

**PUBLIC ACCOUNTS COMMITTEE
(1966-67)**

SIXTY-SEVENTH REPORT

**[Appropriation Accounts, 1964-65 and Audit Report, 1966
relating to the Government of Kerala]**

Vol. III

**Implementation of Recommendations Contained in 47th Report—
Third Lok Sabha (1965-66)**



**LOK SABHA SECRETARIAT
NEW DELHI**

January, 1967
Paus, 1888 (Saka)

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**CORRIGENDA TO SIXTY-SEVENTH REPORT(VOL.III)
OF P.A.C., (1966-67)
(LAID ON THE TABLE OF FOURTH LOK SABHA ON 28.3.67)**

<u>Page</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
Cover page (iii)	After Footnote	Line 4 Insert Nvember	(Third Lok Sabha) November
2 Col. 4	19	circula	circular
8 Col. 4	3	India on for	Indi. for
10 Col. 4	1	under 10(i)	under para
	2	-do-	2.39 do-
Col. 3	4	<u>Delete</u> (At p.4)	
	8	exports	experts
	16	land farm	land for the farm
11 Col. 3	20	anextant	an extent
12 Col. 4	7-8	under Serial Number 15	under para No. 2.63
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13 Col. 3	5	is	It is
Col. 4	1-2	under Serial Number 15	under para No. 2.63
13	Against para No. 2.62 in Col. No. 4 insert " Please see remarks under para No. 2.63."		
21	37-39	<u>Delete</u> the words " should be requested to " <u>Add</u> " suggested by the Committee should be adopted and that the enquiry should be entered to the Vigilance Commissioner. I am, therefore, to request that the Vigilance Commissioner may be requested to "	
30	21	letter	later
33	11	Committee a 65-66	Committee 65-66
58	33	4.0	U.O.
62	8	offices	officers
82 Col. 2	1	P.L.D.	P.W.D.
118 Col. 4	27-28	Recommendation No. 139	Para No. 10.16
136	21	3,31,09	331.09
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140 185	36	criterian	criterion
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	31	fat	that
171	13	persued	perused
	15	preposing	proposing
173	2	persued	perused
179 Col. 4	5	wss	was

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PUBLIC ACCOUNTS COMMITTEE
(1966-67)

CHAIRMAN

Shri R. R. Morarka

MEMBERS

2. Sardar Buta Singh
3. Shri B. L. Chandak
4. Shri Ram Dhani Das
5. Shri Shivajirao S. Deshmukh
6. Shri Cherian J. Kappen
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9. Shri Man Sinh P. Patel
- *10. Shri G. Yallamanda Reddy
11. Shri Prakash Vir Shastri
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14. Shri Ku. Sivapraghassan
15. Shri U. M. Trivedi
16. Shrimati Devaki Gopidas
17. Shri P. K. Kumaran
18. Shri Om Mehta
19. Shri Gaure Murahari
20. Shri M. C. Shah
21. Shri B. K. P. Sinha
22. Col. B. H. Zaidi.

SECRETARIAT

Shri H. N. Trivedi—Deputy Secretary.

Shri R. M. Bhargava—Under Secretary.

*Resigned his seat in Lok Sabha with effect from the afternoon of 29th November, 1966

**NOTES STATEMENTS SHOWING ACTION TAKEN OR PROPOSED TO BE TAKEN ON THE OUTSTANDING
RECOMMENDATIONS OF THE PUBLIC ACCOUNTS COMMITTEE (1965-66—47th) REPORT**

HOME DEPARTMENT

Reference para No. of the report.	Ministry/Dept. concerned.	Particulars of the recommendation.	Remarks of the Department
1.7	Finance/Home Dept.	<p>The Committee learn from Audit that para 53 of the Travancore-Cochin Budget Manual relates to modifications to the budget estimates for the subsequent year. Paras 78-80 of the Budget Manual provide for provision of funds by re-appropriation while paras 84-85 <i>ibid</i> allow taking of supplementary demand to cover additional expenditure. The Committee are therefore unable to accept the argument for not submitting proposals for supplementary Demand.</p>	<p>An excess expenditure of Rs. 7331 was incurred during 1963-64 under "22 Jails (a) Jails (i) Superintendence" under grant No. XII Jails. This was reported in the Appropriation Accounts for 1963-64.</p> <p>The excess occurred mainly under the following Sub heads:— Pay of officers+2013 Pay of Establishment+2061 Contingencies+3128.</p>
1.8	Do.	<p>Nor do the Committee appreciate the contention of the Dept. that one of the</p>	<p>The excess expenditure under "Pay of Officers" and "Pay of establish-</p>

reasons for allowing the excess to remain uncovered can be attributed to the fact of non-furnishing of reasons for variations for amounts less than 10% or Rs. 10,000/- whichever is less in the Appropriation Accounts.

ment" mainly occurred on account of the pay of leave Salary to the substitutes posted. Further the expenditure comes under the category of inevitable payments which may not be postponed for want of funds in the provision.

The expenditure under "contin-
gencies" amounting to Rs. 3,128/- incurred excessively during the year was due to the increase in expenditure of office expenses like telephone charges, electric charges etc. and the adjustment of invoices for supplies of furniture and office equipment which could not be postponed. The direction will be noted for future guidance.

1.9 Finance Department The Committee would like the various Departments to point out such misclassifications to Audit immediately after they came to notice, for rectification.

1.11 Finance (Government of Kerala). From the note furnished, the Committee find that the amounts in satisfaction of court decrees were drawn in the months of October and November, 1963. Since there was sufficient time after the drawal

A circular Memorandum issued implementing these recommendations is appended (Annexure I).

of the amounts, the Committee do not understand why Supplementary Demands could not be obtained during the financial year to cover this expenditure.

I·12

Do.

The Committee find that excesses occurred in several cases due to laxity of financial control and loose budgeting. The Committee feel, therefore, that a greater degree of financial control and accuracy in budgeting are called for in order to minimise cases of excesses. The Departments which have incurred expenditure in excess of the grants for two consecutive years need special attention.

ANNEXURE I
GOVERNMENT OF KERALA

No. 49/66/Fin.

Finance Department
Trivandrum, Dated 21-6-1966.

CIRCULAR MEMORANDUM

SUB:—Public Accounts Committee (1965-66)—Forty Seventh Report (Lok Sabha)—Paragraph 1.9, 1.11, 1.12, 1.13, 11.28 and 11.37 Necessary for accurate budgeting and control of expenditure to avoid excess of expenditure over voted Grants/lapse of funds—Instructions issued.

Attention of the Heads of Departments is invited to the following paragraphs of the Report of the Public Accounts Committee:—

2. *Paragraph 1.9 of the Report.*—After examining the notes furnished by the Departments on the excesses over Grants disclosed in the Appropriation Accounts, the Public Accounts Committee has observed that the departments should point out misclassifications to Audit immediately as they come to notice, for rectification. If reconciliation of accounts is made promptly no question of misclassification would arise at all at a later stage.

3. Government wish to impress upon all departmental controlling officers that misclassifications, if any, should be located and pointed out promptly to Audit at least at the time the Accountant General communicates to them the [fixation of Grants] under each group head, after the close of financial year, if not earlier. (See correction as per circular dt. 6-8-1966 enclosed).

4. *Paragraph 1.11.*—The Public Accounts Committee has pointed out a case in which amounts in satisfaction of a Court decree which were drawn in the months of October and November, 1963 were left uncovered by necessary provision of funds which resulted in excess over 'Charged' appropriation under the Grant. Since there was sufficient time after the drawal of the amounts, a Supplementary Demand could have been moved for during the financial year to cover the expenditure. Heads of Departments and Offices should ensure that such lapses do not recur. Their attention is also invited to the Circular Memorandum No. 20700/BG2/66/Fin. dated 7-4-1966.

5. *Paragraph 1.12.*—The Committee has observed that a greater degree of financial control and accuracy in budgeting are called for in order to minimise cases of excesses. In the light of the observations of the Public Accounts Committee, the Departments of the Secretariat and Heads of Departments are requested to ensure that budget estimates are so prepared as to secure the closest approximation to the actuals and to closely watch the monthly flow of expenditure in order to regulate the over-all expenditure in accordance with the budget provision. To this end instructions issued by the Finance Department from time to time should be scrupulously followed. Attention of the Heads of Departments and offices is also invited to instructions issued in this regard in Circular No. 69/65/Fin. dated 19-10-1965. Under the following Grants, expenditure had been incurred in excess over the Grants/Appropriations for two consecutive years (1962-63 and 1963-64).

1. I Agricultural Income Tax and Sales Tax.
2. III Excise.
3. Debt charges.
4. XII Jails.
5. XXI Public Health Engineering.
6. XXXVI Capital Outlay on Irrigation (in 1963-64 the Demand No. is XLVI).

The Chief Controlling Officers in respect of the above Grants should bestow special attention to ensure that such excesses do not recur in future.

6. *Paragraph 11.28 & 37.*—In regard to the savings which occurred under different Grants, the Public Accounts Committee has stated that, since large savings are indicative of loose budgeting, the Administrative Departments should endeavour to frame their estimates more realistically and with a greater degree of precision. Supplementary Grants which cannot be utilised should be totally avoided. In the opinion of the Public Accounts Committee there is scope for improvement in budgeting and control of expenditure. Apart from the rules and procedures prescribed in the Budget Manual, Government have been issuing instructions time and again regarding accurate budgeting, control of expenditure and timely surrender of savings. The Finance Department is much handicapped in this matter owing to lack of adequate care and co-operation from the Heads of Departments and Administrative Departments. The Heads of Departments and Administrative Departments, of the

Secretariat are requested to ensure that budget estimates are hereafter prepared more realistically and with a greater degree of precision and, to this end, the instructions issued by the Finance Department each year at the time of preparation of the Budget are scrupulously followed. The annual conference of Heads of Departments and other controlling officers may be availed of for discussion or elucidation of the difficulties encountered by them.

7. The Public Accounts Committee has also recommended that the practice of obtaining only token grants, where inescapably there is likelihood of delay in the implementation of a scheme should be resorted to wherever feasible. This procedure is invariably mentioned in the instructions issued by the Finance Department regarding the preparation of budget. Heads of Departments and other controlling officers are once again requested to follow the instructions issued in this regard.

V. RAMACHANDRAN,
Additional Secretary.

To

All Heads of Departments and Offices.

All Departments and Sections of Secretariat.

The Secretary, Public Service Commission (with C.L.).

The Secretary, Vigilance Commission (with C.L.).

The Registrar, University of Kerala (with C.L.).

The Registrar, University of Kerala (with C.L.).

All Secretaries, Additional Secretaries, Joint Secretaries, Deputy Secretaries and Assistant Secretaries to Government.

The Secretary to Governor.

The Private Secretaries to Advisers.

The Stenographer to Chief Secretary.

Forwarded/By Order,
Sd./-
Superintendent.

GOVERNMENT OF KERALA

CIRCULAR

SUB:—Public Accounts Committee (1965-65) Forty-seventh Report (Lok Sabha) paragraphs 1.9, 1.11, 1.12, 1.13, 11.28 and 11.37—Necessity for accurate budgeting and control of expenditure to avoid excess of expenditure over voted grants/lapse of funds—Instructions issued—Erratum for.

REF:—Circular No. 49/66/Fin. dated 21-5-1966.

The Words "Skeleton Appropriation Accounts" may be substituted for "fixation of grants" occurring in para 3 of the Circular referred to.

By Order of the Governor
K. V. THOMAS
Deputy Secretary.

FINANCE DEPARTMENT

No. 41313/BG3/66/Fin.

Dated, Trivandrum 6th August 1966

Forwarded to:—

All Heads of Departments and Offices

The Registrar of the High Court (with C.L.)

The Registrar, University of Kerala (with C.L.)

The Secretary, Public Service Commission (with C.L.)

The Secretary to Governor.

The Private Secretaries to Advisers

The Stenographer to Chief Secretary.

All Secretaries, Addl. Secretaries, Jt. Secretaries, Dy. Secretaries
and Asst. Secretaries to Government.

All Departments of the Secretariat.

By Order
Superintendent.

1-13

Finance (Government of India).

Finance (Government of Kerala).

Subject to these observations, the Committee recommend that the excesses disclosed in the Appropriation Accounts, 1962-63 and 1963-64 be regularised by Parliament in the manner prescribed in the Constitution.

Necessary statements of demands relating to the excesses have been forwarded to the Government of India on for presentation to Parliament in the current session.

2-17

Agriculture Department (Government of Kerala).

An unhappy feature of this case is that although the requirements were estimated at 13,908 tons of bonemeal, and funds for subsidy were available for 6,000 tons, yet instead of attempting to purchase 6,000 tons, this quantity was split up into two lots and tenders were invited for 4,000 tons only at the beginning. The arguments advanced for doing so, that there was paucity of funds and there was scarcity of bonemeal in the market and that if all the requirements were put together in the tender the prices would have gone up, are not convincing. For, funds for the entire amount of 6,000 tons were available and the entire quantity was actually purchased, though in different lots, and prices paid for the second lot of 2,000 tons were much higher than the prices paid for the first lot of 4,000 tons. In the opinion of the Committee the

Instructions have been issued to the Director of Agriculture to guard against such cases in future-wide Government letter No. 39729/Ag. 2/66 dated 9-8-1966-Copy enclosed (Annexure I).

fruitless and prolonged efforts of the Department to procure 2,000 tons of bonemeal through negotiations instead of through proper tender, were hardly justified. In these circumstances, the Committee are unable to find proper justification for not purchasing all the 6,000 tons of bonemeal in one lot which resulted in an extra expenditure of Rs. 22,740/- which was avoidable. The Committee would, therefore, desire the Departments to guard against such cases which result in unnecessary expenditure to the Exchequer.

2-28

Do.

While the Committee appreciate that a Research Project of this nature does take time to mature, they feel that the time taken in this case was excessive. This was partly due to the subsequent decision to abandon the old site of the farm. The Committee also feel that if the delay of four years in abandoning the old site of the farm had been avoided, a substantial part of the expenditure of about Rs. 1.45 lakhs incurred on the old site could have been avoided.

2-29

Do.

The Committee hope that there would not be any undue delay in starting the actual research work at the new site of the Koothali Farm.

Necessary instructions have been issued to the Director of Agriculture to avoid such undue delay in future and also to start research work at the Koothali Farm very urgently. The Director of Agriculture has however reported to Government that before actual research work is started, the crops would need about 2-3 years to come up. Government have prescribed a periodical report to watch the details of work done in the Farm-*Vide* letter No. 40345/Ag. B1/66/Agri. dated 9-8-1966/ Copy enclosed (Annexure II).

Please see remarks under 10 (i).

The Committee feel perturbed over the revelations made in this case. The Committee find from the copy of the D. O. letter No. 1457/66/AD (At p. 4) dated 15-2-1960 from the Secretary, Agriculture Department to the Director of Agriculture furnished at their instance that the report of the exports dated the 17-3-1958 clearly showed that the land was unfit for the purpose of starting the Research Farm. The Secretary has also pointed out that the inspection of the site by the then Director of Agriculture was not exhaustive. The Committee are surprised that in spite of this the land farm was acquired in July, 1958 and May, 1959 at a cost of Rs. 2.33 lakhs after the technical opinion was overruled in 1958 at the Minister's level.

2.37 Agriculture Department (Government of Kerala).

Please see remarks under 10 (i).

In the same letter it has also been revealed that the Director of Agriculture had pointed out that the lands that were being acquired were not exactly the lands that he had seen before and that some of the good lands which had been shown to him and which have been very useful for the Research Station, were not included in the acquisition. The result is that out of 91.50 acres of land acquired, only 62.75 acres have since been utilised for

2.38 Agriculture Department (Government of Kerala).

exploratory trials and an expenditure of Rs. 2,84,543 has already been incurred, excluding land acquisition charges.

2 39 Do.

The Committee desire that a thorough investigation should be made in this case in order to find out (i) why the acquisition was under these circumstances and also (ii) who influenced the acquisition of this land. The Committee desire that responsibility should be fixed for this transaction which appears to be a product of unhealthy influence.

2 42 Agriculture Department (Government of Kerala).

In the opinion of the Committee, if most of the buildings were huts which could not be put to any use, no extra amount should have been spent in acquiring them along with the land.

2 48 Agriculture Department

Finance Department
(Government of Kerala).

It passes the comprehension of the Committee, how the affairs of the Co-operative Society deteriorated to such an extent within a short period when an official was the President of the Society and another a member. It indicates that these two officials were negligent of their duties and responsibilities and had not cared

It was considered that an enquiry as suggested by the Public Accounts Committee should be conducted. The enquiry will be conducted by the Vigilance Commission—Copy of letter to the Vigilance Commission is attached (Annexure III).

The criterion for awarding compensation for buildings in acquisition proceedings is not whether they could be put to any use by Government, but the loss incurred by the party. As such it would not have been possible to deny compensation for these huts.—Extract of the land Acquisition Act 1961 attached (Annexure IV).

General instructions have been issued to the Registrar of Co-operative Societies as suggested by the Public Accounts Committee. The Chief Engineer and Registrar of Co-operative Societies have also been requested to take action against the officials who where negligent

to safeguard the interests of the Government. The Committee would like the Government to take due notice of these lapses. They should also issue general instructions that when Government officials are the Office Bearers of any Societies, they should, *inter alia*, safeguard the financial interests of the Government, in any dealings of such societies.

in the case, if warranted—*vide* Government letter No. 39581/CA/66 dated 6-8-1966 (Annexure V).

Finance Department Circular dated 2-9-1966 is also attached (Annexure VI).

2.59 Finance Home Affairs

Agriculture & Home
Deptt. (Govt. of
Kerala).

The Committee feel unhappy to note that there was lack of co-ordination amongst various authorities, Civil and Defence, as a result of which the jungle area falling within the danger zone of the firing range was cleared and allotted for rubber plantation to individuals.

2.60 Do.

It is surprising that there was "No gazette Notification informing the public of the existence of the range of the Danger Zone behind it" (*vide* Minutes of meeting held on 3-7-1962 in the room of the Chief Secretary to the Government of Kerala). The Committee would desire that in all cases where firing ranges exist, it should invariably be the responsibility of the authorities concerned to notify the Public about the firing range and the danger

Necessary instructions have been issued to the concerned authorities as recommended—*vide* letter No. 42683/BI/66/P&M dated 5-7-1966 and No. 65534/BI/66/P&M dated 17-8-1966 (Annexure VII & VIII).

Finance Department Circular dated 2-9-1966 is also attached (Annexure IX).

zone. Apart from that, special efforts should be made to bring this fact to the notice of the local inhabitants, more so if the range is surrounded by jungle area.

2-61 Agriculture Department (Government of Kerala).

is needless to say that the Department of Agriculture are not also free from blame in this case. It transpired at the meeting held on 3-7-1962 in the room of the Chief Secretary to Government of Kerala, that even in 1960 when clearance of the forest area was taken up by the Director of Rubber Plantations, there were complaints that firing prevented the contractors from utilising all the time available. But all the action taken at that time was to come to an understanding with Army Authorities to clearly specify the periods during which the target practice took place in order to facilitate the clearing of the forest growth during the clear period.

Please see remarks under Serial Number 15.

2-62 Do.

It is clear therefore that the Department had knowledge of the danger involved even in 1960, and in spite of this, they went ahead with the work of clearance of forest and allotment of land for cultivation. This action, which is inexplicable, has resulted in Government's getting involved in paying compensation of Rs. 42,875/- which was totally avoidable.

*2.63 Agriculture Department (Government of Kerala).

The Committee are also surprised that even in 1961 the individuals were not told not to incur further expenditure on the land, when it was officially known that the area came under the danger zone. The Committee hope that such lapses would be avoided in future.

The recommendation is noted. Necessary instructions have been issued to the Chief Conservator of Forests and the Director of Agriculture to avoid such lapses in future—*vide* letter No. 40187/P5/66 dated 10-8-1966—Copy Enclosed (Annexure X).

ANNEXURE I

GOVERNMENT OF KERALA

No. 39729/Ag. 2/66/Agri.

Agriculture & Rural Development,

Department (Agriculture)

Trivandrum: 9th August 1966.

From

The Secretary to Government.

To

The Director of Agriculture.

Sir,

SUB:—*Central Public Accounts Committee 1965-66 Recommendations and conclusions regarding purchase of bonemeal by the Agriculture Department in 1958-59—Implementation—Instructions—issued.*

During 1958-59 based on the report of the subordinate officers, the Department of Agriculture assessed the requirement of bonemeal for distribution at subsidised rates to the ryots as 13,000 tonnes. But provision for subsidy was available only for 6,000 tonnes. This quantity of bonemeal was purchased by the Department in two lots, by inviting tenders, one for 4,000 tonnes and the other for 2,000 tonnes. The purchase of 2,000 tonnes made according to the second tender was costlier than the first lot. The additional cost on 2,000 tonnes was Rs. 22,740.

The Public Accounts Committee 1965-66 in its report has observed that there was no necessity to split the purchase of 6,000 tonnes of bonemeal which had resulted in an extra expenditure of Rs. 22,740. The Committee has also desired that the Department should guard against such cases which result in extra expenditure to Government.

I am directed to invite your attention to the above observation of the Committee. Government would like to impress upon you the necessity for avoiding such cases in future. Negligence on the

part of the officers in this regard will be viewed very seriously and stringent action will be taken against the officers responsible.

Yours faithfully,

J. J. PRASEEDAM

for Secretary to Government.

Copy to Finance Department.

Copy to Agriculture (Planning) Section (4 copies).

Copy to the Accountant General.

Forwarded/by order,

Sd/-

Superintendent.

ANNEXURE II
GOVERNMENT OF KERALA
Agriculture & Rural Development Department
(Agriculture-Agri. Estt.)

No. 40345/Ag.E1/66/Agri.

Dated: Trivandrum, 9-8-1966.

From

The Secretary to Government.

To

The Director of Agriculture.

Sir,

SUB:—Public Accounts Committee (1965-66)—Forty-seventh Report (Lok Sabha)—Paragraphs 2.28, 2.29 and conclusions 8(i) and 8(ii)—Follow up action.

REF:—Your D.O. No. TC 1.38146/66, dated 6-8-1966.

I am directed to invite your attention to paragraphs 2.27 and 2.28 of the Forty-seventh Report (Third Lok Sabha) of the Public Accounts Committee 1965-66 and Conclusions Nos. 8(i) and 8(ii) of the Committee. In the establishment of the Koothali Farm a sum of Rs. 1,43,371 was spent up to May 1959 when a decision to abandon the site was taken and from May 1959 upto 31-1-1963 (the new site was taken possession only on 26-3-1963) out of Rs. 1.45 lakhs spent for the old site only Rs. 61,684 was spent for cultivation purposes and no further expenditure was incurred on the abandoned site after 31st March, 1963. While the Public Accounts Committee in its report has appreciated that research projects of this nature does take time to mature, the Committee has recorded in the report that the time taken in this case is excessive. The Committee has also recorded its opinion that if the delay of four years in abandoning the old site of the farm had been avoided a substantial part of the expenditure of about 1.45 lakhs incurred on the old site could have been avoided. The Committee has also recorded that there would not be any undue delay in starting the actual research work at the new site of the Koothali Farm.

2. Government observe that while there might be convincing reasons for the procedural and other delays involved in selecting and fixing up of a new site for the Koothali Farm, it was unfortunate that the delay in this case of 4 years has resulted in the avoidable expenditure of or substantial portion of Rs. 1.45 lakhs in the old site. It has therefore become imperative that there should be no delay at least in future for starting the actual *research work* in the farm which was the primary purpose for which such large sums were spent and a new site acquired. However, it is seen from your report cited that an area of 31.17 hectares in the farm have been cultivated with perennial crops and about 2.03 hectares have been set apart for planting Cinnamon and that before actual research work is started the crops would need about 2 to 3 years to come up. It is also seen from your report that a programme of research has been drawn up for implementation and that during the last 2 years trials on Pineapple, Hybrid Maize, Tapioca, vegetables, Banana and Green manure crops also have been taken up in the form of intercrops.

3. In view of the abnormal delay involved even in the initial selection and fixing up of the site itself, Government feel that the progress in the building up of research work at the station is far from satisfactory. You must realise that on a site on which Government have spent such huge sums for acquisition etc. only with the objective of establishing a Research Station at the place and to tackle local problems there are no excuses for prolonging the achievement of that objective. I would again emphasise that the need to see that a useful programme of research is envisaged at the Station within a very short period is imperative and I may make it clear to you that you hardly justify your position unless you take into consideration seriously the expenditure being incurred on the station and the results and objective you are expected to achieve.

4. I am therefore to request you to watch and speed up the progress of research work in the station and send up to Government details of research works undertaken and the details of results achieved every three months. The progress report for the next three months ending 31-10-1966 should be sent to Government before 19-11-1966. I may add that this is not a matter to be taken lightly or as a routine and if the progress is unsatisfactory you will be held responsible and liable for the entire expenditure incurred on the farm so far and Government will not hesitate to ask you to make good the amount.

Please acknowledge receipt of this letter by return.

Yours faithfully,

Sd/-

(L. ANANDAVALLI AMMA)

for Secretary to Government.

Copy to:

(1) The Accountant General, Kerala.

(2) The Finance Department.

(3) The Agriculture (Planning) Dept. (4 copies).

Sd/-

(L. ANANDAVALLI AMMA)

for Secretary to Government.

. ANNEXURE III
GOVERNMENT OF KERALA
Agricultural & Rural Development Department
(Agriculture : Agri-Estt.)

No. 41479/Ag.E1/66/Agri.

Dated: Trivandrum, 22nd August, 1966.

From

The Secretary to Government.

To

**The Secretary,
Vigilance Commission,
Trivandrum.**

Sir,

**SUB:—Acquisition of land for the Agricultural Research Station,
Kozha, Kottayam District Enquiry regarding.**

I am directed to state as follows:—

2. Under the Second Five Year Plan scheme for the establishment of two 100 acre Agricultural Research Farms the State Government sanctioned on 4th March 1958 the acquisition of 100 acres of land and buildings at Kozha in Kottayam District for establishing one of the two farms. There was some controversy over the selection and acquisition of this site at that time, but Government finally decided to go ahead with the acquisition.

3. In August, 1964, the Accountant General brought to notice of Government the draft of a para regarding the Farm at Kozha which he had proposed for inclusion in the Audit Report. The draft para contained comments on the following points viz.,

(i) that no research has been conducted till May, 1964 and that the purpose for which the Kozha Farm was started had not been achieved, and

(ii) in February, 1960 the Director of Agriculture reported to Government that an area of 91.60 acres acquired in July.

1958 and May, 1959 at a cost of Rs. 2.33 lakhs was not fit for establishing the Research station and that the Department should not have taken possession of the site despite the findings of the experts.

After verifying the draft para, the Accountant General was given a reply on the following lines:—

4. The Research station at Kozha was started from scratch and so it had to build up the requisite variety of live plant material by raising perennial crop of known parentage for starting research work. Accordingly, fruit plants were planted systematically and a sound foundation been laid for starting research on all crops other than paddy. A technical programme of research, had been formulated for implementation and the performance and cultural studies of fruit plants and other crops had been started. A research scheme on oilpalm financed by the Indian Central Oilseeds Committee was also in existence there. As regards the suitability of the site, about which a reference was made in the draft para, the Accountant General was informed that from experience the station has been found to be suitable for establishing the research station and that the crops planted there are thriving well. It was also pointed out that there was controversy over the suitability of the site at some stage, but subsequent development of the site into a good station of the Agriculture Department had overcome this controversy.

5. The Accountant General, however, included the para in the Audit Report 1965 and the Central Public Accounts Committee, after examining the report during their sittings held at Trivandrum from 27th October to 1st November 1965, have recommended that a thorough investigation should be made in this case in order to find out—

- (i) why acquisition was made under these circumstances and also
- (ii) who influenced the acquisition of this land.

The Committee also recommended that responsibility should be fixed for this transaction which appeared to them to be a product of unhealthy influence.

6. Having considered the above recommendations of the Public Accounts Committee Government have decided that an enquiry as should be entrusted to the Vigilance Commissioner. I am, there-suggested by the Committee should be adopted and that the enquiry fore, to request that the Vigilance Commissioner may be requested to.

conduct an enquiry in this case and his findings reported to Government.

7. I am also to forward herewith the following original files of Government connected with the case:—

- (1) Govt. Memo No. 1467/65/AD/AGP4/dt. 29-1-59 174 pp. c.f.
- (2) G.O. MS. 197/Agri. dated 4-3-58. 30 pp. c.f.
- (3) G.O.MS. 255/Agri. dated 14-3-58. 30 pp. c.f.
- (4) D.O.No. 45343/Ag.E1 /64, dated 18-2-65. 96 pp. c.f.
- (5) G.O. RT. 1419/Agri. dated 13-10-60. 206 pp. c.f.

Yours faithfully,

Sd/-

for Secretary to Government.

✓Copy to the Agriculture (Planning) Department (4 copies).

Forwarded/By Order,

Sd/-

Superintendent.

ANNEXURE VI

EXTRACT OF CLAUSE 25 OF KERALA LAND ACQUISITION ACT, 1961 (ACT 21 OF 1962).

Matters to be considered in determining compensation—

(1) In determining the amount of compensation to be awarded for land acquired under this Act, the Court shall take into consideration:—

First, the market value of the land at the date of the publication of the Notification under Sub-section (1) of Section 3.

Secondly, the damage sustained by the person interested, by reason of the taking of any standing crops or trees which may be on the land at the time of the Collector's taking possession thereof.

Thirdly, the damage, if any, sustained by the person interested at the time of the Collector's taking possession of the land, by reason of severing such land from his other land.

Fourthly, the damage, if any, sustained by the person interested, at the time of the Collector's taking possession of the land, by reason of the acquisition injuriously affecting his other property, movable or immovable, in any other manner, or his earnings.

Fifthly, if, in consequence of the acquisition of the land by the Collector, the person interested is compelled to change his residence or place of business, the reasonable expenses, if any, incidental to such change; and

Sixthly, the damage, if any, bona fide resulting from diminution of the profits of the land between the time of the publication of the declaration under section 6 and the time of the Collector's taking possession of the land.

(2) In addition to the market value of the land as above provided, the Court shall in every case award a sum of Rs. 15 per centum on such market value in considerations of the compulsory nature of the acquisition.

(True Extract)

Sd./-
Superintendent.

ANNEXURE V

GOVERNMENT OF KERALA

AGRICULTURE AND RURAL DEVELOPMENT DEPARTMENT

(Agriculture Cooperation)

No. 39581/C4/66/AD.

Dated: Trivandrum, 6-6-1966.

From

The Secretary to Government.

To

The Registrar of Co-operative Societies/

The Chief Engineer (Buildings & Roads).

Sir,

SUB:—Public Accounts Committee (1965-66) 47th Report (Lok Sabha) Recommendation No. 12—Further action regarding.

I am directed to invite your attention to Paras 2.43 to 2.48 of the Public Accounts Committee Report cited. It has been stated therein that the work of providing wire fencing to the farm at Kozha was entrusted to a labour contract society in March, 1959 at an estimated cost of Rs. 16,538 and that as the Society abandoned the work after executing a small portion of it, the remaining part of the work was entrusted to another contractor at higher rates in December 1959, after inviting fresh tenders. A loss of Rs. 13,582 was incurred in the process and the same could not be realised as the assets of the Society were only Rs. 28. On 30th June, 1959 there were 729 members in the Society with a paid up share capital of Rs. 780. The Block Development Officer, Uzhavoor was the Ex-officio President and the Junior Engineer, Kuravilangad was the Ex-officio Member of the Cooperative Society. The Committee has stated that it passes the comprehension of the Committee, how the affairs of the Co-operative Society deteriorated to such an extent within a short period when an official was the President of the Society and another a Member and that it indicates that these two officials were negligent of their duties and responsibilities and had not cared to safeguard the interests of the Government.

I am directed to request you to ensure that when Government officials are the office-bearers of any society, they should, *inter alia*, take particular care to safeguard the financial interests of the Government, in any dealings of such Societies. Recurrence of instances as mentioned by the Public Accounts Committee will be viewed seriously and the officers concerned will be held responsible for the loss sustained by Government.

I am also directed to request you to take suitable action against the officers concerned in the present instance, if warranted.

Yours faithfully,

Sd/-

(P. V. BALAKRISHNAN)

for Secretary to Government.

Copy to:

The Accountant General, Kerala.

The Finance Department.

The Agriculture (Planning) Dept.

Sd. /-

Superintendent.

ANNEXURE VI

GOVERNMENT OF KERALA

No. 80/66/BG3/Fin.

**Finance Department,
Trivandrum,**

Dated: 2-9-1966.

CIRCULAR MEMORANDUM

SUB:—Public Accounts Committee (1965-66)—Forty Seventh Report (Third Lok Sabha)—Paragraph 2.48—Necessity for safeguarding the financial interests of the Government by Government officials who are office-bearers of Societies—Instructions issued.

The work of providing wire fencing to the farm at Kozha was entrusted to a labour contract society in March 1959 at an estimated cost of Rs. 16,538. As the society abandoned the work after executing a small portion of it the remaining part of the work was entrusted to another contractor at higher rates after inviting fresh tenders. A loss of Rs. 13,582 was incurred in the process. The Registrar of Co-operative Societies reported that the assets of the Society were only Rs. 28 and so the loss could not be recovered. As on 30th June, 1959 there were 729 members on the Society with a paid up capital of Rs. 780. The Block Development Officer, Uzhavoor, was the Ex-officio President and the Junior Engineer, Kuravalangad, was the Ex-officio Member of the Society.

The Public Accounts Committee have observed that it is beyond their comprehension how the affairs of the Co-operative Society deteriorated to such an extent within a short period when an official was the President of the Society and another, a member. It indicates that these two officials were negligent of their duties and responsibilities and had not cared to safeguard the interest of the Government. The Committee have recommended that, when Government officials are the office bearers of any Societies, they should, *inter alia*, safeguard the financial interests of the government in any dealings of such Societies.

When Government officials are among the office bearers of a Society it is their primary duty to safeguard the interests of Government. The two officers in this case should have been more care-

ful and vigilant regarding the interests of Government. The Government would like to impress upon all concerned that when Government officials are office bearers of any Society it is their duty to safeguard the interests of Government and to bring to the notice of the Government if anything wrong is apprehended in the affairs of the Society. Negligence on the part of any officer shall be viewed very seriously by Government.

R. GOPALASWAMY,
Finance Secretary.

To

The Accountant General, Kerala, Trivandrum.
All Heads of Departments and Offices.
The Registrar of High Court (with C.L.).
The Secretary, Kerala Public Service Commission (with C.L.).
The Registrar, University of Kerala (with C.L.).
The Secretary, Vigilance Commission (with C.L.).
The Secretary to the Governor.
The Secretary, Kerala State Electricity Board (with C.L.).
The General Manager, Kerala State Road Transport Corporation.
The Secretaries, Additional Secretaries, Joint Secretaries, Deputy Secretaries and Assistant Secretaries to Government.
The Departments and Sections of the Secretariat.
The Stenographer to Chief Secretary.
The Private Secretaries to the Advisers.
The Superintendent of Government Presses.

Forwarded/By Order

Sd/-
Superintendent.

ANNEXURE VII

GOVERNMENT OF KERALA

No. 42683/B1/66/P&M

Public (Political & Military B) Dept.

Trivandrum, Dated: 5-7-1966.

From

The Secretary to Government.

To

**The Station Staff Officer,
Station Staff Office,
Trivandrum-6.**

Sir,

**SUB:—Firing practices in Mookkunnimala—Recommendation
of the Public Accounts Committee—1965-66—regarding.**

REF:—Your letter No. 200/4/G dated 26-10-1961.

I am directed to invite a reference to the letter cited wherein you have stated that though the Mukkunnimala rifle range is a Defence Department property, the range is utilised not only by Army Personnel and N.C.C. Cadets but also by the State Police Forces. In June 1961, Government allotted free of cost 77 acres of land adjacent to the above rifle range under the scheme for the development of rubber plantations; but as the area thus allotted was within the danger zone of the rifle range, in 1962 the allotted land were resumed by Government on payment of compensation towards value of improvements already affected therein.

2. The Public Accounts Committee which considered the matter, has suggested *inter alia* that in all cases where firing practice is done, the authorities concerned may notify the public about the firing range and the danger zone so that the matter can be brought to the notice of the local inhabitants, especially when the range is surrounded by jungle area.

3. I am therefore to request you to notify for the information of the public about the firing range and the danger zone, whenever firing practice is done by the Army.

Yours faithfully.

Sd/-

(T. S. RAMAKRISHNAN)

for Secretary.

Copies to the Home and the Education Departments. They may take action to notify the Public about the firing range, and the danger zone whenever firing practice is done by the State Police and the N.C.C.

Sd./-

Superintendent.

ANNEXURE VIII

GOVERNMENT OF KERALA

No. 65534/B1/66/P&M.

**Public (Political & Military B)
Department.**

Trivandrum, Dated: 17-8-1966..

From

The Secretary to Government.

To

**The Station Director,
Station Staff Office,
Trivandrum-6.**

Sir,

**SUB:—Public Accounts Committee 1965-66—Recommendations—
Firing practice in Mookkunnimala—Regarding.**

**REF:—letter No. 42683/B1/66/P&M dated 5-7-1966. Your letter
No. 200/4/G dated 26-10-1961.**

I am directed to invite a reference to my letter cited and to request you to treat the words 'free of cost' occurring in the 2nd sentence of the letter as cancelled, since the Agriculture and Rural Development Department has since clarified that the land was first leased out to the allottee and letter on assigned in his favour on payment of land value.

Yours faithfully,

Sd/-

(T. S. RAMAKRISHNAN)

for Secretary.

**Copy to the Agriculture and Rural Development Department (Vide
their U.O. Note No. 39731/P5/66/AD dated 8-8-1966.**

Copy to Home Department.

Copy to the Education Department.

Sd./-

Superintendent.

ANNEXURE IX

GOVERNMENT OF KERALA

No. 81/BG. 3/66/Fin.

Finance Department,

Trivandrum, Dated: 2-9-1966.

CIRCULAR MEMORANDUM

SUB:—Public Accounts Committee (1965-66) Forty-seventh Report (Third Lok Sabha) paragraph 2.59—2.60—Necessity to notify the public about the firing range and the damages zone—instructions issued.

In June 1961 Government allotted .77 acres of land to .22 persons under the scheme for the development of rubber cultivation in Mukkunnimala, Quilon District. The entire area was within the firing range of the Defence Department (established in 1937). But this was brought to the notice of Government only in September 1961, when the actual firing practice started. The lands allotted were resumed in July 1962 and fresh land was allotted free of cost to the persons at a different site. The resumption of the land involved the payment of Rs. 42,875 as compensation towards the value of improvements already effected therein.

The Public Accounts Committee has observed that it is unhappy to note that there was lack of co-ordination amongst various authorities Civil and Defence, as a result of which the jungle area falling within the danger zone of the firing range was mistakenly cleared and allotted for rubber plantation to individuals. The Committee has recommended that, in all cases where firing ranges exist it should invariably be the responsibility of the authorities concerned to notify the public about the firing range and the danger zone. Apart, from that, Special efforts should be made to bring this fact to the notice of the local inhabitants, more so, if the range is surrounded by jungle area.

Attention of the Heads of Departments and offices is invited to the recommendations of the Public Accounts Committee. They are requested to note it for future guidance.

R. GOPALASWAMY,

Finance Secretary.

To

The Accountant General, Kerala, Trivandrum.

All Heads of Departments and Offices.

The Registrar of High Court (with C. L.)

The Secretary, Kerala Public Service Commission (with C.L.):

The Registrar, University of Kerala (with C.L.).

The Secretary, Vigilance Commission (with C.L.).

The Secretary to the Governor.

The Secretary, Kerala State Electricity Board (with C.L.).

The General Manager, Kerala State Road Transport Corporation.

The Secretaries, Additional Secretaries, Joint Secretaries, Deputy Secretaries, and Assistant Secretaries to Government.

The Departments and Sections of the Secretariat.

The Stenographer to the Chief Secretary.

The Private Secretaries to the Adviser.

The Superintendent of Government Presses.

Forwarded/By Order,

Sd/-

Superintendent.

Sd./-

Superintendent.

ANNEXURE X
GOVERNMENT OF KERALA

No. 40187/P5/66/AD.

(Agriculture-Planning)

(Agriculture-Planning)

Trivandrum, Dated: 10-8-1966.

From

The Secretary to Government.

To

The Director of Agriculture/The Chief Conservator of Forests
Trivandrum.

SUB:—*Public Accounts Committee a 65-66—47th Report Recommendation Nos. 13-14—Further action.*

Sir,

In June 1961, Government allotted 77 acres of Forest Land to landless labourers and educated unemployed under the scheme for the Development of Rubber Plantation, in Mukkunnimala. The allottees planted rubber in the respective plots with the help of loans advanced to them by Government. It subsequently turned out that 22 plots allotted under the scheme fell within the dangerous zone of the Mukkunnimala Firing Range maintained by the Military authorities. The Station Staff Officer, Trivandrum pointed out that it was risky to allow the allottees to cultivate and live in the dangerous zone. The lands allotted were therefore resumed and the allottees were given alternative lands in other areas. The resumption of lands involved the payment of a compensation of Rs. 42,785 to wards the value of improvements already affected by the allottees. The Public Accounts Committee while considering the case has observed that there was lack of co-ordination between the various Departments in this case. It has pointed out that even though the Department concerned had knowledge of the danger involved even in 1960, they went ahead with the work of clearance of forests and allotment of land for cultivation. The Committee has observed that the action which is in-

explicable has resulted in Government's getting involved in paying compensation of Rs. 42785 which is totally avoidable. The Committee has also pointed out that even in 1961, the allottees were not told not to incur further expenditure on the land when it was officially known that the area came under the danger zone. The Committee has also observed that such lapses should be avoided in future. I am to request you to note the above observations of the Committee. You should also bear in mind that there should be co-ordination amongst various Departments of the State Governments or Central Government in such cases. Recurrence of instances as pointed out by the Public Accounts Committee will be viewed seriously by Government and Government will not hesitate to take disciplinary action against the officers responsible for such losses in future.

Yours faithfully,

Sd/-

(M. K. BHASKARAN),
for Secretary to Government.

Approved for Issue,

Sd/-

Superintendent.

Sd/-

Superintendent.

4-46 Health and Labour Department
Finance, Home Department
(Government of Kerala).

The Committee regret to note that during the period from 1956 to 1959 nobody took serious responsibility in regard to the spill over works of the Rural Water Scheme (Composite). The Committee need hardly emphasize that such an attitude on the part of Government Departments and officials, especially in cases where the people have spent money for obtaining benefits, should be viewed seriously by the Government and such tendencies should be curbed by taking deterrent disciplinary action against delinquent officials promptly. Transfer of an item of work from one Department to another should not be taken as a valid excuse for neglecting that item of work, nor should it present any insuperable difficulty in fixing responsibility for such negligence.

A circular Memorandum issued implementing the recommendation is appended (Annexure I).

ANNEXURE I

GOVERNMENT OF KERALA

No. 67/66/Fin.

Finance Department
Trivandrum,
Dated 27-7-1966

CIRCULAR MEMORANDUM

SUB: Central Public Accounts Committee—Forty-seventh Report—Recommendations No. 23 (i) on the Audit Report 1965—Implementation of—Transfer of works from one Department to another.

Following the States Reorganisation in 1956, the control of the Rural Water Supply Scheme in Malabar area formerly exercised by the District Collectors was transferred to the Public Health Engineering Department. Though the scheme was initiated in 1956 control was actually transferred to the Public Health Engineering Department only in 1959. During the interim period of three years from 1956 to 1959 nobody took serious responsibility in regard to the Rural Water Supply Scheme. When it came under the Public Health Engineering Department in 1959 it was found that a number of wells were lying unutilised and some of them collapsed. Government considered the whole thing and decided that, because of the delay, the common man should not suffer. Accordingly the claims of those who had executed the works were settled on the assessed value of work done.

2. The Central Public Accounts Committee, while considering the case, has observed in paragraph 4-46 of its report that transfer of one item of work from one Department to another should not be taken as a valid excuse for neglecting it nor should it not present any insuperable difficulty in fixing responsibility for such negligence.

3. Attention of the heads of departments and offices is invited to the above observation of the Central Public Accounts Committee, Government would like to impress upon all officers concerned that, when one item of work is transferred from one Department to another for administrative convenience or otherwise the transfer is final and it is the responsibility of the Department to which the work has been transferred, to take it up immediately and complete it on schedule. It is the primary duty of every Department to see that the works which are intended for the benefit of the tax payer are not neglected

on the excuse of their transfer from one Department to another. Government would also emphasise that negligence on the part of any officer in this regard will be viewed seriously and stringent action will be taken against the persons responsible.

R. GOPALASWAMY,

Finance Secretary.

To,

All Heads of Departments and Offices

All Departments of the Secretariat

The Registrar, High Court of Kerala (with C.L.)

The Registrar, University of Kerala (with C.L.)

The Secretary, Public Service Commission (with C.L.)

The Secretary, Vigilance Commission (with C.L.)

All Secretaries, Additional Secretaries, Joint Secretaries, Deputy Secretaries and Assistant Secretaries to Government.

The Secretary to the Governor.

The Private Secretaries to Advisers

The Stenographer to the Chief Secretary.

Forwarded/By Order

Sd/-

Superintendent.

In this connection the Committee would like the Govt. to review the procedure for taking disciplinary action in the case of employees of the State Govt. and see whether such action could not be speeded up to avoid difficulties in locating responsibility due to lapse of time.

This relates to the delay in taking disciplinary action. The Committee has recommended to review the procedure for taking disciplinary action in the case of employees of the State Govt. and see whether such action could not be speeded up to avoid difficulties in locating responsibility due to lapse of time.

In Memorandum No. 52703/65 Pub. (O&M) dated 6-11-65 (copy attached) Govt. have since prescribed a statement which will clearly indicate the delay, if any, at each stage in a disciplinary action. The Heads of Departments have to forward to the concerned Administrative Departments of the Govt. the statements explaining the reasons for exceeding the time lag prescribed at each stage.

The Secretary to Government of the concerned Dept. has to review these statements and forward a certificate to the O & M Dept. This procedure

will enable to locate delay and the responsibility therefor of all concerned.

A circular Memorandum issued implementing these recommendations is appended (Annexure II).

4.52 Health and Labour Department,
Government of Kerala.

The Committee are unable to accept the reasons advanced for the delay on the part of Director of Health Services in communicating his recommendation to Government. It is incomprehensible that when it was known that the validity of the tenders expired on 31st July, 1962, a time of about two and a half months was taken only in tabulation and the recommendations were made on 6th August, 1962 after the period of validity of the tenders had already expired.

4.53 Do.

The Committee also feel unhappy that due to the delay on the part of Directorate of Health Services, Government were involved in an extra expenditure of Rs. 13,000/- which was avoidable. The Committee note that in this case, the responsibility has been fixed and disciplinary action taken for the undue delay that

occurred in the tabulation of various items involved. They would like that suitable instructions are issued by the Finance Department that in all cases decisions with regard to tenders should invariably be taken within the prescribed date to avoid possibility of financial loss to Government.

ANNEXURE II

IMPORTANT

GOVERNMENT OF KERALA

No. 53/66/Fin.

Finance Department,

Trivandrum,

Dated 21-6-1966.

CIRCULAR MEMORANDUM

SUB:—Public Accounts Committee (1965-66)—Forty Seventh Report (Lok Sabha)—Paragraph 4.53—Timely action in respect of tenders—Instructions issued.

Attention of the Heads of Departments is invited to paragraph 4.53 of the Public Accounts Committee Report cited. In March 1962 the Health Services Department invited tenders for the purchase of some medicine. Although the tenders were opened on the 18th May 1962 the Director of Health Services made his recommendations to Government only on the 6th August 1962 after the expiry of the validity of the tenders, and thereby the firm which had quoted the lowest rate demanded an increased price. Fresh tenders were invited and Government purchased the medicine at a higher rate. Thus due to the delay on the part of the Directorate of Health Services, Government had to incur an extra expenditure of Rs. 13,000 which was avoidable.

2. Attention of the Heads of Departments is invited to the case mentioned above and they are requested that action with regard to tenders, such as tabulation of tenders etc., should invariably be taken up immediately after the tenders are opened, with a view to avoiding possibility of financial loss to Government as in the case mentioned above. Recurrence of instances as mentioned by the Public Accounts Committee will be viewed seriously and the officers concerned will be held responsible for the loss sustained by Government.

V. RAMACHANDRAN,
Additional Secretary.

To,

All Heads of Departments and Offices.

The Registrar of High Court (with C.L.)

The Registrar, University of Kerala (with C.L.).

The Secretary, Public Service Commission (with C.L.)

The Secretary, Vigilance Commission (with C.L.)

The Secretary to Governor.

The Private Secretaries to Advisers.

The Stenographer to Chief Secretary.

All Secretaries, Additional Secretaries, Joint Secretaries, Deputy Secretaries and Assistant Secretaries to Government.

All Sections of the Secretariat.

Forwarded/By Order,

Sd/-

Superintendent.

4-126*

Finance Department Government of Kerala.

The Committee desire that proper attention should be paid to audit paras and replies should invariably be sent within the time-limit of six weeks. In exceptional cases, the position should be explained within the time and a final reply sent as soon as possible thereafter.

*Notes re: Para Nos. 5-8, 5-9, 5-10, 5-18, 5-19, 5-20 have been printed at the end.

ANNEXURE III
GOVERNMENT OF KERALA

No. 50/66/Fin.

Finance Department,
Trivandrum,
Dated 21-6-1966.

CIRCULAR MEMORANDUM

SUB: Public Accounts Committee (1965-66)—Forty-Seventh Report (Lok Sabha) Paragraphs 4.126, 8.24 and 8.40—Proper attention on Audit paras and Audit Report—Instructions issued.

The Public Accounts Committee (1965-66) has pointed out in paragraphs 4.126 and 8.24 of their Report that proper attention should be paid to Audit paras, and replies should invariably be sent within the time limit of six weeks. Instructions have already been issued in Circular No. 57373/Ins-2/65/Fin. dated 15-11-1965 that Secretaries to Government and Heads of Departments should open a separate register to note the date of receipt of draft paragraphs received from Audit, and the date of reply to Audit, and that the register should be personally verified by the officers on the first working day of each month. Government wish to impress upon the officers concerned that the instructions issued should be strictly followed.

2. The Public Accounts Committee has deprecated the tendency to treat the Audit paras in a routine manner by the Departments, which results in abnormal delay in sending replies to Audit. In order to avoid delay in replying to draft paras, the Committee has suggested that each department might consider the feasibility of nominating a senior officer to deal with the Audit paras expeditiously. The Secretaries to Government are requested to nominate a senior officer who will be personally responsible for chasing the action to be taken and for sending prompt replies in regards to draft paras.

3. The Public Accounts Committee has also recommended in paragraph 8.40 of their Report that immediately after the Audit Report is placed before the Legislature, it should be promptly examined by the Departments concerned to see what remedial or preventive steps are called for and such steps should be initiated without delay. Detailed instructions on the subject have already been issued in Circular Memorandum No. 57374/Ins-2/65/Fin. dated 15-11-1965. Government

would like to emphasise once again, in view of the recommendations of the Committee, that action as laid down in the Circular Memorandum dated 15-11-1965 should be initiated by the Departments immediately on receipt of draft paras from Audit for verification. The matter should be examined again and suitable further action taken immediately after the Audit Report is placed before the Legislature and copies are circulated among the Secretaries to Government etc.

V. RAMACHANDRAN,
Additional Secretary.

To,

All Heads of Departments and Offices.

All Sections and Departments of the Secretariat.

The Secretary, Public Service Commission, Trivandrum (with C.L.)

The Secretary, Vigilance Commission, Trivandrum (with C.L.)

The Registrar, University of Kerala, Trivandrum (with C.L.)

The Registrar of High Court, Ernakulam (with C.L.)

The Secretaries, Addl. Secretaries, Joint Secretaries, Deputy Secretaries and Assistant Secretaries to Government.

The Secretary to Governor.

The Private Secretaries to the Advisers.

The Stenographer to the Chief Secretary.

Forwarded/By Order,

Sd/- Superintendent .

6.22 Industries Department of Government of Kerala.

The Committee regret that in the case of the Industrial Estate, Ollur, due to lack of coordination and delay in acquisition of land (note furnished at the instance of the Committee Appendix (XLIV) improvement in and additional supply of drinking water has yet to be made although steps were stated to have been taken to provide piped drinking water as far back as 1960. The Committee need hardly emphasise that delay in providing basic amenities like water etc. result in delay in achieving the main objective of the scheme and also it results in heavy loss to the public exchequer.

Arrangements have since been made for the supply of drinking water to the Industrial Estate at Ollur. 9 cents of land for the construction of a well near the Panamkurtichira tank has been acquired on 18-12-1965 and a well has been constructed at the site. The construction of the well has been completed on 13-7-66. The need for additional supply of drinking water has thus been met.

6.23 Industries Department

Another aspect which has caused concern to the Committee is the fact as stated in evidence, that while efforts were being made for obtaining supply of water, no one connected with the scheme knew that only at a distance of two furlongs there was a tank whose supply was found to be sufficient in 1961. This only indicates that

The Director of Industries and Commerce and the Managing Director, Kerala State Small Industries Corporation have been directed to pay special attention to planning of all industrial Estates and to avoid such lapses in future.

Copy of the instruction issued is given as Annexure I.

no proper thought was given to the problem at the time of construction of the sheds etc. and there was failure even to survey the area properly. Such lapses, the Committee trust will be avoided in future.

ANNEXURE I
GOVERNMENT OF KERALA

No. 22037/D3/66/ID,
INDUSTRIES (D) DEPARTMENT,
Trivandrum, dated 16-5-1966.

From.

The Special Secretary to Government.

To.

The Director of Industries and Commerce, Trivandrum.

Sir.

SUB: *Industrial Estate—Necessity for proper planning—comments of the Public Accounts Committee.*

The Central Public Accounts Committee while commenting on the working of the Industrial Estates in this State have stated as follows:—

6.23. “Another aspect which has caused concern to the Committee is the fact, as stated in evidence, that while efforts were being made for obtaining supply of water, no one connected with the scheme knew that only at a distance of two furlongs there was a tank whose supply was found to be sufficient in 1961. This only indicates that no proper thought was given to the problem at the time of construction of sheds etc., and there was failure even to survey the area properly. Such lapses the Committee trust will be avoided in future”.

I am therefore directed to request you to pay special attention to planning of all Industrial Estates and to avoid such lapses in future.

Yours faithfully,

Sd./-

for Special Secretary to Govt.

Copy to the Managing Director, Kerala State Small Industries Corporation.

6-24

Industries Department of Government of Kerala.

As regards delay in providing approach roads and sanitary arrangements in the case of Olavakot Estate, the Committee regret to find from the note (Appendix XLIV) furnished subsequently that there has been delay in the construction of roads and sanitary arrangements, which cannot be justified. The Committee are hardly impressed by the plea that since this was the first estate to be constructed, these deficiencies were found. The Committee feel that the work involved in construction and providing the amenities was of a normal and usual nature and hence there should have been no difficulty in ensuring proper co-ordination and speedy implementation.

The fact that there has been lack of co-ordination in the execution of the different works connected with the setting up of the Industrial Estates has been taken into consideration and it is with this idea that a single agency has been created by Government for attending to the construction works of the Industrial Estates. From the end of 1962, the entire construction works including sanitary works and electrical installations of various Industrial Estates have been and are being entrusted to the Kerala State Small Industries Corporation. Supply of Power, has, however, to be arranged by the Kerala State Electricity Board. The Corporation is at present taking proper care to see that the works on amenities are also taken up simultaneously with the construction of the sheds so that the entire works in the setting up of the Industrial Estates are completed simultaneously and in time.

45

6-29

Industries Department.

The Committee regret to note that even now some sheds (in Kollakadava and Palayad Estates) remain unoccupied. They hope that the Department will make further efforts to see that none of the sheds remain

The Kerala State Small Industries Corporation have been making efforts to see that the sheds in the Industrial Estates do not remain vacant. At present all the sheds in

vacant, as it results in continuous loss of rent to Government.

the Industrial Estate at Palayad are occupied. Out of 11 sheds in the Industrial Estate at Palayad, 10 sheds have been allotted to different industries and one shed is being used for the office of the Industrial Estate.

As regards the Industrial Estate at Kollakadavu 9 sheds are vacant even at present. Efforts are being made to fill up the entire sheds in this Estate by sponsoring industries based on indigenous raw-materials. This is being done by the Department with the help and co-ordination of the Small Industries Service Institute, Trichur so that only industries which do not require controlled commodities and are dependent only on indigenous raw material are started in the Estate. The difficulty with regard to this Estate had been that a number of units mainly dependent on scar raw-materials have been started and on account of the difficulty in procuring these raw materials a number of units have since vacated and left the sheds in the Industrial Estate. With the present drive for starting industries based on indigenous raw materials it is hoped that the

industries which are of a permanent nature can be started in the various sheds in this Industrial Estate.

Works and Housing/
Finance/Govt. of
India/Industries
Dept. Finance Dept.
Govt. of Kerala.

The Committee can find no justification for such an inordinate delay in finalising the method of calculation of rent. The delay in revision of rent according to Audit has resulted in an annual average loss estimated at Rs. 1.40 lakhs. In the opinion of the Committee, the responsibility for the annual loss lies more on the Government of India than on the State Government. They would therefore like that an enquiry is held to find out how such delay occurred in the Government of India and to fix responsibility therefor.

This recommendation has been brought to the notice of the Government of India on 14-9-1966 with a request to take necessary action on the recommendation.

Copy of the State Government's letter dated 14-9-1966 addressed to the Government of India is appended. *Vide* Annexure I.

ANNEXURE I

No. 22037/D3/66/ID,
INDUSTRIES (D) DEPARTMENT,
Trivandrum, dated 14-9-1966.

From

The Special Secretary to Government.

To

The Secretary to the Government of India, Ministry of Industry,
New Delhi.

Sir,

*SUB: Implementation of recommendation contained in para 6.38 of the
47th Report of the Public Accounts Committee 1965-66— Re-
garding.*

I am directed to invite your attention to the recommendation No. 54 contained in para 6.38 of the 47th Report of the Central Public Accounts Committee 1965-66 on the question of finalising the method of calculation of rent for industrial estates (extract of the recommendation is enclosed for ready reference) and to request you to take necessary action on this recommendation.

Yours faithfully,

Sd./-

for Special Secretary to Govt.

6-82

Finance Department
Government of
Kerala

The Committee are surprised that after the failure of the Company to abide by the terms of the contract, the question of revising the contract was not considered, nor was a notice issued to the Company under clause 14 of the agreement.

6-83

Do.

Another lacuna in the agreement is the absence of any clause enjoining the setting up of the Factory by a particular date.

6-89

Do.

The Committee find from the note furnished at their instance that in the Felling Rules no time limit for removal of bamboos has been prescribed and only on 16-8-1965 the Chief Conservator of Forests in a D.O. letter to Conservator of Forests, Kozhikode has stated that the bamboos collected by the Company should be removed within one month positively. This is yet another lapse on the part of the Government in framing the agreement and the terms, conditions and rules thereunder.

A Circular Memorandum implementing these recommendations issued is appended (Annexure I).

ANNEXURE I

IMPORTANT

GOVERNMENT OF KERALA

No. 51/66/Fin.

FINANCE DEPARTMENT,
TRIVANDRUM,

Dated 21-6-1966.

CIRCULAR MEMORANDUM

SUB: Public Accounts Committee (1965-66)—Forty-seventh Report (Lok Sabha)—Paragraphs 6.82, 6.83 and 6.89—Agreements—Scrutiny of clauses for plugging any loopholes—Instructions issued.

Attention of the Heads of Departments is invited to the paragraphs of the Public Accounts Committee Report mentioned above.

2. While considering the lease agreement that Government had entered into in 1958 with a rayon-silk manufacturing company, granting them exclusive rights and licence to fell, cut and remove bamboos from certain specified forest areas in the State for purposes connected with the manufacture of rayon grade wood pulp, the Public Accounts Committee has observed that, after the failure of the Company to abide by the terms of the contract, the question of revising the contract was not considered, nor was a notice issued to the Company under clause 14 of the agreement. It is also observed by the Public Accounts Committee that another lacuna in the agreement is the absence of any clause enjoining the setting up of the factory by a particular date. In the Felling Rules no time limit for removal of bamboos has been prescribed. This is yet another lapse in framing the agreement and the terms, conditions and rules thereunder. It is the responsibility of every officer to scrutinise each clause of the agreement as well as to ensure that all necessary clauses are there, before entering into any contract, with a view to safeguarding the interest of Government and plugging any loopholes. The facts pointed out by the Public Accounts Committee are of a very serious nature.

3. Government would impress upon all officers concerned that it should be ensured that such lapses do not recur in future. Attention

of the Agriculture Department in particular is invited to the observations of the Public Accounts Committee for necessary further action.

V. RAMACHANDRAN,
Additional Secretary (Fin).

To,

All Heads of Departments and Offices.

The Registrar of High Court (with C.L.)

The Registrar of University of Kerala (with C.L.)

The Secretary, Public Service Commission (with C.L.)

The Secretary, Vigilance Commission (with C.L.)

The Secretary to Governor.

The Private Secretaries to Advisers.

All Secretaries, Additional Secretaries, Joint Secretaries,
Deputy Secretaries, and Assistant Secretaries to Government.

All Sections of the Secretariat.

The Stenographer to the Chief Secretary.

Forwarded/By Order,

Sd/- Superintendent.

The Committee are far from happy to note the manner in which this case has been dealt with. They are unable to understand as to why in the first instance, the Government of Kerala should help a private industrialist to obtain a licence for setting up a factory, when the Government themselves were partners in the venture, specially in view of the fact that the projects of this nature come under Schedule 'A' (State Sector) of the Industrial Policy Resolution, 1956. The argument that the question of Government themselves establishing a factory was not considered at all, loses much of its force by the subsequent development when the same col-laborator was prevailed upon to agree to the setting up of a company under the aegis of the Kerala State. In this connection, the Committee would like to draw attention to the notes furnished at the instance of the Committee wherein it has been stated, *inter alia*, "Heavy Trans-former manufacture was reserved by the Government of India for the public sector. The Government of India issued a licence to Shri..... on the 26th September, 1961 due to the good offices and efforts of the State Government." The Committee are of the view that, if the State Government had taken the decision, from the very beginning to set up this project in the public sector,

The observations of the Committee
are noted for future guidance.

in conformity with the accepted policy, the subsequent complications and the payment of Rs. 2/- lakhs as compensation to the private industrialist could have been avoided.

6-127

Finance Department/
Department of
Industries, Govern-
ment of Kerala.

The Committee would like the Finance Department to ensure that further loans and grants are given after they are satisfied about the proper utilisation of the sum granted earlier.

A Circular Memorandum issued implementing the recommendation is appended (Annexure I)

IMPORTANT

ANNEXURE I
GOVERNMENT OF KERALA

No. 55/66/Fin.

FINANCE DEPARTMENT,
Trivandrum,

Dated 21st June, 1966.

CIRCULAR MEMORANDUM

SUB:—Public Accounts Committee (1965-66)—Forty-seventh Report (Lok Sabha)—Paragraph 6.127—Loans and grants—Utilisation certificates—instructions issued.

Attention of the Heads of Departments and Offices concerned is invited to paragraph 6.127 of the Public Accounts Committee Report cited above. The Kerala Khadi and Village Industries Board received grants and loans aggregating Rs. 28.27 lakhs and Rs. 2.38 lakhs respectively from the State Government upto the end of March, 1964; but utilisation certificates of grants and loans aggregating Rs. 6.65 lakhs and Rs. 2.25 lakhs respectively have not been furnished to Audit. The Public Accounts Committee has recommended that it should be ensured that further loans and grants are given only after satisfying about the proper utilisation of the sums granted earlier. Apart from provisions in the Kerala Financial Code (Article 219) regarding furnishing of utilisation certificate to Audit, instructions have been issued repeatedly in this regard. Government would like to emphasise that it is the primary duty of the disbursing officers to see that the utilisation certificates in respect of grants and loans are furnished to Audit as soon as the period of utilisation is over.

2. Government wish to impress upon all officers that it should be strictly ensured that, in cases of institutions who come up with claims for further grants or loans on a subsequent occasion, such loans or grants are cleared only after the utilisation certificates in respect of the previous loans or grants are furnished.

See also 4.0 note dt. 6-8-66 enclosed.

V. RAMACHANDRAN,
Additional Secretary.

To

The Accountant General, Kerala.

All Heads of Departments and Offices.

The Registrar, High Court of Kerala, Ernakulam. (with C.L.).

The Secretary, Kerala Public Service Commission (with C.L.).

The Registrar, Kerala University. (with C.L.).

The Secretary, Vigilance Commission. (with C.L.).

The Secretary to the Adviser.

All Secretaries, Additional Secretaries, Joint Secretaries, Deputy Secretaries and Assistant Secretaries to Government.

The Stenographer to the Chief Secretary.

All Departments and Sections of the Secretariat.

Forwarded/By Order,

Sd/-

Superintendent.

GOVERNMENT OF KERALA

No. 41313/BG. 3/66/Fin.

Finance Department,

Trivandrum,

Dated 6-8-1966.

U.O. NOTE

**SUB:—Implementation of the recommendation of Central Public
Accounts Committee 47th Report IIIrd Lok Sabha.**

Attention of the Industries Department may be invited to Circular No. 55/66/Fin. dated 21-6-1966. That Department may be requested not to grant further loans and grants to the Khadi and Village Industries Board unless it is satisfied that the sums granted earlier to the Board have been properly utilised.

K. V. THOMAS,

Deputy Secretary.

To

The Industries Department.

Forwarded/By Order,

Sd/-

Superintendent.

Public Works Department (Kerala State Electricity Board) /Finance Department, Government of Kerala.

The Committee regret that such a serious discrepancy should have occurred during evidence. In his evidence before the Committee the Chairman, Kerala State Electricity Board had tried to explain that the capacity of the treatment plants was about 1,500 to 2,000 poles per month and hence though the requirement of poles was 7,000 every month, only 2,000 was received from the yard. The Committee would like the Department of Finance to issue instructions that the officers who give evidence before the Committee should be sure of their facts and figures to avoid such discrepancies.

Instructions have already been issued [vide para (V) of Annexure I].

ANNEXURE I
GOVERNMENT OF KERALA
Finance Department
CIRCULAR MEMORANDUM

No. 57374/Ins. 2/65/Fin. Dated, Trivandrum, 15th November, 1965.

SUB:—Financial control—Action to be taken regarding Audit objections, Inspection Reports and audit paras and appearance of offices as witnesses before Public Accounts Committee—Consolidated instructions—Issued.

From time to time, Government have issued instructions to the departments on the action to be taken regarding audit objections, Inspection reports and Audit paras and the appearance of officers as witnesses before the Public Accounts Committee. These consolidated instructions are issued for the guidance of Secretaries to Government and Heads of Departments and Offices.

(i) Audit Objections.

2. The normal time limit fixed for sending replies to audit objections is a fortnight from the date of receipt of the objections. The heads of offices should try to adhere to the above time limit. Recently the Government have issued instructions (*vide* Circular No. 25/65/Fin. dated 9-6-65) for the maintenance of an "Audit Objection Register" in each office. It is laid down therein that the register should be reviewed once a month by the head of the office and once in a fortnight by an intermediary supervisory officer, if there is one. The review should be critical and detailed and special attention should be given for the clearance of old objections remaining undisposed of. The Government are of the view that, if the head of the office bestows proper attention on the monthly review of the register, there will not be any occasion for accumulation of audit objections. The head of the office should also ensure that where a particular type of payment has been objected to by 'Audit', a similar payment is not made thereafter before the audit objection is finally cleared.

(ii) Inspection Reports.

3. During the course of local inspection, the Audit staff will be issuing 'memos' calling for information on various points. It should be ensured that the particulars given in reply to such memos are correct with reference to the records so that, at a later stage, the accuracy of the figures and statements of facts contained in the Inspection Reports should not be called to question. To ensure this, the head of the office should make necessary arrangements to see that the replies to audit memos are furnished only after approval by proper authority. Further, before finalising the Inspection Report, the audit officer generally discusses the more important irregularities noticed during the course of audit with the head of the office. This opportunity should be taken advantage of by the head of the office to see whether all the relevant materials have been made available to audit to enable them to bring out the full facts of each case in the Inspection Report. Simultaneously, action should be initiated to rectify irregularities, defects, omissions etc., which came to light during the course of the audit, without waiting for the receipt of the Inspection Report. Such a step will, besides helping timely rectification of defects, enable early disposal of Inspection Reports. For example, if during the course of local audit, it is discovered that a sanction issued by the head of the office was in excess of the powers delegated to him, he can immediately take steps to address the proper authority for ratifying his action. The normal time limit fixed for sending first replies to inspection reports is *four weeks from the date of receipt of the inspection report*. This time limit should be strictly adhered to. Even if final replies to certain papers in Inspection Report could not be furnished to the Accountant General within the time limit, the first replies to the inspection reports should not be delayed on that account. In respect of those particular paras, an interim reply may be given indicating the action taken to rectify the defects pointed out. Here again, the head of the office should ensure that the replies to the inspection reports are factually correct and that proper steps have been taken to avoid recurrence of such defects.

(iii) Draft paras for inclusion in the Audit Report.

4. The draft of a "para" proposed for inclusion in the "Audit Report" is forwarded by the Accountant General to the Secretary to Government and the head of the department concerned with a demi-official letter. This is to ensure that the irregularity commented upon in the "para" is brought to the personal notice of the officers who will have to appear as witnesses before the Public

Accounts Committee when the audit report is taken up for consideration by the Committee. The draft para is forwarded to the officer concerned for verification of the facts contained therein and the result of the verification is to be communicated to the Accountant General *within six weeks* from the date of receipt of the draft. Very often what happens is that a reply to the draft para is sent to the Accountant General without examining all the aspects of the case and in some cases the reply is even sent without the specific approval of the Secretary to Government or the head of the department concerned. There have been instances where the facts mentioned in the audit para were challenged only when the audit report was taken up for consideration by the Public Accounts Committee. This is a sad reflexion on the manner in which the audit paras are handled by the departments. To avoid such lapses the Government would like to impress upon the Secretaries to Government and Heads of Department like that a reply to a draft para received from the Accountant General should be sent only after their personal approval. Before sending a reply, they should collect all the facts which have a direct or indirect bearing on the irregularity commented upon in the draft para and see that the audit para portrays a true account of the alleged irregularity or lapse. If the draft para proposed by the Accountant General requires modification to bring-forth the facts of the case, they should suggest so in their replies. As a rule, the reply to the draft para should be sent in a demi-official letter from the officer to whom it was referred to by the Accountant General for verification. This will ensure that the reply is sent by the proper authority after careful examination of all the aspects of the case. In case, the final reply to the draft para could not be given within the time limit of six weeks referred to above, an interim reply should be given to the Accountant General indicating the time by which the final reply could be sent and that too by the officer himself to whom the draft para was forwarded for verification. In any case, the final reply should be sent within three months from the date of receipt of the draft para.

5. To ensure prompt replies to draft paragraphs received from Audit, Secretaries to Government and Heads of Departments may open a separate register to note date of receipt of paragraphs and date of reply to Audit. The register should be personally verified by the Officers on the first working day of each month.

(iv) *Rectification of defects, irregularities, lapse etc., commented upon in the Audit Paras.*

6. Normally it has to be presumed that a draft para forwarded to the Secretary to Government for verification will find a place in

the Audit Report which will be placed on the table of the Legislature. The Audit Report so placed will be examined by the Public Accounts Committee and the concerned Secretary to Government and the Head of Department will have to appear as witnesses before the Committee when it examines the particular para in the Audit Report. There will be a time lag ranging from six months to one year between the date on which the draft para is forwarded by the Accountant General for verification and the date on which the particular para is taken up for consideration by the Public Accounts Committee. One of the questions which the Public Accounts Committees generally put to the witnesses is whether, atleast after the receipt of the draft para, the irregularity commented upon in the Audit para has been rectified (wherever possible), whether adequate steps have been taken to see that such irregularities do not recur and also whether in cases of loss to Government, necessary action against those responsible had been taken. If the Secretary to Government and the head of the department concerned take prompt action immediately on receipt of the draft para to rectify the defects and to proceed against the officers responsible to make good the losses, if any, incurred by the Government due to their negligence also to issue detailed instructions for the avoidance of repetition of such irregularities, it should be possible to depose before the Committee that the irregularity has since been rectified and that action has also been taken to avoid recurrence of such things in future. Hence, the Secretary to Government and the head of the department should, on receipt of a draft para, examine among other thing the following aspects and take suitable remedial measures immediately.

1. Whether the irregularity committed was due to negligence or culpability on the part of any Government Servant. (If so, suitable action should be initiated against him).
2. Whether there was lack of proper instruction or defect in the organisational set up (If so, steps should be taken to rectify such defects).
3. If there was a loss to the Government, the responsibility for the same should be fixed and steps taken to recover the loss.
4. If the irregularity committed was due to lack of proper supervision or ambiguity in the rules, steps should be taken to enforce adequate supervision or to amend the rules.

In other words all possible ways should be thought of to prevent recurrence of such an irregularity and also to make amends for the irregularity committed.

(v) Appearance of officers as witness before the Public Accounts Committee.

7. The Public Accounts Committee examines the Secretary to Government head of the department in order to ascertain the full facts relating to the case covered by the audit para. The officer who is called upon to appear as a witness before the Committee should have studied thoroughly all the papers and files connected with the subject, including the original records relating to the case of the subordinate offices as well as the file in which the draft para forwarded by the Accountant General was examined and reply given. These records should be available with the officer at the time of examination by the Public Accounts Committee. A comprehensive note covering all the aspects of the case should also be prepared indicating clearly the chronological order of the action taken in the case. Whether a similar irregularity had found place in any of the earlier Audit Report should also be verified and, if there was such a case, the relevant papers relating to that case, the recommendations of the Public Accounts Committee on that subject and the action taken by the Government on the recommendations should also be looked into and full information on this should also be available at the time of examination by the Committee. The Committee expects the replies by witnesses to be precise and to the point. Every statement that is made by a witness should be capable of being proved with reference to the records. If information on any point raised by the Committee is not readily available, the fact should be admitted and time for furnishing it requested for. Vague and generalised replies by witnesses and expressions of opinions and presumptions in replying to questions by the Committee are not proper and should be avoided. Secretaries to Government and heads of departments should bear this in mind.

(vi) Prompt action to be taken on the recommendations of the Public Accounts Committee.

8. The Report of the Public Accounts Committee presented to the Legislature would contain various recommendations and observations of the Committee on which the Departments have to take proper action. There should not be any delay in taking action on such recommendations and observations and issuing suitable orders. As soon as copies of the Report are circulated the Secretary to Government and the head of the department should personally examine

whether the rules require amendment or whether a change in procedure is necessitated to implement the recommendations of the Committee. Expedious action should be taken in all such cases and the Secretary to Government should look into this aspect while passing orders on files in which the recommendations and observations of the Committee are examined.

9. The Government expect that the Secretaries to Government and Heads of Departments and Offices will strictly adhere to the instructions detailed above.

N. M. PATNAIK,
Chief Secretary.

To

The Secretaries

Additional Secretaries, and Joint Secretaries, to Government.

Heads of Departments and Offices.

8-24

Finance Department/
Public Works Department of Government of Kerala.

As regards the abnormal delay in replying to audit paras, the Committee deprecate the tendency to treat them in a routine manner. In order to avoid such delays, the Committee suggest that each Department might consider the feasibility of nominating a senior officer, to deal with audit Paras/draft Paras expeditiously.

8-40

Do.

The Committee desire the Finance Department to issue instructions, if not already done, that immediately after the Audit Reports, are placed before the Legislature these should be promptly examined by the Departments concerned to see what remedial or preventive steps are called for and such steps should be initiated without delay.

A circular Memorandum issued implementing these recommendations, is appended.

GOVERNMENT OF KERALA

FINANCE DEPARTMENT

TRIVANDRUM

Dated 24th October, 1966.

NOTE

SUB:—*Action taken on the recommendations of the Public Accounts Committee 1965-66, 47th Report Para 8.24, Note called for by the Public Accounts Committee on 23rd September, 1966 at their meeting on 23rd September, 1966.*

Recommendation No. 94—Para 8:24 :

As regards the abnormal delay in replying to audit paras, the Committee deprecate the tendency to treat them in a routine manner. In order to avoid such delays, the Committee suggest that each Department might consider the feasibility of nominating a senior officer to deal with audit paras/draft paras expeditiously.

Action taken.—Immediately the sitting of the Public Accounts Committee was over last year, the Finance Department issued consolidated instructions in Circular No. 57374-Ins.2/65/Fin., dated 15th November, 1965, regarding action to be taken on receipt of audit paras—vide instructions (iii) and (iv) thereof. A copy of the circular is attached. (Annexure I)..

After receipt of the 47th Report of the Public Accounts Committee in April, 1966, instructions were issued in Circular No. 50/66/Fin. dated 21st June, 1966 (Annexure II) that the Audit paras should not be treated in a routine manner and that the Secretaries to Government should nominate a senior officer who would be personally responsible for chasing the action to be taken and for sending prompt replies in regard to draft paras. As a result, each department in the Secretariat had already nominated a senior officer to chase the action in regard to draft paras (list attached).

Over and above these general instructions issued, the Secretaries and Heads of Departments are requested to give prompt replies to draft paras whenever delay in replying to draft paras are brought to the notice of the Finance Department by the Accountant General.

Sd./-

Finance Secretary.

ANNEXURE I
GOVERNMENT OF KERALA

FINANCE DEPARTMENT

CIRCULAR MEMORANDUM

No. 57374/Ins.2/65/Fin. Dated, Trivandrum, 15th November, 1965.

SUB:—Financial control—Action to be taken regarding Audit objections, Inspection Reports and audit paras and appearance of officers as witnesses before Public Accounts Committee—Consolidated Instructions—Issued.

From time to time, Government have issued instructions to the departments on the action to be taken regarding audit objections, Inspection reports and audit paras and the appearance of officers as witnesses before the Public Accounts Committee. These consolidated instructions are issued for the guidance of Secretaries to Government and Heads of Departments and Offices.

(i) Audit Objections.

2. The normal time limit fixed for sending replies to audit objections is a fortnight from the date of receipt of the objections. The heads of offices should try to adhere to the above time limit. Recently the Government have issued instructions (*vide* Circular No. 25/65/Fin. dated 9th June, 1965), for the maintenance of an "Audit Objections Register" in each office. It is laid down therein that the register should be reviewed once a month by the head of the office and once in a fortnight by an intermediary supervisory officer, if there is one. The review should be critical and detailed and special attention should be given for the clearance of old objections remaining undisposed of. The Government are of the view that, if the head of the office bestows proper attention on the monthly review of the register, there will not be any occasion for accumulation of audit objections. The head of the office should also ensure that where a particular type of payment has been objected to by 'Audit', a similar payment is not made thereafter before the audit objections is finally cleared.

(ii) Inspection Reports

3. During the course of local inspection, the Audit staff will be issuing 'memos' calling for information on various points. It should

be ensured that the particulars given in reply to such memos are correct with reference to the records so that, at a later stage, the accuracy of the figures and statements of facts contained in the Inspection Reports should not be called to question. To ensure this, the head of the office should make necessary arrangements to see that the replies to audit memos are furnished only after approval by proper authority. Further, before finalising the Inspection Report, the audit officer generally discusses the more important irregularities noticed during the course of audit with the head of the office. This opportunity should be taken advantage of by the head of the office to see whether all the relevant materials have been made available to audit to enable them to bring out the full facts of each case in the Inspection Report. Simultaneously, action should be initiated to rectify irregularities, defects, omissions etc., which came to light during the course of the audit, without waiting for the receipt of the Inspection Report. Such a step will, besides helping timely rectification of defects, enable early disposal of Inspection Reports. For example, if during the course of local audit, it is discovered that a sanction issued by the head of the office was in excess of the powers delegated to him, he can immediately take steps to address the proper authority for ratifying his action. The normal time limit fixed for sending first replies to inspection reports is *four weeks from the date of receipt of the inspection report*. This time limit should be strictly adhered to. Even if final replies to certain papers in Inspection Report could not be furnished to the Accountant General within the time limit, the first replies to the inspection reports should not be delayed on that account. In respect of those particular paras, an interim reply may be given indicating the action taken to rectify the defects pointed out. Here again, the head of the office should ensure that the replies to the inspection reports are factually correct and that proper steps have been taken to avoid recurrence of such defects.

(iii) *Draft paras inclusion in the audit report*

4. The draft of a "para" proposed for inclusion in the "Audit Report" is forwarded by the Accountant General to the Secretary to Government and the head of the department concerned with a demi-official letter. This is to ensure that the irregularity commented upon in the "para" is brought to the personal notice of the officers who will have to appear as witnesses before the Public Accounts Committee when the audit report is taken up for consideration by the Committee. The draft para is forwarded to the officer concerned for verification of the facts contained therein

and the result of the verification is to be communicated to the Accountant General within six weeks from the date of receipt of the draft. Very often what happens is that a reply to the draft paras is sent to the Accountant General without examining all the aspects of the case and in some cases the reply is even sent without the specific approval of the Secretary to Government or the head of the department concerned. There have been instances where the facts mentioned in the audit para were challenged only when the audit report was taken up for consideration by the Public Accounts Committee. This is a sad reflexion on the manner in which the audit paras are handled by the departments. To avoid such lapses the Government would like to impress upon the Secretaries to Government and Heads of Departments that a reply to a draft para received from the Accountant General should be sent only after their personal approval. Before sending a reply, they should collect all the facts which have a direct or indirect bearing on the irregularity commented upon in the draft para and see that the audit para portrays a true account of the alleged irregularity or lapse. If the draft para proposed by the Accountant General requires modification to bring forth the facts of the case, they should suggest so in their replies. As a rule, the reply to the draft para should be sent in a demi-official letter from the officer to whom it was referred to by the Accountant General for verification. This will ensure that the reply is sent by the proper authority after careful examination of all the aspects of the case. In case, the final reply to the draft para could not be given within the time limit of six weeks referred to above, an interim reply should be given to the Accountant General indicating the time by which the final reply could be sent and that too by the officer himself to whom the draft para was forwarded for verification. In any case, the final reply should be sent within three months from the date of receipt of the draft paras.

5. To ensure prompt replies to draft paragraphs received from Audit, Secretaries to Government and Heads of Departments may open a separate register to note date of receipt of paragraphs and date of reply to Audit. The register should be personally verified by the Officers on the first working day of each month.

(iv) *Rectification of defects, irregularities, lapse etc., commented upon in the audit paras*

6. Normally it has to be presumed that a draft para forwarded to the Secretary to Government for verification will find a place in the Audit Report which will be placed on the table of the Legislature. The Audit Report so placed will be examined by the Public

Accounts Committee and the concerned Secretary to Government and the Head of Department will have to appear as witnesses before the Committee when it examines the particular para in the Audit Report. There will be a time lag ranging from six months to one year between the date on which the draft para is forwarded by the Accountant General for verification and the date on which the particular para is taken up for consideration by the Public Accounts Committee. One of the questions which the Public Accounts Committee generally put to the witnesses is whether, at least after the receipt of the draft para, the irregularity commented upon in the Audit para has been rectified (wherever possible), whether adequate steps have been taken to see that such irregularities do not recur and also whether in cases of loss to Government, necessary action against those responsible had been taken. If the Secretary to Government and the head of the department concerned take prompt action immediately on receipt of the draft para to rectify the defects and to proceed against the officers responsible to make good the losses, if any, incurred by the Government due to their negligence and also to issue detailed instructions for the avoidance of repetition of such irregularities, it should be possible to depose before the Committee that the irregularity has since been rectified and that action has also been taken to avoid recurrence of such things in future. Hence, the Secretary to Government and the head of the department should, on receipt of a draft para, examine among other things the following aspects and take suitable remedial measures immediately:—

1. Whether the irregularity committed was due to negligence or culpability on the part of any Government Servant. (If so, suitable action should be initiated against him).
2. Whether there was lack of proper instructions or defect in the organisational set up. (If so, steps should be taken to rectify such defects).
3. If there was a loss to the Government, the responsibility for the same should be fixed and steps taken to recover the loss.
4. If the irregularity committed was due to lack of proper supervision or ambiguity in the rules, steps should be taken to enforce adequate supervision or to amend the rules.

In other words all possible ways should be thought of to prevent recurrence of such irregularity and also to make amends for the irregularity committed.

(v) *Appearance of officers as witnesses before the Public Accounts Committee*

7. The Public Accounts Committee examines the Secretary to Government head of the department in order to ascertain the full facts relating to the case covered by the audit para. The officer who is called upon to appear as a witness before the Committee should have studied thoroughly all the papers and files connected with the subject, including the original records relating to the case of the subordinate offices as well as the file in which the draft para forwarded by the Accountant general was examined and reply given. These records should be available with the officer at the time of examination by the Public Accounts Committee. A comprehensive note covering all the aspects of the case should also be prepared indicating clearly the chronological order of the action taken in the case. Whether a similar irregularity had found place in any of the earlier Audit Reports should also be verified and, if there was such a case, the relevant papers relating to that case, the recommendations of the Public Accounts Committee on that subject and the action taken by the Government on the recommendations should also be looked into and full information on this should also be available at the time of examination by the Committee. The Committee expects the replies by witnesses to be precise and to the point. Every statement that is made by a witness should be capable of being proved with reference to the records. If information on any point raised by the Committee is not readily available, the fact should be admitted and time for furnishing it requested for. Vague and generalised replies by witnesses and expressions of opinions and presumptions in replying to questions by the Committee are not proper and should be avoided. Secretaries to Government and heads of departments should bear this in mind.

(vi) *Prompt action to be taken on the recommendations of the Public Accounts Committee*

8. The Report of the Public Accounts Committee presented to the Legislature would contain various recommendations and observations of the Committee on which the Departments have to take proper action. There should not be any delay in taking action on such recommendations and observations and issuing suitable orders. As soon as copies of the Report are circulated the Secretary to Government and the head of the department should personally examine whether the rules require amendment or whether a change in procedure is necessitated to implement the recommendations of the Committee. Expeditious action should be taken in all such

cases and the Secretary to Government should look into this aspect while passing orders on files in which the recommendations and observations of the Committee are examined.

9. The Government expect that the Secretaries to Government and Heads of Departments and Offices will strictly adhere to the instructions detailed above.

N. M. PATNAIK,
Chief Secretary.

To

The Secretaries,
Additional Secretaries, and Joint Secretaries, to Government.
Heads of Departments and Offices.

ANNEXURE II
GOVERNMENT OF KERALA

No. 50/66/Fin.

Finance Department,
Trivandrum,
Dated 21st June, 1966.

CIRCULAR MEMORANDUM

SUB:—Public Accounts Committee (1965-66)—Forty-seventh Report (Lok Sabha) Paragraphs 4.126, 8.24 and 8.40—Proper attention on Audit paras and Audit Report—Instructions issued.

The Public Accounts Committee (1965-66) has pointed out in paragraphs 4.126 and 8.24 of their Report that proper attention should be paid to Audit paras. and replies should invariably be sent within the time limit of six weeks. Instructions have already been issued in Circular No. 57374/Ins.2/65/Fin. dated 15th November, 1965, that Secretaries to Government and Heads of Departments should open a separate register to note the date of receipt of draft paragraphs received from Audit and the date of reply to Audit, and that the register should be personally verified by the officers on the first working day of each month. Government wish to impress upon the officers concerned that the instructions issued should be strictly followed.

2. The Public Accounts Committee has deprecated the tendency to treat the Audit paras in a routine manner by the Departments, which results in abnormal delay in sending replies to Audit. In order to avoid delay in replying to draft paras, the Committee has suggested that each department might consider the feasibility of nominating a senior officer to deal with the Audit paras expeditiously. The Secretaries to Government are requested to nominate a senior officer who will be personally responsible for chasing the action to be taken and for sending prompt replies in regard to draft paras.

3. The Public Accounts Committee has also recommended in paragraph 8.40 of their Report that immediately after the Audit Report is placed before the Legislature, it should be promptly examined by the Departments concerned to see what remedial or

preventive steps are called for and such steps should be initiated without delay. Detailed instructions on the subject have already been issued in Circular Memorandum No. 57374/Ins.2/65/Fin. dated 15th November, 1965. Government would like to emphasise once again, in view of the recommendations of the Committee, that action as laid down in the Circular Memorandum dated 15th November, 1965, should be initiated by the Departments immediately on receipt of draft paras from Audit for verification. The matter should be examined again and suitable further action taken immediately after the Audit Report is placed before the Legislature and copies are circulated among the Secretaries to Government etc.

V. RAMACHANDRAN,
Additional Secretary.

To

All Heads of Departments and Offices.

All Sections and Departments of the Secretariat.

The Secretary, Public Service Commission, Trivandrum,
(with C.L.).

The Secretary, Vigilance Commission, Trivandrum. (with
C.L.).

The Registrar of University, Trivandrum (with C.L.).

The Registrar of High Court, Ernakulam (with C.L.).

The Secretaries, Additional Secretaries, Joint Secretaries,
Deputy Secretaries and Assistant Secretaries to Gov-
ernment.

The Secretary to Governor.

The Private Secretaries to the Advisers.

The Stenographer to the Chief Secretary.

Statement showing the officers in the various departments responsible for chasing action for sending prompt replies to draft paras.

<i>Name of Department</i>	<i>Designation of Officer</i>
1. Development Department	Shri S. Padmakumar, Joint Development Commissioner.
2. Food Department	Shri M. Lakshmanan Pillai, Deputy Secretary, Food Department.
3. Public Works Department	Shri P. U. John, Deputy Secretary, Public Works Department.
4. Agricultural Department	Shri J. J. Praseedom, Deputy Secretary, Agricultural and Rural Develop- ment Department.
5. Education Department	Shri K. C. Ramakrishna Pillai, Deputy Secretary, Education Department.
6. Public Department	Shri M. Vasu Menon, Deputy Secretary, Public Department.
7. Health and Labour Department	Shri S. Nagarajan, Deputy Secretary, Health and Labour Department.
8. Industries Department	Shri S. Prabhakaran Nair, Joint Secretary, Industries Department.
9. Stores Purchase and 10. Planning Departments }	R. Gopalaswamy, Finance Secretary.
11. Home Department	Shri S. Naganathan, Joint Secretary, Home Department.
12. Revenue Department	Shri K. P. Achuthan Nair, Joint Secretary, Revenue Department.
13. Finance Department	Shri K. A. Sreedhara Menon, Joint Secretary, Finance Department.

The Committee would like to reiterate the recommendations contained in Section 4, item (ii) (Page 34) of the Kerala Public Accounts Committee's 1st Report (1963-64) that Government should appoint only technically qualified hands to be in charge of stores and also arrange surprise inspections of the various departmental stores being conducted by a separate body of special staff under the Finance Department and review the work periodically.

Government order implementing the recommendation to appoint a special staff to the Finance Department to arrange surprise inspection of various departmental stores is appended (Annexure I). The question of reducing the number of departmental stores and appointing technical hands in charge of them is under the active consideration of the Government.

ANNEXURE I
GOVERNMENT OF KERALA

Abstract

*Financial irregularities—Rules and Procedure—Observance of—
Surprise inspection of stores—Widening the scope of the activities
of the Inspection Wing in the Finance Department—Further
orders—Issued.*

FINANCE (INSPECTION) DEPARTMENT

G.O. (MS) 215/66

Dated, Trivandrum, 23rd May, 1966.

Read: (i) G.O. (P) 723 64 Fin. dated 19-10-1964.

(ii) G. O. (P) 674 65 Public (Special) Department dated
10-11-1965.

ORDER

Government have constituted an Inspection Wing in the Finance Department consisting of—

Assistant Secretary	1
Superintendent	1
Assistants	4

This was in pursuance of the recommendation of the State Public Accounts Committee (1963-64).

2. The main duties of the above staff are to conduct surprise inspection of Government Offices with a view to detecting financial irregularities and cases of slackness or indifference shown by Heads of Departments and Offices in the matter of financial control. The Inspection Wing has been devoting attention on the clearance of audit objections and inspection reports, besides reviewing the progress of collection of revenue and other dues to Government. The work relating to the physical verification of stores could not be attended to by this small unit.

3. The Central Public Accounts Committee (1965-66) which examined the Audit Reports 1964 and 1965 relating to the State has reiterated the recommendation of the State Public Accounts Committee (1963-64) and emphasised the necessity of surprise inspection of stores being done by a separate staff under the Finance Department. Government consider that the Inspection Wing should be strengthened further with a view to conduct surprise inspections of the various departmental stores also. The Deputy Secretary appointed for the expeditious settlement of pension claims and his staff consisting of 2 Superintendents and 5 Assistants will be associated with this work. Thus the Deputy Secretary will have, under him, 1 Assistant Secretary, 3 Superintendents and 9 Assistants. He will arrange to con-

duct surprise inspection and physical verification of stores also. Wherever he considers that the services of a technically qualified officer are necessary, he will contact the concerned Head of Department to make available the services of a suitable person for the purpose and Heads of Departments and Offices will comply with such requisitions and extend full co-operation to him in the matter. The staff conducting local inspection will:

(i) give necessary guidance and instructions to the Departmental staff in the matter of preparation and processing of pension claims for expediting their settlement.

(ii) scrutinise cases of financial irregularities with special reference to objections raised in audit and inspection reports, audit paras etc., and give necessary help to departmental officers to clear objections and outstanding points in inspection reports.

(iii) check whether reconciliation of accounts is being done promptly and systematically and ensure that the accounts and registers are maintained properly.

(iv) review the progress in the collection of revenue and other Government dues with special emphasis on arrears, and

(v) conduct surprise inspection and physical verification of departmental stores.

By order of the Governor,
V. RAMACHANDRAN,
Finance Secretary.

To

The Accountant General, Kerala, Trivandrum.

All Heads of Departments and Offices.

The Secretary, Kerala Public Service Commission (with C.L.).

The Registrar, Kerala University (with C. L.)

The Registrar, High Court, Ernakulam (with C. L.)

The Secretary, Vigilance Commission (with C. L.)

The Secretary to the Governor.

The Private Secretary to the Adviser.

All Secretaries, Additional Secretaries, Joint Secretaries, Deputy Secretaries and Assistant Secretaries to Government.

The Stenographer to the Chief Secretary.

All Departments and Sections of the Secretariat.

The Director of Public Relations.

Home Affairs/P.L.D.
P.H.B. D/Home &
Fin. Depts. (Govt.
of Kerala).

The Committee hope that with the detailed information available with the police they would be able to pursue the case vigorously and apprehend the culprit.

Shri K. R. Rao with aliases who is concerned in eight cases of cheating in the State, stands charged before the Courts. He belongs to the Hassan District of the Mysore State. Periodical enquiries are being made to apprehend him. His photo with details of cases charged against him, has been published in the Criminal Intelligence Gazette and distributed to all Criminal Investigation Departments in India. Enquiries are also being made in his Home Village in the Mysore State. Mysore Police have been informed about the cases against him. His History sheet which is already in existence with the Mysore police has been obtained and sent to the Madras Criminal Investigation Dept. along with his photo as the criminal is wanted in similar cases registered against him in Madras State. He is also wanted in a similar case in Andhra State. His photo and descriptive particulars have been published in the newspapers having wide circulation in Kerala, Madras, Bombay, Calcutta and Delhi requesting the public to give information on the whereabouts of the criminal. The Finger Print

Bureau of all States including the Central Bureau have been informed that this accused is wanted and if he is traced, intimation should be sent to this Department.

Systematic and vigorous enquiries are being continued to apprehend and arrest the criminal in question.

A copy of the D. O. 14884/66 dated 11-5-66 from the Assistant Inspector General of Police attached (Annexure I).

ANNEXURE I

Copy of D.O. Letter No. B1-14884/66 dated 11-5-1966 from the Assistant Inspector General of Police.

My dear Madhavan Nair,

SUB:—Public Accounts Committee 1965-66—Reports on the Audit Reports 1964 and 1965 relating to the Govt. of Kerala—Action on recommendations—regarding.

Ref:—1 D. O. letter No. 21791.BG3|66|Fin. dated 15-4-1966 from Addl. Secretary to Govt., Finance Secretary to Govt. Home Dept. with copy to Insp. Genl. of Police.

2. Your D. O. letter No. 20529|D5|66|Home dated 7-5-1966.

Item No. 13(1) on page 231 of the 47th Report of the Public Accounts Committee 1965-66, Volume—I, does not relate to the Police Dept. and as such no action is due from here on the recommendation.

2. Regarding item No. 105 on Page 270 of the Report, I am directed to state as follows:—

Shri K. R. Rao with aliases who is concerned in eight cases of cheating in the State Stands charged before the Courts. He belongs to the Hassan District of the Mysore State. Periodical enquiries are being made to apprehend him. His photo with details of cases charged against him, has been published in the Criminal Intelligence Gazette and distributed to all Criminal Investigation Departments in India. Enquiries are also being made in his Home village in the Mysore State. Mysore Police have been informed about the cases against him. His history sheet which is already in existence with the Mysore Police has been obtained and sent to the Madras Criminal Investigation Dept. along with his photo as the criminal is wanted in similar cases registered against him in Madras State. He is also wanted in a similar case in the Andhra State. His photo and descriptive particulars have been published in the newspapers having wide circulation in Kerala, Madras, Bombay, Calcutta and Delhi requesting the public to give information on the whereabouts of the criminal. The Finger Print Bureaux of all States including the Central Bureau have been informed that this accused is wanted and if he is traced intimation should be sent to this Department.

I may also state that systematic and vigorous enquiries are being continued to apprehend and arrest the criminal in question.

Yours sincerely,

Sd./-

(P. Vishwanatha Pillai)

GOVERNMENT OF KERALA

No. 52703/65/O&M.

Organisation & Methods Division,
Trivandrum, Dated: 6-11-1965.

MEMORANDUM

SUB:—Disciplinary cases—Expeditious disposal of cases—Time lag to be observed in various stages—Modifications issued.

Ref:—Memorandum No. 79056/64/O&M dated 16-11-1964.

In the Memorandum cited, instructions were issued for the expeditious disposal of disciplinary cases. Flow process charts indicating the various stages in taking disciplinary action for major and minor penalties showing the time limits admissible at each stage, have been appended to the above Memorandum. Government are of the view that normally disciplinary proceedings should be finally disposed of within a period of six months. With a view to achieving this objective, a review has been made of the time lags at the various stages in disciplinary proceedings. According to the flow process chart for major penalties appended to the Memorandum cited earlier, the period taken for the disposal of disciplinary cases for major penalties comes to about 9½ months. An attempt has been made to reduce further the time required for disposing of such cases. A revised flow chart for dealing with disciplinary cases under Rule 15 of Kerala Civil Services (Classification, Control & Appeal) Rules, 1960, has accordingly been prepared indicating the various stages and the time allowed at the different stages. The total period of time excluding the time taken by the Public Service Commission, according to the revised chart comes to about 8 months. All departments of the Secretariat, heads of Departments and other disciplinary authorities are requested to follow the revised Flow Process Chart in dealing with disciplinary cases. Government wish to make it clear that the timings in the Flow process Chart should be treated as the maximum admissible for dealing with disciplinary cases; but normally it should be possible to dispose of disciplinary proceedings within a period of six months by eliminating delay at each stage. All concerned are requested to bestow special attention on this matter so that progress

sive reduction in the time taken for disposal of disciplinary cases may be affected to achieve the above objective.

Receipt of this memorandum should be acknowledged.

K. V. KUNHUNNI MENON,
*Deputy Director (O&M) & Deputy Secretary to
Government.*

To

All Heads of Departments and offices.

All Vigilance Officers.

All Depts. of the Sectt. (All Sections) including Law & Finance.

The Secretary Vigilance Commission (with C.L.).

FLOW PROCESS CHART ON DISCIPLINARY CASES Under Rule 15 of K. C. S. (C.C.&A.) Rules, 1961.

Stage I	Stage II	Stage III	Stage IV	Stage V
Disciplinary Authority	Government Servant	Disciplinary Authority	Enquiring Authority	Disciplinary Authority
<p>1. Receipt of complaint or the report of an investigation.</p> <p>2. Examines the complaint or report. If satisfied that there is a <i>Prima facie</i> case for taking action against the Govt. servant frames and communicates definite charge or charges to the Govt. servant together with a statement of the allegations on which each charge is based and directs him to submit within specified time a written statement of his defence and to state whether he desires to be heard in person. (20 days).</p>	<p>Submission of reply after perusing records, if necessary after obtaining required permission. (20 days)</p>	<p>Decides whether formal enquiry should be conducted and if so, forwards to the Enquiring Authority. (20 days)</p>	<p>Takes evidence, prepares the enquiry report and forwards enquiry report to the Disciplinary Authority.</p> <p>(3 months).</p> <p>If during the enquiry the enquiring authority finds need to modify the charges, additional time of 15 days may be allowed to serve modified charges and to get the explanation of the Government servant.</p>	<p>Records findings on each of the charges with reasons for disagreement, if any from the Enquiring Officer's findings and decides on the action proposed to be taken. (a) If the proposed action is a minor penalty, then passes orders accordingly under Rule 15 (13) of the K. C. S. (C.C. & A) Rules and communicates decision to Govt. servant as in Rule 15(14) of the K.C.S. (C.C. & A) Rules. (20 days).</p> <p>(b) If the proposed action is a major penalty, then furnishes to the Govt. servant a copy of the report of the</p>

enquiring authority
and statement of its
findings with brief rea-
sons for disagreement,
if any, and gives him
notice stating the action
proposed to be taken
and calling upon him to
make representation
against the proposed
action.

(20 days).

Stage VI	Stage VII	Stage VIII	Stage IX
Govt. Servant	Disciplinary Authority	Public Service Commission	Disciplinary Authority

I

2

3

4

Submits representation within a specified time.
(15 days).

(a) Considers the representation of the Govt. servant and passes appropriate orders where consultation with the Commission is not necessary.

(20 days).

(b) If consultation with P.S.C. is necessary, forwards record of enquiry, copy of show cause notice and representation made thereon to the Commission for advice after coming to a provisional conclusion regarding the penalty to be imposed on the Govt. servant.

(20 days.)

Considers the representation of the Government servant and the advice of the Commission and decides on the penalty to be imposed.

Communicates orders to the Government servant with copy of enquiry report, copy of the advice given by the Commission and a brief statement of the reasons for non-acceptance of the advice, if any.

(1 month).

8-160
8-161
8-162

Public Works Department, Finance Department, Law Department of Government of India.

Though the case relates to a contract involving construction work more than 20 years ago, what has caused grave concern to the Committee is the fact that no paper (even the agreement connected with the dispute) had been produced by Government, nor was any evidence produced before the Commission appointed by the Court to assess the amount of decree.

It appears from the notes furnished that there has been delay at various stages after the suit was filed in the Court in 1958. The final decree was issued on 13-7-1962. In between, the Commission was appointed on 26-10-1960. Therefore, Government cannot take the plea that owing to paucity of time, the records could not be produced. The Committee feel that there have been lapses both on the part of the Government pleader and the officials dealing with this case which resulted in the Government being placed in an embarrassing position.

4

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1

The Committee would like to stress the importance of ensuring that all possible measures are taken in time to defend cases of Government. It is also imperative that all relevant records relating to contracts, especially where disputes arise, are carefully preserved and maintained. The Committee desire the Finance Department to issue suitable instructions in the matter.

ANNEXURE I

IMPORTANT

GOVERNMENT OF KERALA

Finance Department,

No. 54/66/Fin.

Trivandrum,

Dated 21-6-1966.

CIRCULAR MEMORANDUM

SUB:—Public Accounts Committee (1965-66)—Forty-seventh Report (Lok Sabha)—Paragraph 8.162—Proper defence of cases against Government—Necessity to preserve all records relating to contracts—Instructions issued.

Attention of the heads of Departments and offices is invited to paragraph 8.162 of the Public Accounts Committee Report cited. In this case payments aggregating Rs. 98,696 were made to a contractor in 1963 in satisfaction of a Court decree awarded in 1962. The contractor had claimed extra payment in connection with the construction of a building in 1946, on the ground that the department had delayed execution of the work and that, therefore, he had to incur heavy loss due to abnormal increase in prices. While awarding the preliminary decree the Court had observed that no paper, not even the agreement connected with the dispute, had been produced by Government, whereas the plaintiff had produced copies of certain official documents which the court had to admit in view of Government's failure to produce the originals. An appeal preferred against the decree was dismissed by the District Court as it was preferred after the expiry of the time allowed by law. The Public Accounts Committee has recommended that it should be ensured that all possible measures are taken in time to defend cases of Government and that all relevant records relating to contracts, especially where disputes arise, are carefully preserved.

2. All Heads of Departments and Offices concerned will make a special note of the above recommendation of the Public Accounts Committee. They are requested to ensure that necessary arrangements are made to preserve such valuable documents carefully and

to take all necessary steps for the proper defence of cases against the Government.

V. RAMACHANDRAN,
Additional Secretary (Finance and Planning).

To

All Heads of Departments and Offices.

The Registrar of High Court (with C. L.)

The Registrar of University of Kerala (with C. L.)

The Secretary, Public Service Commission (with C. L.).

The Secretary, Vigilance Commission (with C. L.).

The Secretary to Governor.

The Private Secretaries to Advisers.

All Secretaries, Additional Secretaries, Joint Secretaries,
Deputy Secretaries and Assistant Secretaries to Govern-
ment.

The Stenographer to Chief Secretary.

All Departments and Sections of the Secretariat.

Forwarded/By Order.

Sd./-

Superintendent.

Immediate

GOVERNMENT OF INDIA

MINISTRY OF WORKS, HOUSING & URBAN DEVELOPMENT

(Works Division)

New Delhi, dated the 19th August, 1966.

Recommendations of the P.A.C.

Though the case relates to a contract involving construction work more than 20 years ago, what has caused grave concern to the Committee is the fact that no paper (even agreement connected with the dispute) had been produced by Government, nor was any evidence produced before the Commission appointed by the Court to assess the amount of decree.

It appears from the notes that there has been delay at various stages after the suit was filed in the Court in 1958. The final decree was issued on 13th July 1962. In between the Commission was appointed on 26th October, 1960. Therefore, Government cannot take the plea that owing to paucity of time, the records could not be produced. The Committee feel that there have been lapses both on the part of the Government Pleader and the officials dealing with this case which resulted in the Government being placed in an embarrassing position.

The Committee would like to stress the importance of ensuring that all possible measures are taken in time to defend cases of Government. It is also imperative that all relevant records relating to contracts, especially where the disputes arise, are carefully preserved and maintained. The Committee desire the Finance Department to issue suitable instructions in the matter.

S. No. 109 (Paras 8. 160, 8. 161 and 8. 162 of the 47th Report of the P.A.C.).

Comments: .

A comprehensive note covering the points raised by the P.A.C. with regard to the construction of Kuthiathodu Bridge is enclosed.

The Government of Kerala have issued instructions to the heads of Departments and officers to make arrangements for the preservation of valuable documents and for proper defence of cases filed against Government.

R. F. ISAR,

Joint Secretary to the Government of India.

*Comprehensive Note covering the points raised by the Public
Accounts Committee with regard to the construction of
Kuthiathodu Bridge*

The work of construction Kuthiathodu bridge was entrusted to the contractor Sri. T. C. Chandy on 13th December, 1944. But the work was delayed due to the delay in Land acquisition, shortage of M. S. Rods etc. Based on this the contractor demanded enhanced rates over his quoted rates on the plea that the tendered rates of 1120 for the work were not workable in 1122. The Department and the Government had considered the request of the contractor to a certain extent only on the ground that the contractor was also responsible for the delay in the execution of the work. Since the decision of Government was not acceptable to the contractor he had approached the court with his demands.

The judgement in the case was delivered by the Additional Subordinate Judge Kottayam on 31st January, 1960. The State's appeal against the above judgement was dismissed on 9th October, 1961 with the application to condone delay. On 26th October, 1960 the Subordinate Judge's Court issued a commission as per the above judgement for preparing the data for final decree. The Commission appointed by the court gave notice to produce relevant documents to calculate the amount due to the plaintiff. All available records were produced for reference. Though the notice of the commission requiring the production of evidence was issued on 21st November, 1960 to the Government Pleader it was communicated to the Executive Engineer only on 8th December, 1960 and received by him on 9th December, 1960 from which date there was hardly one week to produce evidence. As the Executive Engineer had to produce records of very old dates (the work was executed in 1944) and as the time allowed was very short he requested the Government Pleader to arrange for postponing the date of enquiry by the Commission by another two months. Even though it was expected that extension of time would be granted no extension of time is seen to have been granted in this case. The Department had requested the Government

Pleader for furnishing an interim reply to the Commission requesting for extension of time. A provisional objection statement was sent to the Government Pleader on 10th April, 1961 as requested by him and a final objection statement on 8th July, 1961. On 12th December, 1961 the Government Pleader asked the Executive Engineer (B & R), Alleppey to forward certain documents including a copy of the revised estimate of the work. As complete copy of the revised estimate for the work was not available in any of the P.W.D. offices as the records were misplaced the other documents as required by the court has been produced to the Government Pleader by the Executive Engineer (B & R), Alleppey along with the final objection statement on 22nd March, 1962. The Government Pleader also requested the Executive Engineer to explain the objections to him and to the court. Thereupon the Executive Engineer, Alleppey requested an adjournment of the case till the end of 4/62 which was not allowed. The final decree was issued on 13-7-1962 ruling out the State's objections against as it was filed only on 6-6-1962 on the eve of the final disposal of the case.

The following facts will give the reasons for the non-availability of records and non-production of the same.

The work was transferred to the Ernakulam Division on 1st April, 1950. Again when the Alleppey Division was formed on 1st January, 1957 the files relating to the work were transferred to that Division. The suit was filed in 1958 and the final decree of the Court was issued on 13th July, 1962. It can be seen that the work was arranged 18 years ago from the date of judgement and there were also frequent changes in the jurisdiction of the P.W.D. Divisions during this long period in the execution of this work. Due to the reasons mentioned above it has not been possible to trace out the connected records and produce evidence within the short time allowed.

8-250*
8-251

Finance Department of Govern-
ment of Kerala State Trans-
port Corporation.

The Committee consider it highly improper for the Department to have fixed the pay on a different interpretation of the Government order, on presumptions, without seeking the clarification of the orders relating to fixation of pay from the authorities, who had issued the orders. They desire the Finance Department to issue necessary instructions in this regard to avoid recurrence of such instance.

They hope that this case would not be treated as a precedent for regularising irregular fixation of pay in future.

ANNEXURE I

IMPORTANT

GOVERNMENT OF KERALA

No. 52/66/Fin.

Finance Department,

Trivandrum,

Dated 21st June, 1966.

CIRCULAR MEMORANDUM

SUB:—Public Accounts Committee (1965-66)—Forty-seventh Report (Lok Sabha) Paragraphs 8.250 and 8.251—Clarification to be obtained for doubtful interpretation of Government Order—Instructions issued.

Attention of the Heads of Departments is invited to paragraphs 8.250 and 8.251 of the Public Accounts Committee Report mentioned above.

2. The Transport Department interpreted incorrectly an order of Government issued in July, 1958 revising the scales of pay of the employees of the Department from 1st April, 1958 and fixed the initial pay of about 700 officials reckoning service on daily wages as service qualifying for increment for the purpose of weightage, which the Government order did not envisage. The Public Accounts Committee in its recommendations has observed that it was highly improper on the part of the department to have fixed the pay on a different interpretation of the Government order on presumptions without seeking the clarification of the orders relating to fixation of pay from the authorities who had issued the orders. It is also observed by the Public Accounts Committee that this case should not be treated as a precedent for regularising irregular fixation of pay in future.

3. In view of the recommendation of the Public Accounts Committee, Government would emphasise that recurrence of such instances will be viewed seriously and that the officers responsible for the incorrect interpretation of the orders and incorrect fixation of pay

thereby will be personally held responsible for the loss sustained by Government in this regard.

V. RAMACHANDRAN,

Addl. Secretary.

To

All Heads of Departments and Offices.

The Registrar of High Court (with C. L.).

The Registrar, University of Kerala (with C. L.)

The Secretary, Public Service Commission (with C. L.)

The Secretary, Vigilance Commission (with C. L.)

The Secretary, to Governor.

The Private Secretaries to Advisers.

The Stenographer to Chief Secretary.

All Secretaries, Addl. Secretaries, Jt. Secretaries, Dy. Secretaries

& Asstt. Secretaries to Government.

All Sections of the Secretariat.

Forwarded /By order,

Sd/- Superintendent

The Committee regret that from the very beginning the entire case in regard to the contract was not properly processed. The Committee consider it extremely unfortunate that Government should have entered into an agreement which was later found to be *ultra-vires*. The Committee also feel that Government should have taken prompt steps to revise the agreement as soon as it was found that the original agreement was *ultra vires* instead of allowing the stalemate to continue indefinitely. They suggest that the question of revising the agreement should be considered and while doing so the question of suitably enhancing the licence fee should also be considered before the license is renewed so that the financial interests of Government are safeguarded.

ANNEXURE I

Remarks of the Department.

In 1952 Government granted permission to one Sri Antony Perinchery, Trichur to open a distillery at Chalakudy. According to clause 23 of the agreement executed by Sri Antony in connection with the grant of licence to the Distillery, Government were entitled to 10% of the net profit from the Distillery, the payment of which is to commence after three years of the starting of the Distillery. In order to determine the net profit the Board of Revenue was making incessant efforts to get the accounts of the Distillery. Failing to get complete accounts of the Distillery, at the instance of the Board of Revenue one of the Financial Assistants in the Office of the Director of Industries and Commerce was deputed by Government to conduct an audit of the Distillery for the period from 1954—1961. The Distillery failed to give all the required particulars to the Officer, with the result that he had to return with insufficient data for determining the net profit. With these insufficient data he suggested that the profit for 1954 to 1961 may be provisionally fixed at Rs. 46,400—i.e., 1/10th of the profit of Rs. 4,64,000, from the Distillery. The Company requested Government to waive the claim for the share of profit on the following grounds:—

- (1) The clause relating to the payment of share of profits to Government was incorporated in the agreement at the instance of the then Member of the Board of Revenue who insisted on making this a condition for the grant of distillery licence.
- (2) The licensee was helpless to interfere in the matter at that time for fear of summary rejection of his application for licence as he had already invested a huge capital for the import of plant and machinery and for the construction of building, etc.
- (3) The Distillery has been advised by their lawyers that a share of profit can be claimed or any contract for any share of profits can be validly entered into only if the party claiming it is either a working partner or who has invested

some capital. The Government have not made any investment, nor have they rendered any service in promoting the business.

- (4) It is beyond the authority of Government and *ultra-vires* of their powers to enter into an agreement for the sharing of the profit.**
- (5) The issue of a licence is not a valid consideration to justify a claim of profit.**
- (6) The licence for the Distillery has been granted under the provisions of the Abkari Act on payment of requisite fee and the Distillery is complying with the provisions of the Act.**

(2) The Law Department and the then Advocate General who were consulted on the contentions of the party advised that provisional assessment is not permissible in the absence of any provision in the agreement. The Advocate General was also of the opinion that in view of section 23 of Indian Contract Act, clause 23 of the Agreement is likely to be regarded as unenforceable. Leaving aside all minor objections the Advocate General expressed the opinion that the objection of the Distillery that it was beyond the authority of the Government and *ultra-vires* their power to enter into an agreement in regard to the share of profit, deserved consideration.

(3) Based on the opinion of the Advocate General that "the Government's powers of granting licence are statutorily delimited by the provision of the Cochin Abkari Act", Government after due consideration issued orders. In G.O.M. No. 729/65 Rev. dated 15-9-1965 dropping the question of recovering a share of the profit from the firm. (Copy of the G.O. enclosed).

(4) The Central Public Accounts Committee at its meeting on 1-11-1965 at Trivandrum observed that the whole case about the contract being *ab initio* void may be re-examined in consultation with the Advocate General and the result communicated to the Committee. As observed by the Committee the new Advocate General was requested to re-examine the question and communicate his views in the matter. The State Board of Revenue was also consulted. The Board has stated that the clause 23 of the Agreement providing for the realisation of 10% of profit cannot be enforced since there is no provision in the Abkari Act for the realisation of profit and that anything beyond the provision of the Abkari Act is not likely to be upheld by the Court. So long as there is no provision for the collection

of profit under the Abkari Act, such an agreement will be in conflict with the Indian contract Act and so it will be unlawful and opposed to public policy. The Advocate General advised Government that it is not possible to maintain successfully the claim for share of profit against the distillery. The Government examined the question in detail and came to the conclusion that the decision already taken by Government in the matter requires no modification. The fact was intimated to the Lok Sabha Secretariat in letter No. 52682/G2/65/RD dated 1-2-1966.

(5) The Public Accounts Committee has now stated that from the very beginning the entire case in regard to the contract was not properly processed and has suggested that the Agreement executed by the contractors may be revised and that the licence fee may be enhanced with a view to safeguard the financial interest of the Government—*vide* column 4.

(6) The steps taken by Government to assess the profit of the company and to release the 10% share of profit are briefly stated below:—

Finding that the Management of the Company are not furnishing the required particulars for assessing its profit Government deputed one of the Financial Assistants in the office of the Director of Industries and Commerce to conduct an audit of the Distillery for assessing the share due to Government and the company was asked to remit the share of profit. The Government entered into the agreement with the company for the share of profit on the belief that the share can be realised under a law. Only later it was found that it was beyond the authority of Government and *ultra-vires* of their powers to enter into an agreement for sharing of profit. The question as to whether the Government can legally realise the share of profit from the company was under the consideration of Government for some time and the final decision in the matter was taken only in 1965. Immediately the question of revising the Agreement was taken up by Government. The above facts will show that efforts have been made by Government to properly process the case. The fact that the provision in the agreement for sharing of profit was legally unenforceable came to light only after a considerable time.

A revised form of Agreement to be executed by all Distilleries in favour of Government for the manufacture of alcohol and all other operation in the Distilleries such as compounding, bottling etc., has been approved by Government in G.O.Rt.985/66/RD dated 23rd August, 1966. (Copy enclosed). In this agreement the provision for the collection of ten per cent profit has not been provided since it

is found on further examination also that it is not legally permissible to provide for such collection.

(7) A revised agreement has not yet been taken from the company since the adoption of a revised form of agreement applicable to all Distilleries is under the consideration of Government. The Board of Revenue has been directed to adopt this agreement form approved by G.O.Rt.No.985/66/RD dated 23rd August, 1966 in future.

(8) The licence fee realised from the Distilleries is Rs. 1,100/- as shown below—

(1) Distillery licence	Rs. 1000/-
(2) Compounding Licence	Rs. 800/-
(3) Bottling Licence	Rs. 200/-
	—
	Rs. 1,100/-

Government are advised that a high licence fee which is in the nature of a tax cannot be imposed without provision for that in the Abkari Act. In view of this, Government have accepted the view of the Board of Revenue that no increase in the licence fee is possible except by bringing the levy under Excise duty or Luxury tax for which amendment of the Act will be necessary. It is therefore found not possible to accept the suggestion of the committee to enhance the licence fee. However the question of levy of a fee based on the quantity of Alcohol manufactured to compensate for the loss sustained by Government by giving up the collection of a share of the profit is being considered.

The Finance Department has since issued instructions to the Heads of Department regarding the steps to be taken to safeguard the Financial interest of Government while entering into any contract with private individuals.—Vide their circular Memo. No. C.M. No.85/BG3/66/Fin. dated 16th September, 1966—appended.

K. P. ACHUTHAI NAIR,
Joint Secretary (Revenue).

GOVERNMENT OF KERALA

ABSTRACT

**Excise—Distillery—M/s Polson's Distillery—Sharing of Profit—
Order issued—**

REVENUE (G) DEPARTMENT

G.O. MS. 729/65/Rev.

Trivandrum dated 15-9-1965.

Read:—

1. Petition dated 25-10-1961 from the Managing Partner, Polson's Distillery, Chalakudy.
2. Correspondence ending with letter No. XA5. 39369/57 dated 14-8-1965 from the Board of Revenue (Excise).

ORDER

In 1952 Government granted permission to one Shri Antony Peruncherry, Trichur to open a distillery (Polson's Distillery) at Chalakudy. According to clause 25 of the agreement executed by Shri Antony in connection with the grant of licence to the Distillery, Government shall be entitled to 10 per cent of the net profit from the Distillery. The company requested Government to waive the claim of Government for the share of profit as it was beyond their authority to claim any share of the profit of the Distillery and the claim could not be sustained in law.

Government have examined the contentions of the company in detail and they are pleased to order that the question of recovering the share of profit from M/s Polson's distillery, Chalakudy as provided in clause 23 of the agreement executed by the company, be dropped.

By order of the Governor,

C. C. AHMED,

Joint Secretary.

To

**The Petitioner.
etc. etc.**

**True Copy
(Sd.)
Superintendent**

GOVERNMENT OF KERALA

ABSTRACT

**Abkari—Revised form of Agreement—applicable to Distilleries—
Approved.**

REVENUE (G) DEPARTMENT

G.O.Rt. 985/66/RD

Dated: Trivandrum, 23-8-1966

**Read:—Letter No. XA5-1965/64 dated 6-1-1966 from the Board of
Revenue.**

ORDER

**A revised form of Agreement to be executed by the Distillers in
favour of Government for the manufacture of alcohol and all other
operations in the Distilleries such as compounding, bottling etc., ap-
proved by the Government is forwarded herewith to the Secretary,
Board of Revenue for necessary further action.**

(By Order of the Governor)

T. J. PAIFY,

Assistant Secretary.

To

The Secretary, Board of Revenue

The Accountant General

**The L.D. (with a copy of the form of agreement) vide their
U.O. Note No. 7645/66/G3/Law Dated 20-7-1966.**

**The Finance Department (with a copy of the agreement) vide
U.O. Note No. 42062/WM&R3/66/Fin. dated 9-8-1966.**

Forwarded /By order

Sd/-

Superintendent.

True Copy

(Sd.)

Superintendent.

Articles of agreement made this the day of.....
Between the Governor of Kerala (hereinafter called the Govern-
ment) of the one part and Shri (hereinafter call-
ed the licensee) of the other part.

Whereas the licensee having applied to the Government and the
Government having agreed to accord sanction to the licensee to esta-
blish a distillery at in Taluk of.....
District subject to the terms and conditions hereinafter appearing to
which the licensee has agreed. Now these presents witness and it is
hereby agreed as follow:—

1. Manufacture of alcohol and all other operations in the Distil-
lery such as compounding, bottling etc., shall be (a) only under cover
of a licence or licences granted by the Excise Commissioner, and (b)
subject to the conditions of the said licences and to the provisions of
the Abkari Act and Rules and Notifications made thereunder and to
such other conditions as may be imposed by the Excise Commissioner
from time to time. The licence shall be valid only for one year or
for such a shorter period for which it is granted but in any case it
shall expire at the end of the financial year in respect of which it is
granted.

2. The licensee shall be bound by all provisions of the Abkari Act,
and Rules and Notifications issued thereunder by the Government
from time to time and the conditions of the licences and other condi-
tions that may be imposed by the Excise Commissioner and shall in
particular pay duty, luxury tax fee and other taxes, duties and fees if
any imposed and levied by the Abkari Act rules and notifications for
the time being in force on all alcohol produced in the distillery or
taken into or taken out of the Distillery at such rates and in such
manner as may be fixed by the Government from time to time; and
such penalty as may be imposed on them or such other dues as may
be demanded of them by the Government. The manufacture of
alcohol and other transactions in the Distillery right from the set up
of the work to the point of release of alcohol on payment of duty
shall be carried on only under the direct supervision of the Officer in
charge of the Distillery but such supervision shall not absolve the
licensee of any liability in regard to loss, damage or wastage of
alcohol including fermenting materials in the process of manufac-
ture, filtration, compounding, bottling, blending, storage, transit or
otherwise.

3. The licensee shall not without the prior written sanction of the Government, assign or sublet or in any way part with possession all or any of the privileges under, these presents and shall not encumber or in any way part with possession, any of his assets so as to prejudice the claims of the Government in respect of any amount due from the licensee to the Government.

4. The licensee shall pay to the Government in advance at the beginning of each month such sums as directed by the Government from time to time towards the cost of establishment, pension contribution and leave salary contribution along with house rent, uniform, and such other allowance, admissible from time to time to the members of the supervisory establishment posted to the Distillery.

5. The licensee shall provide to the officer-in-charge of the Distillery and his subordinates, quarters, conveniently situated to the Distillery and approved by the Excise Commissioner and recover from them rent at 10 per cent of the actual basic pay drawn by them.

6. The licensee shall deposit a sum of Rs. only as security for the due fulfilment of the terms of this agreement.

7. The Excise Commissioner or any other officer authorised by him in this behalf shall be competent to recover any sums due to Government from the licensee by virtue of these presents or any other lawful charges payable by way of taxes duties fees, penalties on any other dues, from the above security deposit and the licensee shall within 14 days of receipt of the written intimation of such recovery replenish the security.

8. The Government shall have full power to cancel this agreement in the event of breach of any of the provisions contained herein or of the provisions of the Abkari Act, Rules or Notifications or of the conditions of the licences or for any other reason which the Government deems necessary.

9. In the event of any doubt regarding the construction of all or any of these presents the decision of the Government shall be final and the licensee shall be bound to abide by the decisions of the Government in this matter.

10. In witness Sri (licensee) and Sri
for and on behalf of the Governor of Kerala have hereunto set their
2453 (Aii) LS—8.

hands the day and year first above written.

Signed by Sri (licensee)

In the presence of Witness: 1.

2.

Signed by Srifor and on behalf

of the Governor of Kerala

In the presence of witnesses:

1.

2.

(Sd.)

Superintendent.

GOVERNMENT OF KERALA

CIRCULAR MEMORANDUM

SUB:—*Public Accounts Committee 1965-66—47th Report—Third Lok Sabha—Paragraph No. 10.9.—Implementation of the Recommendation—Instructions issued.*

In April 1952, Government sanctioned the opening of a distillery by a private firm subject to the payment of 10 per cent of its net annual profits to Government from the Third year of its working. It was further stipulated that Government would reserve the right to review the position of working of the firm at the end of first and second years and also to modify the concession suitably, if on a scrutiny of the distillery's accounts by a Government Auditor it was found that considerable profit was made by the firm during the first and second years. An agreement was executed by the firm accordingly. The distillery started functioning on the 1st June, 1954. During audit of the office of the Excise Inspector attached to the distillery conducted in 1957, it was noticed that the Department had not taken action either to review the percentage of profits with reference to the working of the firm in the first and second years or to assess and recover the dues to Government in terms of the agreement. In 1958 the Department required the firm to produce the balance sheets for the first two years for the purpose of the review contemplated in the agreement, but the firm refused to produce them. The firm also contended that it was *ultra vires* of the powers of the Government to stipulate a share in this profits of the concern. When legal opinion was taken later, the Department was advised that it was not proper to insert such a clause in the agreement.

The Public Accounts Committee have observed that from the very beginning the entire case in regard to the contracts was not properly processed and that it was extremely unfortunate that Government should have entered into an agreement which was later found to be *ultra vires*. The Committee have also observed that Government should have taken prompt steps to revise the agreement as soon as it was found that the original agreement was *ultra vires* instead of allowing the stalemate to continue. The Committee have further suggested that the question of revising the agreement should be considered and while doing so the question of suitably enhancing the

license fee should also be considered before the license is renewed so that the financial interests of Government are safe guarded.

Attention of the Heads of Departments and Offices is invited to the recommendation of the Public Accounts Committee. It is the duty of every Department to get legal opinion wherever necessary before entering into any contract with private individuals or firms, so that the financial interests of Government are safeguarded to the utmost. Government would impress upon all officers concerned to be more vigilant in these matters so that the cases similar to one referred to above do not recur.

(By Order of the Governor)

T. P. BALAKRISHNAN UNNI,
Deputy Secretary.

FINANCE DEPARTMENT

C.M. No. 85/BG3/66/Fin.

Dated, Trivandrum, 16-9-1966.

Forwarded to:

All Heads of Departments & Offices.

The Registrar, High Court of Kerala, Ernakulam (with C.L.).

The Registrar, University of Kerala, Trivandrum (with C.L.).

The Secretary, Vigilance Commission (with C.L.).

The Secretary, Public Service Commission (with C.L.).

All Secretaries, Additional Secretaries, Joint Secretaries Deputy Secretaries & Assistant Secretaries to Govt.

The Secretary to the Governor.

The Private Secretaries to Advisers.

The Stenographer to the Chief Secretary.

By Order,
Superintendent.

Para
10-13
Revenue Department
Finance Department

The Committee are of the opinion that the variations between the budget estimates and the actuals in respect of receipts under the State sales Tax are very much on the high side. They hope that efforts would be made to improve the budgeting technique and arrive at more accurate estimates of the receipts under various heads.

The Board of Revenue has been given instructions to be more realistic in arriving at the Budget Estimates—[*Vide Annexure I* Government letter No. 21493/H2/66/RD (1) dated 9-8-1966.]

Para
10-16
Revenue Department
Finance Department

The Committee suggest that the Departmental Audit should be strengthened so that all such cases are detected by them. They also desire that necessary instructions be issued to all officers to be careful in their assessment work so as to avoid irregular grant of exemption.

The Department has already an Internal Audit Staff consisting of 14 Assistant Sales Tax Officers working under the direction of the Deputy Commissioner of Intelligence. These Officers work in seven batches, each batch having two Assistant Sales Tax Officers. At a time one batch audits a Sales-tax office. Orders are also being issued sanctioning 4 more posts of Assistant Sales Tax Officers for Audit.

The following steps have also been taken to guide the Officer to do assessment work in the

correct way and avoid the pit falls of granting irregular exemption.

As and when any amendment is made to the Act or the Rules, copy of such amendment is being regularly sent to all officers with a gist of the amended provisions explaining the purpose of the amendment. In addition to the regular supply of 'Sales Tax Cases' copies of important decisions of the Tribunal, High Courts and Supreme Court are also being circulated to all Officers. Clarifications as to the correct rate of tax on certain commodities are also being issued whenever found necessary. In the matter of allowing exemptions very clear instructions have been issued, on many occasions.

From 1965 onwards the Department is publishing and supplying to all Offices a bimonthly bulletin containing short notes, gist of decisions of Law Courts and Tribunals, Notifications,

Standing orders, amendments, memoranda etc., on Sales Tax Agricultural Income-tax, etc. A Hand Book containing all useful information on Sales tax and allied matters was printed and supplied to all Officers in 1965. A Departmental Manual was a long felt necessity for the department. Now Part I of Volume I of the Departmental Manual has been printed and supplied to all Officers and the remaining volumes will also be supplied shortly. By these publications the required information on Sales-tax, Agricultural Income-tax etc. is furnished to the officers. The Board of Revenue has since issued detailed instructions to the assessing officers pointing out the irregularities that are generally committed by them, and the facilities now provided to them in discharging their duties and warning them against the commissions of irregularities hereafter. A copy of the instructions issued in Board's Standing Order No. 29/66 is given in Annexure II.

Para
10-20

Revenue Department

Finance Department.

The Committee are unhappy to note that the case detected towards the end of 1964 is still in the process of revision. They hope that the matter would be expedited. The Sales Tax Officers should also be instructed to be careful in such matters.

A note is submitted—*Vide Annexure III-A.*

An extract of the Board's letter No. C3-13036/66/TX dated 17-6-1966 based on which this is prepared is also given in Annexure III-B.

Para 10-23

Revenue Department

Finance Department

The Committee hope that such instances would not recur.

Government as well as Board have since issued instructions reiterating the need to avoid the recurrence of the irregularities pointed out by the Committee. Vide Board's Standing Order in Annexure II and Government's letter No. 21493/H2/66/RD (2) dated 9-8-1966 in Annexure IV.

In pursuance of the instruction in the Government letter the Board of Revenue is considering the question of fixing a time limit for the disposal of revision cases in consultation with the Deputy Commissioners.

Para 10-26 Revenue Department

Finance Department.

The Committee suggest that serious notice should be taken of such cases of ignorance about the provisions of the Law as result in irregular grant of concessions.

Instructions have been issued to the assessing officers directing them to acquaint themselves with the provisions of the Acts and Rules and also the latest orders etc. which are published in Departmental Bulletin. The Board of Revenue has also been instructed to take disciplinary action against the Officers in case the defects or irregularities are repeated by them—(*vide* letter No. 21493/H2/66/RD/3) issued by Government to the Board of Revenue in Annexure V. In pursuance of the above Instructions, the Board of Revenue has reported in their letter No. C3-13036/66/ TX dated 14-9-1966 that the Deputy Commissioners and Inspecting Assistant Commissioners have been directed to hold frequent discussions as suggested therein. The Board has also reported that in really deserving cases disciplinary action will be taken against erring officers.

From the note, it is seen that action has been taken in respect of several cases to revise the assessment. They hope that assessments would be made

Para 10-29 Revenue Department

Finance Department.

The instructions issued in Government Memorandum No. 21493/H2/66/RD (3), dated 9-8-1966 *vide* Annexure V cover these points. Arrange-

properly and would as far as possible avoid the necessity of revision of assessments subsequently.

Para 10-30 Revenue Department

Finance Department.

In this connection the committee suggest that apart from giving to the officers a refresher course efforts should also be made to see that the assessing officers keep abreast of the latest orders and instructions, so that incorrect assessments are reduced to the minimum, if not altogether eliminated.

ments have also been made to give training to the Upper Division Clerks promoted to the cadre of Assistant Sales Tax Officers, for a period of 3 months. In the case of a direct recruit to the post of Assistant Sales Tax Officer, he is given one year's training. When Deputy Commissioners and the Inspecting Assistant Commissioners inspect the Sales Tax Offices, they discuss with the assessing authorities the various problems they face in their day to day work and the procedure to be followed in complicated cases. Seminars are also being held to discuss the problems arising in assessments etc. In assessment matters the Assistant Sales tax Officers are being guided by the Sales tax Officers. Besides the above, facilities detailed in the remarks against Recommendation No. 139 are also provided. All these will certainly improve the efficiency of the Officers of the Department and reduce incorrect assessments to the minimum.

145 Para 10-33 Revenue Department
Finance Department.

The Committee would like to be apprised of the final outcome of the case.

The case concerned is still pending disposal by the Supreme Court. The Committee will be informed of the result of the case as soon as the judgement is received.

146 Para 10-37 Revenue Department
Finance Department

The Committee are perturbed to note that arrears of Sales Tax and the Agricultural Income tax as on 30-9-1965 are Rs. 331.09 lakhs and Rs. 57 lakhs respectively. They suggest that vigorous steps including the setting up of a Special machinery, if necessary, should be taken to liquidate old arrears and avoid accumulation of current demands.

There is already a special staff under the Collectors for the recovery of the arrears. In view of this it is considered not necessary to engage a separate staff for the recovery of arrears of Sales Tax and Agricultural Income Tax. Government have issued orders directing the Board of Revenue to initiate action to launch a special drive for the recovery of arrears—Vide letter in Annexure VI. The Board of Revenue has reported on 22-7-1966 that the question of liquidation of arrears was discussed in detail in the conference of departmental officers held on 27th and 28th June 1966. It has been programmed to collect 50% of the collectable arrears during the current year. After reviewing the collection of ar-

rears, the Board of Revenue has issued necessary instructions in their Memorandum No. E2.2-13744/66/TX dated 10-5-1966 to bring down the arrears (Vide Annexure VII). The Board of Revenue has also reported in its letter No. C3-13036/66/TX dated 14-9-1966 that it has started a special drive.

ANNEXURE I
GOVERNMENT OF KERALA

No. 21493/H2/66/RD., (1),

Revenue (H) Department,

Dated, Trivandrum, 2-8-1966.

From

The Secretary to Government.

To

The Secretary (Taxes),

Board of Revenue.

Sir,

SUB:—Central Public Accounts Committee—1965-1966—Report on the Audit Reports 1964 and 1965—Recommendations of the Committee—Recommendation No. 10.13.

With reference to the above I am directed to inform the Board of Revenue as follows:—

The Central Public Accounts Committee has made the following recommendations:—

Recommendation No. 10.13 referred to in paras 10.10 to 10.13 of the Report.

1. "The Committee are of the opinion that variations between the budget estimates and the actuals in respect of receipts under the State Sales Tax are very much on the high side. They hope that efforts would be made to improve the budgetting technique and arrive at more accurate estimates of the receipts under various heads".

Even though the variations between budget estimates and actuals are mainly due to reasons such as increase in prices, enhancement of the rates of tax etc. Government consider that, if the budget estimates are prepared with caution the variations can be reduced.

Government would therefore impress upon the Board of Revenue the need for being more realistic in preparing the Budget Estimates.

Yours faithfully,

K. P. ACHUTHAN NAIR,

Joint Secretary,

for Secretary to Government.

Copy to:—

The Finance Department.

Sd/-.

Superintendent

ANNEXURE II

Office of the Board of Revenue (Taxes),

No. C3. 13036/66/TX

Trivandrum, Dated 19-7-1966.

STANDING ORDER No. 29/66

SUBJECT:—*Taxes—Sales-tax and Central Sales-tax—Audit of the Sales-tax Offices—defects and irregularities in assessment—preventing of—Instructions issued.*

The audit party of the Accountant General and the Asst. Sales Tax Officers (Audit) of the Department have brought to light certain important defects and irregularities committed by certain assessing authorities in making assessments. The various defects pointed out are enumerated below:—

General Sales-tax:

1. Irregular grant of exemptions under Section 9 of the General Sales-tax Act, 1125 and other exemptions in the case of single point taxable goods.
2. Omission to include the turnover reported in the returns.
3. Incorrect accounting of collections.
4. Failure to assess under Section 25A of the General Sales-tax Act, 1125, the stock in hand of commodities newly brought under the single point scheme of taxation on 1st April, 1962.
5. Grant of exemption to works contracts during the period 26th January, 1960 to 31st March, 1962.
6. Grant of wrong or excessive exemptions to Vydians, Pharmacies etc.
7. Mistakes in computation of taxable turnover and other miscellaneous omissions.
8. Incorrect computation of taxable turnover and other mistakes in calculation of tax etc.

9. Irregular grant of concession under Section 6A of the General Sales-tax Act, 1125 (i.e., concession being allowed to dealers whose gross turnover exceeded Rs. 25,000 a year).
10. Non/wrong levy of licence fee under rule 21 of the General Salestax Rules 1950.
11. Failure to make assessments in time resulting in time-bar.

Central Sales-tax:

1. Irregular grant of concessions on inter-State sales.
2. Concessional rate of tax allowed without the production of valid C forms and on defective C forms.

It will be seen from the gist of the defects pointed out above, that there are some officers who do not know the correct rate of tax for certain commodities. Exemption is seen granted in an irregular manner without examining the eligibility of the assesseees to such exemption in the case of goods taxable at single point and also in other cases. The benefit of composition under Section 7 is found to have been allowed even in cases where the total turnover has exceeded Rs. 25,000. Under the Central Salestax Act instances are not rare where the concessional rate of tax has been allowed even in the case of invalid C forms. The various defects pointed out are only illustrative and not exhaustive.

It is obvious from the various defects and irregularities pointed out that the assessing officers do not take pains to understand the provisions of the Acts and the Rules and the notifications and the instructions contained in the Standing Orders and Official memoranda issued by the Board of Revenue from time to time and to apply them correctly while making assessments. Had they applied their minds properly, such irregularities and defects could have been avoided. These irregularities and defects indicate that the officers are not doing their duty properly as is desired and expected.

As and when any amendment is made to the Act or the Rules, copy of such amendment is being regularly sent to all Officers with a gist of the amended provisions explaining the purpose of the amendment. In addition to the regular supply of Salestax Cases, copies of important decisions of the Tribunal, High Courts and Supreme Court are also being circulated to all Officers. Clarifications as to the correct rate of tax on certain commodities are also being

issued whenever found necessary. In the matter of allowing exemptions very clear instructions have been issued on many occasions. In spite of all these, serious irregularities and defects are found to be committed by some officers.

From 1965 onwards the Department is publishing and supplying to all Offices a bimonthly bulletin containing short notes, gist of decisions of Law Courts and Tribunals, Notifications, Standing orders, amendments, memoranda etc., on Salestax, Agricultural Income tax etc. A Hand Book containing all useful information on Salestax and allied matters was printed and supplied to all Officers in 1965. Part I of Volume I of the Departmental Manual was printed and supplied to all Officers and the remaining volumes will also be supplied shortly. By these publications the required information on Salestax, Agricultural Incometax etc., is furnished to the Officers. The only thing that is now required of the Officers is to go through these publications carefully and to apply the knowledge so gained in making proper and correct assessments.

The Officers are therefore requested to make the best use of these publications. They are warned against committing hereafter irregularities and defects similar to those pointed out above. If any Officer is found to commit such irregularities in making assessments causing loss of revenue to the State, in spite of these instructions, the Board will constrained to take suitable disciplinary action against him. The Deputy Commissioners and the Inspecting Assistant Commissioners are requested to see that these instructions are strictly followed by the Officers and lapses if any are brought to the notice of the Board then and there so that immediate action could be taken against the delinquents.

The receipt of this Standing Order should be acknowledged.

Sd/-

Secretary (Taxes).

To

All Salestax Officers, Agricultural Incometax Officers,
Intelligence Officers, Check Posts. etc. etc.

(True copy)

Sd/-

Superintendent.

ANNEXURE III-A

Note on Para 10.20 of the Report of the Central Public Accounts Committee, 1965-66.

The details of the total amount of Rs. 3.28 lakhs pointed out as a result of test-check in Audit by the Accountant General, are as follows:—

	Rs.
1. M/s. C. V. Paul & Co., Kallar	3,09,940·80
2. A. Raghavan Pillai & Co.,	18,443·14
TOTAL	<u>3,28,383·94</u>

The Sales tax Officer (High Ranges), Devicolam, as a result of cross-check of the exemptions granted, has reported that the actual amount on which exemption was erroneously granted in the above two cases, amounted to only Rs. 2,22,175·15 as under.

	Rs.	P.
1. M/s. C. V. Paul & Co., 1959-60	1,14,980·27	
1960-61	1,06,026·38	
2. A Rathavan Pillai & Co. 1960-61	1,168·50	
TOTAL	<u>2,22,175·15</u>	

Further scrutiny of the records in respect of the other auctioneers by the Salestax Officer (High Ranges), Devicolam has disclosed that exemption granted to them is also not in order. The details of the amounts which escaped levy of tax as a result of irregular grant of exemption are as under:—

	Rs.	P.
1. M/s. C. V. Paul & Co., Santhanpara 1960-61	7,328·22	
2. Cardamom Marketing Co., Vandamettu 1969-60	31,271·90	
3. Vandammettu Cardamom Marketing Co. 1959-60	1,32,940·55	
4. Do. 1960-61	1,31,105·44	
5. M/s. C. U. Joseph & Co. . . . 1959-60	2,861·87	

Notices proposing revision have been issued in the above first four cases on 30th May, 1966. In the 5th case (M/s. C. U. Joseph &

Co.) notice has been issued on 18th May, 1966. In respect of assessments for 1961-62 relating to Messrs. Vandanmettu Cardamom Marketing Co., and Messrs. C. V. Paul & Co. Kallar, the investigations are pending.

It may be pointed out in this connection that though the Audit Report was received in August 1964, elaborate enquiries had to be made in all cases to ascertain the liability to tax and the turnover actually escaped assessment, before notices were issued proposing revision. The accounts of the principals and their assessments have to be examined to ensure whether the exempted turnover had actually suffered tax at the hands of the Principals.

Notices have already been issued proposing *Suo motu* revision in the above case, as stated above.

The case referred to in para 10-17 (2) relates to M/s. Vazhakkala Rubbers, in which exemption was erroneously allowed on second sales of rubber on the basis of defective declarations without any proof that the exempted turnover had actually suffered tax at the hands of the first sellers. This assessment order has already been revised by the Deputy Commissioner, Ernakulam as per his Order No. C2.5448/65/dated 30th May, 1966.

Instructions issued by Board of Revenue in its standing order No. C3.13036/66/TX, dated 19th July, 1966, covers this point—viz., the Sales Tax Officers being careful in deciding the tax liability of dealers.

Sd/-

Joint Secy., Rev., Dept.

ANNEXURE III-B.

EXTRACTS OF BOARD'S LETTER No. C3-13036/66/TX, DATED 17TH JUNE, 1966.

The details of the total amount of Rs. 3.28 lakhs pointed out as a result of test-check in Audit by the Accountant General, are as follows:—

				Rs.
1.	M/s. C. V. Paul & Co., Kallar	.	.	3,09,940.80
2.	A. Raghavan Pillai & Co.,	.	.	18,443.14
	TOTAL	.	.	3,28,383.94

The Sales-tax Officer (High Ranges), Devicolam, as a result of cross-check of the exemptions granted, has reported that the actual amount on which exemption was erroneously granted in the above two cases, amounted to only Rs. 2,22,175.15 as under

1. M/s. C. V. Paul & Co.,	1959-60	.	.	1,14,980.27
	1960-61	.	.	1,06,026.38
2. A Raghavan Pillai & Co.,	1960-61	.	.	1,168.50
				<hr/>
	TOTAL	.	.	2,22,175.15

Notices have already been issued on 30th May, 1966 proposing *Suo motu* Revision in the above cases.

Further scrutiny of the records in respect of the other auctioneers by the Salestax Officer (High Ranges), Devicolam has disclosed that exemption granted to them is also not in order. The details of the amounts which escaped levy of tax as a result of irregular grant of exemption are as under:—

		Rs.
1. M/s. C. V. Paul & Co., Santhanpara	1960-61	7,328.22
2. Cardamom Marketing Co., Vandanmettu	1959-60	31,271.90
3. Vandanmettu Cardamom Marketing Co.	1959-60	1,32,940.55
4. Do.	1960-61	1,31,105.44
5. M/s. C. U. Joseph & Co.	1959-60	2,861.87

Notices proposing revision, have been issued in the above five cases also.

In respect of assessments for 1961-62 relating to Messrs. Vandannettu Cardamom Marketing Co., and Messrs. C. V. Paul & Co., Kallar, the investigations are pending.

It may be pointed out in this connection that though the Audit Report was received in August 1964, elaborate enquiries had to be made in all cases to ascertain the liability to tax and the turnover actually escaped assessment, before notices were issued proposing revision. The accounts of the principals and their assessments have to be examined to ensure whether the exempted turnover had actually suffered tax at the hands of the Principals.

(True extract)

Sd/
Superintendent.

ANNEXURE IX
GOVERNMENT OF KERALA

No. 21493/H2/66/RD.(2)

Revenue (H) Department,

Dated, Trivandrum, 9-8-1966.

From

The Secretary to Government.

To

The Secretary (Taxes),

Board of Revenue.

SUBJECT:—*Central Public Accounts Committee—1965-66—Report on the Audit Reports 1964 and 1965—Recommendations of the Committee—Recommendation Numbers 10.16, 10.20 10.23 referred to in paras 10—14 to 10—23 of the Report.*

Sir,

I am to invite attention to the above recommendations and to inform the Board of Revenue as follows:—

(1) Recommendation No. 10—16.

“The Committee suggest that the Departmental Audit should be strengthened so that all such cases are detected by them. They also desire that necessary instructions be issued to all officers to be careful in their assessment work so as to avoid irregular grant of exemption”.

(2) Recommendation No. 10—20.

“The Committee are unhappy to note that the case detected towards the end of 1964 is still in the process of revision. They hope that the matter would be expedited. The Sales Tax Officers should also be instructed to be careful in such matters.”

(3) Recommendation No. 10—23.

“The Committee hope that such instances would not recur”.

1. All the three recommendations relate to irregular exemption made by the assessing authorities from payment of Sales Tax, or giving exemption which is erroneous by the assessing authority. It is seen that exemption is granted in an irregular manner without examining the eligibility of the assessee for such exemption. It is clear that these defects and irregularities occur because the assessing officers do not take care to understand clearly the provisions of the Acts and Rules as well as the various orders and instructions issued from time to time on the subject and the assessing authorities make the assessments in a cursory or careless manner. If the assessing authorities have examined the cases carefully with reference to the provisions referred to above, many of these irregularities or defects would not have occurred.

2. From 1965 onwards a bi-monthly bulletin containing short notes, gist of the decisions of Law Courts, Tribunals, Notifications, Amendments to Acts/Rules standing orders etc., on Sales Tax and Agricultural Income-Tax is published by the Board of Revenue and supplied to the Officers. Further a Hand Book containing useful information on Sales Tax and allied matters has also been supplied to the officers. The officers can get all the latest orders and instructions if they make use of these publications. Government expect that all the assessing officers will make the best use of these publications to acquaint themselves with the provisions of the Acts and Rules and other orders and instructions and will avoid the recurrence of the irregularities etc., as now commented on by the Committee. Government are also glad to note that the Board of Revenue has issued instructions to all the Officers of the Department (S.O. 29/66 dated 19-7-1966) detailing the various defects pointed out during the Audit of the Accountant General and advising the officers how to avoid the recurrence of the irregularities. Government expect that the Board of Revenue will follow this up and see that the instructions are strictly complied with and the defects or irregularities are not repeated. The Board should not hesitate to take disciplinary action against erring officers.

3. The question of strengthening the Departmental Audit Staff is being examined and orders in this regard will issue separately.

4. I am also to request you to issue suitable instructions to the Deputy Commissioners for the expeditious disposal of the revision cases pending with them. The desirability of fixing a time limit for the disposal of revision cases should also be examined.

3. These instructions may be brought to the notice of all concerned.

Yours faithfully,
K. P. ACHUTHAN NAIR,
*Joint Secretary,
for Secretary to Government.*

Copy to:—

The Finance Department.
H2, H3 and Stock File.

Sd/-
Superintendent.

ANNEXURE V
GOVERNMENT OF KERALA

No. 21493/H2/66/RD. (3),
Revenue (H) Dept.,
Dated, Trivandrum, 9-8-1966.

From

The Secretary to Government.

To

The Secretary (Taxes),
Board of Revenue.

Sir,

SUBJECT:—Central Public Accounts Committee 1965-66—Report on the Audit Report 1964 and 1965—Recommendations of the Committee—Recommendations Nos. 10·26 and 10·29 and 10·30 referred to in paras 10·24 to 10·30 of the Report.

With reference to the above, I am to inform you as follows:—

(1) Recommendations No. 10.26.

“The Committee suggest that serious notice should be taken of such cases of ignorance about the provisions of the law as resulted in irregular grant of concessions”.

(2) Recommendation No. 10.29.

“From the note, it is seen that action has been taken in respect of several cases to revise the assessment. They hope that assessments would be made properly and would as far as possible avoid the necessity of revision of assessments subsequently”.

(3) Recommendation No. 10.30.

“In this connection the committee suggest that apart from giving to the officers a refresher course, efforts should also be made to see that the assessing officers keep abreast of

the latest orders and instructions, so that incorrect assessments are reduced to the minimum, if not altogether eliminated".

1. These recommendations relate to the concessional rate allowed without the production of valid C forms in support of inter-state sales under the Central Sales Tax. Government consider that the defects/irregularities arose on account of the lack of understanding of the provisions of the Acts/Rules, and the various standing orders issued from time to time and the cursory manner in which the assessments are made. If the assessing authorities have made the assessments properly after understanding the Rules and orders on the subject, the defects/irregularities would not have occurred. Government view with concern this tendency on the part of the assessing authorities to make assessments without properly acquainting themselves of the provisions in the Acts/Rules/Standing orders etc. and direct that this tendency should be curbed forthwith. The Board of Revenue should be more vigilant in these matters and should not hesitate to take disciplinary action against the delinquent officers.

2. A bi-monthly bulletin containing short notes, gist of the decisions of Law Courts, Tribunals, notifications amendments to Acts/Rules, standing orders etc. on Sales Tax and Agricultural Income Tax is published by the Board of Revenue and supplied to all officers of the Department. A Hand Book on Sales Tax containing useful points of information has also been supplied to the Officers. The Departmental Manual is also under issue. The assessing authorities can acquaint themselves with the latest orders and instructions from these publications. Government expect that all the assessing Officers will make the best use of these publications to acquaint themselves with the provisions of the Acts/Rules etc., so as to avoid the recurrence of the defects/irregularities on account of the incorrect understanding of the Law. Government note that the Board of Revenue has issued instructions to all the officers of the Department (S.O. 29/66, dated 19th July, 1966) detailing the various defects pointed out during the audit of the Accountant General and advising the officers to take steps to avoid the recurrence of such irregularities. Government hope that the Board of Revenue will follow this up and see that the instructions are strictly complied with and that the defects/irregularities are not repeated, even by initiating disciplinary proceedings against the erring officers if necessary.

3. Government also consider that the situation will be further improved if the Deputy Commissioners/Inspecting Assistant Commissioners hold frequent discussion with the assessing officers about their difficulties, latest instructions of amendments to Act/Rules etc.

4. Orders regarding the introduction of the Refresher course for the serving officers of the Department will be issued separately.

I am also to request the Board of Revenue to bring these instructions to the notice of all officers of the Department.

Yours faithfully,
K. P. Achuthan Nair,
Joint Secretary,
For Secretary to Government.
Sd/
Superintendent.

ANNEXURE VI
GOVERNMENT OF KERALA

No. 21493/H2/66/RD. (4),
Revenue (H) Dept.,
Dated, Trivandrum, 9-8-1966.

From

The Secretary to Government.

To

The Secretary (Taxes),
Board of Revenue.

Sir,

SUB:—Central Public Accounts Committee 1965-66—Report on the Audit Report 1964 and 1965—Recommendations of the Committee—Recommendation No. 10·37 referred to in paras 10·34 to 10·37 of the Report.

With reference to the above, I am directed to inform the Board of Revenue as follows:—

Recommendation No. 10·37.

“The Committee are perturbed to note that arrears of Sales Tax and Agricultural Income Tax on 30th September, 1965 are Rs. 3,31.09 lakhs and Rs. *57 lakhs respectively. They suggest that vigorous steps including the setting up of a special machinery, if necessary, should be taken to liquidate old arrears and avoid accumulation of current demands”.

Government have examined the recommendation carefully. As there is already a special staff now under the Collectors for the recovery of the arrears of tax under the Revenue Recovery Act, there is no need for engaging a separate staff for the purpose.

(2) Government however consider that it will be possible to bring down the arrears if the Department launches a special drive for collection of the arrears of tax. The Board of Revenue will initiate action for launching the special drive immediately.

(3) Government also consider that the increase in the arrears could be checked if the assessing authorities take action under the provisions in Sections 23(2) (b) and 25 of the Kerala General Sales Tax Act. The Board of Revenue will issue suitable instructions in this regard.

Yours faithfully,

K. P. Achuthan Nair,

Joint Secretary,

For Secretary to Government.

(True copy)

Sd/-

Superintendent.

ANNEXURE VII

No. E.2-13744/66/TX.

Office of the Board of
Revenue (Taxes), Trivandrum,
10-5-1966.

MEMORANDUM

SUB:—Arrears—Collection of arrears under Agricultural Income tax and Sales tax—Half-yearly review by Government—Intensive drive for collection of arrears—instructions issued.

Ref:—Government Memorandum No. 57097/66/Ins-1/Fin. dated 20th April, 1966.

In the review on the collection of arrears under Agricultural Income tax and Sales tax for the first half-year of 1965-66 Government have observed as follows:—

“..... The arrears position in respect of the departments Land Revenue and Sales tax is extremely poor. The Heads of Departments should bestow their personal attention on the matter by keeping a close watch over the progress of collection of arrears and see that the arrears are got cleared with utmost expedition—.....
..... An intensive drive should be made to collect the entire outstanding dues. Government expect the Heads of Departments to bestow their personal attention on this important item of work and to see that the position improves substantially before the next review”.

It is seen from the revenue collection statements that the arrears under Agricultural Income tax and Sales Tax pending at the end of March, 1966 have increased considerably when compared to that at the end of March 1965. This also necessitates immediate action on the part of the concerned officers to reduce the arrears to the minimum possible. As desired by Government an intensive drive shall therefore be conducted till the end of August 1966 for the collection of arrears under Agricultural Income tax and Sales tax. All the Officers are requested to make strenuous efforts to collect the entire collectable arrears and thus to bring down the arrear balance to the

minimum possible during the drive period. The Deputy Commissioners and Inspecting Assistant Commissioners are also requested to issue suitable further instructions in the matter and to see that the arrears are brought down and adverse criticism from higher authorities is avoided as far as possible.

Sd/- J. A. Rodriguez,
Secretary (Taxes).

To

All Sales tax Officers.
All Agricultural Income tax Officers.
All Inspecting Assistant Commissioners.
All Deputy Commissioners.

(True copy)

Sd/-
Superintendent.

The Committee feel that when more than 50 per cent. share capital of a company is held by the Government directly or indirectly then, it must come within the definition of the Government Companies and must be subjected to some financial control and discipline which is attracted by Government companies. Keeping this in view, the Committee desire that the question as to how exactly the State of the companies could be restored as Government companies may be examined. They would, therefore, suggest that the feasibility of investing some more funds directly by Government or if necessary by purchasing some shares from the Kerala State Industrial Development Corporation may be examined so as to restore the status of the companies as Government companies. In the meanwhile, the Committee also desire that an order should be issued to the effect that the balance sheets, accounts and reports should be placed on

1. Government propose to purchase additional shares worth Rs. 4 lakhs in the United Electrical Industries Limited, so that Government's holdings may exceed 51 per cent. of the paid-up capital of the company, thereby enabling the company to be treated as a Government company.

2. As regards transformers & Electricals, Kerala Ltd., the shares are now held by three parties viz. Government, Hitachi and Kerala State Industrial Development Corporation in an agreed proportion according to the Basic Agreement entered into by them. The proportion of holdings cannot be altered without the consent of all the parties to the agreement. The Kerala State Industrial Development Corporation has been requested in D.O. letter No. 14709/H3/66-1/ID dated 23-5-1966 (Annexure I) to state whether sufficient number of shares held by them can be transferred to Government so as to convert the

the Table of the House.

company into a Government company. Government are also examining whether, in the proposed expansion scheme, Government could take additional shares to achieve this objective.

3. As recommended by the Committee, Government have issued orders in G.O. Ms 336/66/ID dated 30-7-1966 (Annexure II) that the balance sheets, accounts and reports of the two companies should be placed on the table of the legislature.
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ANNEXURE I
GOVERNMENT OF KERALA

D.O. No. 14709/H3/66-1/ID
Industries (H) Department,
Trivandrum, dated 23-5-1966.

**SUBJECT: Industries—Transformers and Electricals Kerala Ltd.,
Purchase of shares by Government from the Kerala State
Industrial Development Corporation Limited.**

Dear Shri Abdussalam,

As you are aware, the Transformers and Electricals Kerala Ltd. have so far issued capital only to the extent of Rs. 82.2 lakhs as shown below as against the issued capital of Rs. 110 lakhs of the Company.

	Rs.	
Kerala Government	28,60,000	} in equity shares: of Rs. 10/- each.
Hitachi Ltd.	28,60,000	
K.S.I.D.C.	25,00,000	
	<hr/> 82,20,000	
Balance to be issued	<hr/> 27,80,000	

The capital cost of the project, as per the original sanctioned estimate is Rs. 165 lakhs. Due mainly to increase in customs duties, general increase in cost of construction materials and equipments, the actual cost of the project will be about Rs. 169 lakhs. Now the construction has been completed and regular production commenced, working capital has also to be provided. The balance capital of Rs. 27.8 lakhs is therefore, being issued. According to the Basic Agreement, shares for Rs. 27.8 lakhs have to be issued to the public. After considering the present capital market conditions, the Board of Directors of the Company have decided to issue the balance capital to the three parties to the Basic Agreement, in proportion to their

existing share holdings in the Company, as follows, instead of by public issue:

	Rs.
Kerala Government	9,67,250
Hitachi Limited	9,67,250
K.S.I.D.C.	8,45,500
	<hr/>
	27,80,000
	<hr/>

The Government of Kerala have agreed to subscribe to the additional share capital of the Company to the extent of Rs. 9,67,250.

In this connection, I am to inform you that while discussing paragraph 69 of the Audit Report, 1964 regarding the policy of investment of Kerala State Government resulting in whittling away of accountability to Legislature, the Central Public Accounts Committee took strong exception to the policy of the State Government in not ensuring that the United Electrical Industries Ltd. remained a Government Company inspite of the proportionately large share holding of the Government and the K.S.I.D.C. together. It is pointed out in the audit para, that even though 90.54 per cent of the share capital comes from Government sources, it is not a Government Company as defined in Section 617 of the Companies Act and therefore it is also outside the purview of the Comptroller and Auditor General's supplementary audit. Government find the above defect in Transformers and Electricals Ltd. also. In order to rectify this anomalous position, and to convert it as a Government company, the State Government should either take up the entire new issue or obtain from the K.S.I.D.C. Ltd. sufficient shares to make up the required 51 per cent. Government consider that it would be advantageous if the K.S.I.D.C. would transfer to Government part of its share holdings in the Transformers and Electricals Kerala Ltd. to make it a Government Company. I, therefore, request you to kindly place this matter before the next meeting of the Board of Directors of the Corporation and let the Government know the decision taken.

Yours Sincerely,
Sd/- K. L. N. RAO,
Deputy Secretary.
Industries Department.

Shri M. Abdussalam,
Managing Director,
K.S.I.D.C. Trivandrum.

(True copy)

Sd/-
Superintendent.
Finance Department.

ANNEXURE II

GOVERNMENT OF KERALA

ABSTRACT

Industries—Public Accounts Committee—47th Report on Audit Reports 1964 and 1965—Public Sector undertakings—United Electrical Industries Ltd. and Transformers and Electricals Kerala Ltd.—Placing of balance sheets, accounts and reports on the table of the Legislature—Orders issued.

INDUSTRIES (G) DEPARTMENT

G.O.M.S. No. 336/66/ID

Dated, Trivandrum, 30-7-1966.

ORDER

The Public Accounts Committee of Parliament, have in their forty-seventh report observed that when more than 50 per cent share capital of United Electrical Industries Ltd., Quilon and of Transformers and Electricals Kerala Ltd., Angamali is held by the Government directly or indirectly then they must come within the definition of the Government Companies and must be subjected to some financial control and discipline which is attracted by Government Companies. The Committee therefore desired that the balance sheets, accounts and reports of these companies should be placed on the table of the Legislature.

Government have examined the recommendation of the Public Accounts Committee and are pleased to order that the balance sheets, accounts and reports of the United Electrical Industries and Transformers and Electricals Kerala will be placed on the table of the Legislature and that these Companies will send 150 copies of their balance sheets, accounts and reports to the Government every year. The Companies will send 150 copies of the latest balance sheet, Accounts and report immediately to Government for onward transmission to the Government of India for submission to Parliament.

(By Order of the Governor)

K. L. N. RAO,
Deputy Secretary,

To

The General Manager, United Electrical Industries, Ltd., Palimukku,
Quilon.

The Managing Director, Transformers and Electricals Kerala Ltd.,
Angamali P.O. Ernakulam.

The Director of Industries and Commerce.

The Managing Director, Kerala State Industrial Development Cor-
poration Ltd., Trivandrum.

The Finance Department (*vide* U.O. Note No. 26210/Comml. 4/66/
Fin. dated 26-6-1966).

The Accountant General.

Forwarded/By Order

Sd./-

Superintendent.

Sd./-

Superintendent,
Finance Department.

<i>Particulars of the recommendations</i>	<i>Remarks of the Deptt.</i>
<p>11.13 <i>Finance. Department of Company Law, Government of India.</i></p> <hr/> <p><i>Finance Department—Govt. of Kerala.</i></p>	<p>The recommendation of the Committee to bring this type of Companies also within the purview of Government companies has been brought to the notice of the Government of India in letter No. 26210/Comm1. 4/66/Fin. dated 11-8-1966 (Annexure I) for appropriate action.</p>
<p>In the opinion of the Committee, the peculiar position in respect of the two companies which could not be called Government owned companies and hence were not accountable to Legislature needs to be examined as it appears that such a situation had not been envisaged in the Companies Act, 1956. They would suggest that the Department of Company Law of the Government of India should examine this aspect of the matter.</p>	

ANNEXURE I

GOVERNMENT OF KERALA

No. 26210/Comm1. 4/66/Fin.

**Finance Department,
Trivandrum,
Dated 11-8-1966.**

From

The Finance Secretary.

To

**The Secretary to the Government of India,
Ministry of Law,
Department of Company Affairs,
Reserve Bank Building,
Parliament Street, New Delhi-1.**

Sir,

SUBJECT: *Forty-seventh Report (Vol. I & II) of the Public Accounts Committee (1965-66) on Appropriation Accounts 1962-63, 1963-64, Finance Accounts 1962-63, 1963-64 and Audit Reports 1964 and 1965 relating to Government of Kerala.*

Ref:—Letters No. 8(3)BGT/65, dated 30-4-1966 and 29-7-1966 from the Government of India.

With reference to your letter cited, I am directed to inform you as follows:—

- (i) It is proposed to purchase shares worth Rs. 4 lakhs of the United Electrical Industries Ltd., which the Company has offered to Government. With the investment of Rs. 4 lakhs in the shares of the Company, it will be restored as Government Company, as defined in Section 617 of the Act.**
- (ii) As regards Transformers and Electricals Kerala Ltd., the position is different. At present, the State Government,**

the Kerala State Industrial Development Corporation and the foreign collaborators (Hitachi) hold shares in the Company according to an agreed proportion, which is as follows:—

State Government.	Rs. 28·6 lakhs (34·8%)
Kerala State Industrial Development Corporation	Rs. 25·01 lakhs (30·4%)
Hitachi	Rs. 28·6 lakhs (34·8%)
	<hr/>
	Rs. 82·2 lakhs (100%)

As per the terms of the Basic Agreement entered into by the three parties referred to above, neither of them can dispose of the shares held by them without the consent of all the parties to the agreement. The Company has a proposal to launch an expansion programme and the State Government have been requested to participate in the same by taking up additional shares. With a view to bring this Company also within the purview of Section 617 of the Act, the State Government are considering the possibility of purchasing sufficient number of shares now held by the Kerala State Industrial Development Corporation. The matter is under correspondence with the Kerala State Industrial Development Corporation.

2. It may thus be seen from the above that these two Companies could not be called Government Companies and hence they are not accountable to the Legislature, in spite of the fact that the State Government and the Kerala State Industrial Development Corporation, a fully owned Government Company, together hold more than 51 per cent of the paid-up share capital in these Companies. In view of the peculiar position of these two Companies which had not been envisaged in the Companies Act, 1956, the Public Accounts Committee has suggested (*Vide* their recommendation No. 148) that the Department of Company Law of the Government of India should examine this aspect of the matter. I am therefore directed to request you to bring the above recommendation of the Public Accounts Committee to the notice of the Government of India for appropriate action.

Yours faithfully,
K. SRINIVASAN,
for Finance Secretary.

Sd./-
Superintendent.

The Committee feel that such large savings only indicates that provisions in the budget are made without proper planning and adequate preparation. They deprecate such tendency on the part of the Departments as this results in unnecessarily inflating the budget and thereby locking up funds which could be better utilised for other schemes and projects. Since large savings are indicative of loose budgeting, the Committee would suggest that the Administrative Departments should make efforts to frame their estimates more realistically and with a greater degree of precision to avoid a supplementary grant which cannot be utilised. In the circumstances, the Committee are of the opinion that there is scope for improvement in the budgeting and control over expenditure.

A Circular Memorandum issued implementing the recommendation is appended.

11.35

Finance (Government of India)/
Finance Department/Revenue
Department of Government of
Kerala.

The Committee do not understand as to why there is so much delay in implementing the schemes. The Committee also deprecate that the grant was obtained much before the rules were framed. They desire that the Finance Department should issue suitable instructions to avoid recurrence of such cases.

A circular memorandum issued implementing the recommendation is appended (Annexure I).

ANNEXURE I
GOVERNMENT OF KERALA

No. 66/Fin.

Finance Department,
Trivandrum,
Dated, 26-7-1966.

CIRCULAR MEMORANDUM

Sub:—Public Accounts Committee (1965-66) Forty-seventh Report (Third Lok Sabha)—Paragraph 11.35—Necessity for framing rules for implementation of schemes before grant is obtained for the Scheme—Instructions issued.

In the budget for 1963-64 a provision of Rs. 3 lakhs was included under "34. Co-operation" for the Scheme of settlement of landless agricultural labourers in Bhoodan and gramdan lands. But the provision was not utilised as the question of framing rules for the Scheme was not finalised during the financial year.

2. The Central Public Accounts Committee, after examining the notes on Appropriation Accounts 1963-64, has observed that the Committee does not understand as to why there is so much delay in implementing the scheme. It has also taken exception to the fact that the grant was obtained much before the rules were framed.

3. Even though the question of framing rules for implementation of the Scheme was taken up in October 1962, the rules were finalised only on 24th October, 1964. The time taken for finalisation of rules in the case is really too long. Government would like to impress upon all heads of departments and officers that, once provision is included in the budget, there should be no delay at all in the implementation of a Scheme and that rules for implementation of schemes should be finalised as early as possible. They should also ensure that as a rule, provision is not included in the budget for a scheme before rules are finalised.

(By Order of the Governor)
R. GOPALASWAMY,
Finance Secretary.

To

The Accountant General, Kerala.

All Heads of Departments and Offices.

The Registrar, University of Kerala (with C.L.).

The Registrar, High Court (with C.L.).

The Secretary, Public Service Commission (with C.L.).

The Secretary, Vigilance Commission (with C.L.).

The Secretary to Governor.

The Private Secretaries to the Advisers.

The Stenographer to Chief Secretary.

All Secretaries, Additional Secretaries, Joint Secretaries,
Deputy Secretaries and Assistant Secretaries to Govern-
ment.

The Secretary, Law Commission.

All Departments and Sections of the Secretariat.

Forwarded/By Order,

Sd./-

Superintendent

11.37.

Finance (Government of India)/
Finance Department, Gov-
ernment of Kerala.

The Committee desire that the practice of obtaining only token grants, where there is likelihood of delay in the implementation of a scheme, should be resorted to wherever feasible.

A Circular Memorandum issued implementing the recommendation is appended.

11.43

Finance (Government of India)/
Finance Department/Edu-
cation Department/Indus-
tries Department/Public Works
Department of Government of
Kerala.

The Committee desire that com-
prehensive orders should be
issued for the strict observance
of the principle that no
expenditure on a "New Ser-
vice" should be incurred
without obtaining a vote of
the Legislature.

A Circular Memorandum issued
implementing the recommen-
dation is appended. Annexure
I.

ANNEXURE I
GOVERNMENT OF KERALA
CIRCULAR

SUBJECT: *Expenditure on "new service" incurred without authorisation—Para 16 of Audit Report 1965.*

The special attention of all Heads of Departments and other Controlling Officers is invited to para 16 of the Audit Report 1965 under which 3 instances are cited of "new service" expenditure incurred without the necessary authorisation of funds either by advance from the Contingency Fund or by supplementary grant from the Legislature. These irregularities were adversely commented upon by the Central Public Accounts Committee, while examining the above Audit Report. Thereupon an assurance was given to the Committee on behalf of the Government that such irregularities would be avoided in future. The Heads of Departments and other Controlling Officers are accordingly informed that they should guard against a repetition of such irregularities in future. Government would in this context impress on the Heads of Department and other Officers that, under Article 266(3) of the Constitution, such expenditure has no legal sanction and it is with reference to this that it is laid down in para 77(d) of the Travancore-Cochin Budget Manual that expenditure on a "new service" not contemplated in the Budget should not be incurred irrespective of whether it can be met by re-appropriation or not, until provision is made either by an advance from the Contingency Fund or by supplementary Grant. It should also be noted that, until a Supplementary Grant is obtained, no expenditure on "new service" should be met from the Consolidated Fund.

2. In this connection, attention of the Heads of Departments and other Controlling Officers is also invited to the detailed instructions issued in G. O. (P) 486/59/Fin., dated 24th Sept., 1959 (enclosed) lay-down what items of expenditure will constitute new service and the monetary limits fixed for certain categories of expenditure in order to enable the officers concerned to decide whether any particular item of expenditure constitutes a new service. A copy of the above G.O. is also attached to this Circular for guidance. The Heads of

Departments, etc., are requested to acknowledge receipt of this circular and to comply with the above instructions scrupulously.

By Order of the Governor

V. RAMACHANDRAN,

Additional Secretary.

FINANCE DEPARTMENT

No. 71/65/Fin.

Trivandrum, dated 4th Nov., 1965.

Copy forwarded to:—

All Heads of Departments and other Controlling Officers.

Forwarded/By Order,

Sd./- *Superintendent.*

GOVERNMENT OF KERALA

ABSTRACT

Scheme of new expenditure treated as 'New Service'—Criteria to be laid down—Orders—Regarding

Finance Department

G.O.(P) 486/59 dated, Trivandrum, 24th September, 1959.

Read:—Letter from the Comptroller No. AA-1/53-2/59-60/41 dated 3-6-1959.

ORDER

Under Article 204 of the Constitution, no money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by Law and under Article 205 *ibid*, when a need has arisen during the current financial year for supplementary or additional expenditure upon some New Service not contemplated in the Annual Financial statement for the year, funds will have to be got voted by the Legislature before incurring expenditure out of the Consolidated Fund.

2. The term 'New Service' has not been defined in any precise form. Each case has to be decided on its merits. A 'New Service' may be either a 'New form of Service' which involves the adoption of a new policy, the provision of a new facility, e.g., introduction of unemployment insurance scheme, or introduction of a State Trading Scheme as a price support pool to help the producers; or a 'New instrument of service' which includes an important extension of previous specific commitment or facility such as the provision of a new jail, increase of professional staff in a collegiate institution original work of any importance. It is necessary to draw a distinction between a New form of service, *i.e.*, an altogether new service and a 'New instrument of service', *i.e.*, expansion of an existing service. So far as 'altogether new service' are concerned, it is considered that, irrespective of their financial implications, if they were not contemplated in the Annual Financial Statement, vote of the Legislature is necessary before incurring expenditure from the Consolidated Fund. As regards 'New instrument of service' they have to be treated in the same way as a 'New Form of Service', if the amount of expenditure involved is relatively large.

3. If any new proposal involving expenditure during the course of a year arises, an important question to be considered is whether the expenditure has been contemplated in the Annual Financial Statement or whether it forms part of a grant voted. If the proposal is outside the scope of the grant or if it has not been contemplated in the Annual Financial Statement presented to the Legislature, it is clearly a new service for which a demand for funds has to be placed before the Legislature. It may, in some cases, be that the extra expenditure on the new item can be met by savings within the Demand. Still, expenditure cannot be incurred on the item as it will constitute a New Service and it is necessary that a Supplementary Demand for a token sum should be presented before the Legislature. The essence of this requirement is that without a vote of the Legislature, money shall not be spent beyond the scope of the grant sanctioned by the Legislature.

4. It is considered necessary that in fixing the criteria for treating schemes as 'New Service' monetary limits should be prescribed without abridging Legislative control over public expenditure and at the same time without fattering the freedom of the Executive Government in carrying on the day to day administration of the State in the best interests of the public, Government after carefully examining the whole question are pleased to accept the recommendation of the State Public Accounts Committee to adopt the following criteria in respect of any item of expenditure to be treated as a 'New Service' and order accordingly.

Item of Expenditure	Monetary limit
(i) Employment of additional staff when it arises out of the adoption of a new policy by the Government <i>i.e.</i> the sanction or increase of the cadres of services or number of posts of a particular kind (either permanent or as a purely temporary measure) <i>e.g.</i> , sanction of an additional Revenue Inspector or an Accountant in each of the Taluk Offices, consequent on the introduction of a new scheme of Government activity like the Community Development Project.	} When the cost exceeds Rs. 30,000/- per annum recurring or Rs. 1 lakh non-recurring, taking the scheme as a whole. The entire cost of establishment, buildings,
(ii) Employment of addition staff for the expansion of an existing service, <i>i.e.</i> expenditure on a New instrument of service, like the opening of a new	

Item of Expenditure	Monetary Limit
School or the starting of a new scheme in the Industries Department, Animal Husbandry Department etc. though similar Schemes are already under operation.	equipments, other amenities, etc. will be taken into account for the purpose of this limit.
(iii) Employment of additional staff for reorganisation of an existing administrative unit such as the bifurcation of a Revenue or a Police District or the Creation of a new administrative unit etc., <i>e.g.</i> a new P.W. D. Circle.	
(iv) Works	When the cost of a new work exceeds Rs. 1 lakh. In regard to the expenditure on works relating to new schemes which involve, expenditure on staff, equipment, etc. the cost of the scheme as a whole should be taken into account for this limit.
(v) Purchase of additional machinery etc.	When the cost exceeds Rs. 1 lakh.
(vi) Grants and contributions for existing purpose	When the amount involved exceeds Rs. 12,500/- recurring or Rs. 50,000 non-recurring.
(vii) Establishments and Committees for existing objects and purposes.	When the expenditure is estimated to exceed Rs. 10,000 recurring or Rs. 30,000 non-recurring (This limit applied only to new forms of service, the like of which has not been incurred in the past).
(viii) Expenditure to be met from the lump sum provision made in the budget for irrigation schemes.	Irrigation Schemes costing more than Rs. 1 lakh if the schemes are to be financed from the lump sum provision made in the Budget.
(ix) Revision of scales of pay	When the revision of a scale or scales of pay or pay involves an extra cost of over Rs. 25,000 per annum.

5. The following classes of expenditure need not be treated as 'New Service':—

- (i) Expenditure on items mentioned at (1) above, if it is not likely to extend beyond a single financial year, as it will be treated as arising out of a temporary need.
- (ii) Employment of additional staff for normal increase of work involving no change in policy or the sanction of any new scheme, *e.g.*, if any extra clerk is given to each taluk office owing to the growth of land revenue work, as this extra cost does not constitute either a new form of service or new instrument of service, being obviously the result of the normal increase in Government work.
- (iii) Cases already approved by the Legislature, but where the expenditure is subsequently expected to exceed appreciably the amount originally intimated to the Legislature.

NOTE—Information regarding large variations should be given in the Budget Memorandum. Full information should be given to the Finance (Budget General) B-Department by the Departments of the Secretariat in time for incorporation in the Budget Memorandum.

- (iv) Experiments, investigations and demonstrations.

NOTE—All expenditure of this character incurred each year without fruitful result should be reported to the Comptroller for the incorporation in the Appropriation Accounts with suitable explanations for report to the Public Accounts Committee in due course. For this purpose each Department of the Secretariat should send a consolidated statement of such expenditure to the Finance Department (Budget General B) every year by the 31st May. If there are no such cases 'Nil' returns should be sent to the Finance Department.

(By order of the Governor)

K. V. THOMAS,

Assistant Secretary.

To

The Comptroller etc. etc.

The Committee feel that in this case not only there was a breach of warranty but also a claim was paid in respect of the risk which was not insured at all. The subsequent acceptance of the extra premium of Rs. 628 perhaps imposed some obligation to pay this claim. But neither in law nor in practice any Insurance Company is bound to pay claim for the risk which was not covered. The Committee feel that the Government had been over generous at the cost of the tax payer in this case. The desire to keep good business, relation should be conditioned by the over-riding interest of the tax payer. The Committee hope that such cases would be avoided in future.

The State Insurance Officer has been instructed not to repeat such irregularities in future. The concerned Managements of Government owned and Government sponsored industrial undertakings have also been advised that they should scrupulously adhere to warranty clauses in the Insurance Policy if any taken out against the risk of accident. It has also been impressed on the Kerala Financial Corporation that for safeguarding their interests for which the Insurance is made they should have an agency to ensure that there is no breach of warranty by the insured. (Annexure I & II)

ANNEXURE I
GOVERNMENT OF KERALA

No. 37016|Estt.B3|66|Fin.

Finance Department,
Trivandrum,
Dated 30-6-1966.

MEMORANDUM

SUBJECT:—*Recommendations of the Central Public Accounts Committee on the Audit Reports 1964-65 relating to Kerala.*

Ref.—1. G.O. Rt. 954|64|Fin., dated 7-4-1964.

2. Government Memorandum No. 55904|Estt.B3|64|Fin., dated 27-11-1964.

In the Government Memorandum second cited, the State Insurance Officer was informed that, as there was a breach of warranty, he should have placed the facts before Government and sought orders before he accepted the extra premium.

It has been observed by the Central Public Accounts Committee in its 47th Report that Government have been over-generous at the cost of the tax payer in this case and, that the desire to keep good business relations should be conditioned by the over-riding interest of the tax payer. The Public Accounts Committee hopes that such cases would be avoided in future. The action of the State Insurance Officer in having accepted extra premium on a date subsequent to the accident to cover the risk of night work, thereby confirming the liability of the Department to pay compensation, was highly irregular. The State Insurance Officer is again instructed not to repeat such irregularities in future.

R. PARAMESWARAN NAIR,
Assistant Secretary.

To

The State Insurance Officer.

Copy to:—

Finance (B.G. Section) vide their U.O. Note No. 28437|BG3|66|Fin., dated 19-5-1966.

Forwarded/By Order,
Sd./-
Superintendent.

ANNEXURE II
GOVERNMENT OF KERALA

No. 58/66/Fin.

Finance Department,

Trivandrum,

Dated 12-7-1966.

CIRCULAR MEMORANDUM

SUBJECT:—*Government sponsored institutions—Insurance compensation—Appointment of agencies to check breach of warranty—Regarding.*

Ref:

A fire accident occurred on 16-12-1963 in a factory, whose assets were insured with the State Insurance Department. According to the warranty clause in the Insurance Policy, the factory was not to work between 9-30 P.M. and 5-30 A.M. As the accident took place within the said period, no compensation was legally payable. But the State Insurance Department accepted on a date subsequent to the accident, extra premium to cover the risk of night work also. The Department had therefore to pay compensation. Government agreed to the payment of compensation in this case as the Kerala Financial Corporation, to whom the assets of the factory stand mortgaged, is an institution in which Government have vested interests and otherwise. the loss consequent on the accident would have devolved on it.

2. The Public Accounts Committee that examined the Audit Report, 1965 held that in this instance not only there was breach of warranty but also a claim was paid in respect of a risk which was not insured at all. It was the subsequent acceptance of the extra premium that entailed the obligation to pay this claim. But neither in law nor in practice any Insurance Company is bound to pay a claim, the risk for which was not covered. The Committee therefore held that the Government had been over-generous at the cost of the tax payer in this case and suggested that the motive of keeping good business relation should be conditioned by the over-riding

interest of the tax payer. In view of the observations of the Committee, Government have issued necessary instructions to the State Insurance Officer not to repeat such irregularities in future.

3. While the State Insurance Department can repudiate claims for compensation when there is a breach of warranty, it might happen in cases like the one referred to, the Kerala Financial Corporation etc., that has advanced loans to industrial undertakings on the collateral security of insurance against accidents would have to bear ultimately the loss resulting from the damages to or destruction of the assets by the accident. It is necessary, therefore, that Government owned and Government sponsored industrial undertakings should scrupulously adhere to warranty clauses in the insurance policy, if any, taken out against the risk of accident. As regards institutions like the Kerala Financial Corporation, Government would impress on them that for safeguarding their interests for which the insurance is made, they should have an agency to ensure that there is no breach of warranty by the insured.

R. PARAMESWARAN NAIR,

Assistant Secretary.

To

The Managing Director, Kerala Financial Corporation etc. etc.

(True copy)

Sd./-

Superintendent.

NOTE

SUB:—Expenditure on payment of grant to private bodies for repayment of loans sanctioned by Government—Criterion for 'New Service'—Consideration of.

The Public Accounts Committee 1959-60 (Kerala Legislature) submitted a "Report on New Service" in June 1959. The State Government accepted the recommendations contained in the Report and issued general orders [G.O. (P) No. 486/59, dated the 24th September, 1959] laying down the criteria for determining whether an expenditure should be treated as on a 'New Service' or not.

(2) On the recommendation of the Central Public Accounts Committee [para 29 of the 29th Report (Third Lok Sabha)] the Government of India, in consultation with the Comptroller and Auditor General of India, have decided [Office Memorandum No. F.8(21)-B/65, dated 5th January, 1966] that major cases of payment of grant to a private body for repayment of a loan from Government should be treated as 'New Service'. They have accordingly ordered that all proposals for grants to private bodies for repayment of loans from Government involving individual payments of Rs. 1 lakh or more should be explained in the Explanatory Memorandum on Budget and that, if in the course of a year, new cases of such expenditure involving an amount of Rs. 1 lakh or more occur, such cases should be treated as on 'New Service' and a Supplementary Grant obtained. Further the Government of India have decided (O.M. No. F-10 (33)-B/59, dated 2nd December, 1958) that all proposals involving individual cases of writes off of irrecoverable loans of Rs. 1 lakh or more for which provision is proposed in the Budget estimates have to be explained in the Explanatory Memorandum on the Budget and if in the course of a year new cases involving writes off of loans of Rs. 1 lakh or over occur, such cases have to be treated as expenditure on a 'New Service' and a supplementary grant obtained for the full amount or for a token Grant if the additional expenditure could be met from within the amount already voted by Parliament under the particular head.

(3) The Accountant General, Kerala has suggested that a similar criterion may be adopted by the State Government also after obtaining the recommendation of the Public Accounts Committee. He has suggested that the monetary limit for 'expenditure for pay-

ment of grant to a private body for repayment of a loan from Government or for writes off of irrecoverable loans', for treating it as on 'New Service', may be fixed at Rs. 50,000 or more, which is the existing monetary limit for 'non-recurring grant'.

(4) The Government are agreeable to the suggestion of the Accountant General. The matter may kindly be placed before the Public Accounts Committee (Central) for consideration at their ensuing meeting proposed to be held at Trivandrum.

Sd/-

Joint Finance Secretary.

The Committee are not convinced with the reasons advanced for the delay in taking disciplinary action. The Committee find from the notes furnished that on the basis of Quilon District Collector's report submitted on 12-6-1963 the District Collector, Alleppey, was directed by the Board of Revenue not to issue the "non-liability" certificates to the Tahsildar involved, who was working as Block Development Officer in Alleppey District. The records which were with the District Court (due to which it was stated, disciplinary action could not be initiated by the Collector) were received back on 31-5-1963 and the Tahsildar involved retired from service in March, 1964. The Committee are surprised to find that in spite of the fact that, at the instance of Government, the Board of Revenue required the District Collector as early as in September, 1961 to fix responsibility for the irregularity, and to examine the ques-

The three persons held responsible for the irregularity are :

- (1) Shri N. Paramu Pillai, Village Officer.
 - (2) Shri N. Chellappan Pillai, Village Assistant.
 - (3) Shri G. Govinda Pillai, Tahsildar.
- The loss sustained by the Government in this case is Rs. 23,114.51. In his Proceedings dated 6-7-1966 Annexure I) the District Collector, Quilon, had ordered that an amount of Rs. 18,224.51 would be recovered from Shri Paramu Pillai, Village Officer. He has also been reduced to the rank of Village Assistant. He has filed a writ petition in the High Court against the proceedings of the District Collector, Quilon. The High Court has stayed the recovery proceedings until further orders. The question of recovering the balance amount (i.e. Rs. 4,890) also from him will be considered by Government after the writ petition is disposed of by the High Court.
- The promotion of Shri N. Chellappan Pillai, Village Assistant has

tion of recovering the amount involved from the persons responsible, the matter has been allowed to linger for more than four years. In the meantime, the Tahsildar involved in the case has retired from service in March, 1964. Such abnormal delays in finalising a case, despite Government orders, are indicative of slack administrative machinery.

been withheld for a period of six months from 6-7-1966 (Annexure II). A show cause notice was issued to Shri G. Govinda Pillai, Retired Block Development Officer on 11-7-1966 as to why his pension should not be reduced by Rupees Five per month, for unsatisfactory service as Tahsildar. His explanation was received on 27th July 1966 and it is being examined. Action against him will be finalised in six months.

4.41 Revenue Department

The Committee have also been informed that necessary action for finding out officers responsible for the delay in this case is being pursued by Government in the Revenue Department. The question of issuing suitable orders and instructions for preventing the recurrence of such cases, is stated to be under consideration of Government. The Committee hope that action on both these points will be taken without further loss of time and intimated to the Public Accounts Committee.

Necessary provision has been made in Section 17 of the Kerala Land Acquisition Act and Rule 9 of the Kerala Land Acquisition Rules to prevent recurrence of such cases Annexure III. The Act and Rules came into force on 1st April, 1963.

Action is being pursued in consultation with the District Collector, Quilon and the Board of Revenue for finding out the delinquents responsible for the delay in initiating the disciplinary action. A chronological statement showing the correspondence made with the District Collector, Quilon and the Board of Revenue in this regard is enclosed (Annexure IV). The matter will be finalised in six months.

ANNEXURE I
PROCEEDINGS OF THE DISTRICT COLLECTOR,
QUILON

SUB:— *Paramu Pillai (Shri.) N—Village Officer—Quilon District—Thrikkaravu Village—Irregularities in Land Acquisition—Disciplinary action—Orders passed.*

COLLECTORATE, QUILON

No. K3-12165/61.

Dated: 6th JULY, 1966.

In 1959 Government sanctioned the acquisition of 5 acres for forming a Settlement Colony at Thrikkaruva. Accordingly steps were taken for the acquisition of 5 acres of land in Sy. Nos. 8306/86/325 and 8303/367/137 of Thrikkaruva Village in Quilon Taluk. The acquisition steps were completed on 5-7-1959 on which date the Village Officer, Thrikkaruva took possession of the land. On 19-1-60 the Tahsildar was asked to sub-divide the land into 100 block of 5 cents each for allotment to the settlers. On 24-6-1960 the Tahsildar reported that nearly one acre of land was under water and the water level in some portions was more than 6 feet from ground. On 2-11-1960 the Assistant Collector inspected the site and measured out the land and prepared the sketch. According to this sketch an extent of 94 cents of land was under water for a long time. The Village Officer Shri N. Paramu Pillai who prepared the Land Acquisition records did not bring the fact of the land being water-logged to the notice of the Tahsildar. The valuation statement was prepared by Shri N. Paramu Pillai the then Village Officer. He had also prepared the site sketch and mahazar. The Tahsildar was Shri G. Govinda Pillai and the Village Assistant was Shri N. Chellappan Pillai. Charges were framed against the Officers. On subsequent verification it was found that the actual deficiency in the acquired area was 92 cents and not 94 cents. The Collector inspected the site on 22-2-1961 and noticed that the 92 cents were under water for a long time. Laterite walls which have been built to protect the land from the attacks of the waves long ago, show that the position of the land had not altered for the past so many years. The following charges were framed against Shri N. Paramu Pillai, Village Officer:—

1. He prepared the Land Acquisition records in respect of the acquisition of 5 acres of land in Sy. Nos. 8306/86/325 and 7303/367/137 of Thrikkaruva Village including 92 cents of land which was sub-merged in deep water.
2. He failed to bring to the notice of the higher authorities the shortage of 92 cents of land in the site for which acquisition steps were taken.
3. That he knowingly included the 92 cents of land under water in the total area of 5 acres of land for which he prepared valuation statements, site sketch and Mahazar with a view to cheating Government and helping the landowner and thereby causing monetary loss to Government. It was calculated that the monetary loss to Government was of the order of about Rs. 23,000/-.

The explanation of the Village Officer was received on 28-12-1964. He has pointed out that the 92 cents of land which was water-logged was sub-merged under water after acquisition steps were complete owing to floods and kayal erosion. He also contended that there was no deficiency in area at all at the time of preparing the Land Acquisition records and that the Tahsildar, Revenue Divisional Officer and collector had inspected the site. At the time of the personal hearing on 11-4-1966 the Village Officer reiterated his contentions. The explanation of the Village Officer has been carefully examined by me. At the time of inspection by the Collector on 22-1-1961 it was noticed that laterite walls had been built to protect the land from the attacks of the waves long ago and that would reveal that the position of the land had not altered for the past so many years. Hence the explanation of the Village Officer that the deficiency occurred subsequent to the acquisition cannot be accepted. The Collector was convinced that the Village Officer had taken possession of only 4.08 acres of land and not 5 acres. As per rules of the rules framed under the Travancore Land Acquisition Act the Village Officer is primarily responsible for the correct preparation of the valuation statement site sketch and mahazar. Further it was this Village Officer who took possession of the site from the landowner after acquisition. It is clear that the Village Officer did not care to measure the land at any point of time while preparing the Land Acquisition records or the Village Officer deliberately suppressed the deficiency in area with a view to helping the landowner and causing monetary loss to Government by making Government pay for 5 acres while only 4.08 acres were taken possession of actually. I find that the explanation of the Village Officer is unacceptable. Charges one and two are proved beyond any doubt—regarding charge three there is no direct material to show that the Village Officer deliberately suppressed the shortage. However the loss sustained the Government should be made good.

In this connection, the Board has examined the question and has recommended to the Government that a sum of Rs. 5/- might be reduced from the pension of Shri Govinda Pillai and the Board has proposed to adjust the entire death-cum-retirement gratuity of Rs. 4,890/- due to Shri G. Govinda Pillai towards liability. The balance amount of loss incurred by Government has to be recovered from Shri N. Paramu Pillai who was the Village Officer. Notice under Section 15(12) of the Kerala Civil Service (Classification, Control and Appeal) Rules, 1960 was issued on 21-4-1966 to Shri N. Paramu Pillai asking to show cause why he should not be reduced to the rank of the Village Assistant and why action should not be taken against him to recover the loss sustained by Government loss and the amount proposed to be adjusted from the Death-Cum-Retirement Gratuity of Shri Govinda Pillai, Retired Tahsildar from him. The details of the loss sustained by the Government are furnished below:—

Rs. Ps.

1. Land value awarded by the District Collector, Quilon @ Rs. 120/- per cent 92 cents-120x92	11,040.00
2. Enhanced land value awarded as per the Judgement of the District Court, Quilon at Rs. 200/- per cent (92 cents) Rs. 200x92	7,360.00
Total value paid for 92 cents	18,400.00

3. 15% solatium for Rs. 18,400	2,760.00
4. Interest at 6% for Rs. 7,360/- for the period from 5-7-1959 to 5-9-1962	1,398.40
5. Proportionate Court cost	556.11
Total loss	<u>23,114.51</u>
Amount proposed to be adjusted from the death-cum-retirement gratuity of Shri G. Govinda Pillai, Retired Tahsildar	<u>4,890.00</u>
Amount to be recovered from Shri N. Paramu Pillai, Village Officer	<u>18,224.51</u>

In response to the show cause notice issued to the Village Officer on 21-4-1966 he has submitted the statement of defence on 13-5-1966. I have perused the explanation of the Village Officer. He denies that the 92 cents were under water at the time of acquisition. The matter has been carefully examined by me before preposing the punishment. His argument that Collector, Revenue Divisional Officer and Tahsildar were not examined in the presence of the delinquent officer cannot be accepted, as he had not asked for the same in the original explanation. Now there is no need to examine them since the Collector had personally inspected the site and recorded his observations which were not challenged by the Village Officer till now. The explanation submitted by the Village Officer is not convincing. The Village Officer Shri N. Paramu Pillai is primarily responsible for the loss sustained by the Government amounting to Rs. 23,114.51. An amount of Rs. 18,224.51 will be recovered from Shri N. Paramu Pillai formerly Village Officer, Thrikkaruva who is not Village Officer in the Pathanapuram Taluk from all his assets due from Government towards security amount etc., and the balance under the provisions of the Revenue Recovery Act and he will be immediately reduced to the rank of Village Assistant under the provisions of the Kerala Civil Service (Classification, Control and Appeal) Rules, 1960.

(Sd.)

M. S. K. RAMASWAMY,

District Collector.

Shri N. Paramu Pillai,

Village Officer, Pathanapuram Taluk.

(Through the Tahsildar, Pathanapuram for Service & return).

Copy to:—

1. The Secretary, (L.R.); Board of Revenue (with CL).
2. The Revenue Divisional Officer, Adoor.
3. The Tahsildar, Pathanapuram.
4. The Tahsildar, Quilon.
5. A2 Seat, (6) D7 Seat, & (7) Stock File.

ANNEXURE II

PROCEEDINGS OF THE DISTRICT COLLECTOR, QUILON

SUB:—*Chellappan Pillai (Shri S Village Assistant—Quilon District—Thrikkaruva Village—Irregularities in Land Acquisition—Disciplinary action Orders passed.*

COLLECTORATE, QUILON

No. K3-12165/61

Dated 6th July, 1966

The following charges were framed against Shri C. N. Chellappan Pillai, Village Assistant, Thrikkaruva Village.

1. While holding the post of Village Assistant, Thrikkaruva Village, he assisted the Village Officer in the wrong preparation of the Land Acquisition records in respect of the acquisition of 5 acres of land in Sy. Nos. 1306/86/323 and 8303/367/137 of Thrikkaruva Village in Quilon Taluk and prepared Land Acquisition records for area including 92 cents which was actually under water for a long time.

2. He failed to bring to the notice of the Higher authorities the deficiency of 92 cents of land from the area for which acquisition steps were taken.

3. He included the 92 cents of land under water in the total area of 5 acres of land for which Land Acquisition records were prepared with review to cheating the Government and helping the land owner and thus caused monetary loss to Government.

In this explanation dated 26-12-1964 Shri Chellappan Pillai, Village Assistant has stated that the Village Officer did not inform him about acquisition steps and he did not prepare the mahazar or sketch in this acquisition. He stated that it was the Village Officer who prepared the sketch, mahazar and valuation statement. In the account form only the Village Assistant signed as the Village Officer made him believe that this was necessary for submitting to the higher authorities. According to the Village Assistant he has not checked the details regarding the acquisition and he has only signed in the Account form. At the time of personal hearing on 16-4-1966 the Village Assistant reiterated these contentions.

I have carefully examined the explanation of the Village Assistant. I am unable to accept the contentions of the Village Assistant that he signed in the valuation statement without actually verifying the details. It was his duty as the Village Assistant to assist the Village Officer in the performance of his functions and the Village Assistant cannot escape responsibility by throwing the blame on the Village Officer. I, therefore, hold that the Village Assistant was also responsible for the loss caused to Government in this case. The charges 1 and 2 are proved. A notice was accordingly issued to him asking him to show cause why his promotion should not be withheld. In

response to the notice issued to him on 21-4-1966 he has submitted his explanation on 10-5-1966. I have perused the explanation of Shri Chellappan Pillai. His explanation is not satisfactory. Hence I hereby order that the promotion of Shri N. Chellappan Pillai, Village Assistant, Thrikkaruva Village be withheld for a period of 6 months from the date of issue of this order. The details of the punishment will be recorded in his Service Book and Confidential Records.

(Sd.)

M.S.K. RAMASWAMY,

District Collector.

To

Shri N. Chellappan Pillai, Village Assistant, Thrikkaruva.

(Through the Tahsildar, Quilon for service and return).

Copy to:—

The R.D.O., Quilon. etc. etc.

(True Copy)

Sd./-

Superintendent

ANNEXURE III
EXTRACTS FROM THE KERALA LAND ACQUISITION ACT AND
RULES

17. VALUATION STATEMENT TO BE APPROVED BY SUPERIOR AUTHORITY

No award shall be made by the Collector under section 11 or section 16 unless the valuation statement prepared in such manner as may be prescribed by rules is approved.—

(i) where the Collector making the award is not the District Collector, by the District Collector; and

(ii) where the Collector making the award is the District Collector by the Board of Revenue.

Rule 9 of the Kerala Land Acquisition Rules

9. The Land Acquisition Officer shall get the basis for valuation and the detailed valuation of the land and the improvements, approved by the authority specified in Section 17. The valuation statement for this purpose shall be prepared in the form appended to these rules.

ANNEXURE IV

(Statement of correspondence with the District Collector and the Board of Revenue for finding out the delay in initiating disciplinary action).

- 13-6-1966** D.O. Letter to the Board of Revenue.
- 16-6-1966** Reply from the Board of Revenue.
- 11-7-1966** D.O. Letter from the Board of Revenue.
- 14-7-1966** Memorandum to the Board of Revenue.
- 22-7-1966** D.O. Letter to the Board of Revenue
- 6-8-1966** D.O. Letter to the District Collector, Quilon.
- 12-8-1966** }
1-9-1966 } Replies from the District Collector, Quilon.
- 3-9-1966** D.O. Letter to the District Collector, Quilon.
- 8-9-1966** Letter to the Board of Revenue.
- 8-9-1966** Letter from the Board of Revenue.
- 24-9-1966** Letter to the District Collector, Quilon.
- 18-10-1966** Letter from the Board of Revenue.

Sd/-
Superintendent.

5-8 Development (Harijan Welfare)
Department, Government of
Kerala.

The Committee regret to note the various irregularities disclosed in this case. The scheme was meant for scheduled Castes and grants were given to private individuals or cooperative societies formed by them in the particular area. But the construction work relating to 73 houses in different areas was given to the President of a Handicraft Cooperative Society of a particular area, without inviting tenders, on the specific order of the Director of Harijan Welfare. This was done on the plea that no beneficiary was forthcoming as stated by the District Officer. The same District Officer had failed to execute any agreement with the contractor on the ground that there were no specific rules on the subject in the scheme. In addition to that, there was a false certificate by the Junior Engineer and the payment was made to the contractor.

The matter was under investigation with special importance to the question of fixing responsibility on the defaulting officers. The officers (District Welfare Officer and Junior Engineer in charge of the work) were charge-sheeted on the above specific irregularities.

The Junior Engineer was punished with stoppage of increments for two years without cumulative effect.

The question of awarding suitable punishment to the District Welfare Officer has been taken up, on 25-3-1966, and further investigation is being pursued by Government. The District Welfare Officer concerned has since retired from service on 26-3-1964. The Accountant General has certified the officer's eligibility to a pension of Rs. 149.30 p.m. and a D.C.R.G. of Rs. 6,555 in lump. As the extent of liability of the Officer has not been finally determined a provisional pension of Rs. 144.30 p.m. was sanctioned to him in August, 1966 with effect from the date of retirement.

As regards the former Director of Harijan Welfare the charges framed against him were referred to the Tribunal for Disciplinary Proceedings during the period July, 1960 to March, 1963. The Officer had filed an O.P. No. 2785/62 before the High Court which was disposed of on 25-2-1963 with certain directions. On receipt of the reports of the Tribunal in all the 3 cases referred to it, they were considered together as ordered by the then Home Minister on 19-8-1963. The Home Department is now considering what punishment is to be imposed upon the officer.

5.9 Development (Harijan Welfare) Department, Government of Kerala. In the opinion of the Committee, all these go to show that rules have been violated by more than one officer resulting in a loss of about Rs. 9000. It is also surprising that it took the Department six years (1958-64) to assess the loss. This matter needs therefore to be investigated further and responsibilities fixed and the defaulting officers punished suitably.

As regards the delay of 6 years referred to in the Report in assessing the loss in question, it may be stated that until 1963-64 no attempt could be made to evaluate the buildings. The reasons for the delay can be broadly outlined as follows :—

It is true that the construction of 73 houses was entrusted to the Handicraft Co-operative Society during the year 1958-59. Government received a petition dated 14-3-1960 on the

working of the Handicraft Co-operative Society, Peroor. On this the Registrar of Co-operative Societies was asked on 30-12-1960 to conduct a special audit of the accounts of the Society. The audit by the Registrar of Co-operative Societies was completed and the final report received by Government on 9-10-1963. Besides, the District Collector, Kottayam also reported on 18-4-1960 about certain irregularities in the construction of these houses. On this, an audit of the accounts and records of the Kottayam District Welfare Office relating to the House construction works entrusted to Shri K. C. Raj, President of the Society, during 1957-59 was conducted by the Financial Assistant to the Director of Harijan Welfare. The detailed audit report was received by Government on 5-7-1962. The case was examined by the Director of Harijan Welfare in detail after obtaining the explanation of the Officers involved and a final report sent to Government on 17-3-1964. The matter regarding the assessment of the loss in question was also taken up with Public Works Department on 25-2-1964. The final valuation report from the Chief Engineering (Build-

ings & Roads) was received by the Director of Harijan Welfare on 30-7-1965. As the buildings were located in inaccessible forest areas, the evaluation was more difficult. In these circumstances the loss sustained had been assessed at Rs. 9,122/- on the basis of the report of Public Works Department which was received on 30-7-1965.

Further investigation in the matter is being pursued. After fixing the liability for the loss sustained, the question of recovery/punishment, if any, and the necessity for issuing further orders will be considered.

179

5.10 Development (Harijan Welfare)
Department, Government
of Kerala.

The Committee also feel that the checks exercised by the Department on their Officers were perfunctory and need to be tightened up.

Orders have already been issued in G. O. Rt. No. 712/Rev. dated 12-4-1961 directing the departmental Officers to get indemnity bonds, if a certificate of financial soundness from the Tahsildar is not available in regard to works entrusted to private agencies. Instructions have also been issued in letter No. 32910/C1/66/A&RDD dated 27-7-1966 (Annexure I) to subordinate officers

to take adequate steps to ensure that instances of loss to Government do not recur. With a view to tightening up the checks in order to avoid unnecessary expenditure and loss to Government, constant and continuous inspections of the District and subordinate offices are being conducted. Stringent orders have again been issued in G.O.Rt. 1389/66/A & RDD dated 8-9-1966 (Annexure II) in the matter. The Director of Harijan Welfare has also been directed in the above G. O. to examine the existing arrangements in the Department with particular reference to the adequacy of the orders in force and with reference to the necessity of issuing further comprehensive orders.

5.18 Development (Harijan Welfare) Department, Government of Kerala.

It is really amazing that in this case also the contract was given to the same contractor (President of Handicraft Society) for the entire work which was split up into sixteen items in order to enable beneficiary societies like Harijan Welfare Co-operatives to undertake the work. It is all the more surprising that ratification of this splitting up of the works was done

The work in question was given on contract to Shri Raj by the District Welfare Officer on 21-3-1959 and not on 18-10-1958 as observed by the Public Accounts Committee. The orders dated 18-10-1958 relate to the work of constructing 73 houses discussed in para 5.8 above. The Government sanction in respect of the work referred to in para 5.18 and ratification referred to by the Com-

much later, when the work had already been allotted to a single individual against the spirit of Government orders. As there is no mention as to whether Government were aware of this fact when the ratification was done the Committee would desire that it should be investigated whether the fact, that the entire work had already been allotted to a single individual and not to the beneficiary societies for which ratification was made with the approval of the Minister of Local Self Government, was brought to the notice of the Minister before his orders for ratification were taken. If not, the persons responsible for suppressing such material fact should be suitably punished.

mittee, was accorded on 19-3-1959. It is a fact that the Director of Harijan Welfare had issued instructions on 24-2-1959 in terms of the G. O. dated 19-3-1959 even before the issue of the orders, in question, by Government the reason being that the principle involved had already been accepted at a discussion held on 23-2-1959 by the Minister for Local Self Government, Secretary to Government, Labour and Local Administration Department, and Director of Harijan Welfare. On the basis of the decision the Director of Harijan Welfare issued orders on 24-2-1959 to the District Welfare Officer who entrusted the work on 21-3-1959. In the circumstances it may be seen that there was no suppression of material fact from the concerned Minister or Government. The circumstances under which the above information could not be brought to the notice of the Public Accounts Committee on 28-10-1965, is explained below :—

There were two items of construction works entrusted to one and the same contractor during the same period and in the same District by the Department. One relates to the construction of 73 houses for Scheduled Castes and Scheduled Tribes referred to in para 5.8 and 5.10 and the other relates to the construction of a Model Welfare Village at Poonjar—*vide* para 5.18 and 5.20. In the former case, the Director had issued orders dated 18-10-1958 to the District Welfare Officer, to entrust the work to the Society. But in the later case, the above instruction was not applicable. It may be seen from the above that the identical circumstances of these two cases might have led to this conclusion. On 24-2-1959, the Director of Harijan Welfare wrote to Government about the decision arrived at the discussion held by the Minister, on 23-2-1959, and requested Government for confirmation and orders. Accordingly the orders dated 19-3-1959 were issued with the approval of the Minister concerned. In the circumstances explained above it may be seen that the orders were issued after verification of the decision arrived at the discussion referred

to above and that there is no suppression of facts on the part of the Officers.

As regards the entrustment of works to Shri K. C. Raj in contravention of the instructions contained in G. O. dated 19-3-1959 the position is explained as follows:—

The Government orders were to get the work executed by sponsoring Harijan Societies as decided in the discussion held by the Minister with the Officers concerned. According to the report dated 22-3-1961 of the Director of Harijan Welfare, it is seen that the work was entrusted to the Harijan Co-operative Society, Peroor. From the copy of the agreement available in the records it is seen that Sri Raj executed the agreement as the President of the Society. Only later on, it was found out by the Department that Sri K. C. Raj had executed the work in his individual capacity and not for the society. Therefore the question, whether any action, Criminal or Civil, could be taken against the party was investigated. It was found that no legal action, either civil or criminal would lie against him.

**5·19 Development (Harijan Welfare)
Department, Government of
Kerala.**

The Committee do not understand as to why the loss incurred due to the abandonment of the work by the contractor has not yet been assessed, although the contractor abandoned the work as long back as May, 1959. The Committee desire that the assessment of loss should be completed, without further delay. Result of the prosecution of the contractor as mentioned in the Audit para may be communicated to the Committee.

The loss sustained due to the abandonment of the work has since been assessed at Rs. 9,167/- and steps were taken against the Contractor. The possibility of prosecuting the Contractor was thoroughly examined but it was found, after obtaining legal opinion, that no prosecution either civil or criminal would lie against him. It was also examined whether it was possible to proceed against Shri Raj under the Public Accountants Act. It was found that no action would lie against him.

**5·20 Development (Harijan Welfare)
Department, Government of
Kerala.**

The Committee feel that these two cases of allotment of all the works to a particular individual, while ostensibly the works were to be given to beneficiary Harijan Societies etc. disclose a pattern which has to be scrupulously avoided if real benefit is to be given to the poor Harijans of the State. Otherwise there would be waste of Government funds which will benefit people who manage to obtain contracts by means not necessarily fair in contravention of rules and Government orders.

Instructions have been issued to subordinate officers to take adequate steps to ensure that instances of loss to Government do not recur.

The inadequacy of instructions by the Departmental Officers has however been noted for further guidance. Government have further issued strict instructions in their G. O. dated 8-9-1966 (Annexure II).

ANNEXURE I

Copy of letter No. 32910-C1/66/A&RDD dated 27-7-1966 from the Development (C) Department—to the Director of Harijan Welfare.

SUB:—Harijan Welfare—Execution of work—irregularities—Recommendations of Public Accounts Committee.

Ref:—Your letter No. GI-1189/66 dated 30-5-1966.

During the discussions held by the Public Accounts Committee, severe criticism regarding the various irregularities committed by the departmental officers in implementing the ameliorative schemes for the Welfare of the backward communities were made. The main criticism was in regard to the loss incurred in connection with the construction of 73 houses in Kottayam District and construction of Model Welfare Training Centre, Poonjar during 1957-58. The Committee in their report has brought home to Government that the checks exercised by the Department on their officers were perfunctory and need to be tightened up.

I am therefore to request you to take adequate steps to ensure that such instances of loss to Government do not recur. Immediate instructions will be issued in the matter.

Yours faithfully,

Sd/-

For Secretary to Government

ANNEXURE II
GOVERNMENT OF KERALA

ABSTRACT

**Harijan Welfare—Housing Scheme—Irregularities in the execution of
work—instruction orders issued.**

AGRICULTURE & RURAL DEVELOPMENT DEPARTMENT
(DEVPT. C)

G.O. Rt. No. 1389 /66/A&RDD. Dated, Trivandrum, 8-9-1966.

Read:—

1. G.O. Rt. No. 712/Rev. dated 12-4-1961.
2. Letter No. C3-25389/59 dated 27-9-1965 from the Director of Harijan Welfare.
3. D.O. letter No. 49414/65/G1/dated 18-10-1965 from the Director of Harijan Welfare.
4. Government letter No. 32910-C1-66/A&RDD dated 27-7-1966.

ORDER

Time and again, many a lapse on the part of the Departmental officers resulting in loss of Public money have been brought to the notice of Government by the Audit. For instance, during 1957-59, the Department undertook certain schemes for the construction of houses for Sch. Castes/Sch. Tribes in the State. Accordingly the construction of 73 houses in the Kottayam Dist. was entrusted to one Shri K. C. Raj, President of the Kaithozhil vyavasaya Co-operative Society No. 2817, Peroor. During the same period another work of construction of a Model Welfare Centre, Poonjar was also entrusted to the same contractor. The Financial stability of the contractor to undertake the above works was not considered at all, before the entrustment of the work to him by the Department, nor any agreement to safeguard the Public money involved, obtained in these cases. Government had to incur heavy loss on this account. Such lapses which are, no doubt, detrimental to the interests of Government, cannot be countenanced. It is hoped that the situation would have improved now by the constant inspections held by the Departmental officers and the checks exercised by them.

The standards of financial propriety demand that every Government servant should exercise the same diligence and care in respect of all expenditure from public moneys under his control as a person of ordinary prudence would exercise in respect of the expenditure of his own money. Government would, therefore reiterate their instructions in the matter with all its seriousness and order that the Departmental Officers should exercise the utmost vigil and care in the matter of public money and that on no account there shall be any occasion for any kind of loss to Government. Any action to the contrary would be viewed seriously and the delinquents dealt with suitably.

The Director of Harijan Welfare will however examine the existing arrangements in the Department in the matter, with particular reference to the adequacy of the orders in force and also with reference to the necessity for issuing comprehensive orders afresh in this regard.

(By order of the Governor)

(J. S. Badhan)

Dy. Secretary to Government.

9·7 Stores Purchase Department.

The Committee are unable to understand as to why the period of the contract was extended when there was no legal obligation on the part of the Government to do so, specially since the Department was aware of the fact that the market price had come down when the period of the contract was extended.

The observations of the Committee are noted for future guidance. Special instructions have been issued again, to follow Stores Purchase Rules scrupulously in all cases of Government purchase—(vide copy of Government Circular Memorandum No. 6468/B4/66/SPD dated 30-7-1966 and U.O. Note No. 7388/B4/66/SPD dated 6-12-1966. Annexure I and Annexure II).

9·8

The ceiling rate fixed by the Government for the local purchase by institutions in Trivandrum during the period was only Rs. 3·25 per 'Para' of charcoal. Further certain institutions in the mofussil not covered by the rate contract had made local purchases of charcoal during the same period at varying rates not exceeding Rs. 3 per 'Para'. It is therefore surprising that the contract was extended at Rs. 6·50 per 'Para' involving an extra expenditure of about Rs. 43,460. If it was considered necessary to extend the contract on compassionate grounds, the contractor should have been

asked to supply charcoal at the prevailing market rate which was much less.

9·13 Stores Purchase Department. From the facts placed before them, the Committee have not found adequate justification for splitting up the tender and awarding a portion of the supply to a firm at a higher rate. The Committee are surprised at the manner in which this case has been dealt with. They note that the orders with the Madras firm had to be cancelled as it failed to commence supply within 15 days. In the meantime, the firm period of the local firm with which the part supply of 20,000 reams had been arranged also expired. Tenders were called for for the third time and orders were placed with a firm in Bombay for the supply of 20,000 reams at Rs. 2·45 per Kg. which resulted in an extra expenditure of about Rs. 1·46 lakhs compared with the lowest rate of Rs. 1·73 per Kg. offered by the local firm.

9-14

From the notes furnished at the instance of the Committee, it is seen that apart from the present case the Government have modified/overruled the recommendation of the Stores Purchase Committee in respect of several cases. The Committee are of the opinion that there is no point in constituting a committee specially for a particular purpose if its recommendations are modified or overruled in a large number of cases by the Government.

Do.

9-15

Do.

The Committee hope that with the setting up of the Departmental Purchase Committee, such instances would not recur.

Do.

ANNEXURE I
GOVERNMENT OF KERALA

Stores Purchase Department,
Secretariat, Trivandrum,
Dated 30-7-1966

No. 6468/B4/66/SPD **CIRCULAR MEMORANDUM**

**SUBJECT:—Purchase of Stores—Non-observance of Stores Purchase Rules—
Loss resulting from avoidance of—Instructions issued.**

Two instances of purchase of stores have been brought to the notice of Government in which Government sustained loss as a result of deviation from Stores Purchase Rules. The Public Accounts Committee has also adversely commented on these cases in their Report. In one case, the loss was on account of extension of a contract when such an extension was not permissible under the Rules. In the other case, the loss resulted from a purchase which could have been avoided. Government strongly feel that had proper discretion been exercised and the Stores Purchase Rules strictly adhered to, the loss sustained in these cases could have been avoided.

All Heads of Departments and other officers are therefore requested to see that Stores Purchase Rules are scrupulously observed in the purchase of stores, and that all reasonable precautions are taken to avoid loss to Government when finalising contracts.

C. P. NAIR,
Deputy Secretary.

To

All Heads of Departments and officers

The District Collectors

The Secretary,

Kerala Public Service Commission (with G.L.)

The General Manager,

Kerala State Road Transport Corporation („)

The Secretary,

Kerala State Electricity Board („)

The Secretary,

Kerala State Khadi and Village Industries Board („)

The Registrar,

• University of Kerala („)

The Registrar,

High Court of Kerala („)

Copy to : all Departments (Sections) of the Secretariat.

ANNEXURE II

GOVERNMENT OF KERALA

No. 7388/B4/66/SPD

**Stores Purchase Department,
Secretariat, Trivandrum,
Dated 6th December, 1966**

U.O. NOTE

SUBJECT:—Implementation of the recommendations of the Public Accounts Committee—Recommendations 135 and 136 of the 47th Report.

The Central Public Accounts Committee in their recommendations contained in the 47th Report pointed out two cases of stores purchase, in which loss was caused to Government due to non-observance of Stores Purchase Rules. One of the cases was where the recommendations of the Stores Purchase Committee were over-ruled by the Government. The Committee also observed that from the notes furnished at the instance of the Committee it was seen that apart from the specific case considered by the Committee the Government had modified/over-ruled the recommendations of the Stores Purchase Committee in respect of several cases. The Committee were of opinion that there was no point in constituting a Stores Purchase Committee specifically for a particular purpose if its recommendations were modified or over-ruled in a large number of cases. They have also added that with the constitution of the Departmental Purchase Committees, it is hoped such instances would not recur.

2. The Departmental Purchase Committees are empowered to accord final sanction for purchase up to Rs. 2 lakhs. Purchases above this limit have also to be recommended by the Departmental Purchase Committee even though they have to be circulated to the Ministers. Normally the recommendations of the Departmental Purchase Committee will be accepted, but in cases where the recommendations of the Departmental Purchase Committee are over-ruled, the concerned Secretary to Government is requested to bring to the notice of the authority over-ruling the recommendations of the Departmental Purchase Committee the observations of the Public Accounts Committee mentioned in paragraph 1 above.

**R. Gopalaswamy,
Finance Secretary.**

To

All Secretaries, Joint Secretaries, and Deputy Secretaries to Government.

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
27.	Bahree Brothers, 188, Lajpatrai Market, Delhi—6	27	33.	Bookwell, 4 Sant Narakari Colony, Kingsway Camp, Delhi-9.	96
28.	Jayana Book Depot, Chaparwala Kuan Karol Bagh, New Delhi.	66		MANIPUR	
29.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi—I.	68	34.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annexe, Imphal.	77
30.	People's Publishing House, Rani Jhansi Road, New Delhi.	76		AGENTS IN FOREIGN COUNTRIES	
31.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88	35.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W.C.—2.	
32.	Hind Book House, 82, Janpath, New Delhi.	95			

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PUBLISHED UNDER RULE 382 OF THE RULES OF PROCEDURE AND CONDUCT OF
BUSINESS IN LOK SABHA (FIFTH EDITION) AND PRINTED BY THE GENERAL
MANAGER, GOVERNMENT OF INDIA PRESS, MINTO ROAD, NEW DELHI.
