

**PUBLIC ACCOUNTS COMMITTEE  
(1968-69)**

(FOURTH LOK SABHA)

**FIFTY-NINTH REPORT**

[Audit Report (Civil), 1968 relating to the Cabinet  
Secretariat].

**INDIAN STATISTICAL INSTITUTE,  
CALCUTTA.**



**LOK SABHA SECRETARIAT  
NEW DELHI**

*March, 1969/Phalguna, 1890 (Saka)*

*Price. Re. 1.20*

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CORRIGENDA TO THE FIFTY-NINTH REPORT OF  
PUBLIC ACCOUNTS COMMITTEE (1968-69),  
PRESENTED ON THE 2nd APRIL, 1969.

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1. Page 1, last line in the Table, Column 7, for "67.03", read "67.93".
2. Page 12, Line 25, for "magement", read "management".
3. Page 16, para 1.15, line1, for "On", read "One".
4. Page 18, line 1, for "of a years", read "of years".
5. Page 21, para 2.5, line 6, for "arch, 1966", read "March, 1966".
6. Page 23, para 2.8, line 9 from below, for "worak", read "work".
7. Page 24, para 2.10, line 1, for "Commttee", read "Committee".
8. Page 26, para 2.11, line 2, for "Setlment", read "Settlement".
9. Page 32, footnote, for "India on", re "Indian".
10. Page 33, line 13, for "Statiscal", re "Statistical".
11. Page 33, footnote, for "FAC", read "P".
12. Page 36,
  - (i) line 8, delete ", " after "27".
  - (ii) line 9, for "annal", read "an".
13. Page 39,
  - (i) line 18, for "Rs.1:70 lakhs", "Rs.1.70 lakhs".
  - (ii) line 20, for "Rs.2:68 lakhs", "Rs.2.68 lakhs".
14. Page 43, line 14, for "1960", read "1961".
15. Page 44, footnote, line 1, for "circumstances", read "circumstances".
16. Page 51, para 3.17, line 1, for "rep. tive", read "The representative".

17. Page 53,
  - (i) line 9, for "1936", read "1966";
  - (ii) line 28, for "1968", read "1966".
18. Page 54,
  - (i) line 9, add "of" before "foreign";
  - (ii) line 12, for "handed", read "handled".
19. Page 59, para 5,
  - (i) line 2, for "exaluate", read "evaluate";
  - (ii) line 17, for "of Calcutta", read "at Calcutta"
20. Page 72, line 13 from below, for "purpose", read "purchase".
21. Page 76, line 8, for "purpose", read "purpose of".
22. Page 8 , line 1, column 2, for "2.42", read "2.24".
23. Page 8 , line 2 from below, for "not", read "note".
24. Page 8 line 10, for "organission", read "orga~~n~~isation".

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Minutes of the Forty-Fifth sitting held on 19-3-1969 (A.N.) . . . . .	. . . . .

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**PUBLIC ACCOUNTS COMMITTEE**  
(1968-69)

**CHAIRMAN**

**Shri M. R. Masani**

**MEMBERS**

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3. Shri K. Anirudhan
4. Shri S. M. Banerjee
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18. Shri Shanti Kothari
19. Shri S. S. Mariswamy
- \*20. Shri G. H. V. Momin
21. Shri N. R. M. Swamy
22. Shri Tarkeshwar Pandey.

**SECRETARIAT**

**Shri Avtar Singh Rikhy—*Joint Secretary.***

**Shri K. Seshadri—*Under Secretary.***

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\*Declared elected on 19th August, 1968 *vice* Shri M. M. Dharis who resigned from the Committee.

## INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Fifty-Ninth Report (Fourth Lok Sabha) on the Indian Statistical Institute, Calcutta [Paragraph No. 108, Audit Report (Civil), 1968].

2. The Audit Report (Civil), 1968 was laid on the Table of the House on the 3rd April, 1968. The Committee examined paragraph 108 at their sittings held on the 22nd (AN) and 23rd (AN) January, 1969. The Committee considered and finalised this Report at their sitting held on the 19th March, 1969 (AN). The Minutes of these sittings of the Committee form Part II\* of the Report.

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

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

5. The Committee would also like to express their thanks to the officers of the Cabinet Secretariat for the cooperation extended by them in giving information to the Committee.

NEW DELHI;  
March 29, 1969.  
Chaitra 8, 1891 (Saka).

M. R. MASANI,  
Chairman,  
Public Accounts Committee.

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**CHAPTER I**  
**FINANCE, ACCOUNTS, AUDIT AND ORGANISATION OF THE**  
**INDIAN STATISTICAL INSTITUTE**  
**CABINET SECRETARIAT**

**Audit Report (Civil), 1968**

**Grants to Indian Statistical Institute**

*Audit Paragraph:*

The Indian Statistical Institute, Calcutta, which receives substantial grants from Government, was started in 1932 and registered as a non-profit distributing learned society under the Societies Registration Act, No. XXI of 1860. With the passing of the Indian Statistical Institute Act, 1959, it became a statutory body from 1st April, 1960.

Grants aggregating Rs. 7.62 crores were paid to the Institute during 1960-61 to 1966-67. Besides, 'on account' payments amounting to Rs. 2.49 crores were paid in connection with the National Sample Survey work, which were the subject of comment by the Public Accounts Committee in 1964-65 and 1966-67\*. The Table below gives a broad analysis of the income and expenditure of the Institute for the years 1965-66 and 1966-67:—

1965-66				1966-67			
Grants from Cabinet Secretariat	Other income	Total income	Expenditure	Grants from Cabinet Secretariat	Other income	Total income	Expenditure
1	2	3	4	5	6	7	8

(In lakhs of rupees)

Non-projects Sectors (Research and Training School, Planning Division, Statistical Quality control and International Statistical Education Centre, etc.)	.	57.02	6.32	63.34	61.62	61.74	6.19	67.93	65.64
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\*Paragraph 1-6 of 29th Report (1964-65) and paragraphs 3.2 to 3.24 of 58th Report (1966-67).

	1	2	3	4	5	6	7	8
Project Sector (National Sample Survey)	90.88	0.50	91.38	87.16	93.26	..	93.26	93.86
U.N.T.A.A. (Utilisation and Maintenance of Soviet equipment)	6.50	1.27	7.77	6.57	0.03	0.95	0.98	4.30
Capital Account	15.40	..	15.40	15.40	17.50	..	17.50	19.57
Miscellaneous	..	0.60	0.60	1.86	..	1.50	1.50	2.38
<b>TOTAL</b>	<b>169.80</b>	<b>8.69</b>	<b>178.49</b>	<b>172.61</b>	<b>172.53</b>	<b>8.64</b>	<b>181.17</b>	<b>185.75</b>

The following observations were made by a Review Committee appointed in 1966 to evaluate the working of the Institute in terms of Sec. 9(1) of the Indian Statistical Institute Act., 1959:

(i) Although the Institute has been receiving huge financial assistance from Government for various activities, it has been reluctant to submit to financial controls usual in the case of institutions financed from public funds. Passing of the budget by the Council of the Institute is considered as sufficient authority for incurring the expenditure without waiting for sanction of funds by Government. Actual expenditure incurred has been in excess of the resources promised and made available by Government (the excess expenditure being met out of loans from Employees' General Provident and Gratuity Funds, State Bank of India, etc.).

(ii) There should be a test-audit of the accounts of the Institute once in five years by the Comptroller and Auditor General of India.

[Paragraph No. 108, Audit Report (Civil), 1968].

1.1. The table below gives the particulars of total income of the Indian Statistical Institute and the amounts received by the Institute as grants from the Cabinet Secretariat for the two years 1965-66 and 1966-67:

Year	Total Income	Grants from Cabinet Sectt.
	(Rupees in Lakhs)	
1965-66	163.07	154.40
1966-67	163.66	155.03

The table would show that the grants paid by Cabinet Secretariat constituted more than 90 per cent of the income of the Institute.

Apart from grants from the Cabinet Secretariat, the Institute received grants-in-aid from other Ministries/Departments of Government. A statement showing the total grants received from Government since 1959-60 as furnished by the Cabinet Secretariat is given below:

Year	Receipts		Other receipts	Total	Expend- ture
	Government grants given to I.S.I.				
	for the year	for the earlier years			
(In lakhs of rupees)					
1959-60	79.75	0.83	2.65	83.23	88.01
1960-61	80.76	4.71	3.50	88.97	95.77
1961-62	78.71	8.99	4.40	92.10	121.46
1962-63	118.55	0.85	6.97	126.37	149.51
1963-64	112.06	4.00	8.03	124.09	154.14
1964-65	155.31	4.34	6.51	164.16	166.44
1965-66	172.10	32.89	7.81	212.80	173.33
1966-67	172.27	37.26	7.37	216.90	186.82
1967-68	180.45	6.73	6.37	193.55	188.22
TOTAL	1147.96	100.60	53.61	1302.17	1323.70

1.2. The Committee enquired about the pattern and basis of grants given by the Cabinet Secretariat to the Institute. The Cabinet Secretariat have stated in a note as follows:—

“Prior to 1.4.60, on which date the ISI Act, 1959, which recognised the Institute as an Institution of National importance, came into force, the practice followed by the Ministry

of Finance (Which was the administrative agency for the ISI till September, 1956) and then the Cabinet Secretariat was to give 'on account' payments to the Institute for financing its activities during any year, taking the final grants-in-aid given during the preceding year as the basis. Thereafter, during November-December of the financial year, on receipt of the Revised Estimates for the year for the various activities, final grants-in-aid for that year were sanctioned and were in due course adjusted on the basis of the audited statement of expenditure. In arriving at the quantum of grants-in-aid, the income derived by the Institute from its service|consultancy activities, as examination fee, etc. was taken into accounts as also grants from other sources."

"Since 1960-61, the grants-in-aid to the ISI have been regulated in accordance with the provisions of the ISI Act, 1959....  
.....For this purpose, viz., for deciding the quantum of assistance the Central Government appoints a Statutory Committee under Section 8(1) of the ISI Act 1959....."

"This Statutory Committee normally consists, beside the Chairman, a representative each from the Department, Ministry of Finance (Department of Expenditure) (usually the Financial Adviser) and the Institute, and one or two members from outside agencies like the CSIR, etc. This Committee examines the programme of work and the budget of the Institute each year and makes its recommendations to the Government. The grants-in-aid to the Institute for any year for its current and plan (revenue and capital) activities are based on the reports of the Statutory Committee for that year."

13. The Committee pointed out that though the grants to the Institute were to be regulated on the basis of the recommendations of Statutory Committee constituted annually under Section 8(1) of the Act, in actual practice, as pointed out by the Review Committee, these Statutory Committees were never able to report in time. The Cabinet Secretary stated that "though they are appointed well before, what happens is that they never give their reports before we could put it in the budget. The reports generally come after we have provided the money. Then some adjustments are made in the supplementary demands. But we generally go by their advice as

to what we have done so far." In a note on this point, the position in this regard has been further explained as follows:—

"Given below is a statement indicating the date of appointment of the Statutory Committee, date on which its report became available and the date on which final grants-in-aid sanctions were issued:

Year	Date of Appointment	Date of submission of Report	Final sanction issued
1961-62	13-9-60	22-3-61	4-5-61
1952-63	6-11-61	25-5-52	19-7-62
1953-64	15-1-63	22-5-53	28-9-63
1964-65	31-10-63	Feb. 65	20-3-65
1955-66	31-5-64	Feb. 66	18-3-66
1955-67	25-8-55	28-10-65	31-1-67
1967-68	1-9-66	15-11-66	5-9-67
1968-69	6-3-68	13-1-69	*
1969-70	6-3-68	(to) be received)	

\*Under processing.

The ISI Review Committee had made in April, 1966 an interim recommendation to the effect that:

“... It would be useful if the Government would ensure that the report of the Statutory Committee for 1966-67 is submitted by June, 1966 and of the Committee for 1967-68 (which may be appointed immediately) by August, 1966. If this can be done, then in future the report of the Statutory Committee for a particular year should be available to Government by the end of August in the preceding year.”

“On examination of the recommendation, it was found that since the Institute was to furnish its budget Estimates for any year by the preceding September end and these were to form the basis of the report of the Statutory Committee, the Committee could at best be

able to submit its Report for any particular year by the middle of November of the preceding year and not by end of August."

"It will be seen from the statement given in paragraph 1 that the Committee for 1967-68 was appointed in September, 1966, and its report was available by 15.11.1966."

"As regards, 1968-69, this could however, not be done since by then the main recommendation of the ISI Review Committee, contained in item 48 of the Summary at Chapter XI, which reads as follows, was to be considered:

'Statutory Committee under Section 8(1) of the ISI Act should be appointed once every five years to help in the framing of the five year programme of the Institute.'

Though this recommendation was acceptable both to Government and the Indian Statistical Institute, it was found on examination that the section of the Act as it stood would not permit the appointment of a Committee for preparing a five year programme and all that could be done was to have the same Committee for more than one year but to obtain report for each year separately. It took some time to clarify the position in this regard and the Committee for 1968-69 was appointed on 6-3-68. The Committee was asked to submit its report to Government by 30-4-1968. The Committee took time in studying the procedures and practices obtaining in the Institute, and the efforts being made, in pursuance of the recommendations of the Review Committee, to improve its financial administration. The Committee also expected to know the Government decision on National Sample Survey work, which had a large bearing on the work of the Indian Statistical Institute. After a number of sittings, the Committee submitted its report on 13-1-1969, which is under consideration of Government."

"The Committee for 1969-70 (being the same as the one for 1968-69) is expected to commence its work shortly. Material for use of the Committee is being collected and it is hoped that the report will be available before or soon after the start of the next financial year. Government hope to be able to obtain the reports of the Statutory Committee, starting from 1970-71, by the middle of November of the previous year so that necessary budget provision is made in the Government's budget on the basis of the Statutory Committee reports."

1.4. The Committee pointed out that Section 9(1) of the Indian Statistical Institute Act, 1960 provided for the work done by the

Institute being reviewed by a Committee. In reply to the observations of the P.A.C. in para 78 of their 34th Report (Third Lok Sabha), Government had stated that a review of major grants-in-aid would be conducted once in three to five years. However, the Review Committee was not constituted by Government till 1966, i.e., six years after the Act was passed. The Cabinet Secretary admitted that a review "could have been done earlier." It was in May, 1966, that Government had, in reply to the observations of the PAC, agreed to a review of the performance of the Institute "once in three to five years" and this would be done in future.

1.5. Taking up the observations of the Review Committee, the Committee drew the attention of the Cabinet Secretary to the following points in the Report about the Institute's system of budget making and financial control:

"The Institute's system of budget-making and financial control has from the beginning not been in accordance with accepted procedures. Instead of each unit framing its own detailed proposals and a central organisation framing a unified budget, the budget of the Institute is prepared in the Central Office. Passing of the budget by the Council of the Institute is considered as sufficient authority for incurring the expenditure without waiting for sanction of funds by the Government."

"While the Institute has been getting funds from the Government for its non-project and project activities it has been reluctant to submit to financial controls usual in the case of institutions financed from public funds. The result has been that at the end of 1964-65, the Institute's debts mounted to Rs. 140.54 lakhs."

"The financial position of the Institute has deteriorated from year to year. Actual expenditure incurred has been in excess of the resources promised and made available by the Government. Since under the Act, the Institute functions as an autonomous organisation, and the Government does not have any direct say in matters relating to its administration, Government has not been able to prevent the Institute from running into financial difficulties."

1.6. The Cabinet Secretary admitted that "there has been slackness on the part of the Institute in carrying out proper budgeting and expenditure control". He added: "They (the Institute) have never kept to a proper budget of funds available. . . . They have gone and spent more money than what we have been giving them with the result that they have got into certain difficulties." Asked

whether the Government could not have stopped the Institute from incurring liabilities in excess of resources promised by Government, the witness stated: "The Government position has been that they will accept the schemes prepared by the Institute. The Institute has got its own funds for other purposes and as far as the new schemes are concerned, whatever new schemes are approved will be paid for." He added that Government gave grants to the Institute for certain purposes. "As long as these purposes are fulfilled and money spent for that, we have to give a certain authority (to the Institute). The Institute is an autonomous body." The Committee pointed out that even if the Institute was an autonomous body, its funds are almost completely derived from Government. Government, therefore, had a responsibility to ensure that the Institute's finances were soundly administered. The Committee enquired how many representatives Government had on the Council of the Institute. The Committee were informed that "the ISI Act, 1959 came into force on 1-4-1960. From this date to the beginning of May, 1961, the then Cabinet Secretary, represented Government on the ISI Council. In April, 1961 the Institute adopted a rule which permitted having 3 nominees of Government on its Council. In May, 1961, in response to a request from the Institute, Government decided to nominate the following representatives by designation, on the ISI Council:

1. Cabinet Secretary or his representative.
2. Joint Secretary, Ministry of Finance, Department of Expenditure and Financial Adviser to Department of Statistics.
3. Chief Director, National Sample Survey upto August, 1960 and thereafter Director, CSO."

The Cabinet Secretary further informed the Committee that because of the manner in which the Institute incurred expenditure, "it is not in a position to discharge its liabilities." The situation needed looking into. "In fact we have to look into it very closely. This year the only bright part of it is that they (the Institute) have certain lands in this big city which may be of some value and which they may be able to cash to meet the expenses. These are problems which are already before the (Statutory) Committee. Before the next year's budget is sanctioned, we will have to take a firm view about it." Spelling out the concrete measures taken by Government to ensure effective financial control over the Institute, in the light of the Review Committee's observations, the Department have stated in a note as follows:

"Even before the receipt of the Review Committee Report, the question of having effective financial control over the expenditure



incurred by the Institute had been under consideration by the Government and the conditions as set out in Appendix I\* were incorporated in the sanctions issued to the Institute for current as well as capital expenditure. Suitable instructions were also issued to the Auditors of the Indian Statistical Institute to ensure compliance with conditions set forth in Appendix I\*. These instructions were issued after consultation with the Comptroller and Auditor General and a copy thereof may be found at Appendix II\*\*”.

“The accounts of the Institute are annually audited by a firm of chartered accountants selected by Government in consultation with Comptroller & Auditor General of Indian and the Institute, as provided in Section 6(1) of the ISI Act, 1959. The Auditors’ report, as also their replies to the instructions on the various checks prescribed, is considered by Government before the accounts are accepted by it.”

“The Government has two nominees [Cabinet Secretary, or his representative and Joint Secretary (Finance)] on the Finance Committee of the Council, which looks into financial and budgetary matters and three representatives [Cabinet Secretary or his representative, Joint Secretary (Finance) and Director, Central Statistical Organisation] on the Council, which is responsible for the administration of the Institute. The Institute administration incurs expenditure with the approval of its Council and furnishes utilisation certificates of having utilised the grants for the purposes for which they have been sanctioned, with the approval of the Council and its Finance Committee.”

“Government is also getting from the Institute quarterly expenditure statements to watch the progress of expenditure. ‘On account’ quarterly advance payments are made to the Institute on receipt of the previous quarter expenditure figures.”

“The Indian Statistical Institute Review Committee has made certain recommendations for improving of the financial and budgetary set up of the Institute and these are contained in items 43 to 57 of Chapter XI of the Report. The action taken/proposed to be taken by Government in the light of these recommendations are briefly indicated below:

- (a) The Institute has now decided to have a Finance Officer working under the Director of the Institute.

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\* See page 69.

\*\* See page 71.

- (b) The Institute has agreed to prepare the budget for the Common Services expenditure separately instead of the earlier practice of allocating this expenditure for the various sectors proportionately. This will help in having a proper check on the administrative house-keeping, etc. expenditure and ensure that the ratio between research and non-research expenditure is being kept at the desired level. The ISI Statutory Committee for 1968-69 has desired that the Institute should make a comprehensive review of the position regarding ratio of expenditure between the total research programme expenditure and the salary content to see if the present ratio of 3:2 could be reduced further in view of the use of computer facilities. This has been conveyed to the Institute recently and the matter will be pursued further.
- (c) The Institute has been asked to furnish a statement of expenditure for each quarter. With a view to ensure that this is furnished promptly, (the Institute has been given five weeks time since the close of the quarter to do so) no further quarterly grants are being given unless the quarterly expenditure statements are given for the preceding quarter.
- (d) As stated already, there is a Finance Committee of the Council with two Government representatives thereon. As soon as the composition of the Executive Committee is finalised, action to set up a Finance Committee of the Executive Committee will be taken up.
- (e) Action to have the Provident Fund registered and to set up a separate Board of Trustees is being pursued.
- (f) The Institute has accepted the recommendation to have a test audit conducted by the Comptroller & Auditor General, once in five years, provided the audit is conducted not on Government rules but on the basis of rules, practices and conventions of the Institute. The matter is being examined separately to decide what should be the manner in which the test audit is to be conducted."

"With these measures Governments will be in position to exercise necessary financial control over the Institute in respect of the grants given to it and ensure that they are properly used for the purpose for which they have been|are being granted."

1.7. Taking up the question of the accounting and audit arrangements for the Institute, the Committee pointed out that the Institute had accepted the suggestion of the Review Committee for a test audit by Comptroller & Auditor General in accordance with the "rules, conventions and procedures prevalent in the Institute." The Committee enquired whether this was not an unusual stipulation and whether Government did not have the right to enforce test audit on the usual lines. The Cabinet Secretary stated: "Government have a right to have the test audit by the C. & A. G. . . . . . In this case our right will be enforced. . . . . Audit should be purposeful and I think we will go into the details and see what can be done now." The Committee further pointed out that the accounts in their present state would preclude any effective audit. They, therefore, asked whether it was not first necessary to consult the C. & A. G. as to the manner in which the accounts should be kept. The Cabinet Secretary replied: "In fact the Review Committee has said that the accounts should be kept in a certain way. Though they (the Institute) have not done it, they have accepted it in principle. In consultation with C. & A. G., we shall see that this is done."

1.8. The Committee drew the attention of the Cabinet Secretary to the various provisions of the Indian Statistical Institute Act, 1959 (reproduced in Appendix III\*) which gave powers to Government to regulate the working of the Institute. Section 11 of the Act gave "the power to Government in public interest" to issue "such directions as it thinks fit." Section 9 gave powers to Government to issue any directions considered necessary in respect of matters arising out of review and evaluation done by a Committee constituted under that Section. The Committee enquired whether these powers had been exercised by Government at any time. The Cabinet Secretary replied in the negative. To a further question whether a situation had not arisen in which the Institute should be taken over for management by Government under section 12(2) of the Act, the witness replied: "We shall examine it."

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\* See page 74.

1.9. The Committee pointed out that the Review Committee had recommended the abolition of the post of the Secretary to the Institute. The Committee had in fact referred to "the intermingled and confused relationship between the Institute and Government" and had gone on to say:

"Professor P. C. Mahalanobis is the Secretary and executive head of the Institute. He is also Honorary Statistical Adviser to the Cabinet in Statistical Organisation. The Institute undertakes National Sample Survey work on behalf of the Government. In other words, Professor Mahalanobis is both the giver of the contract and its executor. It has been suggested that this is a major reason for the failure to make an objective assessment of the performance of the Institute in regard to National Sample Survey work."

"The Institute's administration has not kept pace with its expanding functions and responsibilities. Neither the general body nor the Council as constituted at present is an effective instrument for managing the activities of the Institute. The Offices of President, Vice-Presidents, Chairman, Vice-Chairman and members of the Council have often been held by persons too busy with numerous other responsibilities to devote the necessary time and attention to the affairs of the Institute. The effective responsibility for the management of the Institute thus fell on the Secretary alone. All the activities in the Institute pivot round him. In theory, he can delegate his authority to Joint Secretaries and others. To a certain extent, this delegation is there. In practice, however, the officials concerned have hesitated to exercise the functions delegated to them. The Secretary has many interests in India and abroad which keep him away from Calcutta for long periods."

On the basis of this appraisal, the Review Committee had come to the conclusion that "the membership and administrative set-up" of the Institute should be reoriented so as to "enable it to maintain and enhance its reputation" as "an institution of national importance." To achieve this purpose, the Review Committee had recommended *inter alia* that "the posts of Secretary, Treasurer, Joint Secretaries and assistant Secretary should be abolished; so also the existing Board of Management."

The Cabinet Secretary replied that "these changes are not considered vital." This was the view of the Institute and "Government have accepted the view of the Institute." When further asked whether the matter did not need review, he stated: "We shall have another look at it." In a note on this point, the Cabinet Secretariat have informed the Committee as follows:

"The ISI Review Committee made a number of recommendations to improve the administrative structure of the Institute. These are contained in paragraph 9.8 of its Report. One of these recommendations was that the posts of Secretary, Treasurer, Joint Secretaries and Assistant Secretary should be abolished; as also the existing Board of Management."

"The Institute is implementing the recommendation that it should have an Executive Committee (though with a modified and somewhat smaller composition). It has also decided to take steps to strengthen and extend its Society type activities. The Council of the ISI are of the view that the post of Secretary should be continued and that the Secretary should be responsible for the Society type activities of the Institute and should have the present powers of Secretary in respect of such activities. It also felt that the Director of the Research and Training School should be the Director of the Institute and should have the present powers of the Secretary in respect of operational activities in connection with research, training and projects. If the National Sample Survey work is taken away from the Institute as recommended by the ISI Review Committee, the Research and Training School would be its main activities. In these circumstances, it was not considered necessary to insist that the posts of Secretary, Treasurer etc. be abolished."

"Prof. P. C. Mahalanobis, FRS, is a pioneer in the field of Statistics and an acknowledged expert. It was very largely due to his initiative and effort that the Indian Statistical Institute came into being and was registered in April, 1932 as a non-profit distributing learned society under the Societies Registration Act of 1860. Prof. Mahalanobis has been the Secretary of the Institute from the very beginning."

“In January, 1949, Prof. Mahalanobis was appointed Honorary Statistical Adviser to the Cabinet and his advice was also available on statistical matters to the various Ministries of Government. His appointment was not because of his being Secretary of the Indian Statistical Institute but in view of the fact that he is an acknowledged expert in the statistical field. In 1951, when the Central Statistical Organisation was established it was provided that the organisation would work under his guidance. Government continues to avail of the benefit of Prof. Mahalanobis’s advice on important matters connected with statistics.”

“The Indian Statistical Institute is an institution of national importance and Government are keenly interested in its growth and development. Its aims and objects are not in any way in conflict with those of Government, There is, therefore, no confusion in the relationship between Government and the Indian Statistical Institute.”

“As a result of the recommendation of the ISI Review Committee, Government has taken certain measures to improve and strengthen the administration of the Institute. These measures have been reported to the Public Accounts Committee....”

1.10 The Committee pointed out that the Administrative Reforms Commission in their Report on ‘Machinery of the Government of India and its Procedures of Work’ had recommended that the Department of Statistics should be under the control of Ministry of Finance, Department of Economic Affairs, rather than the Cabinet Secretariat, as collection and compilation of statistics had a close bearing on formulation of economic policy. The Committee enquired whether, in view of the fact that the Cabinet Secretariat was busy with other important matters and had not been able to supervise effectively the working of the Institute, this decision should not be immediately implemented. The Cabinet Secretary stated that the matter was “under consideration” by Government and “decision has to be taken at the highest level.”

1.11. The Committee are concerned that large grants should have been given by Government to the Institute all these years without ensuring that the Institute observed the financial disciplines required of it as a statutory body expending public funds. The Cabinet Secretary himself admitted during evidence that “there has

been slackness on the part of the Institute in carrying out proper budgeting and expenditure control." In the result, the financial position of the Institute "has deteriorated from year to year" leading to a situation in which the Institute "is not in a position to discharge its liabilities."

1.12. The Committee cannot help feeling that this situation is to a certain extent of Government's own making. The Act governing the working of the Institute provides for the exercise of various checks and reviews on the performance of the Institute. Government have apparently failed to take full advantage of these provisions. Section 8 of the Act, for instance, provides for a Statutory Committee being set up "as and when necessary" for "the preparation and submission to Government as far as possible before the commencement of each financial year of statements showing the programmes of work during that year" to facilitate budget provision therefor. Though Government have been setting up Committees for this purpose, their reports have generally never become available to facilitate timely budget provision. Again, Section 9 of the Act provides for a Committee being constituted periodically for "reviewing" and "evaluating" the work done by the Institute. The first Review Committee was set up by Government under this Section in 1966, i.e., six years after the Act was passed. Besides the foregoing provisions, Sections 11 and 12 of the Act empower Government to issue directions to the Institute in specified circumstances. However, in spite of the deteriorating position of the Institute, these powers have never been used. Another mechanism for control available to Government, namely, its representation on the Council of the Institute, has also largely remained ineffective, as is evident from the findings elsewhere in this Report.

1.13. The Committee note that the Review Committee have made several far-reaching recommendations to tone up the administration and performance of the Institute. The Committee regret that some of these have not been effectively implemented as they should have.

1.14. One recommendation in particular to which the Committee would like to draw attention of the Government, concerns the abolition of the post of the Secretary of the Institute. As the Review Committee have pointed out, the position of this functionary as the Secretary and executive head of the Institute as well as the Honorary Statistical Adviser to Government has brought about a "confused and intermingled relationship between the Institute and Government" resulting in a "failure to make an objective assessment of the performance of the Institute." The Review Committee had, on

this appraisal of the position, recommended that the post of the Secretary should be abolished and other suitable changes in the administrative set up of the Institute made to enable the Institute "to enhance and maintain its reputation" as "an institution of national importance." As this recommendation appears to be vital from the point of view of an improvement in the administrative structure of the Institute, the Committee are surprised that it has not so far been implemented and consider it essential that this should be done forthwith.

1.15. On particular aspect of the Institute's system of financial management needing special attention is the absence of an effective system of test audit. The Committee note that during evidence the representatives of Government agreed to evolve an appropriate arrangement in this respect, in consultation with the Comptroller & Auditor General. The Committee trust that this will be done and that any arrangements made for audit are not hedged in with stipulations which would hamper its effectiveness.

1.16. The Committee would also like to draw the attention of Government to the recommendations of the Administrative Reforms Commission that control over the Department of Statistics should more appropriately vest in the Department of Economic Affairs in the Ministry of Finance rather than the Cabinet Secretariat, as collection and compilation of statistics have a close bearing on formulation of economic policy. The Committee would like early effect to be given to this recommendation, particularly as the Cabinet Secretariat have, with their other preoccupations, been quite obviously unable to give the time and measure of attention and supervision that the Institute requires.



## CHAPTER II

### NATIONAL SAMPLE SURVEY

#### **Non-finalisation of grants for National Sample Survey work**

##### *Audit Paragraph*

2. In paragraphs 1—6 of their 29th Report (1964-65) and paragraphs 3.2 to 3.24 of their 58th Report (1966-67), the Public Accounts Committee had considered the 'on account' payments to the Institute for the National Sample Survey work.

The three-man committee, constituted by Government in May, 1964 for examining the claim of the Institute for the additional payment of Rs. 90.46 lakhs, the regularisation of the 'on account' payments made under the 'contract' system during 1960-61 to 1963-64 and the question of reimbursement of the amount paid as interest on Rs. 50 lakhs drawn from the State Bank of India as an overdraft guaranteed by Government, has not submitted its Report so far (January, 1968). However, pending finalisation of the report of the Settlement Committee, further 'on account' payments aggregating Rs. 70 lakhs were made to the Institute making a total of Rs. 249.06 lakhs of 'on account' payments upto March, 1967.

Besides these 'on account' payments under the 'contract' system, grants-in-aid aggregating Rs. 263.87 lakhs were paid to the Institute during 1964-65 to 1966-67 for the work relating to the designing of National Sample Survey, tabulation of statistical data, preparation of reports, etc. In addition, a sum of Rs. 4.95 lakhs was paid to the Institute in respect of a certain item of work, which was in a semi-processed state at the time of termination of the contract arrangement on 31st March, 1964. Government had agreed to revert to the "grant-in-aid" system of payment from April, 1964 only as a temporary expedient till a realistic scheme based on proper norms was evolved. No definite scheme has, however, been formulated so far and the payment continues to be made to the Institute without any correlation to, or a proper evaluation of, the work done by it (January, 1968).

The Review Committee, in their report submitted in December, 1966, observed that after huge out-lays made over a period

of a years, Government had not obtained timely data for planning and administrative purposes; that little use of the National Sample Survey data appeared to have been made in any quarters including the Planning Commission; and that due to lack of co-ordination between the National Sample Survey and the user organisations like the Ministry of Food and Agriculture, Ministry of Labour and Employment, Department of Economic Affairs, Reserve Bank of India, etc., a good deal of data collected by the National Sample Survey involved duplication and hence wastage of resources. "The conflicting figures of agricultural production published by the Ministry of Food and Agriculture and the National Sample Survey have given rise to severe criticism in a vital field and affected planning in respect of both production and supply of Food."

In view of these facts, the Review Committee recommended certain drastic changes in the organisational structure of the Institute. The decision of Government on this recommendation is still awaited (January, 1968).

[Paragraph No. 108, *Audit Report (Civil)*, 1968.]

2.1. A National Sample Survey Directorate was set up by the Government of India in 1950 for collecting various socio-economic data required for planning and other purposes by the Central and State Governments, Planning Commission and other organisations. The Indian Statistical Institute was then entrusted with the work of designing the surveys and schedules, processing the data collected by the National Sample Survey Directorate and preparing the reports. In addition, the Institute was also entrusted with the work of collecting the survey data for West Bengal and the city of Bombay, the collection in respect of the rest of the areas in the country having been given to the National Sample Survey Directorate.

2.2. According to the Review Committee which examined the working of the Institute, "the National Sample Survey Division of the Institute constitutes its biggest single sector in terms of financial outlay and manpower." It "employs about 1,000 scientific, technical and auxiliary staff; including the direct and imputed administrative and helping staff, the number would be about 1,500."\* The total expenditure incurred by the Institute, the ex-

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\*Note given to the Study Group of the PAC which visited the Institute in September, 1969.

penditure on this sector and the grants received from Government are given below:—

Year	Total Expenditure of the Institute	Expenditure on National Sample Survey	Grants given by Government
(In Lakhs of Rupees)			
1965-66	157.20	87.16	90.88
1966-67	166.17	93.86	93.26

2.3. Before 1959-60, Government paid the Institute advance annual grants on the basis of anticipated expenditure for its National Sample Survey work. From 1960-61, at the request of the Institute, the basis of payment was changed to one of contract. This system remained in force till, at the Institute's request, it was discarded from 1st April, 1964, when the grants-in-aid system was revived.

Commenting on the working of the contract system, the Public Accounts Committee made the following observations in para 1 of their Twenty-Ninth Report (Third Lok Sabha):

“The Committee do not appreciate the manner in which the work had been entrusted to the Indian Statistical Institute on a so-called ‘contract basis’ wherein neither the amount payable, nor the work to be done nor the time within which the work was to be completed were specified. Most of the essential requisites of a valid contract are thus missing. . . . . The Committee strongly disapprove of the fact that the agreements specifying the amounts payable for the work entrusted to the Institute on ‘contract basis’ during the years 1960-61, 1961-62 and 1962-63 are yet to be finalised. . . . . The usual standard of care needed for spending the public funds and the basic safeguards against possible extravagance could not be ensured under this system of ‘contract basis’.”

“Similarly, in the case of ‘on account’ payments, it is not known to the Committee as to how the values of various items of work are determined and whether there are any arrangements to check and verify the work done by the Institute before ‘on account’ payments are made to the Institute. In the Committee’s opinion this is an

irregular practice especially in view of the fact that the data furnished by the Institute for evaluating the work have been inadequate."

"This Institute has been in existence for the last 33 years and the Government had called upon it to take a leading part in organising the National Sample Survey as early as 1950. This has been a long enough period both for the Government and the Institute to have gained experience and fix the basis for payment. It is indeed paradoxical that the Statistical Institute of all India importance on the one hand and the Central Statistical organisation of the Union Government on the other hand failed to arrive at such a basis."

2.4. The question of payments to the Indian Statistical Institute in respect of the work done by its National Sample Survey Division again came up before the Public Accounts Committee in 1966. The Committee noticed that the Institute had claimed a sum of Rs. 91 lakhs in respect of jobs undertaken by it on contract basis during 1960-61 to 1963-64 over and above 'on account' payments amounting to Rs. 179.06 lakhs already made to it for the same period. The Committee also found that a sum of Rs. 50 lakhs had been drawn by the Institute during the years 1961-62 to 1963-64 from the State Bank of India on over-draft facilities which had been guaranteed by Government. The interest on the overdraft paid by the Institute amounted to Rs. 3.48 lakhs. It was stated by the Cabinet Secretariat that the claim of the Institute for the additional amount of Rs. 91 lakhs, the regularisation of the 'on account' payments and the question of reimbursement of the amount paid as interest on the overdraft facility were pending settlement with a three-man Settlement Committee since May, 1964. The Public Accounts Committee were not, however, satisfied with the position and in paras 3.17 and 3.18 of their Fifty-Eighth Report (Third Lok Sabha) observed:

"The Committee regret to note that although the Government is meeting nearly cent per cent expenditure of the Institute, yet it had no effective financial control over the Institute."

"From the past performance of the Institute and the large amount of grants given to them by Government year after year, the Committee feel that the special treatment given to the Institute by Government has not been fully

justified. In the opinion of the Committee, the working of the Institute *vis-a-vis* the large amounts of grants-in-aid and other payments made to them (Rs. 6.13 crores from 1958-59 to October, 1964) by Government leaves much to be desired."

2.5. When the matter of payments to the Institute for National Sample Survey work again came up before the Committee in 1967-68, they were informed that for the work done by the Institute during the period 1960-61 to 1963-64, when the contract system was in force, further 'on account' payment amounting to Rs. 70 lakhs had been made between arch, 1966 and March, 1967, in addition to such payments aggregating Rs. 179.06 lakhs made in the past, pending settlement of the claims of the Institute by the three-man Settlement Committee. The Committee made the following observations in this regard in para 1.69 of their Twenty-Fifth Report (Fourth Lok Sabha).

"The Committee are constrained to note that though initially it was decided to entrust the work to the Institute on a contractual basis during the period 1960 to 1964, Government were later forced to settle this claim on the basis of actual expenditure incurred and not upon the valuation of the work under any contractual arrangement. . . . The Committee feel that this is not a healthy financial practice and desire that Government should take steps to ensure that the work done by the Institute is properly evaluated and the payments are accordingly made for the services actually rendered."

2.6. During evidence, the Committee were informed that the three-man Settlement Committee appointed to go into the claims of the Institute for the period 1960-61 to 1963-64 was unable to suggest any method of evaluating the work on the basis of output. Explaining the position, the Additional Secretary, Cabinet Secretariat stated: "On 11th May, 1964, the then Cabinet Secretary, the Honorary Statistical Adviser, Prof. Mahalanobis and the Finance Secretary decided to go into the question. They appointed a Committee consisting of the Adviser to the Planning Commission, the Director, Central Statistical Organisation and the Financial Adviser and Joint Secretary in the Ministry of Finance. They held a number of meetings but there was a divergence of views and they could not come to any agreement on calculating the cost of this work. Ultimately the matter was referred back to the Cabinet Secretary and to the Finance Secretary. At that stage, Prof. Mahalanobis was again consulted. Finally, it was agreed after

four years that the Cabinet Secretary in consultation with Finance Secretary would take the final decision." As a result, a settlement was made in March, 1968 by which the Institute qualified for a payment of Rs. 256.06 lakhs, inclusive of 'on account' payments previously made, as against Rs. 267.88 lakhs claimed by them, as shown below:

	Amount calimed by the Institute	Amount recommen- ded by N.S.S. Settlement Committee
	(Rs. in lakhs)	
Indirect expenditure . . . . .	63.48	63.48
<i>Direct Expenditure</i>		
(a) Development works . . . . .	19.39	19.39
(b) Overtime allowance . . . . .	12.25	9.75*
(c) Leave Salary Contributions . . . . .	11.32	2.00**
Other items (total expenditure minus those mentioned above . . . . .)	163.08	163.08
	269.52	257.70
Less payments received from other parties for work done for them. . . . .	1.64	1.64
	267.88	256.06

2.7. Pointing out that the difference between what the Institute claimed and what it was held to be eligible for was only Rs. 11 lakhs, the Committee enquired why the matter took four years to settle. The Cabinet Secretary replied: "It took this time to find out what portion of the expenditure could be put on National Sample Survey work and what portion on other work. The accounting system maintained by the Institute made this particularly difficult. There was no meeting point between the two sides and finally they decided

\*The Institute will be free to furnish further facts and figures in support of the amount claimed by it, and on the basis of that information the amount which has been reduced may be restored wholly or in part.

\*\*As the whole question is being looked into by a Leave Salary Claims Committee an ad hoc provision of Rs. 2.00 lakhs has been recommended on the basis that during 1959-60 the leave salary contributions were Rs. 0.50 lakhs.

on a certain formula that whatever was shown as expended will be accepted, except for certain items of work where the justification or legitimacy of the expenditure was questioned.... A large portion of the expenditure of Indian Statistical Institute... was not identified with any part of Indian Statistical Institute's work. About Rs. 30 lakhs was general expenditure and this had to be distributed among the various sectors."

2.8. The Committee pointed out that the payments related to a period when contracts were to be signed with the Institute for the work allotted to them and enquired why no contracts were signed. The Additional Secretary, Cabinet Secretariat stated: "We tried to sign contracts but no contract was signed because of the difficulty in settling the work." Elaborating, the Cabinet Secretary said "The National Sample Survey work was supposed to be a contract work with this body (the Institute)..... It was the intention that there should be a contract scheme. In fact, we could not work the contract system. Therefore, we reverted to the grant system." The Committee pointed out that due to delay in making payments for the work, the Institute was obliged to resort to overdraft arrangements with the State Bank on which an interest of Rs. 20 lakhs had to be paid. They enquired whether this situation could not have been avoided. The Joint Secretary, Finance, stated that it was the Institute which proposed the contract system to Government. "It was the Institute which wanted this arrangement and it was not done at the suggestion of Government. They thought that by this arrangement, they would be able to make more profit whereas it proved to be the other way." Depositing on this point, the Cabinet Secretary told the Committee: "We have been giving 'on account' payments to this body on the basis of an accepted budget. They have never kept to a proper budget of funds available. They have also used funds for purchase of properties from various sources which run into a number of lakhs of rupees.... They have gone and spent more money than what we have been giving them with the result that they got into certain difficulties." The Committee pointed out that, having entrusted the work to the Institute on contract basis, under which payments were to be made on delivery of end results, Government themselves went back on the arrangement and made interim payments on *ad hoc* basis. 'On account' payments were thus made in March, 1966 and March, 1967. These payments could well have been made earlier and payment of interest by the Institute on the overdraft facilities thereby averted. The Joint Secretary, Finance replied: "That is a valid point. But it was a suggestion of the Institute under which it was done." The

Committee note in this connection that the Review Committee, which examined the working of the Institute, also commented on the delay on the part of Government in making timely payments of grants to the Institute. In their Report, the Review Committee made the following observations in this regard:

“The Committee would like to add that the Government has an important part to play in stabilising the financial position of the Institute and assuring its further growth. The Institute must immediately have adequate funds to discharge its existing liabilities. The liabilities of the past must not become a drag on its proper functioning in the future. The Committee has also noted that delay on the part of the Government in making payment of grants has added to the financial difficulties of the Institute. This becomes acute on the opening day of the financial year and the Committee recommends that on such occasions the Institute must be given funds to meet its liabilities of the previous month. The Committee further recommends that an amount equal to a quarter’s expenditure should be paid in advance so that the Institute always has funds to meet committed expenditure without need to incur debts. It is only through mutual understanding and cooperation between the Government and the Institute that the Institute will have financial stability and healthy growth.”

2.9. The Committee pointed out that the ultimate scheme for payments to the Institute for National Sample Survey work for the period 1960-61 to 1963-64 was worked out by Government, after consulting Prof. Mahalanobis, who was in charge of the Institute. They asked whether it was not strange that when Prof. Mahalanobis was in charge of the Institute he should have been consulted on matters of payments which had been the subject of “interminable disputes” between the Institute and Government. The representative of Government stated: “This is a criticism made by the Special Review Committee also. I am merely summarising their view that Prof. Mahalanobis in his capacity as Secretary of the Indian Statistical Institute was more or less in charge of the National Sample Survey work. He was consulted in his capacity as Hon. Statistical Adviser to the Cabinet. The (Review) Committee said ‘He was the giver and executor of the contract’.”

2.10. The Committee enquired on what basis it was decided to reimburse to the Institute whatever expenditure was incurred as expenditure attributable to National Sample Survey work. The Department have stated in a note:



“As per its audited account the Institute had incurred expenditure amounting to Rs. 269·52 lakhs on its National Sample Survey sector during the years 1960—64. As against this, the Institute received from Government an amount in the form of ‘on account’ payment totalling Rs. 179·96 lakhs. The claim of the Institute thus related to the gap between the expenditure and ‘on account’ payments received from Government which amounted to Rs. 90·46 lakhs. According to the Institute out of this sum of Rs. 90·46 lakhs, about Rs. 62·36 lakhs represented the expenditure incurred on semi-processed work or work held in the ‘pipeline’, as on 31st March, 1964, and the balance was claimed by the Institute as unadjusted excess expenditure due to increase in price and volume on certain items of work. By way of emphasising their above claim, the Institute put forward the plea that the total value of work done at current prices worked out to Rs. 290 lakhs. The Committee decided to go into the details of the Institute’s claim both from the value angle and the expenditure angle.”

“The Committee proceeded to satisfy itself about the reasonableness of the claim of the Indian Statistical Institute from the point of view of value of the work done and entrusted the technical examination of the volumes of work done by the Indian Statistical Institute and the valuation thereof to the Joint Director and the Deputy Director, C.S.O. It was, however, unable to satisfy itself about the reasonableness of the claim and value estimates furnished by the Indian Statistical Institute for the National Sample Survey work done by them at current price during the 4 years, 1960-61 to 1963-64, for the following reasons:

- (i) The processing of the National Sample Survey data consists of different stages which can broadly be classified into two categories, *viz.*, output-based and time-based. In respect of the first category, fairly detailed records are maintained by the Institute which gave the volume of work involved in these stages of processing. In respect of the second category, the Institute is not maintaining any usable records which will give similar information. As such it was not possible to make any verification or independent valuation of the work done.
- (ii) With regard to the output-based stages of processing *v.z.*, prepunching scrutiny, punching and verification and machine tabulation, the C.S.O. attempted an independent valuation of work done in these three stages of processing for 14th to 17th rounds of NSS, SSMI-8th round and Family Living Survey’s Middle Class and Working Class,

on the basis of records maintained by the Institute for their volume and net time spent. While the Indian Statistical Institute's value estimates for the above work amounts to Rs. 122 lakhs, the value estimates arrived at by the C.S.O. comes to Rs. 100 lakhs.

- (iii) The Institute's method of valuation has not taken into account the actual time spent, record for which are available, and is based on the physical output norm per unit of resource time spent, which is said to have been based on past experience. It has not been possible to verify this contention of the Institute that their norm is based on past experience.
- (iv) The value of semi-processed work or the value of work held in the 'pipeline' is defined as the total value of work done minus the value of deliveries made. The estimates of value of the work held in the 'pipeline' are subject to the same limitations pointed out above."

"In view of the above difficulties the Committee proceeded to examine the claim of the Indian Statistical Institute on the basis of the actual expenditure incurred by the Institute during these 4 years, and after detailed examination of the actual expenditure incurred in the National Sample Survey decided to finalise the claim on the basis of actual expenditure less a sum of Rs. 11.82 lakhs on the following two items :

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(i) Overtime allowance	..	Rs. 2.50 lakhs
(ii) Leave Salary Contribution	..	Rs. 9.32 lakhs
		<u>Rs 11.82 lakhs</u>

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The Institute is to furnish further justification before the reductions indicated above are admitted wholly or partly by Government."

2.11. The Committee drew the attention of the Cabinet Secretary to the fact that the Settlement Committee could come to no positive conclusion about the expenditure actually incurred by the Institute on the National Sample work, in view of the system of accounts maintained by the Institute. It was, therefore, decided by Government that the entire claim of the Institute except for certain portions relating to Overtime Allowance and leave salary should be settled on 'expenditure incurred basis'. The Committee enquired how, in the circumstances, Government could be sure that money

spent by the Institute and reimbursed to them by Government was actually spent on the work. The Joint Secretary, Finance replied: "There are various items, salaries and allowances. The Institute employs some persons on the normal research training etc. The main difficulty was one of the allocating the expenditure." In response to a question how Government could be sure that the staff was in fact employed for the purpose for which they were paid, the Cabinet Secretary stated that the staff had been sanctioned on a basis "accepted by the Statutory Committee which went into the matter on the basis of the broad work that has to be done." The Committee note in this respect that the Statutory Committee appointed by Government under Section 8(1) of the Indian Statistical Institute Act, 1959, to prepare the programme of work for the Institute for 1968-69, made the following observations in their report on the staff employed by the Institute:

"The Committee notes that in the Institute, the outlay on staff engaged in research programmes presents more than 3/5ths of the total expenditure on the research programmes. The Committee further notes that the proportion was about 2/3rds for a considerable period. The Committee is informed that in some institutions, with somewhat similar activities as the Indian Statistical Institute, the outlay on staff does not represent more than 50 per cent. of the total expenditure. While appreciating the difficulty in laying down any particular figure as an ideal proportion, since the functions and problems vary from one institution to another, the Committee suggest that the Institute authorities may make a comprehensive review of the position and see if the proportion can be reduced in view of increasing use of computer facilities."

2.12. The Committee drew the attention of the Cabinet Secretary to the fact that Government was represented on the Council of the Institute by three representatives. They could have scrutinised the expenditure of the Institute and ensured that moneys were properly spent and proper accounting done. The Committee enquired how many meetings of the Council were held from time to time, in how many the Government representatives participated and with what result. The Joint Secretary, Finance informed the Committee that it was left to the discretion of the Government nominees to attend or not to attend the meetings, depending on the matters coming up for discussion in these meetings. The meetings were generally held once in a quarter. There was also "no hard and fast rule" on whether the Government nominees should report to Government after attending the meetings. Summing up, the Cabinet Secretary stated: "What we can do is to have another look at the attendance of these

people and if there is any slackness on their part to set right the deficiency."

2.13. Taking up the question of grants paid to the Institute with effect from 1st April, 1964, under the grant-in-aid system, the Committee enquired what procedure had been evolved to ensure that the actual performance of the Institute was commensurate with the grants paid. The Committee also pointed out that the grant-in-aid system was evolved as a temporary expedient till a realistic scheme could be worked out and enquired what arrangements had been evolved in this respect. The Committee were informed that "The quantum of grant-in-aid sanctioned to the Institute is based on the recommendations of the Statutory Committee appointed under Section 8(1) of the ISI Act, 1959. The Statutory Committee makes its recommendations regarding the grant payable to the Institute on the basis of the programme of work entrusted to the Institute and the resources available with the Institute to undertake the same. The Institute is required to furnish quarterly statements of the progress of the work. These are being obtained and examined by the Central Statistical Organisation. A close watch is thus being kept on the performance of the Institute." On the question of evolving an alternative scheme, the position was explained in the following terms:

"When it was decided to revert to the system of grant-in-aid for National Sample Survey work, it was thought that this arrangement would be for a short period till an alternative method for proper evaluation of the work was evolved. Meanwhile, it was suggested by the Ministry of Finance that as an immediate step, the Staff Inspection Unit of that Ministry should carry out the work-study of the National Sample Survey sector in order to suggest economy measures, rationalisation of procedure and personnel and improvement in the accounting system. On further examination, it was found that the Staff Inspection Unit was not organised to carry out a full-fledged study and would be in a position to carry out only work measurement studies, i.e., assessment of staff requirement in relation to the workload on existing methods and procedures. The Staff Inspection Unit included the study of the National Sample Survey sector in its programme of work and commenced functioning in August, 1965, first in Delhi centre from where it was able to collect some information. As the main work of this assignment was at Calcutta, discussions were held with the officials of the Institute in January, 1966 and a proforma was handed over to them for completion by the middle of February, 1966. By April, 1966, some information was supplied by the Institute and the Staff Inspection Unit reported in

September, 1966 that either the Indian Statistical Institute was unable to furnish some of the data required by the Staff Inspection Unit or that some of the data furnished by the Institute was not in the form required by them and as a result, the Unit had not been able to finish the work as per their programme. meanwhile, the Government had also appointed in February, 1966, a Review Committee and of the terms of reference of this Review Committee was to advise as to whether any changes were necessary in the manner and degree of association of the Institute with the work of the National Sample Survey. It was felt that it was not necessary for the Staff Inspection Unit to continue their studies till the report of the Review Committee was received and the Government took a decision in the matter. Accordingly, the Staff Inspection Unit was asked in December, 1966 to postpone its study of the National Sample Survey sector until the submission of the report by the Review Committee and the Government's decision in its recommendation."

2.14. The Committee pointed out that when the regular representatives of Government on the Council of the Institute were not themselves able to go into the details of working of the Institute, a Statutory Committee appointed once in a year could do it even less. The Committee in this connection drew attention to the observations of the Review Committee that the Statutory Committee appointed annually under Section 8(1) of the Act gave their findings "long after" the commencement of the year. The Cabinet Secretary stated: "These Committees should normally go into the budget before the year. Though they are appointed well before, what happens is that they never give their reports before we could put it in the budget. The reports come after we have provided the money. Then some adjustments are made in the supplementary demands."

2.15. Coming to the question of use of the statistics tabulated by the Institute under the National Sample Survey, the Committee enquired whether they were being utilised. In this connection they drew the attention of the Cabinet Secretary to the following observations of the Review Committee:

"After discussions with a large number of experts, statisticians, economists, scientists and administrators, the Committee is convinced of the need to reorganise the National Sample Survey work and the Institute's association with it. The Institute is basically a scientific organisation and should not become involved in large-scale routine operations to the detriment of its more important work in teaching and fundamental and applied research. After huge outlays made over a period of years, the Government has not obtained timely data

for planning and administrative purposes. Even under ideal conditions, the Institute would, according to the experts of its National Sample Survey Division, take not less than 27 months from the close of a round to publish the report relating to the round. In other countries, reports relating to a round are made available within twelve months and urgent data even within a few weeks or months. If the results of a survey are available after several years, their utility is greatly reduced. It appears that little use of National Sample Survey data has been made in any quarters including the Planning Commission."

"Delay in the processing of data is not the only criticism of the National Sample Survey work. Before the establishment of the National Sample Survey, a large volume of statistics was being collected through normal administrative machinery by user organisations like the Ministry of Food and Agriculture, the Ministry of Labour and employment, the Department of Economic Affairs, the Reserve Bank, etc. This information has, for convenience, been described as administrative statistics. It has been represented to the Committee that a good deal of data collected by the National Sample Survey involves duplication and hence waste of resources...."

"Earlier, the Institute **had done excellent** work in the theory and applied technique of large-scale sample surveys and had conducted high-level research in the field of sampling. After its involvement with the National Sample Survey, this work which gave such high reputation to the Institute has been neglected and has now become its weakest spot. The Government is also not free from blame in the matter. There has been no clear concept regarding the aims and objects of the National Sample Survey work. The conflict between administrative statistics and National Sample Survey statistics has not been resolved."

2.16. Explaining the position, the Cabinet Secretary stated: "The reference to non-utilisation of data may relate to one particular data. Some of them have been delayed with the result that their utility has been lost..... It is mainly on the food estimates, crop estimates and special samples that were done by National Sample Survey that there have been differences of opinion among the experts about the utility of these things. Basically the National Sample Survey sampling has two variables, area and yield; the method that is followed in the Department (in collecting administrative statistics) is that the area is accepted from field reporting and the yield is sampled.....The basic problem was that the two estimates did not

tally; at one time there was as much as 35 per cent. difference between the two and gradually it has come down now to 12 or 13 per cent. . . . . We have found out the basic defects and we are trying to improve the system. We appointed another Committee, the Pendharkar Committee to tell us what types of surveys have to be done. It has gone into it and has told us what are the surveys that have to be done and what should be the periodicity of the surveys. . . . . We have now decided—this is the final view that has been taken by the experts—that we should follow the present method of area reporting and yield sampling, and also have an interpenetrating sample of both area and yield.” In reply to a question, the Cabinet Secretary stated: “As to the data furnished by the States also (‘administrative statistics’) we do not accept it as completely correct.” Explaining further, the Director, Central Statistical Organisation told the Committee: “An important point that has been made recently is that all is not well with the area statistics which are compiled by the *patwaris*. . . . . In fact, we have experienced that even the arithmetical compilation done by the *patwaris* at various levels is subject to errors. Our approach is to improve the existing official system through supervision.”

2.17. The Committee note that the large difference between the National Sample Survey series of crop estimates and official series of crop estimates was the subject of consideration by the Planning Commission from time to time. In January, 1963, a Technical Committee on Crop Estimates was set up to evaluate the two series. The Committee was constituted of representatives of the Planning Commission, the Department of Agriculture and Indian Statistical Institute and reported in August, 1967. The Committee's conclusions after evaluation of the two series of estimates were summed up as follows:

“There were several instances of trends in opposite direction and also widely divergent trends in the same direction between the two series. An attempt has been made to relate these differences in trends with available evidence regarding weather and crop conditions. . . . An analysis of the weather and crop conditions tends to show that they were more in accord with the trends observed in the official series of crop area and production rather than those revealed by the National Sample Survey series. Similarly, the quantum of per capita availability of food-grains and its annual variation over the period, according to the official series, appear to be in general conformity

with the other evidence on the availability of foodgrains independently.”\*

The Committee's recommendation, *inter alia* were:

“In the view of the Committee, it is important that all possible measures should be taken to improve the quality and timeliness of official series of crop statistics, as no other series can ever completely replace the official series. Apart from careful scrutiny of the procedures of compilation and estimation, and securing as far as possible uniformity in concepts and definitions for inter-State comparability, it is necessary to provide for a fairly intensive supervisory check over the primary field work in regard to both area and yield estimates. The normal departmental supervision should be strengthened for this purpose. In order to ensure objectivity, it should be supplemented by supervision based on a probability sampling, both of field enumeration and compilation procedures, with the help of higher levels of departmental staff (at least at two levels higher than the level of the primary agency). Such supervision will provide the necessary authority for taking corrective measure as well as provide a quality check. There should be a concurrent sample check by a Central agency on a sufficiently large scale to provide estimates of crop area and production at the State and all-India levels for administrative and policy requirements of Government of India.”

“Members of the Committee except the representatives from the Indian Statistical Institute consider that once the above proposal is accepted and implemented, there will be no need for continuing the present National Sample Survey series of crop estimates. The National Sample Survey staff which have considerable experience of sample surveys in the field of land utilisation and crop cutting could as well be utilised for the Central Sample check. Until the sample check is established, the National Sample Survey series may continue during the transitional period which should be kept to the minimum.”

2.18. Taking up the question of delay in compilation of National Sample Survey data, the Committee asked for a note from Government about the time-lag between the scrutiny and processing of data,

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\*The representative of India on Statistical Institute expressed reservation on this condition as he did not have adequate time to examine it.



the preparation of reports by the Institute and its approval by Government. From a note prepared by the Institute\*, the following position on the foregoing points emerges:

"The figure of 27 months required for the processing of one round of National Sample Survey data and report writing is based on the present composition of resources available in the Institute and the volume of tabulations envisaged in the recent past on data collected in one round of the survey. It may be mentioned that time requirements for certain phases of the work (e.g., scrutiny and despatch of the full lot of filled-in schedules and comments and observations by the Central Statistical Organisation and other Governmental bodies on the draft reports) are not under the control of the Indian Statistical Institute. Moreover all phases of the processing work cannot be completed simultaneously. The processing of the data is done, firstly by scrutinising the schedules filled in by field investigators; secondly, by punching the data on cards; and thirdly, by tabulating with the help of tabulating machines. The final check on the tables thus produced (followed by such reworking as necessary) and writing of the reports on the basis of these (revised) tables is done by the statisticians. It is obvious that, given a certain fixed strength of the above resources and given a certain volume of tabulations, the time for processing and report writing can be more or less accurately determined assuming that the filled-in schedules are of good quality. The proper way to look at the problems would be to stipulate the maximum time period which should not be exceeded and then augment the resources accordingly. It is doubtless true that within the given resources also some marginal reduction in the total time requirements may be made by some suitable reorganisation of the complex processing system alongwith a steady flow of work by the employees. But a substantial reduction is possible only by the augmentation of resources of the existing type or by the use of an electronic computer as an added instrument of processing."

"Since (1957) the Fisher Committee made the recommendation regarding the provision of an electronic computer to the Indian Statistical Institute, the Institute had made many requests to the Government over a number of years for the implementation of this suggestion. However, for some reason, the Government has never agreed to give an electronic computer to the Indian Statistical Institute, the statistical institute of 'national importance' as declared by the Parliament although computers have been given to many other institutions of research and higher education in this country. It may be mentioned that the Review Committee in its

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\*Note given to the study Group of FAC which visited the Institute in September, 1968.

report has recommended that an electronic computer be given to the Institute and the Government has only now, more than 10 years after the Fisher Committee's recommendation, provided the Institute with such a computer to be purchased at low cost."

"There is usually a large delay in the publication of results even after the Indian Statistical Institute submits National Sample Survey's reports to Government. This is mainly due to the delay in the examination of these reports at the Government end, and also in the printing of the reports, which task has now been taken-over by Government. Speed in this process can therefore be achieved mainly by hastening up the corresponding work at the Government level."

2.19. A review of the annual reports of the Institute discloses that the reports of surveys printed during the year 1966-67 related to the surveys conducted in the 11th, 12th, 14th, 15th, 16th, 17th and 18th Rounds. The 11th and 12th Rounds covered the periods August, 1956 to August, 1957, while the 18th round related to the period July, 1962 to June, 1963.

2.20. Pointing out that there were "heavy arrears relating to National Sample Survey work in the Institute", the Committee asked whether, as suggested by the Review Committee, a decision had been taken which part of the arrears should be completed and which part left to be tackled by the new organisation contemplated by the Review Committee. The Department have stated in a note: "The Review Committee's recommendation in regard to re-organisation of National Sample Survey raises many complex technical, administrative and organisational issues. A decision on the recommendation will therefore still take some time."

2.21. The Committee pointed out to the representatives of the Cabinet Secretariat that with a view to avoiding duplication, the Review Committee had suggested in their Report that "the entire National Sample Survey work consisting of designing, data collection, processing and interpretation should be brought under one unified control. This work except for the State of West Bengal, should be entrusted to a new autonomous organisation under the Government which would take over the existing work both in the Institute and the National Sample Survey Directorate." The Cabinet Secretary stated that a decision on this recommendation of the Review Committee was still to be taken. "Some discussion", he added, "are going on the question of splitting up of

National Sample Survey—what should be given over to the Department of Statistics and what should be left with them (the Institute)”. The Institute appointed their own Committee, the Deshmukh Committee “the report of which was gone into by the middle of 1968.” When the Committee pointed out that the Review Committee had reported in 1966 and yet no decision had been taken on the future set up of National Sample Survey, the representative of Government replied: “We are sorry there is delay.”

2.22. The Committee are at a loss to understand how Government could year after year make substantial payments to the Institute for National Sample Survey work without any evaluation of the work done and the cost at which it was done. The quantum of such payments for work relating to the period 1960-61 to 1963-64 was Rs. 256 lakhs. The work was to be done on a contract basis and payments were to be made against actual deliveries. No contract was, however, signed. In the absence of any agreement about the manner in which payments were to be regulated, Government felt constrained to make payments from time to time on an ad-hoc basis. Even then, payments were delayed with the result that the Institute was obliged to borrow considerable funds from banks, the interest charges of which were ultimately borne by the public exchequer. A three-man Committee was constituted in March, 1964, to assess the cost of the Institute's work on the National Sample Survey but even after four years an agreement could not be reached and Government had to resort to the expedient of paying the Institute whatever was asked for, except for a small amount of Rs. 11 lakhs which was disallowed. Even this is apparently not final and the way has been left open for the Institute to claim what has been disallowed.

2.23. The Committee cannot resist the impression that the settlement made with the Institute was not in the best interests of the public exchequer. Government have stated that whatever was shown by the Institute was accepted because the system of accounts maintained by the Institute made identification of the expenditure incurred on the scheme difficult. The Committee fail to understand why the Government's representatives on the Council of the Institute including that of the Ministry of Finance could not have had the deficiency in the accounts rectified or checked effectively the Institute's outlay on staff which varied from two-thirds to three-fifths of the total expenditure.

2.24. It should not cause surprise if the extraordinary latitude over a number of years that has been extended to this Institute were described as nothing short of gross irresponsibility.

2.25. What the Committee find even harder to accept is the fact pointed out by the Review Committee that "after huge outlays made over a period of years, the Government has not obtained timely data for planning and administrative purposes." The Institute "takes not less than 27 months from the close of a round of survey to publish the report" though, in other countries, "reports relating to a round are made available within twelve months and urgent data even within a few weeks or months." Even this period of 27, months is apparently not often achieved. A review of the annual report published by the Institute in 1966-67 shows that the latest report published in that year related to the 18th round, which covered the period July, 1962 to June, 1963 and the oldest report to the 11th and 12th rounds of survey, which took place as early as August, 1956-August, 1957. If the reports are thus delayed, "their utility", as pointed out by the Review Committee, "is greatly reduced." The Committee note that, apart from the Institute, Government themselves have a share of responsibility for this state of affairs. The examination of Reports submitted by the Institute to Government for clearance has been taking time. Besides, Government could have helped the Institute to process the data speedily by providing them with a computer. This was in fact recommended by the Fisher Committee as early as 1957 but it took over ten years for the computer to be sanctioned and installed.

2.26. Another important aspect of the National Sample Survey work done by the Institute, to which the Committee would like to draw attention, is what the Review Committee have characterised as the "doubtful utility" of the statistics produced by the Survey. The Government's representative admitted during evidence that the statistics produced by the Institute relating to crop estimates and food estimates were at variance with official statistics and were not being utilised by Government. A Technical Committee appointed by the Planning Commission which reported in 1967 found official statistics of crop estimates "to be in general conformity with the evidence on the availability of food-grains" rather than the National Sample Survey statistics. This Technical Committee also took the view that "no other series can ever completely replace the official series" and recommended that there was "no need for continuing the present National Sample Survey series of crop estimates", a view substantially taken earlier in 1966 by the Review Committee, when it recommended that the entire work relating to the National Sample Survey consisting of design, data collection, processing and interpretation should be removed from the Statistical Institute (except for the State of West Bengal) and brought under unified control. It is strange that, though over two

years have passed since this recommendation was made, it still continues to be under Government's consideration. The Committee note that Government are themselves conscious of the delay that has occurred in the matter.

2.27. The collection and tabulation of operational statistics is not the function of an institution like the Indian Statistical Institute. As the Review Committee have very appropriately pointed out: "The Institute is basically a scientific organisation and should not become involved in large-scale routine operations to the detriment of its more important work in teaching and fundamental and applied research." The Committee hope that, in view of this position, Government will take immediate steps to have the National Sample Survey work taken out of the purview of the Institute and entrust it to an organisation constituted on the lines recommended by the the Review Committee.

2.28. An immediate decision is also called for on the question as to what extent "the heavy arrears" relating to National Sample Survey work with the Institute need be completed by them, so that (as pointed out by the Review Committee, "time and money need not be wasted on completing the whole of the work." The Committee desire that, pending a decision on the future set-up for National Sample Survey work, Government should ensure that the cost of the work done by the Institute is reasonable and is properly accounted for.

## CHAPTER III

### SCHEME FOR MANUFACTURE OF CALCULATING MACHINES.

#### **Infructuous expenditure**

#### *Audit Paragraph*

3. Equipment of the value of Rs. 32 lakhs. received by Government as gift from a foreign country during December, 1955 to December, 1958 was given to the Institute which was contemplating manufacture of calculating machines in its workshop with the aid of this equipment. In 1960, Government observed that according to the Societies Registration Act, the Institute was not authorised to undertake this activity. In December, 1962, a separate company "Sankhya Yantra (Private) Ltd." was, therefore, formed for undertaking the production of calculating machines. Before transferring the assets to this company, Government asked the Institute in July, 1963 to furnish a detailed project report regarding the proposed manufacturing venture. On considering the project report submitted to Government in April, 1965, it was felt that the scheme was likely to end up in heavy losses due to "mounting costs, lack of entrepreneurship and the business management in the promoters and absence of any foreign collaboration". Government, therefore, decided in November, 1966 to discontinue financial assistance to the Institute for this scheme from 1st April, 1966. Eventually, the equipment was transferred in November, 1966 to the Garden Reach Workshop, Calcutta (a Government of India Undertaking). The terms and conditions of transfer have not been finalised so far.

The Cabinet Secretariat has stated that some of the equipment has been put to proper use at the Garden Reach Workshop and the rest of it is in the process of being utilised (February, 1968).

During the period December, 1955 to March, 1966 an expenditure of Rs. 48.93 lakhs was incurred out of which a sum of Rs. 41.64 lakhs was reimbursed by Government by way of grant-in-aid. From 1956-57 to 1961-62, the grant (Rs. 14.87 lakhs) was primarily for maintenance purposes; and, thereafter, it was stepped up to accommodate promotional and development expenditure. Since, however,

no regular activity for manufacturing the calculating machines was undertaken, 82 out of the total of 120 crates containing this heavy equipment, had been lying unopened (the remaining equipment having been utilised for production of some desk calculators and tools for departmental purposes). The expenditure of Rs. 48.93 lakhs, therefore, proved largely infructuous.

On Government's decision to discontinue grants from 1st April, 1966, the Institute served notices of termination on the workshop staff from 1st July, 1966. Before serving these notices, Government's specific approval for winding up the workshop was not obtained by the Institute, as required under the Indian Statistical Institute Act, 1959. As a result, on appeals being filed by the employees, the High Court impugned the termination order as illegal. Subsequently, after obtaining the Government's approval for the winding up of the workshop in October, 1966, the Institute transferred most of the members of its staff to the Garden Reach Workshop.

The expenditure on the Institute's workshop during 1966-67 (including the infructuous expenditure of Rs. 1.70 lakhs on the pay and allowances of staff) amounted to Rs. 4.30 lakhs. Out of this expenditure to the extent of Rs. 2.68 lakhs was allowed to be met out of savings from grants given for other purposes e.g., National Sample Survey work, etc., notwithstanding the fact that in November, 1965 Government had decided not to give further assistance for this work from 1st April, 1966.

(Paragraph No. 108. Audit Report (Civil), 1968.)

3.1. The scheme for manufacture of calculating machines was mooted by the Institute under the following circumstances\*:

"A delegation from the Institute visited USSR in July, 1954 to discuss with Soviet authorities the possibility of technical assistance and equipment being made available for the Institute for the design and construction of computers and precision instruments. A team of Soviet experts visited the Institute in November-December, 1954 to assess possibilities, and a British expert came to the Institute from United Nations and in his report of 24th January, 1955 mentioned that the production of prototype desk calculators with meagre resources was a creditable achievement."

"At this stage arrangement was made by the Government of India to secure, through the United Nations Technical Assistance Administration (UNTAA), a great deal of Russian equipment for the Institute. The equipment started arriving in the Institute from

\*Not furnished by the I.S.I. to the Study Group of PAC during their tour in September, 1968.

December, 1955 and the last consignment was received in December, 1958.”

3.2. The Committee drew the attention of the Cabinet Secretariat to the fact that the gift equipment was received by the Institute between December, 1955 and December, 1958. They enquired why there was a delay extending over several years in putting the equipment to use. The Cabinet Secretary stated that the equipment was “brought to the Institute to be used for research purposes” and that there was an embargo from the United Nations on the utilisation of the equipment for commercial purposes. The embargo on commercial utilisation was removed “only in 1960.” The Committee drew the attention of the witness to the following position brought out in a note furnished by the Institute to the Study Group of the Public Accounts Committee:—

“From the very beginning, that is, from the time of the discussion in Moscow in 1954, the intention has been to use the equipment for the production of calculating machines and precision instruments.”

3.3. The Committee enquired whether this did not clearly establish that the equipment was meant only for commercial exploitation. The Cabinet Secretary replied: “The U.N. Technical Aid was given for certain purposes. Whatever may be the understanding at the time of negotiations, we were bound by the rules”. In response to a question whether a considered decision was taken at the time the equipment was received whether the Institute should go in for commercial production, it has been stated by the Cabinet Secretariat in a note: “Before negotiations were taken up with the United Nations Technical Assistance Administration a decision had been taken that the equipment in question would be loaned to the Indian Statistical Institute. The question of commercial manufacture of calculating machines was not considered by Government at that time. The case was processed on the basis that the equipment would be used by the Indian Statistical Institute for initiating an active programme of development on the design and construction of both conventional and electronic computing and measuring machines of precision.” The Committee enquired why, if the equipment was brought to the Institute for purpose of research, 82 out of 120 crates in which the gift equipment was received were not even opened by the Institute. The representative of Government elucidated that unopened crates contained equipment “for manufacture of various specialised instruments and machinery”, though he added he “wouldn't be categorical about that.” Elaborating the position, he stated: “Manufacture for research as against manufacture for commercial use is different. After all, these are manufacturing equipments and....(the Institute) had done something in that line.”



The Committee asked whether it was Government's view that the equipment was meant for manufacture of calculating machines and precision instruments only for the Institute's use and not for commercial use. The representative of Government replied: "It can be either." When it was pointed out that in that case there could have been no limitation on the use of equipment for commercial purposes, the witness stated: "The limitation is that for their (Institute's) use, they could have done it without clearance (from U.N.); but for something else, we had to get the clearance. That is the slight difference."

3.4. From a note furnished by the Cabinet Secretariat, the Committee observe that after the delegation visited USSR in July, 1954 to discuss matters in regard to machinery and equipments to be made available to the Institute, the Director of the Institute addressed Government in August, 1954 to move the UNTAA authorities for making the equipment available. In his letter to Government, the Director had specifically stated that the equipment was being asked for "with the object of initiating an active programme of development on the design and construction of both conventional and electronic computing and measuring machines of precision." In a note which the Institute subsequently submitted to Government in October, 1958 about the proposed utilisation of the machines, the position was further explained as follows: "At the end of December, 1954, at the instance of the UNTAA, Dr. D. W. Davies came to the Institute and examined the position and submitted a report to UNTAA on 24th January, 1955..... He mentioned that the Institute might produce about 200 desk calculators per year against about 2,000 imported into India at that time. Though Dr. Davies did not feel that the Institute could reach such a production target, the fact that these discussions took place even before the UNTAA authorities had agreed to the giving of these machine tools to the Institute indicates that the idea of production of calculating machines and other equipment was in contemplation from the very beginning. The same point was mentioned in a number of subsequent discussions and correspondence."

3.5. Taking note of the fact that the Institute took a large measure of initiative in negotiating for the equipment, the Committee asked whether this was in accordance with the recognised practice to be followed in such matters. Government have stated in a note that the negotiations for the supply of the equipment originated with the action taken by the Institute, but "the subsequent negotiations with the UNTAA were carried out with the UNTAA by Government itself according to the usual practice."

3.6. The Committee asked why, if there was an embargo on commercial exploitation of the equipment till 1960, the equipment was at all handed over to the Institute. The witness stated: "We were corresponding at that time for the clearance of the embargo." He added: "It (the equipment) was the property of Government and it had to be handed over to the technical people..... At that time there was an intention of manufacture and the manufacture was to have been done by this Institute; we were going in for the clearance. In 1960 we took the view that they (the Institute) will be in a position to do that..... Somebody had to keep the equipment and they kept it in their possession." Explaining the basis of Government's view that the Institute was competent to undertake manufacture, the witness pointed out that the Institute had done "pioneering work" in this field. They designed and produced, all by themselves, the first electronic computer in 1953. Then a prototype of a desk calculator was made in 1954, followed by a magnetic drum and electronic equipment and accessories for electronic computers in 1955. In 1958 a high speed electro-magnetic punch card sorter was designed. The Institute therefore had "a large body of technically skilled staff" capable of undertaking the enterprise.

3.7. The Committee enquired when the question of removing the embargo on utilisation of the equipment for commercial production was taken up by Government and why a decision in this regard took so much time. In a note on this point, it has been stated:

"On the 30th August, 1956, the Resident Representative of United Nations Technical Assistance Board, New Delhi, informed the Ministry of Finance (Department of Economic Affairs) that he hoped a use could be found for the UNTAA equipment which would not result in a commercial type production plant and that manufacture could be held to equipment ancillary to the ISI work which would not result in patent litigation. This was communicated to the Indian Statistical Institute in October, 1956."

"In March, 1959, Prof. Mahalanobis informed the Cabinet Secretariat that there was a good deal of surplus capacity which could be utilised to produce calculating machines and measuring and other instruments and equipment and that there were also good possibilities for the production of calculators and other scientific equipment by using the machine tools."

"The Indian Statistical Institute was reminded in April, 1959 of the restrictions on setting up a commercial type production plant and was requested to confirm that the equipment was not being used

directly or indirectly for commercial purposes. The matter was also taken up with the Department of Economic Affairs who in turn took it up with the Resident Representative of the UNTAB in New Delhi. In May, 1959, the latter confirmed that the equipment should only be used for the normal purposes of the Institute, including suitable commercial contracts undertaken by the Institute, but not for such purposes as the manufacture of calculating machines for commercial sale."

"In October, 1959, a report was received from the ISI in which it was stated that the use of the surplus capacity of the UNTAA equipment for the production of calculators, scientific instruments, tools, equipment and replacement parts etc. for the use of other Institutions and agencies could not be considered as being 'commercial' because the Institute, having been registered under Act XXI of 1960, was by its Constitution debarred from distributing any profits. The Institute felt that it could undertake production work to promote the advancement of science and technology in India by making available calculating machines and precision instruments to scientific and educational institutions, Government agencies, public and non-profit distributing enterprises and, in special cases, private enterprises doing work of national importance. In the Institute's view it should recover costs including over-heads and depreciation for such services with suitable provision for development work but need not make any 'commercial profits'. The Institute accordingly felt that using the UNTAA machine tools in the above manner would be entirely consistent with the purposes for which the machine tools had been placed at its disposal."

"In November, 1959, the Cabinet Secretariat requested the Ministry of Finance (Department of Economic Affairs) to take up this matter with the UNTAB. The title to the equipment was transferred unconditionally by the United Nations to the Government of India in January, 1960."

"It would be observed from the above that it was in March, 1959 that the ISI made the suggestion that the surplus capacity of the equipment should be utilised for producing calculating machines, measuring and other instruments and scientific equipment. The matter was taken up with the Resident Representative of the United Nations Technical Assistance Board and in May, 1959 he confirmed that the equipment should not be used for such purposes as the manufacture of calculating machines for commercial sale. The title 3700(Aii) LS—4.

of the equipment was transferred unconditionally to the Government of India in January, 1960.”\*

3.8. The Committee drew the attention of the witness to the view taken by Government in 1960 that the Institute was not legally competent to undertake the manufacture of calculating machines. The witness stated that the view was taken that the Institute should not embark on a commercial venture, “because it would destroy its (the Institute’s) character as a learned society.” The basis for this view has been further explained in a note sent to the Committee in the following terms: “The title to the equipment obtained from the United Nations Technical Assistance Administration was transferred unconditionally to the Government of India in January, 1960. Previous to that, the Resident Representative of the United Nations Technical Assistance Board in New Delhi had confirmed that the equipment could not be used for setting up a commercial type production plant. The ISI desired, however, to utilise the surplus capacity of the equipment for the production of calculating machines and other scientific equipment and instruments. The legal competence of the ISI to undertake the production of calculating machines on a commercial scale was examined in consultation with the Ministry of Law in July/August, 1960, i.e., after the title to the equipment had been transferred to the Institute. The Ministry of Law advised that large scale commercial manufacture was not covered by the objects of the Institute and the Societies Registration Act, 1860, under which the ISI was registered—also did not support the idea of such manufacture being brought under the purview of a Society registered under that Act. The conclusion, therefore, was that the ISI was not legally competent to undertake large scale commercial manufacture of calculating machines. This advice was communicated to the ISI. To overcome the legal difficulty, it was suggested that the ISI could invest its surplus funds in a Private Limited Company which could be floated for the purpose of undertaking large scale manufacture. By means of such investment, the ISI could obtain control on the affairs of the Company so floated. A Private Limited Company known as the Sankhya Yantra Private Limited was accordingly registered in December, 1962.”

3.9. The Committee pointed out that the legal opinion that the Institute as such could not undertake manufacture was given in

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\*On the circumstance leading to the removal of the embargo, the following is the position as explained in a note given by the Institute to a Study Group of PAC which visited the Institute in September, 1968 :

“Professor Mahalanobis during a visit to New York in May, 1960, had discussions in this matter with UN officials and was assured that there would be no objection from the side of United Nations to the Russian equipment being used for large scale production of calculating machines and scientific equipment.”

1960. The equipment had, however, been received much earlier, i.e., between 1955 and 1958. The Committee enquired why it took two years for Government to ascertain that the Institute was not legally competent to undertake manufacture. They also asked whether Government had examined the delay that occurred at various stages to ascertain how far these were avoidable. The Cabinet Secretary replied: "I would not say we have examined that." Asked whether the Government thought it was not necessary, he added: "It has to be examined."

3.10. The Committee pointed out that Government had taken the view in 1960 that the Institute had the competence to undertake the manufacture. A Private Limited Company was formed by the Institute for this purpose, but after the project report was drawn up, Government decided that the manufacturing project would not be economically viable. The Committee enquired how Government came to change their views on the subject. The Cabinet Secretary, explaining the position, stated: "In 1956—60, the proposal was that they (the Institute) should manufacture, there being need for it in the country and there being no competitors. These people had the competence. That was the judgment. . . . When they (the Institute) were brought under statute, their competence was assessed and then they were called upon to prepare a scheme. I notice that the scheme prepared by Dastoor & Co. came up only in April, 1965—after 4½ years. It took time to prepare the report and by that time many things happened in the country. In 1960, this was a pioneering sort of venture. By 1965, the DGTD (Director General of Technical Development) advised that already other institutions had come into the field. Commercial manufacture in the country had started with foreign collaboration which would have made this enterprise probably unprofitable. . . . At that time the question of competence was also raised. . . . So a doubt came in 1965. . . . which resulted ultimately in a special Review Committee being appointed."

3.11. Taking up the question of grants given by Government to the Institute for the scheme, the Committee drew the attention of the representatives of the Cabinet Secretariat to the statement in the Audit paragraph that the total grant given to the Institute during the period December, 1955 to March, 1966 amounted to Rs. 41.64 lakhs. The total expenditure incurred by the Institute was Rs. 48.93 lakhs. The witness stated: "The machinery was received between December, 1955 and December, 1958. Some was installed and utilised. Various grants were given to the Institute

primarily for maintenance purposes." The Committee asked for the break-up of the grants sanctioned, indicating the purposes for which the moneys were paid. In a note on this point, the Department have furnished the following information:

"Grants-in-aid for the various sectors of activities of the Institute are fixed with reference to the expenditure estimated by the Institute and its receipts, if any. The grants-in-aid for the UNTAA Sector have been given for the sector as a whole and not for each group of expenditure in that Sector, viz.

- (a) Salary and allowances including contributions to Provident Fund, Leave Salary and Gratuity Fund, Overtime Allowance, Visiting Professors and Experts etc.
- (b) Laboratory and Workshop, Stores, tools, accessories etc.
- (c) Other non-salary expenses, viz., postal, electricity, stores, stationery, freight, repairs and maintenances and other contingencies."

"A statement showing the year-wise break-up of the expenditure on the UNTAA Sector of the Indian Statistical Institute, for the period 1956-57 to 1965-66 is given in the table below:—

Year	Salary and allowances including contribution to PF/LS and Gratuity Funds, Overtime Payments, Visiting Professors— and Experts etc.	Laboratory and work shop, stores tools and minor accessories etc.	Other non-Salary expenses viz. postal, electricity, stores stationery, freight, repairs and maintenance and other contingencies etc.	Total
1.	2.	3.	4.	5.
	(In Rupees)			
1956-57	1,33,344	3,828	80,927	2,87,099
1957-58	1,01,225	10,977	75,318	1,87,520
1958-59	1,30,056	4,615	83,421	2,18,092
1959-60	1,19,555	11,654	70,455	2,01,664
1960-61	1,87,983	27,049	62,360	2,77,392
1961-62	3,51,080	52,689	88,296	4,92,065
1962-63	4,27,410	97,541	1,13,699	6,38,650
1963-64	5,13,162	31,256	1,07,794	6,52,212
1964-65	5,51,933	13,708	86,588	6,52,229
1965-66	5,54,694	9,950	92,183	6,56,827
<b>TOTAL :</b>	<b>30,70,442</b>	<b>2,63,267</b>	<b>8,61,041</b>	<b>41,94,750</b>

The foregoing table would indicate that the expenditure on the scheme and the grants therefor rose after 1961-62. Explaining this position, Government have stated: "The grant-in-aid for the UNTAA equipment was stepped up after the Sankhya Yantra Private Limited had been established. This was done in the expectation that the new Company would start its operations expeditiously. The Statutory Committees appointed each year under Section 8(1) of the ISI Act had recommended this...."

In July, 1963, Government directed the Institute to prepare a project report for the Sankhya Yantra Private Ltd. The project report was made available in April, 1965. On examining the report, the Director General, Technical Development, advised "that since the bulk of the required capital goods had already been obtained and installed and 75 per cent of the building work had been completed and a prototype satisfactorily developed it did not appear wise to abandon the project at that stage and the ISI should straightway commence mass production of calculators. It should also complete plans for the manufacture of all the four basic machines of the unit record system so that production of those machines could be taken up simultaneously if necessary with foreign collaboration, in order that the basic machines of the system could at least be made available to the customers. Government considered this matter and came to the conclusion that the project would not be a commercially sound one in view of the lack of foreign collaboration and the fact that ICT and IBM World Trading Corporation etc. had entered the market in this field. It was also felt that the ISI lacked the necessary managerial and business acumen. Government accordingly decided that no further outlay should be made on the project and grant-in-aid to the ISI's UNTAA sector would be stopped with effect from 1-4-1966."

3.12. The Committee pointed out that part of the grants were meant to defray the promotional and developmental expenditure incurred by the Institute on the scheme and asked for details thereof. On this point, the Department have stated in a note: "It is not possible to give details of developmental and promotional expenditure, as the Institute has not been maintaining its accounts separately under these heads but for the sector as a whole."

3.13. The Committee enquired whether considering that the total value of the gift equipment was Rs. 32 lakhs and only part of it was utilised, the grants given were not disproportionately high. The representative of Government replied that the expenditure, which was met out of the grants, was "not merely for maintenance.

They (the institute) were using this machinery." In reply to a further question, whether the entire grant given for the scheme should not be considered as "wasted", the witness stated: "I might crave your indulgence. As I mentioned, this is not only maintenance, but something else too. Certain work had been done by the Institute with the machinery that was given to it. May be if we had used the rest of the machinery (not utilised), we would have got something more."

3.14. The Committee enquired how many desk calculators were produced by the Institute and when they were produced. The witness stated: "Desk calculators have been produced by ISI before 1960. They had already developed a workshop from 1942 when it was difficult to import calculating machines etc.....They have built 26 machines. They have made other things, computing machines, sorters etc. They have also been carrying on research. We will give a complete list." The Committee asked for particulars of the desk calculators manufactured with the help of the gift equipment, their value and the use to which they had been put. The Cabinet Secretariat have stated in a note that the equipment received fell under the following broad groups:

- "(A) Electronic and Audio-visual equipment
- (B) Unit Record and Desk Calculating Machines
- (C) Machine Tools and Measuring Instruments."

"The electronic computer and its accessories were utilised by the Electronic Division of the Institute for purposes of data processing and computational work as well as for research and developmental work."

"It may be mentioned in this connection that from 1956 the Institute functioned as a *de facto* computation centre for India and undertook important computation tasks from the Ministry of Defence, the Atomic Energy Commission, the Tata Institute of Fundamental Research, the Meteorological Department and other universities and scientific institutions. It may also be mentioned in this connection that the maintenance of the URAL computer was done by the Institute engineers who thus acquired sufficient experience to make experiments in improving the efficacy of computers."

"The Audio-Visual equipment were and some of them are still being utilised by different departments of the Institute for their day to day routine and research work."



"The Unit Record and Desk Calculating machines were used by different departments of the Institute for day to day routine and research work."

"The machine tools and measuring instruments were utilised by the UNTAA and Development workshop for the following purposes:—

- (a) for manufacture of spare parts for different types of desk calculating machines, unit record and D.C. machines (UNTAA) and various types of equipment and instruments of the Institute for their repair and maintenance;
- (b) development and research work of precision scientific instruments such as desk calculators, punched card sorters, key punches and verifiers;
- (c) batch production of sorters and desk calculators including manufacture of tools and gauges needed for such batch production; and
- (d) manufacture of components and tools for Ordnance Factories."

"Upto the end of the financial year 1963-64 a total number of 26 sorters and 6 prototype desk calculating machines were produced with the help of the UNTAA equipment at a cost of about Rs. 3.60 lakhs. Of these 26 sorters, 2 were produced in 1958-59; 8 in 1959-60; 6 in 1960-61; 1 in 1961-62; 2 in 1962-63 and 7 in 1963-64. Of the 6 prototype desk calculators some were produced during the period from 1957-58 to 1962-63. The sorters produced by the Institute are still in use by the different offices of the Institute. The Desk Calculators were used by different offices of the Institute but became mostly scrap after use for some years."

"It may be mentioned that the electronic computer, the audio-visual equipment and the unit record and desk calculating machines have not been transferred to the Garden Reach Workshops. The computer has become obsolete and is not being used now. The other equipment which are still in working condition are being used by different departments for their work."

The Review Committee set up by Government, which studied the implementation of the scheme for manufacture of desk calculators, made the following observations in their Report:—

"A small workshop was established in the Institute in 1943 for the maintenance and repair of calculating machines and formed the

nucleus for the Development Workshop which was started in 1950. The Workshop carried out development work on desk calculators and embarked on a project of manufacturing these calculators on a commercial scale with the help of machinery and equipment received as gift from the USSR under the United Nations Technical Assistance Administration. The project, however, faced many difficulties and by the end of 1965-66, it became clear that it will have to be abandoned. The Government grant for the purpose which had already exceeded Rs. 45 lakhs in ten years was accordingly stopped."

"A visit to the Development Workshop revealed to the Committee that a major part of the equipment received from the USSR had not been used. Some of the machinery had not even been unpacked even though received some ten years ago. This equipment together with the staff is now being transferred by the Institute to the Garden Reach Workshop in Calcutta, a public sector undertaking under the Ministry of Defence."

"The Committee is of the view that the manufacturing enterprise mentioned above was an unnecessary and wasteful venture. A small workshop for internal servicing of equipment is justified on grounds of convenience and economy but there was no justification for starting regular manufacturing activity on a commercial scale."

3.15 The question of utility of the scheme for manufacture of calculating machines was also comprehensively dealt with in a note which was furnished to a Study Group of the PAC which visited the Institute last year. The note sums up the overall position in regard to the scheme as under:—

"Even up to the stage of transferring the equipment to Garden Reach Workshop, the ownership thereof had not been transferred to the Institute. The necessary capital grant for construction of workshop and installation of all the equipment had not been received from the Government in spite of requests. An application made for acquisition of land for construction of workshop had been delayed by several years. During all this period the Institute could only maintain the equipment which had been handed over to them without transferring the ownership and for this, Government was providing funds. The Institute made every possible attempt to instal as many of the equipment for which it could find money within the funds allowed to it and also such accommodation as it could make available for the purpose and this led to the limited progress which had been made in producing some prototype desk calculators, Hollerith Card Sorters etc. apart from certain equipment etc. which were produced for the Ministry of Defence. We

agree that the spending of about Rs. 49 lakhs during the 12 years was largely (though not entirely) an infructuous expenditure but the Institute submits that it was not responsible for the major portion of the equipment remaining unutilised for such a long period necessitating large maintenance expenditure. The circumstances..... would further show that even the maintenance work could not be effectively done in respect of many of the equipment because the Institute could not even get accommodation etc. for installing the same for proper maintenance."

3.16. The Committee enquired whether the gift equipment had been transferred by the Institute to the Garden Reach Workshop, Calcutta and whether the terms of transfer had been settled. The representative of Government stated during evidence that a portion of the equipment was transferred to the Garden Reach Workshop and a portion kept by the Institute. The portion that was transferred represented equipment on which the Institute was not contemplating any work. This was valued originally at Rs. 15.61 lakhs. A Committee set up to value this equipment decided that it should be depreciated at 9 per cent per annum. The basis for this rate of depreciation was indicated by the Committee as follows:—

"The value of the equipment should be the written down value as worked by the Institute on the basis of an annual depreciation rate of 9 per cent (on the diminishing balance). This is the general rate adopted by the Institute in their annual accounts in respect of machine tools. It was agreed that equipment which had been installed by the Institute as well as those which had remained in packing cases should be depreciated at the above rate because, according to Shri..... (General Manager, Garden Reach Workshop), these equipment in packing cases remained without proper storage arrangements and consequently suffered considerable deterioration as a result of which extensive over-hauling of such equipments, specially in respect of electrical parts and mechanical parts like ball bearings became necessary. Shri..... (the representative of the Ordnance Factories) confirmed the point made by Shri..... (General Manager, Garden Reach Workshop) that equipments kept in packing cases but under poor storage conditions over a period of 7 to 8 years would suffer greater deterioration than normal wear and tear covered by depreciation in installed machines which had preventive maintenance arrangements."

3.17. representative of the Cabinet Secretariat also informed the Committee that Government had decided that the Garden Reach Workshop should pay the depreciated value of the equipment in four equal annual instalments starting from December, 1969 apart

from rent at 6 per cent per annum for the period ending December, 1969 when the payment of the capitalised value would start. In reply to a question whether the Garden Reach Workshop had put the machinery to use, the Cabinet Secretary replied: "They are laying out a line for production." When further asked whether all the crates had been opened, the witness said: "The process is still going on", but added "I would not be categorical. I would like to ascertain the latest facts." The Committee asked for a note from the Secretariat on the question whether the crates had all been opened up and for what purpose the machinery was being utilised by the Garden Reach Workshop. The Cabinet Secretariat have stated in a note:—

"120 crates of equipment were in all received from the USSR under the UNTAA Programme. The Indian Statistical Institute opened some crates and installed the equipment contained therein. This *inter alia* included the Ural Electronic Computer and its ancillaries. . . . . The rest of the equipment was transferred to the Garden Reach Workshop. . . . . The Garden Reach Workshop are utilising the machine tools".

"31 machines with the Garden Reach Workshop remain to be installed. Of these 21 are mechanical presses and 7 are small tench drilling machipes"

The Garden Reach Workshop are at present considering the utilisation of these presses for production

3.18. The Committee drew the attention of the Cabinet Secretariat to the observations in the Audit paragraph that after grants for the scheme were discontinued by Government in April, 1966, notices of termination of services were served on the workshop staff, without prior approval of Government required in terms of the Indian Statistical Institute, 1959. Consequently, the notices served were held to be illegal by the High Court, Calcutta and an expenditure of Rs. 1.70 lakhs was incurred on payment of salaries to the staff which turned out to be infructuous. The Committee enquired why the Institute failed to obtain prior approval of Government and whether Government's representatives on the Council of the Institute did not notice this omission, when the Council took the decision to serve the notices. The Committee observe from the Thirty-Fourth and Thirty-Fifth Annual Reports of the Institute the following account of the developments in this case:

- (i) In November, 1965, the Government informed the Institute that grants for UNTAA Sector would be stopped after 31st March, 1966.

- (ii) The Council of the Institute (in which there are three Government nominees) decided at a meeting on 10th December, 1965 to continue the activities in the UNTAA Sector and the workshop "pending exploration of possibilities for continuing the sector."
- (iii) At a meeting held on 26th March, 1966, the Council "after prolonged discussions" decided that "the workers of the UNTAA Sector may be retained for a period of six months from 1st April, 1966" subject to an Expert Committee reviewing the position.
- (iv) The Expert Committee met on 5th April, 1966 and decided it would be "neither practical nor expedient" to plan the running of the workshop on a commercial basis.
- (v) At a meeting held on 16th May, 1966, the Council decided to close down the workshop and accordingly notices were served on employees.
- (vi) The notices became "temporarily ineffective" as some of the workers had obtained a Rule and interim injunction from the High Court on 8th September, 1966, "mainly on ground of requirement of Section 7(a) of the Indian Statistical Institute Act not having been fulfilled."
- (vii) An agreement was finally reached with the workers that they would be transferred to the Garden Reach Workshop with effect from 23rd November, 1966. "A few workers who were not taken over by the Garden Reach Workshop were retained in the services of the Institute for maintenance work. Thus the UNTAA Sector was closed down with effect from 22nd November, 1966."

3.19. The Committee find it difficult to accept the view of the Cabinet Secretariat that the Soviet equipment obtained by way of gift was "to be used for research purposes" by the Institute. The Institute, which took a large measure of initiative in obtaining the equipment, quite obviously intended "from the very beginning" to use the equipment for "the production of calculating machines and precision instruments." It is strange, therefore, that before obtaining the equipment, Government failed to obtain clearance for this purpose from the United Nations authorities through whose agency the gift was obtained. In the result, the equipment, which was received between December, 1955, and December, 1958, remained largely unutilised and the question of its commercial exploitation remained under correspondence till in 1960 the United Nations

authorities agreed to remove the embargo in this regard. Thereafter, legal difficulties, which Government could well have foreseen earlier, stood in the way of the implementation of the scheme. It took two years to get round the difficulty, by constituting a private company for the purpose of undertaking manufacture and another three years to prepare a project report. When the project report was received in April, 1965, Government decided that the enterprise "would not be a commercially sound one in view of the lack foreign collaboration" and the fact that production in that field had by that time been established.

3.20. The Committee cannot resist the impression that the whole matter was ineptly handed by Government right through. In the first place, the position regarding the use of the equipment was allowed to remain nebulous for a long time after the equipment was obtained. Then, having decided to utilise the equipment for commercial utilisation, Government passively allowed matters to drift for five years. It is strange that in the meanwhile the Institute should have been plied with large grants, which over a period of ten years ending 1965-66 aggregated Rs. 41.64 lakhs. The quantum of grants was in fact "stepped up" from 1961-62 in the hope that the Institute would, through the agency of the private company, "start its operations expeditiously." But no positive steps were taken by Government in this direction. Neither were any effective checks exercised by Government to ensure gainful use of the grants given to the Institute. As much as a sum of Rs. 30.70 lakhs out of Rs. 41.64 lakhs given to the Institute for this project was expended on salaries and allowances of establishment and other ancillary items. Even after such substantial expenditure, 82 out of 120 crates in which the equipment was received remained unopened till October, 1966, when a large part of the equipment was transferred to the Garden Reach Workshop for establishing a line of production. It is noteworthy that a Committee set up by Government to value the equipment at the time of its transfer to the Garden Reach Workshop found that "these equipment in packing cases remained without proper storage arrangements and consequently suffered considerable deterioration" necessitating "extensive overhauling". According to the Review Committee, which examined the working of the whole scheme, "the enterprise was an unnecessary and wasteful venture." Government's view that some developmental work was done has little to substantiate it, as the details of the developmental efforts are not known and the records of the Institute do not show the amounts expended. In fact, the Institute themselves have admitted that "the spending of about Rs. 49 lakhs during the 12 years was largely (though not entirely) infructuous."

3.21. The Committee hope that steps will be taken by Government now at least to ensure that the equipment transferred to the Garden Reach Workshop is put to purposeful and gainful use. The Committee would like to be apprised of the progress made in this direction.

3.22. One other aspect of the case, which constituted a sequel to Government's decision to wind up the project, calls for comment. The Institute served notices on the staff employed on the scheme after Government's decision was communicated to them. However, the prior approval of Government for serving notices, as required in terms of the Indian Statistical Institute Act, was not obtained. Consequently, the notices were held by the Court to be illegal and the Institute had to incur an expenditure of Rs. 1.70 lakhs on the retention of the staff, which could have been avoided. Liability for this expenditure ultimately devolved on Government. The Committee would like Government to examine the circumstances in which Government's representatives on the Council of the Institute failed to bring to the notice of the Institute and the Government the omission that occurred in this case at the time of service of notices of termination.

## CHAPTER IV

### PAYMENT OF CASH TIFFIN SUBSIDY

#### Irregular payment of cash tiffin subsidy

##### *Audit paragraph*

4. Prior to March, 1964, the staff of the Institute was paid, in addition to the other allowances, a cash tiffin subsidy ranging between 75 paise and Rs. 5 per month. In March, 1964, the Council of the Institute decided to introduce the C.S.I.R. pattern of salary scales, dearness allowance and other emoluments for professors, technicians and other staff of the Institute. Even on introduction of the new scheme of allowances, etc., from 1st April, 1964 under which the rates of dearness allowance were revised, the Institute continued to allow cash tiffin subsidy in addition to enhanced dearness allowance. The payment of cash subsidy in addition to dearness allowance was irregular, as this subsidy, being of the nature of compensation for the increased costs, is an item of expenditure normally included in the computation of dearness allowance. The subsidy was, however, withdrawn from June, 1966, on its being pointed out by the Statutory Committee appointed under the Indian Statistical Institute Act, 1959 that there was no justification for paying the subsidy in addition to revised dearness allowance. The irregular payment of cash subsidy to staff made from April, 1964 to May, 1966 alone, and met out of Government grants, amounted to about Rs. 1.54 lakhs.

[*Paragraph No. 108, Audit Report (Civil), 1968*].

4.1. The Committee pointed out that the overpayment of Rs. 1.54 lakhs mentioned in the Audit paragraph arose because the Institute continued payment of cash tiffin subsidy even after introduction of C.S.I.R. pattern of pay and allowances. They enquired when the council of the Institute took the decision to introduce the CSIR scales and whether the Government nominees on the council could not have brought up at that time the question of stoppage of payment of tiffin subsidy. The Committee were informed that "the decision to adopt CSIR pattern of pay and allowances for the ISI staff with effect from 1st April, 1964 was taken at the meeting of the Council of the Institute held on 25th March, 1964. All the three



Government representatives viz., Additional Secretary, (Representing the Cabinet Secretary), Joint Secretary (Finance) and Chief Director, National Sample Survey had attended the meeting....."

"The point relating to payment of cash tiffin subsidy was not specifically considered by the Council, nor did it attract the attention of the Government representatives, as this item was neither budgeted for nor accounted for in the audited accounts as a separate item of expenditure, but was included as part of the item 'overtime allowances'. As the overtime benefits of the CSIR Rules did not include tiffin subsidy, the Institute should not have paid this item after introduction of the CSIR pattern."

"It may be stated that in October, 1964 the Institute approached Government for additional grants for payment of CCA/HRA to the Institute staff in implementation of the decision taken to introduce the CSIR pattern of allowances. After examining this, in November, 1964, Government requested the Institute to give a comparative statement of allowances etc. enjoyed by the staff prior to 1st April, 1964, and those that would be applicable after 1st April, 1964. In spite of repeated requests for early furnishing of information, the Government was informed only in June, 1965 that the Institute staff were paid certain extra benefits which comprised of (a) educational assistance to meritorious employees and (b) supply of free tiffin or meal for work beyond normal hours."

"In the Department of Statistics letter No. 10 3 65-Estt.III. dated 24th July, 1965 the Institute was informed that the tiffin subsidy allowed to the ISI staff be abolished with effect from 1st July, 1965. This was repeated on 21st May, 1966 when sanction for payment of additional Dearness Allowance as granted to Central Government servants, with effect from 1st December, 1965 was accorded. The Statutory Committee for 1966-67 at its meeting held on 17th May, 1966, also discussed this issue and expressed the view that the tiffin subsidy paid in cash along with salary was really an addition to the Dearness Allowance and should be discontinued as the CSIR pattern of pay and allowances had been adopted from 1st April, 1964. The Institute however continued to pay the tiffin subsidy till 31st May, 1966 when it was stopped with effect from 1st June, 1966 *vide* office order No. C10100, dated 12th June, 1966."

4.2 In reply to a question, the Additional Secretary, Cabinet Secretariat stated that the amount overpaid was not refunded. "Government thought it would be hardship to recover the amount and they agreed to write it off.... This was written off with the

approval of Ministry of Finance. We felt the amount involved was so small and spread over such a large number of employees that it would be fair to write it off."

4.3. The Committee note with concern that Government have had to bear liability for the cash tiffin subsidy amounting to Rs.1.54 lakhs paid by the Institute to its staff after the subsidy ceased to be admissible with the introduction of the CSIR scales of salary, dearness allowance and other emoluments. The Institute approached Government in October, 1964, for financial assistance to meet the liability arising out of the introduction of the new scheme of allowances. Though Government asked the Institute at that stage (November, 1964) to furnish information about the allowances and perquisites of the staff, the information was not furnished till June, 1965. Instructions were issued by Government in July, 1965, on the basis of the information furnished, that the payment of the tiffin subsidy should be stopped forthwith, but the Institute continued to pay the subsidy for nearly a year thereafter, i.e., till June, 1966. Had the matter been closely followed up by Government, a substantial part of the overpayments, for which Government ultimately bore the liability, might have been avoided.

## CHAPTER V

### MISCELLANEOUS IRREGULARITIES

5. The following other points have been brought out in the Report of the Review Committee set up to evaluate the working of the Institute:—

#### *Audit Paragraph*

(i) Grants aggregating Rs. 1.54 crores were paid by Government during 1951-52 to 1966-67 for construction of buildings, purchase of equipment etc. Out of these, an expenditure of Rs. 58.79 lakhs was incurred on construction of various buildings and sheds. In Baranagar, Calcutta, where most of the construction has taken place, buildings have been put up with no coordination and no master plan for present needs or future requirements. The standard of construction is often unsatisfactory. Some of the buildings lack essential amenities. The cost of construction in practically all cases has been excessive in relation to standards and specifications. This visual impression of the Review Committee is stated to have been confirmed by the Additional Chief Engineer, C.P.W.D., Calcutta.

(ii) The Institute purchased a number of plots of Calcutta, Giridih, Delhi, Baroda, Madras, Bangalore and Hyderabad at a cost of Rs. 31.66 lakhs upto 1966-67. The land was acquired without any definite plan and many of these plots are not being fully utilised.

(iii) Government had paid development grants amounting to Rs. 7.50 lakhs during 1956-57 to 1958-59 and Rs. 5 lakhs during 1962-63 and 1963-64. Out of these, the Institute spent Rs. 9.96 lakhs on land, construction of buildings, purchase of vehicles, etc. A large part of the balance (Rs. 2.54 lakhs) has also been utilised by the Institute for current expenditure. Government have held the view that this money should have been utilised only for new experiments or lines of research and not on capital expenditure.

(iv) The Institute has not laid down any system of cadres nor formulated any rules for creation of posts, sanction of new appointments, grant of pay and leave, etc., or for regulating other normal

expenditure. "High salaried appointments have been made without employing normal selection processes. Jumps in salaries have been given without conforming to any set rules."

(v) Unlike Government servants, the Institute's employees were allowed not only to accumulate leave upto any limit without lapsing, but also to cash benefits if such leave was not availed of. Encashment of leave was allowed at the rate of salary drawn by the concerned employees at the time of encashment, even though a major portion of the leave might have been earned by them while they were drawing lower salaries. This practice, except in the Research and Training School, was, however, discontinued from 1964.

(vi) Every employee of the Institute, at his discretion, is authorised to spend on behalf of the Institute upto the limit of one month's salary without obtaining anybody's sanction and without even finding out whether funds are available.

The following further points have been brought out in the Chartered Accountants' report:—

(i) The Employees' Gratuity and General Provident Funds, the accumulation in which at the end of 1966-67 stood at Rs. 25.31 lakhs and Rs. 95.35 lakhs respectively have not been registered. Out of these Funds, a sum of Rs. 30.97 lakhs has been utilised, in disregard of the rules of the Funds, for meeting capital and other expenditure of the Institute.

The Board of Trustees, as envisaged in the General Provident Fund Rules, has not yet been formed. No income tax has been deducted from the amounts paid in settlement of the employees' accounts pending recognition of the Fund by the Commissioner of Income-Tax under the Income-Tax Act, 1961. The Institute has, however, undertaken to meet any liability which might arise in the event of non-recognition of the Fund.

(ii) Cost of certain books and journals and calculating, punching and tabulating equipment, amounting to Rs. 1.78 lakhs and Rs. 0.48 lakh, although capitalised, has been met out of current expenditure grant and charged to the Institute's Income and Expenditure Account for the year 1966-67.

(iii) The cost of cards, cabinets stationery and stores, etc., has been written off in the Income and Expenditure Account, and stocks in hand, as at the end of the year, have not been treated as assets in the Balance Sheet.

(iv) In the Accounts for 1966-67, an amount of Rs. 49.58 lakhs has been shown as already claimed/to be claimed from Government in respect of the excess expenditure incurred from 1956-57 onwards. No confirmation of the correctness of this claim has, however, been communicated by Government to the Institute so far (January, 1968).

[Paragraph No. 108, Audit Report (Civil), 1968.]

5.1. The Committee enquired whether it was a fact that without any long-range plans, the Institute had purchased plots and constructed buildings at various places for which substantial grants were given by Government. The representative of Government replied: "That is largely correct." The grants sanctioned by Government during the period upto 1966-67 aggregated Rs. 1.54 crores and this was meant for construction of buildings and purchase of equipment. A sum of Rs. 58.79 lakhs stated in the Audit paragraph to be unutilised out of these grants had since been utilised on buildings. As regards the plots, the cost was Rs. 31.66 lakhs and Government did sanction money for the purchases. Asked why money was sanctioned, the witness stated: "The purpose was that buildings had to be put up for offices in these places." The Committee pointed out that the standard of construction and general standard of maintenance of the buildings was reported to be unimpressive. The Review Committee had in their Report made the following observations in this regard:

"The Committee was informed that most of the buildings put up by the Institute have been constructed through an organisation called the Baranagar Labour Cooperative Society. This Society has both workers and non-workers as its members. The Estate Officer of the Institute is the President of the Society. In entrusting the work to this Society, tender system was not followed. The Estate Officer in his capacity as President of the Cooperative Society executed the building contracts. In this capacity as Estate Officer, he supervised the work on behalf of the Institute. The training of this officer is only that of an overseer. Since the functions of the executing agency and the supervising agency are combined in the same person, it is not surprising that the standard of construction is so poor. Allegations of substantial leakage in the expenses on building operations were made before the Committee. It has accordingly made recommendations which should stop any further waste of public funds."

5.2. The representative of Government informed the Committee that in the light of the Review Committee's recommendations "remedial measures" had been taken. "They (the Institute) have been told to draw up a master plan and have proper accounts and give proper contracts." The Committee note that the Statutory Committee appointed under Section 8(1) of the Act for the year 1968-69 made the following observations about the construction schemes of the Institute:

"It appeared that construction schemes were being undertaken without any definite overall plan based on requirements of the Institute over a period of years. There was also the possibility of starting a scheme with a small initial expenditure, which would eventually grow into a major scheme, without having given thought to the possibility of such increased outlay and other commitments, at the time of sanctioning the initial expenditure. It was, therefore, necessary to rationalise the whole process. It was essential that the justification and the expenditure on each scheme is thoroughly scrutinised before a scheme is sanctioned and started. If this exercise is done for each scheme before it is sanctioned, the sanctioning of the capital budget would become a simple exercise; besides, the expenditure will be incurred in a systematic and rational manner. The Institute would, therefore, have to prepare a Master Plan with the help of competent architects, for its constructional activities over a period of years at the different locations where its activities are spread. The Master Plan should take into account the Institute's anticipated requirements over a period of years and should also lay down priorities. The approval of Government to the Master Plan should be obtained. It would then be possible for Government to sanction in any particular year, funds for whole or part of a scheme approved in the Master Plan."

5.3. The Committee enquired whether the deficiencies in the planning of the Institute for construction work and the poor standard of construction and maintenance could not have been noticed by Government's representatives on the Council. The representative of Government replied: "I don't think it has been noticed."

5.4. The Committee drew the attention of the witness to the following observations of the Review Committee about certain guest houses maintained by the Institute:

"The Guest House at Delhi which costs the Institute nearly Rs. 60,000 per annum in rent, staff and maintenance is extremely expensive and unnecessary and should be closed. (This is also in

accordance with the recommendations made by the Committee of Parliament on Public Sector Undertakings.) The guests of the Institute should be accommodated in the Central Government hostels in Delhi or in a hotel. The position about guest houses at Calcutta and Giridih also needs to be examined."

"The Committee is of the view that the rent paid in Calcutta and Delhi is excessive and can be substantially brought down. Also, it is now recognised that combined official and private use of the same premises is not a healthy practice. There is a tendency to use a larger area for residential purposes. This always leaves room for doubt whether the portion of rent charged for residential purposes fully reflects the rent of the area in actual use."

5.5. The Committee enquired to what extent the expenditure on these guest houses was being subsidised by Government and whether there was any justification for continuing them. The representative of Government stated that the expenditure on the guest houses was being met out of grants given to the Institute. The Institute was not inclined to wind up these guest houses. As far as Government was concerned they had "not taken any view on this." He added: "We will have a look at it in this year's budget."

5.6. The Committee referred to the misutilisation of development grants by the Institute. The representative of Government deposed in this connection. "Development grant at the rate of Rs. 2.5 lakhs per annum was given to the Indian Statistical Institute during 1956-57, 1957-58 and 1959-60. These were given for development work connected with research work of Indian Statistical Institute. Unfortunately some of the expenditure was incurred by Indian Statistical Institute for other purposes. They spent Rs. 99,000 on construction of certain things and Rs. 2.54 lakhs on buildings." It was added that Government refused to accept these items of expenditure as a legitimate charge against the Government and the corresponding portion of the grant was "adjusted against certain other claims" of the Institute.

5.7. According to the Statutory Committee appointed for 1968-69, the outlay of the Institute on staff was "more than 3/5ths of the total expenditure on research programme." The Committee enquired how, when the Institute was employing such a large complement of staff, rules had not been formulated for creation of posts, sanctioning of new appointments, regulation of increments, formation of cadres etc. The representative of Government stated: "They have

recently classified categories of staff and pay....In 1963, the Institute issued standing service orders where they laid down procedures for recruitment, promotion and appointment." When asked whether these were followed, he replied: "The forms may have been followed. Whether the substance is followed or not is a different thing. We are checking up to find out whether there has been sufficient advertisement of the posts etc."

5.8. The Committee referred to the system of encashment of leave benefits, which permitted employees to encash the leave at the rate of salary drawn at the time of encashment even though the leave might have been earned earlier when they were drawing lower salaries. The representative of Government stated that "there has been a little amount of negligence here." When the attention of the witness was drawn to the other practice of allowing employees to incur expenditure for the Institute upto the limit of one month's salary, without prior sanction or the need to ascertain availability of budget provision, he said: "I agree that this system seems unusual and we have advised Indian Statistical Institute to discontinue it.....They are reluctant to do so and we are taking up the matter further."

5.9. The Committee enquired about the disposition of moneys in the Provident Funds to which the Auditors of the Institute had drawn specific attention in their report. The witness stated that there were different funds—gratuity fund and General Provident Fund. "As far as general provident fund is concerned, admittedly it has not yet been recognised by the Income Tax Commissioner.. What has happened unfortunately was that the funds that were invested in a form other than recognised by the Commissioner of Income Tax. The Indian Statistical Institute have now informed us that they have approached the Commissioner and are taking action to appoint a Board of Trustees." In reply to a further question, the Joint Secretary, Finance stated that Provident Fund moneys have been deposited "in the forms of security or bank deposits." Asked to clarify the position in regard to the Gratuity Fund, he stated that "that fund has no balance. Already the Institute has borrowed all the funds accrued to the Gratuity Fund. Till that deficit is made up over a period of time, that fund cannot be created." The Committee pointed out that the audited accounts of the Institute for the year 1965-66 showed a pending overdraft of Rs. 12.88 lakhs obtained *inter alia* on the security of "G.P. Notes of I.S.I. General Provident Fund." The Committee enquired whether this was not a violation of the rules, requiring appropriate proceedings and whether



the Government nominees on the Council of the Institute acquiesced in it. The Cabinet Secretary replied: "We shall examine this." The Committee also pointed out that no income tax has been deducted on amounts paid in settlement of the provident fund accounts, even though the fund had not yet been recognised by the Income Tax authorities. This constituted an infringement of income tax regulations. The Cabinet Secretary promised to have this matter also examined.

5.10. The Committee pointed out that in the accounts for 1966-67, a sum of Rs. 1.26 lakhs had been charged as expenditure towards cost of cards, cabinets, stores, stationeries etc. As stock of these items remained at the close of the year the value of the closing stocks should have been exhibited as an asset in the Balance Sheet. The Additional Secretary replied: "It is absolutely correct" and said that the position in this regard was "very unsatisfactory."

5.11. The Committee enquired what was the position in regard to the sum of Rs. 49.58 lakhs shown by the Institute in its accounts for 1966-67 as due from Government. The Joint Secretary, Finance, stated: "Out of Rs. 49.58 lakhs, the Government have since settled Rs. 20.48 lakhs and Rs. 16.05 lakhs have been rejected. Clearance of Rs. 13 lakhs is still being discussed with the Institute. Out of this, Rs. 11 lakhs is on account of the work of National Sample Survey and the balance of Rs. 2 lakhs is spread over several minor items."

5.12. The Committee observe that several shortcomings in the Institute have been brought to light by the Review Committee and by the auditors of the Institute. Three of these call for specific comment.

Substantial amounts of capital grants given by Government to the Institute have been utilised on the construction of buildings. However, the standard of construction of the buildings, on which the Institute expended as much as Rs. 59 lakhs, was found by the Review Committee to be "often unsatisfactory", there being a "lack of" even "essential amenities." The Institute had "most of the buildings" constructed by a Cooperative Society of which the President was the Estate Officer of the Institute. The Review Committee's observations in this respect are very revealing. "The training of the officer is only that of an overseer. Since the functions of the executing agency and the supervising agency are combined in the same person, it is not surprising that the standard of construction is poor." The Committee also note that the Review Committee received "allegations of substantial leakage in the expenses

on building operations." In view of these findings, the Committee would like Government to make a comprehensive investigation into the matter and initiate suitable remedial action thereafter.

5.13. Another aspect of the construction activities of the Institute is the fact that they have been proceeding on a haphazard basis without "any definite overall plan based on the requirements of the Institute over a period of years." As pointed out by the Statutory Committee for 1968-69, this practice is fraught with the risk of the Institute unwittingly committing itself to schemes the ultimate expenditure on which might prove to be a source of financial embarrassment. As any expenditure in this regard will ultimately devolve on Government, the Committee trust that effective action will be taken by Government to ensure that the acquisition of properties and construction activities of the Institute proceed strictly on the basis of a Master Plan which should be prepared on a realistic basis.

5.14. The Committee are unhappy that with such a large complement of staff, the Institute have not been adhering strictly to rules in the matter of creation of posts, sanctioning of new appointments, formation of cadres, promotions etc. The representative of Government admitted during evidence that in this respect the Institute has been following the "forms" of the rules so far framed: "Whether the substance is followed or not is a different thing." The Committee trust that the matter will receive the earnest attention of Government. Another point, no less important, is the need pointed out by the Statutory Committee for 1968-69 to carry out "a comprehensive review" of the staff position in the Institute "in view of the increasing use of computer facilities." This would help to fix on a rational basis the strength of the staff which accounts for "more than three-fifths of the total expenditure on research programmes."

5.15. The Committee would also like to call the attention of Government to the various infringements of regulations connected with the administration of Provident Fund and Gratuity Fund moneys of the Institute. The Gratuity Fund moneys have been borrowed by the Institute for meeting current expenses, while the Provident Fund accumulations were mortgaged against an overdraft obtained by the Institute from the State Bank of India. Besides, the Fund itself has not been registered for income tax purposes nor a Board of Trustees constituted for its administration. This is an extremely undesirable state of affairs which the representatives of Government on the Council of the Institute should have brought to Government's notice for corrective action. The Committee trust that

**Government will now at least ensure that all matters relating to the administration of these Funds are put on a satisfactory footing.**

**5.16. In regard to other irregularities or shortcomings mentioned in this section of the Report, the Committee trust that early action will be taken keeping particularly in view the observations of the Review Committee.**

## CHAPTER VI

### CONCLUSION

6. The findings in this Report will show that the State of affairs in the Institute is far from a happy one. Government have annually been giving to the Institute grants which varied from Rs 80 lakhs to Rs. 209 lakhs over a period of nine years without exercising any effective supervision or control over its working. While the Committee are of course whole-heartedly for such institutions functioning efficiently in an autonomous manner, they are impelled by the facts of this particular case to urge in the strongest terms that Government should take a more active and continuous interest in the functioning of the Institute and take advantage of the provisions in the Statute, particularly Section 11 which empowers Government to issue directions to the Institute in the public interest, so that the Institute might function in a sound and business-like manner. Indeed, in the view of the Committee, it may well have to be considered whether a situation has not arisen which warrants the management of the affairs of the Institute directly by Government under Section 12(2) of the Act

NEW DELHI:  
19th March, 1969.  
28th Palguna, 1890 (Saka).

M. R. MASANI.  
Chairman.  
Public Accounts Committee.

## APPENDIX I

The following conditions are incorporated in the sanctions issued to the Indian Statistical Institute for current as well as capital expenditure:—

### For Current Expenditure

1. The grant in aid would be subject to settlement on the basis of audit certificates to be produced by the Institute after the close of the year to the effect that the amounts were actually spent on the items of work for which the grants were given, any unspent balance being refundable to the Government.
2. Except for any savings that may be reappropriated in accordance with the powers of reappropriation separately communicated to the Institute, the budget provisions accepted by Government and for salary and allowances, contribution to provident and Gratuity Funds and other specific objects shall only be utilised for those objects and not diverted for any other purpose.

### For Capital Expenditure

1. The Institute shall not sell or otherwise dispose of or mortgage any property acquired by it with the grant in aid without the previous approval of the Central Government.
2. The expenditure out of the grant under each head should not exceed the amount shown in the sanction letter under that head and unspent balance, if any, shall be refunded to Government.
3. The Institute shall forward to Government such statements of accounts as the Government may require showing the expenditure incurred together with the audited certificates to the effect that the amounts drawn were actually spent on the items of work for which the grants were given.

4. All purchases of material and equipment from out of the grant-in-aid should be from reputable firms and standard dealers and should be certified accordingly by the Institute.
5. It will be open to the Government to cause such physical verification or other enquiries as it may consider necessary to satisfy itself regarding the expenditure incurred or its reasonableness.
6. Unless permitted otherwise by the Government the buildings for which the grant-in-aid is given should be constructed only on land, the legal ownership of which rests with the Institute.
7. In regard to buildings constructed out of the grant the Institute shall furnish to Government the completion certificates prescribed by Government and agreed to by the Institute.

## APPENDIX II

Directions issued to Auditors of Regd. post/Ack. Due Indian  
Statistical Institute.

No. 11(1)64-Estt. III

GOVERNMENT OF INDIA

CABINET SECRETARIAT

Department of Statistics

*Yojana Bhavan, Parliament Street,  
New Delhi : December 17, 1965.*

To

Messrs. Loyelock & Lewes.  
Chartered Accountants.  
4, Lyons Range.  
Calcutta.

**SUBJECT:** *Audit of the Accounts of the India Statistical Institute,  
Calcutta—Issue of directions to Auditors under Section  
6(2) of the ISI Act, 1959.*

Sir,

In supersession of this Department's letter No. 10(6) 60-Estt. III dated the 13th August 1962, I am directed to communicate to you the decision of the Central Government under section 6(2) of the I.S.I. Act, 1959, that the auditors of the Indian Statistical Institute should hereafter exercise checks on the following lines.

### **I. Budget and Project Estimates**

- (1) Has the Institute prepared proper budget estimates of revenue and expenditure for each department, project, schemes etc.?
- (2) Has it made out detailed analysis of allocation of direct charges and indirect charges on some equitable basis for each scheme, project, etc., to arrive at the cost of the schemes, projects, etc.?

- (3) Has the auditor any comments to make in this matter?
- (4) The actual performance in regard to control over expenditure on the various projects, schemes, etc., in relation to the budget provision and large variations between the actuals and budget provision may be indicated.

## **II. Expenditure out of Government Grants**

- (1) Does the Indian Statistical Institute maintain proper accounts of the expenditure incurred out of the grants made by the Government of India so that the auditors can verify that the expenditure has been incurred for the purposes for which the grants were made?
- (2) If the grant has not been utilised fully for the purposes for which the grants were made, what is the balance remaining unspent at the end of the financial year? (Indicate the unspent balance grant-wise or scheme-wise).

## **III. Assets out of Government Grants**

Is a proper record maintained for the assets acquired out of Government Grants with the cost of acquisition entered against each item?

## **IV. Internal check procedures, stores and cash**

- (1) Is there an adequate system of internal check and control to ensure that the purpose of stores and execution of work are done with due regard to the policies and procedures laid down for the purpose?
- (2) Have any cases come to notice where these policies and procedures have not been observed?
- (3) In respect of consumable stores, etc., are proper stores accounts maintained and is physical verification made at periodical intervals under proper supervision?
- (4) Is there a system of reporting losses of cash, stores and other assets to the Management of the Institute after proper investigation?
- (5) Has the auditor any comments to make on cases so reported?



2. I am to request you to kindly comply with the above directives in auditing the accounts of the Institute. I am also to request you to append to the annual accounts of the Institute the following documents.

- (1) A statement giving an analysis of the expenditure under proper headings to bring out the purpose for which the Statistical Institute has actually utilised the grants made by the Government of India, and
- (2) A statement indicating all assets, if any, disposed of by sale out of those acquired from the grants made by the Government of India indicating whether prior approval of the Government was obtained and how the sale proceeds were utilised.

3. These instructions are issued without prejudice to the duties and responsibilities otherwise enjoined on the auditors and also any extra checks, verifications or other work asked for by the Institute.

4. The receipt of this communication may kindly be acknowledged.

Yours faithfully

Sd,-

M. BALAKRISHNA MENON

*Deputy Secretary to the Government of India.*

Copy to the Indian Statistical Institute, 203, Barrackpore Trunk Road, Calcutta-35.

Copy to the Indian Statistical Institute 8, King George Avenue, New Delhi.

Sd,-

M. BALAKRISHNA MENON

*Deputy Secretary to the Government of India.*

**APPENDIX III**  
**THE INDIAN STATISTICAL INSTITUTE ACT**  
**(LVII of 1959)**

An Act to declare the institution known as the Indian Statistical Institute having at present its registered office in Calcutta to be an institution of national importance and to provide for certain matters connected therewith.

Be it enacted by Parliament in the Tenth Year of the Republic of India as follows:—

1. (1) This Act may be called the Indian Statistical Institute Act, 1959.

(2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint

2. In this Act, unless the context otherwise requires,—

(a) “Institute” means the Indian Statistical Institute registered under the Societies Registration Act, 1860;

(b) “memorandum” means the memorandum of association of the Institute filed with the Registrar of Joint Stock Companies under the Societies Registration Act, 1860;

(c) “rules and regulations” includes any rule or regulation (by whatever name called) which the Institute is competent to make in the exercise of the powers conferred on it under the Societies Registration Act, 1860, but shall not include any bye-laws or standing orders made under the rules and regulations for the conduct of its day-to-day administration.

3. Whereas the objects of the Institution known as the Indian Statistical Institute are such as to make it an institution of national importance, it is hereby declared that the Indian Statistical Institute is an institution of national importance.

4. Notwithstanding anything contained in the University Grants Commission Act, 1956, or in any other law for the time being in force, the Institute may hold such examinations and grant such degree and diplomas in statistics as may be determined by the Institute from time to time

5. For the purpose of enabling the Institute to discharge efficiently its functions, including research, education, training, project activities and statistical work relating to planning for national development, the Central Government may, after due appropriation made by Parliament by law in this behalf, pay to the Institute in each financial year such sums of money as that Government considers necessary by way of grant, loan or otherwise.

6. (1) The accounts of the Institute shall be audited by auditors duly qualified to act as auditors of companies under the Companies Act, 1956, and the Institute shall appoint such auditors as the Central Government may, after consultation with the Comptroller and Auditor General of India and the Institute, select.

(2) The Central Government may issue such directions to the auditors in the performance of their duties as it thinks fit.

(3) Every such auditor in the performance of his duties shall have at all reasonable times access to the registers, books of account, records and other documents of the Institute.

(4) The auditors shall submit their report to the Institute and shall also forward a copy thereof to the Central Government for its information.

7. Notwithstanding anything contained in the Societies Registration Act, 1860 or in the memorandum or rules and regulations, the Institute shall not, except with the previous approval of the Central Government,

(a) alter, extend or abridge any of the purposes for which it has been established or for which it is being used immediately before the commencement of this Act, or amalgamate itself either wholly or partially with any other institution or society; or

(b) alter or amend in any manner the memorandum or rules and regulations; or

(c) sell or otherwise dispose of any property acquired by the institute with money specifically provided for such acquisition by the Central Government:

Provided that no such approval shall be necessary in the case of any such movable property or class of moveable property as may be specified by the Central Government in this behalf by general or special order; or

(d) be dissolved.

8. (1) The Central Government may constitute as many Committees as and when it considers necessary consisting of such number of persons as it thinks fit to appoint thereto and assign to each such Committee all or any of the following duties, namely:—

(a) the preparation and submission to the Government as far as possible before the commencement of each financial year, of statements showing programmes of work agreed to be undertaken by the Institute during that year for which the Central Government may provide funds, as well as general financial estimates in respect of such work; and

(b) the settlement on broad lines of the programme of such work.

(2) Where the Institute does not agree to undertake any work suggested by any Committee referred to in sub-section (1), it shall give to the Central Government reasons for not so agreeing.

9. (1) The Central Government may constitute a Committee consisting of such number of persons as it thinks fit to appoint thereto for the purpose—

- (a) reviewing the work done by the Institute and the progress made by it;
- (b) inspecting its buildings, equipment and other assets;
- (c) evaluating the work done by the Institute; and
- (d) advising Government generally on any matter which in the opinion of the Central Government is of importance in connection with the work of the Institute;

and the Committee shall submit its reports thereon in such manner as the Central Government may direct.

(2) Notice shall be given in every case to the Institute of the intention to cause a review, inspection or evaluation to be made, and the Institute shall be entitled to appoint a representative who shall have the right to be present and heard at such review, inspection or evaluation.

(3) The Central Government may address the Chairman of the Institute with reference to the result of such review, inspection or evaluation as disclosed in any report of the Committee referred to in sub-section (1), and the Chairman shall communicate to the Central Government the action, if any, taken thereon.

(4) When the Central Government has, in pursuance of sub-section (3), addressed the Chairman of the Institute in connection with any matter, and the Chairman does not within a reasonable time take action to the satisfaction of the Central Government in respect thereof, the Central Government may, after considering any explanations furnished or representations made on behalf of the Institute, issue such directions as it considers necessary in respect of any of the matters dealt with in the report.

10. The Institute shall be bound to afford all necessary facilities to any Committee constituted under section 8 or section 9 for the purpose of enabling it to carry out its duties.

11. (1) The Central Government may, if it is satisfied that it is necessary so to do in the public interest, issue, for reasons to be recorded and communicated to the Institute, such directions as it thinks fit to the Institute, and such directions may include directions requiring the Institute:

- (a) to amend the memorandum or to make or amend any rule or regulation within such period as may be specified in the directions;
- (b) to give priorities to the work undertaken or to be undertaken by the Institute in such manner as the Central Government may think fit to specify in this behalf.

(2) Any directions issued under this section shall have effect, notwithstanding anything contained in any law for the time being in force or in the memorandum or rules and regulations of the Institute.

12. (1) If, in the opinion of the Central Government,

- (i) the Institute without just or reasonable cause had made default in giving effect to any direction issued under sub-section (4) of section 9 or section 11; or
- (ii) the Council of the Institute has exceeded or abused its power in relation to the Institute or any part thereof;

the Central Government may, by written order, direct the Institute within a period to be specified in the order to show cause to the satisfaction of the Central Government against the making of any appointment referred to in sub-section (2).

(2) If, within the period fixed by any order issued under sub-section (1), cause is not shown to the satisfaction of the Central Government, the Central Government may, by order published in the Official Gazette and stating the reasons therefor, appoint one or more persons to take charge of the Institute or any part thereof for such period not exceeding two years as may be specified in the order.

(3) Notwithstanding anything contained in any law for the time being in force or in the memorandum or rules and regulations of the Institute, on the issue of an order under sub-section (2), during the period specified in that order,—

(a) where the order provides for any person or persons being in charge of the Institute—

- (i) all persons holding office as Members of the Council including the Chairman, shall be deemed to have vacated their office as such;
- (ii) the person or persons appointed under sub-section (2) to be in charge of the Institute shall exercise all the powers and perform all the duties of the Chairman or Council of the Institute, whether at a meeting or otherwise, in respect of the Institute;

(b) where the order provides for any person or persons being in charge of any part of the Institute, the person or persons so appointed shall alone be entitled to exercise all the powers and perform all the duties of the Chairman or Council in relation to that part.

#### APPENDIX IV

*Summary of main Conclusions/Recommendations*  
(Referred to in para 3 of Introduction)

Serial No.	Para No. of Report	Ministry/Department concerned	Conclusions/Recommendations
1	2	3	4

I	I. II	Cabinet Secretariat	The Committee are concerned that large grants should have been given by Government to the Institute all these years without ensuring that the Institute observed the financial disciplines required of it as a statutory body expending public funds. The Cabinet Secretary himself admitted during evidence that "there has been slackness on the part of the Institute in carrying out proper budgeting and expenditure control." In the result, the financial position of the Institute "has deteriorated from year to year" leading to a situation in which the Institute "is not in a position to discharge its liabilities."
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The Committee cannot help feeling that this situation is to a certain extent of Government's own making. The Act governing the Institute provides for the exercise of various checks and reviews on the performance of the Institute. Government have apparently failed to take full advantage of these provisions. Section 8 of the Act, for instance, provides for a Statutory Committee being set up "as and when necessary" for "the preparation and submission to Government as far as possible before the commencement of each financial year of statements showing the programmes of work during that year" to facilitate budget provision therefor. Though Government have been setting up Committees for this purpose, their reports have generally never become available to facilitate timely budget provision. Again, Section 9 of the Act provides for a Committee being constituted periodically for "reviewing" and "evaluating" the work done by the Institute. The first Review Committee was set up by Government under this Section in 1966, i.e., six years after the Act was passed. Besides, the foregoing provisions, Sections 11 and 12 of the Act empower Government to issue directions to the Institute in specified circumstances. However, in spite of the deteriorating position of the Institute, these powers have never been used. Another mechanism for control available to Government, namely, its representation on the Council of the Institute, has also largely remained ineffective, as is evident from the findings elsewhere in this Report.

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The Committee note that the Review Committee have made several far-reaching recommendations to tone up the administration

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and performance of the Institute. The Committee regret that some of these have not been effectively implemented as they should have.

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I. 14

Cabinet Secretariat

One recommendation in particular to which the Committee would like to draw attention of the Government, concerns the abolition of the post of the Secretary of the Institute. As the Review Committee have pointed out, the position of this functionary as the Secretary and executive head of the Institute as well as the Honorary Statistical Adviser to Government has brought about a "confused and intermingled relationship between the Institute and Government" resulting in a "failure to make an objective assessment of the performance of the Institute." The Review Committee had, on this appraisal of the position, recommended that the post of the Secretary should be abolished and other suitable changes in the administrative set up of the Institute made to enable the Institute "to enhance and maintain its reputation" as "an institution of national importance." As this recommendation appears to be vital from the point of view of an improvement in the administrative structure of the Institute, the Committee are surprised that it has not so far been implemented and consider it essential that this should be done forthwith.

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I. 15

—do—

One particular aspect of the Institute's system of financial management needing special attention is the absence of an effective sys-



tem of test audit. The Committee note that during evidence the representatives of Government agreed to evolve an appropriate arrangement in this respect, in consultation with the Comptroller and Auditor General. The Committee trust that this will be done and that any arrangements made for audit are not hedged in with stipulations which would hamper its effectiveness.

6 1.16 —do—

The Committee would also like to draw the attention of Government to the recommendations of the Administrative Reforms Commission that control over the Department of Statistics should more appropriately vest in the Department of Economic Affairs in the Ministry of Finance rather than the Cabinet Secretariat, as collection and compilation of statistics have a close bearing on formulation of economic policy. The Committee would like early effect to be given to this recommendation particularly as the Cabinet Secretariat have, with their other preoccupations, been quite obviously unable to give the time and measure of attention and supervision that the Institute requires.

7 2.22 —do—

The Committee are at a loss to understand how Government could year after year make substantial payments to the Institute for National Sample Survey work without any evaluation of the work done and the cost at which it was done. The quantum of such payments for work relating to the period 1960-61 to 1963-64 was Rs. 256 lakhs. The work was to be done on a contract basis and payments were to be made against actual deliveries. No contract was, however, signed. In the absence of any agreement about the

manner in which payments were to be regulated, Government felt constrained to make payments from time to time on an *ad hoc* basis. Even then, payments were delayed with the result that the Institute was obliged to borrow considerable funds from banks, the interest charges of which were ultimately borne by the public exchequer. A three-man Committee was constituted in March, 1964, to assess the cost of the Institute's work on the National Sample Survey but even after four years an agreement could not be reached and Government had to resort to the expedient of paying the Institute whatever was asked for, except for a small amount of Rs. 11 lakhs which was disallowed. Even this is apparently not final and the way has been left open for the Institute to claim what has been disallowed.

The Committee cannot resist the impression that the settlement made with the Institute was not in the best interests of the public exchequer. Government have stated that whatever was shown by the Institute was accepted, because the system of accounts maintained by the Institute made identification of the expenditure incurred on the scheme difficult. The Committee fail to understand why the Government's representatives on the Council of the Institute including that of the Ministry of Finance could not have had the deficiency in the accounts rectified or checked effectively the Institute's outlay on staff which varied from two-thirds to three-fifths of the total expenditure.

9      2 42      —do—

It should not cause surprise if the extraordinary latitude over a number of years that has been extended to this Institute were described as nothing short of gross irresponsibility.

10     2 25      —do—

What the Committee find even harder to accept is the fact pointed out by the Review Committee that "after huge outlays made over a period of years, the Government has not obtained timely data for planning and administrative purposes." The Institute "takes not less than 27 months from the close of a round of survey to publish the report" though, in other countries, "reports relating to a round are made available within twelve months and urgent data even within a few weeks or months." Even this period of 27 months is apparently not often achieved. A review of the annual report published by the Institute in 1966-67 shows that the latest report published in that year related to the 18th round, which covered the period July, 1962 to June, 1963 and the oldest report to the 11th and 12th rounds of survey, which took place as early as August, 1956-August, 1957. If the reports are thus delayed, "their utility", as pointed out by the Review Committee, "is greatly reduced." The Committee note that, apart from the Institute, Government themselves have a share of responsibility for this state of affairs. The examination of Reports submitted by the Institute to Government for clearance has been taking time. Besides, Government could have helped the Institute to process the data speedily by providing them with a computer. This was in fact recommended by the Fisher Committee as early as 1957 but it took over ten years for the computer to be sanctioned and installed.

Another important aspect of the National Sample Survey work done by the Institute, to which the Committee would like to draw attention, is what the Review Committee have characterised as the "doubtful utility" of the statistics produced by the Survey. The Government's representative admitted during evidence that the statistics produced by the Institute relating to crop estimates and food estimates were at variance with official statistics and were not being utilised by Government. A Technical Committee appointed by the Planning Commission which reported in 1967 found official statistics of crop estimates "to be in general conformity with the evidence on the availability of food-grains" rather than the National Sample Survey statistics. This Technical Committee also took the view that "no other series can ever completely replace the official series" and recommended that there was "no need for continuing the present National Sample Survey series of crop estimates", a view substantially taken earlier in 1966 by the Review Committee, when it recommended that the entire work relating to the National Sample Survey consisting of design, data collection, processing and interpretation should be removed from the Statistical Institute (except for the State of West Bengal) and brought under unified control. It is strange that, though over two years have passed since this recommendation was made, it still continues to be under Government's consideration. The Committee notes that Government are themselves conscious of the delay that has occurred in the matter.

12            2.27            —do—

The collection and tabulation of operational statistics is not the function of an institution like the Indian Statistical Institute. As the Review Committee have very appropriately pointed out: "The Institute is basically a scientific organisation and should not become involved in large-scale routine operations to the detriment of its more important work in teaching and fundamental and applied research." The Committee hope that, in view of this position, Government will take immediate steps to have the National Sample Survey work taken out of the purview of the Institute and entrust it to an organisation constituted on the lines recommended by the Review Committee.

13            2.28            —do—

An immediate decision is also called for on the question as to what extent "the heavy arrears" relating to National Sample Survey work with the Institute need be completed by them, so that, as pointed out by the Review Committee, "time and money need not be wasted on completing the whole of the work." The Committee desire that, pending a decision on the future set-up for National Sample Survey work, Government should ensure that the cost of the work done by the Institute is reasonable and is properly accounted for.

14            3.19            —do—

The Committee find it difficult to accept the view of the Cabinet Secretariat that the Soviet equipment obtained by way of gift was "to be used for research purposes" by the Institute. The

Institute, which took a large measure of initiative in obtaining the equipment, quite obviously intended "from the very beginning" to use the equipment for "the production of calculating machines and precision instruments." It is strange, therefore, that before obtaining the equipment, Government failed to obtain clearance for this purpose from the United Nations authorities through whose agency the gift was obtained. In the result, the equipment which was received between December, 1955, and December, 1958, remained largely unutilised and the question of its commercial exploitation remained under correspondence till in 1960 the United Nations authorities agreed to remove the embargo in this regard. Thereafter, legal difficulties, which Government could well have foreseen earlier, stood in the way of the implementation of the scheme. It took two years to get round the difficulty, by constituting a private company for the purpose of undertaking manufacture and another three years to prepare a project report. When the project report was received in April, 1965, Government decided that the enterprise "would not be a commercially sound one in view of the lack of foreign collaboration" and the fact that production in that field had by that time been established.

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The Committee cannot resist the impression that the whole matter was ineptly handled by Government right through. In the

first place, the position regarding the use of the equipment was allowed to remain nebulous for a long time after the equipment was obtained. Then, having decided to utilise the equipment for commercial utilisation, Government passively allowed matters to drift for five years. It is strange that in the meanwhile the Institute should have been plied with large grants, which over a period of ten years ending 1965-66 aggregated Rs. 41.64 lakhs. The quantum of grants was in fact "stepped up" from 1961-62 in the hope that the Institute would, through the agency of the private company, "start its operations expeditiously." But no positive steps were taken by Government in this direction. Neither were any effective checks exercised by Government to ensure gainful use of the grants given to the Institute. As much as a sum of Rs. 30.70 lakhs out of Rs. 41.64 lakhs given to the Institute for this project was expended on salaries and allowances of establishment and other ancillary items. Even after such substantial expenditure, 82 out of 120 crates in which the equipment was received remained unopened till October, 1966, when a large part of the equipment was transferred to the Garden Reach Workshop for establishing a line of production. It is noteworthy that a Committee set up by Government to value the equipment at the time of its transfer to the Garden Reach Workshop found that "these equipment in packing cases remained without proper storage arrangements and consequently suffered considerable deterioration" necessitating "extensive overhauling". According to the Review Committee, which examined the working of the whole scheme, "the enterprise was an unnecessary and wasteful venture."

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16	3-21	Cabinet Secretariat	<p>Government's view that some developmental work was done has little to substantiate it, as the details of the developmental efforts are not known and the records of the Institute do not show the amounts expended. In fact, the Institute themselves have admitted that "the spending of about Rs. 49 lakhs during the 12 years was largely (though not entirely) infructuous."</p> <p>The Committee hope that steps will be taken by Government now at least to ensure that the equipment transferred to the Garden Reach Workshop is put to purposeful and gainful use. The Committee would like to be apprised of the progress made in this direction.</p>
17	3-22	—do—	<p>One other aspect of the case, which constituted a sequel to Government's decision to wind up the project, calls for comment. The Institute served notices on the staff employed on the scheme after Government's decision was communicated to them. However, the prior approval of Government for serving notices, as required in terms of the Indian Statistical Institute Act, was not obtained. Consequently, the notices were held by the Court to be illegal and the Institute had to incur an expenditure of Rs. 1.70 lakhs on the retention of the staff, which could have been avoided. Liability for this expenditure ultimately devolved on Government. The Committee would like Government to examine the circumstances in which Government's representatives on the Council of the Institute failed to</p>

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bring to the notice of the Institute and the Government the omission that occurred in this case at the time of service of notices of termination.

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The Committee note with concern that Government have had to bear liability for the cash tiffin subsidy amounting to Rs. 1.54 lakhs paid by the Institute to its staff after the subsidy ceased to be admissible with the introduction of the C.S.I.R. scales of salary, dearness allowance and other emoluments. The Institute approached Government in October, 1964, for financial assistance to meet the liability arising out of the introduction of the new scheme of allowances. Though Government asked the Institute at that stage (November, 1964) to furnish information about the allowances and perquisites of the staff, the information was not furnished till June, 1965. Instructions were issued by Government in July, 1965, on the basis of the information furnished, that the payment of the tiffin subsidy should be stopped forthwith, but the Institute continued to pay the subsidy for nearly a year thereafter, i.e., till June, 1966. Had the matter been closely followed up by Government, a substantial part of the overpayments, for which Government ultimately bore the liability, might have been avoided.

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The Committee observe that several shortcomings in the Institute have been brought to light by the Review Committee and by the auditors of the Institute. Three of these call for specific comment.

Substantial amounts of capital grants given by Government to the Institute have been utilised on the construction of buildings.

However, the standard of construction of the buildings, on which the Institute expended as much as Rs. 59 lakhs, was found by the Review Committee to be "often unsatisfactory", there being a "lack of" even "essential amenities." The Institute had "most of the buildings" constructed by a Cooperative Society of which the President was the Estate Officer of the Institute. The Review Committee's observations in this respect are very revealing: "The training of the officer is only that of an overseer. Since the functions of the executing agency and the supervising agency are combined in the same person, it is not surprising that the standard of construction is poor." The Committee also note that the Review Committee received "allegations of substantial leakage in the expenses on building operations." In view of these findings, the Committee would like Government to make a comprehensive investigation into the matter and initiate suitable remedial action thereafter.

Another aspect of the construction activities of the Institute is the fact that they have been proceeding on a haphazard basis without "any definite overall plan based on the requirements of the Institute over a period of years." As pointed out by the Statutory Committee for 1968-69, this practice is fraught with the risk of the Institute unwittingly committing itself to schemes the ultimate expenditure on which might prove to be a source of financial embarrassment. As any expenditure in this regard will ultimately devolve on Gov-

Government, the Committee trust that effective action will be taken by Government to ensure that the acquisition of properties and construction activities of the Institute proceed strictly on the basis of a Master Plan which should be prepared on a realistic basis.

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The Committee are unhappy that with such a large complement of staff, the Institute have not been adhering strictly to rules in the matter of creation of posts, sanctioning of new appointments, formation of cadres, promotions, etc. The representative of Government admitted during evidence that in this respect the Institute has been following the "forms" of the rules so far framed: "Whether the substance is followed or not is a different thing." The Committee trust that the matter will receive the earnest attention of Government. Another point, no less important, is the need pointed out by the Statutory Committee for 1968-69 to carry out "a comprehensive review" of the staff position in the Institute "in view of the increasing use of computer facilities." This would help to fix on a rational basis the strength of the staff which accounts for "more than three-fifths of the total expenditure on research programmes."

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The Committee would also like to call the attention of Government to the various infringement of regulations connected with the administration of Provident Fund and Gratuity Fund moneys of the Institute. The Gratuity Fund moneys have been borrowed by the Institute for meeting current expenses, while the Provident Fund accumulations were mortgaged against an overdraft obtained by the Institute from the State Bank of India. Besides, the Fund itself has

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not been registered for income tax purposes nor a Board of Trustees constituted for its administration. This is an extremely undesirable state of affairs which the representatives of Government on the Council of the Institute should have brought to Government's notice for corrective action. The Committee trust that Government will now at least ensure that all matters relating to the administration of these Funds are put on a satisfactory footing.

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Cabinet Secretariat

In regard to other irregularities or shortcomings mentioned in this section of the Report, the Committee trust that early action will be taken, keeping particularly in view the observations of the Review Committee.

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The findings in this Report will show that the state of affairs in the Institute is far from a happy one. Government have annually been giving to the Institute grants which varied from Rs. 80 lakhs to Rs. 209 lakhs over a period of nine years without exercising any effective supervision or control over its working. While the Committee are of course whole-heartedly for such institutions functioning efficiently in an autonomous manner, they are impelled by the facts of this particular case to urge in the strongest terms that Government should take a more active and continuous interest in the functioning of the Institute and take advantage of the provisions in the Statute, particularly Section 11 which empowers Government to

issue directions to the Institute in the public interest, so that the Institute might function in a sound and businesslike manner. Indeed, in the view of the Committee, it may well have to be considered whether a situation has not arisen which warrants the management of the affairs of the Institute directly by Government under Section 12(2) of the Act.

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<b>DELHI</b>				
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30. Lakshmi Book Store, 42, Municipal Market, Janpat, New Delhi.		23	38. Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annexe, Imphal.	77
31. Bahree Brothers, 188 Lajpatrai Market, Delhi-6.		27	<b>AGENTS IN FOREIGN COUNTRIES</b>	
32. Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi. 1		66	39. The Secretary, Establishment Department, The High Commission of India, 'India House', Aldwych, LONDON W.C.—2.	59

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