, 1959 that the Purchase Officer accompanied by a Mechanical Engineer inspected the stores and that,**

later, an Assistant Purchase Officer was sent to carry out demonstration test. In May, 1950 he was deputed to take delivery of the materials from the Railways and despatch them to destination. As he found the machine complete with all the parts, he stated in his statement of 31st May, 1950 that it was received in good condition.

It is on record that the Purchase Officer accompanied by a Mechanical Engineer did in February, 1950 inspect the materials and circulated a list of selected stores on 1st March, 1950. In a note to the Corporation dated 1st March, 1950 he stated that all the equipment are in serviceable condition and that some of them are in original packing cases. It is true that an Assistant Purchase Officer visited the Store yard on 26th March, 1950 but his tour note of 28th March, 1950 makes no mention of any demonstration test. As the officer has since died, this cannot be verified. The notes, however, indicate that he was there to make arrangement for delivery and despatch of selected materials from Barawadi and suggested that this person (the Inspector) will be "suitable to be our Supervisor to see to the placement of wagons and despatch of materials expeditiously." It is also on record that the Resident Engineer, Bokaro, an officer of the rank of Superintending Engineer, visited Barwadi on 31st May, 1950 and selected the identical mixer for Bokaro after personal inspection. This raises some doubt whether the mixer was really unserviceable at the time of delivery by the Railways.

It is clear that the machine was inspected by the Purchase Officer in February, 1950 and certified as serviceable. The Resident Engineer, Bokaro, selected the same machine for Bokaro in May, 1950 after personal inspection.

The Assistant Engineer of the Headworks Division who took delivery of the mixer, did not report that it was unserviceable although he reported the short-receipt of some minor parts. He did not perhaps carry out any demonstration test as the machine was already inspected by the Purchase Department. The mixer was made over to the Mechanical Division in September, 1952 unused by the Headworks Division and the Mechanical Division reported in September, 1954 that it was beyond economic repairs. It is quite possible even probable—that it became unserviceable due to storage without use for more than four years. The Controller of Purchase and Stores suggested at one stage of the investigation that the mixers might have been partly cannibalised with a view to renovating other mixers in use. No concrete evidence is available but it is not improbable.

The Inspector in question was an employee of the Railways and the Purchase Officer recommended in March, 1950 the appointment

of this person as Inspector as he was an Electrical Fitter, knows all the machines and equipment and is acquainted with the stores in the depot (Barwadi) and can be utilised for locating the best things in the lot. This person was ultimately appointed by the Corporation in April, 1950 as one of our Inspectors. The Purchase Officer's statement that he was acquainted with the stores in the depot and could be utilised for locating the best things in the lot has been taken by the Audit Department to imply that he was responsible for carrying out a second examination of the mixer in question. This does not seem to be a logical conclusion. The note merely states his qualifications and can hardly be construed as requiring him to carry out a second examination of the equipment already inspected by a senior officer of the Corporation. In fact, in the Purchase Order issued on 2nd May, 1950, the Executive Engineer, B.S. construction, Barwadi, was requested to arrange despatch of the materials to the Consignee (Assistant Engineer, D.V.C., Durgapur). A copy of this order was endorsed to the Inspector who was at the moment at Calcutta. There is no instruction in this endorsement for him to carry out a second examination of the mixer. His contention that he was deputed in May, 1950 to take delivery of machines and other materials from the Railways and despatch them to destination may, therefore, be correct. He did, however, exercise the functions of an Inspector in respect of new transactions.

In the circumstances, the Corporation considers that so far as this machine and other materials of the same lot are concerned, he played merely the role of a Despatcher and it will be unfair to take any disciplinary action against him. The reasons for this conclusion are summarised below:

- (i) The mixer was inspected by the Purchase Officer accompanied by a Mechanical Engineer in February, 1950 and certified as serviceable.
- (ii) The same mixer was selected for Bokaro by the Resident Engineer, Bokaro, after personal inspection.
- (iii) The indent placed on the Railways directed the Executive Engineer, Railways, to arrange despatch of the materials to the Consignee. The copy endorsed to the Inspector at Calcutta does not require him to carry out a technical examination over again.
- (iv) It is doubtful whether the mixer was unserviceable at the time of delivery by the Railways.

As regards the Committee's finding that the Corporation could have instituted investigation into the purchase much earlier, it may be stated that the case came to the notice of the Corporation only in August, 1955, when the question of write-off was referred to it. Since then the matter had been under investigation from all aspects and the final orders sanctioning write-off were issued in July, 1956.



## **Annexure IX**

**(References No. 40 of the Statement)**

**The Public Accounts Committee have observed that in the Konar Arbitration case things have been allowed to take their own course. The Committee is not, perhaps, aware of the magnitude and complexity of the work involved in this case.**

**It comprises 29 claims of the Corporation valued at about Rs. 8 crores and 53 claims of the Contractors valued at about Rs. 1.40 crores. In reality, it comprises 82 cases rolled into one.**

**The matters to be dealt with are of a highly technical nature involving a careful study and proper understanding of the technical features and their financial implications with reference, in the first instance, to the S.C.B. documents and their target estimate, the cost-plus-fee tenders, the unit-rate tenders, the various changes in design and specifications and then the numerous correspondence going as far back as 1949.**

**The Arbitration Agreement was signed on 7th January, 1957 but the Corporation took steps in advance to appoint a Special Officer who joined duty on 17th December, 1956. After he had studied the relevant documents and correspondence relating to the various claims and counter-claims and prepared a statement of the case the Solicitors and the Counsel were appointed on 20th March, 1957 and 20th April, 1957 respectively. The Arbitrator entered upon the reference on 22nd April, 1957.**

**There were 32 hearings between 22nd April, 1957 and 16th January, 1958 when the first witness of the Corporation was presented. Progress during the period was bound to be slow as sufficient time had to be given to the counsel and the Solicitors of both the parties—**

**(a) to study and understand—**

- (i) the S.C.B. documents (7 volumes) and their target estimate,**
- (ii) the cost-plus-fee tenders,**
- (iii) the unit-rate tenders,**
- (iv) the change in design and specifications carried out by Gruner Brothers in April, 1950,**

- (v) the subsequent changes in design and specifications of the Clay Blanket carried out by Gruner Brothers in September, 1950.
  - (vi) the major change in design and specifications carried out in September, 1950 based on the decision to replace the earthen dam in the river channel section by a Concrete Gravity dam,
  - (vii) the Original Agreement of May, 1950 and all correspondence leading thereto,
  - (viii) the supplementary Agreement of March, 1951 and all correspondence leading thereto,
  - (ix) the numerous-Field instructions issued by the Consulting Engineers from time to time, and
  - (x) the Level Books, Measurement Books and the Bills of Quantities;
- (b) to select the documents to be disclosed;
  - (c) to carry out inspection of stores and other accounts and the numerous documents including machinery and other operational records disclosed by both the parties;
  - (d) to prepare the statement of claims for presentation to the Arbitrator;
  - (e) to examine the statements of claims of the other party and to prepare the counter-statements. There was no hearing from 7th to 19th September, 1957 on account of the illness of the Contractors' Solicitors. There were also no hearings from the 23rd September, 1957 to the 24th October, 1957 on account of the Puja Vacation. Then the Counsel and the Solicitors of the parties had to visit the site and the Arbitrator himself accompanied by representatives of both the parties carried out a local inspection of site conditions.

The Court work done during the 32 hearings consisted of the following:

- (i) Direction by the Arbitrator from time to time regarding the conduct of Business of the Court.
- (ii) Interpretation of the various clauses of Arbitration Agreement by the Counsel of both parties.
- (iii) Explaining the SCB documents and the subsequent changes in design.
- (iv) Explanation of the implications of the cost-plus-fee tenders and the unit-rate tenders.

- (v) Interpretation of the Original and the Supplementary Agreements by the Counsels.
- (vi) Explaining the implications of the Rau Committee's Report.
- (vii) Explanation of the theories and practices of dam building.
- (viii) Reading the numerous correspondence, drawings, specifications etc., and explaining their implications.
- (ix) A general statement on the individual claims and counter-claims of the parties.

The following table will indicate the volume of statements and disclosures that had to be dealt with in course of the proceedings:

	Corporation (Pages)	Contractors (Pages)
1. Statements of claims . . . . .	41	155
2. Counter-statements of parties . . . . .	141	58
3. Disclosures in 4 volumes each . . . . .	727	748

There were 156 hearings from the 16th January, 1958 to the 4th July, 1959. The examination and cross-examination of 8 witnesses of the Corporation and 3 witnesses of the Contractors have been completed. The Examination-in-chief of the 4th witness of the Contractors was completed and cross-examination commenced on 4th July, 1959. The following table will indicate the number of questions put to each witness and the number of hearings in respect of each witness:

Corporation's witness	No. of hearings	questions (Examination)	questions (cross examination)	Total (questions).
No. 1 . . . . .	10+19	1,574	2,599	4,173
No. 2 . . . . .	10+18	1,609	3,033	4,642
No. 3 . . . . .	1+2	183	243	426
No. 4 . . . . .	1+0	87	..	67
No. 5 . . . . .	1+1	84	296	380
No. 6 . . . . .	1+1	140	203	343
No. 7 . . . . .	3+8	423	1,426	1,849
No. 8 . . . . .	1+1	110	213	323
	<b>28+50</b>			
<b>TOTAL . . . . .</b>	<b>78</b>	<b>4,190</b>	<b>8,013</b>	<b>12,203</b>
<b>Contractors' witness.</b>				
No. 1 . . . . .	2+5	158	886	1,044
No. 2 . . . . .	7+23	488	3,578	4,066
No. 3 . . . . .	15+17	2,112	3,942	6,054
No. 4 . . . . .	9+0	1,340	..	1,340
	<b>33+45</b>			
	<b>78</b>	<b>4,098</b>	<b>8,406</b>	<b>12,504</b>

Total number of documents exhibited upto 31st July, 1959 was 510.

The following factors were also responsible for prolongation of the proceedings:—

- (i) No Senior Lawyer at Calcutta would agree to sacrifice his practice in the High Court to conduct the case during *office hours* with the result that the hearings except on Saturdays had to be held in the evening usually at 5 P.M. and lasted generally for two hours or less.
- (ii) Daily hearing was not found feasible as the proceedings of one day would be available only the next day when no time would be available to the Counsel and the Solicitors to study them and to prepare for the day's hearing.
- (iii) Interruption due to Puja holiday (one month in 1957 and again a month in 1958) besides other government holidays.
- (iv) Interruptions due to difficulty in securing the appearance of witness employed in other Projects as indicated below:—

11-7-58	to	25-7-58	.	.	15 days
10-8-58	to	20-8-58	.	.	11 days
22-8-58	to	2-9-58	.	.	12 days
22-1-59	to	16-2-59	.	.	26 days
					64 days.

- (v) Adjournments to facilitate inspection of accounts and other documents found necessary in course of examination and cross-examination.

- (vi) Sickness of witnesses.

The total expenditure incurred upto end of September 1959 was as follows:—

D.V.C's account	.	.	.	.	Rs. 2.75 lakhs
Arbitrator's account	.	.	.	.	Rs. 1.20 lakhs
TOTAL	.	.	.	.	Rs. 3.95 lakhs

The arbitrator has been given further extension upto April, 1960.

## APPENDIX II

### *Para 12 of Audit Report 1957-58—utilisation of DVC water*

- (i) What are the reasons advanced by the West Bengal Government for not giving effect to the Planning Commission's instructions regarding the excavation of field channels for utilisation of D. V. C. water for irrigation purpose?

This is essentially a point which can be answered only by the State Government. So far as the D. V. C. is concerned, we have been urging the State Government to proceed with the construction of village channels. The Project Estimate for the Barrage and Irrigation does not provide for the construction of village channels which is the function of the State Government. The attention of the Government of West Bengal was particularly drawn to this matter in our letter of 20th August, 1958. We were informed in West Bengal Government's letter of 30th December, 1958, that provision of clause 9 of the West Bengal Irrigation (Imposition of water rate for Damodar Valley Corporation Water Bill) 1958, would afford the required facilities for construction of field channels by the cultivators interested in obtaining irrigation water to their fields when subjected to a compulsory levy under the same legislation and that suitable legislative measures would be considered in due course if the said provisions did not prove sufficient for the purpose. The West Bengal Act, 1958, which came into effect from 23rd February, 1959 provides that owners for occupiers of lands in the notified area, shall be bound to afford free passage for water through or over all lands in their possession or under their control and for that purpose to allow the construction and maintenance of such channels as may be necessary without causing unnecessary loss or damage to such lands. Sub-section (2) of the same Section provides that if any person refuses to comply with the order the Collector may cause the channels to be constructed or maintained and recover the cost thereof from such person as a public demand. It will appear from the above that these clauses do not fix any responsibility on the cultivators to construct and maintain the channels or pay for the construction and maintenance of field channels in the normal course. It empowers the Collector to cause the channels to be constructed and maintained and to recover the cost from the persons who refused to allow free passage of water over their lands. It is not clear from whom the cost will be recovered if there is no refusal on the part of the cultivator to allow the passage

of water. It is, however, not known whether the Government contemplates suitable legislative measures to rectify this lacuna as indicated in their letter of 30th December, 1958. We again drew the attention of the State Government to the necessity of taking quick action in this matter in our letter of 1st May, 1959. But no reply has yet been received. It appears to the Corporation that no effective action can be taken by the Government of West Bengal without amending the Law and it is perhaps for this reason that no active attempts have been made by the Government in that direction.

- (ii) What was the area estimated to be irrigated and area actually irrigated by the D. V. C. during the khariff season of 1958-59 (The figures for the old area and the new area may be shown separately)?

The following table will indicate the area estimated to be irrigated and the area actually irrigated by D.V.C. during the khariff season of 1958-59:—

	Original target (1957)	Revised target (1958)	Actual area Irrigated
	Acres	Acres	Acres
New Area	4,00,000	296,561	2,9,353
Eden Canal area	} Not mentioned	40,000	40,448
Damodar Canal Area		185,000	176,110
TOTAL		521,561	445,951

The revised target was communicated to the Government in our letters of 5th May, 1958 and 14th July, 1958.

- (iii) What were the reasons for the shortfall in the area actually irrigated as against the area estimated to be irrigated?

This point has to be dealt with in two parts, viz., (1) reasons for reducing the original target from 4,00,000 acres to 2,97,000 acres and (2) reasons for the shortfall against the revised target of 2,97,000 acres.

(1) The target of 1957 had to be revised in 1958 as the progress of construction of the canal was slower than anticipated in 1957. The reasons are the following:—

- (a) Delay in excavating a stretch of 1-3/4 miles on the Right Bank Main Canal owing to extremely hard soil encounter-

ed in course of excavation. If this stretch of the canal could be completed in time it would have commanded 84,000 acres of the newly irrigated area.

- (b) Non-availability of kiln burnt bricks in the area of operation.
- (c) Transport bottlenecks, which created difficulties in transporting spun pipes, bricks, cement and steel, particularly on the Right Bank Main Canal system.
- (d) Paucity of reliable contractor for minor works which still persists.
- (e) Non-availability of steel materials which retarded the progress of manufacture of gates.

(2) The reasons for the shortfall in actual irrigation over the revised target are the following:—

- (a) Breaches in the canal banks due to ghoges, i.e., holes in newly constructed bunds.
- (b) Absence of minor distributaries in certain places.
- (c) Difficulty in taking water across local roads.
- (d) Unauthorised cuts by villagers.
- (e) Over-topping and or bursting of banks at some places.
- (f) As the actual irrigated area during the year was less than the designed figure, there was reduced discharge in some of the canals. The F.S.L. could not, therefore, be attained at some places with the result that the outlets placed at higher elevation could not be fed.
- (g) Absence of protective embankments in the spill area of the Koonoor and Ajoy rivers which prevented irrigation in this area.
- (h) Restriction on the discharge and full supply in areas where canals were in banking. Such precautions are necessary until the banks have stabilised.

#### *Additional information*

The Audit report indicates that 3,01,886 acres of new area were actually irrigated against the target of 3,37,000 acres. These figures were furnished to the Audit Department on the 1st May, 1950. 40,000 acres relating to the Eden Canal system was wrongly included in the target for the new area. The error is regretted.

3,01,886 acres reported in May, 1959, was computed on the basis of preliminary assessment. The preliminary assessment was as follows:—

Damodar Canal System . . . . .	1,46,110 acres.
Eden Canal system . . . . .	40,448 ..
Area lying below Khari Aqueduct . . . . .	30,000 ..
New area brought under irrigation . . . . .	2,71,886 ..
TOTAL . . . . .	4,88,444 ..

While reporting the figures to Audit on the above basis, 30,000 acres representing the area lying below Khari Aqueduct was likewise included in the new area through mistake. The correct figure for the new area on the basis of the preliminary assessment should therefore have been 2,71,886 since then. There was a joint survey of the irrigated area by the officers of the West Bengal Government and of the D.V.C. and the result of the joint survey is indicated in the last column of the table under Question No. (ii).



### APPENDIX III

**Para. 13 of Audit Report for 1957/58—Negotiation after receipt of open tenders:**

- (i) What are the quotations of the four lowest tenderers for the work "A"? (The information may be furnished in the form of a tabular statement).

The value of the four lowest tenders is stated below:

(1) Lowest	.. Rs. 7,63,639
(2) Second Lowest	.. Rs. 7,67,083
(3) Third Lowest	.. Rs. 7,73,310
(4) Fourth Lowest	.. Rs. 7,87,114

While the tenders were under consideration, the 4th lowest tenderer offered to reduce his rate by 3 per cent. This had the effect of reducing the value of his tender to Rs. 7,63,501, which is less than the value of the lowest tender by Rs. 138.

- (ii) What were the reasons for not negotiating with the three lowest tenderers for this work and giving the contract to the 4th lowest tenderer?

While forwarding the tenders with the comparative statement to the Additional Chief Engineer on 28th September, 1955, the Project Manager recommended that if both works are not to be awarded to the lowest tenderer, who is the lowest for both, "A" may be awarded to the fourth lowest tenderer whose performance in the Mayurakshi Project was very good. He did not furnish any detailed explanations for rejecting the offer of the 2nd and the 3rd lowest tenderers beyond making a general statement that their works are not very satisfactory. The Additional Chief Engineer recommended to the Corporation that work "B" may be awarded to the lowest tenderer and work "A" to the fourth lowest tenderer at 3 per cent. below his tender rates.

The Corporation did not see sufficient grounds for rejecting the lowest tender as this firm was reported to be working satisfactorily. The Project Manager was, therefore, requested to satisfy himself, after such enquiry as is possible, whether this firm should be given both the works or one work. It was held that in the event of the Project Manager preferring to award only one lock to the lowest tenderer, it would be better, in view of the large value of the contract, to ask all dependable Contractors who have quoted to state

whether they would be prepared to make any reduction of their offer for this work. Accordingly, the Project Manager carried out negotiations with Contractors whom he considered dependable and in fact did not call up the first, 2nd and 3rd lowest tenderers for negotiation. Nevertheless, the 3rd lowest tenderer submitted a revised tender of his own accord and he became the lowest, *and the fourth lowest tenderer, the third lowest.* The Project Manager in resubmitting the file to the Corporation stated that the third lowest tenderer was not considered suitable but does not state precisely why the second lowest tenderer was not called in. Regarding the lowest tenderer, he considered that it would be advisable to allot only one lock to this Contractor but did not furnish any specific reasons. He, however, stated in conclusion that his preference for the fourth lowest tenderer was not only because he offered to reduce his rates but because he being a qualified engineer himself the quality of his work will be much better. He urged that we had been able to get only fresh recruits as Overseers and Assistant Engineers who had never seen even a drawing of a lock structure in their life and it would be an advantage for the Corporation to award work to Contractors with engineering qualification.

Subsequent proceedings recorded in Corporation's file centred round a choice between the lowest and the fourth lowest tenderer. The Member in charge of Barrage and Irrigation had a discussion at a meeting in which the Project Manager (B & I), Additional Chief Engineer and the Deputy Financial Adviser were present. The details of the discussion are not on record but it was recorded that both the Project Manager and the Additional Chief Engineer were of the opinion that one work should be awarded to the fourth lowest tenderer who is definitely more competent and whose cost after negotiation will be just lower than that of the lowest tenderer. The final decision of the Corporation in November 1955 was influenced by the consideration that we were short of technical personnel and it would be definitely desirable to award work to a firm with engineering qualifications, as this would relieve our supervising staff of a good deal of work in explaining drawings, layout plans, etc. The award had the unanimous approval of the Chairman and Members of the Corporation.

The contemporaneous records do not clearly specify the reasons for excluding the second and third lowest tenderers. In a subsequent correspondence dated October, 1958, *instituted after receipt of the audit objection*, the Project Manager said that the second lowest tenderer was a new comer. As their dependability could not be assessed, the question of negotiating with them did not arise. Regarding the third lowest tenderer, he did some work in a regulator

or bridge near Sadarghat but during inspection of work he did not impress the Project Manager to be of good standing.

- (iii) Whether the Corporation granted extension to the Contractor due to non-completion of work within stipulated period and if so what was the justification therefor? Why no penalty was levied for the delay in completion of work?

The work was due to be completed on 31st March 1957. This was extended to 31st March, 1958 for the following reasons:—

- (1) Abnormal flow of subsoil water was encountered in course of excavation. The Contractors had to operate two 6" dia. pumps and three 4" dia. pumps to cope with de-watering and with extreme difficulty the foundation of four out of five rafts, could be laid after the Additional Chief Engineer's inspection of site and subsequent raising of the foundation level by 1'.
- (2) Quantity of excavation had considerably increased owing to a difference of about 6.5' in the ground level as per drawing and as per actual.
- (3) The flood of September 1956 caused damage to earth work already done and re-starting of the work was delayed by about 1½ months due to communications having been cut off.

A further extension upto 31st June, 1958 had to be given as the bridge foundation and downstream protection work could not be taken up until the canal supply was stopped on 31st January, 1958. The construction of the bridge had to be kept in abeyance for a season as the Burdwan Municipality was not agreeable to divert the road over the bridge. Further, delay in the acquisition of land retarded the progress of earth work for the embankment.

As excavation of foundation and concreting had to be done against a head of 6' to 7' of water in sandy soil requiring constant dewatering by heavy pumping, the construction of the toe wall of the downstream protection nose took longer than scheduled. The Contractors were, therefore, allowed further extension upto May, 1959 to complete the earth work in removing downstream dividing nose. Then again, earth work by the side of the lock chamber walls and island portion involved carting of earth from outside which was not covered by the tender. The Contractor was also ordered on 30th May, 1959 to undertake turfing the slopes of the downstream nose and widening of the approach road to 20' crest width which were outside the scope of the tender. All this work was completed by the Contractor on 25th June, 1959.

In the circumstances stated above, the question of imposing any penalty did not arise.

- (iv) Whether the D.V.C. had to incur any additional expenditure because of the fourth tenderer not having fulfilled the contract? If so, what is the amount involved?

The work was completed by the Contractor and paid for at the stipulated rates. There was no additional expenditure to the Corporation.

*Supplementary Information*

It may be observed that the lowest tenderer who was awarded the work "B" valued at Rs. 7½ lakhs was to complete the work by 30th March, 1957. Time for completion was later extended upto 14th March, 1958. Even then he was not able to complete the work although dewatering work was undertaken by the Department. Penalty was, therefore, imposed under clause 2 of the contract. It may, therefore, be said in retrospect that, judging by results, it was a wise decision not to allot both the locks to this firm.

## APPENDIX IV

### *Summary of Conclusions/Recommendations*

Sl. No.	Para No.	Ministry/Department	Conclusions/Recommendations
1	2	3	4
1	10	Irrigation & Power/D.V.C.	The Committee would like to refer to their recommendation in para 15 of their 14th Report (Second Lok Sabha) and reiterate the imperative need for settling the question of allocation of expenditure under Sections 33 and 34 of the D.V.C. Act without further delay.
2	13	Do. . . .	In the Committee's opinion, frequent revision in the targets of construction and provision of irrigation water is indicative of not only defective planning and insufficient appreciation of the problems involved but also inadequacy of measures adopted to reach the targets.
15			(ii) The Committee would urge that the Central Government should take up with the Government of West Bengal the question of early excavation of field channels, the absence of which according to the General Manager of the Corporation was the main difficulty in the way of effective and economic utilisation of water.
			(iii) The Committee are also concerned at the non-realisation of irrigation revenue all these years. If the matter is delayed further, the financial interests of the Corporation will be seriously jeopardised.
16		Do. . . .	(iv) The Committee have pointed out in para 7 (Intro.) and para 55 of their 14th Report (Second Lok Sabha) that the participating authorities have a responsibility to ensure that the objects for which the Corporation was set up are achieved. They, therefore, stress the need for concerted efforts on the part of the participating authorities to ensure full and economic utilisation of irrigation facilities.
3	19	DVC . . . .	The Committee feel that there has been lack of proper planning on the part of the Corporation in the case of purchase of recording tape. Not only was there a delay of three months in placing the order for an item of store required 'immediately' but no timely action was taken to get the supplies quickly.

1	2	3	4
4	22	D.V.C.	The Committee doubt the purpose of working out basic schedule hours for machines if they are not realistic. They desired to be furnished with a detailed note regarding the basis on which the basic schedule hours for the machines used on the Panchet Hill Project were worked out, the reasons for low utilisation of these machines and the percentage utilisation of the labour employed to operate these machines during 1957-58 and 1958-59. This information is still awaited.
5	25	Do.	The Committee need hardly emphasise the importance of maintaining proper accounts to exercise efficient control over the cost of repairs of vehicles. They trust that this will be strictly followed in future.
6	28	Do.	The Committee feel that in accordance with the procedure followed by the D.G.S. & D. in this regard, the basis of payment to the supplier should have been the net f.o.b. price as invoiced by the manufacturers ( <i>i.e.</i> exclusive of rebate, commission, discount, etc.) instead of the gross f.o.b. price.
	29	Do.	(ii) The Committee desire that in the interest of uniformity, an early decision should be taken in the matter.
7	31	Do.	The Committee trust that the Corporation will ensure that the cases of the type mentioned in para 30 of this Report do not recur.
8	35	Do.	The Committee have no hesitation to observe that the procedure followed in the matter of awarding contracts in this case was objectionable and cut across the principle of competitive tendering.
9	38	Do.	The Committee are not satisfied with the explanations for the enhancement of rates for the supply of boulders. None of the tenderers had specified in their tenders whether they would supply from the surface quarries or by blasting operations. Nor was there any evidence to show that the quarries were earmarked for surface collection by "A" and "B" and collection by blasting operations by the third firm. Therefore, the Committee have found no basis for the presumption made that tenderers "A" and "B" would have incurred losses if they were to complete supplies at the rate contracted for (Rs.39/6/- per % cft.).

In the opinion of the Committee action on the part of the Engineer-in-Charge to enhance the rate of supplies to Rs. 44/8/- per % cft. on his own authority was questionable. They understand that where a contractor

1	2	3	4
			incurs losses, the normal procedure is to compensate him to the extent of actual losses suffered by him after scrutiny of his accounts provided he had exercised due prudence and care in execution of the contract. The Committee regret that an arbitrary departure from this procedure was made in this case.
10	40	DVC . . . . .	The Committee feel that open tenders could and should have been invited in this case to secure effective competition. It was brought to their notice by the Comptroller and Auditor General that in this case for a work estimated to cost Rs. 14 lakhs the notice allowed to the intending tenderers to give their quotations was only 12 days. The Committee see little justification for this haste.
	43		(ii) The Committee find it difficult to accept the plea that with the issue and acceptance of the letter of intent, a legal commitment had been made. They feel that with the change of location of the Power Station and consequent reduction in the assumed length of piles the circumstances had materially changed and as such withdrawal of the letter of intent could be legally and morally justified. It is unfortunate that legal opinion was not obtained at that time, especially when the financial stakes on the basis of drastic reduction in the assumed length of piles were considerable. Again no disability attached to the Corporation for inviting fresh tenders for the work (1044 numbers of piles) not originally contracted for. The Committee are of opinion that as the work had become comparatively easy there was every likelihood of more firms coming forward for the same or the existing contractors reducing their rates had the Corporation cared to take such action.
11	45	DVC/All Ministries.	The Committee deplore the tendency to controvert facts stated in the Audit Report when they are examining the accounts and the Audit Reports and taking evidence. They would invite attention in this connection to the observations contained in para 37 of their First Report (First Lok Sabha) and para 6 (Introduction) of their 25th Report, Vol. I and stress that all explanations and factual data must be furnished to Audit within the time allowed for furnishing comments on the draft audit paragraph. If further facts come to notice later they should also be intimated to Audit for due verification and posting the Committee with up-to-date information at the time of examination by them.

1	2	3	4
12	48	DVC/All Ministries	The Committee regret that due regard was not shown by the officers of the Corporation to its directives in respect of bulking of indents. They desire that the Corporation should impress on the officers in charge of placing indents the need for observing the first and important canon of financial propriety, <i>vis.</i> , the same vigilance should be exercised by every public officer in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.
13	52	DVC . . .	The Committee feel that while working out the scheme for bonus and fixing the target date for the completion of work, all the relevant factors should have been taken into consideration.
14	56	Do. . . .	The Committee are not convinced by the explanations offered by the Corporation in this case. They feel that the purchase of the hulls long before they were actually required for use was not justified. They are concerned that the advice of the Financial Adviser against this purchase, which was given duly taking into account the opinion of technical officers, did not receive the attention it deserved. Further, the Committee find it difficult to understand why immediate steps were not taken by the Corporation to remove the boats from the Utsadanga Canal after these had been renovated, and to moor them at a place where demurrage charges would not have been payable. They also do not find any justification for the employment of the Serang and Lasker for the boat "Heron", when it was not put to any use.
15	61	Do. . . .	The Committee feel that the ambiguity regarding the application of price variation clause could have been avoided had the extension been granted to the firm on the explicit condition that the price variation clause would not apply in respect of supplies made after the due date. They will also like to be informed as to why no penalty could be imposed on the firm for not adhering to the date originally scheduled for completion of supplies.
16	63	Do./All Ministries	The Committee reiterate their earlier recommendation that save in exceptional circumstances no work of any kind should be commenced without the prior execution of the contract documents. They trust that this will be strictly followed in future.
17	65	DVC . . .	The Committee are not satisfied with the explanations in this case. They regret to



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1	2	3	4
18	68	DVC	<p>note that there had been considerable slackness on the part of various officials concerned who dealt with this matter resulting in avoidable loss to the Corporation.</p> <p>The Committee are of opinion that as the agreement by the Corporation with the consumers for the supply of power expressly provides that the defaulting consumers should pay a surcharge of one per cent per month from the due date of payment of the monthly bill for power supplied, the Corporation should in future strictly enforce the provisions of penalty for the non-payment of bills by due dates.</p>

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**LIST OF AUTHORISED AGENTS FOR THE SALE OF PARLIAMENTARY PUBLICATIONS OF THE LOK SABHA SECRETARIAT, NEW DELHI-1**

Agency No.	Name and address of the Agent	Agency No.	Name and address of the Agent	Agency No.	Name and address of the Agent
1.	Jain Book Agency, Connaught Place, New Delhi.	20.	The English Book Stores, 7-L, Connaught Circus, New Delhi.	38.	Allied Traders, Motia Park, Bhopal.
2.	Kitabistan, 17-A, Kamla Nehru Road, Allahabad.	21.	Rama Krishna & Sons, 16 B, Connaught Place, New Delhi.	39.	E.M. Gopalkrishna Kone (Shri Gopal Mahal), North Chitrai Street, Madura.
3.	British Book Depot, 84, Hazratganj, Lucknow.	22.	International Book House Private Ltd., 9, Ash Lane, Bombay.	40.	Friends Book House, M. U. Aligarh.
4.	Imperial Book Depot, 268, Main Street, Poona Camp.	23.	Lakshmi Book Store, 42, M. M. Queensway, New Delhi.	41.	Modern Book House, 286, Jawahar Ganj, Jabalpur.
5.	The Popular Book Depot (Regd.), Lamington Road, Bombay-7.	24.	The Kalpna Publishers, Trichinopoly-3.	42.	M. C. Sarkar & Sons (P) Ltd., 14 Bankim Chatterji Street, Calcutta-12.
6.	H. Venkataramaiah & Sons, Vidyanidhi Book Depot, New Statue Circle, Mysore.	25.	S. K. Brothers, 15A/65 W. E. A., Karol Bagh, New Delhi 5.	43.	People's Book House, B-2-829/1, Nizam Shahi Road, Hyderabad Dn.
7.	International Book House, Main Road, Trivandrum.	26.	The International Book Service, Deccan Gymkhana, Poona-4.	44.	W. Newman & Co. Ltd., 3, Old Court House Street, Calcutta.
8.	The Presidency Book Supplies, 8-C, Pycroft's Road, Triplicane, Madras-5.	27.	Bahri Brothers, 188, Lajpat Rai Market, Delhi-6.	45.	Thacker Spink & Co. (1938) Private Ltd., 3, Esplanade East, Calcutta 1.
9.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	28.	City Bookellers, Sohanganj Street, Delhi.	46.	Hindustan Diary Publishers, Market Street, Secunderabad.
10.	Book Centre, Opp. Patna College, Patna.	29.	The National Law House, Near Indore General Library, Indore.	47.	Laxmi Narain Aggarwal, Hospital Road, Agra.
11.	J. M. Jaina & Brothers, Mori Gate, Delhi-6.	30.	Charles Lambert & Co., 101, Mahatma Gandhi Road, Opp. Clock Tower, Fort, Bombay.	48.	Law Book Co., Sardar Patel Marg, Allahabad.
12.	The Cuttack Law Times Office, Cuttack-2.	31.	A. H. Wheeler & Co. (P) Ltd., 15, Elgin Road, Allahabad.	49.	D. B. Taraporevala & Sons Co. Private Ltd., 210, Dr. Naroji Road, Bombay-1.
13.	The New Book Depot, Connaught Place, New Delhi.	32.	M.S.R. Murthy & Co., Visakhapatnam.	50.	Chanderkant Chiman Lal Vora, Gandhi Road, Ahmedabad.
14.	The New Book Depot, 79, The Mall, Simla.	33.	The Loyal Book Depot, Chhipi Tank, Meerut.	51.	S. Krishnaswamy & Co. P.O. Teppakulam, Trichinapalli 1.
15.	The Central News Agency, 23/90, Connaught Circus, New Delhi.	34.	The Good Companion, Baroda.	52.	Hyderabad Book Depot, Abid Road, (Gun Foundry), Hyderabad.
16.	Lok Milap, District Court Road, Bhavnagar.	35.	University Publishers, Railway Road, Julundur City.	53.	M. Gulab Singh & Sons (P) Ltd., Press Area, Mathura Road, New Delhi.
17.	Reeves & Co., 29, Park Street, Calcutta-16.	36.	Students Stores, Raghunath Bazar, Jammu-Tawi.		
18.	The New Depot, Book Modi No. 3, Nagpur.	37.	Amar Kitab Ghar, Diagonal Road, Jamshedpur-1.		
19.	The Kashmir Book Shop, Residency Road, Srinagar, Kashmir.				

Agency No.	Name and Address of the Agent	Agency No.	Name and Address of the Agent.	Agency No.	Name and address of the Agent.
54.	C. V. Venkatachala Iyer, Near Railway Station, Chalakudi. (S. I.)	68.	Oxford Book & Stationery Co., Scindia House, Connaught Place, New Delhi.	81.	Mittal & Co, 85-C, New Mandi Muzaffar Nagar (U.P.)
55.	The Chin Jambaram Provision Stores, Chindambaram.	69.	Makkala Pustaka Press, Balamandira, Gandhinagar, Bangalore-9.	82.	Firma K. L. Mukhopad- yay, 6/1 A Banchharam Akrur Lane, Calcutta-12.
56.	K. M. Agarwal & Sons, Railway Book Stall, Udaipur (Rajasthan).	70.	Gandhi Samriti Trust, Bhavnagar.	83.	Freeland Publications (P) Ltd., 11A/16, Lajpat Nagar, New Delhi.
57.	The Swadesamitran Ltd., Mount Road, Madras-2.	71.	People's Book House, Opposite Jaganmohan Palace, Mysore-1.	84.	Goal Traders, 100-C, New Mandi, Muzaffar Nagar (U.P.)
58.	The Imperial Publishing Co. 3, Faiz Bazar, Daryaganj, Delhi-6.	72.	'JAGRITI' Bhagalpur-2, (BIHAR)	85.	Mehra Brothers, 50-G, Kalkaji, New Delhi-19.
59.	The High Commission of India Establishment Department Aldwych, London, W. C.-2.	73.	The New Book Company (P) Ltd., Kitab Mahal, 188-90, Dr. Dadabhai Naoroji Road, Bombay	86.	The Krishna Book Depot Publishers, Booksellers, Stationers & News Agents, Main Bazar, Pathankot, (E.P.)
60.	Current Book Stores, Maruti Lane, Raghunath Dada Street, Bombay-1.	74.	The English Book Depot, 78, Jhoke Road, Ferorepore Cantt.	87.	Dhanwantra Medical & Law Book House, 1522, Lajpat Rai Market, Delhi 6.
1.	International Consultants Corporation, 48C, Marredpally (East), Secunderabad (A.P.)	75.	Minerva Book Shop, 9, Jor Bagh Market, New Delhi-3.	88.	The United Book Agency 48, Amritkaur Market, Paharganj, New Delhi.
62.	K. G. Aservandam & Sons, Cloughpet, P. O. Ongoli, Guntur Distt. (Andhra).	76.	People's Publishing House, Rani Jhansi Road, New Delhi-1.	89.	Pervai's Book House, Book Sellers & News Agents Koppikar Road, Hubli.
63.	The New Order Book Co. Ellis Bridge, Ahmedabad.	77.	Shri N. Chaoba Singh, Newspaper Agent, Ram-lal Paul High School Annexe, Imphal, Manipur.	90.	B. S. Jain & Co., 71, Abupura, Muzaffarnagar (M.P.).
64.	The Triveni Publishers, Masulipatnam.	78.	Minerva Book Shop, The Mall, Simla-1.	91.	Swadeshi Vastu Bhandar, Booksellers, Jamnagar.
65.	Doxan Book Stall, Ferguson College Road, Poona-4.	79.	Universal Book Company 20, Mahatma Gandhi Marg, Allahabad.	92.	Bhogilal L. Fanna, Book-stall Contractor, Railway Junction, Rajkot.
66.	Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi 5.	80.	Madhya Pradesh Book Centre, 41 Ahiliya Pura, Indore City (M.P.)	93.	Sikh Publishing House (P) Ltd., 7-C, Connaught Place, New Delhi.

