

PUBLIC ACCOUNTS COMMITTEE

1955-56

SIXTEENTH REPORT

(Appropriation Accounts (Civil), 1951-52 and Audit Report, 1953 and
Audit Report (Civil), 1954—Part I)

Vol. I—REPORT

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LOK SABHA SECRETARIAT
NEW DELHI
May, 1956

CORRIGENDA

Sixteenth Report of the Public Accounts Committee (1955-56) on the Appropriation Accounts (Civil), 1951-52 and Audit Report, 1953 and Audit Report (Civil), 1954 - Part I - Vol. I - Report.

- Page (iii), para 2, sub-para 2, line 1: for 'consided' read 'consider'.
- Page (iii), para 2, sub-para 2, line 3: before 'Committee as' insert 'the'.
- Page 3, para 6, sub-para 3, line 3: for 'arreas' read 'arrears'.
- para 7, line 11: for 'Costitution' read 'Constitution'.
- Page 14, foot-note: for 'Public Account Committee' read 'Public Accounts Committee'.
- Page 27, para 61, sub-para 2, line 8: for 'accord' read 'accordance'.
- Page 29, para 65, sub-para 2, line 1: for 'apears' read 'appears'.
- Page 31, para 69, line 18: delete 'the' before 'Rs. 1,772 per day'.
- Page 35, para 78, sub-para 2, line 4: for 'contemplated' read 'contemplated'.
- Page 38, para 86, line 13: for '1955' read '1945'.
- Page 42, para 97, line 4: for 'have' read 'has'.
- Page 44, Heading: for 'MINISTRY OF REHABILITATION' read 'MINISTRY OF PRODUCTION'.
- Page 46, para 105, sub-para 4, line 6: for 'manuafctures' read 'manufactures'.
- Page 51, para 115, line 14: delete 'Rs.'.
- Page 52, para 116, line 5: for '(Appendix XXXVIII)' read '(Appendix XXVIII)'.

P.T.O.

- Page 58, para 127, sub-para 4, line 7: insert 'a'
before 'reasonable'.
- Page 81, para 156, line 6: for '33 per cent.' read
'33 1/3 per cent.'.
- Page 83, para 158, line 11: add 'the' after
'against'.
- Page 84, para 163, line 8: for 'accumulation'
read 'accumulation'.
- Page 85, line 1: for 'disposed' read 'disposal'.
- Page 103, para 198, sub-para 3, line 7: for
'voluntered' read 'volunteered'.
- Page 106, foot-note: read '*Appendix XIII'.
- Page 126: read '* See also Appendix L' as foot-note.
- Page 129, para 214, line 2: for 'manufacture' read
'manufacture'.
- line 5: for 'shead' read 'ahead'.
- Page 133, para 252, sub-para 2, line 2: for '5.0'
read '5%'.
- Page 139, para 260, sub-para 6, line 11: for
'against this as such a transfer would
result in loss' read 'to about 600 people
employed by the foundry. The'.
- Page 155, S. No. 14, col. 2: for '6' read '26'.

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†The other Appendices referred to in the Report including the Statement showing action taken or proposed to be taken on the recommendations of the Public Accounts Committee are being published separately in the form of Volume II of this Report.

PUBLIC ACCOUNTS COMMITTEE

1955-56

CHAIRMAN

Shri V. B. Gandhi

MEMBERS

2. Shri U. Srinivasa Malliah
3. Shri Kamal Kumar Basu
4. Shri Ramananda Das
5. Shri Awadheswar Prasad Sinha
6. Shrimati Ammu Swaminadhan
7. Shri S. V. Ramaswamy
8. Shri K. G. Deshmukh
9. Shri Balwant Sinha Mehta
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13. Shri Uma Charan Patnaik
14. Shri V. Boovaraghasamy
15. Dr. Indubhai B. Amin
16. Shrimati Violet Alva
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18. Shri Ram Prasad Tamta
19. Shri P. S. Rajagopal Naidu
20. Shri Mohammad Valiulla
21. Shri V. K. Dhage
22. Shri B. C. Ghose.

SECRETARIAT

Shri S. L. Shakhder—Joint Secretary.

Shri V. Subramanian—Deputy Secretary.

INTRODUCTION

1. The Chairman of the Public Accounts Committee having been authorised by the Committee to present the Report on their behalf, present this Sixteenth Report on the Appropriation Accounts (Civil), 1951-52, and Audit Report, 1953 and Audit Report (Civil), 1954—Part I.

2. The Appropriation Accounts (Civil), 1951-52 and Audit Report, 1953 and Commercial Appendix thereto were laid on the Table of the Lok Sabha on the 14th April, 1955. The Audit Report (Civil), 1954—Part I was laid on the Table of the Lok Sabha on the 18th April, 1955. The Committee examined the Accounts and Audit Reports during their sittings held in August, September, November and December, 1955.

The Committee appointed a sub-Committee to consider the notes/memoranda furnished by the various Ministries pursuant to action taken by them on the First to Seventh Reports of Committee as also the points arising from the examination of the Accounts and Audit Reports under report. This sub-Committee held three sittings in December, 1955. The important observations made by this sub-Committee have been embodied at appropriate places in the body of this Report.

3. The Committee received evidence on a number of points on which they thought it unnecessary to report further than by noting them in this general para. They trust that the remarks of the Comptroller and Auditor-General in his Reports on these points will receive attention. If necessary, he will doubtless report upon them again in future years.

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

5. The Committee regret to observe that although a period of more than 6 months (even 7 or 8 months in some cases) has elapsed since they had asked the various Ministries whose Accounts were examined by them to furnish them written notes on a number of points which emerged directly as a result of the Committee's deliberations or those which the Committee could not cover for want of time, the requisite information on quite a number of such points has not been submitted to them so far. The Committee view with disapproval such delays on the part of the Ministries in furnishing them with the necessary information. The Ministries should realise that such delays considerably hamper the expeditious working of the Committee and in many cases prevent the Committee from giving their decisions in time. It is needless to emphasise that the Committee should consider the important transactions involving serious financial and procedural irregularities etc. and formulate their conclusions before they become stale and lose their importance with the passage of time. The Committee desire that the Ministries concerned should deal with such requests from the Committee for the supply of information with utmost promptitude and invariably furnish the same

(iv)

to the Committee within a period of one month unless the circumstances in a case are such as to warrant a longer time and even in such cases the Committee should be apprised of these.

6. A statement showing the summary of the principal recommendations of the Committee is also appended to the Report (Appendix I).

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

V. B. GANDHI.
Chairman, Public Accounts Committee.

New Delhi:
The 14th May, 1956.

FINANCIAL RESULTS OF THE GOVERNMENT OF INDIA, 1951-52

(Civil Grants)

1. The most important event of the year 1951-52 in the economic field was the publication in July, 1951 by the Planning Commission of the draft outline of the "First Five Year Plan" for mobilising national effort for the intensive economic development of the country. The Plan then contemplated an outlay of Rs. 1,793 crores. This year witnessed also the conclusion of the Indo-U.S. Technical Co-operation Agreement which provided for financial assistance of the order of 50 million dollars for a number of development projects, the chief among them being the Community Development Project.

2. Certain changes were also made in the presentation of the Demands to Parliament. First, the Demands were arranged Ministry-wise. Secondly, the procedure for 'Vote on Account' was introduced for the first time. These changes facilitated better understanding of the Demands and made available to Parliament more time for the detailed consideration of the Demands and the Finance Bill. Lastly, grants to States for financing their development and Grow More Food schemes were transferred from 'Capital' to 'Revenue'.

3. During the year under review, the Voted Grants for Civil expenditure stood at Rs. 315.46 crores (original Rs. 211.47 crores and supplementary Rs. 103.99 crores), and the appropriation for 'Charged' expenditure at Rs. 1619.70 crores (original Rs. 1617.59 crores and supplementary Rs. 2.11 crores). The total expenditure against these grants and appropriations was Rs. 269.59 crores and Rs. 1587.90 crores respectively. Out of this expenditure, Rs. 217.65 crores was on Revenue Account, Rs. 86.14 crores on Capital Account and Rs. 1553.70 crores on disbursement of Loans and Advances. There was thus a saving of Rs. 77.67 crores over the final grants and appropriations (voted grants—Rs. 45.87 crores and charged appropriations—Rs. 31.80 crores).

4. The percentages of savings and excesses as compared with the original and the final grants or appropriations as modified by supplementary grants and appropriations, were as follows:—

		Savings (—) or Excess (+) over	
		Original	Final
Voted	..	+27.5	—14.5
Charged	..	—1.9	—2

5. The following table shows at a glance the particulars of the original and final grants or appropriations and the expenditure

actually incurred against them under the heads (i) Revenue, (ii) Capital and (iii) Loans and Advances:

(In lakhs of rupees)

1	Original Grant or Appropriation 2	Final Grant or Appropriation 3	Actual Expenditure 4
Expenditure met from Revenue (Voted)	1,51,28	1,82,37	1,70,14
Expenditure met from Capital (Voted)	46,22	1,19,12	86,14
Disbursements of Loans and Advances (Voted)	13,97	13,97	13,31
TOTAL (Voted)	2,11,47	3,15,46	*2,69,59

*Excludes—Rs. 731 in respect of "Capital Outlay on Sterling Pensions".

Expenditure met from Revenue (Charged)	44,89	45,84	47,51
Expenditure met from Capital (Charged)
Disbursements of Loans and Advances (Charged)	†15,72,70	†15,73,86	15,40,39
TOTAL—(Charged)	16,17,59	16,19,70	15,87,90
Total expenditure met from Revenue	1,96,17	2,28,21	2,17,65
Total expenditure met from Capital	46,22	1,19,12	86,14
Disbursements of Loans and Advances	15,86,67	15,87,83	15,53,70
GRAND TOTAL	18,29,06	19,35,16	18,57,49

†Includes figures under "Repayment of Debt".

6. Excess over voted grants.—Despite the huge savings over the total final grant as stated in para 3 above, the actual expenditure in several cases exceeded the voted grants as shown below:—

Sl. No.	No. and name of Grant	Final Grant	Actual Expenditure	Excess
1	3—Commercial Intelligence and Statistics	51,91,000	56,45,715	4,54,715
2	9—Ministry of Defence	25,38,000	25,66,805	28,805
3	15—Archaeology	32,63,000	32,71,130	8,130
4	30—Miscellaneous Departments	2,04,66,000	2,15,07,867	10,41,867
5	33—Superannuation Allowance and Pensions	3,16,66,000	3,17,84,311	1,18,311
6	34—Miscellaneous	41,34,65,000	42,60,08,893	1,25,43,893
7	36—Miscellaneous Adjustments between the Union and State Governments	1,33,000	1,89,852	56,852
8	42—Survey of India	61,93,000	62,27,581	34,581
9	55—Civil Defence	1,20,000	1,33,878	13,878
10	58—Andaman and Nicobar Islands	1,17,43,000	1,20,67,216	3,24,216
11	64—Ministry of Natural Resources and Scientific Research	9,05,000	9,93,289	88,289

Excess over Charged Appropriations.—The following statement shows the excesses over individual charged appropriations:—

Serial No.	No. and Name of Appropriation	Final Appropriation	Actual Expenditure	Excess
1	31—Currency	2,68,000	2,85,369	17,369
2	32—Mint	..	217	217
3	34—Miscellaneous	5,000	32,612	27,612
4	38—Pre-partition Payments	47,000	4,10,650	3,63,650
5	Interest on Debt and other obligations and Reduction or Avoidance of Debt	37,32,47,000	38,99,81,160	1,67,34,160
6	73—Territorial and Political Pensions	5,00,47,000	5,02,48,845	2,01,845
7	75—Himachal Pradesh.	..	1,00,455	1,00,455

In the list enumerated above there is an excess of Rs. 217 against the Charged Appropriation under Grant No. 32-Mint. The amount represented the arrears of leave salary paid in 1951-52 to a late Mint Master for the period 13th August, 1947 to 25th November, 1947 which was erroneously classified as 'charged' in the Accounts, though under the provisions of the India (Provisional Constitution) Order, 1947 and the Constitution, the expenditure was classifiable as a voted item.

7. In a note (Appendix III) to the Committee explaining the reasons for the excess, the Ministry of Finance stated that they and the Comptroller and Auditor General were agreed that this expenditure should have been correctly classified as 'voted' and not as 'charged'. If the correct classification had been adopted in the accounts, the Ministry pointed out, there would have been no excess as there were sufficient savings to meet this expenditure in the 'voted' portion of this Grant. While normally excesses brought out in Appropriation Accounts presented to Parliament should be regularised in the usual manner as enjoined in Article 115 of the Constitution, in the Ministry's opinion—

"it would be extremely inappropriate for Government to approach Parliament for an Excess Appropriation when the expenditure in question cannot legally and constitutionally be 'charged' on the Consolidated Fund of India. That would be tantamount to the P.A.C. and Parliament becoming a party to the classification of this expenditure as 'charged' when it is legally a 'voted' item of expenditure".

They have, therefore, suggested that this item should be omitted while recommending to Parliament the regularisation of excesses brought out in the Appropriation Accounts.

The Committee appreciate the above views and after discussion with the Comptroller and Auditor General are disposed to accept the position that each case of excess or saving reported in the accounts should be examined in the light of any information subsequently made available to the Committee, whether by a Ministry or the Comptroller and Auditor General. The Committee, should, therefore

take account of any established misclassification in the Appropriation Accounts, which either attracts or avoids the necessity for regularisation by Parliament in making their final recommendations in this behalf.

Consistent with this principle, the Committee are inclined to think that the sum of Rs. 11 lakhs paid as Grants to certain Part B States under the provisos to Article 275(1) of the Constitution which should have been correctly classified in the Accounts as 'charged' would constitute an excess for purposes of Article 115 of the Constitution, although provision therefor had been made under 'voted' in Grant No. 35 and the expenditure incurred treated as 'voted' in the Accounts under examination. (The Committee note that the correct classification has been followed from the Accounts for 1952-53). The Committee are aware that errors cannot always be ruled out in such a complicated system of accounts as Government Accounts. The omission in the present case to make provision under the 'charged' head was a *bona fide* error which by itself will be a valid reason for recommending the regularisation of the excess.

8. The Committee, therefore, recommend that the net excess of Rs. 7 lakhs (after taking into account the saving of Rs. 4 lakhs) and the other excesses shown in the list in para 6 excluding the sum of Rs. 217 (charged) be regularised by Parliament in the manner prescribed in Article 115 of the Constitution.

II

BUDGETING AND CONTROL OVER EXPENDITURE

9. In the year under report, savings totalling Rs. 47.34 lakhs occurred in as many as 91 out of 103 voted grants, against 92 out of 106 in the preceding year, the percentage ranging from 11 to 69. Five grants alone were responsible for 71.3 per cent of the total saving of Rs. 47.34 lakhs. Similarly, there were savings of Rs. 33.54 lakhs in 14 out of 21 charged appropriations against 16 out of 21 in 1950-51.

Supplementary grants to the extent of Rs. 1,03,99 lakhs were obtained during the year, which works out to 49 per cent of the original voted grants. Out of the total gross savings of Rs. 47.34 lakhs on voted grants, a sum of Rs. 43.50 lakhs was surrendered in time. The unsurrendered savings were Rs. 3.84 lakhs. Savings of Rs. 33.54 lakhs occurred in 14 out of 21 charged appropriations. Surrenders amounting to Rs. 11.72 lakhs were made from certain grants (detailed below) although there were excesses over the final grants requiring regularisation under Article 115 of the Constitution:

No. and name of Grant	Excess over the final Grant	Amount Surrendered
	Rs.	Rs.
15. Archaeology	8,130	500
30. Miscellaneous Departments	10,41,867	4,14,300
34. Miscellaneous	1,25,43,893	6,09,000
42. Survey of India	34,581	1,48,000

There were 17 cases in which the Supplementary Grants obtained during the course of the year proved to be eventually unnecessary.

As explained in para 6, there were 11 cases of excess over voted grants involving a total excess of Rs. 1.47 lakhs whereas in the charged section, the number was 7 and the amount involved Rs. 1.74 lakhs.

10. Percentage of savings over final grants and appropriations is an index of accurate budgeting while excesses over grants and appropriations and surrenders reflect on the effectiveness of control over expenditure. The results disclosed in the foregoing paragraphs lead the Committee to the conclusion that there is definitely much scope for improvement in budgeting and control over expenditure.

11. The Committee have in the past focussed attention on the question of control over expenditure by the Ministry of Finance. The year under report was the first year of the First Five-Year

Plan and the country is now on the threshold of the Second Five-Year Plan. With the large and growing outlay contemplated in the context of the Second Plan, the question of financial control assumes added importance. For, a plan is not merely a programme of expenditure to be incurred by Government. It should also be well laid out with due regard to economy and efficiency. The fact that a far larger proportion of the national income than ever before is now spent by Government Departments obviously makes it desirable that the control over expenditure should be both effective and complete. Secondly, it is only to be expected that the tempo of rising expenditure during the Plan period would open up many possibilities of extravagance and waste and it is, therefore, necessary to keep a closer control over expenditure so as to ensure that every rupee of the planned outlay gets the maximum benefit to the tax payer.

The Committee had also commented in the past on "safe budgeting" by various Ministries. They regret to observe that the propensity to over estimate the expenditure still persists in many Ministries. The Plan provides a comprehensive expenditure budget for the entire plan period with well defined allotments for each purpose. Therefore, over-estimating of spending capacity and inclusion of provision for new schemes not ripe for execution, inevitably resulting in lapse of allotments must be kept down with vigilance. Such practices will not only be seriously misleading in the allocation of the resources raised, and in determination of fiscal policy, but also derogate from the efficiency of the vital function of Parliamentary control over expenditure. The Committee would therefore, wish to emphasise the need for a more realistic estimating and a better control over expenditure.

12. New situations require new technique and the Committee would urge that the present budgetary procedure should be reviewed in this context and, if necessary, reorientated with a view to introduce more realism in budgeting and to provide a more dependable mechanism by which Government can keep a continuous watch on the performance of the Ministries.

13. The Committee now proceed to deal with some of the specific cases concerning the various Ministries of the Government of India, as disclosed in the Audit Report—in which over budgeting and laxity of control over expenditure were noticed.

(a) MINISTRY OF INFORMATION & BROADCASTING

Grant No. 107—Note 1—Page 793 of the Appropriation Accounts (Civil), 1951-52

In this case, there was a saving of Rs. 37,29,260, i.e., more than 62 per cent of the provision of Rs. 59,80,000 originally made. Out of the final saving, a sum of Rs. 31,59,600 was surrendered to Government. In extenuation, the representative of the Ministry explained that it was due to non-receipt of Government's sanction and postponement of important items of work; non-selection of sites and non-supply of equipment worth Rs. 8 lakhs. The non-selection of the site, it was stated, was due to the fact that the expansion programme of the A.I.R. during the year under report was framed

rather late. Evidently, the original estimates framed by the Ministry were on an *ad hoc* basis—being based on inadequate information and having no regard to the Ministry's capacity to spend during that year. This is typical of the cases the Committee had in view in para 11 above.

(b) MINISTRY OF HEALTH

Grant No. 103—sub-head K. 1(5) (2)—Capital Outlay on Schemes of State Trading

This is another case in which a saving of Rs. 39.6 lakhs, as much as 60 per cent of the final grant, accrued and was neither surrendered nor reappropriated to other sub-heads during the year. The Ministry explained that the saving was due partly to the non-receipt of supplies and stores indented for and partly due to non-receipt of debits for stores supplied. The Committee would draw the attention of this Ministry and other spending Ministries to the oft-repeated recommendations made by them in the past cf. para 5 of their Report on the Appropriation Accounts, 1947-48 (Post-partition) that close liaison should be maintained by the indenting Department with the supplying Department to ensure the timely adjustment of the debit during the course of the financial year and thus avoid lapse of large funds which could well have been more usefully utilized in some other direction. The Committee were assured by the Ministry that a revised procedure had since been devised to ensure the timely adjustment of debits in such cases and that such lapses in future would not recur. The Committee would watch the effect of the revised procedure in the subsequent Audit Reports.

(c) MINISTRY OF HOME AFFAIRS

Grant No. 58—Andaman and Nicobar Islands.

Out of an excess of Rs. 3,24,216 under this Grant, an excess of Rs. 2,91,611 was due to adjustment of claims on account of cost of petrol supplied during the previous year. The Ministry failed to provide for this excess either in the original estimate or to come up for supplementary grants later in the year. The representative of the Ministry, however, conceded that provision in this respect could have been made at the time of framing of the Supplementary Demands for Grant. In another case relating to the same Ministry, there was an excess of Rs. 6,01,950 under sub-head D-3 in Grant No. 73—Territorial and Political Pensions.

The Committee are led to the inevitable conclusion that the estimates in both these cases had been only conjectural.

(d) MINISTRY OF COMMERCE & INDUSTRY

Grant No. 2—sub-head A.5—Grant of subsidy on American Cotton

In this case, a supplementary grant of Rs. 3,74,000 was obtained with a view to meeting certain outstanding claims of the mills. Out of this amount, Rs. 9,000 were re-appropriated, thus reducing the final appropriation to Rs. 3,65,000. An expenditure of Rs. 6/- only was booked during the year 1951-52 under this head thereby resulting in a saving of Rs. 3,64,994. In a note submitted to the Committee explaining the reasons for the non-surrender of this amount

(Appendix IV) the Ministry have stated that pending investigation into the counts of yarn manufactured by mills out of subsidised cotton (which they expected to make by the 31st March, 1952) they decided to defer the payment of claims of the mills. But even with the best efforts, the verification could not be completed as was anticipated and it was found too late to surrender the saving. The Committee are not convinced by the explanations given by the Ministry. They do not see why the Ministry did not review the position sometime in January-February, 1952 and come to a firm decision in order to avoid the lapse of the entire provision made. They, however, trust that in future, in such cases the Ministry would exercise more vigilance and take prompt action to review the matter well in time and obviate such lapse of funds.

(e) MINISTRY OF WORKS, HOUSING & SUPPLY

Grant No. 98—sub-head I (9) (1)—Government Housing Factory

In this case, the expenditure outstripped the approved estimate by Rs. 3,11,322. This, it was explained, was due to non-provision for customs duty. The representative of the Ministry admitted that it was a case of bad budgeting and the payment of customs duty should have been anticipated and provided for in the budget. The Committee hope that each spending authority, while providing for the purchase of stores from abroad, would as a matter of rule take into account incidental expenditure including customs duty that might have to be paid in that behalf.

(f) MINISTRY OF TRANSPORT

*Grant No. 86—Communications (including National Highways)—
Sub-head B-2—Other Communications—*

The reasons for the savings amounting to Rs. 1,52,337 under this head have been attributed mainly to the estimates relating to new works not being sanctioned in time and the late receipt of additional funds asked for. The delay in the preparation of the estimates has been ascribed to the lack of technical Engineering staff in some of the centrally administered areas. The Committee had in mind exactly such cases while making their recommendation in para 11 above.

(g) MINISTRY OF FINANCE

Para 16 of Audit Report (Civil), 1954—Part I—Reappropriation of Funds to meet expenditure on a new service.

In this case, a sum of Rs. 30 lakhs was reappropriated during 1952-53 out of the savings available within the Grant, to meet expenditure on the purchase of Canadian Chassis for the Bombay Transport Scheme. This was not contemplated in the Demands for Grants voted by Parliament.

In the course of the examination of this case the Comptroller and Auditor General informed the Committee that after obtaining the explanation of the Finance Ministry, he had treated the case as closed, but had merely brought the matter to the notice of the Public Accounts Committee through the medium of an audit paragraph.

The Finance Secretary then suggested that a ruling from the Public Accounts Committee on the scope of "new service" would be helpful. It was agreed, however, that this question should be further discussed between the Comptroller and Auditor General and the Finance Secretary and the Committee apprised. From a note (Appendix III A) submitted to them, the Committee observe that both the Comptroller and Auditor General and the Finance Ministry are of the opinion that the term "new service" is not susceptible of precise definition and its application has necessarily to be governed by the evolution of a body of case-law. The Committee are one with the view that each case will have to be considered on its merits, and if there is any disagreement between the Comptroller and Auditor General and the Government, the case should be referred to them immediately for a ruling.

III

IMPORTANT OBSERVATIONS ON INDIVIDUAL MINISTRIES

14. In the following paragraphs, the Committee shall refer to some of the important points that they considered in the course of examination of the Accounts relating to various Ministries.

MINISTRY OF COMMERCE & INDUSTRY

Audit Report (Civil), 1954—Part I—Para 2(a) Import of artificial silk yarn from Japan

15. During 1947-48 and 1948-49 Government decided to import 28 lakh lbs. of artificial silk yarn from Japan on Government account. The final release price of the yarn was fixed at Rs. 5-1-6 per lb. after taking into account freight and customs duties etc. The yarn was allocated to textile mills, the handloom industry and the silk mills through the Silk Directorate.

When the first consignment of 22 lakh lbs. of the yarn arrived in December, 1947, the price of the yarn in the internal market was Rs. 6-8 per lb. Government, however, deliberately kept down the release price of the yarn imported on Government account at Rs. 5-1-6 per lb. as their intention was that the manufactured goods should be sold at lower prices commensurate with the lower cost of the yarn supplied by them. Despite the instructions to this effect issued by the Textile Commissioner to the allottees of the yarn, the cloth continued to be sold at higher rates and the entire benefit of the low rate of yarn amounting to Rs. 30,93,750 went to the mills and handloom weavers without any advantage to the consumers. Indeed, it was reported that the yarn instead of being used for weaving into fabrics, was sold in the market at exorbitant prices by the members of the Silk Merchants Association who had received by far the largest allocation of yarn. The Textile Commissioner suggested that the price of yarn should be increased as in the absence of any control over the sale price of art silk cloth, the mills and the handloom weavers only were benefited by the cheap price of the yarn. In February, 1948, Government decided, on reconsideration, to charge the market price but did not give effect to it as the bulk of the stock had by then been sold out.

16. Out of the second consignment of 6 lakh lbs. of yarn received in July, 1948, only 2.89 lakh lbs. could be sold at Rs. 5-1-6 as the internal market price had fallen due to large imports of yarn by private parties, permits for which had been freely granted by Government. Also due to the refusal of the allottees to lift the remainder of the quota it had to be sold at prices below the cost price resulting in a loss of Rs. 2,14,592 to Government.

17. During the course of their examination the Committee were informed that the main purpose of Government entering into this transaction was to break the high price of art silk fabrics ruling in India at that time, and if they had sold the imported yarn at a high

rate, because the market rate was high, they would have undoubtedly cleared a big profit, but the primary purpose of bringing down the price would have been defeated. Even at the release price of Rs. 5-1-6 per lb. (as against the market price of Rs. 6-8-0 a lb.) Government cleared a profit of Rs. 37.78 lakhs on the whole transaction, although adventitiously. Government also claimed that the supply of imported yarn to the mills and handloom weavers by Government at a lower rate had brought down the price of yarn which was Rs. 6-8-0 a lb. in the internal market in December, 1947 to Rs. 3-4-0 a lb. in July, 1948.

18. The Committee desired to have information about the date on which import of yarn by private traders was permitted in 1948, the price of yarn in the internal market before and after imports by private parties arrived in India. On the basis of the information (Appendix IVA) furnished to them, the Committee find themselves unable to accept the claim that the supply of imported yarn by Government brought down the price of yarn; for in February, 1948, on a suggestion from the Textile Commissioner, the Government decided to raise the rates of the imported yarn from Rs. 5-1-6 to Rs. 6-8-0 per lb. That would indicate that prices still ruled high. In other words, although the bulk of the first consignment of 22 lakh lbs. of the yarn received in December, 1947 was allotted by February, 1948 at Rs. 5-1-6 a lb. the internal market rate was still Rs. 6-8-0 per lb. Again even out of the second consignment of 6 lakh lbs. received in July, 1948, Government were also able to sell in the market 2.8 lakh lbs. at Rs. 5-1-6. The fall in prices could, therefore, have set in only after July, 1948 by which time imports of yarn in large quantities on private account were apparently on the way. The fact that the allottees refused to lift the balance of the second consignment of yarn (at Rs. 5-1-6 a lb.) lends support to this.

As regards the other claim that Government had made a profit of about Rs. 37 lakhs in this venture, the Committee feel that this is hardly relevant in as much as the primary object of Government in embarking upon this venture was to break the high prices. In the Committee's experience in most of the State Trading Schemes undertaken by Government, profit was an inevitable feature however fine the estimates had been cut. In disposing of the remainder of the second consignment of 6 lakh lbs. of yarn, received in July, 1948 Government incurred a loss of Rs. 2.14 lakhs. This loss is stated to have been incurred as a result of a further decline in the prices of yarn. In the opinion of the Committee, this loss would have been avoided, if moderation had been used in the grant of licences for the imports of yarn on private account. In the circumstances, a liberal grant of licences, was not called for, particularly when Government had with them stocks of over 3 lakh lbs. of yarn costing Rs. 5-1-6 a lb. for disposal. Even granting that there was a demand or justification for the issue of such licence, the Committee see no reason why Government did not consider imposing certain restrictions on the import, quota on private account till stocks lying with them were cleared without loss to Government.

19. In the opinion of the Committee, Government had been rushed into this scheme, before they could devise proper machinery to ensure that the avowed object of this scheme would be achieved.

Within a couple of months of the import of the yarn, certain bad trade practices referred to in para 15 had been brought to the notice of Government by the Textile Commissioner. In the absence of the necessary machinery to enforce the conditions attached to the supply of yarn at concessional rate, Government were perhaps reduced to the unenviable position of a helpless spectator while the middlemen who were taking advantage of the price differential walked away with an undeserved gain of about Rs. 31 lakhs. The Committee feel that when it came to the notice of Government that the allottees did not abide by the obligations placed on them, Government should have considered the question of recovering from them the difference between the market price and the concessional price of the yarn.

The Committee would like that the case should be reviewed in the light of the above observations and a detailed note submitted to them.

Audit Report (Civil), 1954—Part I—Para 2(b)—subsidy for American Cotton

20. To encourage the production of medium counts of yarn for supply to the Handloom Industry, Government decided to subsidise the spinning mills importing U.S.A. cotton. Thirty-eight mills were paid subsidies amounting to Rs. 1,33,85,359 upto March, 1953. Though the subsidised import of American cotton was intended for assistance to the Handloom Industry, no instructions had been issued by the Textile Commissioner about this essential condition for the subsidy and Audit could not, therefore, certify that the subsidy paid by Government to the mills was utilised for the purpose intended.

The *C. & A. G. has also reported that there was a clear understanding that the import of cotton by the mills was subsidised by Government only to cover the shortage of appropriate types of Indian cotton suitable for the manufacture of yarn of medium counts. There was also a general ban on the export of such yarn. And yet a certain mill had been permitted by the Textile Commissioner to export yarn manufactured from subsidised cotton or from an admixture of the same with indigenous cotton. Some other mills manufactured yarn of finer counts with the subsidised cotton or an admixture of the U.S.A. and indigenous cotton. When these breaches of the understanding were pointed out by Audit an amount of Rs. 3,28,879 was recovered from 18 mills against a sum of Rs. 3,30,749 which was due for recovery. The balance of Rs. 1,870 was waived.

21. In evidence, the background against which Government took the decision to subsidise American cotton was given as follows. There was a shortage of yarn required by the handloom weavers and the only place at that time from which the appropriate cotton could be imported was the U.S.A. The price of American cotton was Rs. 1,250 a bale as against the price of the corresponding variety of Indian cotton which was Rs. 850 a bale. If the yarn produced out of this imported cotton was sold at the price corresponding to Rs. 1,250 a bale, then the handloom weaver would have

* Comptroller and Auditor General

had to pay a very high price for the yarn. The Government, therefore, thought that the handloom weavers ought to get this yarn as if the imported cotton also was available at the indigenous price of Rs. 850 a bale. In other words, Government decided that the general tax payer should subsidise the indigenous weaver to the extent of Rs. 400 a bale of imported cotton.

The Textile Commissioner at that time had issued instructions to the various mills to the effect that this cotton would be subsidised by Government on the main considerations that the yarn produced out of it should be made available to the handloom weavers and not exported and that the yarn made out of this cotton should be within certain counts.

About the mill which had exported yarn manufactured out of the subsidised cotton, and which had, nevertheless received subsidy amounting to about Rs. 10 lakhs, the Committee were informed that this mill had represented to the Textile Commissioner that it had certain operational difficulties and desired to be exempted from the strict operation of the regulations which Government had generally imposed. The Textile Commissioner at that time first gave the permission verbally and then, at the instance of the mill, he passed a formal order in writing. The Ministry who were consulted had approved of his action. The mill construed the Textile Commissioner's order as enabling it to spin the imported subsidised cotton into yarn of finer counts than the ordinary medium counts. Some of this yarn of higher counts was actually exported outside the country. The mill contended that under the orders of the Textile Commissioner all that it was called upon to do was that, in return for certain bales of American cotton, it should supply corresponding quantity of medium count yarn to the handloom weavers which it had done. The Committee were given to understand that there had been a dispute whether, even in terms of the Textile Commissioner's orders, the mill was justified in the line of defence it had taken and that the whole case had been referred to the Solicitor General for his opinion as to whether Government could sue the mill.

In these circumstances, the Committee would prefer to wait till the Solicitor General has given his opinion on this case. They desire that a note should be submitted to them indicating the points referred to the Solicitor General for his opinion and the opinion of the latter on each of the points so referred. The Committee would also like to have a copy of the order issued by the Textile Commissioner to this mill.

22. In reply to a specific question whether the Textile Commissioner was competent to give the exemption asked for by the mill, the Committee were informed that under the provisions of the Cotton Textile (Control) Order, he had the power. From an earlier note (Appendix V) submitted to them by the Ministry, it is observed that the object of Government in subsidising the cotton, namely, to maintain the production of medium counts of yarn to the handloom industry, was made known to all the spinning mills etc. and they were also told in very clear and unambiguous terms that no yarn manufactured out of this subsidised American cotton or from a 'mixing' of such cotton with Indian cotton should be

exported or sold for export outside the Indian Union. There was no caveat to the effect that such an export could be made with the permission of the Textile Commissioner. Also by a notification of the 30th August, 1950, all yarn produced from subsidised American cotton should be of medium counts and should be available for consumption in the country. The Committee, therefore, feel that the Textile Commissioner had exceeded his competence in giving the exemption sought by the mill as it was *prima facie* outside the four corners of the policy underlying this scheme. They are not also convinced of the stand that the powers he had under the Cotton Textile (Control) Order could be exercised to circumvent the declared policy of Government in this matter. The fact that he subsequently reported the matter to the Ministry and got their approval to his action indicated the doubt he had on this point. It is the Committee's view that the Ministry had overlooked the implications of the exemption which were quite apparent.

*STATEMENT OF OUTSTANDING RECOMMENDATIONS

*Item 32 of the *Statement of Outstanding Recommendations—Use of staff car from H.M.G.'s pool of cars.*

23. In paragraph 26 (ii) of their First Report, the **P.A.C. had remarked that the decision to waive the recovery of the amount from the officer concerned for having utilised the cars from a pool of cars for private purposes in the case referred to in para 23(c) of the Audit Report (Civil), 1950 was not correct and that the officer should not have been treated leniently as there was a *prima facie* charge of malfeasance against him. They suggested a thorough investigation into all the charges levelled against him.

24. The Committee considered the note (Appendix CX to the Fifteenth Report, Vol. II) submitted by the Ministry. While the Ministry have admitted that in apportioning the cost for using Government transport to be borne by the officer, the fact that during the period the officer was away on tours, the cars were used by his family was not taken into account, they did not consider it desirable to reopen this case at this distance of time and enforce recovery. The Committee are not satisfied with this explanation.

They are of the view that the action taken against the officer concerned was too lenient. As the services of this officer have since been terminated, the Committee do not propose to pursue the point.

*Item 33 of the *Statement of Outstanding Recommendations—Alterations in the Cash Receipt.*

25. In para 169 of their First Report, the P.A.C. desired that action should be taken against the officers involved in the case relating to spurious alterations in the cash receipts of Railway freight paid on consignments for the late Ministry of Commerce.

26. The Committee observe from the note (Appendix CXI to the Fifteenth Report, Vol. II) submitted by the Ministry that the case

* Appendix I to the Fifteenth Report of the Public Accounts Committee—Vol. I.

** Public Accounts Committee.

was before the Court now, after a lapse of so many years. The Committee understand that this delay was partly due to a technical defect in the procedure for prosecuting the delinquent official. The Committee are amazed that even *prima facie* cases deserving prompt punishment are allowed to prolong because of procedural defects which it is expected should have been anticipated.

*Item 34 of the *Statement of Outstanding Recommendations—Continued loss in Trade Marks Registry.*

27. The P.A.C. in their First Report had suggested that the question of making this organisation self-supporting should be considered and, if necessary, scales of fees raised. In the note (Appendix CXIII to the Fifteenth Report, Vol. II) submitted to the Committee, it is stated that this question would be examined along with the recommendation of the Trade Marks Enquiry Committee. The Committee are at a loss to understand why this question should be linked up with the implementation of the recommendations in the Report of the Trade Marks Enquiry Committee, particularly when the latter Committee (according to the Ministry themselves) had not at all touched upon this aspect in its Report. They would, therefore, urge the necessity of considering the question of revising the scales of fees independently and come to final decision at an early date so as to eliminate further losses.

*Item 39 of the *Statement of Outstanding Recommendations—Purchase and distribution of standard cloth.*

28. The Committee desire that the accounts of this old scheme should be closed without further delay.

*Item 41 of the *Statement of Outstanding Recommendations—Import and sale of Japanese Cloth—*

29. The Committee would like to be informed of the results of the arbitration in regard the recovery of Rs. 15 lakhs from M/S. Banwari Lal & Company.

MINISTRY OF COMMUNICATIONS

Para 3 of Audit Report (Civil), 1954—Part I—Loss due to delay in sanctioning proposal

30. In this case, an officer of the Civil Aviation Department of the Government of India was deputed to accompany the flights of a crew in connection with the special tests of certain Dakotas which were made available by the Indian Airlines Corporation in order to determine their performance for operation under varying conditions. The decision of the Government in this behalf was taken on the 30th January, 1954 and the flights were due to start on the 12th February, 1954. The crew was insured for the special risk involved. A proposal for a similar insurance of Rs. 40,000 on the life of this officer was also made to the Ministry of Finance on the 16th February, 1954 when the test flights had already started. Unfortunately while the proposal was under the consideration of the Ministry of Finance.

one of the Dakotas being tested crashed on the 25th February, 1954 resulting in the death of two flying personnel—the pilot and co-pilot—and this officer. The risks to the aircraft were underwritten by the Government of India who had also agreed to meet the expenditure on taking special risk insurance policies for the flying personnel of the Corporation who were to carry out the tests. An *ex-gratia* gratuity of Rs. 30,000 was paid to the officer's widow. According to Audit, if the insurance had been taken out in time, the Government could have saved the *ex-gratia* payment, by a payment of Rs. 900 only as premium.

In evidence the Committee were informed that this officer's family would have received a gratuity amounting to Rs. 9,400 only whereas now an *ex-gratia* payment of Rs. 30,000 had been made. In addition, family pension was also granted to the widow and the children of the deceased officer as admissible under the Extraordinary Pension Rules.

The Committee are not convinced by the explanations given to them by the Ministry of Finance that as this case involved a departure from the existing rules, it required some special consideration. No one would object to any kind of a special consideration being given if the case required it. But it should also have been realised that the special consideration had to be given in time—that is before the risk commenced. The Committee regret to observe that the compelling urgency in this case, particularly when the officer had already been deputed to accompany the test flights and the risk had also commenced, had not been appreciated by the Ministry of Finance. Having agreed to reimburse the Air Company with the cost of extra premium for covering the special risk of the crew, it is surprising why Government should have proceeded to deal with this case differently.

31. The Committee came across a case in the Labour Ministry (cf. para 95 of this Report) where the financial sanction to a proposal was sought *ex-post-facto* on the plea of urgency, which Finance while according sanction demurred and rightly so. There the Committee have expressed the view that a procedure should be evolved for speedy consultation with Finance in urgent cases. The Committee think that the Ministry of Finance on their part should investigate the causes of delay in their internal procedure with a view to streamline it.

*OUTSTANDING RECOMMENDATIONS

Item 56—Loss of Gandhi Memorial Stamps in the Indian High Commission, London.

32. The P. A. C. of 1951-52 commented upon in para 26(v) of their First Report about the loss in the Indian High Commission in London of Gandhi Memorial stamps worth £106-8-5 despatched from India. The Committee regret to observe that it should have taken a period of 5 years to investigate into the loss. The report of the enquiry did not also reveal how the loss had occurred (Appendix

CXXVIII, Fifteenth Report, Vol. II). The permanent official concerned is stated to have since retired from service with effect from 4-3-53, and the temporary official who assisted him was also no longer in service. The Committee could do no more than observe that had the Government moved in the matter quickly instead of delaying it for five years (the loss was pointed out in the Audit Report on the Accounts for 1948-49), the enquiry would perhaps have been fruitful.

Item 121—Recovery from the Nationalist Chinese (KMT) Government

33. The Committee understand that the question of recovery of the sum of Rs. 1,29,230 due from the Nationalist Chinese Government is being pursued at diplomatic level. They should like to be informed in due course of the further development in this case.

Item 121-A—Appointment of an Internal Accounts Officer in the Overseas Communication Service—

34. The Committee would like to be informed about the decision arrived at in this case.

Item 123—Recovery from Pakistan of their share of contribution to the International Civil Aviation Organisation paid by India for the period from 15-8-47 to 30-6-48.

35. In para 47 of their Fifteenth Report, the last Committee referred to the refund by the I. C. A. O. of the sum of \$15,635 paid by India as Pakistan's share of contribution or its being adjusted against India's future contribution to the Organisation. The Committee should like to know the progress made in the matter.

MINISTRY OF DEFENCE

Para 20, Audit Report (Civil), 1953—Irrecoverable Motor Car Advance.

36. A sum of Rs. 2,142 representing the balance of motor car advance of Rs. 3,500 drawn by an Army Officer in July, 1947, and interest thereon, was due from him on 17th October, 1948 when he was dismissed from service on a charge of misappropriating Government money. The credit balance in his Pay Accounts was not sufficient to cover this demand and the Accounts Officer recommended on 25th October, 1948 that, under the terms of the mortgage deed, the car should be seized and its sale proceeds appropriated towards the demand. The Army authorities did not act up to this recommendation but gave further time to the officer to pay up his dues. The officer continued to default and ultimately when the authorities decided to take action to seize the car, it was noticed that the car had already been disposed of in January, 1949. Subsequently a Court decree was obtained against this officer for Rs. 2557/- plus interest.

37. In the note (Appendix VI) submitted to the Committee, the Ministry of Defence have stated that the British Officer who was responsible for giving extension of time for the

officer to pay up his dues had retired from service on 31st March, 1950 and that the question of fixing responsibility arose only after his retirement. It has also been stated by the Ministry that Court orders have since been obtained for the seizure of the present car held by the officer and that the Government pleader was being requested to take early action for the execution of the attachment order.

Considering the fact that the officer concerned was dismissed from service for misconduct, the Committee feel that the authorities concerned should have taken prompt action on the advice of the Accounts Officer to seize the car (this was permissible under the terms of the mortgage) instead of accepting his assurance and allowing him further time to pay up his dues. The Committee would like to know in due course about the execution of the attachment order and recovery of the decretal amount.

MINISTRY OF EXTERNAL AFFAIRS

Para 22(a) of Audit Report, 1953—Purchase of furniture without tenders.

38. In this case, office furniture of the value of £ 8,339 (inclusive of purchase tax) for the extended premises of the Indian High Commission, London was purchased by the High Commission from a London firm without inviting competitive tenders. In order to enable the Committee to formulate their views in the matter, the Ministry of External Affairs were asked to furnish certain further information regarding the date on which the extended premises of the Indian High Commission in London were taken over and the date on which the furniture was purchased and the justification for bypassing the procurement and inspection agency of the I.S.D., London in the matter of purchase of the furniture. The Committee regret to observe that although more than 8 months have elapsed the Ministry have not yet furnished the information. The Committee, therefore, have no alternative but to leave this matter for future consideration.

Para 4(a), Audit Report (Civil), 1954—Part I—Extravagant expenditure on rental.

39. Office accommodation was rented in a foreign country for three years from 1st January, 1949 without prior sanction of Government and without consulting the Financial Adviser attached to the Mission, involving an expenditure of Rs. 1,61,512. When the expenditure on rent was challenged as irregular in Audit, the Mission approached the Government of India for sanction. Government, after consultation with the Financial Adviser in the matter, found that the accommodation rented was very much in excess of requirements and ordered on 11th October, 1951 for the immediate surrender of the surplus accommodation which resulted in a reduction in rent by Rs. 1,135 per month. The surrender was actually made on 14th December, 1951 and the extra cost to the Government amounting to Rs. 37,776 was subsequently regularised by *ex-post-facto* sanction by Government.

40. In the course of their examination, the Committee learnt that the Consul General did not report the surplus accommodation to Government until Audit drew the attention of the Government to this fact and that even after the extravagant scale of accommodation was called into question, the Consul-General attempted on 18th July, 1951 to justify this and also suggested that no reduction should be made when it was clear that both according to Indian as well as Washington standards the scale was excessive.

In a note (Appendix VII) submitted to the Committee, the Ministry have observed that Audit objected to this expenditure only in February, 1951 and, therefore, in March that year the Consul-General approached Government for *ex-post-facto* sanction.

The Committee are unable to appreciate the significance of the above statement. It is as much the responsibility of any public servant to ensure that unauthorised and wasteful expenditure should not be incurred. It should not be left for Audit to point out all irregularities. In this particular case the Committee were informed that Audit did in fact challenge this expenditure as early as December, 1949. The communication of February, 1951 referred to in the note by the Ministry was only in the nature of a reminder. The Consul-General should, therefore, have reported the matter to Govt. about a year earlier. It was pointed out to the Committee that in this particular instance, under the terms of the lease, no portion of the accommodation could be surrendered before 15th December, 1951. This, the Committee regret to observe, did not in any way justify the delay in taking action in this case. On the other hand, it illustrates how the financial interests of Government are affected adversely by pre-sanction action on the part of individual officers on their own initiative and discretion. The Committee are of the view that Government officers in responsible position should act in the best financial interests of Government and should not put forth as a plea for any act of irregularity committed by them, the failure of Audit to bring this fact to their notice. They would also suggest that in order to avoid recurrence of such cases, instructions should be issued to all Missions that financial commitments should be made only after consultation with the Financial Advisers attached to the Missions.

Para 4(b)—Audit Report (Civil), 1954—Part I—Extravagant expenditure on residential accommodation.

41. The Head of an Indian Mission abroad rented hotel accommodation at Rs. 7,100 p.m. without obtaining the prior approval of the Government as the house purchased about a year back for accommodating the Head of the Mission had not been furnished. Also the accommodation rented was very much in excess of the ceiling, viz., Rs. 3,100 p.m. prescribed for his predecessor. It took over 19 months for redecorating and furnishing the house purchased by Government. Government granted *ex-post-facto* sanction in respect of the rent of accommodation to the extent of Rs. 44,500 and had ordered recovery of Rs. 5,500 from the officer concerned. This officer also incurred an expenditure of Rs. 33,170 on major structural changes in the house without Government's sanction.

42. In evidence, the Committee were informed that the delay in furnishing and redecorating the house was partly due to the fact that for a period of 8 to 9 months the High Commission remained in charge of the Second Secretary and that it was thought that the furniture should not be purchased during the absence of the Head of the Mission. The High Commissioner took charge in June, 1951 and he took seven months to furnish this house. The cost of redecoration and furnishing was Rs. 1,94,847.

It was argued before the Committee that the letter of appointment stating that the Head of the Mission would be provided with free furnished accommodation had led him to believe that he had the right to rent accommodation to his taste. The Committee are not persuaded by this argument in as much as the High Commissioner was aware that a ceiling on the cost of accommodation of his predecessor had been imposed by Government at Rs. 3,100 approximately.

The Committee regret to observe that this is not the solitary instance where Missions abroad had failed to exercise sufficient restraint and moderation in the scale of their own requirements, and trust that with the appointment of the Foreign Service Inspectorate, things would improve.

Para 4(c)—Audit Report (Civil), 1954—Part I—Non-recovery of full dues

43. An Officer, who was appointed on contract terms in an Embassy, was advanced (including payments made on his behalf) a sum aggregating Rs. 16,617 on the termination of his services in July, 1947 without any authority from Audit or sanction of Government. In November, 1951 Government sanctioned the write off of Rs. 6,776 after adjusting Rs. 9,841 due to him as leave salary and travelling allowance and decided that he should not be associated with Government in any capacity whatsoever. As this decision was not communicated to all Ministries, this particular officer was re-engaged in April, 1953 by another Ministry to assist a Commission and was paid Rs. 10,000 as an honorarium in addition to travelling allowance etc.

44. During their examination the Committee were informed that the rules in regard to granting of advances had since been tightened up and that such cases would not recur in future. A further sum of Rs. 2,000 had been recovered from this officer and the balance due from him was actually only Rs. 1,282 or so. The decision not to employ this officer in future under Government was not circularised by the Ministry as it transpired subsequently that the amount due from him was considerably less. The Committee do not consider this as sufficient justification.

The Committee feel very strongly about this case and suggest that clear instructions should be issued to all disbursing officers in the Embassies that they would be held personally responsible for any unauthorised advance of Government money made by them.

*Item 57 of the *Statement of Outstanding Recommendations—
Purchase of whisky by the High Commission for India in the U.K.*

45. The P.A.C. of 1951-52 while considering para 25(b) of the Audit Report for 1950 dealing with the question of payment of £400 by the High Commission for alleged breach of contract for supply of 4,275 cases of whisky, desired that this matter should be examined further. In pursuance of this, the Ministry submitted a note (Appendix CXXIX, Fifteenth Report—Vol. II) to the Committee.

46. The Committee understand that whisky was eventually purchased from normal trade channels at a price far lower than that was originally contracted for. If the contractor had not defaulted the loss to Government by way of payment of excessive contracted rates would have been much more than £400 paid as compensation for alleged breach of contract. The Committee feel that the High Commission should have called for tenders and if this could not have been done they should have approached Government for sanction to depart from the prescribed rules. The facts of this case seem to indicate that had tenders been invited at the outset, whisky could have been obtained from the normal trade sources at a much lower cost.

*Item 59 of the *Statement of Outstanding Recommendations—
Budgeting and financial control of Indian Missions abroad.*

47. The Committee note that the Foreign Service Inspectorate, who have since been appointed, would during the course of their visits to Missions abroad examine the adequacy of the existing budgeting and financial control and make suggestions for improvement where necessary. They would like a copy of the Report of the Foreign Service Inspectorate, together with a statement showing the action taken by Government on their report be furnished to them in due course.

*Item 60 of the *Statement of Outstanding Recommendations—Fin-
ancial powers of the High Commissioner for India in the U.K.*

48. The note (Appendix CXIII to the Fifteenth Report, Volume II) submitted by the Ministry of External Affairs regarding the proposed financial powers of the High Commissioner for India in the U.K. was considered by the Committee. They observe that there is a certain amount of vagueness in the proposed delegation of powers. The Committee understand that this matter was further discussed in detail by the Ministry with the Deputy High Commissioner during his visit to India and that necessary action would be taken on receipt of proposals from the High Commission in the light of these discussions. The Committee desire to be informed in due course of the actual financial powers delegated to the High Commissioner in U.K. and how these compared with the powers enjoyed by the Heads of Missions in U.S.A, Russia and other countries.

MINISTRY OF FINANCE

Audit Report (Civil), 1953—Para 38—Income-tax cases

49. As a result of the investigations made by the Income-tax Investigation Commission, income-tax demand totalling Rs. 18.44 crores was raised upto the end of 1951-52. The actual collections against this demand amounted to Rs. 4.71 crores.

50. During the course of their examination, the Committee were informed that the cases investigated by the Commission were of two types; first, cases referred by Government to the Commission for investigation under Section 5(1) of the Taxation on Income (Investigation Commission) Act, 1947 in which there were *prima facie* reasons for believing that a person had, to a substantial extent evaded payment of taxation on income; secondly, cases referred to the Commission by Government under Section 5(4) *ibid* which the Commission decided to ask for reference by Government as a result of its investigation into cases referred to it under Section 5(1). The Supreme Court had declared both the Sections 5(1) and 5(4) of the Act invalid; the latter with effect from the date of the Constitution and the former from the 17th July, 1954. The result was that Government had to re-do all the cases numbering about 830 in all which the Commission had already done under Section 5(4) and which it had left unfinished on the 17th July, 1954 under Section 5(1) of the Income-tax Investigation Commission Act.

Of the 830 cases taken over by Government because of the invalidity of the Commission's proceedings, Government had upto November, 1955 completed 126 cases which involved a concealed income of Rs. 5.32 crores, resulting in a demand of Rs. 3.31 crores against which Rs. 1.5 crores had already been collected.

51. The Committee now understand that Section 5(1) of the Income-tax Investigation Commission Act had since been declared invalid from the commencement of the Constitution. This would mean that Government would now have to reassess under Section 34(IA) of the Income-tax Act all the cases which the Commission had completed by 17th July, 1954. The Committee desire to be furnished with information on the following points:—

- (a) the number of cases completed by the Income-tax Investigation Commission under Sections 5(1) and 5(4) separately;
- (b) the assessments made by the Commission and the amounts realised in respect of demands made under each of these two sections;
- (c) the amounts of tax demand and collection in respect of the completed cases in which the proceedings of the Commission have been held to be invalid;
- (d) the number of cases which Government had to take over as a result of the decision of the Supreme Court declaring the sections invalid; and
- (e) the number of cases which Government had completed upto 31st March, 1956 together with the assessment made and the amount recovered.

Audit Report (Civil), 1953—Para 30—Account with the High Commission for Pakistan

52. There was a large balance outstanding under 'Deposits and Advances' in respect of pensions, leave salary, sterling overseas pay and scholarship allowances paid by India on behalf of Pakistan. Since India's current payments on behalf of Pakistan exceeded Pakistan's payment on behalf of India, the amount due from Pakistan was increasing.

The Committee were informed by the representative of the Ministry of Finance that consequent on the transfer to the Government of the United Kingdom with effect from the 1st April, 1955 of the control, administration and payment of sterling pensions, the question of increase in the current payments of sterling pensions made by India on behalf of Pakistan would not arise any more. For, as a result of the lump sum payment to the U.K. by India of the capitalised value of these pensions no further payments would be made by the Indian High Commissioner on this account. The Committee would like to be assured that in computing the lump sum, only such pensions for which the liability devolved on India were taken into account and those the liability for which was that of Pakistan, were excluded. As regards the recovery of the past payments of the order of £8,23,527 outstanding on 17th November, 1955 the Committee hope that Government would pursue the matter diligently and soon come to an agreement with Pakistan in regard to the settlement of this and of the other question of pre-partition debt of the order of Rs. 300 crores, the repayment of which should have commenced from 1952 according to the Partition Agreements.

Audit Report (Civil), 1954—Part I—Para 5 (a)—Irregular resumption of a pension

53. The payment of a pension of Rs. 1,200 per annum sanctioned in 1938 to a British Service Officer, which had remained undrawn in India for more than 6 years from 1941 was, in contravention of rules, resumed by the High Commissioner for India in U.K. in April, 1948 at the instance of the Ministry without any authority from the Audit Officer in India. Under the terms of the Agreement between India and Pakistan, this pension was the liability of Pakistan. And when it was realised that this pension was not the liability of India, the High Commissioner for India actually discontinued the payment of pension to this officer and raised a debit against the Pakistan Government for past payments. The High Commissioner for Pakistan refused to accept liability for past payments and also declined to make further payments to the pensioner. The Pakistan Government's contention was that this pension was not alive at the time of Partition and that resumption of the payment of this pension by India outside Pakistan made it practically the liability of India.

54. In evidence, it was pointed out that although India still maintained that the liability was that of Pakistan, payment of this pension was resumed from 1st October, 1952 to avoid any hardship to the officer pending discussion between the two Governments regarding the incidence thereof.

While the Committee appreciate that the circumstances in 1948 were such that the Government of India could have made a *bona fide* mis.ake in resuming payment of this pension which had remained undrawn since 1941, they see no justification for resuming the payment of this pension in October, 1952 after it had been discontinued for the very reason that it was not the liability of India but of Pakistan. The plea that non-payment of this pension would cause hardship to this officer is rather unusual though understandable.

The Committee were also informed that on the transfer to the U.K. of the liability for the payment of sterling pensions from 1st April, 1955 the liability for this pension would cease.

The Committee desired to know from Government whether this particular pension had been excluded for the purpose of calculating capitalised value of pensions which were the liability of India. The reply is still awaited.

Audit Report (Civil), 1954—Part I—Para 5(b)—Grant of excessive emoluments to an officer on deputation

55. For an officer who was placed on deputation under the Colombo Plan arrangements for a period of about four months, the following terms were sanctioned originally:—

- (a) Pay (as in India) Rs. 4,000 a month.
- (b) Foreign Allowance Rs. 453/12 a month.
- (c) Sumptuary allowance Rs. 200 a month.
- (d) Free motor car.
- (e) Board and lodging at a first class hotel for himself and his family at a cost estimated to be Rs. 110 a day, and
- (f) a special allowance to secure for him the same position as would ensue from the exclusion of the entire amount of salary and perquisites that would be drawn by him during his deputation from his total income for purposes of assessment of income-tax.

[Items (d) and (e) above would be borne by the borrowing Government].

The special allowance payable to the officer by the Central Govt. in terms of (f) above, as worked out by Audit, amounted to Rs. 12,128 a month during the period of deputation, falling within the assessable year 1954-55. In other words, under this sanction, the officer's gross pay and allowances would have amounted to Rs. 20,231/12. This meant a net benefit to the officer after payment of tax, of Rs. 5,819 a month over and above what he would have received but for his deputation.

56. During the course of their examination, the Committee were informed by the Comptroller and Auditor General that he drew the attention of Government at the highest level to this sanction which apart from the special benefit given to this officer would constitute an undesirable precedent, emanating as it did from the Finance Ministry themselves. Thereupon a revised sanction was issued on

the 27th May, 1955 with the concurrence of the Ministry of Home Affairs withdrawing the concession referred to at clause (f) above, namely, relating to the special allowance to cover income-tax payable. Under the revised sanction, the officer got about Rs. 8,100 a month as detailed below:—

	Rs.	
Pay (as in India)	4,000	
Foreign allowance	450	
Sumptuary allowance	200	
Board and lodging	3,300	(at the rate of
		Rs. 110 a day)
Free car	150	
	8,100	

The Committee feel that even the revised sanction erred on the generous side. They are unable to see any special reason for the grant of both foreign and sumptuary allowances in this case when, as a matter of fact, in the case of a number of other officers, who had been deputed under the Colombo plan to foreign countries such allowances were not sanctioned. The Committee were informed by the representative of the Ministry of Finance that the principle on which Government proceeded was that the officer who was sent on special duty should not suffer in his emoluments on his leaving the post he was then occupying and that the various items of emoluments referred to above were worked on that basis.

The emoluments admissible to the officer both under the original and revised sanction were, in the Committee's opinion, too liberal. The Committee regret that the Finance Ministry, which is the Ministry responsible for financial propriety, should have chosen to act in this manner.

*STATEMENT OF OUTSTANDING RECOMMENDATIONS

*Items 10 and 12 of the *Statement of Outstanding Recommendations—Prompt action against officers found guilty of misusing Public money*

57. The Committee considered the note (Appendix LIV to the Fifteenth Report-Vol. II) submitted by the Ministry in regard to the action taken by them on the Committee's recommendations contained in para 25 of the First Report (1951-52) and para 27 of the Seventh Report (1952-53). These recommendations relate to prompt action to be taken against officers found guilty of misuse of public money, reckless disregard of financial rules, extravagance and losses. The Committee would like to reiterate the observations made in their last report, namely, that mere issue of instructions would not be enough to meet the recommendations of the Committee. It is also necessary to see that the instructions issued were strictly complied with and any delay on the part of an officer inquiring into the case to bring to book the delinquents was suitably dealt with as enjoined in the instructions.

58. The Committee understand that in pursuance of the Note on the measures for dealing with corruption in Public Services laid on the table of both Houses of Parliament in August, 1955,

*Appendix I, Fifteenth Report of the Public Accounts Committee—Vol. I.

an organisation called the Administrative Vigilance Division headed by a Director (of the status of Joint Secretary) has been set up in the Ministry of Home Affairs in August, 1955. It is also noted that Vigilance officers have been appointed in each Ministry or the principal attached and subordinate offices. The Committee welcome this step and trust that with the setting up of this organisation things would considerably improve.

*Item 14(i) of the *Statement of Outstanding Recommendations—
Agency fees paid to the C.R.O. for work in connection with payment
of pensions*

59. In paragraph 153 of their First Report (1951-52) the Committee desired to be kept informed of the progress made in taking over the work relating to payment of military pensions from the U.K. Government. The Committee have since been informed (Appendix VIII) that the liability for the payment of these pensions has been transferred to the U.K. Government from 1st April, 1955 and that other agency functions such as the maintenance of cash investment accounts, India's Sterling Debt, Railway Annuities etc. have been taken over by the High Commission for India in London with effect from 1st April, 1955, with the result that from 1955-56 onwards no agency fees would be payable to the C.R.O.

*Item 15 of the *Statement of Outstanding Recommendations—
Insurance Organisation*

60. In their First Report, 1951-52, the Committee had suggested that since the Insurance Organisation was intended for the benefit of the Insurance Companies etc. the fees levied should be adequate to cover the expenditure. The Committee note (Appendix CII to the 15th Report, Vol. II) that at present the Insurance Organisation was self-supporting. In view of the recent expansion of that organisation and the decision of Government to nationalise Life Insurance Business, this position might change. The Committee would, therefore, like to watch the position.

*Item 24 of the *Statement of Outstanding Recommendations—Admi-
nistrative Audit System in the Multi-purpose River Valley Projects
and Ministries*

61. The Committee have considered the notes (Appendices IX and X) submitted by the Ministries of Finance and Works Housing and Supply on the progress in the introduction of a system of administrative audit in the Central Public Works Department. From the notes it appears that the *ad hoc* inter-departmental Committee set up in May, 1948, under the Chairmanship of the Deputy Auditor General to advise Government on the question of setting up of an independent inspection agency for the technical examination of the expenditure on Central Public Works Department works, recommended in November, 1948 that two organisations on the pattern of (a) Chief Technical Examiner and (b) Chief Surveyor of Works existing in the Military Engineering Service should be introduced in the Central Public Works Department. In November, 1952 the Ministry of Finance agreed in principle to the setting up of the Chief Technical Examiner and Chief Surveyor of Works Organisation for the Central Public Works Department. In September, 1953

*Appendix I, Fifteenth Report of the Public Accounts Committee—Vol. I.

in consultation with the Comptroller and Auditor General it was decided to set up a Chief Technical Examiner's Organisation under the Ministry of W. H. & S.† and the final approval of the D.F.C.‡ was obtained in August, 1954. The Committee note that while preparations for the implementation of this scheme were under way, proposals were put forward in February, 1955 for the setting up of Surveyor of Works Organisation under the control of the Chief Engineer, C.P.W.D., and it was suggested to the D.F.C.‡ by the Ministry of W. H. & S.† that the proposal for a Chief Technical Examiner's Organisation which was approved earlier by the D.F.C.‡ should be postponed till experience was gained on the working of the Surveyor of Works Scheme.

The Committee are at a loss to understand the reasons for the above suggestion by the Works, Housing & Supply Ministry that the implementation of the Chief Technical Examiner's Organisation should be postponed. when it had originally been decided by the inter-departmental Committee and also by the D.F.C.‡ that the scheme should be implemented first. The Committee also fail to see the relationship between the two organisations and could not understand why the setting up of the C.T.E. Organisation in accordance with the recommendation of the Public Accounts Committee should be linked with the Chief Surveyor of Works Organisation which, in the opinion of the Committee would, in the main, be relieving the executive of a part of its normal duties such as, preparation of estimates, contract documents, checking bills etc. and not be conducting an independent check on performance which was the underlying purpose of the recommendation of the Committee.

The Committee are surprised to find that even after the lapse of so many years little or no progress had been made in implementing their recommendation. They, therefore, desire that the whole question should be reviewed immediately and a note submitted to them without any delay.

62. The Committee would also like to draw the attention of the Ministry of Irrigation and Power to para 115 of the Fifteenth Report of the Public Accounts Committee. They regret to observe that the Ministry have not submitted to the Committee the revised note promised by them in regard to the introduction of administrative audit system in various River Valley Projects. The Committee cannot overemphasise the need to come to an early conclusion in this behalf and would reiterate the observation of the last Committee that as some of the major projects were already in the advanced stages of their execution, any procrastination might defeat the object underlying the introduction of this system.

*Item 25 of the *Statement of Outstanding Recommendations—Introduction of a satisfactory system of Exchequer control*

63. The Committee realise that the introduction of Exchequer control involved complete change of the present treasury and accounting procedure. They are, however, glad to note that until these changes could be brought about, the Comptroller and Auditor

*Appendix I. Fifteenth Report of the Public Accounts Committee—Vol. I.
 †Departmental Finance Committee
 ‡Works, Housing & Supply.

General and Government have agreed upon as part of the scheme of departmentalisation of Accounts, a system of centralised payments by departmental Pay and Accounts Officers who would be responsible to see that no payment was made by them in excess of the grant or appropriation unless it was covered by a supplementary vote/appropriation or an advance from the Contingency Fund. The Committee were assured that this would secure the substance of what the Committee had in mind. The Committee would like to be kept informed of the progress made in this regard.

MINISTRY OF FOOD AND AGRICULTURE

Central Tractor Organisation

Para 6(a) of Audit Report (Civil), 1954—Part I—Payment of unnecessary Commitment charges

64. Government contracted a loan of 10 million dollars from the International Bank for Reconstruction and Development in September, 1949 for the purchase of 375 tractors and allied equipments, which became effective from 1st December, 1949. The closing date of the loan was 31st July, 1951. The closing date was, however, got extended from time to time and by the end of 1953, only 7,203,813 dollars were drawn and the unutilised balance of 2,796,187 dollars was cancelled. Under the terms of the Agreement, Government had to pay Rs. 8,60,350 as commitment charges on the undrawn balances of the loan from time to time. Commitment charges on the surrendered portion of the loan alone amounted to Rs. 2,85,393. This expenditure on commitment charges could have been avoided with proper planning and timely action. While conceding that when negotiations for the loan originally took place Government did not have sufficient experience in the matter, the Committee thought that by July, 1951, when Government had drawn only 4 million dollars and surrendered a portion of the loan amounting to 1.5 million dollars, they should have been in a better position to assess their final requirements. In fact a further sum of 1 million dollars was surrendered in August, 1952. When the loan was finally closed in December, 1953, there still remained an unutilised balance of 296,187 dollars which had to be cancelled. The Committee, therefore, desired to have a note from the Ministry explaining the circumstances which led Government to ask for extension of the closing date of the loan from time to time.

65. From the note (Appendix XI) submitted by the Ministry, the Committee learn that Government decided to purchase the tractors in instalments and that accordingly 180 tractors were acquired in the first instance in 1949-50. Subsequently another 60 tractors were ordered and received in 1950-51; the purchase of the remaining 135 tractors was cancelled in 1951. In other words by early 1951 all the 240 tractors were purchased. Upto July, 1951 only 4 million dollars were utilised. A review of the requirements of the C. T. O.* was undertaken by Government in 1951 as a result of the Bank Mission's visit to India in May, 1951 and it was found that the C. T. O.* badly required some good prime movers, low bed trailers, fuel tankers etc. for more economic operation of the C.T.O.* And as a result of the expert advice tendered by the Bank's repre-

*Central Tractor Organisation.

representatives it was decided to set apart 2 million dollars for spare parts and for the ancillary equipment, in addition to a sum of 0.5 million dollars for spare parts already ordered. Another 2 million dollars were earmarked for the possible purchase of towner ploughs and the balance of 1.5 million dollars was surrendered in July, 1951. The Bank agreed to this surrender and extended the loan period upto 31st July, 1952. Again in March-April, 1952, a member of the same Bank Mission visited this country and recommended that the C.T.O.* should expand its fleet of tractors by 60 more. He also recommended the purchase of 30 towner ploughs. These recommendations were received through the Bank in June, 1952 and after a thorough discussion of these recommendations, Government decided to purchase the following:—

1.	30 Tractors D 8 (against 60 recommended by Major Conners) with spares	\$ 650,000
2.	Ancillary equipment for 2 units	\$ 200,000
3.	30 Towner Ploughs.	\$ 250,000
4.	28 Tractors—Equivalent to D 4,	\$ 250,000
5.	Contingencies	150,000
		\$ 1,500,000

Thus it appears that the total number of tractors obtained out of this loan of \$10 million was 298 and not 240 as reported. The Committee would like to have these figures reconciled.

The Committee are not quite satisfied with the manner in which Government had set about this deal. Even conceding that this venture was new and in such cases the risk of wastage could not always be ruled out, the Committee regret that Government did not set up a proper machinery of their own in time to assess the results of this experiment and the usefulness of the machinery and spare parts imported.

Para 23(a)—Audit Report (Civil), 1953—Unnecessary purchase of stores and spare parts and para 6(b), Audit Report (Civil), 1954—Part I—Unnecessary purchase of machinery

66. Purchase of stores and spare parts in the Central Tractor Organisation during the years 1949-50 to 1952-53 were very much in excess of actual requirements. The closing balance of stock on 31-3-50 was worth Rs. 40 lakhs while that on 31-3-53 was reported to be Rs. 113 lakhs. During the course of their examination, the Committee were informed that the above stock of spare parts did not relate to tractors only but to a lot of other equipments like oil tankers, motor vehicles, ploughs etc. They were also informed that the heavy tractors and other equipment were purchased out of the loan from the I.B.R.D.† At that time Government had little experience of their operation, nor did Government know what spare parts would be needed and in what quantities. Government had to depend on the advice of the manufacturers who recommended that roughly spare parts to the value of 25 per cent of the value of machines should be stocked. This accounted for heavy purchase of

*Central Tractor Organisation.

†International Bank for Reconstruction and Development.

spare parts during the year the tractors were purchased. Subsequently it was noticed that quite a large number of spare parts recommended by the manufacturers to be kept in stock was not actually required.

67. In order to enable the Committee to examine the position with reference to tractors alone, the Committee asked for a statement from the Ministry showing the cost and consumption of tractor spare parts. From the statement submitted (Appendix XII) it appears that between 1949-50 and 1954-55, spare parts valued at about Rs. 122 lakhs were purchased for tractors costing Rs. 196 lakhs. Against this, upto 31st March, 1955 spare parts to the extent of about Rs. 59 lakhs only were consumed (approximately 48 per cent). The value of unutilised spare parts works out to about 52 per cent of the stocks purchased.

Equipment worth 2,70,613 dollars purchased out of the loan from the I.B.R.D.* had also been declared as surplus for disposal and out of this, items worth only 58,691 dollars had been disposed of at book value while the rest valued at 2,11,922 dollars were lying in some cases since 1949 without any use with the possible risk of turning out a partial if not total loss. The Committee regret to note that the disposal of the surpluses had necessarily to be slow as these are of such a nature that ordinary cultivators are not interested in them. There is a constant risk of these surplus stores becoming thoroughly useless and resulting in total loss to Government. In the opinion of the Committee, this loss to Government could have been minimised, if not totally avoided, had the advice tendered by the manufacturers for the purchase of spare parts been accepted with caution and after proper experimentation.

During their examination, the Committee drew the attention of the Ministry to para 20 of the Seventh Report of the Estimates Committee commenting upon the indiscriminate purchase of four different makes of heavy tractors and accessories which had created difficult problems particularly in the matter of maintenance and spare parts. The Committee were assured by the Ministry that an investigation would be conducted against the persons who were responsible for those purchases which were not obviously well-planned. The Committee hope that action against delinquent officials would be speeded up and adequate and deterrent punishment imposed.

68. The Committee note that with the experience of the past three or four years, a system had been evolved by Government, under which it is now possible for them to assess their future requirements within reasonable limits and co-ordinate in the headquarters the purchase of spare parts and that they were no longer depending on the advice of the manufacturers.

The Committee desire that a review of the spare parts in stock should be undertaken with a view to segregate those parts which are not required in the immediate future. Urgent action to dispose of them should be taken so as to prevent further losses to the Exchequer either by their becoming obsolete or by their deterioration. The Committee would like to be informed of the progress made in bringing down the balances of spare parts. Details regarding

*International Bank for Reconstruction & Development.

spare parts consumed or condemned or disposed of as surplus should be indicated separately.

Para 23 (b)—Audit Report (Civil), 1953—Payment of penal rent

69. The facts of this case are briefly as follows. In 1946, Government entered into a barter agreement with a foreign country for exchanging consumer goods like textiles etc. for paddy. The bulk of the goods, approximately 5,000 bales of textiles, intended for despatch to the foreign country was collected at Calcutta, but due to outbreak of hostilities in that country the goods could not be despatched and therefore remained stored in the Port Commissioner's sheds in the custody of the clearing agents for about a year and a half. In May, 1948 Government decided not to despatch the goods to the foreign country as hostilities were still going on in that country and declared the goods as surplus to the Director-General of Disposals and asked him to dispose of them as best as he could. In September, 1948 the Port Authorities intimated the Regional Food Commissioner, Calcutta that since they required the space for normal traffic of the port and could not allow the transit shed space to be used for warehousing purposes, the goods, if not removed by 1st October, 1948, would be charged rent at the scheduled rate of the Rs. 1,772 per day from that date. Until then the rent charged by the Port Authorities was at a concessional rate which worked out to Rs. 77-8-0 per day. The period was, however, extended upto 25th October, 1948. Government could not get any alternative accommodation. The goods were not actually removed before the end of January, 1949 and extra rent amounting to Rs. 2.09 lakhs had to be paid to the Port Authorities.

In the meantime certain quantity of foodgrains had arrived from the foreign country and in lieu of the textiles to be exchanged under the barter agreement, Government of India had paid for a lot of American disposal equipment lying in that country and placed them at the disposal of that country.

70. In evidence, it was explained to the Committee that storage accommodation was very scarce in Calcutta in those days and all efforts to locate accommodation proved fruitless. The assistance of the Government of West Bengal was reported to have been sought but in vain. The Committee, however, learnt that no records were available regarding the discussions with that Government. By request, the Committee were furnished with a note on this case (Appendix XIII). The Ministry seem to emphasise that the rent charged by the Port Authorities from 26th October, 1948, till the end of January, 1949 was only the usual rent. The Committee would, however, like to point out that the goods were charged rent by the Port Authorities at concessional rate (4.5% of the scheduled rate) for about 1½ years and it should have been obvious to any one that this period would not continue indefinitely. Apparently, it was only on receipt of the notice from the Port Authorities in September, 1948 withdrawing the concessional rent from 1st October, 1948 that the Ministry initiated action to find alternative accommodation. The Committee appreciate that in the difficult situation then prevailing in Calcutta in the matter of storage accommodation, all efforts made to secure alternative accommodation proved abortive. Nevertheless, they are of the view that action, if it had been taken earlier, would have saved the exchequer of this infructuous expenditure.

The Committee also observe from the note that the question of disposing of the textiles was taken up in February, 1948, i.e. 3 months in advance of the date on which the decision not to send them to the foreign country was taken. It was only by August, 1951 i.e. after a period of 42 months, that all the stocks were cleared. Brief particulars with dates of the correspondence relating to the disposal of the textiles have been given in the note (Appendix XIII). The Committee are perturbed at the rather lethargic manner in which action had been taken in the disposal of the goods, particularly when, for sometime, every day was costing Government to the tune of Rs. 1,772/- by way of rent. They see no reason why the Ministry could not have approached the market direct for disposing of the goods, if such a course could have promised speedier disposal, with the permission of the D.G.S.&D.* This step should have been taken soon after the decision not to send the goods to the foreign country was adopted for at that time there was a great demand for textile goods in the country. The Committee feel that this case has resulted in considerable loss to Government because of the lack of foresight and initiative on the part of the persons who had handled this case. The Committee would, therefore, recommend that a thorough investigation should be made into this case with a view to assess the exact loss incurred by Government in this deal and also fix the responsibility therefor.

Commercial Appendix (Civil), 1951-52

Page 169—Para 204—Interest Suspense Account—

71. In the Reclamation Operation Account of the C.T.O., a sum of Rs. 6,95,406/- had been shown as outstanding on account of interest chargeable to State Governments due to staggered recoveries, and credit for the corresponding amount had been taken in the Reclamation Operation Account. In reply to a question whether the liability had been accepted by the State Government, the Committee were informed (Appendix XIV that the State Governments had not yet formally accepted the liability but the fact that interest charges would be recoverable from them had been intimated to them. The Committee doubt the wisdom of these adjustments in accounts in anticipation. They desire to be informed of the final outcome in this case.

Page 171—Para. 210—Results of Physical verification not finalised

72. Although physical verification of stores and spares in the C.T.O. had been done several times since 1949-50, it had been incomplete and its results had not been finalised so far. Apart from shortages of stores in bins, shortages amounting to over a lakh of rupees were disclosed as a result of physical verification of bulk stores stated to have been done in 1949-50, the investigation in respect of which had not been completed so far. In respect of losses which had been written off to the extent of about Rs. 26,000, final action to fix the responsibility was still awaited.

73. In response to the Committee's request the Ministry submitted a note (Appendix XV) explaining why the results of physical verification conducted in 1949-50 could not be finalised so far. It has been stated that although an attempt was made for the verification of bulk stores in 1949-50 it was found that this verification

*Director General, Supplies and Disposal.

was not properly carried out, because many of the items could not be easily identified. In the year 1953, an attempt was made to prepare a correct list of the parts in bulk stores which was verified in the year 1954 and the statement of discrepancies prepared was still under examination. Large number of shortages and excesses in the bulk stores were attributed to the non-availability of proper catalogues, without which the parts could not be properly identified. Some of these equipments to which spare parts relate were not at all in use in C.T.O. and the identification of such parts was also not correctly done.

The Committee can see no justification for the delay in fixing responsibility in cases where losses have been established. If stock verification be delayed like this, by the time losses are detected and responsibility fixed the contingency is there that the officers responsible would have left service. The Committee trust that Government would pay urgent attention to this state of affairs and desire that a thorough enquiry should be held into the cause of delay and responsibility fixed for the losses.

*Item 71 of the *Statement of Outstanding Recommendations—
Disposal of non-tractor parts as are not required for use in
the C.T.O.†*

74. The P.A.C. in their Seventh Report recommended that Government should fix some target date by which such of the non-tractor parts as are not required for use in C.T.O. should be disposed of as any delay in this direction was likely to result not only in the deterioration of the stores but also their forced sale at a much depreciated value.

It is seen from the note (Appendix XIX—Fifteenth Report—Vol. II) submitted by the Ministry that a complete physical verification of the non-tractor parts had been made. It is also stated that with a view to speeding up the disposal of these stores, it was decided on 27th September, 1954 that the work of disposal be taken over by the C.T.O. themselves. It had not yet been possible to fix a target date for the disposal of such parts. In order to avoid heavy losses the C.T.O. were making efforts to find out prospective buyers for these surpluses and this would take some time.

The Committee now understand (Appendix XVI) that surplus stores (including the non-tractor parts which are of no use to the C.T.O.) valued at Rs. 8.2 lakhs have been disposed of to the end of March, 1955 and that active steps were being taken to dispose of the remaining quantity as soon as possible. In order to assess the progress of work in the disposal of these surplus stores, the Committee would like to know the value of stores declared surplus from time to time, as also the value of such stores actually disposed of.

*Item 74 of the *Statement of Outstanding Recommendations—
Maximum limit of stores to be held by the C.T.O.*

75. In para 34 of their Seventh Report the P.A.C. recommended that an overall maximum limit of all categories of stores, i.e. general stores, petrol, oil and lubricants etc. (not spare parts only) to be

*Appendix I—Fifteenth Report of the Public Accounts Committee—Vol. I.
†Central Tractor Organisation.

held by the C.T.O. at any one time should be fixed as required under the rules.

It is about three years since this recommendation was made, and the Committee are now informed that the figures of overall maximum monetary limit for all categories of stores was being worked out considering the future requirements of the C.T.O. The Committee feel that unless the recommendations made by them are implemented expeditiously, much of their value would be lost and, therefore, suggest that the work of fixing the monetary limit should be speeded up.

*Item 77 of the *Statement of Outstanding Recommendations —
Financial implication of the utilisation of old tractors*

76. The Committee are informed (Appendix XVII) that the accounts upto the financial year 1954-55 show that against the total loss of Rs. 14.72 lakhs on account of old units, a profit of Rs. 9.57 lakhs has been made on the sale of equipment and that the balance of loss amounting to Rs. 5 lakhs (approximately) would be more than covered by the sale of the remaining quantity of surplus equipment. The Committee would like to be furnished with a statement duly vetted by Audit in the form appended to Appendix XXXVI to their Seventh Report showing the financial position as on 31st March, 1956 in regard to the operation of old units. Information as to the total number of hours these old tractors worked, the number of hours the tractors remained idle, the amount recovered from State Governments (State-wise) in respect of heavy tractors, the rates at which recoveries were made from the State Governments and to what use the tractors that remained idle were put to, may also be furnished in the Statement.

MINISTRY OF HEALTH

Paras 132 and 134 of the Commercial Appendix to the Appropriation Accounts (Civil), 1951-52—Losses in the Medical Stores Depots, Madras and Calcutta

77. These paras indicate that the losses were mainly due to acquisition of heavy stock of some items regardless of probable requirements. This resulted in deterioration of stocks due to long storage. The Ministry explained that these stores had been obtained during war-time from the U.K. Ministry of Supply through the D.G., I.S.D., London on a monthly quota system in order to ensure a regular flow of supplies and to overcome any hold-up in supplies due to shipping losses on the high seas. In reply to a question, it was stated by the Ministry that in certain cases the supplies were received long after they were required by the Medical Stores Depots and also were much in excess of the actual requirements. The Committee note (Appendix XVIII) that although the monthly quota system had been terminated from January, 1947 the authorities in charge of these Medical Stores Depots did not make any attempt properly to assess their requirements of the stock of the various items to be held by them and to declare the excess stock as surplus.

While the Committee appreciate the difficulties in the way of the Ministry in preventing the accumulation of large surpluses, they regret to note the inordinate delay in the disposal of items. A direct loss of this delay was that many of the medicines could not be marketed in time before their expiry dates.

STATE TRADING SCHEMES

APPROPRIATION ACCOUNTS (CIVIL), 1951-52

Scheme for Cinchona Cultivation (page 730) and Purchase of quinine substitutes (page 735).

78. With the fall of Java in 1942, supply of quinine from that island was suddenly cut off and it became necessary for the Government not only to make purchase of quinine substitutes from the U.K. and the U.S.A. but also to explore means of augmenting quinine supplies as quickly as possible in the country by stepping up indigenous production. With this end in view, the Government of India in collaboration with the Governments of West Bengal (then undivided Bengal) and Madras, undertook a scheme of cinchona cultivation by a special method known as the 'Russian method' which made it possible to produce quinine within three years although at a comparatively high cost against the normal period of about 12 years. The Russian method of cultivation was however, not found to be quite suitable and was adopted with modifications, the main change being that the plant was allowed to remain for three years instead of only 12 to 18 months in the field before being harvested. Even this modified scheme was subsequently found to be uneconomical and the plants were allowed to remain in the field for longer period. The scheme was undertaken in conjunction with the normal cultivation programme of the State Governments of West Bengal and Madras. The Central Government was to bear 75% of the direct expenditure incurred on the cultivation of cinchona under the scheme till three-fourths of the plants were up-rooted.

With the end of the War, the quinine situation eased up and it was, therefore, decided by the Government of India to allow the plants in Madras to remain for a period of ten years instead of three years as originally contemplated so that a much larger yield of quinine could be had from the plants; in West Bengal, however, the scheme proved a failure as the plantations could not be worked satisfactorily and harvesting had to be completed earlier.

From a statement (Appendix XIX) giving a rough idea of the financial results of the working of the Scheme of Cinchona Cultivation by the Short Term Method furnished to the Committee by the Ministry of Health, the Committee note that the estimated loss which the Government are likely to sustain under the scheme is expected to be of the order of Rs. 51 lakhs.

The Committee were informed that the question of winding up of the scheme also came up before the Quinine Conference held at Ootacamund during October, 1955 which passed a Resolution that this scheme should be terminated as early as possible after harvesting the Government of India's share of bark grown on the plantations in Madras and converting it into quinine sulphate.

The Committee feel compelled to observe that although the War ended about a decade ago and the fact that the markets for quinine and other cinchona products in the country were diminishing soon thereafter and an influx of synthetic anti-malarial drugs was within the knowledge, little was done by the Ministry to initiate timely action to wind up these schemes with a view to avoid the expected huge financial loss to the Exchequer. The Committee can do no more than reiterate the recommendations made by the Quinine Conference and urge for an early winding up of the accounts of these schemes. The Committee, however, note with satisfaction that the Ministry of Health have since devised certain measures for the disposal of the remaining stocks of quinine after keeping a central reserve of 2,00,000 lbs. of quinine salts. The Committee would be glad to know, in due course, further developments in this case.

*Subsidiary Accounts of the Central Research Institute, Kasauli—
pages 329—331 of Appropriation Accounts 1951-52*

79. The Accounts under report disclose a continuing loss on the manufacturing side of this Institute. The Committee note that the prices of sera and vaccines manufactured at the Institute are under revision at present (Appendix XX). The Committee are of the view that the Government of India should prepare manufacturing, trading and profit and loss accounts and balance sheet for the manufacturing side of the Institute so that one can have reliable and correct data to ensure that the prices of vaccines, sera etc. are not inflated unnecessarily.

MINISTRY OF HOME AFFAIRS

Para 8(1) of Audit Report (Civil), 1954—Part I—Unauthorised retention of heavy cash-balances.

80. In a Civil Supplies Department of a Part 'C' State, a food grain distributing contractor withheld from Government a total sum of Rs. 1,25,789. After adjusting the commission of Rs. 36,081, due to him from Government, a sum of Rs. 36,269 was recovered from the contractor leaving a balance of Rs. 53,439. This heavy accumulation of cash balance with the agent was due to the failure on the part of District Supply Officer to exercise regular checks over the accounts of the agents.

In regard to the recovery of the balance due from the agent, the Committee were informed that in March, 1955 it was decided that the balance should be recovered in 15 instalments each instalment falling due after 4 months with interest at 4½ per cent. The agent was not required to furnish any collateral or any security or bank guarantee which could be appropriated by Government in case he failed to make re-payments regularly. The Committee feel that this should have been done especially when, according to the information given to them the contractor was no longer in the employ of Government.

The Committee regret that, although more than seven months have elapsed since the Ministry was asked to furnish certain further information regarding this case, till the time of writing this report no reply had been received. The Committee deplore this very much. They have already invited attention to such delays on the part of a

number of Ministries and have suggested prompt action. The Committee trust that the Ministries will extend their cooperation in this respect and enable the Committee to do their work expeditiously.

Para 8 (ii) of Audit Report (Civil), 1954—Part I—Heavy shortage of food grains.

81. In this case also, due to the failure on the part of the District Supply Officer, referred to in the previous paragraph, to check the book balance in terms of bags and weight with the physical balances of food grains, Government were put to a loss of about Rs. 6 lakhs. The Committee regret to observe that although more than six months had elapsed the Ministry had not so far informed the Committee whether any responsibility had been fixed for the irregularities committed in this case in not maintaining proper accounts resulting in a loss of about Rs. 6 lakhs to the Exchequer. The Committee can do no more than reiterate the oft repeated recommendation of the earlier Committees that Government should take speedier action against delinquent officers. The Committee trust that with the setting up of a Vigilance Organisation in the Ministry, disposal of such cases of disciplinary action will be expedited.

Para 8 (iii) of Audit Report (Civil), 1954—Part I—Drawal of money in advance of requirements to avoid lapse of grant

82. This is a case where a sum of Rs. 13,865 was drawn by the Supplies Department on the 29th March, 1952 and was utilised for the purchase of furniture, godown accessories, etc. in the next financial year during the months of April to November, 1952. The Committee note that drawal of money in advance of requirements obviously to avoid lapse of grant in contravention of the rules is not the first of its kind, and would, therefore, repeat the remark in para 19 of their Seventh Report, that the withdrawal of money in advance of requirements is an irregularity, which may eventually lead to loss, if not fraud.

*Item 42 of the *Statement of Outstanding Recommendations—Looseness of procedure.*

83. The Committee considered the note (Appendix LXXIV to the Fifteenth Report—Vol. II), submitted by the Ministry. The Committee desire to know what action the other Ministries had taken to implement the Home Ministry's order of the 21st April, 1954 about the procedure regarding submission and disposal of cases. They would also like to know whether the Revised Rules of Business and Secretariat Instruction and Manual of Office Procedure have since been issued.

*Item 62 of the *Statement of Outstanding Recommendations.*

84. The Committee are glad to note that the Ministry have taken action to amend Article 311 of the Constitution as recommended in para 37 of the Seventh Report.

UNION PUBLIC SERVICE COMMISSION.

Para 29 of Audit Report, 1953—Payment of fees and honoraria.

85. The Committee are pleased to note that the Union Public Service Commission have since agreed to Government prescribing

*Appendix I—Fifteenth Report of the Public Accounts Committee—Vol. I.

ceiling scales of remuneration to be paid to the examiners, printers and supervisors of the various examinations conducted by the Commission and that the details are under consideration in the Ministry of Home Affairs in consultation with the Ministry of Finance. An early decision is necessary.

MINISTRY OF INFORMATION & BROADCASTING.

Para 24 of Audit Report (Civil) 1953—Contract for broadcasting records.

86. In this case, Government entered into an agreement in 1938 with the gramophone record manufacturers for the broadcasts of records not exceeding 10,000 on payment of compensation based on the number of listeners' licences. This agreement was renewed from time to time—the last renewal being in 1946 for 2 years with an amendment that the records were to be purchased outright at the market rate with a discount of 33 1/3 per cent. only in the case of those locally manufactured, and that an additional payment of Rs. 10,000 was to be made for an increase of the broadcasting hours from 28 to 40 per week for internal service, and from 7 to 35 for external service. The Government, however, could not secure any advantage from the Companies because they held monopoly rights. A proposal was accordingly initiated in 1955 to secure legislation on the Canadian model (Canadian Copy-right Act, 1931 as amended in 1938), under which rates payable to monopolistic concerns were to be fixed by a Board appointed by Government. But owing to certain constitutional restrictions, this Act could not be amended before the transfer of power in 1947 and the matter has been stated to be under examination since then.

The following payments were made to the Phonographic Performance Eastern Ltd., which came into existence in 1942 to protect manufacturer's Copyright in gramophone records during the last five years:—

Year.	Amount Rs.	No. of licences
1950-51	67,253/6	3,65,558
1951-52	89,091/3	4,96,401
1952-53	95,455/5	5,52,372
1953-54	1,10,702/8	7,02,048
1954-55	1,19,613/6	7,90,216

It would be observed from the above statement that there had been a steep rise in the amount of fee payable to the Company and with further improvement in the number of licences in the coming years, which is a normal expectation, the fee might increase further.

87. All that the Committee are concerned is that payment on account of these gramophone records is made on certain rational and economic basis, fair to both the parties. The Committee note that the Copyright Bill, 1955 which has since been introduced in Parliament provides for the payment of fee in such cases 'on such terms and conditions as may be prescribed' by the Registrar of Copyright who shall be appointed by the Central Government, when this Bill becomes law.

The Committee would, therefore, like to be apprised of the working of this Act in so far as it relates to the payment of fee to

the Phonographic Co. and, in the meantime, they would suggest that Government should collect all possible data to present their case to the Registrar of Copyright for evolving a formula, which would make for rational and economical payment in future.

Commercialisation of the Accounts of the Films Division

88. The Committee pointed out that the cost of production of the publicity films by the Films Division included a very high percentage on account of overhead charges. Further, the rental charged from the private exhibitors was hardly commensurate with the expenditure involved. The Committee were informed by the representative of the Ministry that under the Central law, the cinema exhibitors were required to show a certain proportionate footage of documentary and newsreel and the rental recoverable from them was on a sliding scale depending upon the total weekly collection of the theatres concerned and it generally varied between 1 and 1.5 per cent of the collection. As regards the reduction in the overhead charges, in a note submitted to the Committee at their instance (Appendix XXI), the Ministry have stated that they proposed to increase the number of documentaries to be produced by the Films Division during the current year and this would result in the spreading of the fixed overheads over a larger production thus bringing down the cost of production of a film. The Committee look forward to the subsequent years' accounts to show the results achieved in this behalf.

Another point that engaged the attention of the Committee in this connection was that the accounts of the Films Division might be commercialised, the underlying idea being that the monetary value of the free performances of the publicity films produced by the Division should be reflected in the overall financial working of the Division.

In a note (Appendix XXI) submitted to the Committee on this point, the Ministry have stated that the two main categories of free performance were shows given by mobile cinema vans and the exhibition of films in schools and other educational institutions and in both these cases, they could evolve a rough and ready method for working out the monetary value. The Committee desire that a start should be made by the Ministry in this direction with effect from the current year and the Committee should be informed of the results of the practical working of the system at the time when they next examine the Accounts relating to the Films Division.

89. The Committee also enquired from the Ministry the principles governing the classification of expenditure on the production of "commercial" and "non-commercial" films as also the allocation of "overhead charges" incurred by the Films Division to these two heads. The Committee note (Appendix XXI) that the accounting system followed by the Films Division is the usual 'financial accounting system' and that there is no provision under this system for allocating the overheads. The Committee recommend that a proper cost accounting system should be introduced in the Films Division with effect from the current financial year to see that an

effective check is maintained not only on the rise in production costs but also on the overheads which should bear reasonable relationship to the overall production cost.

While the Committee appreciate that number of films are meant for publicity purposes and the calculation of the element of monetary value might be beset with some difficulty, all that they have in view in making the above recommendations is that results of the financial side of the working of this Division on a commercial basis are presented to Parliament.

90. *Publication of Radio journals.*—In response to the Committee's request the Ministry furnished to them a note (Appendix XXI) setting forth the various measures taken by them to reduce the cost of publication of the various Radio Journals. The successive Committees of Public Accounts of recent years have expressed concern over the continued losses in the publication of Radio journals. The last Committee had expressed the hope that the opening of the space-selling unit would result in fetching more advertisement revenue and thus reduce the loss. This would, however, be reflected in the subsequent years' accounts. The Committee note that at present, the percentage of complimentary copies supplied as compared to the number of copies sold is very high. They would suggest that the need for issuing such a large number of complimentary copies should be carefully investigated with a view to reducing the number of copies to be printed. The Committee also endorse the recommendations made by the Estimates Committee in para 135 of their Twelfth Report that the publication of such of the journals which are not self-supporting should be stopped.

Grant No. 60—Note 4—Misappropriation of Government money.

91. This case disclosed the misappropriation of a sum of Rs. 3,555 in an office under the A.I.R., Bombay which was rendered possible due to lack of supervision and non-observance of the rules for accountal of receipts in the Cash Books and the remittance of cash to the Bank. While the Accountant involved in this case was stated to have been departmentally punished, the Cashier was reported to be absconding. The Committee should like to know the progress made in tracing the cashier and instituting criminal proceedings against him in a court of law.

92. *Anti-piracy campaign.*—The Committee devoted some attention to the measures devised by the Ministry to prevent the leakage of revenue in the form of unlicensed use of the Radio sets. They were informed that in collaboration with the Posts & Telegraphs Dept., the Ministry had planned to provide a 'home service' to radio holders through the agency of the postmen who would supply the licence forms for renewal and get the licences issued to them from the nearest Post Office. This would undoubtedly help them in putting an end to unauthorized use of the radios. The Committee would like to know the final outcome of this proposal and also how effective it had proved in checking the unlicensed possession of radio sets.

MINISTRY OF IRRIGATION & POWER

Outstanding Recommendations*

Items 96 and 98—Disposal and transfer of surplus stores from the Hirakud Dam Project to other Project Administrations

93. The Committee are perturbed at the long delay caused in the transfer of surplus stores from the Hirakud Dam Project to other projects. About three years have already passed even after the P.A.C. of 1952-53 had raised the question of isolating the surplus stores and transferring them to other projects. Further delay would result not only in the deterioration of the stores but also their becoming obsolete by the lapse of time in the context of the present rapid developments in scientific and engineering appliances and thus result in greater loss to the Exchequer. In this connection the Committee would like to draw the attention of the Ministry to para 7.10 at page 72 of the Report of the Construction Plant and Machinery Committee wherein special urgent steps for disposal of surplus stores have been suggested. Considering the enormous outlay on river valley projects in the two Plans, the Committee are anxious that every serviceable bit of store and machinery is utilised on any of the other projects that might need it. With this end in view, the Committee would again emphasise that the Ministry of Irrigation and Power should urgently examine the feasibility of transferring the stores in batches if necessary from the Hirakud Dam Project to other Projects, even without waiting for completion of the verification.

Items 99 and 100—Stock verification of stores

94. The Committee were given to understand that certain adjustments were being made in respect of the difference between the book balances and ground balances of stores as on 1st November, 1952. The Committee would like to be informed whether the shortages, which it has been stated had been condoned by Govt., were due to errors in accounting and where real losses had occurred, whether Government had investigated into the shortages with a view to see if personal liability for the losses could be established or not.

MINISTRY OF LABOUR

Para 25—Audit Report (Civil), 1953—Extravagant expenditure

95. This is a case where the Ministry engaged, without proper financial sanction, the services of one of the most expensive lawyers at Rs. 1,750 a day to argue their point of view before the Supreme Court in a case to which the Govt. of India were not a party. The total expenditure incurred by Govt. was Rs. 8,971. Although the Finance Ministry accorded *ex-post facto* sanction to this expenditure, they had expressed the view that this was an avoidable and extravagant expenditure. The Committee agree with the views of the Finance Ministry and are inclined to think that if the Ministry of Labour had not faced Finance Ministry with a *fait accompli* the latter would not have agreed to this expenditure. The Committee are unable to accept the argument of the administrative Ministry that they had no time to obtain the prior concurrence of the Finance Ministry. The Committee feel it should not be difficult to evolve a

*Appendix I Fifteenth Report of the Public Accounts Committee—Vol. I.

procedure by which prior concurrence of the Finance Ministry is obtained in time in urgent cases.

*Appropriation Accounts (Civil), 1951-52—para 245. Note 10—
Irregular grant of leave*

96. In this case an officer (a temporary Government servant) who was due for retirement on superannuation on the 5th January, 1952 was granted earned leave combined with leave on half average pay ex-India from 4th October to 31st December, 1951. The Officer did not, however, rejoin duty but resigned his post from the 1st January, 1952 and his resignation was accepted by Government. As the officer did not rejoin duty, the leave salary on half average pay and the dearness allowance for the entire period of leave amounting to Rs. 1,331 paid to him became inadmissible under rules. From a note (Appendix XXII) submitted by the Ministry, the Committee observe that the officer had originally applied for leave to be spent in London from 4th October, 1951 to 5th January, 1952, the date on which he was due for retirement on superannuation. The Accountant General, Central Revenues who had to certify the admissibility of the leave before it was granted had stated that, as there was no likelihood of the officer returning to duty on the expiry of the leave he could, under the rules, be granted only earned leave for 40 days. The Officer revised his period of leave upto 31st December, 1951 obviously to circumvent the rules and overcome the objection of the Accountant General, Central Revenues. The Ministry had argued that the Accountant General, Central Revenues certificate was construed to mean that in case the officer returned to duty, he would be eligible for the leave applied for and that, therefore, the leave as applied for was sanctioned, but unfortunately they had overlooked the fact that no public interest would be served by his rejoining duty to serve only for three days before retiring on super-annuation.

The Committee find themselves unable to accept the explanation which, in their opinion, is both unsatisfactory and far from convincing. Even granting that the certificate from the Accountant General, Central Revenues lent itself to such an interpretation as had been put thereon by the Ministry, the Committee are of opinion that the Ministry should have consulted the Accountant General, Central Revenues again before sanctioning the revised leave. The Committee are at a loss to understand how the Ministry, when the officer submitted his resignation, accepted the resignation without settling the question of overpayment to this officer, of which they were well aware according to their admission.

**MINISTRY OF NATURAL RESOURCES AND SCIENTIFIC
RESEARCH**

Para 26 of Audit Report (Civil), 1953—Purchase on behalf of a Non-Government Organisation

97. The Council of Scientific and Industrial Research is a registered society under the Registration of Societies Act, (XXI of 1860) and the administration of the affairs as well as funds of the Council have been entrusted to a Governing Body of the Council. The Council is allowed to make purchases through the Missions abroad without making advance deposits and the amounts spent by the

Missions are kept under "Suspense" in Government accounts pending recovery from this Organisation. As it has not been possible for the Organisation to arrange for the expeditious settlement of the amounts due from it, Audit pointed out that the existing procedure involved the unnecessary locking up of Government moneys for considerable periods and suggested in May, 1951 that the payments for the expenditure incurred on behalf of the Organisation should be arranged by the Council directly without passing the transactions through Government accounts.

The Committee welcome this suggestion. The Committee are aware that the entire expenditure on the Organisation is met out of grants from Government. In their opinion, this does not in any way mitigate the above irregularity. They are glad that at their instance the representative of the Ministry of N. R. & S. R. agreed to discontinue the existing procedure and fall in line with other State Undertakings such as Sindri Fertilisers Ltd., and the D. V. C., which were making payments direct for their purchases made from abroad.

98. Another point which the Committee came across in this connection was the phenomenal increase in the expenditure and an all-round expansion of the activities of this Organisation since its inception about fifteen years ago. At the time of its inception, the grant was initially fixed at Rs. 10 lakhs. The provision made in the Budget Estimates for 1956-57 is Rs. 2,25 lakhs.

The Committee hold the view that, as a matter of general principle, where it is desired that continuing functions involving substantial expenditure should be exercised by autonomous bodies like the Council of Scientific and Industrial Research the powers and duties to be exercised should be defined by specific statute. The Committee trust that Govt. would take the first convenient opportunity to embody the functions of the Council of Scientific and Industrial Research in a statute.

**Pages 436 and 437 of Appropriation Accounts, (Civil) 1951-52—
Grants to various Scientific Societies**

99. At present, Grants amounting to several lakhs of rupees are being annually made to a number of scientific societies and institutions in the country. The Committee enquired into the basis on which these grants were determined. The representative of the Ministry stated that the grants were made on the requests made from the various organisations who prepared a plan of their future activities and submitted it duly supported by an audited statement of their accounts showing how the money had been spent during the previous year. The annual grant was released in instalments. The representative of the Ministry of Finance informed the Committee that they had under contemplation a scheme for making block grants for five years.

The Committee are of the opinion that payment of yearly grants is not best calculated to promote efficient economy and it would certainly be more beneficial to the societies and organisations in receipt of such grants, if these were determined on the basis of 5-year period. The Committee also trust that when considering applications for grants from industrial research associations, Government

will obtain sufficient information as to the financial position of the industry concerned in order to ensure that they make payments only in cases of proved necessity and that, in assessing the amount, they will have greater regard to the capacity of an industry to bear the cost of its own research.

MINISTRY OF REHABILITATION

Para 9 of Audit Report (Civil), 1954—Part I—Nugatory expenditure on the construction of the pre-fabricated Housing Factory

100. In 1948, Government entered into an agreement with a foreign firm of Consulting Engineers for the setting up of a Housing Factory. Under the agreement the firm was to grant Government a licence to use its patents and to render technical assistance for the setting up of the factory and the manufacture of 'alcrete' houses and receive in return a royalty at the slab rates ranging from Rs. 2 to Rs. 5 per 100 sq. ft. on the out-turn of panels manufactured and in addition certain actual and overhead charges. The agreement did not provide for any liability on the firm in the event of the scheme proving a failure.

The original estimate of the scheme was Rs. 78 lakhs but it was raised to Rs. 97.07 lakhs in 1951. The actual expenditure booked upto 31st March, 1953, however, amounted to Rs. 1,08,11,735 with unliquidated liabilities to the extent of Rs. 2,78,000.

The factory went into production in August, 1950 and suspended work in February, 1951 and during the short period it operated, there was a loss of Rs. 10,33,243 in addition to the loss resulting from disposal of surplus stock. The balance of stock on 31st March, 1953 was worth Rs. 34.57 lakhs. Stores worth Rs. 2.36 lakhs were disposed of at a loss of Rs. 1.55 lakhs and the value of certain stores had to be written down by Rs. 1.30 lakhs. The amount of final loss would be known only when the remaining stock was disposed of.

It has also been pointed out in the Audit Report that the accounts kept by the factory were incomplete and as such not susceptible of effective check. Further the audit note dealing with the irregularities, which was sent to the Ministry in June, 1951 had remained unanswered and that was responsible for the belated report by Audit.

101. In evidence, the Committee were given a detailed account of the circumstances leading to the setting up of the factory. They were informed that the panels which the factory was to manufacture were not used successfully in any country. They also learnt that the manufactured panels had either cracked or shown signs of cracks; and there was no demand for such houses at the cost at which the factory could expect to produce. The firm was asked to produce two proto-type houses in England, export them to India and erect them; all the four concrete panel walls cracked and the houses were declared unsafe for occupation.

The Committee note with regret that all these facts came to light rather late in the day. They consider it unfortunate that sufficiently searching technical investigations had not been conducted to afford a reasonable assurance that the expenditure would prove remunerative, before entering into this contract.

With its past history so disappointing, the Committee are pained to learn that the present progress of the project is also not encouraging. The contract with the foreign firm had been terminated and a company called the Hindustan Housing Factory Ltd. had been set up in January, 1953 in pursuance of an Agreement dated the 6th Dec., 1952 between the Govt. of India and a private firm. The main object of forming this Company was reported to be to put to profitable use the fixed assets (valued at over Rs. 50 lakhs) of the old factory. Both the Government and the private firm owned shares on the basis of fifty : fifty.

Unfortunately, the losses continued. During the year 1955, the shortage of working capital came to be increasingly felt by the Company as the firm who had to provide another Rs. 10 lakhs as working capital in accordance with the agreement expressed its inability to provide any more funds. The Government's agreement with the firm was, therefore, terminated and the Hindustan Housing Factory, Ltd., had been taken over by Government with effect from the 16th August, 1955 to be run departmentally and had been placed under the administrative control of the Ministry of Works, Housing & Supply.

102. The Committee understand that Government have since appointed a technical Committee to examine the question whether it is feasible to run the factory in its present state or in some other form; and if neither of these two alternatives is found feasible, how best the factory could be disposed of. The Committee would like to defer further consideration of this case till the Expert Committee had submitted its report and the final settlement with the firm had been reported on by the Comptroller and Auditor General.

Coal Production Fund—Appropriation Accounts (Civil), 1951-52
page 179-Note 9

103 The Committee note that a sum of Rs. 6,14,510-5-0 is still outstanding on account of cess recoverable under the Coal Production Fund Ordinance 1944 (Appendix XXIII), although the levy of the cess has since been discontinued with effect from 1st May, 1947. The amount due from the Railways etc. on this account is stated to be of the order of Rs. 5,40,589-3-0. Out of this amount, a sum of Rs. 1,29,382-4-0 is directly due from the Railways. The remaining amount of Rs. 4,11,206-15-0 is due from certain consignees in the old Indian States and British India. In extenuation, it has been stated by the Ministry of Production that this amount was not collected at the time of booking or delivery of consignments from the consignees due to some misunderstanding on the part of the Railway authorities at some stations of the late B. B. & C. I. Railway. The amount due from private parties is stated to be Rs. 73,921/2.

The Committee suggest that now that the Government have accepted the recommendation made by the last Committee that the accounts of this Fund should be closed as on 31st March, 1956 and the balance credited to the Consolidated Fund, the Production Ministry should debit the Railway Ministry with the outstanding amount so that the responsibility for effecting the recoveries from the parties concerned or to write it off, if not recoverable, as they might deem fit, should devolve on them.

STATE UNDERTAKINGS

104. The Committee shall now proceed to deal with the Accounts of some of the State Undertakings etc. which were examined by them during the period under report.

Nahan Foundry, Ltd., Nahan—Page 692 of Appropriation Accounts (Civil) 1951-52—Note 10

105. The Nahan Foundry was established about 80 years ago by the late Maharaja of Sirmur. It was a Sirmur State Government concern and manufactured mainly sugarcane crushing machines, spare parts, chaff cutters, gur pans, agricultural implements, angithies, buckets etc. When the State merged with Himachal Pradesh on the 15th April, 1948 it was decided to work it on a partnership basis, the Maharaja having 50 per cent. shares and Rs. 3 lakhs as goodwill. As this partnership arrangement did not work well, the Ruler offered to buy up the State share for Rs. 14 lakhs based on the valuation of the machinery and capital assets of the Foundry as estimated by an officer of the Government of India in November, 1947 (Rs. 28.65 lakhs). In March, 1952 as a result of the federal financial integration, the share of the Maharaja was purchased by Government for Rs. 30 lakhs and the foundry became a cent per cent Government concern.

The balance sheet as on the 30th June, 1951, showed the capital of the foundry as Rs. 40,34,328 including a profit of Rs. 4,48,796.

Nahan Foundry Ltd., Nahan was incorporated on the 20th October, 1952 and on the 1st January, 1953 it was constituted as a Government Ltd. Company and styled as 'Nahan Foundry Ltd.' On March 31st, 1954 the authorised capital of the company was Rs. 1 crore divided into 10,000 shares of Rs. 1,000 each. The issued and subscribed capital is Rs. 40,00,000. 3994 shares are held by the President and 6 by the officers of the Government of India. It is being managed by a Board of Directors appointed by the President.

According to Audit Report (Civil), 1953 the Company incurred a net loss of Rs. 47,562 upto 31st March, 1954. The audited accounts of the Company for the year 1954-55 show a loss of Rs. 94,714 after paying a sum of Rs. 27,275 to "Development and Research Fund", which was started last year to enable the company to undertake new manuaftcures and to develop and improve techniques of working. The loss is partly attributable to labour unrest in the foundry almost throughout the year and partly to heavy overhead expenses.

106. *Capital invested by Government since this concern was taken over:* In addition to the payment of Rs. 33 lakhs to the Maharaja, the Government of India have advanced a sum of Rs. 4 lakhs as capital outlay and a further sum of Rs. 3.5 lakhs as loan for running expenses. The Government of India also provided a sum of Rs. 2 lakhs during the year 1954-55 for being advanced to the company to enable them to start manufacture of certain new items of articles for the Railways and Posts & Telegraphs Department.

When questioned about the considerations which prevailed upon Government to take up this foundry, when the Ruler was willing to buy up Government's share at Rs. 14 lakhs only, the Committee

were informed that there was a variety of considerations, the most important of which was that if the Ruler purchased the entire foundry, he might in turn dispose of it to a third party who might perhaps move the foundry from Himachal Pradesh and that there was considerable agitation against this as such a transfer would result in the loss of employment to about 600 people working in this foundry. The Committee do appreciate that such an event was not in the best interests of the country at the then prevailing situation. But, in their opinion, this apprehension could have been allayed by the inclusion of a clause in the sale deed that the Ruler would not have the right to sell it to a third party and remove the foundry from Nahan.

107. The Committee also visited the foundry for a day for an on the spot study of its working. The foundry with its primitive and conventional methods of manufacture presented a vivid contrast to those with modern electrically-driven mechanical contrivances. An important problem which faced the foundry was the contraction in the sale of Sultan Cane Crusher which was its monopoly. This was attributed to the decontrol of sugar which deprived the farmer from getting an economic price for gur and to the entry into the market of cheap imitation of these popular cane crushers. The foundry has been affected adversely and Government were, therefore, to find some alternative items of manufacture to utilise the full capacity of the foundry and to make it a going concern. The Committee were given to understand that Railways and Posts & Telegraphs Department had placed orders on the foundry for the manufacture of anchor plates and cast iron saddles, respectively. The orders placed by the above departments were likely to be executed in the near future and thereafter, the foundry would be left with idle capacity to that extent. The Committee suggest that the Ministry of Railways and other Government departments should be approached for manufacture orders which the foundry could execute. The foundry is reported to be in a position to undertake any type of casting work for the Railways, viz. the manufacture of cast iron sleepers, fish plates etc. With the prospect of cheap power becoming available in the near future from Bhakra Nangal, Government may take up the question of diversification of its production. For this purpose, the Committee would suggest that Government should before long appoint a small Committee of experts to survey its manufacturing capacity as well as the possibility of modernising it.

108. The Committee further note that there is an imbalance between the total number of office workers (131) and that of manual labourers (303). They see no strong justification for the retention of such a large complement of office staff in any circumstances, and especially so when the foundry was running at a continued loss and there was not much work to keep it fully occupied.

The Committee note that during the years 1953-54 and 1954-55 large amounts were spent on the development of new manufacture viz. Sarovar pump, bullock driven centrifugal pumps etc. which proved quite unsuccessful. The amount spent on Sarovar pumps proved to be infructuous as the pumps were returned to the foundry as the parties purchasing them had found them unserviceable. The Committee regret to observe that the management failed to exercise caution before carrying out this experiment in as

much as it had not first explored the market and established their utility of such a type of pump by the manufacture of prototypes. It was all the more necessary when the meagre resources of the foundry could hardly afford such costly failures. They desire that immediate action should be taken to institute an enquiry into the matter and action taken against the persons concerned who were responsible for launching upon this experiment.

*National Instruments Factory, Calcutta—Pages 622—623—
Appropriation Accounts (Civil), 1951-52.—*

109. This factory is being run departmentally by the Ministry of Production. The Committee were informed that with a view to organising this factory and determining the lines on which it might be adapted and expanded to meet the country's present day requirements of mathematical and scientific instruments, an expert committee was appointed in December, 1947. Its recommendations were accepted by the Government and in pursuance of that, plan for the reorganisation of the factory at a cost of Rs. 80 lakhs had been taken up to start with. The new building was likely to come up by the end of this year. It was stated that with the expansion and the modernisation of the reorganisation scheme, it would be in a position to develop new type of instruments on the existing lines and also take up new lines of manufacture, to formulate production methods on economic lines. The Committee are anxious that the activities of this factory should be switched over from repair and maintenance to that of a manufacturing unit. Proper cost accounting technique should be introduced and balance sheet and profit and loss accounts be prepared just as is being done in the case of other Government commercial undertakings.

From the Audit comments appearing at page 623 of the Appropriation Accounts (Civil), 1951-52, the Committee note that Audit has suggested that a limit for acquiring stocks over and above those immediately required to meet the demands of orders in hand, should be fixed. The Committee hope that it should be possible to do so as soon as the first phase of the reorganisation scheme has been completed. Further, they also desire that due proportion between the slow moving and non-slow moving stores held by the factory should always be maintained and all possible care and prudence exercised to ensure that the items of non-moving and slow moving stores were indented not in excess of the requirements which result not only in the locking up of public money but also possible deterioration owing to the efflux of time.

During their on-the-spot study of the working of the factory, the Committee were informed that about 10 to 15 per cent of the total purchase of raw materials required by the factory were made from abroad. This included all glass tubes and different types of optical glasses etc. The Committee suggest that Government might explore the possibility of setting up an optical glass factory either as an adjunct to this factory or as an independent undertaking.

*Hindustan Machine Tools, Ltd., Jalahalli—page 692 of Appropriation
Accounts (Civil), 1951-52 Note-13.—*

110. At the instance of the Committee, the Ministry of Production furnished to them a comprehensive note setting forth the background of this project as also the reasons for the delay in the starting

of the factory (Appendix XXIV). The factory was set up to produce initially 400 lathes of 8½" centre per annum in the first stage of production. The control and management of the factory was transferred to a private limited company styled as 'Hindustan Machine Tools Ltd.' with effect from 1st March, 1953. The factory started production of components of lathes from October, 1954 and the first batch of fully assembled lathes is expected to come off the line in the very near future. 12 lathes have been assembled from imported components upto the end of 1955.

In the second stage of production which is expected to be achieved during the second Five Year Plan period, the Company will take up manufacture of other types of machine tools such as milling machines and Radial drilling machines.

The Committee note that there had been a delay of 9 to 12 months in the setting up of this factory which has resulted in postponing the starting of production by a corresponding period. The position on 31-12-55 in respect of purchases and erection of machinery and production has been stated as below:—

Value of machinery equipment and stores ordered	Rs. 2,68,71,892/8
Value of machinery in transit.	Rs. 1,86,525/14
Value of Machinery received.	Rs. 2,45,18,886/-

The Committee further note that the Estimates Committee have already dealt with at considerable length the question of production by H.M.T. *vis-a-vis* the private sector in Chapter I of their Fourteenth Report. The Committee are informed that the Ministry of Commerce and Industry have since conducted a survey of the requirements of the country in the matter of various types of lathes etc. They hope that with these statistics in their possession, the Government will be in a position to formulate a co-ordinated programme for the production by the private and public sectors of the various types of machine tools etc.

Penicillin Factory, Pimpri, Poona

111. In para 42 at page 151 of their Seventh Report, the P.A.C. of 1952-53 had asked for a note stating the latest position in regard to the price of indigenous Penicillin as compared with the imported penicillin. The Committee were informed that the factory went into full production only in August, 1955 and it would be too early to work out the production cost. The Committee trust that they would be apprised of the position when they next take up consideration of the accounts relating to this Factory.

The Committee happened to pay a hurried visit to the Penicillin Factory during October, 1955. No cost accounting system has been introduced though it is more than two months since the factory had gone into full production. The Committee would suggest that a proper cost-accounting system should be introduced quickly to enable Government to assess the economies of the undertaking. They trust that while calculating the overall cost per unit of penicillin produced at the Factory, the capital cost of the factory including the expenditure incurred on the construction of the housing colony, research work etc. would be taken into account.

MINISTRY OF REHABILITATION

Para 10 of Audit Report (Civil), 1954—Part I—Non-maintenance of Accounts.

112. A sum of Rs. 1,50,000 was placed at the disposal of the Rehabilitation Commissioner for incurring expenditure on construction of mud huts for housing displaced persons. The construction work was entrusted to a woman social worker, who was given advances by the Rehabilitation Commissioner aggregating Rs. 1,42,380.

Neither the Rehabilitation Commissioner nor the social worker maintained proper accounts for the amounts received by them. Although the Rehabilitation Commissioner was held responsible for rendering the accounts, it was contended by the Ministry that he was not at fault. In the Ministry's view, "rendering accounts" by the Rehabilitation Commissioner meant only the drawal of the advances, payment of the same by cheque to the social worker and watching credits of amounts undisbursed by her and not keeping detailed accounts of the expenditure out of the advances. The social worker did not also maintain any accounts. It is, therefore, not clear to the Committee how the Rehabilitation Commissioner could have watched the correctness of the credit of amount's undisbursed by the social worker. According to Audit Report he did not even obtain receipts from the social worker for the amounts advanced by him. The Committee regret to say that in their view the Rehabilitation Commissioner had failed even in the very limited responsibility which the Ministry contended had been placed on him.

The explanation given to the Committee for the non-maintenance of the accounts was that the social worker entrusted with the work was not at all conversant with the maintenance of accounts and all attempts of the Ministry to get an accountant or overseer to assist the lady were unsuccessful. The Committee think that Govt. should have made some arrangements to keep an account of the various payments made by the social worker and ensure that each and every payment was supported by a receipt or voucher.

113. At their instance, a note (Appendix XXV) was submitted to the Committee by the Ministry. It is evident from this note how in the absence of proper accounts, Government had to regularise the expenditure on comparable costs of similar huts constructed by the Punjab Govt. The Committee learnt that Govt. did not consult the C. & A. G.* before condoning the non-maintenance of regular accounts and regularising the expenditure incurred. They trust that in future Govt. would try to evolve in consultation with Audit, a simplified form of accounting in such cases where it would be difficult, for some reason, to maintain elaborate and detailed accounts. Failure in the maintenance of initial accounts, which are prescribed by the Comptroller and Auditor-General, should be condoned only in consultation with the Comptroller and Auditor-General.

Para 27(a) of Audit Report (Civil), 1953—Infructuous Expenditure

114. For the purpose of providing temporary accommodation to the inmates of certain relief camp who were being sent to Madhya

*Comptroller and Auditor General.

Bharat for rehabilitation, 350 tents were despatched from Kurukshetra to Ujjain and Indore at a cost of Rs. 25,687. On arrival these tents were found to be absolutely unserviceable with the result that expenditure incurred on the transport of the tents together with the expenditure of Rs. 6,434 incurred by the State Government in levelling the ground for the erection of these tents proved infructuous. According to a note submitted to the Committee (Appendix XXVI) the Asst. Engineer, P.W.D. sorted out the tents and loaded them in the wagons in the presence of the Camp Commandant and "it was reasonable to assume that they, like any other man of average prudence, must have selected fairly serviceable tents from surplus left for being despatched to Madhya Bharat. The absolute unserviceability of the tents subsequently reported by the State Government could be attributed to the damages done to the tents in transit". In short, the Rehabilitation Ministry has thrown the entire responsibility on the Railways. The Committee are no doubt aware of what often happens on the rails to bulky cargo to which their attention has been drawn pointedly. But it is to their amazement that not even a few tents out of the 350 could be in a fit condition to be pitched. The Ministry have themselves admitted that the tents at Kurukshetra, although not unserviceable had out-lived their life. The Committee do not, therefore, feel convinced of the stand taken by the Ministry. They also feel that there had been an omission on the part of the Ministry in not informing the State Government about the condition of the tents. Timely intimation would have saved the Government of unnecessary expenditure on levelling the ground etc.

Para 27 (b) of Audit Report (Civil), 1953—Contract for grinding wheat without tenders

115. According to this audit para, contracts were given out by the Commandant of a relief camp for grinding wheat without inviting tenders. One contract was given for the period 17th August to 20th November, 1948 and the other for the period 20th June to 31st December, 1949. The second contract was later extended upto 31st March, 1950. Subsequently, at the instance of the Ministry, tenders were called for and it turned out that the lowest quotation was very much lower (nearly half) than the rates originally contracted for. The contract was finalised on 15th May, 1950 and upto that date the second contractor was paid at the old rates although the contract was not formally extended. On the basis of the lowest quotation, the loss on the original contract was estimated at Rs. 30,000. It was also reported that against the advice of Audit, the second contractor was paid an advance of Rs. 42,000. It was reported that the Finance Ministry did not condone the irregular procedure and the consequential loss and also refused to regularise the payment from 1st April to 15th May, 1950 during which period the second contract was allowed to run even after lower quotations had been received from another contractor. The Committee, therefore, decided to postpone further consideration of the matter and requested the Ministry to furnish them with a note stating the final decision arrived at by the Government in the matter of regularisation of the expenditure incurred on the contracts and also the disciplinary action taken against the officers at fault.

In the circumstances explained by the Ministry in their note (Appendix XXVII), the Committee are inclined to accept the view that there was a case for deviating from the prescribed procedure of calling tenders. They, however, think that this was not a matter on which the Camp Commandant could have acted in his discretion. Government's specific orders should have been obtained for relaxing the requirements of calling for tenders. The Committee do not understand how the F.A. and A.O. **attached to the Camp, whose duty it was to guide the Camp Commandant in such matters, overlooked this.

In para 3 of the note it has been stated that the new contract was given on 16th May, 1950 and from para 4 the Committee note that the tender of the firm which quoted the lowest tender had not been accepted. The Committee would, therefore, like to know when was the tender approved by the Ministry of Finance and what was the final rate at which the new contract was given.

*Item 85 of the *Statement of Outstanding Recommendations—Review of the conduct of various Camp Commandants in charge of refugee camps.*

116. While the Committee appreciate that the review of such cases would necessarily take time, they regret to note that even after such a long time very little progress has been made. Most of the 15 cases of serious irregularities which have now been brought to the notice of the Committee (Appendix XXXVIII) are really very old, some dating back to 1948 and 1949. The Committee regret to observe that in most cases either the final responsibility for the irregularities has not yet been fixed or the question of disciplinary action is still under consideration. The loss to the Exchequer as a consequence of these irregularities has not been indicated with the result that the Committee have no idea of the magnitude of the loss. The Committee, therefore, recommend that these cases should be pursued more vigorously and a revised note submitted to them stating the amount of loss involved in each case recovery, if any, effected from the persons responsible; **prospect of any recovery and disciplinary action taken.**

*Item 86 of the *Statement of Outstanding Recommendations—Officers employed in the various camps against whom disciplinary action was taken for frauds, embezzlements etc.*

117. From the note and the statement (Appendix XXIX) furnished by the Ministry, the Committee are unable to assess the total loss to Government. They desire that the Ministry should inform the Committee of the loss to Government on account of the frauds, embezzlements etc. in the 41 cases reported.

MINISTRY OF TRANSPORT

Grant No. 86—Communications (including national highways).

118. Under an agreement entered into with the States, the Government of India, accepted, with effect from the 1st April, 1947 complete financial liability for the development and maintenance of certain roads accepted by the Centre tentatively as suitable for inclusion in

*Appendix I, Fifteenth Report of the Public Accounts Committee—Vol. I.

**Financial Adviser and Accounts Officer.

a system of national highways. Subsequently, a suggestion was made that the Central Government might consider altering the scheme to provide for a contribution to be made by States towards the cost of development and maintenance of the highways on a 'matching' basis mainly as a safeguard against any attempt by States to put up extravagant proposals to the Centre for the development or maintenance of the national highways within their territory because the Centre were to meet the entire cost. The idea was that the money so saved by the Centre might be given to States for expenditure on their own roads, or, in other words, that the quantum of assistance by the Centre to States should not be altered.

In the meantime, the new Constitution was enacted under which the subject "highways declared by or under law made by Parliament to be national highways" was included in the Union List. In Para 51 of their Seventh Report, the Public Accounts Committee of 1952-53 desired that the Ministry of Transport should ascertain the views of State Governments on the Model Highway Bill framed by the Ministry and take early action towards the enactment of the legislation as envisaged in item 23 of the Seventh Schedule, List I of the Constitution.

119. The Committee regret that it should have taken Government as much as three years to enact the proposed national highways legislation. In a note submitted to the Committee (Appendix XXX) the Ministry of Transport have stated that the delay was mainly due to the following reasons:

- (i) The whole question of motor vehicle taxation as recommended by the Motor Vehicle Taxation Enquiry Committee was under examination by the Taxation Enquiry Commission and it was thought possible that the Centre might have to incur substantial expenditure in the form of grants to the States to compensate them for any restrictions placed on the limit of their taxing powers. The financial position as it emerged finally as a result of the decisions of Government on the recommendations of the Taxation Enquiry Commission had, therefore, a very important bearing on the proposed legislation relating to national highways.
- (ii) Proposals were under consideration for the constitution of an enlarged Central Road Fund (which was to include the funds voted for expenditure on national highways by the Centre) and State Road Funds in accordance with the recommendations of the Motor Vehicle Taxation Enquiry Committee, which were supported by the Transport Advisory Council.

The Committee also note the advice given by the Ministry of Law that pending the enactment of the proposed national highways legislation, the expenditure incurred by the Centre on the development and maintenance of roads accepted by them tentatively as suitable for inclusion in a statutory system of national highways was covered by Article 282 of the Constitution. If so, the Committee thought that the expenditure should have been provided for as Grants to States.

The Committee, however, pressed the issue and emphasised the need for the early enactment of the proposed legislation in order to put the whole thing on a satisfactory footing. In their note (Appendix XXX) the Ministry have stated that in view of the anxiety expressed by the Committee they have decided to split up the comprehensive National Highway Bill, originally contemplated, into two. The first Bill would cover the declaration as 'national highways' of the highways accepted by the Centre provisionally as national highways under an agreement with the States with effect from the 1st April, 1947 and for their development and maintenance at Central expense. This bill, according to the Ministry, would not require prior consultation with the States. This Bill was stated to have been drafted and expected to be ready for introduction in the current Budget Session of Parliament. The second Bill would include provisions on the lines of those in the Model Highway Bill for the prevention and removal of encroachment on national highway land and other matters, legislation in respect of which would have to be enacted by Parliament.

The Committee think that in view of the fact that 3 to 4 years have elapsed since the Committee of 1952-53 first recommended the legislation, the necessary Bill should be finalised so that it may be ready for immediate introduction when any opportunity presents itself.

STATE TRADING SCHEMES

- (1) *Purchase and construction of Lighters.*
- (2) *Scheme for running and chartering of vessels for coastal trade.*

120. In the first case, a sum of Rs. 70,912 was stated to be still outstanding for recovery from the U.K. Government and the matter had been taken up with that Government by the High Commissioner for India in the U.K. and was still under consideration of the U.K. Government.

In the second case, a sum of about Rs. 2,000 was awaiting reconciliation and the Ministry were stated to be in correspondence with the Steamship Companies, on the one hand, and the Accountant-General on the other. The Committee suggest that the Government might consider the desirability of writing off this small amount, if it is not susceptible of reconciliation, and close the accounts because the volume of work and expenditure involved in reconciling and closing the account would be completely out of proportion to the amount outstanding. This transaction relates to the year 1944 and, as it is, it is more than ten years old. The Committee would recommend that this war-time scheme should be wound up without any further delay and the amount lying in suspense credited to the Consolidated Fund.

121. *Road Rollers bulk procurement scheme.*—The Public Accounts Committee of 1952-53 have already commented upon the irregularities in the working of this scheme in paras 61—68 of their Seventh Report.

The Committee again examined the accounts of this scheme in the light of the comments made by Audit at pages 764-765 of the

Appropriation Accounts (Civil), 1951-52. They desired to be furnished with a note stating the present position of the recovery from the indentors of the amount of the difference between the provisional price and the actual cost of rollers (Appendix XXXI). The Committee note that full recoveries have since been made from the quasi-public bodies in respect of diesel road rollers at the final price of Rs. 45,950. In the case of steam rollers, however, the final price has not yet been fixed. They understand that this price was expected to be higher than the present provisional price of Rs. 37,500 per roller. They also learn that even the price fixed provisionally did not compare favourably with the cost of an imported identical roller.

122. The Committee would urge that early action should be taken to fix the final price and the difference recovered from the various indentors. They observe from the note submitted to them that recoveries of cost of steam rollers to the tune of Rs. 49,387-8-0 based on the provisional prices were still to be made. They desire that the question of recovery of these outstanding dues should be rigorously pursued by the Ministry and they hope that by the time they take up next year's Accounts the balance recoverable would be nil.

The Committee appreciate that this scheme was conceived with the idea of enabling the country to tide over the shortage of road rollers (then prevailing all over the world) by indigenous production, to utilise the full capacity of the ordnance factories and to make the country self-sufficient in road rollers. They, however, regret to observe that though Government entered into a contract with the firms for the purpose of establishing the roller industry in the country and had paid the firms their actual cost of production, no steps were taken to see that production continued. The Committee were informed that Government have since granted licences for the manufacture of rollers in this country to two firms. An important condition of the licence was that these firms should charge reasonable prices for the rollers failing which import of rollers would be permitted by Government. The Committee are glad that the experience and technical knowledge gained by the earlier scheme had not been allowed to go waste.

Audit Report (Civil), Part I, 1954—Para—11(a)—Uneconomical purchase of a second-hand tractor.

123. In December, 1948, the North East Frontier Agency purchased from a local firm a second hand tractor for Rs. 6,388 by charge to a work before any estimate was technically sanctioned and the expenditure was duly authorised. The machine was found defective with several unserviceable parts and a sum of Rs. 4,000 was spent for their replacement and entertainment of a mechanic and daily labour to fix them up. But even then it could not be brought into working order. According to the Audit Report, it lay uncared for by the roadside for about 5 years and was ultimately sold by auction in August, 1953 for Rs. 1,500. The net loss to Government in this deal is reported to be of the order of Rs. 8,888.

In the course of evidence, the representative of the Ministry of External Affairs (NEFA is under the control of that Ministry) stated that this tractor was purchased on the advice of the Mechanical Engineer of the Assam P.W.D. who after carrying out the trials

and actually operating the tractor on earth cutting had reported that it was "as a whole satisfactory". During the examination of this case, the following points emerged on which the Committee desired to be furnished with written information:

- (i) the period during which the tractor actually did work and the expenses incurred by Government on the operation;
- (ii) whether the Mechanical Engineer who advised repairs to the extent of Rs. 4,000 was the same officer, who originally certified the serviceability of the tractor;
- (iii) who purchased the tractor for Rs. 1,500 when it was eventually auctioned in 1953; and
- (iv) What was the action taken by the Assam Government against the Mechanical Engineer concerned?

From a note (Appendix XXXII) submitted to the Committee, they observe that within 10 days of its purchase, the tractor broke down. It had to remain idle for about 15 months due to non-availability of spare parts. After repairs costing Rs. 4,000 the tractor worked for about 5 weeks and again broke down. All attempts to recondition the tractor had to be abandoned in view of the exorbitant cost demanded. It was ultimately decided that it would be uneconomical to spend a large amount on repairs and that the tractor should be disposed of by public auction. The Committee note that the explanation of the mechanical engineer who recommended the purchase of this second-hand tractor after technical examination is under consideration. They would like to be apprised of the final decision in due course.

Para 11(b) Infructuous expenditure.

124. In this case, an expenditure of Rs. 37,801 was incurred on the construction of a suspension bridge over a river in a hill district of the North East Frontier Agency. During the rains, the bridge was washed away. According to Audit, the various reports on the incident made by the departmental officers indicated that:

- (i) The site was quite unsuitable for anchoring a tower for a big bridge as there were very steep hills immediately on the left bank of the river.
- (ii) The selection of the site had not finally been approved by the Superintending Engineer before the commencement of the work.
- (iii) There was every danger to the bridge as the behaviour of the river during floods had been uncertain and unusual.

Explaining the extenuating circumstances, the representative of the Ministry of External Affairs stated that this work was done in a terrain where they had to rely on the judgment of the local authorities and the people who had knowledge of the terrain, about its suitability or otherwise. Further, it was an emergency measure and they had to build a bridge across the river at some risk. The loss, he added, had occurred due to unexpected heavy floods in this area. However, during the course of the evidence tendered before the Committee, it transpired that the Superintending Engineer concerned had criticised, in an inspection note, the selection of that

site for anchoring a tower for a big bridge and according to him the floods were not responsible for the washing away of the bridge. On the other hand, the Executive Engineer seemed to hold a different view. In his opinion there was nothing wrong with the site but the damage to the tower was due to careless execution of the work. In the Committee's view, the above opinions go to indicate that the construction of the bridge was faulty in location and defective in execution. By request, a report (Appendix XXXIII) was submitted to them by Government. The Committee see no reason to change their earlier view even after going through this report. They find it difficult to accept the plea that the loss in this case should be treated as normal risks of losses attendant on projects undertaken urgently.

MINISTRY OF WORKS, HOUSING AND SUPPLY

Para 28(a) of Audit Report (Civil), 1953—Over-payment due to faulty measurement.

125. Final measurement taken on 16th January, 1947 of an item of 'excavation work' for levelling the site for certain residential quarters disclosed an overpayment of Rs. 28,882 to a contractor who had since migrated to Pakistan. The over-payment was attributed to initial faulty measurements of intermediate levels for which running payments were made to the contractor. During the sitting held on the 25th August, 1955, the Committee were informed by the Ministry that as a result of an enquiry instituted in this case, it came to light that it was the final measurement that was wrong and that initial calculations on which running payments were made were correct. The inquiry also revealed that the S.D.O.* and the E.E.** who passed the final bill for payment had not checked the final measurements as required under the Rules but accepted the Section Officer's calculations from the measurement book in which there were many erasures and over-writings. The Committee observe from a note submitted by the Ministry (Appendix XXXIV) that the question of what action should be taken against the E.E. responsible for incorrectly passing the final bill was still under consideration. They are concerned at the slow manner in which action was being taken in this case which was detected in 1949 and enquiry instituted in 1952.

Para 28(b) of Audit Report (Civil), 1953—Excess payment due to mistake in estimates.

126. In this case the work of constructing certain residential quarters was given out in December, 1944 to a contractor whose tender was the second lowest. At the time of inviting tenders the estimated quantity of R.C.C. work was 2,700 cft. and the rate quoted by the contractor for this work was Rs. 12/12/- per cubic foot as compared with rates ranging between Rs. 3/4/- to Rs. 6 quoted by other contractors. Later the E.E. in-charge changed certain items from brickwork to R.C.C. work in this case which increased the quantity of R.C.C. work to 24,781 cft. from 2,700 cft. as estimated earlier. Had the increased quantity been estimated at the outset the tender of this contractor, with the rate of Rs. 12/12/- per cubic foot for R.C.C. work, would have been

* Sub-Divisional Officer.

** Executive Engineer.

the second highest and not the second lowest. Because of this substantial increase in quantity the contractor received a payment of Rs. 1,32,486 more than what would have been due to him on the basis of Rs. 6-12-0 per cft. approved by the Chief Engineer for the R.C.C. work in the case of other contractors on the project.

127. The Ministry said in evidence that the action of the E.E. in making a wrong estimate was defenceless and there were no dishonest intentions on his part. It was also added that, in order to avoid recurrence of such situations, executive instructions had been issued to the effect that where the contract rate for any item was higher or lower than the estimated rate by 25%, the quantities on contract of such items may not be altered by more than 5%.

The Audit Report drew attention to the fact that there was a clause in the agreement stipulating that rates for additional work could be revised according to market fluctuations after giving notice to the contractor; and advantage could not be taken of this clause, as no notice to that effect was served on the contractor. In reply to a question why Government did not invoke this clause, the Committee were informed that the prices of materials for R.C.C. had actually increased during the currency of the contract and those contractors who had quoted low rates, viz., rates varying from Rs. 3/4/- to Rs. 6/- per cft. for R.C.C. work, demanded revision of rate under that clause in their contracts and that their rates were actually revised and fixed at Rs. 6/12/- per cft. by Government. Again, in a note furnished to the Committee (Appendix XXXV), explaining why Government could not invoke the provisions of the safeguarding clauses 12 and 12A in the contract to revise the rate, the Ministry observed that a downward revision of the rate could be made by the E.E. under clause 12A only if the prices of the materials and labour had decreased.

The Law Ministry was also reported to have advised that it was beyond the power of the competent authority to decrease the rate when prices of materials had actually gone up.

The Committee are not satisfied that the E.E.-in-Charge of the work was blameless in the case. Knowing that the rates tendered by other contractors for the R.C.C. work ranged from Rs. 3/4- to Rs. 6/- per cft. and having accepted the tender of this contractor wherein the rate of Rs. 12/12/- per cft. was quoted for the same item, the Committee feel that the E.E. should have negotiated with the contractor for reasonable rate for the additional quantity at least, and that if the contractor was intractable, he should have left the design unchanged. They are surprised at the plea of defective estimating and the heavy work load of the E.E. in extenuation. They also find it difficult to understand that he should have acted on his own responsibility in this case involving large extra payment to the contractor. The Committee would like to have a thorough enquiry made into this case and responsibility fixed.

128. The Committee consider that the so-called safeguarding clauses as they stand do not at all safeguard the interests of the Public Exchequer and result in excess payments, as in this case. They were informed that there were many cases of this kind. They feel that there is a lacuna which should be filled up. They would, in this connection, invite attention to their recommendation

in para 90 of their Fifteenth Report suggesting the desirability of bringing before Parliament legislation empowering Government to review concluded contracts and to effect recovery of demonstrably excessive or unconscionable payments made as a result of ignorance, oversight, ineptitude, incompetence or corruption on the part of the agents of Government. As observed therein, such a legislation would not only safeguard the public interests, but would effectively deter speculative attempts on the part of the contractors to quote exorbitant rates as a 'try on'.

Para 28(g) of Audit Report (Civil), 1953—Loss on pre-fabricated huts

129. This is a transaction which has resulted in a loss of about Rs. 2 lakhs to Government. A thousand hard board pre-fabricated huts and 6,000 hard board roofs at a total cost of Rs. 11,84,000 were purchased from a foreign firm for providing accommodation to displaced squatters in Delhi. The contract with the firm included the following guarantee given by them:

"Firm guarantee that the store will last for at least three monsoons and the hard boards used will be absolutely waterproof for their purpose for three monsoons failing which the firm have agreed to replace the huts free of cost. The walls and the roof will be covered with 1/8" hard board specially impregnated and treated against moisture, water and white ants....."

Some of the huts erected leaked during the rain and the result of tests carried out was that the material supplied was not waterproof. The original decision to utilise the huts as residences for displaced persons was therefore abandoned; 76 huts were utilised by Government after effecting certain improvements costing Rs. 20,000. Another 365 huts were used in erecting stalls for refugee shopkeepers as a deposit work on behalf of certain non-Government bodies etc. The remaining huts and the entire 6,000 roofs had to be disposed of for what they could fetch.

As regards the breach of warranty in the contract about the huts being waterproof, Government decided to settle the matter by accepting a compensation of Rs. 4½ lakhs from the firm.

130. The representative of the Ministry who appeared before the Committee explained that the grade and type of timber used in the manufacture of the huts and roof had been specified in the order and had been accepted by the Government Housing Adviser. Moreover, the firm itself had produced a test certificate from a Government Laboratory in the foreign country to the effect that the hard boards used were to the specifications given by it in their supply agreement. The compromise was largely based upon a recognition of the weakness of Government's position in respect of the specifications, as the Housing Adviser who was present during the discussion with the firm's representatives would not give categorical replies to the firm's questions regarding the specification of the timber used. Government's case against the firm was further weakened by the firm producing sketches and drawings by the Government Housing Adviser in support of its stand that the roofs were intended

to be used only after being reinforced with further protective coatings. The Law Ministry's final advice was that Government would not be well-advised to go to Court on this issue.

131. The whole deal was like buying a pig in a poke. At the instance of the Committee, a copy of the note (Appendix XXXVI) setting forth the circumstances leading to the compromise arrived at with the firm was furnished to them. The Committee observe from the note that the contract was entered into with the firm in question after discussion with its representatives who knew for what purpose these huts and roofs were required and that they should be absolutely waterproof and last for three monsoons. They also note that the firm itself admitted that the huts had not behaved as anticipated, for which it placed a part of the responsibility on the Housing Adviser who approved of the timber used. Further under the 'General Condition' of contract which the firm had accepted it was expressly stipulated:—

“The Contractor is to be entirely responsible for the execution of the contract in all respects in accordance with the terms and conditions as specified in the contract, notwithstanding any approval which the Inspector may have given in respect of the stores, materials or other parts of the work or of workmanship involved in the contract or of tests carried out either by the contractor or the Inspector”.

Since the principal condition expressly provided for in the contract, viz. that the hard boards should be absolutely water proof and should last for three monsoons, was not fulfilled, the Committee feel that, notwithstanding the fact that the timber used by the firm was according to specification, the firm was liable to pay full damages to Government. The Committee were given to understand that it was the Housing Adviser who was responsible for introducing this firm to the Government. He gave advice both to Government and to the firm. His reported attitude during the meetings with the firm's representatives was unbecoming. The Committee learn that this officer was also involved in the sad affairs of the Government Housing Factory and they are of the view that disciplinary action should have been taken against this officer in time.

132. Another aspect of the case on which the Committee desire to comment is regarding the inspection carried out by the Government Inspector before shipment was made. He had certified the stores to be “in accordance with specifications”. It transpires from the note now submitted to the Committee that the inspection before despatch was a preliminary one in terms of the contract and no specific laboratory test for waterproof was stipulated in the contract; and as the contract was placed on the basis of drawings checked by the Director of Housing and subject to a specific guarantee from the firm it was not considered necessary to specify anything further in the way of specification or lay down any method of test. *Prima facie*, the certificate given by the Inspector that the stores were to specification was incorrect. The object of inspection of samples is to ensure that the stores supplied conformed with the provisions of the guarantee and in the

absence of any stipulation in the contract or instructions as to how the hard boards were to be tested, the Inspector should have referred the matter to the D.G., Supplies and Disposals for further instructions without assuming that the limited tests which he carried out would meet the requirements. The Committee learn that the Inspector in question has since retired on the termination of his contract, and no action could, therefore, be taken against him now.

Para 12(b) of Audit Report (Civil), 1954—Part I—Loss on Supply of Electricity.

133. Over the period 1945 to 1952, Government incurred a loss of Rs. 38,566 in the supply of electric energy at flat rates to the residents of certain Government quarters. Although as early as September, 1949 it was pointed out by Audit that the rates should be revised after a proper review, no revision was made till September, 1952.

The representative of the Ministry informed the Committee that the delay in revising the rates was due to the fact that the relevant file was misplaced and was recovered only after a period of about 2 years and that disciplinary action was being taken against the officers concerned.

The Committee desired to be furnished with a note stating the decision arrived at on the question of regularisation of the loss sustained by Government as also the various stages of the disciplinary proceedings instituted against the persons at fault. The note (Appendix XXXVII) submitted by the Ministry indicates little or no progress in the matter. The Committee see no reason why even after the irregularities were brought to the notice of Government six years back, they had not taken any decision on the question of regularisation of the loss of Rs. 38,566 and of fixing the responsibility for loss on the officers concerned. They desire that Government should take early action in this matter.

*Item 52 of the *Statement of Outstanding Recommendations—Prices fixed at the Disposals Retail Shops—*

134. In a case of certain Retail Shop (Disposals) the prices of certain stores were recorded in the price register by the officer-in-charge of the shop under verbal orders of the Director-General, Disposal. The Committee were informed that the Director General along with an officer of the Finance Department inspected the goods on the spot and gave directions with regard to price fixation. The written concurrence of the Finance Officer was not, however, obtained. From the note (Appendix CXXIV, Fifteenth Report—Vol. II) submitted by the Ministry, the Committee observe that in fixing the prices of Disposal stores, the concurrence of Finance is communicated in writing on the reference from the Director General; only such concurrence could be regarded as an authorisation from the Finance Ministry. The fixation of prices of stores in the Retail shops in the present case was, therefore, improper as it lacked the written concurrence of the Finance Ministry. In view of the inherent

*Appendix I. Fifteenth Report of the Public Accounts Committee—Vol. I.

risks in such a fixation of prices by oral discussions not confirmed in writing subsequently, the Committee trust that there would be no deviation from the prescribed procedure in future.

**Item 53 of the *Statement of Outstanding Recommendations—
Excessive Stock of Stationery and Typewriters**

135. The Committee note that the small Committee set up by the Ministry in accordance with the recommendation made in para 50 of their Seventh Report have submitted their Report to Govt. The Committee desire that a copy of this Report together with a statement showing action taken by Government on this Report should be submitted to them.

**Item 54 of the *Statement of Outstanding Recommendations—Pay-
ment of Rs. 51,323 to a P.W.D. contractor without Government
sanction—**

136. The Committee have considered the note (Appendix CXXVI, Fifteenth Report—Vol. II) submitted by the Ministry. According to Audit, the payment made to the contractor was in the nature of an *ex-gratia* payment, requiring Government sanction, as it was outside the scope of the contract agreement with the contractor. The C.P.W. Department's contention was that the contractor was entitled to a reasonable compensation as a matter of right, and not as a matter of grace, as he was subject to financial losses directly by the delay on the part of Government in handing over the site about 6 weeks late. In support, the Ministry drew the attention of the Committee to para 89(c) of the C.P.W.D. Code which runs—

“The terms of a contract once entered into should not be materially varied without the previous consent of the officer competent to enter into the contract as so varied”.

In accordance with the above para, the C.E. was quite competent to sanction the payment and Government's sanction was not necessary.

The Committee are inclined to agree with the Comptroller and Auditor General. In their opinion, unusual incidents of this character arising out of a contract should be reported to Government, whose function it is to consider whether there has been negligence or error in administration and whether the settlement is reasonable. They learn that rules already exist requiring that payments to contractors by way of compensation or otherwise outside the terms of the contract should be authorised only with the approval of Finance and the present case, should, therefore, have been dealt with under these rules.

The Committee are glad to learn that para 89(c) of the C.P.W.D. Code has since been amended so as to avoid any ambiguity in the matter.

V. B. GANDHI, *Chairman.*
Public Accounts Committee.

NEW DELHI:
The 14th May 1956.

PART II

Proceedings of the sittings of the Public Accounts Committee held on the 22nd, 23rd, 24th, 25th, 26th, 27th, 30th, 31st August; 1st September; 1st, 2nd, 3rd November; 15th, 18th December, 1955; and 11th and 14th May, 1956.

**Proceedings of the First Sitting of the Public Accounts Committee
held on Monday, the 22nd August, 1955.**

137. The Committee sat from 4 P.M. to 6.20 P.M.

PRESENT

Shri V. B. Gandhi—*Chairman.*

MEMBERS

2. Shri Kamal Kumar Basu.
3. Shrimati Ammu Swaminadhan.
4. Shri S. V. Ramaswamy.
5. Shri Balwant Sinha Mehta.
6. Shri C. D. Pande.
7. Shri U. C. Patnaik.
8. Sri V. Boovaraghasamy.
9. Shrimati Violet Alva.
10. Shri Ram Prasad Tamta.
11. Shri Mohammad Valiulla.
12. Shri V. K. Dhage.
13. Shri B. C. Ghose.

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

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor-General of India.*

Shri S. Venkataramanan, *Accountant-General, Central Revenues.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Present during the examination of the Ministry of Defence (Civil Grants).

Shri H. C. Sarin, I.C.S., *Joint Secretary, Ministry of Defence.*

Shri B. Singh, *Additional Financial Adviser, Defence Services, Ministry of Finance (Defence).*

Present during the examination of the Ministry of Education

Shri Humayun Kabir, *Secretary, Ministry of Education.*

Shri C. S. Menon, *Joint Secretary, Ministry of Finance (R. & E. Department).*

Present during the examination of the Ministry of External Affairs.

Shri S. Dutt, Commonwealth Secretary, Ministry of External Affairs.

Shri Prem Krishen, I.C.S., Joint Secretary, Ministry of External Affairs.

Shri C. S. Menon, Joint Secretary, Ministry of Finance (E.A. Division).

APPROPRIATION ACCOUNTS (CIVIL), 1951-52 AND AUDIT REPORT (CIVIL), 1953.

MINISTRY OF DEFENCE

138. *Para 20 of Audit Report, 1953—Irrecoverable Motor Car Advance.*—In this case, an Army Officer was dismissed from Service on the 17th October, 1948, on a charge of misappropriating Government money. On that date, a sum of Rs. 2,142 representing the balance of motor car advance of Rs. 3,500 drawn by him in July, 1947 and interest thereon were due from him. Despite the advice given by the Accounts Officer on the 25th October, 1948 that the car should be seized and its sale proceeds appropriated towards this demand, the Command authorities did not do so and accepted an assurance from the Officer that the debt would be cleared by 15th December, 1948. As a guarantee, they accepted the certificate of registration of the vehicle as deposit. The officer having failed to implement his promise, the Accounts Officer reiterated his original suggestion in February, 1949. But on this occasion, the Sub-Area Commander obtained a fresh promise that he would liquidate his debt in April, 1949. When the Sub-Area Commander decided to seize the car in April, 1949, it transpired that the car had already been disposed of by the officer to a civilian as early as in January, 1949 by obtaining a duplicate Registration Certificate on the plea that the original had been lost. The Committee wanted to know whether the responsibility of the Officers who disregarded the Accounts Officer's advice had now been determined.

The representative of the Ministry of Defence stated that the Area Command authorities did not know that the car had been sold. While he admitted that there had been an error of judgment in this case which might result in Government losing Rs. 2,142 plus interest thereon, he pleaded that it had not yet been lost because a decree had been passed by the Civil Court and it was pending for execution. As the witness was not in possession of full facts of the case, he undertook to furnish the Committee with written information* on the following points:

1. A note explaining the circumstances under which the Sub-Area Commander failed to carry out the instructions issued by the Command authorities to attach the car of the officer concerned and the action taken against the former in this behalf.

*Appendix VI.

2. How is it proposed to execute the decree for Rs. 2,557 plus interest granted by the Civil Court against the Officer concerned? Has he got any property which can be attached?

APPROPRIATION ACCOUNTS (CIVIL), 1951-52.

139. *Grant No. 37—Sub-head B 7—(p. 227)*—In this case the saving of Rs. 5,00,000 which was mainly due to the abandonment of land colonization schemes in Madhya Bharat, Uttar Pradesh and Orissa, as a measure of economy, had not been surrendered. The Committee wanted to know why this was not done. The representative of the Ministry of Defence stated that as the Land Settlement Scheme had to be worked out in co-operation with the respective State Governments, the entire provision could not be utilised. Intervening, the representative of the Ministry of Finance (Defence) stated that considering the magnitude of the expenditure that was incurred by the Defence Ministry on this scheme, this saving represented an insignificant percentage. It was obviously impossible for any estimating authority to cut it so fine.

MINISTRY OF EDUCATION

140. *Para 21 of Audit Report, 1953—Grants-in-aid*—This para relates to the payment of block grant to a University towards the close of the financial year. The Committee wanted to know why the Ministry sanctioned the grant towards the close of the year when the recipients could not possibly utilise it. They desired that a system should be evolved by which grants were made in the beginning of a year so as to ensure their economic and beneficial utilization. The representative of the Ministry of Education explained that the University concerned informed them that they had commitments for an expenditure of Rs. 1,78,631 and they expected that the whole amount would be spent before the 31st March, 1952. It was only after the 31st March, 1952 that the Ministry of Education came to know that the University had spent Rs. 53,947/- for post-graduate research training and the rest of the amount *viz.*, Rs. 1,24,684/- remained unutilized. In this connection, he recalled the suggestion made by him at the sitting of the last Committee that in so far as grants to educational institutions were concerned, it would be necessary to make some grants towards the close of the financial year without which the Universities would not be having liquid funds at their disposal to carry on their various activities till the middle of the next year. On the Chairman drawing the attention of the Committee to the following recommendations made in this behalf by the last Committee in para 42 of their Fifteenth Report, the point was not pressed further:

“The Committee think that now that the Government have decided to establish the University Grants Commission which would enquire into the financial needs of the Universities and allocate and disburse grants to them and that a Bill seeking to constitute this Corporate body has since been introduced in Lok Sabha, this matter should better be left for consideration by that body.”

MINISTRY OF EXTERNAL AFFAIRS

141. *Para 22(a) of Audit Report 1953—Purchase of Furniture without tenders.*—In this case, office furniture of the value of £8,339 (inclusive of purchase tax) for the extended premises of the Indian High Commission, London was purchased by the High Commissioner from a London firm without inviting competitive tenders. The Committee wanted to know why the usual procedure of calling for tenders was dispensed with in this case. The representative of the Ministry of External Affairs stated that as the Office of the Indian High Commission in London expanded very greatly immediately after Independence the additional premises had to be taken over immediately and furnished urgently, and so the usual procedure of inviting tenders etc. could not be followed. He, however, stated that the High Commissioner did get the estimates from three or four London firms in this connection. The Committee desired to be furnished with information on the following points:—

- (i) What was the date on which the extended premises of the Indian High Commission in London were taken over?
- (ii) What was the date on which the furniture was purchased?
- (iii) What was the date on which the additional staff was sanctioned in the Indian High Commission, London?
- (iv) What was the justification in bypassing the procurement inspection agency of the I.S.D., London, in the matter of purchase of this furniture?
- (v) What was the prescribed scale and whether the furniture was purchased according to that scale?

142. *22(b)—Forged drawal of a cheque.*—In this case, a messenger employed in an Indian Mission abstracted a blank form from the cheque book with the help of an accomplice while the cashier was away from his room and after forging the signature of the drawing officer, withdrew from the Mission's bank account the equivalent of Rs. 4,180 in the foreign currency. The culprits were sentenced to one year and six months respectively. Part of the loss was made good by sums recovered by the Police from the sale proceeds of personal belongings of the accused and forfeiture of pay due to the accused. The balance of Rs. 1,998 was shared equally between the Government and the bank which failed to detect the forgery. The representative of the Ministry of External Affairs stated that this case took place in July, 1951 in a Mission abroad which was opened in April, 1951 and when there was not enough almirahs supplied to them for keeping cheque books etc. under lock and key, as required under the rules.

143. *Appropriation Accounts (Civil), 1951-52—Grant No. 20—Note 6 (Page 128).*—In this case, the High Commissioner for India in London, in 1949 advanced a sum of £150 to a private individual and booked passages to various countries including U.S.A. at a cost of £265-8-0 for him and his family without proper sanction. The individual admitted in writing his liability to repay these advances amounting to £415-8-0 but no bond was executed. Out of this amount, Government could recover only £172 and the balance of £243 had to be written off. The Committee pointed out that the High Commissioner incurred this expenditure without taking suitable measures to ensure the recovery of the amount from the person concerned.

The representative of the Ministry, however, explained the extenuating circumstances under which the High Commissioner had to incur this expenditure. He assured the Committee that Government had since issued strict orders to all disbursing officers especially in the Embassies that they would be personally held responsible for all such unauthorised advances of Government money.

144. *Audit Report (Civil), 1954—Part 1—4(a)—Extravagant expenditure on rental.*—In this case, office accommodation was rented in a foreign country in December, 1948, without the prior sanction of Government resulting in an expenditure of Rs. 1,61,512/5/- on this account. Even after the extravagant scale of accommodation was specifically called in question by the Government on 4-6-1951 the Consul General attempted on 18th July, 1951 to justify this and also suggested that no reduction should be made in the accommodation for the future when it was clear that both according to Indian standards as well as Washington standards, the scale was excessive.

The representative of the Ministry of External Affairs stated that in 1948 the Officer concerned thought that he had the authority to sanction accommodation although he should have referred the matter to the Government of India. He pleaded that such sort of irregularities took place during the years 1947 and 1948 when they were opening Consulates and Missions abroad and some of these Missions thought that they had more financial powers than they actually had. Further, when they started the Mission in question, they had planned a large staff for it which was later on reduced for reasons of economy. By that time this accommodation had been rented and they could surrender two rooms only on the expiry of leave on 14-12-51. While he agreed with the Committee that the Consul General had not reported to Government until Audit had drawn attention to this fact, namely, that these two rooms were surplus to their requirements he urged that even if Government had come to know of it, they could not have surrendered the rooms immediately under the terms of the deed. He further explained that probably the Consul General did not report the surplus accommodation to Government as he was then expecting his Vice Consul. In reply to a question, he informed the Committee that instructions had since been issued by the Ministry of prevent the recurrence of such instances. He undertook to furnish the Committee with information* on the following points arising from this case:

1. A note stating why it was not possible for the Consul General to surrender the surplus accommodation even after it had been pointed out by Audit.
2. Any cases where accommodation in excess of requirement had been rented by the Indian Mission abroad from the year 1952 onwards brought to the notice of the Ministry of External Affairs by sources other than Audit, and brief particulars thereof as also action taken in each case to set matters right, with special reference to the extra cost involved.

145. *Para 4(b) of Audit Report—1954—Part 1—Extravagant expenditure on residential accommodation.*—In this case, the Head of

*Appendix VII

an Indian Mission abroad rented hotel accommodation much in excess of the ceiling prescribed for his predecessor without obtaining the prior approval of the Government as the house purchased about a year back for accommodating the Head of the Mission had not been fully furnished. It took nearly 19 months for redecoration and furnishing of the house. Government granted *ex post facto* sanction in respect of the rent of accommodation booked by him to the extent of Rs. 44,500 and ordered that recovery of Rs. 5,500 should be made from him. Further, this Officer also ordered some structural changes in the building without obtaining prior Government sanction and incurred an expenditure of Rs. 33,170.

The Committee wanted to know why special treatment was accorded to this Officer and on what considerations he was permitted to rent accommodation at a rent more than double of what was allowed to his predecessor. The representative of the Ministry of External Affairs stated that the predecessor of this Office did not require a large accommodation in that country, as he was not living with his family. Further, towards the end of 1950 the High Commission concerned remained in charge of the Second Secretary for about 8 to 9 months, and it was thought that the furniture should not be purchased during the absence of the High Commissioner. The new High Commissioner arrived in June, 1951 and he took seven months to furnish this house. When asked whether he considered that a period of seven months was the absolute minimum that was required for furnishing the house after the High Commissioner arrived on the scene, the representative of the Ministry stated that the High Commissioner reported that he had placed orders with the firm of decorators to furnish the house, but they took a lot of time to do so and after having placed the orders, he could not cancel them. Further the High Commissioner never reported to the Government that he was staying in a hotel at a cost of Rs. 7,100 per month. In reply to a question, he stated that he too felt that this accommodation was certainly excessive. He, however, pleaded that it was on the strength of the letter of sanction which stated that the High Commissioner be provided with free furnished accommodation that the latter arranged for this accommodation. He agreed with the Committee that the High Commissioner concerned should have exercised more responsibility in arranging accommodation for himself and should have referred the matter to Government for orders.

146. *Audit Report, 1954—Part 1 Para 4(c)—Non-recovery of full dues.*—In this case, a sum of Rs. 16,617 had been advanced to an Officer, who was appointed on contract terms in an Embassy, on the termination of his services. The Officer on return to India, did not, though reminded, submit his travelling allowance and leave salary bills in adjustment of the advances and inadmissible payments made on his behalf. Government sanctioned the write-off of Rs. 6,776 after adjusting Rs. 9,841 due to him as leave salary and travelling allowances and decided that he should not be associated with the Government in any capacity whatsoever. A copy of this decision was not communicated to other Ministries with the result that he was re-engaged by another Ministry to assist a Commission of Enquiry (Press Commission) and was sanctioned an honorarium

of Rs. 10,000 for his work and in addition, travelling allowance on terms similar to those allowed to officers in receipt of pay of Rs. 2,000 per month. The Committee wanted to know whether any action was taken against the persons responsible for advancing money and making payments on behalf of the Officer in contravention of the rules and also whether Government had issued clear instructions to all disbursing officers, especially in the Embassies, warning them that they would be held personally responsible if they made unauthorised advances to anybody, official or non-official. The representative of the Ministry stated that the rules in this behalf had since been adequately tightened up and such cases would not arise in future. He observed that the decision placing embargo on this particular officer of Government was not communicated to other Ministries, as it was later found that the amount due from him was considerably less and Government did not think it proper to ban his further employment.

147. The Committee then adjourned till 4 P.M. on Tuesday, the 23rd August, 1955.

Proceedings of the Second Sitting of the Public Accounts Committee held on Tuesday, the 23rd August, 1955.

148. The Committee sat from 4-00 to 6-20 P.M.

PRESENT

Shri V. B. Gandhi—*Chairman.*

MEMBERS

2. Shri Kamal Kumar Basu
3. Shri Ramananda Das
4. Shrimati Ammu Swaminadhan
5. Shri S. V. Ramaswamy
6. Shri K. G. Deshmukh
7. Shri C. D. Pande
8. Shri U. C. Patnaik
9. Shri V. Boovaraghasamy
10. Dr. Indubhai B. Amin
11. Shri Ram Prasad Tamta
12. Shri Mohammad Valiulla
13. Shri V. K. Dhage
14. Shri B. C. Ghose.

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

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor General of India.*

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

Shri P. N. Bhandari, *Controller of Commercial Audit.*

Shri V. R. Mahadevan, *Chief Audit Officer, Food, Rehabilitation and Supply.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

Shri P. N. Thapar, I.C.S., *Secretary, Ministry of Food and Agriculture.*

Shri K. R. Damle, I.C.S., *Additional Secretary, Ministry of Food and Agriculture.*

Shri M. R. Bhide, I.C.S., *Joint Secretary, Ministry of Food and Agriculture.*

Shri P. A. Gopalakrishnan, I.C.S., *Joint Secretary, Ministry of Food and Agriculture.*

Shri Bhagwan Singh, I.A.S., *Joint Secretary, Ministry of Food and Agriculture.*

Shri R. L. Mehta, I.A.S., *Director General (Food), Ministry of Food and Agriculture.*

Shri K. L. Ghei, *Joint Secretary, Ministry of Finance (Food and Agriculture Division).*

MINISTRY OF FOOD AND AGRICULTURE

149. *Audit Report, 1953—Para 23(a)—Unnecessary purchase of stores and spare Parts.*—This para relates to the purchase of stores and spare parts by the Central Tractor Organisation during the years 1949-50 to 1952-53 much in excess of the actual requirements. The Committee wanted to know whether the Ministry of Food and Agriculture had since evolved a system based on their past experience by which they could fix the limit of such stores and spare parts which should be purchased by them annually. The representative of the Ministry explained that the volume of the spare parts shown in this para did not relate only to tractors but to a lot of other equipment like oil tankers, motor vehicles etc. He added that in the first three years, they found that neither the tractors nor the vehicles required many spare parts because they were new. But, as time went on, they found that quite a large number of parts recommended by the manufacturers were not used at all, while other spare parts had to be bought because they were running short of them. He further said that in 1952-53, they did not buy more tractors but they bought other equipment and spare parts of the value of about Rs. 2 crores. He pointed out that the position as in 1952-53 in this behalf had more or less stabilised itself. Quoting the figures in respect of 1953-54, he said, that during that year the spare parts consumed were worth Rs. 36,54,000/- as against Rs. 23,00,000 in the previous year. The spare parts used in 1954-55 were worth Rs. 35,07,000/-. The closing balance in hand was Rs. 1,28,00,000 last year which had now dropped to Rs. 1,27,00,000. He summed up to say that the spare parts were purchased only when they were considered absolutely necessary.

In reply to a question, the representative of the Ministry stated that a team of experts which came from the International Bank inspected the stock of tractors and other allied equipment and spare parts and made some recommendations which were accepted by the Government. He further said that with the experience of three or four years, a system had been evolved by them, under which it was now possible for them to co-ordinate the purchases in the Headquarters and they were no longer depending on the manufacturers for advice. The Committee then desired to be furnished with a statement* showing the break-up of the cost of equipment purchased during the year 1952-53 with special reference to the various types of tractors, their number and cost and consumption of the spare parts for tractors etc.

*Appendix XII

In reply to a question, the representative of the Ministry informed the Committee that during the year 1954-55, the value of spare parts ordered for tractors was over Rs. 4,62,000. He further urged that in an organisation like the C. T. O., 2 years' stock was the minimum that should be kept.

150. *Audit Report (Civil) 1953—Para 23(b)—Payment of penal rent.*—In this case, in July, 1947 Government stored in Calcutta Port Trust's shed, goods like textiles etc., which were intended for despatch to a foreign country under a barter agreement for exchange of paddy. Owing to the outbreak of hostilities in that country these goods had to remain in the godowns for about a year and a half. In October, 1948 Government received notice from the Port Trust authorities that penal rent at the rate of Rs. 1,738 per day would be charged if the goods were not removed from the sheds by a specified date. Government could not succeed in getting alternative accommodation for about 3 months, although they deputed an officer at Calcutta for this purpose, and it took them a period of 20 days to remove the goods (about 5,000 bales only) from the Port sheds to Government godowns. This delay resulted in penal rent amounting to Rs. 2·08 lakhs being paid for a period of about 4 months. The representative of the Ministry of Food and Agriculture explained that the delay caused in the removal of the goods to the Government godowns, after they were made available was due to the reason that they had to fumigate the place before it was fit for storing the textiles as it was then infested with white ants.

With the early cessation of hostilities in the country of export not in sight, it was decided on the 27th May, 1948 that these bales of textiles should not be exported to that country and they were declared as surplus to the Directorate-General, Supplies and Disposals for disposal. The Directorate-General, Supplies and Disposals could dispose of 533 bales only. In reply to a question, the representative of that Ministry stated that it was not open to them to dispose of the stores themselves after having placed the goods at the disposal of the Director-General of Disposals.

In lieu of the textiles etc. to be exchanged under the barter agreement for the paddy, the Government of India had paid for a lot of American disposal equipment lying in that foreign country and placed them at the latter's disposal. The representative of the Ministry stated that the accounts of this barter deal with the foreign Government concerned had not so far been finally settled.

The Committee then desired to be furnished with further information* on the following points arising from this case:

- (a) A statement showing the break-up of the figure of penal rent of Rs. 1,738 per day paid to the Port Trust with special reference to the amount of normal rent that should have been paid per day.
- (b) Did the Ministry at any stage approach the West Bengal Government for the provision of godown accommodation? If so, when and with what result? Was it done

*Appendix. XIII.

before or after the Officer on Special Duty was appointed to search for godown accommodation?

- (c) What is the amount paid in cash on account of the trucks purchased on behalf of the foreign Government and how was this amount adjusted against that Government?
- (d) What is the value of foodgrains which were actually received from the foreign Government?
- (e) A brief note stating the sequence of correspondence exchanged between the Ministry of Food and the Director-General, Disposals asking for an expeditious disposal of the goods in question. How many reminders were issued to the Director-General, Disposals and with what result?

151. *Audit Report (Civil), 1954—Part I—Para 6(b)—Unnecessary purchases of machinery.*—In this case out of 375 tractors to be purchased from the loan of 10 million dollars contracted from the International Bank for Reconstruction and Development, only 240 tractors were actually purchased. Instead of surrendering the balance required for the purchase of 135 tractors, orders for which were cancelled in March, 1950, the available amount was utilised on the purchase of other items of machinery and equipment. Some of these items were purchased without properly ascertaining the actual requirements with the result that equipment worth \$2,70,613 had to be ultimately declared from time to time (from 2nd February, 1952 to 29th March, 1954) as surplus for disposal. Items worth \$2,11,922 are lying in some cases since 1949 without any use with the possible risk of turning out a partial loss.

The Committee wanted to know whether the Ministry of Finance gave sanction to the above diversion of funds. The representative of the Ministry of Food and Agriculture stated that necessary approval and concurrence of the Ministry of Finance was obtained. He added that during 1950-51 and 1951-52 they made the purchases on the recommendation of the manufacturers as at that time they were not in a position to assess their actual requirements for want of technical knowledge. In reply to a question, it was stated that the life of a tractor according to the manufacturers was 10,000 hours. The International Bank experts had said that if the maintenance of the tractors had been satisfactory, then most of them could be used for 2,000 to 3,000 hours more. As regards disposal of the surplus equipment, the Committee were informed that these goods were such that ordinary cultivators were not interested in purchasing them; only the State Governments could use them in the river valley projects.

Referring to the indiscriminate purchase of heavy tractors etc. commented upon in para 20 of the Seventh Report of the Estimates Committee, the representative of the Ministry stated that the case had been examined in great detail and it was now before the Cabinet for orders. As soon as the Cabinet took a decision, further action would be taken. He added that as a result of the examination

of the question of purchase to which objection was taken by the Estimates Committee and the Zaidi Committee, they had come to certain conclusions, namely, that some purchases had been ill-conceived or not well-advised. He assured the Committee that enquiries and investigations would be conducted against the persons who had been responsible for these purchases. When asked whether they had explored the possibility of the manufacturers taking back the unused surplus equipment, the representative of the Ministry stated that the equipment was of two types. There was certain equipment which they had got from the American Army Disposals in respect of which some negotiations were in progress. As for the rest they had tried to approach the manufacturers from whom they had purchased the equipment but to no purpose.

152. *Audit Report (Civil), 1954—Part I—Para 6(a)—Loan from the International Bank for Reconstruction and Development—Payment of unnecessary commitment charges.*—In this case, it took the Government more than four years to assess the final requirement of the loan which they had contracted with the International Bank for Reconstruction and Development in September, 1949 for the purchase of 375 tractors and allied equipment. This resulted in an infructuous expenditure of Rs. 2,85,393 on account of the commitment charge on the surrendered portion of the loan. The Committee pointed out that if timely action had been taken to assess the Government's needs, the infructuous expenditure could have been avoided. When a loan was taken from this Bank, the loanee had not only to pay a certain rate of interest on the amount actually drawn but also one per cent. on the undrawn amount; the latter is termed commitment charges and is levied for the reason that when the loan is contracted, the Bank had to provide the money for being placed at the disposal of the borrower as and when wanted.

In reply to a question, the representative of the Ministry stated that out of 10 million dollars they drew 4 million dollars only by July, 1951 and surrendered 1½ million dollars; still leaving 4½ million dollars which they could draw. So, the commitment charges were paid on 4½ million dollars. Elucidating the point further, he said that the commitment charges were paid on the undrawn amount of the loan and no such charges were payable on the surrendered amount.

When asked how the loan figure of 10 million dollars was arrived at, the representative of the Ministry stated that it was determined on the basis of the equipment, namely, tractors, ploughs and other spare parts required for the reclamation of 14 lakh acres of land, the target then fixed. On the basis of this, an estimate was prepared and got approved by the Ministry of Finance. He, however, agreed that they could have reduced the amount of loan initially. Explaining the reasons for the surrender of the loan, the representative of the Ministry stated that some of the equipment, particularly the heavy ploughs, were purchased in the U.K. and they did not draw on the International Bank for the amount required for these ploughs. Further, a part of the equipment was purchased in India itself and the payments were made here. He added that first they decided to buy 375 tractors, but later reduced it to 240 and decided to purchase some equipment instead of the balance of 135 tractors.

He admitted that for want of experience, they could not determine their requirements of tractors and other allied equipment on a firm basis. The Committee then asked for a note* explaining the circumstances which led the Ministry to ask for extension of the closing date of the loan from time to time and why proper planning could not be done which would have avoided the infructuous expenditure of Rs. 2,85,393 in dollars.

153. As the Committee could not cover the remaining points arising out of the Appropriation Accounts (Civil), 1951-52 and Commercial Appendix thereto (reproduced in Annexure I) for want of time, they asked the Ministry to furnish them with written† information in respect thereof.

154. The Committee then adjourned till 4 P.M. on Wednesday, the 24th August, 1955.

* Appendix XI.

† Appendices XIV, XV and XXXVIII to XLII.

ANNEXURE I

List of points on which the Public Accounts Committee asked for written information.

MINISTRY OF FOOD AND AGRICULTURE APPROPRIATION ACCOUNTS (CIVIL), 1951-52

1. *Page 214, Grant No. 34—Miscellaneous-Sub-head Q. I.

Why was not the excess provided for in the supplementary grant?

2. *Page 214—Grant No. 34—Sub-head R.

†Page 240—Grant—No. 37—Sub-head G. 3.

†Page 257—Grant No. 39—Sub-head A. 2.

*Page 700—Grant No. 103—Sub-head E. 3.

†Pages 705 and 708—Grant No. 103—Sub-heads L.I(1).-M.I.T.1(4).

Why were the savings not surrendered in time to avoid lapse of funds?

3. *Page 700—Grant No. 103—Sub-head E.I.

Why was not the excess covered by supplementary grant?

4. †Page 748—Scheme for Mechanical Cultivation of land in Punjab.

Has the recovery of Rs. 9,61,416 since been made from the Punjab Government?

Have the accounts of the entire scheme since been finalised? If so, what are the financial results?

COMMERCIAL APPENDIX (CIVIL), 1951-52.

5. §Page 168—Para 202—Deficiency in cost of operation recoverable from State Governments.

The accumulated loss in the operational accounts of the Central Tractor Organisation has been increasing every year.

How the losses in the working of the organisation are proposed to be met and what effective measures have been adopted by Government to avoid such heavy losses in future?

6. §Page 169—Para 204—Interest Suspense Account.

In the Reclamation Operation Accounts of the Central Tractor Organisation a sum of Rs. 6,95,406 has been shown as outstanding as interest chargeable to State Governments.

* Notes not received from the Ministry.

† Appendix XXXVIII

‡ Appendix XXXIX

§ Appendix XL

¶ Appendix XIV

Whether State Governments have actually accepted the liability on account of interest recoverable from them? If not, how this amount for which anticipated credit has been taken in the Operation Account, is proposed to be adjusted by the Government?

7. *Page 169—Para 205—*Reclamation Operation Account.*

It is stated that an Expert Committee appointed for the purpose was of the opinion that an elaborate system of cost accounting in units was not justified either by quantity of repairs carried out in the units or by the amount of expenditure incurred in each centre, and they have suggested that for exercising stricter control over issues of spare parts some suitable measures should be adopted. What measures have been introduced?

8. **Page 170—Paras 208A and 209—*Cost of repairs of old Tractors and Vehicles.*

Why was necessary sanction of the competent authority not obtained before incurring the expenditure?

Is it more economical to repair the Tractors and Vehicles at such a high cost, than to replace them by new ones?

9. †Page 171—Para 210—*Results of physical verification not finalised.*

(a) Why could not the results of physical verifications conducted in 1949-50 be finalised so far?

(b) Whether necessary investigation has been made in all cases of losses and responsibility fixed?

* Appendix XLI
 ** Appendix XLII
 † Appendix XV

Proceedings of the Third Sitting of the Public Accounts Committee held on Wednesday the 24th August, 1955.

155. The Committee sat from 4 P.M. to 6 P.M.

PRESENT

Shri V. B. Gandhi—*Chairman.*

MEMBERS

2. Shri Kamal Kumar Basu
3. Shri S. V. Ramaswamy
4. Shri K. G. Deshmukh
5. Shri Balwant Sinha Mehta
6. Shri C. D. Pande
7. Shri V. Boovaraghasamy
8. Dr. Indubhai B. Amin
9. Shrimati Violet Alva
10. Dewan Chaman Lall
11. Shri Ram Prasad Tamta
12. Shri Mohammad Valiulla
13. Shri V. K. Dhage
14. Shri B. C. Ghose.

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

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor-General of India.*

Shri S. Venkataramanan, *Accountant-General, Central Revenues.*

Shri P. N. Bhandari, *Controller of Commercial Audit.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

Present during the examination of the Ministry of Information and Broadcasting

Shri P. M. Lad, I.C.S., *Secretary, Ministry of Information and Broadcasting.*

Shri R. Narayanaswami, *Joint Secretary, Ministry of Finance.*

Present during the examination of the Ministry of Natural Resources and Scientific Research.

Shri K. N. Kaul, *Secretary, Ministry of Natural Resources and Scientific Research.*

Dr. M. S. Thacker, *Additional Secretary, Ministry of Natural Resources and Scientific Research.*

Shri C. S. Menon, *Joint Secretary, Ministry of Finance (Department of Revenue & Expenditure).*

MINISTRY OF INFORMATION AND BROADCASTING

156. *Audit Report (Civil) 1953—Para 24—Contract for broadcasting records.*—In this case, Government entered into an agreement in 1938 with the gramophone record manufacturers for the broadcasts of records not exceeding 10,000 on payment of compensation based on the number of listeners' licences. This agreement was renewed from time to time—the last renewal being made in 1946 for 2 years with the amendment that the records were to be purchased outright at the market rate with a discount of 33 per cent. only in the case of those locally manufactured, and that an additional payment of Rs. 10,000 was to be made for an increase of the broadcasting hours from 28 to 40 per week for internal and from 8 to 35 for external. The Government, however, could not secure any advantage from the Companies because they held monopoly rights. A proposal was accordingly initiated in 1945 to secure legislation on the Canadian model (Canadian Copyright Act, 1931 as amended in 1938), under which rates payable to the monopolistic concerns were to be fixed by a Board appointed by Government. But this could not be proceeded with as the then Government of India were not competent to amend any provisions of the British Copyright Act, 1911. It was pointed out by Audit that now that India was a free country, Government should take up the question of introducing the necessary legislative measures in Parliament to set right the unsatisfactory position.

The representative of the Ministry of Information and Broadcasting informed the Committee that Government were now ready with the draft of the new Copyright Bill which they expected to introduce in Parliament during its current session. He further said that in the new Bill there existed a provision that the recording charges for the Copyright would be determined by a Board to be set up under this Act instead of negotiations with the parties concerned. He added that at present since the manufacturers had the monopoly, they had no option except to accept the terms offered by the Companies and to make payment to them on a sliding scale:

After some discussion, the Committee desired to be furnished with information* on the following points arising therefrom:

- (i) What is the anticipated saving in the expenditure on account of payments to the gramophone companies in India for the broadcast of the records produced by them, likely to accrue as a result of the enactment of the proposed Copyright Bill?
- (ii) What is the system followed in this respect by the British and American Broadcasting Organisations?
- (iii) A statement showing the amount paid to the various gramophone record manufacturers for the broadcasts of records since the last revision of the agreement

*Appendix XXI.

entered into with them by Government up-to-date *vis-a-vis* the number of broadcast licences issued (figures to be shown year-wise).

157. *Appropriation Accounts (Civil), 1951-52—Grant No. 59—Sub-head D.4.* [Footnote (**) page 403].—In this case, a sum of Rs. 18,74,848 was spent on film production and publicity charges. The Committee wanted to know how much Government had received by way of royalty or rent from the exhibitors. As the representative of the Ministry was not in possession of the requisite information, they desired to be furnished with a (i) statement* showing the break-up of the film production and publicity charges referred to in this Footnote as also brief particulars in respect thereof; and (ii) a statement* showing the details of miscellaneous expenditure (Rs. 3,62,923) mentioned therein.

On being pointed out by the Committee that the cost of production of the publicity films by the Films Division included a very high percentage on account of overhead charges, the representative of the Ministry stated that in creative work, they could not be stringent and urged that these were very moderate.

In reply to a question, it was stated that the rental charged from the private exhibitors for showing documentary and newsreels ranged between 1 to 1.5 per cent. of the total weekly collections. Explaining the reasons for progressive loss in the working of the Films Division, the representative of the Ministry stated that they had now to undertake a lot of publicity for the Plan and also to give their films free of charge for exhibition in the Educational and other institutions under the First Five Year Plan Publicity Programme. This, he pleaded, was purely non-commercial in character.

The Committee then discussed the various aspects relating to the commercialisation of the Accounts of the Films Division *viz.*, maintenance of separate accounts for the production of commercial and non-commercial films. In this connection they desired to be furnished with written information* on the following points:—

- (a) A note exploring the possibilities for assessing the monetary value of the free performances of the film produced by the Films Division so that it is reflected in the overall financial working of the Division.
- (b) What is the basis for classifying the films produced by the Films Division as 'Commercial' or 'non-commercial'? What is the present system for allocating expenditure incurred by the Films Division including the 'Overhead Charges' to these two heads?
- (c) How is the rental recovered from the exhibitors accounted for?
- (d) A note stating the steps which the Ministry propose to take or are taking to bring down the cost of production of films by the Films Division.

(e) What are the films which are at present being sent abroad for processing and what is the expenditure involved therein?

158. *Appropriation Accounts (Civil) 1951-52—Grant No. 59—Note 4 at page 405—Loss on sale of Government Publications.*—This relates to 1946 when the terms of agreement about advance payment settled by correspondence with agents appointed in two foreign countries for the sale of Government Publications were not enforced. The representative of the Ministry stated that at present they had entered into a standard agreement with the book-sellers in the foreign countries for the sale of Government publications under which if the payments due from them were not promptly made, the supply of publications was discontinued.

Publication of Journals by the Publications Division.—The Committee asked for a note* stating the concrete steps that have been taken by the Publications Division in minimising the continued losses on the publication of the various journals in order to make them self-supporting.

159. *Appropriation Accounts (Civil) 1951-52—Grant No. 60—Note 4—Misappropriation of Government money (p. 413).*—This disclosed a case involving the misappropriation of the sum of Rs. 3,555 in an Office under the A.I.R., Bombay which was rendered possible due to lack of supervision and non-observance of the rules for the remittance of cash to the Bank. The Assistant Director concerned who was suspended on 30th December, 1952 was honourably acquitted by the Court and absolved of even negligence, whereupon he was reinstated. The Accountant was demoted from 25th March, 1953. The representatives of the Ministry informed the Committee that they had decided not to institute departmental proceedings against Assistant Director although there was a clear case of negligence against him. He added that an entry to this effect in the Confidential Report of the Assistant Director had, however, been made. The Cashier, he said, was still absconding, and if he was apprehended, they would certainly take action and prosecute him in the Court of Law.

160. *Appropriation Accounts (Civil) 1951-52—Page 793—Grant No. 107—Note 1.*—In this case, Rs. 37,29,269 i.e., above 62 per cent. of the provision of Rs. 59,80,000 representing the final grant resulted in a saving. On the Committee's drawing attention to this over-budgeting and lack of planning, the representative of the Ministry stated that this was due mainly to the non-receipt of Government's sanction and postponement of important items of work, non-selection of sites for the opening of new radio stations and non-supply of equipment etc.

161. *Commercial Appendix to the Appropriation Accounts (Civil), 1951-52 and Audit Report, 1953—Para 267—Loss on Radio Publications.*—The representative of the Ministry stated that the question regarding the reduction of the number of some of the Radio Journals which were constantly running under loss had been examined by them. They hoped to set off the loss by means of securing more advertisements and also reducing the overhead

*Appendix XXI

charges in the form of cost of establishment etc. in the Publications Division. The Committee, however, desired to be furnished with a note* stating the concrete steps that had been taken by the Ministry in reducing the continued losses on the publication of the various Radio Journals as shown in the Accounts under report.

162. *Commercial Appendix to the Appropriation Accounts (Civil), 1951-52 and Audit Report, 1953—Para 269—Large accumulation of Stores.*—The representative of the Ministry informed the Committee that they had since utilised almost all the capital stores lying in their custody and the closing balance had come down from Rs. 46 lakhs (in 1949-50) to 14 lakhs (in 1954-55).

Anti-piracy campaign.—Referring to the measures devised to check the number of unlicensed radio sets, the representative of the Ministry stated that they planned to provide 'homeservice' to the radio holders through the agency of the postmen who would supply the licence forms for renewal and get the licences issued to them from the nearest Post-Office. For this purpose, they had made a proposal to the Posts and Telegraphs Department.

Ministry of Natural Resources and Scientific Research

163. *Appropriation Accounts (Civil), 1951-52 and Audit Report, 1953—Para 26, Purchase on behalf of a non-Government Organisation.*—In this case, the Council of Scientific and Industrial Research, a society registered under the Societies Registration Act, was allowed to make purchases through the Missions abroad without making advance deposits and the amounts were kept under 'Suspense' pending recovery from the Organisation. This procedure resulted in the accumulation of large debits for which recoveries were outstanding against the Organisation. The amount outstanding on this account upto 31st August 1954 as shown in this Para was Rs. 1,41,976. Audit suggested that payments for the expenditure incurred on behalf of the Organisation should be arranged by it directly without passing the transactions through Government Accounts. The representative of the Ministry pleaded that it was only technically that this body was said to be a non-Government organisation as its funds were drawn entirely from public revenues. However, on the Committee pointing out that orders have been issued that the procedure of advancing Government money for making purchases on behalf of this body should be stopped, the representative of the Ministry agreed to discontinue it. The point was not, therefore, pressed further.

164. *Appropriation Accounts (Civil), 1951-52—Pages 436-437—Grants to the various Scientific Societies.*—When asked to explain how Government satisfied themselves that the money which had been granted to these bodies had been spent for the purpose for which it was intended and also that the results achieved were commensurate with the grants made, the representative of the Ministry stated that they kept a check and the Society concerned furnished to them a periodical audited statement of the accounts showing how they were spending the amount. It was on the basis of those reports that they were able to satisfy themselves that the amount placed at

*Appendix XXI.

their disposed was actually spent for the purpose for which it was granted.

The representative of the Ministry of Finance informed the Committee in this connection that they had at present under consideration a scheme for making block grants for five years. This would enable them to scrutinise, while allotting the amount every year, whether the amount given during the earlier year had been properly spent and, if necessary, to make suitable adjustment in the amount of the grant to be paid in the subsequent year.

165. The Committee then adjourned till 4 P.M. on Thursday, the 25th August 1955.

Proceedings of the Fourth Sitting of the Public Accounts Committee held on Thursday, the 25th August, 1955.

166. The Committee sat from 4 to 6 P.M.

PRESENT

1. Shri V. B. Gandhi—*Chairman*
2. Shri Kamal Kumar Basu
3. Shri Ramananda Das
4. Shri S. V. Ramaswamy
5. Shri K. G. Deshmukh
6. Shri Balwant Sinha Mehta
7. Shri C. D. Pande
8. Shri Diwan Chand Sharma
9. Shri U. C. Patnaik
10. Shri V. Boovaraghasamy
11. Dr. Indubhai B. Amin
12. Shri Ram Prasad Tamta
13. Shri Mohammad Valiulla
14. Shri B. C. Ghose.

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

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor General of India.*

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

Shri V. R. Mahadevan, *Chief Audit Officer, Food, Rehabilitation and Supply.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

MINISTRY OF WORKS, HOUSING AND SUPPLY

1. Shri M. R. Sachdev, I.C.S. *Secretary.*
2. Shri S. Ranganathan, I.C.S., *Joint Secretary.*
3. Shri T. C. Puri, I.C.S., *Joint Secretary.*
4. Shri R. P. Barman, I.S.E., *Chief Engineer, C.P.W.D.*

MINISTRY OF FINANCE

5. Shri S. Ratnam, *Joint Secretary.*
6. Shri K. L. Ghei, *Joint Secretary.*
7. Shri Shiv Naubh Singh, *Deputy Secretary.*

MINISTRY OF WORKS, HOUSING AND SUPPLY

167. *Audit Report (Civil), 1953—Para 28 (a)—Overpayment due to faulty measurement.*—This case involved an overpayment of Rs. 28,882 during the pre-partition period which was attributed to faulty measurement of intermediate levels recorded by the subordinate staff of the Central Public Works Department. The Sub-Divisional Officers concerned had migrated to Pakistan. According to the codal rules, the Divisional Officer was also responsible for the execution and checking of the measurements of a work, but no disciplinary action had been taken against him.

Explaining the facts of the case, the representative of the Ministry of Works, Housing and Supply stated that only running payments had been made to the contractor by deducting the quantity of work not done from the quantity of work that was required to be done and these payments were always subject to final adjustment when the final bill was prepared and detailed measurements were taken. He added that this matter was also enquired into departmentally by an Officer of the rank of Superintending Engineer who found that far from there being a wrong calculation, the first calculation was right and it was the final calculation that was wrong, as actually a big strip of land had been left out of the final calculation altogether. Thus the contractor, in addition to what was calculated, was also entitled to payment on account of this work that had been done and which had not been taken into account. He further stated that an enquiry conducted by the Chief Engineer in this case had revealed that there were erasures and corrections in the level book and not in the measurement book and that the final measurement had not been checked by the Sub-Divisional Officer and the Executive Engineer. The Chief Engineer explained that levelling work had not been done under proper supervision or checked up by a competent officer. The Committee desired to be furnished with a note* stating the result of the enquiry instituted by the Chief Engineer in this case as also the disciplinary action taken against the delinquent officials.

168. *Audit Report (Civil), 1953—Para 28 (b)—Excess payment due to mistake in estimates.*—In this case which took place in December, 1944, a contractor received a payment of Rs. 1,32,486 more as a result of the increase in the quantity of R.C.C. work done by him. The actual quantity of R.C.C. work had not been correctly estimated by the C.P.W.D. at the time of inviting tenders and if it had been done, the contractor to whom this work was given would have been the second highest and not the second lowest. The representative of the Ministry explained that the estimated quantity of R.C.C. work was 2,700 c.ft. and the actual work was 24,781 c.ft. There was no relation between these two. Explaining the extenuating circumstances, he said that it happened because the work was urgent and the Government of India had authorised the Executive Engineer to go ahead in anticipation of completion of formalities. He added that in his opinion, the Executive Engineer made a mistake in changing the design on his own responsibility which resulted in an increase in the quantity of R.C.C., without negotiating fresh rates therefor.

*Appendix XXXIV

The representative of the Ministry stated that it was very difficult for him to say whether there was any *mala fide* on the part of the Officer in this case. The Committee pointed out that one of the clauses of the agreement stipulated revision of rates and thus the rates for additional work should have been revised in accordance with the market fluctuations after giving notice to the contractor. They desired to be furnished with a note* stating the nature of R.C.C. work done in this case and also why Government could not invoke the provisions of the safeguarding clause in the contract to revise the rate per c. ft.

The representative of the Ministry informed the Committee that as a safeguard, by issuing executive instructions, they had prohibited the Executive Engineers from varying the quantity of work where there were excessively high or low rates quoted by more than 5 per cent. without bringing it to the notice of the Chief Engineer. In reply to a question, he stated that these instructions did not exist when the case reported in this para took place.

169. *Audit Report (Civil), 1953—Para 28(c)—Damage to displaced persons quarters.*—In a colony for displaced persons in Delhi, constructed in 1949 at an approximate cost of Rs. 59 lakhs substantial damage was caused to some of the houses during the rains in the same year. The Committee were informed that out of an expenditure of Rs. 1,55,547 incurred on the rectification of the damage and certain improvement, an amount of Rs. 50,688 was recovered in full from the contractors responsible for the bad work and Rs. 77,025 were spent on the improvement effected in all the houses and thus the loss to the Exchequer was of the order of about Rs. 28,000/- only.

As regards the disciplinary action taken against the Officers responsible for slack supervision etc., it was stated that they were mostly themselves displaced persons from Sind with little experience of the local conditions and it was considered that a warning to be more careful in future would suffice. He added that a copy of the warning had been placed in their confidential reports.

170. *Audit Report (Civil), 1953—Para 28(d)—Advance payment for land acquisition.*—In this case, an advance payment of Rs. 4.5 lakhs had been made to the West Bengal Government for the acquisition of certain land. But later on the land could not be acquired by that Government as it was subject to right of pre-emption and that the money was refunded by them after about a year. According to the normal procedure, it was for the State Government to acquire the land, make the payment and reimburse themselves subsequently from the Government of India. When asked whether this payment was made to avoid lapse of funds at the end of the financial year, the representative of the Ministry stated that it was not the case. This deal fell through when it was discovered that the land could not be acquired by the West Bengal Government and the amount was refunded by them in March, 1953.

171. *Audit Report (Civil), 1953—Para 28(f)—Demurrage charges on imported paper.*—In this case, delay in the clearance of three consignments of paper imported from U.K. and U.S.A. during the

*Appendix XXXV.

years 1946 to 1948 resulted in the payment of demurrage charges (i.e. wharf rent, including penal rent etc.) amounting to Rs. 14,41,334 to the Calcutta Port Trust during 1947-48 and 1949-50. Out of this, the Port authorities admitted the claim for refund to the extent of Rs. 7,45,755. The representative of the Ministry admitted that had prompt arrangements been made for their clearance from the docks and storage in godowns, this huge expenditure could have been avoided to a considerable extent. He, however, urged that all this happened because the deliveries were very much delayed. Referring to the Report of the departmental Committee set up to inquire into this case he informed the Committee that the enquiring Officer had held that while there were no *mala fides* on the part of the Officers concerned in this case, there was neglect of duty in certain respects and for that they had been warned and Government's displeasure had been communicated to them.

As the representative of the Ministry was not in possession of the information on the following points arising from this case asked for by the Committee, he undertook to furnish it in writing:

- (a) What is the C.I.F. value of 6,550 tons of imported paper?
- (b) A statement showing the quantity of paper which arrived in India between January and April, 1948.
- (c) A statement showing the amount of (i) normal wharf rent paid, (ii) final rent paid in respect of each one of the consignments separately showing the dates of their arrival.
- (d) Who were the Government's clearing agents? Was it being cleared through private clearing agents or through the Government agency?
- (e) Where was this paper stocked after its clearance from the port? Was it stored in any warehouse for some period before its despatch to the final destination?

172. *Appropriation Accounts (Civil), 1951-52—Page 619—Note 8—Fraud by a purchaser.*—In this case, a tenderer defrauded Government by forging Treasury Challan on account of the earnest money deposit and value of goods purchased by him. At that time (in 1949) the procedure followed in the Directorate as laid down by the D.G.S. & D. did not provide for the verification of the genuineness of the challans by comparing with the triplicate copy and the conversion of earnest money deposit into security deposit. The tenderer was sentenced to 5 years' rigorous imprisonment and a fine of Rs. 74,000 which was realised partly by confiscating Rs. 38,765 recovered in cash from him and partly by encashing a bank draft for Rs. 35,000 standing in the name of the firm. He was to pay the balance of Rs. 235/- or in default to undergo 6 months' further imprisonment.

Referring to the disciplinary aspect of the case, the D.G.S. & D. informed the Committee that the Officer concerned was warned as a result of the findings of the departmental enquiry and that a copy of the warning was placed on his confidential roll.

After discussion of some aspects of this case, the Committee desired to be furnished with notes setting forth the undermentioned information:

- (i) A note stating the brief history and the *modus operandi* of the fraud committed in this case; how it was detected and the disciplinary action taken against the delinquent officers whose contributory negligence facilitated this.
- (ii) A note stating whether it was within the power of the Director-General, Supplies and Disposals to relax the provisions of the Financial Rules enjoining that the triplicate copy of the Treasury challan must be produced before a sale order could be issued even though he acted upon the advice of the associated Finance?

STATE TRADING SCHEMES

173. *Appropriation Accounts (Civil), 1951-52—Page 723—Purchase of Wattle Bark.*—The Committee were informed that the accounts of this scheme had been finalised and action was being taken in regard to the issue of Government orders for closing the Scheme.

174. *Appropriation Accounts (Civil), 1951-52—Page 747—Acquisition of Frustrated Cargo.*—The Committee were informed that the outstanding compensation claims in all cases had either been settled or closed except in regard to two cases relating to General Motor Overseas Operations, New York and the Bombay Port Authorities. These were at present stated to be under scrutiny in consultation with the Ministry of Finance.

175. *Audit Report (Civil), 1954—Part I—para 12(a)—Infructuous Storage Charges.*—In this case, the Disposals Organisation failed to take prompt action for the disposal of frozen meat and ice-cream (valued at Rs. 73,300) left by the Americans in November, 1947 and May, 1948. They had been stocked in a depot for which Government were paying cold storage charges at Rs. 8,700 (approx.) per month. The charges for storage alone amounted to Rs. 74,000 the bulk of which would have been avoided had more prompt disposal action been taken. A decision for disposal of stores was reached in October, 1948 and the stores were actually destroyed in December, 1948. The Ministry had stated that no responsibility for this loss could be fixed as many Officers were handling the case. While the representative of the Ministry admitted that more prompt disposal action could have been taken in this case, he urged that the result would have been the same as finally there was no demand for these stores nobody having come forward to buy them.

176. The Committee then adjourned till 4 P.M. on Friday, the 26th August, 1955.

**Proceedings of the Fifth Sitting of the Public Accounts Committee
held on Friday the 26th August, 1955.**

177. The Committee sat from 4 to 6 P.M.

PRESENT

Shri V. B. Gandhi—*Chairman.*

MEMBERS

2. Shri Kamal Kumar Basu
3. Shri Ramananda Das
4. Shrimati Ammu Swaminadhan
5. Shri S. V. Ramaswamy
6. Shri K. G. Deshmukh
7. Shri Diwan Chand Sharma
8. Shri U. C. Patnaik
9. Shri V. Boovaraghasamy
10. Shri Ram Prasad Tamta
11. Shri Mohammad Valiulla
12. Shri V. K. Dhage
13. Shri B. C. Ghose.

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor
General of India.*

Shri S. Venkataramanan, *Accountant General, Central Re-
venues.*

Shri P. N. Bhandari, *Controller of Commercial Audit.*

Shri V. R. Mahadevan, *Chief Audit Officer, Food, Rehabilita-
tion and Supply.*

PRESENT WITH THE PERMISSION OF THE CHAIRMAN

Shri Kanwar Lal Gupta, *Chairman, Public Accounts Committee,
Delhi Vidhan Sabha, Delhi.*

Shri S. C. Ramtri, *Secretary, Delhi Vidhan Sabha, Delhi.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

*Present during the examination of the Ministry of Works, Housing
and Supply*

Ministry of W. H. & S.

1. Shri M. R. Sachdev, I.C.S., *Secretary.*

2. Shri S. Ranganathan, I.C.S., *Joint Secretary*.
3. Shri T. C. Puri, I.C.S., *Joint Secretary*.
4. Shri R. P. Barman, I.S.E., *Chief Engineer, C.P.W.D.*
5. Shri V. N. Rajan, I.C.S., *Director-General of Supplies and Disposals*.

Ministry of Defence

6. Shri H. C. Sarin, I.C.S., *Joint Secretary*.

Ministry of Finance

7. Shri S. Ratnam, *Joint Secretary*.
8. Shri K. L. Ghei, *Joint Secretary*.

Present during the examination of the Ministry of Communications.

Ministry of Communications

1. Shri D. C. Das, I.C.S., *Joint Secretary*.
2. Shri K. V. Venkatachalam, *Deputy Secretary*.
3. Shri K. M. Raha, *Deputy Director-General of Civil Aviation*.

Ministry of Finance

4. Shri R. Narayanaswami, *Joint Secretary*.

Present during the examination of the Ministry of Health.

Ministry of Health

1. Shri V. K. B. Pillai, I.C.S., *Secretary*.

Ministry of Finance

2. Shri S. Ratnam, *Joint Secretary*.

MINISTRY OF WORKS, HOUSING AND SUPPLY

178. The Committee took up further consideration of the Audit Reports (Civil), 1953 and 1954—Part I relating to the Ministry of Works, Housing and Supply.

179. *Audit Report (Civil), 1953—Para 28 (e)—Defective estimates for Government Hostels.*—This para disclosed that an irregular expenditure amounting to Rs. 16,03,203 had been incurred from 1947-48 to 30th April, 1954 on account of maintenance charges for certain C.P.W.D. buildings used by the Defence Department as hostels and Officers Messes and this included pay of room bearers, boiler-men, *bhisties* etc. and expenditure on conservancy and other special services which constituted the personal liability of the occupants. These charges were not payable by the C.P.W.D. After a lapse of seven years, the Ministry of Defence decided that the conservancy charges should be paid by the services officers themselves from 1st May, 1954 and other special services discontinued. The representative of the Ministry of Defence, which was also concerned with this para, when asked to explain why the charges in question were not correctly allocated after February, 1947 when the irregularity was repeatedly pointed out by Audit, stated that under the orders then existing upto 1948, conservancy charges were not to be realised from the Service Officers. But Government decided in 1953 that

such charges must not be Government's liability but that of the Officers concerned. From the 1st April, 1953 to the 30th April, 1954 it was laid down that only two-thirds would be charged and that from the 1st May, 1954 the Officers themselves would be fully responsible for conservancy arrangements. The amount of Rs. 16 lakhs referred to in the Audit Para, he further said, had come down to Rs. 7 lakhs and after deducting Rs. one lakh (roughly) for these thirteen months, it would further be reduced to Rs. 6 lakhs.

When asked why recoveries were not made from the Officers concerned, the representative of the Ministry stated that Government were hesitant to force these charges against the Officers, specially as there was a lot of dissatisfaction at that time both about accommodation and the rates of pay which they were getting under the new Pay Code.

The Additional Deputy Comptroller and Auditor-General pointed out that one of the items which had been taken into account for purposes of arriving at the above mentioned amount of Rs. 6 lakhs was the expenditure on account of room bearers who were employed by the C.P.W.D. and were being paid for from the maintenance estimates but were not being described as 'Jamadars' for looking after the suites.

On being pointed out that considering the size of the expenditure, it would not be proper to employ so many Jamadars for looking after merely the handing over and taking over charge of these suites, the Chief Engineer, C.P.W.D. stated that the expenditure on this account for the year 1952-53 was Rs. 8,867 only and that for the next year, 1953-54 Rs. 6,973. He added that a number of room bearers was necessary; one to serve the officers in their rooms and a few others attached to the Receptionist or Enquiry Clerks for the purpose of handing over and taking over the rooms as and when they were allotted and vacated.

The Additional Deputy Comptroller and Auditor-General informed the Committee that upto 1951-52, the expenditure on the room bearers was Rs. 50,000 and after that as a result of Audit objection or otherwise, it suddenly dropped to Rs. 8,000 or Rs. 6,000. The Committee then desired to be furnished with a note* stating the break up of the expenditure of Rs. 50,000 incurred on the maintenance of room bearers upto 1951-52 the number of rooms and hostels looked after by them separately during this period, as also similar information in respect of the years 1952-53 and 1953-54.

180. *Audit Report (Civil), 1953—Para 28(g)—Loss on prefabricated huts.*—As the Ministry of Rehabilitation was also concerned in this case and it was not represented by its Secretary in accordance with the convention established by the Committee, the Committee decided to postpone consideration of this para to their next sitting at which the Secretary to that Ministry should be asked to be present.

181. *Audit Report (Civil), 1954—Part I para 12(b)—Loss on Supply of Electricity.*—In this case, Government incurred a loss of Rs. 38,566 in the supply of electric energy at flat rates to the residents of certain Government quarters while they themselves purchased

* Appendix XLIII.

it at the full rate. Although it was pointed out by Audit that the rates should be revised after a proper review, no revision was made until after the lapse of three years. The representative of the Ministry stated that the delay in disposing of this matter was due to the fact that the relevant file had been misplaced and it was recovered after about 2 years. He added that disciplinary action was being taken against the Officers concerned.

After some discussion, the Committee desired to be furnished with a note* stating the decision arrived at on the question of regularisation of the loss sustained by Government in this case as also the various stages of the disciplinary proceedings instituted against the persons at fault.

182. *Audit Report (Civil) 1954—Part I—Para 12(c)—Rejection of tenders.*—According to the Audit Report, Government sanctioned the construction of a large number of single roomed tenements in double storeyed blocks in various displaced persons' colonies in Delhi. Tenders were invited in March, 1951 by the various P.W.D. Divisions but all the tenders were rejected as technical sanction to the estimate had not been accorded. Fresh tenders were invited in May, 1951 for a modified specification. The tenders ranged from 7.1 to 9.5 per cent. above the standard schedule of rates. In view of the urgency of the work, Government approved of the C.P.W.D. settling with the contractors by negotiation at rates 3 to 3½ per cent. above the standard schedule of rates, although even at this stage, the estimates had not been technically sanctioned. This inconsistent decision involved Government in a loss of Rs. 7 lakhs on the scheme as a whole on the basis of the original rejected tenders. The representative of the Ministry, however, disputing the facts stated in this Audit Para, pointed out that it was not correct to say that these tenders were rejected because technical sanction had not been accorded. He contended that these were rejected because, in the meantime, the report of the Committee which had been set up under the chairmanship of the Chief Engineer brought to notice that the specifications and rates should be revised. All these estimates had, therefore, to be prepared on this new basis of revised low rates. In reply to a question, he stated that the Ministry was asked by Audit to present its views to the Public Accounts Committee. In view of these differences mentioned by the Ministry's representative, the Committee deferred further consideration and asked him to furnish to them a note† re-stating the case along with audit comments.

As the time allotted for the examination of the Accounts etc. relating to this Ministry was over and the Committee could not cover all the items, they decided to take up further consideration thereof at their sitting to be held on the next day.

The Committee then proceeded to take up examination of the Accounts etc. relating to the Ministries of Communications and Health.

*Appendix XXVII

†Appendix XLIV.

MINISTRY OF COMMUNICATIONS

183. *Audit Report (Civil), 1954—Part I—Para 3—Loss due to delay in sanctioning proposal.*—In this case while the proposal for sanction of special risk insurance for a sum of Rs. 40,000 in respect of the life of an Officer of the Civil Aviation Department, who was to accompany the special test flights of Dakotas of the Indian Airlines Corporation, was under consideration of the Ministry of Finance, one of the Dakotas crashed resulting in the death of the two flying personnel and this officer. The risks to the aircraft were underwritten by the Government of India who had also agreed to meet the expenditure on taking special risk insurance policies for the flying personnel of the Corporation who were to carry out the tests. *Ex-gratia* gratuity amounting to Rs. 30,000/- was paid to the widow of this Officer. The representative of the Ministry of Finance explained that under the existing orders such cases would be governed by the Extraordinary Pension Rules and Government would not bear the cost of Insurance in addition. As this case involved a departure from these rules, it required some special consideration in the Ministry of Finance but in the meantime, the accident occurred resulting in the death of this Officer. In reply to a question, the Committee were informed that under the normal rules, the Officer's family would have received a gratuity amounting to Rs. 9,400 whereas now an *ex-gratia* payment of Rs. 30,000 had been made. In addition, family pension was also granted to the widow and children of this Officer as admissible under the Extraordinary Pension Rules.

184. *Audit Report (Civil), 1954—Part I—Para 14—Purchases of Air-conditioning Plants.*—This case relates to the purchase of two mobile air-conditioning plants by the Civil Aviation Department of the Government of India in November, 1949 in connection with their Post War Reconstruction Programme at a cost of Rs. 78,000 for use on the grounded aircraft. The scheme later on failed as the Air Operating Companies did not make use of these cool-air plants. It was stated by the representative of the Director-General of Civil Aviation that the plants were now being installed at a transmitting station of the Aeronautical Communications Organisation. In reply to a question, he stated that these plants were rather uneconomical for the purpose but they had to make the best use of them.

MINISTRY OF HEALTH

185. *Commercial Appendix (Civil), 1951-52—Paras 132 and 134—Medical Stores Depots, Madras and Calcutta.*—These paras indicated that the losses were mainly due to the expiry of time of medical stores. The representative of the Ministry stated that these stores were obtained during war time when the supply position was bad and these were intended to be supplied to the State Governments on receipt of their demands. He added that they were now taking particular care to see that the State Governments placed indents for firm demands and they accepted the particular stores indented by them. When asked what action had been taken against the Superintendent of the Medical Stores Depot who was responsible for not declaring these stores as surplus earlier, the representative

of the Ministry informed the Committee that a severe warning had been administered to him. As regards the factor of expiry of time, he stated that during the War they had a system of monthly quota fixed by the Ministry of Supply in the U.K. for the supply of various kinds of medicines, and irrespective of the fact whether the Government here wanted them or not, these were despatched, often very long after the periods for which the indents related. In reply to a question he stated that the date of expiry of the time was not mentioned on the labels in those days. It was only after the medicines were tested here a time limit was fixed. During the tests, he added, some tablets were found to have deteriorated and efforts were then made to dispose of them as surplus. Some medicines were received when their life was nearly expired as revealed subsequently. The Committee then desired to be furnished with the following information:

- (a) A note* stating (i) the circumstances why Government could not countermand the agreement entered into by the India Office with the foreign firms for the supply of drugs etc., (ii) whether their supplies did reach India in time and (iii) whether there was any demand for them.
- (b) A statement* showing the latest figures (upto the 30th June, 1955) in regard to the losses occurring in this depot.

As the Committee could not cover the remaining points relating to this Ministry for want of time, they decided to resume consideration thereof at 10 A.M. on the following day.

186. The Committee then adjourned till 10 A.M on Saturday, the 27th August, 1955.

Proceedings of the Sixth Sitting of the Public Accounts Committee held on Saturday, the 27th August, 1955.

187. The Committee sat from 10 A.M. to 12-40 P.M.

PRESENT

Shri V. B. Gandhi—*Chairman*

MEMBERS

2. Shri Kamal Kumar Basu
3. Shri Ramananda Das
4. Shri K. G. Deshmukh
5. Shri Diwan Chand Sharma
6. Dr. Indubhai B. Amin
7. Diwan Chaman Lall
8. Shri Ram Prasad Tamta
9. Shri Mohammad Valiulla
10. Shri B. C. Ghose.

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor General of India.*

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

*Present during the examination of the Ministry of Health.
Ministry of Health*

1. Shri V. K. B. Pillali, I.C.S., *Secretary.*
2. Lt. Col. C. K. Lakshmanan, *Director-General of Health Services.*

Ministry of Finance

3. Shri S. Ratnam, *Joint Secretary.*

Present during the examination of the Ministry of Works, Housing and Supply.

1. Shri M. R. Sachdev, I.C.S. *Secretary.*
2. Shri S. Ranganathan, I.C.S., *Joint Secretary.*
3. Shri T. C. Puri, I.C.S. *Joint Secretary.*
4. Shri R. P. Barman, I.S.E., *Chief Engineer, C.P.W.D.*

5. Shri V. N. Rajan, I.C.S., *Director-General of Supplies and Disposals.*

Ministry of Finance

6. Shri S. Ratnam, *Joint Secretary.*
 7. Shri K. L. Ghei, *Joint Secretary.*
 8. Shri H. S. Negi, *Joint Secretary.*

Ministry of Rehabilitation

9. Shri C. N. Chandra, I.C.S., *Secretary.*

MINISTRY OF HEALTH

188. *Appropriation Accounts (Civil), 1951-52 and Audit Report, 1953, Page 704—Grant No. 193—Capital Outlay on Schemes of Government Trading—Group Head K. 1(5) (2).*—The Committee wanted to know why there was a saving of as much as 60 per cent. of the final grant and why the saving was not surrendered. The Committee also observed that there had been similar savings in the past. The representative of the Ministry explained that the saving was due partly to the non-receipt of goods within the year in which they were indented for and partly to the time lag that intervened in the raising of debits for supplies received. The Chairman then drew the attention of both the Health and Finance Ministries to the following recommendations of the Public Accounts Committee in Para 5 of the Report of 1947-48 (Post-partition) :

“We suggest that the Ministry of Finance should once again draw the attention of all the Ministries to this vital aspect of the matter and a procedure should be devised in consultation with the Comptroller and Auditor-General whereby the indenting departments should ascertain telegraphically the precise position in regard to supplies within a year and estimate as accurately as possible the total expenditure against these appropriations.”

The representative of the Ministry said that the whole indenting procedure had now been changed and agreed to give a note explaining the reasons for successive savings under this head and how under the new procedure the situation would improve.

SCHEMES OF GOVERNMENT TRADING

189. *Appropriation Accounts (Civil), 1951-52, Page 730—Cinchona Cultivation (Group Head G) and Page 735—Purchase of Quinine and Quinine Substitutes—(Group Head N).*—The Committee decided to take up the consideration of these two schemes together. At the request of the Chairman, the representatives of the Ministry gave a detailed account of these two schemes right from their inception to the present day. The representative of the Ministry conceded that the schemes would result in a heavy loss to Government. The Committee were informed that a conference of the representatives of the Central and State Governments and the interested parties would be held in October next to consider the

future policy of Government. The Secretary, Health Ministry undertook to submit detailed proposals* to the Committee after the Conference.

190. *Appropriation Accounts (Civil), 1951-52, Page 331—Central Research Institute, Kasauli.*—A general discussion took place on the question of revising the sale price of the various vaccines produced at the Institute in such a manner that while the Institute would not continue to run at a loss as hitherto, the prices at the same time would not be too high. In the end the Chairman proposed that the Secretary, Health Ministry should submit a detailed report** giving the Committee facts about the prices of vaccines, sera etc., method of fixing prices and the present financial position of the Institute.

MINISTRY OF WORKS, HOUSING AND SUPPLY

191. The Committee then proceeded to take up examination of the Ministry of Works, Housing and Supply. The Secretary, Ministry of Rehabilitation was also present.

192. *Pages 29-31, para 28(g), Audit Report, 1953—Loss on pre-fabricated huts.*—In June, 1949 orders were placed on a foreign firm for the supply of 1,000 pre-fabricated hard board huts and 6,000 hard board roofs. The huts were required to house displaced squatters in Delhi and the roofs were required for mud huts to be erected. The huts were to be ready before the commencement of the monsoon. According to the terms of the contract, the firm would replace the huts free of cost, if the stores were not absolutely waterproof and withstand at least three monsoons. Due to lack of proper care in the placing of indents for stores and in the inspection of the material, Government had to lose about Rs. 2 lakhs on the whole transaction.

The Committee wanted to know why when the huts were required before the monsoon, the authorities placing the indent said they would accept delivery till September and in fact the materials were received only in November, 1949. The answer given to this was that orders were placed only in June and the firm could not supply the stores earlier.

The next point made by the Committee was why Government decided to settle the matter with the firm by accepting a compensation of Rs. 4½ lakhs when under the terms of the contract the entire supply could have been rejected because they were not waterproof and how this amount of compensation was arrived at. Discussion centred round the issue as to why the matter could not have been taken to Court. Ultimately, the Finance Ministry representative who was one of the Officers in the team of Officials who negotiated the compromise with the firm gave a detailed account of the whole matter. According to him the firm in question was introduced to the Rehabilitation Ministry by the then Housing Adviser to the Government of India. The grade and type of timber to be used in the manufacture of the huts and roofs had been specified in the order and accepted by the Government Housing Adviser. This weakened Government's case in law if they went to court against this firm in the foreign country. Moreover, the firm itself had produced

* Appendix XIX.

**Appendix XX.

a test certificate from a Government laboratory in the foreign country to the effect that the boards were to the specifications given by it in its supply agreement. The compromise was largely based upon a recognition of the weakness of Government's position in respect of the specifications. The Housing Adviser who was invited to **advise Government on a technical level during the discussion with** the firm's representative hedged himself in and would not give categorical replies to the firm's questions regarding the specification of timber used. The Law Ministry's final advice was that Government should not go to court on this issue specially in a foreign country. Government's case was further weakened by the fact that the firm produced a number of drawings signed by the Housing Adviser which definitely showed that his intention was to use a protective layer over the roof itself. These sketches and drawings were produced by the firm who said that in accordance with the common practice in India, the Housing Adviser was going to reinforce these roofs on the top by use of further protective coatings.

The Committee felt that the whole deal was like buying a pig in a poke so far as Government was concerned. They thought that the question of taking action against the Housing Adviser should be considered.

The representative of the Ministry agreed to send a copy of the detailed report* of the Committee which conducted the compromise negotiations with the firm.

The other point considered was whether the Government Inspector in London had not failed in his duty in not carrying out a detailed test before certifying that the stores were according to specifications. The representative of the Ministry explained that the Inspector was not told what tests he should carry out and in view of the fact that there was a warranty clause in the agreement with the firm providing satisfactory service, the Inspector did not carry out any special test to ensure that the materials supplied were waterproof. The Ministry's representative also argued that in view of the fact that the date of shipment of the stores had already been fixed any reference to India about tests to be carried out would have involved delay. The Committee were not satisfied with the explanations given.

In reply to a query the Committee were informed that the Inspector was a British subject and had retired from service in 1952.

193. *Audit Report (Civil), 1954 Part I Para 12(d) Commitment without authority*†.—A commitment without authority by a Divisional Officer resulted in an overpayment of Rs. 5,000 to a contractor entrusted with the painting of certain roads. The Chief Engineer to whom the matter was reported by Audit decided that the responsibility for overpayment devolved on the Divisional Officer. The Committee wanted to know the progress in the matter of taking disciplinary action against this Officer. The representative of the Ministry explained that the delay was due partly to the fact that the Officer concerned was abroad for over a year and partly to the

* Appendix XXXVI.

† Appendix XI.V.

new Chief Engineer giving a report contrary to that of the Chief Engineer in 1952 but that a final decision would be taken in a month's time. The Committee felt that whatever decision Government took they should do so without further delay.

194. *Audit Report (Civil) 1954 Part I—Para 12 (e)—Outstanding rents against a State Government.*—Two Bills amounting to Rs. 2,35,815 and Rs. 2,07,965 on account of rent, water and electric charges, due upto 31st December, 1952 on account of certain residential buildings which the Central Government placed at the disposal of a State Government for allotment to displaced persons on payment of rent have not yet been settled by the State Government as that Government made no recoveries from the occupants, many of whom had now left. Those who are still in occupation are reported to be unwilling to pay any rent. The Committee desired to know what the position was regarding the recovery of these outstanding rents. The Ministry explained that upto March, 1955 claims totalling Rs. 2 lakhs were sent to the Delhi State Government who had assured them that they were taking steps to effect the recoveries. The question was then raised whether the payment of the bills by the Delhi State depended upon the recoveries which they were able to effect from the tenants and if so a fear was expressed that the entire amount would have to be written off. The Ministry's representative informed the Committee that the Delhi State Government proposed to effect recoveries out of the compensation claims of these refugees or before alternate accommodation was provided for them or as arrears of land revenue.

The Deputy Auditor-General intervened and enquired whether the Finance Ministry had accepted the new proposal that the Delhi State Government would be responsible for paying only such amounts as they collected from the occupants. He observed that the previous undertaking was that the Delhi State Government would reimburse the Central Government with the entire expenditure. The Committee were told that the Finance Ministry had not yet accepted the proposal but that the situation had to be faced.

195. The Committee then adjourned to meet on Tuesday the 30th August, 1955.

Proceedings of the Seventh Sitting of the Public Accounts Committee held on Tuesday, the 30th August, 1955.

196. The Committee sat from 4 to 6 P.M.

PRESENT

Shri V. B. Gandhi—*Chairman.*

MEMBERS

2. Shrimati Ammu Swaminadhan
3. Shri S. V. Ramaswamy
4. Shri K. G. Deshmukh
5. Shri Diwan Chand Sharma
6. Shri Y. Gadilingana Gowd
7. Shri U. C. Patnaik
8. Shri V. Boovaraghasamy
9. Dr. Indubhai B. Amin
10. Shri Ram Prasad Tamta
11. Shri Mohammad Valiulla
12. Shri V. K. Dhage
13. Shri B. C. Ghose

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

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor General of India.*

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

Present during the examination of the Ministry of Home Affairs

Ministry of Home Affairs

1. Shri A. V. Pai, I.C.S., *Secretary.*
2. Shri R. C. Dutt, I.C.S., *Joint Secretary.*
3. Shri S. B. Bapat, I.C.S., *Joint Secretary.*
4. Shri V. Vishwanathan, I.C.S., *Joint Secretary.*
5. Shri N. S. Mani, I.C.S., *Secretary, U.P.S.C.*
Ministry of Finance (R&E Deptt).
6. Shri S. Jayasankar, *Joint Secretary.*
7. Shri C. S. Menon, *Joint Secretary.*

*Present during the examination of the Ministry of Labour.
Ministry of Labour.*

1. Shri Vishnu Sahay, I.C.S. *Secretary.*
2. Shri S. Neelakantan, *Joint Secretary.*

Ministry of Finance.

3. Shri K. L. Ghel, *Joint Secretary.*

197. The proceedings began with the Chairman extending a warm welcome to the Chairman and two other Members of the Delhi State Public Accounts Committee who had come to watch the proceedings.

MINISTRY OF HOME AFFAIRS

198. *Audit Report (Civil)—1954 Part I—Page 8—Para 8(1) Unauthorised retention of heavy cash balances.*—A foodgrains distributing contractor was found to have withheld from Government a total sum of Rs. 83,200 out of the sale proceeds of Government grains. At the instance of Audit a detailed scrutiny of the accounts of the contractor was undertaken by the District Supply Officer. This scrutiny revealed that in addition to the sum of Rs. 83,200 referred to, a sum of Rs. 42,589 was also due from the contractor against Rs. 36,081 due to him on account of commission. The commission was adjusted against the Government dues and a further sum of Rs. 36,269 was subsequently recovered from him leaving a balance of Rs. 53,439. If regular checks over the account of the agents were exercised by the District Supply Officer, such **heavy accumulations of cash in the hands of the contractor would not have been possible.**

The Committee wanted to know whether the balance of Rs. 53,439 had since been recovered in full.

The representative of the Ministry of Home Affairs informed the Committee that it had been decided, in consultation with the Finance, that the amount should be recovered in 15 instalments, each instalment falling due after four months, with interest at 4½ per cent. When enquired about the prospect of effecting recovery of the amount, the Ministry replied that the contractor had volunteered to pay back the amount and if he failed he would be sued.

The next point raised was about the fixing of personal responsibility for not exercising proper check on the accounts of the contractor. **The representative of the Ministry explained that the District Supply Officer who was taken over from the State Service followed the old procedure obtaining in the erstwhile princely State. The Auditor-General intervened and explained to the Committee that the practices in these princely States were not in accordance with our conception of accounting and control and this sort of unsatisfactory accounting and other procedure was encountered in various princely States which had now come under the Union Government. The representative of the Ministry explained that the procedure had now been changed. The Chief Commissioner did not consider that there was any fault or negligence on the part of the District Supply Officer concerned.**

199. *Audit Report (Civil) 1954—Part I—Para 8 (ii)—Heavy shortages of foodgrains.*—In this case also, the same District Supply Officer did not check up the book balance in terms of bags and weight with the physical balance. It could not be verified whether all the stock received by the contractor had been duly brought to account as the accounts were not kept properly. The representative of the Ministry stated that a shortage was noticed as a result of the defective accounting and it was not possible to detect this earlier as the bags were of different sizes and the total quantity could not be calculated readily. The Committee observed that the shortage could have been verified by adding the items showing the weight of each bag. The Ministry's representative explained that this was done and a shortage of about 6,990 maunds was discovered. Intervening, the Auditor-General explained that according to the information with him, the total loss was of the order of Rs. 6 lakhs which was 6.3 per cent. of the total.

In regard to the disciplinary action against the District Supply Officer the Ministry's representative said that the matter was under consideration of Government.

200. *Audit Report (Civil) 1954—Part I—Para 8 (iii)—Drawal of money in advance of requirements to avoid lapse of grant.*—A sum of Rs. 13,865 was drawn by a Civil Supplies Department on the 29th March, 1952 and was utilised to purchase furniture and godown accessories in the following financial year.

The Ministry's representative conceded that an irregularity had been committed in this case in drawing money in advance of requirements. The Chairman observed that this was not the first case and drew the attention of the meeting to a similar case reported in the Seventh Report of the P.A.C. and stressed the need for greater attention to see that such cases did not recur.

201. *Appropriation Accounts (Civil) 1951-52 and Audit Report 1953 Page 388—Grant No. 58—Andaman & Nicobar Islands.*—There was an excess of Rs. 3,24,216 under this Grant of which Rs. 2,91,611 was due to adjustment of claim pertaining to the previous year. The Committee wanted to know why no provision was made either in the original budget or the revised estimate for the adjustment of this arrear claim.

The representative of the Ministry conceded that it was a lapse and the amount should have been provided by a supplementary grant.

202. *Appropriation Accounts (Civil), 1951-52 Page 447—Grant No. 73 Territorial and Political Pensions.*—Here there was an excess of Rs. 6,01,950 under sub-head D.3.—Integrated State. This excess was attributed mainly to payment of arrears in PEPSU and Madhya Bharat. The Chairman observed that perhaps here again the explanation was that the amount could have been provided by a supplementary grant.

In reply to a question whether such lapses of budgetary proprieties were peculiar only to this Ministry or were common to all other Ministries, the Comptroller and Auditor General informed the

Committee that such lapses were noticed in every Ministry and added that after the separation of accounts from audit and introduction of exchequer control such cases would not recur.

203. *Appropriation Accounts (Civil), 1951-52—Page 778 Grant No. 104—Capital Outlay on Development—B—Capital Outlay on Road Transport Schemes Sub-head G-1.*—Here there was a saving of Rs. 2,78,888 under Capital Expenditure on Bus Service which was not surrendered. The Committee wanted to know the reason. The Ministry's representative submitted that they could not surrender the amount as intimation of the saving from the Himachal Pradesh Government reached them only after the close of the financial year.

UNION PUBLIC SERVICE COMMISSION

204. The Committee then took up the examination of matters relating to the U.P.S.C.

205. *Audit Report (Civil) 1953—Para 29—Payment of fees and honoraria.*—The examiners, printers and supervisors of the various examinations conducted by the U.P.S.C. were being paid on a provisional basis even upto February, 1954 although Government had decided in 1950 to fix the scales of honoraria and fees to be paid to these persons.

The Ministry's representative gave a history of the whole case of prescribing scales of honoraria, fees etc. paid by the U.P.S.C. According to the orders of Government issued in 1927, the Commission had powers to incur expenditure on this account provided the necessary funds were available at its disposal. Audit had, however, taken the stand in 1947 that Government could not delegate unlimited powers to the Commission albeit an independent statutory body, and that check should be exercised by Government by fixing the ceiling scales of remuneration. This matter was the subject of discussion for the last six years. The Commission had since furnished a statement containing the ceiling scales of remuneration for the approval of Government and the matter been referred to the Ministry of Finance.

MINISTRY OF LABOUR

206. The representatives of the Ministry of Labour were then examined.

207. *Audit Report (Civil) 1953—Para 25—Extravagant expenditure.*—The Ministry of Labour had engaged, without the requisite prior financial sanction the service of a very expensive lawyer on Rs. 1750 per day to argue its case before the Supreme Court. The total expenditure incurred was Rs. 8,971.

The representative of the Ministry explained that the services of the Attorney General were not available as he had already been engaged by one of the appellants and since the case was an important one from the Government point of view, it was necessary to engage a really eminent lawyer who had to be paid high fees.

In reply to the point why the previous sanction of the Ministry of Finance was not obtained, the representative of the Ministry

explained that since the matter was really very urgent and some delay had already occurred in the Ministry, there was no time to get the sanction of the Finance before engaging the services of the lawyer concerned.

208. *Appropriation Accounts (Civil), 1951-52—Page 245 Note 10.*—This para narrates the case of an officer (temporary Government servant) who was granted leave *ex-India* upto 31st December, 1951 when he was to be superannuated on the 5th January, 1952. This enabled him to get certain benefits by way of leave salary on half average pay and dearness allowance for the entire period of his leave, which was not admissible if he was granted terminal leave.

The representative of the Ministry agreed to submit a note* to the Committee explaining the whole case.

209. *Appropriation Accounts (Civil), 1951-52—Pages 757-758 Purchase of Stores and Reserve Stock of Equipment for the training of demobilised services personnel (now Audit Civilians).*—The Audit comments posed the following three points. Firstly, the alterations in the Stores Accounts were made without authority; secondly, no stock verification was undertaken regularly by an independent authority; and thirdly, no reports of physical verification of stocks were obtained from the Training Centre.

The Committee wanted to know what action had been taken on the Audit comments.

The representative of the Ministry informed the Committee that the Ministry had taken note of the audit comments and necessary arrangements were being made to get the stock verified by a responsible officer other than the Supply Officer. The Committee were also told that the Central Tool Depot would shortly be wound up completely.

210. The Committee then adjourned to meet again at 4 P.M. on the 31st August, 1955.

*Appendix XXII.

**Proceedings of the Eighth Sitting of the Public Accounts Committee
held on Wednesday, the 31st August, 1955.**

211. The Committee sat from 4.00 to 6.35 P.M.

PRESENT

Shri V. B. Gandhi—*Chairman.*

MEMBERS

2. Shrimati Ammu Swaminadhan
3. Shri S. V. Ramaswamy
4. Shri Balwant Sinha Mehta
5. Shri C. D. Pande
6. Shri Diwan Chand Sharma
7. Shri Y. Gadilingana Gowd.
8. Shri U. C. Patnaik
9. Shri V. Boovaraghasamy
10. Dr. Indubhai B. Amin
11. Shri Mohammad Valiulla
12. Shri V. K. Dhage
13. Shri B. C. Ghose

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

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor General of India.*

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

Shri P. N. Bhandari, *Controller of Commercial Audit.*

Shri V. R. Mahadevan, *Chief Audit Officer, Food Rehabilitation and Supply.*

SECRETARIAT

Shri V. Suramanian—*Deputy Secretary.*

WITNESSES

Present during the examination of the Ministry of Rehabilitation.

1. Shri C. N. Chandra, I.C.S., *Secretary, Ministry of Rehabilitation.*
2. Shri S. Ratnam, *Joint Secretary, Ministry of Finance.*

Present during the examination of the Ministry of Production.

1. Shri S. Jagannathan, I.C.S., *Joint Secretary, Ministry of Production.*

2. Shri M. K. Mathulla, *Joint Secretary, Ministry of Production.*

3. Shri V. Narayanan, *Joint Secretary, Ministry of Finance.*

MINISTRY OF REHABILITATION

212. The Committee first took up consideration of matters relating to the Ministry of Rehabilitation.

AUDIT REPORT (CIVIL) 1954—PART I.

213. *Para 10—Non-maintenance of Accounts.**—The gist of this case is that in June, 1949 a sum of Rs. 1,50,000 was placed at the disposal of the Rehabilitation Commissioner for incurring expenditure on construction of mud huts for housing displaced persons. The construction of these huts was entrusted to a woman social worker to whom the Commissioner gave advances amounting to Rs. 1,42,380. A sum of Rs. 1,35,325 representing the cost of mud huts and tent huts was finally adjusted against the advances drawn by the lady social worker. A sum of Rs. 1,080 was also adjusted as the cost of erection of 2 mud huts for Camp Commandant and one kuchha hospital quarter.

Neither the Rehabilitation Commissioner nor the social worker maintained proper accounts for the amounts received by them. Government have, however, condoned the non-maintenance of regular accounts. Although the Rehabilitation Commissioner was held responsible for rendering the accounts, the Ministry held the view that "rendering of accounts" by the Rehabilitation Commissioner meant only the drawal of advances, payment of the same by cheques to the social worker and watching credit of amounts undischarged by her and not keeping detailed accounts of the expenditure out of the advances. This view was not acceptable to **Audit.**

No accounts have also been rendered for expenditure incurred from the balance of advance of Rs. 5,975.

The Chairman first wanted to know how this work came to be entrusted to a lady social worker instead of a contractor selected after inviting competitive tenders. The representative of the Ministry explained that getting the work done through the C.P.W.D. would have delayed the construction and as the huts were required urgently, the work was entrusted to the lady social worker who had some experience of this work.

The next point taken up by the Committee was why no proper accounts were maintained and on what basis the cost of a mud hut was settled at Rs. 300/-. The representative of the Ministry explained that the social worker entrusted with the construction was not conversant with maintenance of accounts and that all attempts of the Ministry to get an Accountant or an Overseer to assist the lady were unsuccessful. As regards the cost of the hut, the Committee were told that it would have been possible to have got the mud huts at Rs. 260/- each had not the rains come and damaged some of them. The rate of Rs. 300/- for a hut was agreed to since

*See also Appendix XXV.

in the adjoining State of the Punjab, Government had spent over Rs. 300/- for a similar hut.

214. *Appropriation Accounts (Civil), 1951—52 and Audit Report 1953—Page 25 para 27(a)—Infructuous expenditure.* In connection with the dispersal of displaced persons from a camp in Vindhya Pradesh consequent on the decision of Government to disband Relief Camps, an expenditure of Rs. 25,667 was incurred in the transport of tents which were found to be absolutely unserviceable and could not be used. An expenditure of Rs. 6,434/- was also incurred on levelling the ground and providing water and sanitary arrangements. The entire expenditure proved infructuous since the tents could not be pitched. The Officer responsible for despatching the unserviceable tents was warned by the Ministry of Rehabilitation but this punishment was not considered adequate by the Finance Ministry.

The representative of the Ministry explained that these tents had been lent to them by the Defence Ministry and were in use in the Kurukshetra camp and that most of the tents had served their life. It was thought that these tents might probably serve another nine months. The Ministry conceded that only really serviceable and good tents which would not be subject to damage in transport should have been sent. The Officer concerned was the Camp Commandant.

In reply to a query by a Member, the Committee were informed that whatever tents were left behind in the Kurukshetra Camp were sold by auction. The representative of the Ministry was asked to submit a note* to the Committee about the proportion of serviceable to unserviceable tents; how many were disposed of by auction and what was the money realised.

In answer to another question, the Ministry informed the Committee that they had not taken up the question of adequacy or otherwise of the punishment inflicted on the Camp Commandant with the Finance Ministry after the receipt of their view that the punishment was inadequate.

215. *Audit Report (Civil) 1953—Para 27(b)—Contract for grinding wheat without tenders.*—Contracts were given out by the Commandant of a relief camp for grinding wheat at the rate of 13 As. 9 pies per maund with a wastage allowance of 3½ per cent for the period from 17th August, 1948 to 20th November, 1948, in one case and 2½ per cent. in another for the period from 29th June, 1949 to 31st December, 1949 without inviting tenders. The latter contract was extended later upto 31st March, 1950. When subsequently tenders were invited at the instance of the Ministry the lowest quotation for grinding was 7 As. per maund with a wastage allowance of 1½ per cent. The contract was finalised on 15th May, 1950, and upto that date the second firm was paid at the old rates although the contract was not formally extended. The giving out of contracts without inviting tenders resulted in a loss of Rs. 30,000/- to Government.

In respect of the second contract the firm was given an advance of Rs. 42,000 although Audit pointed out that this was irregular. The Financial Adviser and Accounts Officer, attached to the Camp did not object either to the giving out of the contracts without

*Appendix XXVI.

inviting tenders or to the grant of advance to the contracting firm. The Ministry of Rehabilitation accorded *ex-post-facto* sanction to the expenditure incurred but the Finance Ministry refused to condone the irregular procedure and the consequential loss. They also refused to regularise the payment from 1st April, 1950 to 15th May, 1950 during which period the second contract was allowed to run after lower quotations were received from another firm. No disciplinary action was also taken against the Commandant.

The Committee were informed that so far the Rehabilitation Ministry had not taken any steps to have the difference with the Finance Ministry resolved.

The Comptroller and Auditor General intervened and informed the Committee that at a meeting last year where all the Secretaries to the Government were present it was agreed that differences between various Ministries should not be brought before the P.A.C.; they should be resolved before hand. No Ministry should make an attempt to shift the blame for an irregularity to some other Ministry before the Committee.

The representative of the Ministry was asked to report* the final decision as resolved between the two Ministries to the Committee.

At the suggestion of the Comptroller and Auditor General it was decided to await the final views* after the Ministries had come to an agreement before the question of recovering the loss was considered by the Committee.

216. *Audit Report (Civil) 1953—Para 27(c)—Ex-gratia payment to a shipping Company.*—Government requisitioned certain ships of a Company for the evacuation of displaced persons from Sind immediately after partition. The Company had a net earning of Rs. 28.53 lakhs out of this traffic; but they claimed a compensation of Rs. 10.74 lakhs on the plea that their earnings would have been much more had their ships not been requisitioned. Government sanctioned an *ex-gratia* payment of Rs. 7 lakhs to the shipping company.

The representative of the Ministry informed the Committee that the *ex-gratia* payment was sanctioned only after verifying the records of the company with particular reference to their earnings for a period of years. The Director-General of Shipping who had called for and examined the records of the company recommended a grant of Rs. 7 lakhs on an *ad hoc* basis.

217. *Appropriation Accounts (Civil), 1951-52—Page 443—Grant No. 71.*—The Ministry was asked to submit a note† giving the reasons why only a sum of Rs. 8 lakhs and not the entire amount of saving of about Rs. 2½ crores under this grant was surrendered.

MINISTRY OF PRODUCTION

218. The Committee then took up the examination of matters with which the Production Ministry was concerned.

*Appendix XXVII. †Appendix XLVI.

219. *Audit Report (Civil), 1954—Part II—Para 9—Nugatory expenditure.*—In 1948 Government entered into an agreement with a **foreign firm of Consulting Engineers for the setting up of a Housing Factory.** Under the agreement the firm was to grant Government a licence to use their patents and to render technical assistance for the setting up of the factory and the manufacture of 'alcrete' houses and receive in return a royalty at the slab rates ranging from Rs. 2 to Rs. 5 per 100 sq. ft. on the outturn of panels manufactured in addition to certain actual and overhead charges. The agreement did not provide for any liability on the firm in the event of the scheme proving a failure.

The original estimate of the scheme was Rs. 78 lakhs but it was raised to Rs. 97·07 lakhs in 1951 but the actual expenditure booked up to 31st March, 1953 amounted to Rs. 1,08,11,735 with unliquidated liabilities to the extent of Rs. 2,78,000.

The factory went into production in August, 1950 and suspended work in February, 1951 and during the short period it operated there was a loss of Rs. 10,33,243 in addition to loss resulting from disposal of surplus stock. The balance of stock on 31st March, 1953 was worth about Rs. 34·57 lakhs. Stores worth Rs. 2·36 lakhs were disposed of at a loss Rs. 1·55 lakhs and the value of certain stores had to be written down by Rs. 1·36 lakhs. Final loss would be known only when the remaining stock was disposed of.

The accounts kept by the factory were incomplete and as such not susceptible of effective check.

The audit note dealing with the irregularities issued to the Ministry in June, 1951 still remained unanswered and that was responsible for the belated report by Audit.

At the suggestion of the Chairman, first the Finance Ministry's representative and then the representative of the Production Ministry gave a history of this venture of Government to set up a Housing Factory. When the need for providing roofed pucca accommodation for the refugees in camps was felt and became insistent, it was suggested that some sort of prefabricated houses should be manufactured round about Delhi and the houses distributed to the camps. **At this stage it was brought to the notice of the Government by the Town Planning Expert and Architect in the Mysore State that the State Government had earlier considered the possibility of entering into an agreement with a certain foreign firm for setting up a prefabricated housing factory for production of cheap houses in that State and that this could be taken over by the Government of India and the Factory established in Delhi.** Negotiations with this firm started and an agreement was concluded. One of the main terms of the Agreement was that this firm should set up a factory in Delhi and hand it over as a working concern, the expenditure being met by Government from time to time on production of bills. At a certain stage it came to the notice of the Directors that the production of panels was not upto the mark and that a good percentage of the panels which being baked in a special process came out broken or cracked. The Directors carried out an inspection of the Factory and it was proved that the firm experienced large wastage and

when questions were raised about the ability of the firm to produce panels according to its claim, the blame for the faulty production was attributed first to the inferior quality of Indian cement, and secondly on the inefficiency of Indian labour. The Directors then summoned the Chairman of the Board of Directors of the firm to India and in the meanwhile the payment of Rs. 1,90,000 due to this firm under the terms of the agreement was withheld. As the Chairman of the Board could not give any satisfactory explanation of the inability of the firm to hand over the factory in working trim according to the Agreement, the Agreement with the firm was terminated. All payments due to the firm were withheld, and the factory was closed down except for the staff to look after the stores.

The question of the working of the factory was taken up by the Production Ministry (hitherto it was under the administrative control of the Health Ministry) and in the end Government decided to bring the factory into production again. Government entered into a contract with a private firm and contributed 50 per cent of its original issued capital of Rs. 1 lakh. The Company was to pay to Government rent on the capital assets taken over.

The Committee were informed that there was a proposal under consideration to terminate this contract also and run the factory as a Departmental Factory but no final decision had yet been taken.

In reply to a question whether since Government entered into the second agreement with a private firm, the factory was running at a profit or loss, the representative of the Production Ministry replied that so far it had been running at a loss.

The Committee were also informed that these kinds of panels which the factory was to manufacture were not used successfully in any country.

Another point raised by the Committee was whether it was wise for Government to take over the factory and run it departmentally as it would mean throwing good money after bad.

The Ministry's representative observed that the factory started production about 1½ years back and Rs. 40 lakhs worth of products have so far been sold to the P.W.D. on tenders and that if the Housing Ministry were in charge of this and supervised the production by taking it over, the amount of utilisation would be greater and the loss would come down.

In regard to the non-maintenance of proper accounts etc., the Finance Ministry's representative observed that in the initial stages of erection and **commissioning** of the factory, the firm's experts were to be in charge and it was expected that after the firm had handed over the factory in trim according to Agreement, Government would enter and lay down all necessary accounting arrangements.

220. The Committee then adjourned till 11 A.M. on the 1st September, 1955.

Proceedings of the Ninth Sitting of the Public Accounts Committee held on Thursday, the 1st September, 1955

221. The Committee sat from 9-30 to 11-30 A.M.

PRESENT

Shri V. B. Gandhi—*Chairman.*

MEMBERS

2. Shri S. V. Ramaswamy.
3. Shri Balwant Sinha Mehta.
4. Shri C. D. Pande.
5. Shri Diwan Chand Sharma.
6. Shri Y. Gadilingana Gowd.
7. Shri V. Boovaraghasamy.
8. Shri Mohammad Valiulla.
9. Dr. Ingubhai B. Amin.
10. Diwan Chaman Lall.
11. Shri V. K. Dhage.
12. Shri B. C. Ghose.

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

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor General of India.*

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

Shri P. N. Bhandari, *Director of Commercial Audit.*

Shri V. R. Mahadevan, *Chief Audit Officer, Food, Rehabilitation and Supply.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

Present during the examination of the Ministry of Commerce and Industry

Shri H. V. R. Iengar, *I.C.S., Secretary, Ministry of Commerce and Industry.*

Shri V. Narayanan, *Joint Secretary, Ministry of Finance (I & C Division).*

Present during the examination of the Ministry of Transport.

1. Shri N. M. Ayyar, *I.C.S., Secretary, Ministry of Transport.*

2. Shri H. P. Mathrani, *I.S.E., Consulting Engineer, Road Development and Joint Secretary.*
3. Capt. Harvinder Singh, *Assistant Adviser to the Government of Assam, N.E.F.A.*
4. Shri T. N. Kaul, *I.C.S., Joint Secretary, Ministry of External Affairs.*
5. Shri R. Narayanaswami, *Joint Secretary, Ministry of Finance (Communications Dn.).*

The first to be examined by the Committee were the representatives of the Ministry of Commerce and Industry.

MINISTRY OF COMMERCE AND INDUSTRY

223. *Audit Report (Civil), 1954—Part I—Para 2(a)—Import of artificial silk yarn from Japan.*—Government imported 28 lakh lbs. of silk yarn from Japan in two consignments—one consignment of 22 lakh lbs. in December, 1947 and the other consignment of 6 lakh lbs in July, 1948. The first consignment was allocated to textile mills the handloom industry and the silk mills at release price of Rs. 5-1-6 per lb., although the price of yarn then in the internal market was Rs. 6-8-0 per lb. The intention of Government was that the manufactured articles should be sold at rate commensurate with the landed cost of the yarn and Textile Commissioner had also issued instructions to this effect to the parties who were supplied with yarn. The cloth, however, continued to be sold at higher rates and the entire benefit of the low rate of yarn amounting to Rs. 30,93,750 went to the mills and handloom weavers with out any benefit to consumers. When eventually in February, 1948 Government decided to charge the market price it was found that the bulk of the stock had already been sold out and so effect was not given to the decision.

Out of the second consignment of 6 lakh lbs. only 2.89 lakh lbs. could be sold at Rs. 5-1-6 a lb. as the internal market price was falling due to large imports of yarn by private parties. Also due to the failure of the allottees to lift the remainder of the quota it had to be sold at prices below the cost price resulting in a loss of Rs. 2,14,592 to Government. Although it was known before the arrival of the second consignment that the price of yarn was falling, no action was taken to cancel the orders. No action was also taken against the defaulting allottees.

The Committee wanted to know the circumstances under which Government decided to import these 28 lakh lbs. of silk yarn on their own account instead of allowing imports by private parties.

The representative of the Ministry replied that at the time all exports and imports of Japan were controlled by Supreme Commander, Allied Powers in Tokyo, and it was difficult for private merchants to import. So the import had to be done on Government account.

The next point on which the Committee sought information was why Government disregarded the advice of the Textile Commissioner to raise the release price of the yarn which was fixed by

Government at Rs. 5-1-6 a lb. to the market price of Rs. 6-8-0 which prevailed at that time.

The Ministry's representative informed the Committee that while the Textile Commissioner regarded this transaction solely from the point of view of yielding quick profit to Government, Government thought that was a complete misconception of the need for the transaction. The object of Government was to bring down the prices of yarn which was very high (Rs. 6/8/- per lb.). If Government had fixed the release price of yarn at the marked level they would have undoubtedly made a profit but the primary purpose which was to bring down the cost of yarn would not have been served.

Two other questions were then raised. One was the purpose for which the yarn was imported and the other was what steps Government took to ensure that the consumers were actually benefited if the purpose of the import was to bring down the price of yarn.

The representative of the Ministry explained that although the real purpose of importing art silk yarn was not to make any profit, the Ministry had adventitiously, without realising it, cleared a profit of Rs. 37½ lakhs on the whole transaction. The way this happened was as follows: The release price of the yarn was fixed at Rs. 5-1-6 a lb. on the basis that the price paid in Japan plus freight, insurance and handling and distribution charges would work out to this rate. But actually it turned out to be much smaller. Government spent Rs. 188 lakhs on this transaction and recovered Rs. 226 lakhs. The Ministry's representative went on to say that the real purpose of the import was to bring down the market price of Rs. 6-8-0 per lb. by selling the imported yarn at cost price and that in actual fact the market price did come down to Rs. 3-4-0 per lb. In answer to a query whether the price had not come down because of larger import by private parties from other countries, the representative of the Ministry said that the fall in price may be partly due to that and the two factors could be taken as having been responsible for the drop in market price.

In regard to the point about the steps taken by Government to see that the manufacturers acted upto the instructions of the Textile Commissioner that the finished products should be sold at a price commensurate with the landed cost of the yarn, the Ministry's representative conceded that no steps were taken then because it was thought that it would have been practically impossible to enforce any administrative steps; he, however, added that such a thing would not happen now because they could devise measures with the knowledge and experience gained.

With reference to the point why the orders for the second consignment were not cancelled when the prices had started falling, the Ministry's representative explained that orders were placed in one bulk and it was an unusual thing to place a bulk order and then cancel a part thereof when prices showed a tendency to fall.

The last point raised by the Committee was why no action was taken against the allottees who refused to lift the yarn. It was

explained that the original allotment was made in December 1947 and when the consignment actually arrived only in July, 1948 by which time price had started falling, it was considered unfair to enforce the allotment.

224. *Audit Report (Civil), 1954—Part I—Para 2(b) —Subsidy for American cotton.*—To assist the Handloom Industry in the supply of medium counts of yarn, Government decided to subsidise the Spinning Mills importing U.S.A. cotton. Thirty-eight such mills were paid subsidies amounting to Rs. 1,33,85,359 upto March, 1953. No instructions had, however, been issued by the Textile Commissioner, about this essential condition and Audit could not, therefore, certify that the subsidy paid by Government to the mills was utilised for the purpose intended.

One mill had been permitted by the Textile Commissioner to export yarn manufactured from subsidised cotton or from an admixture of the same with indigenous cotton. The propriety of the grant of this permission and the recovery from the mill of the subsidy of Rs. 10 lakhs were reported by Audit to be under consideration of Government.

Some other mills manufactured yarn of finer counts with the subsidised cotton. When this was pointed out by Audit a sum of Rs. 3,28,879 was recovered from these mills against a sum of Rs. 3,30,749, the balance of Rs. 1,870 being waived.

At the instance of the Chairman the representative of the Ministry explained the background against which the decision to subsidise American cotton was taken. The Committee were also informed that the Textile Commissioner at that time had told the various mills that this cotton would be subsidised by Government on the main conditions that the yarn produced out of it should be made available to the handloom weavers and not exported and that the yarn made out of this should be within certain counts.

When asked about the machinery set up to ensure that the American cotton was consumed for the purpose for which it was subsidised, the representative of the Ministry explained that each mill was asked to submit returns and there was an officer who went round to check their stocks of cotton from time to time.

As regards the mill which had exported yarn manufactured out of the subsidised cotton, the Ministry's representative informed the Committee that this mill had represented to the Textile Commissioner that they had certain operational difficulties and wanted to be exempted from the strict operation of the regulations which the Government had generally imposed. The Textile Commissioner gave this permission. This the mill understood to enable them to spin the imported subsidised cotton yarn into higher counts. Some of these they actually exported outside the country. The mill contended that under the orders of the Textile Commissioner all that they were called upon to do was that in return for certain bales of American cotton they should supply corresponding bales of medium count yarn to the handloom weavers which they had done. There had been certain amount of dispute whether the mill was justified in the line they had taken and the whole case was

before the Solicitor General for his opinion whether Government could sue the mill.

225. *Audit Report (Civil) 1954 Part I—Para 13—Grants of Special Advances to Certain Companies.*—Government had sanctioned a grant of a special advance of Rs. 10 crores to the TISCO Ltd. to be utilised towards the expansion and remodelling of the work of the company with a view to increasing the production of iron and steel; the advance being met from the Iron and Steel Equalisation Fund. Certain special terms were also allowed to the company. A similar advance of Rs. 10 crores had also been sanctioned for payment to the Indian Iron & Steel Co. on more or less same terms—but this advance to this company would be in addition to the interest bearing loan of Rs. 7·9 crores which was secured by a third mortgage and to the Government guarantee in respect of the loan of \$31,500,000 granted to the company by the World Bank.

For the benefit of the Committee the Comptroller and Auditor General gave an account of how the Iron and Steel Equalisation Fund came to be established and the objects and purposes of the Fund. The Committee were also told that the balance in this Fund on 31st March, 1955 was Rs. 13,95,32,192.

The Auditor General then raised the point whether it was in accordance with Government's policy to build up the public sector to charge interest at 4½ per cent. on advances made to Hindustan Steel Ltd., a State owned Factory, when the above two companies were granted interest free advance.

The representative of the Ministry said he did not know anything about the mechanics dealing with the finances of the Hindustan Steel as it was not dealt within the Commerce and Industry Ministry. Giving the reasons for the grant of interest free loans, he observed that the whole Iron & Steel industry was under the comprehensive control of Government. The companies were told what they should sell and to whom they should sell. Placed in this situation the companies could not find resources of their own for purposes of expansion. Government decided to advance interest free loans out of the Equalisation Fund; the other alternative would be to allow a straightforward increase in retention prices.

In reply to a query whether Government considered the question of taking up shares to the extent of amount advanced the Committee were told that this was not considered.

Some members also voiced the opinion that it would have been preferable if Government had taken some shares as this would have been a first step towards eventual nationalisation. The Committee, however, felt that the whole question was a policy matter relating to the nationalisation of steel industry and decided not to consider the question at this stage.

226. The Committee could not take up the remaining points relating to the Ministry of Commerce and Industry for want of time, and decided that the Ministry should be asked to give detailed information on the following points:

APPROPRIATION ACCOUNTS (CIVIL) 1951-52

*Page 61—Grant No. 2—Sub-head A. 5—Why the saving of Rs. 3,64,994 was not surrendered?

†Page 67—Note 12—Transfer of Textile Fund—Government's decision on the question of transferring the balance of fund to the Consolidated Fund.

**Page 693—Note 15—Diesel Engine Factory—What was the infructuous expenditure on this Scheme?

***Page 710—Grant No. 103—Govt. Trading scheme—Import of Steel—Sub-heads BB1 and BB2.

The reasons why the excess was not provided for under the head BB1 and why the saving under BB2 was not surrendered.

MINISTRY OF TRANSPORT

227. The Chairman informed the Ministry of Transport that their examination had been postponed to a later date, and requested the Ministry to submit to the Committee in writing any information on the audit paragraphs relating to that Ministry.

228. The Committee then adjourned *sine-die*.

* Appendix. IV

† Appendix IV—A

** Appendix XLVII

*** Appendix XLVIII

**Proceedings of the Tenth Sitting of the Public Accounts Committee
held on Tuesday, the 1st November, 1955.**

229. The Committee sat from 10-30 A.M. to 12-20 P.M.

PRESENT

Shrimati Ammu Swaminadhan—*Chairman.*

MEMBERS

2. Shri Kamal Kumar Basu
3. Shri Ramananda Das
4. Shri K. G. Deshmukh
5. Shri Balwant Sinha Mehta
6. Shri Diwan Chand Sharma
7. Shri Y. Gadilingana Gowd
8. Shri V. Boovaraghasamy
9. Dr. Indubhai B. Amin
10. Shrimati Violet Alva
11. Shri Ram Prasad Tamta
12. Shri P. S. Rajagopal Naidu
13. Shri Mohammad Valiulla
14. Shri V. K. Dhage
15. Shri B. C. Ghose.

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

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor General of India.*

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

Shri V. R. Mahadevan, *Chief Audit Officer, Food Rehabilitation and Supply.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

Ministry of Transport:

1. Shri N. M. Ayyar, I.C.S., *Secretary*
2. Shri H. P. Sinha, I.S.E., *Additional Consulting Engineer Roads.*

Ministry of External Affairs:

Shri T. N. Kaul, I.C.S., *Joint Secretary*

Ministry of Finance (Communications Division):

Shri R. Narayanaswami, *Joint Secretary.*

230. Shri V. B. Gandhi, Chairman, Public Accounts Committee had written to say that on medical advice he was unable to be

present at the sittings of the Public Accounts Committee to be held on the 1st, 2nd and 3rd November, 1955. So in accordance with Rule 242(6) (c) of the Rules of Procedure and Conduct of Business in Parliament, the Members of the Committee present chose Shrimati Ammu Swaminadhan to act as Chairman for the sittings on these days.

MINISTRY OF TRANSPORT

231. *Appropriation Accounts (Civil), 1951-52 and Audit Report (Civil), 1953. Page 609—Grant No. 86—Communications including National Highways.*—The Public Accounts Committee (1952-53) had observed that the agreement reached between the Central and State Governments in respect of development of National Highways in 1945 should be revised in the context of the present constitutional requirements and had desired that the Ministry of Transport should ascertain the views of the State Governments and take early action towards enacting legislation as envisaged in item 23 of the Seventh Schedule—List I of the Constitution. The Committee desired to know what the present position was in this regard.

The representative of the Ministry of Transport explained that a National Highways Bill was under preparation and it would be introduced in Parliament during the next Budget Session. The Committee were not happy over the delay that had occurred in bringing forward the necessary legislation and desired to be furnished with a detailed note* explaining the reasons for the delay at the various stages.

Pending the enactment of the legislation, the expenditure on the National Highways was being incurred from the Consolidated Fund of India. It was explained to the Committee that the work on National Highways was being financed out of the Consolidated fund of India under the provisions of Article 282 of the Constitution in accordance with an agreement entered into with the States.

The Committee desired that the necessary legislation should be enacted without any further delay.

232. *Appropriation Accounts (Civil) 1951-52 Page 609—Grant No. 86 Communications (including National Highways) Explanation under sub-head B (2)—other Communications†.*—The reasons for the savings under this sub-head have been attributed to the estimates relating to new works not being sanctioned in time and the late receipt of the additional funds asked for. The Committee desired to know why the estimates could not be sanctioned in time and why additional funds were also not provided in time. The representative of the Ministry explained that these savings occurred in respect of works in Centrally administered areas and the delay in estimating and sanctioning of funds were mainly due to the fact that at that time the P.W.D. in those States were not very well organised and were short of technical personnel. At the request of some of the Members of the Committee, the representative of the Ministry agreed

* Appendix XXX.

† See also Appendix XLIX.

to send a note indicating the actual difficulties that they had been experiencing in this connection.

The Auditor General observed that large savings resulted in funds being immobilised which might otherwise have been used for beneficial purposes elsewhere. The representative of the Ministry explained that things had changed now and that it was very unlikely that such large savings would occur in future.

233. *Appropriation Accounts (Civil) 1951-52—Page 756—Civil Transport:—pages 760-761, Purchase and Construction of Lighters: Page 767—scheme for running and chartering of vessels for coastal trade.*—The Committee desired to know the reasons for the delay in determining the financial results of these schemes and what steps had been taken for expeditious settlement of the outstanding dues. The Committee were informed that certain recoveries were due to be effected from the United Kingdom Government and that the matter was under correspondence with that Government through our High Commissioner. They were also told that in certain other cases, the amount of recoveries had not yet been reconciled with the parties concerned and all efforts were being made to speed up the settlement of these outstandings. The Committee observed that the accounts of these war time schemes should not be kept open indefinitely and should be closed without delay.

234. *Appropriation Accounts (Civil) 1951-52—Page 764—Road Rollers Bulk Procurement Scheme.*—In 1946 the Government of India formulated this scheme with the main object of establishing Road Roller Industry in India. Two contracts were entered into with two well known suppliers of road rollers in the United Kingdom for the manufacture in India of steam and diesel rollers in association with Messrs Tata Engineering Locomotive Company Ltd., Messrs Jessop & Co. Ltd. and the Ordnance Factories. Orders were placed for the manufacture of these rollers against indents received from State Governments, Municipalities etc. At the end of 1951-52 a sum of Rs. 1,19,026 was due to be recovered from certain quasi-public bodies and the Nepal Government to whom the rollers had been supplied. Also on the 1st March, 1952, there were 75 rollers which were not covered by any firm indents, for which the Ministry of Transport had accepted liability.

The Committee desired to know (i) whether these 75 rollers had since been covered by firm indents; and (ii) whether the objective of establishing a Road Roller industry in India had been fulfilled or whether import of road rollers was continuing.

The Committee were informed that the 75 rollers had since been disposed of at a cost of Rs. 45,000 each and that the entire amount had been collected. In regard to the next point, the Ministry's representative informed the Committee that they were at present importing road rollers at the rate of about 100 per year and that the Ministry of Commerce and Industry had since issued licences to two firms in India for the manufacture of road rollers and it was hoped that the country's requirements of rollers would be met by indigenous manufacture within a period of one and a half years. Whereas the landed cost of an imported steam roller was Rs. 29,000 and that

of a diesel road roller was Rs. 27,000, the actual cost of production of a diesel roller in India was of the order of Rs. 45,000 and the price of the steam roller was provisionally fixed at Rs. 37,500/-. The high prices were, the Committee thought paid only for the purpose of establishing manufacture of road rollers in India, and yet the arrangements that were made with the manufacturers were such that after the fulfilment of their original contract, they were free to discontinue production and Government had again to resort to imports. The representative of the Ministry explained that they had tried their level best to persuade these two firms to continue to manufacture these rollers. One of the firms, Messrs Jessop & Co., had agreed and the Commerce and Industry Ministry had issued licence to that firm for the manufacture of diesel rollers. They could not persuade the other firm namely, TELCO, to continue production of steam rollers. The Committee observed that when Government entered into a contract with these two firms for the purpose of establishing the roller industry in the country and had paid their actual cost of production, which was higher than the landed cost of imported rollers, they should have seen that production continued and the country did not have to resort to import again. The representative of the Ministry informed the Committee that these contracts were entered into by the Commerce and Industry Ministry. The Committee, therefore, decided that they would take up this question further with the representatives of the Commerce and Industry Ministry.

In regard to the point whether the difference between the actual cost of these rollers and the provisional price as originally fixed had since been recovered from the indentors, the Committee were told that the matter was being handled by the Ministry of Works, Housing and Supply. It was, therefore, decided to call for a note* explaining the present position of the recoveries.

235. *Audit Report (Civil) 1954—Part I—Para 11(a)—Uneconomical purchase of a second hand tractor.*—The North East Frontier Agency purchased a second-hand tractor for Rs. 6,388 in December, 1948. The machine was defective with several unserviceable parts and a sum of Rs. 4,000 was spent for the replacement and entertainment of a mechanic and daily labour to fit it up; but the tractor could not be brought into working order. It was ultimately sold by auction in August, 1953 for Rs. 1,500 resulting in a net loss to Government of Rs. 8,888. At the instance of the Committee, the representative of the External Affairs Ministry (NEFA is under that Ministry) explained the circumstances in which this second-hand tractor came to be purchased. This tractor was purchased from a local firm. The advice of the Mechanical Engineer of the Assam P.W.D. was sought before the machine was purchased. He reported after trials and actually operating the tractor on earth cutting that it was "as a whole satisfactory" and that the price of Rs. 6,388 demanded was reasonable.

In regard to the point as to why even after carrying out repairs at a cost of Rs. 4,000 the machine could not be brought into working order, the representative of the Ministry explained that it would not be correct to say that the machine was never used at all and

* Appendix XXXI.

that in fact it did operate from October, 1948 to March, 1950. Asked whether there were any records e.g. log books etc. in support of the statement, it was explained that the statement was based on the verbal reports of officers in charge of it. The Committee were also informed that the facts of the case had been reported to the Assam Government for taking necessary action against the Mechanical Engineer on whose advice this second-hand tractor was purchased. The Committee also desired to know whether the advice that repairs to the extent of Rs. 4,000 should be carried out on the second-hand tractor was tendered to Government by the same Mechanical Engineer on whose advice the tractor had originally been purchased. The representative of the Ministry said that subject to verification the officer was the same. The Committee desired to be furnished with a note explaining (i) the period during which the tractor actually did work and the expenses incurred by Government on the operation; (ii) whether the Mechanical Engineer who advised repairs to the extent of Rs. 4,000 was the same officer who originally certified to the serviceability of the tractor; (iii) who purchased the tractor for Rs. 1,500 when it was eventually auctioned in 1953 and (iv) what was the action taken by the Assam Government against the Mechanical Engineer concerned. The representative of the Ministry agreed to furnish the Committee a note* on these points.

236. *Audit Report (Civil), 1954—Part I—Para 11(b)—Infructuous expenditure.*—An expenditure of Rs. 37,801 had been incurred on the construction of a suspension bridge in the North East Frontier Agency over a river in a hill district. The bridge was subsequently washed away by the river. The reports of the officers on the incident indicated that the site was unsuitable for the purpose and the selection of the site had not been approved by the Superintending Engineer before the commencement of work. The Committee desired to know why the construction of the bridge was undertaken when the site had not been approved by competent experts and whether any action had been taken against the officer responsible for incurring the expenditure. The representative of the Ministry explained that the work of constructing a bridge across the river had to be undertaken at some risk, as it was an emergency measure. They were also informed that in these outlying areas, Government could get no experts and that they had to rely on the judgment of local subordinates and of the local people who had knowledge of the terrain.

In regard to the point why the opinion of the Superintending Engineer was not taken before the site was finally selected, the Committee were told that it was not always possible in these out of the way places to have very senior officers to inspect the site. In this particular case, the local Executive Engineer who had travelled several miles along the bank of the river had selected this as being the best site. The Committee enquired whether the Executive Engineer had not exceeded his power in selecting the site finally without the approval of the Superintending Engineer. The Superintending Engineer in the inspection note had stated that the site was quite unsatisfactory for anchoring a tower for a big bridge as there were

*Appendix XXXII.

steep hills immediately on the left bank of the river. The Executive Engineer on the other hand, is reported to have stated that the work was executed rather carelessly and there was nothing wrong with the site. In view of the conflicting opinions given by the Executive Engineer and the Superintending Engineer, the Committee desired to know whether the whole transaction was *bona fide* or whether it was not done in a haphazard way without due precautions being taken. The representative of the Ministry agreed to carry out the necessary enquiry and to submit a note* to the Committee in due course.

237. The Committee then adjourned to meet on the 2nd November, 1955 at 10 A.M.

Proceedings of the Eleventh Sitting of the Public Accounts Committee held on Wednesday, the 2nd November, 1955.

238. The Committee sat from 10 A.M. to 12-45 P.M.

PRESENT

Shrimati Ammu Swaminadhan—*Chairman*

MEMBERS

2. Shri Kamal Kumar Basu
3. Shri S. V. Ramaswamy
4. Shri K. G. Deshmukh
5. Shri Balwant Sinha Mehta
6. Shri C. D. Pande
7. Shri Y. Gadilingana Gowd
8. Shri V. Boovaraghasamy
9. Shrimati Violet Alva
10. Shri Ram Prasad Tamta
11. Shri P. S. Rajagopal Naidu
12. Shri Mohammad Valiulla
13. Shri V. K. Dhage
14. Shri B. C. Ghose.

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

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor General of India.*

Shri S. Venkataramanan, *Accountant General Central Revenues.*

Shri V. R. Mahadevan, *Chief Audit Officer, Food, Rehabilitation and Supply.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

Ministry of Production:

1. Shri S. S. Khera, I.C.S., Secretary.
2. Shri S. Jagannathan, I.C.S. Joint Secretary.
3. Shri M. K. Mathulla, Joint Secretary.

Ministry of Finance (I & C Division):

1. Shri V. Narayanan, Joint Secretary.

Ministry of Works, Housing and Supply:

1. Shri S. Ranganathan, I.C.S., Joint Secretary.

MINISTRY OF WORKS, HOUSING AND SUPPLY

239. *Appropriation Accounts (Civil), 1951-52 and Audit Report (Civil)—1953—Page 688 Grant No. 98—Sub-head 1(9) (1)—Government Housing Factory.*—The Committee desired to know why the excess of Rs. 3,11,322 under this head was not provided for. The representative of the Ministry of Works, Housing and Supply (this Ministry are now concerned with Government Housing Factory) explained that the sum represented the payment of customs duty which was not anticipated. He agreed that this should have been anticipated and that it was a case of bad budgeting.

The Committee desired to know the latest position* regarding the Government Housing Factory. The Committee were informed that Government had terminated the agreement with the private firm who were running the Factory previously, and that it was anticipated that there would be a total loss of about Rs. 13 lakhs, Government having to bear Rs. 5 lakhs and the rest being borne by the private firm. In reply to a query as to the basis on which Government decided to allocate the total loss of Rs. 13 lakhs, the Ministry's representative informed the Committee that profits, if any, were supposed to be divisible in the ratio of 60:40 and that in the case of loss also, it was felt that it should be borne in the same proportion. Since the Government and the company had equal share in the Factory, a view was expressed that even if Government went into arbitration, they might have to bear upto 50 per cent of the loss. The Company were, however, prepared to accept the 60:40 basis and had also accepted the condition that Government in any case would not bear more than Rs. 5 lakhs whatever may be the eventual loss. The Committee were further informed that Government were now running the factory more or less on the same terms as before; Government had appointed a Committee of technical experts to go into the whole question and advise them as to whether the factory should continue and if so on what lines the production should continue, and whether it should be run as a Government departmental institution or whether it should continue in the present form as a company.

In regard to another question of the Committee whether rent had been recovered from the Company on capital assets taken over by them, the representative of the Ministry explained that no rent had actually been paid so far, but in the annual statements of accounts, this was being taken into account as due from the factory to the Government. The Committee decided that further consideration of this matter should be deferred till the Expert Committee had submitted its report and the final settlement with the private firm had been arrived at and reported on by the Comptroller and Auditor General.

MINISTRY OF PRODUCTION

240. *Appropriation Accounts (Civil), 1951-52 and Audit Report 1953—Page 179—Note 9—Coal Production Fund.*—The levy of Coal

Production Fund cess was discontinued from the 1st May, 1947 and the Fund was being operated upon only to bring the arrears of recoveries to meet expenditure on account of payment made therefrom. The expenditure related to the improvement of production, marketing and distribution. The Committee desired to know why a major portion of the balance in this Fund could not be transferred to the Consolidated Fund and expenditure, if any, provided for in the ordinary estimates. The representative of the Ministry of Production agreed to the suggestion of the Comptroller and Auditor General to close the account and transfer all the assets and liabilities to Government. The Committee were told that at present no expenditure was being incurred from this Fund and that the accounts were kept open for credit of certain recoveries yet to be made.

In regard to the amount of anticipated credits, the Committee were informed that it will be about Rs. 50,000 representing credits due from Pakistan. Subsequently, they were, however, told that this was not quite correct and that the amount would be about Rs. 4 lakhs, of which 3½ lakhs represented the amount due from the ex-B. B. & C. I. Railway, who failed to collect the cess due from certain mills in Madhya Bharat, and that the Railway had filed a suit against the Madhya Bharat Mill Owners' Association for recovering these dues. As the representative of the Ministry could not furnish complete information, the Committee decided to call for a detailed note* on the following points from the Ministry of Production:—

- (i) Total amount of cess outstanding;
- (ii) Amount due from the Railways;
- (iii) Amount due from the Government of Pakistan, and
- (iv) Amount due from private parties.

The Committee also desired to know whether the officer who was responsible for delivering the goods without collecting the cess had submitted an explanation and if so, what action has been taken. The representative of the Ministry agreed to furnish the required information.

241. *Appropriation Accounts (Civil) 1951-52—Page 623—Audit comments on stock account of the National Instruments Factory.—* The Committee desired to have an explanation from the representative of the Ministry on the following points made by Audit:—

- (i) whether surplus stock had been segregated for disposal.
- (ii) when was the factory expected to be reorganised.
- (iii) whether any limit exists for the reserve stock.
- (iv) closing balance of raw material exceeded two years' consumption while purchases during the year were 25% more than the year's consumption.

At the request of one of the Members, the representative of the Ministry gave a brief history of this factory. It was an old Mathematical Instrument Factory. It was situated in the heart of Calcutta

*Appendix XXIII.

and the present reorganisation scheme was to move it to a place called "Jadhavpur" on the outskirts of Calcutta which was the new industrial area. The buildings had been made ready and the factory was in the process of being established there at the new premises on a large scale. Whereas previously the factory met indents from Government departments, the idea was now to manufacture instruments for the market and that the factory was to be run on a commercial basis.

The Committee were informed that stocks worth about Rs. 8,000 had already been reported as surplus and much of them had been disposed of. They also learnt that the suggestion to fix a maximum stock limit was under examination. The factory had not been making profit and the Government had appointed an Expert Committee to look into this matter with a view to reorganise the working. The reorganisation process was going on and would be over before the end of 1956. The object of this reorganisation was to increase the rate of production, and to make the factory self-supporting.

The Auditor General informed the Committee that in addition to this factory, there were two other factories, one run by the Defence Ministry and the other by the Uttar Pradesh Government. The Committee desired to know what steps Government had been taking to co-ordinate the production of these three factories, so that Government might be independent of imports and at the same time avoid competition between the three Government established factories. The Committee were assured that there was co-ordination particularly between the two factories under the Central Government. They had quarterly meetings where co-ordination programmes were discussed.

The discussion then turned to the maintenance of accounts of the factory. The Auditor General said he would consider any suggestion for improvements.

242. *Appropriation Accounts (Civil), 1951-52—Page 688—Grant No. 98—Sub-head 1.7. Reorganisation of Mathematical Instrument Office.*—The Committee desired to know how a saving of Rs. 6,80,972 occurred under this head and the reasons for not surrendering the same. It was explained to the Committee that the saving was due partly to non-receipt of machinery ordered and partly to delay in receipt of debits from the Supplying Department for the equipment already received. The State Government from whom the land for the factory was purchased did not raise the debit for the cost of the site during the year. The reason for the non-surrender of the saving was attributed to the fact that while surrender had to be made by the 31st March of the financial year, debits could be raised and adjusted in that year's accounts upto May or June in the following year and so in anticipation of debit, the amount could not be surrendered.

The Auditor General explained that these savings and excesses occurred because of the inevitable delay that the present exchange accounts machinery entailed and added that with the separation of audit from accounts and the introduction of exchequer control, the

mechanics of exchange accounts would be done away with and such savings and excesses would not occur.

243. *Appropriation Accounts (Civil), 1951-52—Page 692—Note 10—Nahan Foundry.*—Since the Foundry had now passed on to the control of the Iron & Steel Ministry*, it was decided to take up consideration of the matter relating to the Foundry with that Ministry at a later meeting.

244. *Appropriation Accounts (Civil) 1951-52—page 692—Note 11—Scheme for the manufacture of synthetic oil in India.*—The Committee wanted to know whether the scheme had since been revived or whether the expenditure of Rs. 3,39,246 had gone waste. The Committee were told that it had been decided to go ahead with this scheme, and that the question of priority to be given to this scheme was under discussion with the Planning Commission. It was also explained that the expenditure incurred related to the preparation of detailed estimates and that this expenditure could not be regarded as infructuous.

245. *Appropriation Accounts (Civil), 1951-52—Page 692—Note 12—Heavy Electrical Equipment Factory.*—The Committee desired to know whether the scheme had been finalised and put into operation. The Committee were informed that the scheme was in the final stage of negotiation and Govt. hoped that an agreement would be concluded shortly. The firm had been selected and the details of the agreement were being negotiated. The factory was expected to go into production within five to seven years. It might take anything upto 12 years to reach full production, although the Ministry were trying to explore means of accelerating it.

In order that the agreement reached should not be lopsided, the Committee desired that the Ministry of Law should be associated in the discussion. The Committee were assured that the Ministry of Law were being closely associated at every stage. The project was estimated to cost Rs. 20 crores in the first five years.

246. *Appropriation Accounts. (Civil) 1951-52—Page 692—Note 13—Hindustan Machine Tool Factory, Bangalore.*—In reply to a question, the Committee were informed that the factory had gone into production.

The Committee then wanted to know how many Indians had been trained by the firm's consultants as required by the contract. They were told that though exact figures were not available, a good number was being trained and the policy of Government was to replace the foreigners as soon as possible.

One of the members raised the question whether the Ministry had considered the Memorandum submitted by Kriloskar on this under taking and found adequate replies to the various points raised therein. The representative of the Ministry said that the usual charge from that quarter had been either that the undertaking to private manufacturers of lathes had not been kept up or that there were far too many lathes produced in this factory. These

*The Foundry has subsequently been passed on to the control of the C & I Ministry.

charges. the representative observed were completely unfounded. Government had given ample material in this connection to the Estimates Committee and can give similar material to the Public Accounts Committee also. The Committee were told that recently the Commerce and Industry Ministry had taken a census of demand. Though no final conclusions had yet been arrived at, it had emerged that there was enough and ample room for the private sector in this field and in fact the Commerce and Industry Ministry were of the view that further development of capacity for machine tools in the country would be needed.

In regard to the other charge that excess of lathes had been manufactured by the Hindustan Machine Tools Factory, it was explained that according to the information available with this Ministry (this information was being checked up) Government were in fact purchasing most of the lathes manufactured by private manufacturers and if that was so, there was no ground for the complaint that Government had entered the market and captured it.

At the request of the Committee, the representative of the Ministry agreed to send a detailed note* explaining the causes for the delay in starting this factory.

247. The Committee then adjourned to meet again at 10 A.M. on the 3rd November, 1955.

* Appendix XXIV.

Proceedings of the Twelfth Sitting of the Public Accounts Committee held on Thursday, the 3rd November, 1955.

248. The Committee sat from 10 A.M. to 12 Noon.

PRESENT

Shrimati Ammu Swaminadhan—*Chairman*

MEMBERS

2. Shri Kamal Kumar Basu.
3. Shri Ramananda Das.
4. Shri S. V. Ramaswamy.
5. Shri K. G. Deshmukh.
6. Shri C. D. Pande.
7. Shri Diwan Chand Sharma.
8. Shri Y. Gadilingana Gowd.
9. Shri V. Boovaraghasamy.
10. Dr. Indubhai B. Amin.
11. Shrimati Violet Alva.
12. Shri Ram Prasad Tamta.
13. Shri P. S. Rajagopal Naidu.
14. Shri Mohammad Valiulla.
15. Shri V. K. Dhage.

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

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor General of India.*

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

Shri V. R. Mahadevan, *Chief Audit Officer, Food, Rehabilitation and Supply.*

Shri P. N. Bhandari, *Director of Commercial Audit.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

MINISTRY OF FINANCE

(Department of Economic Affairs)

1. Shri H. M. Patel, *I.C.S., Secretary.*
2. Shri C. V. Narasimhan, *I.C.S., Joint Secretary.*

3. Shri H. S. Negi, *Joint Secretary*.
(*Department of Revenue and Expenditure*)
4. Shri P. C. Bhattacharya, *Secretary*.
5. Shri K. V. Venkatachalam, *Joint Secretary*.
(*Revenue Division*)
6. Shri A. K. Roy, *Additional Secretary and ex-Officio Chairman, Central Board of Revenue*.

MINISTRY OF FINANCE (REVENUE DIVISION)

249. *Audit Report, 1953—Para 38—Income-tax cases.*—Upto the end of 1951-52 the progressive total of income tax demand raised as a result of the investigations made by the Income-tax Investigation Commission was Rs. 18.44 crores and collections there against were Rs. 4,71,54,536. The Committee desired to know the present position of recoveries against the balance of about Rs. 14 crores.

The representative of the Central Board of Revenue explained that there were two types of cases. Section 5(1) of the Income Tax Investigation Commission Act provided for cases referred to the Commission by Government themselves while Section 5(4) covered those cases which as a result of the investigation of cases referred to by Government, the Commission itself decided to ask for reference. In May, 1954 the Supreme Court declared that Section 5(4) was invalid from the date of Commencement of the Constitution. Again in October, 1954 the Supreme Court declared that all pending cases under Section 5(1) were invalid with effect from the 17th July 1954. The result, therefore, was that the original figures of cases disposed of and demand made had completely altered. The Central Board of Revenue had now to re-do all the cases which had already been done by the Commission under Section 5(4). They have also taken over all cases pending under Section 5 (1) which the Commission had left unfinished.

As regards the validity of Section 5 (1) *ab initio*, the Committee were informed that the matter was at the moment being contested in the Supreme Court.

The position in regard to these cases which were now being dealt with departmentally was that of the 830 which the Central Board of Revenue took over and started work on them in November 1954, 126 cases involving a concealed income of Rs. 5.32 crores had been disposed of so far. This resulted in a demand of Rs. 3.31 crores against which Rs. 1.5 crores had already been recovered.

The Committee were informed that unless the Central Board of Revenue had to take over also the cases which the Commission had finished under Section 5 (1) of the Act, the balance of cases with them would in all probability be completed by the end of March, 1957.

250. *Appropriation Accounts (Civil), 1951-52—Page 144—Note 6—Non-recovery of customs duties.*—A consignment of 1,000 baskets of Chinese Brick tea imported for transmission to a neighbouring

country on private account was passed free under special sanction of Government in 1947 on the wrong information that it was intended for the Government of that country. The error was subsequently discovered and a demand for Rs. 27,493 as duty was issued in time, but it was ultimately withdrawn at the suggestion of the Political Officer.

The Committee desired to know the special reasons why Government withdrew the demand notice for the payment of customs duties. The Committee were informed that the reason for withdrawing the demand notice was purely political and was done in 1947 before Independence.

251. *Appropriation Accounts (Civil) 1951-52—Page 152—Note 2—Unnecessary supplementary grant.*—A supplementary grant of Rs. 11,55,000 taken by Government under grant No. 24—Taxes on Incomes (including Corporation Tax) proved unnecessary. The Committee desired to know how it was that the entire supplementary grant proved unnecessary and observed that this was not the solitary instance.

The representative of the Central Board of Revenue explained that the period under review related to the integration and the post-integration period when things were quite uncertain and funds could not be provided with any degree of accuracy.

252. *Audit Report (Civil) 1953—para 39—Infringement of Central Excise Laws.*—Out of the cases of infringement of Central Excise Laws dealt with departmentally, 7,176 cases were compounded, in 57,928 cases, offenders were held guilty and 4,374 cases resulted in acquittal. The Committee desired to know why a large number of cases resulted in acquittal.

The representative of the Central Board of Revenue observed that only 5.0 of the cases dealt with departmentally resulted in acquittal and this could not be regarded as a very high percentage. Explaining further, he added that these cases were first reported by various Inspectors and other Subordinate officers but further investigations made disclosed that the allegations were not correct.

One of the members of the Committee observed that Excise revenue on tobacco was being levied on an *ad hoc* basis and that this was causing a lot of hardship and grievance to the people. The representative of the Ministry said that this was a difficult administrative problem and that they would try their best to perfect the administration.

253. *Audit Report 1953—para 30—Account with High Commission for Pakistan.*—There was a large balance outstanding under 'Deposits and Advances' in respect of pensions, leave salary, sterling overseas pay and scholarship allowances paid by India on behalf of Pakistan. At the end of September, 1954, the net sum due from Pakistan (after setting off the claim by Pakistan on India) amounted to £1,025,410. Taking into account an advance of 300,000 received from Pakistan in 1950-51 the net sum due was 725,410. The Committee desired to know what steps Government proposed to take to realise the arrears from Pakistan.

The representative of the Ministry of Finance explained that no final decision had yet been taken and that the matter was being discussed at various levels with the Pakistan authorities, but they were not, however, making much headway. The Comptroller and Auditor General made a suggestion that since the amounts due from Pakistan were increasing all the time, there should be a system of deposit account. The representative of the Ministry of Finance pointed out that these arrears would not in future be increasing as the liability to pay pension in respect of British officers had been transferred to the United Kingdom with effect from the 1st April 1955. The Committee were also informed that in arriving at the capitalised value only the Indian portion of the pensionary liability was taken into account and that the Pakistan portion which the Government of India were paying and which they had to recover had not been assumed by them in this recent agreement.

In reply to a query of the Auditor General whether the Reserve Bank had discharged its liability to the Pakistan Government fully, the representative of the Ministry replied in the negative.

254. *Audit Report (Civil) 1954—Part I—para 5(a)—Irregular resumption of a pension.*—The payment of a pension of Rs. 1,200 per annum sanctioned in 1938 to a British Service Officer, which had remained undrawn in India for more than 6 years from 1941 was resumed by the High Commission in the U. K. in 1948, at the instance of the Ministry without any authority from the Audit Officer in India. Later at the instance of Audit the Indian High Commissioner had actually discontinued the payment of pension and a claim was made against the Pakistan Government for reimbursement. The Pakistan High Commissioner in London not only refused to accept the liability for past payment, but also declined to make any further payment. Then the Government of India felt that even though the liability was that of Pakistan, it would be a hardship to the officer if he did not receive his pension and, therefore, from 1st October, 1952 they again resumed the payment of pension to this officer.

The Committee wanted to know whether the Government of Pakistan had accepted the liability for this pension and why the payment of pension was resumed without any authority from the Audit Officer while it had remained undrawn for over 6 years.

The representative of the Ministry, explaining the circumstances, observed that the officer concerned was in receipt of an injury pension from the Lahore Treasury and he had not been drawing it for various reasons from 1941. In May, 1947 he approached the High Commissioner for India for resumption of the payment of his pension, and the External Affairs Ministry authorised the High Commissioner to make payment in September, 1947. It was subsequently treated as a case of resumption of payment and the matter was taken up with Pakistan; but Pakistan refused to accept the liability. The Pakistan Government contended that the pension was not in payment at the time of partition and that resumption by India outside Pakistan made it the liability of India. The Government of India took the view that this officer should not suffer because there was some dispute in law and so they resumed the payment of pension.

The Committee then raised a point whether he was still being paid pension by India. The Committee were informed that this officer was paid pension till March, 1955 and that with effect from the 1st April, 1955 the payment of this pension was extinguished by the transfer of liability for such pensions to U. K. from that date. The Committee, however, felt that the payment should not have been resumed simply because the officer would be put to hardship, and that if the officer had any grievance, it would be against the Pakistan Government. The Auditor General then raised the point whether in calculating the capitalised value of pensions this particular case had been excluded from that of the liability of India. The representative of the Ministry said that he could not say off hand and that he would check up this point. The Auditor General said that he would also direct his Auditor in London to look into this question.

255. *Audit Report 1953—para 31—Cases of Defalcation, losses etc.*—The Committee desired to know the progress of action taken on the cases of defalcation, losses etc. reported by Audit. The representative of the Ministry of Finance promised to send a note to the Committee stating the present position in regard to these outstanding cases.

256. *Audit Report (Civil) 1954—Part I—para 5(b)—Grant of excessive emoluments to an officer on deputation.*—For an officer of the Union Government who had been placed on deputation under the Colombo Plan arrangements for a period of about four months, the following terms had been sanctioned:—

- | | |
|--|-------------|
| (a) Pay. | Rs. 4,000 |
| (b) Foreign allowance | 453/12 p.m. |
| (c) Sumptuary allowance | 200 p.m. |
| (d) Free motor car | |
| (e) Boarding and lodging at a first class hotel for himself and his family at a cost estimated to be Rs. 110 per day; and | |
| (f) A special allowance to secure for him the same position as would ensue from the exclusion of the entire amount of salary and perquisites that will be drawn by him during his deputation from his total income for purposes of assessment to income tax. | |

(Items (d) (e) above would be borne by the borrowing country)

Government had issued a revised sanction on the 27th May 1955, with the concurrence of the Ministry of Home Affairs, withdrawing the concession referred at clause (f). Under the revised sanction, the officer got about Rs. 8,100 p.m. as shown below

Pay	Rs. 4,000	
Foreign allowance	450	
Sumptuary allowance	200	
Board and Lodging	3,300	at the rate of Rs. 110/- per day.
Motor car	150	
	<hr style="width: 100px; margin: 0 auto;"/>	
	Rs. 8,100	
	<hr style="width: 100px; margin: 0 auto;"/>	

The Committee wanted to know the reasons for the grant of foreign allowance when the officer was allowed free board and lodging, motor car and sumptuary allowance. The representative of the Ministry of Finance explained that the principle on which the Ministry of Home Affairs and the Finance Ministry proceeded was that the officer who was sent on a special duty should not suffer in his emoluments on his leaving the post that he was then occupying. The various items of emoluments referred to were worked out on that basis, namely, that he would not be worse off as a result of going abroad. The Committee were also told that he was not bound to go (he could not also be compelled to go) but he was asked to go as his services would be valuable for the Government to which he was being deputed. In regard to the point whether there was any justification for the grant of foreign allowance, the representative of the Ministry said that whether the allowance can be rightly termed as foreign allowance or not, the fair basis for judging the amount and terms actually sanctioned should be whether by the new terms that were being given to him, the officer really was financially a gainer or not, and that Government had endeavoured to follow the principle of ensuring that the officer did not lose financially. The Committee after some discussion decided that the Ministry of Finance should furnish a statement* showing the number of officers who had been deputed under the Colombo Plan to foreign countries ever since it had been initiated, the pay and allowances drawn by them and how the emoluments paid to those officers compared with the emoluments paid to this particular officer. The Committee also wanted information about the officers who had been deputed by foreign countries to our country under the Colombo Plan and the emoluments paid to them in our country.

257. Audit Report (Civil), 1954—Part I—Para 16—Reappropriation of Funds to meet expenditure on new service. A sum of Rs. 30 lakhs was reappropriated during 1952-53 out of the savings available within the grant to meet expenditure on the purchase of Canadian chassis for the Bombay transport scheme. This was not contemplated in the Demands for Grants voted by Parliament. The representative of the Ministry of Finance explained that the expenditure was not one of 'new service' as it formed part of the Colombo Plan which had been generally brought to the notice of Parliament. The Comptroller and Auditor General was of the view that the Colombo Plan was placed before the Parliament in too general a way and should not be taken to cover the specific items of expenditure requiring the approval of Parliament under the Constitution and as such the purchase of chassis was an item of 'new service' not provided for in the Budget and there was a technical omission in not obtaining the supplementary vote as required under Article 115 (1) (a) of the Constitution.

The representative of the Ministry of Finance explained that during the period 1952-54, the Government of India under the Colombo Plan received some vehicles valued at approximately two crores of rupees from a foreign Government. As it was not expected that any vehicle would have been delivered in 1952-53, no budget provision had been made therefor. However, Rs. 30 lakhs worth of

*Appendix LI

vehicles were actually received in 1952-53, which made it necessary for the Finance Ministry to examine the question of a supplementary grant to cover this amount. The view they took was that this was really not a 'new service' as the vehicles were received under the Colombo Plan which was a continuing scheme of foreign aid and which had already been brought to the notice of Parliament. As savings were available in the Grant to meet the cost of these vehicles funds were provided by reappropriation. The Accountant General concerned, however, took the view that a supplementary grant should have been obtained as this was a 'new service.' The **Comptroller and Auditor General intervening said that after the receipt of the Ministry's explanation he decided to close the case, but thought that he would just mention it in the Audit Report. The representative of the Ministry of Finance, however, said that on this a ruling perhaps would help them, since the term 'new service' had not been defined and its application had been left to be governed by the evolution of a body of case law. The Comptroller and Auditor General said that he had treated the case as closed and if the Finance Ministry want to have the general question discussed in the context of this particular case, he would place his views before the Public Accounts Committee together with the views of the Ministry of Finance. It was agreed that the matter would be further discussed between the Comptroller and Auditor General and the Ministry of Finance and a joint note submitted by the latter to the Public Accounts Committee for consideration at a future meeting.**

258. It was decided that the Ministry of Finance should be asked to submit a note on the following:—

(a) Appropriation Accounts (Civil) 1951-52—page 203—Note 4 under grant No. 33. This case related to an unauthorised payment of pension sanctioned by the Deputy Commissioner of a Part C State. The payment of pension was stopped and orders were issued for the recovery of a sum of Rs. 1,170 already paid. The retired employee had filed a civil suit against the stoppage of his pension and Government had stated that the question of recovery of the amount already paid would be taken up after the suit is decided. The Committee wanted to know the present position of the case.

(b) The reasons for not surrendering the following savings:—

* (i) Appropriation Accounts (Civil) 1951-52—page 138—Grant No. 21 sub-head E.5 Rs. 5,12,621.

(ii) Appropriation Accounts (Civil) 1951-52—page 251—Grant No. 21 sub-head E.5 Rs. 5,12,621.

* (iii) Appropriation Accounts (Civil) 1951-52—page 267—Grant No. 39, sub-head A.1 Rs. 18,16,185.

The Committee then adjourned *sine die*.

**Proceedings of the Thirteenth Sitting of the Public Accounts
Committee held on Thursday, the 15th December, 1955.**

259. The Committee sat from 10 A.M. to 11-15 A.M.

PRESENT

Shri V. B. Gandhi—*Chairman.*

MEMBERS

2. Shri S. V. Ramaswamy
3. Shri Balwant Sinha Mehta
4. Shri Diwan Chand Sharma
5. Dr. Indubhai Amin
6. Diwan Chaman Lall
7. Shri Ram Prasad Tamta
8. Shri P. S. Rajagopal Naidu
9. Shri Mohammad Vaffulla
10. Shri V. K. Dhage
11. Shri B. C. Ghose.

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

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor General of India.*

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

Shri P. C. Padhi, *Additional Deputy Comptroller and Delhi.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

Shri S. Bhoothalingam, *I.C.S., Secretary, Ministry of Iron and Steel.*

Shri U. L. Goswami, *I.C.S., Chairman, Nahan Foundry.*

Shri Gandherv Sain, *General Manager, Nahan Foundry.*

Shri P. K. Chakravarti, *Deputy Secretary, Ministry of Iron and Steel.*

Shri Ram Chand, *Acting General Manager, Nahan Foundry.*

Shri V. Narayanan, *Joint Secretary, Ministry of Finance.*

260. At the suggestion of the Chairman, the C. & A.G. gave an account of the background against which the Nahan Foundry was acquired by Government.

The Committee felt that the fear that the Ruler might dispose of the property to a third party could have been set at rest, if before Government's share were sold to the Ruler it was made clear that he would not have the right to sell it to a third party and remove the foundry from Nahau. In regard to the plea that the foundry was taken over by Government as it was earning profit, the Committee observed that since Government took it over, it was running at a loss.

The next point the Committee made was that sufficient attention was not paid by the Government of the day, when they decided to acquire the foundry, either to the uneconomic location of the foundry which had to rely for its supply of raw materials from Bengal—Bihar Coalfields or to its falling profit earning potential after partition when a bulk of its customers had gone over to Pakistan. Also the machinery itself was over 75 years old. The representative of the Ministry stated that these factors must have been taken into account and pointed out that even after partition the foundry was earning profits.

One Member then raised a point whether Government were satisfied before they entered into agreement with the Ruler in 1948 that the latter really had a half share in the capital of the foundry and that it was not purchased originally from State funds. The C. & A.G. explained that this point was considered in connection with the settlement made with the Ruler and rightly or wrongly, the Government of India did consider that the Ruler had title to 50 per cent.

In reply to a question whether it would not be better to scrap it at any price and sell it rather than continue to keep it running and incur further losses, it was urged that it would not be wise to close down a production unit; a better alternative would be to explore new lines of production which the foundry could take up. The Committee also observed that at present there was an imbalance between the number of office workers and the number of manual labourers (101 officers as against 303 manual workers) which should be rectified.

The next point raised was about the infructuous expenditure incurred on Sarovar Pumps. The representative of the Ministry explained that the expense incurred took into account the value of raw materials used in the production of these pumps. He added that these raw materials could be used again and in fact had been utilised in the manufacture of other items. Even in regard to the labour employed, he urged that only labour that was lying idle was used. It could not, therefore, be said that all the expenditure was infructuous.

261. The meeting then adjourned till 10 A.M. on Sunday, the 18th December, 1955.

**Proceedings of the Fourteenth Sitting of the Public Accounts
Committee held on Sunday, the 18th December, 1955.**

262. The Committee sat from 10 A.M. to 1-15 P.M.

PRESENT

Shri V. B. Gandhi—*Chairman.*

MEMBERS

2. Shri S. V. Ramaswamy
3. Shri Diwan Chand Sharma
4. Shri Y. Gadilingana Gowd
5. Shri V. Boovaraghasamy
6. Shrimati Violet Alva
7. Diwan Chaman Lall
8. Shri Ram Prasad Tamta
9. Shri P. S. Rajagopal Naidu
10. Shri Mohammad Valiulla
11. Shri B. C. Ghose.

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

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor General of India.*

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

Shri P. N. Bhandari, *Director of Commercial Audit, New Delhi.*

Shri V. R. Mahadevan, *Chief Audit Officer, Food, Rehabilitation and Supply.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

Present during the examination of the Appropriation Accounts relating to the Ministry of Transport—D.R.T.A.

Ministry of Transport:

Shri N. M. Ayyar, *I.C.S., Secretary.*

Shri A. D. Pandit, *I.C.S., Chairman, D.R.T.A.*

Shri B. K. Lall, *General Manager, D.T.S.*

Shri S. V. Iyer, *Chief Cost Accounts Officer, Ministry of Finance.*

Ministry of Finance (Communications Division):

Shri R. G. Abbhi, *Deputy Secretary.*

Present during the examination of the Appropriation Accounts (Civil), 1951-52 and Audit Report, 1953 relating to the Ministry of Commerce and Industry—Road Rollers Bulk Procurement Scheme—

Ministry of Commerce and Industry:

Shri H. V. R. Iengar, *I.C.S., Secretary.*

Ministry of W. H. & S.:

Shri M. R. Sachdev, *I.C.S., Secretary.*

Shri V. N. Rajan, *I.C.S., Director General, Supplies and Disposals.*

Ministry of Finance (I. & C. Division):

Shri V. Narayanan, *Joint Secretary.*

Ministry of Transport:

Shri N. M. Ayyar, *I.C.S., Secretary.*

Shri M. P. Mathrani, *I.S.E., Consulting Engineer, Road Development, and Joint Secretary.*

MINISTRY OF TRANSPORT**Delhi Road Transport Authority**

263. *Agreement dated the 23rd April, 1948 between the Government of India and the G.N.I.T. Co., Ltd. relating to the taking over by Government of the road transport business operated by that Company in Delhi.*—In terms of clauses 5 and 11 of the Agreement the vehicles transferred by the G.N.I.T. Co. to the Government of India were valued on the basis of the cost of replacing a vehicle by a new one of a similar type on the date of transfer reduced by an amount equivalent to the depreciation for each completed year or years elapsing between the date of registration of the vehicle and the date of transfer. Thus in terms of these provisions, no depreciations was taken into account for the period which happened to fall short of a complete year. Financially, the amount thus not taken into account worked upto more than Rs. 2 lakhs.

At the outset, the Committee wanted to know the basis for entering into such an agreement, the terms of which were more advantageous to the Company. The Secretary, Ministry of Transport stated that the basis of valuation adopted by Government while taking over the G.N.I.T. Co. was in accordance with the terms offered by Government in 1946 while eliminating private monopolies. These were contained in the White Paper laid before both the Houses of Legislature in January, 1946. The Committee felt that these terms should have been reviewed in 1948 when the decision to take over the G.N.I.T. Co. was taken, as the position had changed; they pointed out that if the compensation had been paid to the Company on the basis of original cost less depreciation, as was done in the case of nationalisation of Motor Transport by the Madras Government in 1947, the Government of India would have paid much less.

The Committee were informed by the Comptroller and Auditor General that the policy laid down in the White Paper was in respect of participation of State Railways in road motor transport and did not apply to nationalisation of road transport. The principles of valuation should undoubtedly have been different in the two cases. It was pointed out that even under the White Paper, the Government had the discretion to take over only such vehicles as were considered serviceable. In the present case, however, within one year of the nationalisation of the G.N.I.T. Co., 55 vehicles for which compensation of Rs. 2,98,974 was paid had to be disposed of as scrap for Rs. 38,140/-. Thus the Government did not observe all the conditions and safeguards prescribed in the White Paper.

When asked whether it was incumbent upon the Valuers to ignore depreciation and grant the full value for 11 month-old vehicles too, the Secretary, Ministry of Transport stated that it was a negotiated agreement and it was possible that better terms could have been obtained.

The Committee desired to be furnished with a note stating (a) the basis on which the original cost for 180 buses and 20 other vehicles had been estimated by the G.N.I.T. Co. and evaluated at the time of their acquisition by Government; (b) the basis for selling 59 vehicles as scrap; how their sale price was fixed; the mode of sale and to whom they were sold.

When asked why it was not possible for the Central Government to adopt a formula similar to the one followed by the Madras Government in so far as the payment of compensation to the Company was concerned, the Secretary, Ministry of Transport stated that the G.N.I.T. Co. had been assured of a monopoly upto 1953 and that might have had a bearing on the negotiations with them. The Comptroller and Auditor General pointed out that in that case there might have been a case for payment of compensation. Quoting the legal opinion given by the Solicitor-General in this case, the C. & A. G. stated that no compensation was payable for requisitioning of the property by Government. In any case, such consideration should not have been projected into the terms of taking over which were to be strictly in accordance with the principles of business.

In reply to a question, the Secretary, Ministry of Transport stated that the original cost was based on the actual prices ruling in the various years when these vehicles were purchased by the G.N.I.T. Co., but the agreement provided for written-down value to be calculated on the replacement value of these new vehicles which ruled on the 1st April, 1948 or so, the date on which they were taken over. The value of these vehicles in 1948, he further said, was much higher than the original values.

264. *Audit Reports on the Accounts of the D.R.T.A. for the years 1950-51, 1951-52, 1952-53 and 1953-54.*—The Committee then took up consideration of the Audit Reports on the Accounts of the D.R.T.A. for the four years commencing from 1950-51 onwards.

265. *Para 15 of the Audit Report on the Accounts for 1950-51.—Financial irregularities committed by the Stores Officers.*—The General Manager, D.T.S. informed the Committee that after the

irregularities in the matter of purchase of stores and their proper custody, handling and physical verification and excessive consumption etc. had been pointed out by Audit, the Stores Officer concerned resigned and left the service. The then Chairman, D.R.T.A. thought that it would not be advisable to institute an enquiry against him because the purpose had been served and at the same time it might create a lot of difficulties in the organisation. He, however, admitted the fact that the D.T.S. was in a bad state of affairs at that time. In reply to a question he stated that the previous practice of obtaining quotations from local suppliers by deputing a clerk had since been discontinued and the quotations were now being invited by issuing tenders which were opened in the presence of two or three officers. He added that in important cases, they also advertised in the newspapers.

As regards the inspection of stores purchased from the market which was not being carried out previously, the General Manager, D.T.S. informed the Committee that they had since obtained the services of an Assistant Engineer from the D.G.S. & D. who thoroughly inspected the stores as and when they were received.

Reverting to the disciplinary aspect of the action taken against the Stores Officer who was responsible for certain grave irregularities disclosed in the Audit Report, the General Manager, D.T.S. stated that he agreed with the Committee that this Officer could have been suspended and could also have been charge-sheeted. Intervening, the Chairman, D.R.T.A. stated that he felt that the then Chairman, D.R.T.A. thought that the Stores Officer was only responsible for certain irregularities which could not have amounted to criminal misconduct in which a prosecution would have been possible. On the issue being pressed further by the Committee he undertook to examine this case further and to submit to them a note stating the various irregularities committed by the Stores Officer resulting in financial loss to the State; the amount so involved; the reasons for not holding any enquiry into his conduct before he was permitted to resign his appointment. The Committee also wanted to know why it was not considered necessary to hand over the case to the Police for investigation and prosecution. They further asked for a note to be furnished to them in regard to the antecedents of this Officer.

266. *Audit Report on the Accounts for 1950-51—Para 15 read with Para 14 of Appendix A—Unauthorised attempt by the Delhi State Transport Authority to hand over some of the routes operated upon by the D.R.T.A. to private operators.*—In November, 1951 the State Transport Authority made an unauthorised attempt to hand over some of the routes which were then being operated upon by the D.R.T.A. to private operators. An advertisement issued by the State Transport Authority without consulting the Ministry of Transport at any stage, calling for private operators on some of those routes appeared in the 'Hindustan Times' dated the 1st November, 1951. As this action of the State Transport Authority ran counter to the declared policy relating to road transport in the State, the matter was brought to the notice of the Ministry of Transport by Audit and thus the attempt on the part of the State Transport Authority to hand over some of the routes to private parties checked in time.

Explaining the circumstances under which this happened, the Chairman, D.R.T.A. stated that the State Transport Authority was a separate body from the D.R.T.A. The then Chairman of the Delhi State Transport Authority issued the advertisement inviting applications of private operators to run these lines after the Delhi State Transport Authority had passed a Resolution to this effect. These applications came to the D.R.T.A. which was at that time a statutory body. In reply to a question, whether he was aware of the decision of the State Transport Authority he stated that the Chief Commissioner was only an appellate authority on the decision of the State Transport Authority. After some discussion, the Committee desired to be furnished with a note setting forth a complete background of this case with special reference to the following points:

- (i) when the Cabinet form of Government was set up in Delhi State; and
- (ii) why prior intimation regarding the handing over of some of the routes to the private operators was not sent to the Ministry of Transport before sending the advertisement to the Press.

267. *Para 4 of Audit Report, 1952-53—Earnings of the D.R.T.A.*—When asked to explain the present position regarding the earnings of the D.T.S. and the vehicles put on the road, the General Manager stated as below:

Year	Income	No. of vehicles on the road.	Milage run.
1.	2.	3.	4.
1950-51	Rs. 62. 10 lakhs	142	64.45 lakhs
1951-52	Rs. 66. 97 lakhs	163	70.71 lakhs
1952-53	Rs. 78. 04 lakhs	195	75.70 lakhs
1953-54	Rs. 84. 89 lakhs	187	83.98 lakhs
1954-55	Rs. 94. 10 lakhs	200	87.76 lakhs
1955-56	Rs. 113. 68 lakhs	275	104.80 lakhs.

(Estimated up-to-date)

In reply to a question, he stated that at present the D.T.S. had a fleet of 400 vehicles out of which they retained on an average about 25 to 30 vehicles as traffic spares which they were utilizing in the event of any breakdown. On an average, he added, they were running 278 to 288 buses on scheduled services. The Committee desired to be furnished with a statement showing the percentage of reserve vehicles maintained by the Transport authorities in Bombay, Madras and other principal cities in India as compared with those those of the D.T.S.

When asked to state the amount of profit earned by the D.T.S., the General Manager stated as below:

1952-53	Rs. 4.28 lakhs
1953-54	Rs. 3.15 lakhs
1954-55	Rs. 3.17 lakhs
1955-56 (estimated)	Rs. 4.16 lakhs
	(after making provision of Rs. 3.23 lakhs for Income Tax)

In reply to a question, the General Manager informed the Committee that they had obtained the services of one Traffic Specialist from the Bombay State Road Transport Corporation, for four months in order to suggest ways for improving their traffic earnings and the recommendations made by that expert were under consideration. He expressed the hope that as a result of improvement in the traffic position the income of the D.T.S. would now be about Rs. 1/1/4 per mile instead of Rs. -/15/9.

When asked to state the income other than from traffic earnings, the General Manager informed the Committee as below:

1951-52	Rs. 0.66 lakhs
1952-53	Rs. 3.34 lakhs
1953-54	Rs. 4.10 lakhs
1954-55	Rs. 3.79 lakhs
1955-56 (estimated).	Rs. 1.50 lakhs

Explaining the reason for the fall in 1955-56, the General Manager stated that it was due to less provision made on account of advertisement charges recoverable from the Delhi Publicity Corporation as the rate at which they had negotiated with them previously was very much higher than even the B.E.S.T. Bombay or any other such undertaking.

Explaining the reasons for missing trips, the General Manager stated that it was due to two factors, viz., one, the number of vehicles held up in the Workshops and the other was absenteeism of personnel.

With a view, however, to assess the revenue position correctly, the Committee desired to be furnished with a comparative statement showing the figures of earnings per bus spread over the four years commencing from 1950-51 onwards in respect of the entire fleet of D.T.S. buses.

In reply to a question whether he was satisfied completely that the Management of D. T. S. was perfectly all right the Chairman D.R.T.A. stated that he was 'not quite satisfied'. Explaining the measures taken to improve the state of affairs, he stated that they attempted to rationalise the rate and freight structure of the D.T.S. and they were further aiming to cut down some of the un-economic routes. He, however, admitted that there was certainly leakage of revenue due to ticketless travelling by the passengers. But with a view to prevent this, they had recently passed a legislation by which even if a passenger got out of a bus, he could be checked to find whether he had a ticket and he could be handed over to the Police if he had travelled without a ticket.

As regards the setting up of the Central Workshops by the D.T.S., the Committee were informed that the first phase of construction had already been completed and the second phase was expected to be completed by October, 1956.

In reply to a question, it was stated that Rs. 30,000 had been spent during the year 1953-54 on repairs through private agencies. For the year, 1954-55, this figure was stated to be about Rs. 5,000.

The following figures of spare parts used by the D.T.S. from 1950-51 onwards were furnished to the Committee.

<i>Year</i>	<i>Value of spare parts used.</i>
1950-51	Rs. 12.19 lakhs
1951-52	Rs. 13.76 lakhs
1952-53	Rs. 13.87 lakhs
1953-54	Rs. 11.92 lakhs
1954-55	Rs. 14.13 lakhs
1955-56	Rs. 15.97 lakhs.

The rise in the figures in the last two years was stated to be due to the large stock of tyres and tubes purchased by the D.T.S.

The Committee desired that written information on those points arising from the Accounts and Audit Reports under examination which they could not cover for want of time should be furnished by the representatives of the D.R.T.A.

268. *Appropriation Accounts (Civil), 1951-52 and Audit Report 1953 (pp. 764-765).—Road Roller Bulk Procurement Scheme.*—The Committee then proceeded to discuss with the representatives of the Ministries of Commerce and Industry, Works, Housing and Supply and Transport whether the objective of the Government of India for the establishment of a road roller industry in India had been fulfilled, and the number of road rollers which, was being imported from abroad now. The Committee were informed that the scheme for the bulk ordering of road rollers as originally formulated in 1946 was not only import for meeting immediate requirements but also for indigenous manufacture in respect of subsequent requirements. Apart from the indigenous aspect, there were other considerations also which then weighed with the Government. One of these was the utilization of the full capacity of the Ordnance Factories and secondly, there was a world shortage of road rollers in those days.

When asked about the proportion of components for these road rollers ultimately procured from the Ordnance Factories, the representative of the Ministry of W. H. & S. stated that so far as TELCO were concerned, 84 per cent. of the boilers were imported and 16 per cent. were manufactured by them. As regards the remaining components, 87½ per cent. were obtained from indigenous sources or from the Ordnance Factories and only 12½ per cent. were imported. In the case of diesel road rollers, Ordnance Factories supplied 30 per cent. of the components and Jessop & Co. Ltd. and other indigenous firms supplied about 30 per cent. and the balance of 40 per cent. had to be imported.

In reply to a question, the representative of the Ministry of Transport stated that the annual requirement of the country of road rollers would be round about 200. He further said that Jessop & Co. Ltd., Calcutta had since been issued a licence to manufacture diesel road-rollers and Marshall Sons & Co. Ltd. steam road-rollers. The latter firm would manufacture 50 rollers a year. The Committee desired to be furnished with a copy each

of the licences issued to these two firms. The representative of the Ministry of Commerce and Industry informed the Committee that the permission to these two firms to undertake the manufacture of road rollers was given with a view to facilitate the establishment of genuine manufacture of road-rollers in the country. It has been made clear to these firms that reasonable prices should be charged for by them, failing which imports of rollers would be permitted by Government.

269. Before the Committee adjourned, they approved of the tentative programme of their visit to the various Salt Stations in Rajasthan and Saurashtra regions; Kandla Port and the Naval Establishments at Jamnagar etc. As regards the visit to the Hindustan Shipyard Ltd., Vizagapatam, the Chairman decided that it might be undertaken later on.

**Proceedings of the Twenty sixth Sitting of the Public Accounts
Committee held on Friday, the 11th May, 1956.**

270. The Committee sat from 3 to 4-45 P.M.

PRESENT

Shri V. B. Gandhi—*Chairman.*

MEMBERS

2. Shri Kamal Kumar Basu.
3. Shri S. V. Ramaswamy.
4. Shri Diwan Chand Sharma.
5. Shri Y. Gadilingana Gowd.
6. Shri V. Boovaraghasamy.
7. Dr. Indubhai B. Amin.
8. Shri Ram Prasad Tamta.
9. Shri V. K. Dhage.

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

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor General of India.*

Shri S. S. Lakshmi Ratan, *Accountant General, Central Revenues.*

Shri P. N. Bhandari, *Director of Commercial Audit.*

Shri P. D. Seth, *Chief Audit Officer, Food, Rehabilitation and Supply.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

271. The Committee took up consideration of their Draft Sixteenth Report on the Appropriation Accounts (Civil), 1951-52 etc. and approved Paras 1-63 thereof.

On a request from some of the Members for more time for going through the Draft Report, it was decided to hold a meeting again at 3 P.M. on Monday, the 14th May to consider the Draft Report further.

272. The Committee then adjourned till 3 P.M. on Monday, the 14th May, 1956.

**Proceedings of the Twenty-seventh Sitting of the Public Accounts
Committee held on Monday, the 14th May, 1956.**

273. The Committee sat from 3 P.M. to 5 P.M.

PRESENT

Shri V. B. Gandhi—*Chairman.*

MEMBERS

2. Shri Kamal Kumar Basu.
3. Shri Ramananda Das.
4. Shri S. V. Ramaswamy.
5. Shri Diwan Chand Sharma.
6. Shri Y. Gadilingana Gowd.
7. Shri U. C. Patnaik.
8. Shri V. Boovaraghasamy.
9. Shrimati Violet Alva.
10. Shri Ram Prasad Tamta.
11. Shri V. K. Dhage.
12. Shri B. C. Ghose.

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor General.*

Shri S. S. Lakshmi Ratan, *Accountant General, Central Revenues.*

Shri P. N. Bhandari, *Director of Commercial Audit.*

Shri P. D. Seth, *Chief Audit Officer, Food, Rehabilitation and Supply.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

274. The Committee resumed consideration of their Draft Sixteenth Report on the Appropriation Accounts (Civil), 1951-52 etc. and approved paras 64 to 136 thereof subject to certain additions and alterations.

275. The Committee authorised the Chairman to sign their Sixteenth Report as approved by them.

276. The Committee also authorised Shrimati Violet Alva to present the Report to the Rajya Sabha.

277. The Committee then adjourned *sine die.*

Appendix I

Summary of the main Conclusions/Recommendations of the Sixteenth Report of the Public Accounts Committee on the Appropriation Accounts (Civil), 1951-52 and Audit Report (Civil), 1953 and Audit Report (Civil), 1954—Part I.

Serial No.	Para No.	Ministry or Department concerned	Conclusions/Recommendations
1	2	3	4
1	5 (Introd.)	Home Affairs All Other Ministries	The Committee desire that the Ministries concerned should deal with requests from the Committee for the supply of information with utmost promptitude and invariably furnish the same to them within a period of one month unless the circumstances in a case are such as to warrant a longer time ; and even in such cases the Committee should be apprised of these.
2	7	Finance	The Committee are disposed to accept the position that each case of excess or saving reported in the accounts should be examined in the light of any information subsequently made available to the Committee, whether by a Ministry or the Comptroller and Auditor-General. The Committee, should, therefore, take account of any established misclassification in the Appropriation Accounts, which either attracts or avoids the necessity for regularisation by Parliament in making their final recommendations in this behalf.

Consistent with this principle, the Committee are inclined to think that the sum of Rs. 11 lakhs paid as Grants to certain Part B States under the provisos to Article 275(1) of the Constitution which should have been correctly classified in the Accounts as 'charged' would constitute an excess for purposes of Article 115 of the Constitution, although provision therefor had been made under 'voted' in Grant No. 35 and the expenditure incurred treated as 'voted' in the Accounts under examination. (The Committee note that the correct classification has been followed from the Accounts for 1952-53). The Committee are aware that errors cannot always be ruled out in such a complicated system of accounts as Government Accounts. The omission in the present case to make provision under the 'charged' head was a *bona fide* error which by itself will be a valid reason for recommending the regularisation of the excess.

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8	Finance	The Committee, therefore, recommend that the net excess of Rs. 7 lakhs (after taking into account the saving of Rs. 4 lakhs) and the other excesses shown in the list in Para 6 excluding the sum of Rs. 217 (charged) be regularised by Parliament in the manner prescribed in Article 115 of the Constitution.	
3	10 <u>Finance</u> All Other Ministries	Percentage of savings over final grants and appropriations is an index of accurate budgeting while excesses over voted grants and appropriations and surrenders reflect on the effectiveness of control over expenditure. The results disclosed in para 3 to 6 of the Report lead the Committee to the conclusion that there is definitely much scope for improvement in budgeting and control over expenditure.	
4	11 <u>Finance</u> All Other Ministries	With the large and growing outlay in the context of the Second Plan, the question of financial control assumes added importance. The fact that a far larger proportion of the national income is spent by Government Departments obviously makes it desirable that the control over expenditure should be as exact as ever. The tempo of rising expenditure during the Plan period would open up many possibilities of extravagance and waste and it is, therefore, necessary to keep a closer control over expenditure so as to ensure that every rupee of the planned outlay gets the maximum benefit to the tax-payer.	
12	Do	The Committee regret to observe that the propensity to overestimate the expenditure still persists in many Ministries. The Plan provides a comprehensive expenditure budget for the entire plan period with well-defined allotments for each purpose. Therefore, overestimating of the spending capacity and inclusion of provision for new schemes not ripe for execution, resulting in lapse of allotments, will not only be seriously misleading in the allocation of the resources raised, and determination of fiscal policy, but also derogate from the efficiency of Parliamentary Control over expenditure. The Committee would, therefore, wish to emphasise the need for realistic estimating and better control over expenditure.	
12	Do	The Committee would urge that the present budgetary procedure should be reviewed in this context and if necessary reorientated with a view to introduce more realism in budgeting and to provide a mechanism by which Government can keep a continuous watch on the performance of the Ministries.	

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5	13(b)	Health . . . <u>All Other Ministries</u>	The Committee can do no more than draw the attention of the Ministry of Health and other spending Ministries to the oft-repeated recommendations made by them in the past [cf. Para 5 of their Report on the Appropriation Accounts, 1947-48 (Post-Partition)] that close liaison should be maintained by the indenting Department with the supplying Department to ensure the timely adjustment of the debit during the course of the financial year and thus avoid lapse of large funds which could well have been utilized in some other direction
6	13(c)	Home Affairs	The Committee are led to the inevitable conclusion that the estimates in both these cases, viz., Grant No. 58—Andaman and Nicobar Islands and Grant No. 73 (sub-head D-3)—Territorial and Political Pensions—had been conjectural.
7	13(d)	Commerce and Industry.	The Committee are not convinced by the explanations given by the Ministry. They do not see why the Ministry did not review the position sometime in January-February, 1952 and come to a firm decision in order to avoid the lapse of the entire provision made.
8	13(e)	<u>Works, Housing & Supply</u> <u>All Other Ministries</u>	The Committee hope that each spending authority, while providing for the purchase of stores from abroad, would as a matter of rule take into account incidental expenditure including customs duty that might have to be paid in that behalf.
9	13(g)	Finance	The Committee observe that both Comptroller and Auditor-General and the Finance Ministry are of the opinion that the term 'new service' is not susceptible of precise definition and its application has necessarily to be governed by the evolution of a body of case-law. The Committee are one with the view that each case will have to be considered on its merits, and if there is any disagreement between the Comptroller and Auditor-General and the Government, the case should be referred to them immediately for a ruling.
10	18	Commerce & Industry.	On the basis of the information furnished to them, the Committee, find themselves unable to accept the claim of Government that the supply of imported yarn to the mills and handloom weavers at a lower rate had brought down the price of yarn. In the opinion of the Committee, the loss of Rs. 2.14 lakhs

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			<p>which the Government incurred in disposing of the remainder of the second consignment of 6 lakh lbs. of yarn, would have been avoided if moderation had been used in the grant of licence for the import of yarn on private account in the circumstances a liberal grant of licences was not called for, particularly, when Government had with them a little over 3 lakh lbs. of yarn. The Committee see no reason why Government did not consider imposing certain restrictions on the import quota on private account till stocks lying with them were cleared without loss to Government.</p>	
	19	Commerce & Industry.	<p>In the opinion of the Committee, Government had been rushed into this scheme before they could devise the necessary machinery to ensure the avowed object of this scheme. The Committee feel that when it came to the notice of Government that the allottees did not abide by the obligation placed on them, Government should have considered the question of recovering from them the difference between the market price and the concessional price of the yarn.</p> <p>The Committee desire that the case should be reviewed in the light of the above observations and a detailed note submitted to them.</p>	
	11	21	Commerce & Industry.	<p>The Committee would prefer to wait till the Solicitor General gave his opinion on this case. They desire a note should be submitted to them indicating the points referred to the Solicitor General for his opinion and the opinion of the latter on such of the points so referred. The Committee would also like to have a copy of the order issued by the Textile Commissioner to this mill.</p>
	12	22	Do. . .	<p>The Committee feel that the Textile Commissioner had exceeded his competence in giving the exemption sought by the mill as it was <i>prima facie</i> outside the four corners of the policy underlying this scheme for the subsidy of American Cotton. They are not also convinced of the stand that the power he had under the Cotton Textile (Control) Order could be exercised to circumvent the declared policy of Government in this matter. It is the Committee's view that the Ministry had overlooked the implications of the exemption which were quite obvious.</p>
	13	24	Do. . .	<p>The Committee are not satisfied with the explanation of the Government. They are of the view that the action taken against the officer concerned was too lenient. As the services of this Officer have since been terminated the Committee do not propose to pursue the point.</p>

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14	6	Commerce & Industry.	The Committee are amazed that even <i>prima facie</i> cases deserving prompt punishment are prolonged by procedural defects which it is expected should have been anticipated.
15	27	Do.	The Committee are at a loss to understand why this question of implementing the recommendation of the P.A.C., should be linked up with those of the Trade Marks Enquiry Committee, particularly when the latter Committee (according to the Ministry themselves) had not at all touched upon this aspect in its Report.
16	28	Do.	The Committee desire that the accounts of this old scheme should be closed without further delay.
17	29	Do.	The Committee would like to be informed of the results of the arbitration in regard to the recovery of Rs. 15 lakhs from Messrs. Banwari Lal & Company.
18	30	<u>Communications</u> Finance.	The Committee are not persuaded by the explanations given to them by the Ministry of Finance that as this case involved a departure from the existing rules, it required some special consideration. They regret to observe that the compelling urgency in this case, particularly when the officer had already been deputed to accompany the test flights and the risk had also commenced, had not been appreciated by the Ministry of Finance. Having agreed to reimburse the Air Company with the cost of extra premium for covering the special risk of the crew, it is surprising why Government should have proceeded to deal with this case differently.
19	31	Finance	The Committee think that the Ministry of Finance on their part should investigate the causes of delay in their internal procedure with a view to streamline it.
20	32	Communications	The Committee could do no more than observe that had the Government moved in the matter quickly instead of delaying it for five years (the loss was pointed out in the Audit Report on the Accounts for 1948-49), the enquiry would have been fruitful.
21	33	Do.	The Committee would like to be informed in due course of the further development relating to recovery from the Nationalist Chinese (KMT) Government.
22	34	Do.	The Committee would like to be informed about the decision arrived at on the appointment of an internal Accounts Officer in the Overseas Communication Service.

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23	35	Communications	The Committee would like to know the progress made in the recovery from Pakistan of their share of contribution to the I.C.A.O.
24	37 2	Defence.	Considering the fact that the officer concerned was dismissed from service for misconduct, the Committee feel that the authorities concerned should have taken prompt action to seize the car (this was permissible under the terms of the mortgage) instead of accepting his assurance and allowing him further time to pay up his dues. The Committee would like to know in due course about the execution of the attachment order and recovery of the decretal amount.
25	38	External Affairs.	The Committee regret to observe that although more than eight months have elapsed, the Ministry have not yet furnished the information. The Committee, therefore have no alternative but to leave this matter for future consideration.
26	40	Do.	The Committee are unable to appreciate the statement of the Ministry that Audit objected to this extravagant expenditure on rental only in February, 1951 and, therefore, in March that year the Consul-General approached Government for <i>ex-post-facto</i> sanction. It is as much the responsibility of any public servant to ensure that unauthorised and wasteful expenditure is not incurred. It should not be left for Audit to point out all irregularities. This the Committee regret to observe, did not in any way justify the delay in taking action in this case. On the other hand it illustrates how the financial interests of Government are affected adversely by pre-sanction action on the part of individual officers on their own initiative and discretion. The Committee are of the view that Government Officers in responsible position should act in the best financial interests of Government and should not put forth as a plea for any act of irregularity committed by them, the failure of Audit to bring this fact to their notice.
27	42	Do.	The Committee are not persuaded by the argument that the letter of appointment providing free furnished accommodation led the High Commissioner to believe that he had the right to rent accommodation to his taste in as much as he was aware that a ceiling on the cost of accommodation of his predecessor had been imposed by Government.
			The Committee regret to observe that this is not the solitary instance where Missions abroad had failed to exercise sufficient

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			restraint and moderation in placing their own requirements, and trust that with the appointment of the Foreign Service Inspectorate, things would improve.
28	44	External Affairs.	The Committee feel very strongly about the case relating to non-recovery of full dues from an officer and suggest that clear instructions should be issued to all disbursing officers in the Embassies that they would be held personally responsible for any unauthorised advance of Government money made by them.
29	46	Do.	The Committee feel that the High Commission for India should have called for tenders for the purchase of whisky in the U.K. and if this could not have been done, they should have approached Government for sanction to depart from the prescribed rules. The facts of this case seem to indicate that had tenders been invited at the outset, whisky could have been obtained at a much lower cost.
30	47	Do.	The Committee would like that a copy of the Report of the Foreign Service Inspectorate, together with a statement showing action taken by Government on their report be furnished to them in due course.
31	48	Do.	The Committee desire to be informed in due course of the actual financial powers delegated to the High Commissioner in U.K. and how these compared with the powers enjoyed by the Heads of Missions in U.S.A., Russia, and other countries.
32	51	Finance	The Committee desire to be furnished with information on the following points :— <ul style="list-style-type: none"> (a) the number of cases completed by the Income-tax Investigation Commission under sections 5(1) and 5(4) separately ; (b) the assessments made by the Commission and the amounts realised in respect of demands made under each of these two sections ; (c) the number of cases which Government had to take over as a result of the decision of the Supreme Court declaring the sections invalid ; and (d) the number of cases which Government had completed upto 31st March, 1956 together with the assessment made and the amount recovered.

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33	52	Finance.	<p>The Committee would like to be assured that in computing the lump sum payment to U.K. consequent on the transfer to that Government of control, administration and payment of sterling pensions, only such pensions for which the liability devolved on India were taken into account and those, the liability for which was that of Pakistan, were excluded. As regards the recovery of past payments the Committee hope that Government would pursue the matter diligently and soon come to an agreement with Pakistan in regard to the settlement of this and of the other question of pre-partition debt.</p>
34	54	Finance	<p>The Committee see no justification for Government resuming the payment of this pension in October, 1952 after it had been discontinued for the very reason that it was not the liability of India but of Pakistan. They find it difficult to be persuaded by the plea that non-payment of this pension would cause hardship to the officer.</p> <p>The Committee desired to know from Government whether this particular pension had been excluded for the purpose of calculating capitalised value of pensions which were the liability of India. The reply is still awaited.</p>
35	56	Do.	<p>The Committee feel that even the revised sanction erred on the generous side ; they could hardly see any justification for the grant of foreign and sumptuary allowances in this case while a number of other officers, who had been deputed under the Colombo Plan to foreign countries, were not sanctioned such allowances.</p> <p>The Committee regret that the Finance Ministry, as the Ministry responsible for financial propriety, should have chosen to act in this manner.</p>
36	57	Do.	<p>The Committee would like to reiterate the observations made in their last report, namely, that mere issue of instructions would not meet the recommendations of the Committee. The Government should also see that instructions issued were strictly complied with and any delay on the part of an Officer inquiring into the case to bring to book the delinquents, should be suitably dealt with as enjoined in the instructions.</p>
37	58	Do.	<p>The Committee trust that with the setting up of the Administrative Vigilance Division things would improve.</p>
38	60	Do.	<p>In view of the recent expansion of the Insurance Organisation and the decision of</p>

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			Government to nationalise Life Insurance Business, the Committee would like to watch whether the fees levied by the Insurance Organisation continue to be adequate.
39	61	<u>Finance</u> <u>Works, Housing & Supply.</u>	The Committee are at a loss to understand the reasons for the Ministry of Works, Housing and Supply suggesting to the Departmental Finance Committee that the setting up of the Chief Technical Examiner's Organisation, approved earlier by the latter, should be postponed till experience was gained in the working of the Surveyor of Works Scheme, when it had originally been decided by the inter-departmental Committee and also by the Departmental Finance Committee that this scheme should be implemented first.
			The Committee also fail to see the relationship between the two organisations.
			The Committee are surprised to find that even after the lapse of so many years little or no progress had been made in implementing their recommendation. They, therefore, desire that the whole question should be reviewed immediately and a note submitted to them without any delay.
40	62	Irrigation and Power.	The Committee regret to observe that the Ministry have not submitted to them the revised note as promised, in regard to the introduction of administrative audit system in various River Valley Projects. They cannot over emphasise the need to come to an early conclusion in this behalf and would reiterate the observation of the last Committee that as some of the major projects were already in the advanced stages of their execution, any procrastination might defeat the object under-lying the introduction of this system.
41	63	<u>Finance</u> <u>C. & A.G.</u>	The Committee would like to be kept informed of the progress made in regard to the system of centralised payments by departmental Pay and Accounts Officers, as part of the scheme of departmentalisation of Accounts.
42	65	Food & Agriculture.	The Committee are not quite satisfied with the manner in which Government had set about the deal for the purchase of tractors and allied equipment and they regret that Government did not set up a proper machinery of their own in time to assess the results of this experiment and the usefulness of the machinery and spare parts imported.

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43	67	Food & Agriculture.	<p>The Committee regret to note that the disposal of the surpluses had necessarily to be slow as these are of such a nature that ordinary cultivators are not interested in them. There is a constant risk of these surplus stores becoming thoroughly useless and resulting in total loss to Government. In the opinion of the Committee, this loss could have been minimised, if not totally avoided, had the advice tendered by the manufacturers for the purchase of spare parts been accepted with caution and after proper experimentation.</p> <p>The Committee hope that action against delinquent officials responsible for the indiscriminate purchase of four different makes of heavy tractors and accessories would be speeded up and adequate and deterrent punishment imposed.</p>
44	68	Do.	<p>The Committee desire that a review of the spare parts in stock should be undertaken with a view to segregate those parts which are not required in the immediate future and urgent action should be taken to dispose of them. The Committee would like to be informed of the progress made in bringing down the balances of spare parts. Details regarding spare parts consumed or condemned or disposed of as surplus should be indicated separately.</p>
45	70	Do.	<p>The Committee are of the view that action if it had been taken earlier, would have saved the exchequer of this infructuous expenditure.</p> <p>The Committee are perturbed at the lethargic manner in which action had been taken in the disposal of the goods, particularly when everyday was costing Government to the tune of Rs. 1,772/- by way of rent. They feel that this case should have resulted in considerable loss to Government because of the lack of foresight and initiative on the part of the persons who had handled this case and they would, therefore, recommend that a thorough investigation should be made into this case with a view to assess the exact loss incurred by Government in this deal and also fix the responsibility therefor.</p>
46	71	Do.	<p>The Committee doubt the wisdom of adjustments in accounts of the Reclamation Operation Account of the C.T.O. of interest charges due to staggered recoveries in anticipation of acceptance by State Governments of the liability. They desire to be informed of the final outcome in this case.</p>

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47	73	Food & Agriculture	The Committee can see no justification for the delay in fixing responsibility in cases where losses have been established. They trust that Government would pay urgent attention to this state of affairs and desire that a thorough enquiry should be held into the cause of delay and responsibility fixed for the losses.
48	74	Do.	In order to assess the progress of work in the disposal of these surplus stores, the Committee would like to know the value of stores declared surplus from time to time, as also the value of such stores actually disposed of.
49	75	Do.	The Committee feel that unless the recommendations made by them are implemented expeditiously, much of their value would be lost, and, therefore, suggest that the work of fixing the monetary limit of stores to be held by the C.T.O. should be speeded up.
50	76	Do.	The Committee would like to be furnished with a statement duly vetted by Audit in the form appended to Appendix XXXVI to their Seventh Report showing the financial position as on 31st March, 1956 in regard to the operation of old units. Information as to the total number of hours these old tractors worked, the number of hours these tractors remained idle, the amount recovered from State Governments (state-wise) in respect of heavy tractors, the rates at which recoveries were made from the State Governments and to what use these tractors that remained idle were put to may also be furnished in the statement.
51	77	Health	The Committee appreciate the difficulties in the way of the Ministry in preventing the accumulation of large surpluses in the Medical Stores Depot; they regret to note the inordinate delay in the disposal of items.
52	78	Do.	The Committee can do no more than reiterate the recommendations made by the Quinine Conference and urge for an early winding up of the accounts of these schemes. The Committee would be glad to know, in due course, further developments in regard to the disposal of the remaining stocks of quinine after keeping a central reserve of quinine salts.
53	79	Do.	The Committee are of the view that the Government should prepare manufacturing, trading and profit and loss accounts and balance-sheet for the manufacturing side of the Central Research Institute, Kasauli, so that one can have reliable and correct data to ensure that the prices of vaccines, sera etc. are not inflated unnecessarily.

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54	80	Home Affairs . . .	The Committee regret that although more than seven months have elapsed since the Ministry were asked to furnish certain further information regarding the unauthorised retention of heavy cash balances, till the time of writing this report no reply had been received. The Committee deplore this very much.
		Do. . .	The Committee have already invited attention to such delays on the part of a number of Ministries and have suggested prompt action. The Committee trust that the Ministries will extend their co-operation in this respect and enable the Committee to do their work expeditiously.
		<u>All other Ministries</u>	
55	81	Home Affairs . . .	The Committee can do no more than reiterate the oft-repeated recommendation of the earlier Committees that Government should take speedier action against delinquent officers. The Committee trust that with the setting up of a Vigilance Organisation in the Ministry, disposal of such cases of disciplinary action will be expedited.
56	82	Do. . .	The Committee would repeat the remark in para 19 of their Seventh Report, that the withdrawal of money in advance of requirements is an irregularity, which may eventually lead to loss, if not fraud.
57	83	Do. . .	The Committee desire to know what action the other Ministries had taken to implement the Home Ministry's order of the 21st April, 1954 about the procedure regarding submission and disposal of cases. They would also like to know whether the Revised Rules of Business and Secretariat Instructions and Manual of Office Procedure have since been issued.
		<u>All other Ministries</u>	
58	86	Information and Broadcasting.	The Committee would like to be apprised of the working of the Copyright Act, in so far as it relates to the payment of fees to the Phonographic Company and, in the meantime, they would suggest that Government should collect all possible data to present their case to the Registrar of Copyright for evolving a formula, which would make for rational and economical payment in future.
59	88	Do. . .	The Accounts of the Films Division might be commercialised, the underlying idea being that the monetary value of the free performance of the publicity films produced by the Division was reflected in the overall financial working of the Division.
			The Committee desire that a start should be made by the Ministry for evolving a rough

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			and ready method for working out the monetary value of the two main categories of free performance given by the mobile cinema vans and the exhibition of films in schools and other educational institutions with effect from the current year and they should be informed of the results of the practical working of this system at the time when they next examine the Accounts relating to the Films Division.
60	89	Information and Broadcasting	<p>The Committee recommend that a proper cost accounting system should be introduced in the Films Division with effect from the current financial year to see that an effective check is maintained not only on the rise in production costs but also on the overheads which should bear reasonable relationship to the overall production.</p> <p>While the Committee appreciate that a number of films are meant for publicity purposes and the calculation of the element of monetary value might be beset with some difficulty, all that they have in view in making the above recommendations is that results of the financial side of the working of this Division on a commercial basis are presented to Parliament.</p>
61	90	Do. . .	The Committee would suggest that the need for issuing such a large number of complimentary copies of Radio Journals should be carefully investigated with a view to reducing the number of copies to be printed. The Committee also endorse the recommendations made by the Estimates Committee in para 135 of their Twelfth Report that the publication of such of the journals which are not self-supporting should be stopped.
62	91	Do. . .	The Committee should like to know the progress made in tracing the cashier and instituting criminal proceedings against him in a court of law in connection with the misappropriation of Government money.
63	92	Do. . .	The Committee would like to know the final outcome of the proposal to provide a 'home service' to radio holders through the agency of the postmen and also how effective it had proved in checking the unlicensed possession of radio sets.
64	93	Irrigation & Power	Considering the enormous outlay on river valley projects in the two Plans, the Committee are anxious that every serviceable bit of stores and machinery is utilised on any of the projects that might need it. With this end in view, the Committee would again emphasise that the Ministry of Irrigation and

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			/ Power should urgently examine the feasibility of transferring the surplus stores in batches if necessary from the Hirakud Dam Project to other projects, even without waiting for completion of the verification.
65	94	Irrigation and Power	The Committee would like to be informed whether the shortages of stores as on 1st November, 1952, which it has been stated had been condoned by Government, were due to errors in accounting, and where real losses had occurred, whether Government had investigated into the shortages with a view to see if personal liability for the losses could be established or not.
66	95	Labour <hr/> All other Ministries	The Committee agree with the view of the Finance and are inclined to think that if the Ministry of Labour had not faced the Finance Ministry with a <i>fait accompli</i> the latter would not have agreed to this expenditure. The Committee are unable to accept the argument of the Administrative Ministry that they had no time to obtain the prior concurrence of the Finance Ministry. The Committee feel it should not be difficult to evolve a procedure by which prior concurrence of the Finance Ministry is obtained in time in urgent cases.
67	96	Labour	The Committee find themselves unable to accept the explanation of the Ministry which, in their opinion, is both unsatisfactory and far from convincing. The Committee are of the opinion that the Ministry should have consulted the A.G.C.R. again before sanctioning the revised leave to the Officer. The Committee are at a loss to understand how the Ministry, when the Officer submitted his resignation, accepted the resignation without settling the question of overpayment to this Officer, of which they were well aware, according to their own admission.
68	97	N.R. & S.R.	The Committee welcome the suggestion of Audit that the payments for expenditure incurred on behalf of the C.S.I.R. should be arranged by the Council directly without passing the transactions through Government Accounts. They are glad that at their instance the Ministry of N.R. & S.R. agreed to discontinue the existing procedure.
69	98	Do.	The Committee hold the view that, as a matter of general principle, where it is desired that continuing functions involving substantial

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expenditure should be exercised by autonomous bodies like the C.S. & I.R., the powers and duties to be exercised should be defined by specific statute. The Committee trust that Government would take the first convenient opportunity to embody the functions of the C.S. & I.R. in a statute.

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| 70 | 99 | N. R & S. R. . . . | The Committee are of the opinion that payment of yearly grants to scientific societies and institutions in instalments during the year is not best calculated to promote efficient economy and it would certainly be more beneficial to the societies and organisations in receipt of such grants, if those were determined on the basis of 5 year period. The Committee also trust that when considering applications for grants from industrial research associations, Government will obtain sufficient information as to the financial position of the industry concerned in order to ensure that they make payments only in cases of proved necessity and that, in assessing the amount, they will have greater regard to the capacity of an industry to bear the cost of its own research. |
| 71 | 101 | Production . . . | The Committee consider it unfortunate that sufficiently searching technical investigations had not been conducted to afford a reasonable assurance that the expenditure on the construction of the pre-fabricated Housing Factory would prove remunerative, before entering into this contract. With its past history so disappointing, the Committee are pained to learn that the present progress of the project is also not encouraging. |
| 72 | 102 | Production
<u>C. & A. G.</u>
Commerce
and Industry. | The Committee would like to defer further consideration of this case till the Expert Committee had submitted its report and the final settlement with the firm had been reported on by the C. & A.G. |
| 73 | 103 | Production
<u>Railways.</u> | The Committee suggest that now that the Government have accepted the recommendation made by the last Committee that the Accounts of Coal Production Fund should be closed as on 31st March, 1956 and the balance credited to the Consolidated Fund, the Ministry of Production should debit the Railway Department with the outstanding amount so that the responsibility for effecting the recoveries from the parties concerned or to write it off if not recoverable, as they might deem fit, should devolve on them. |
| 74 | 106 | Production . . . | The Committee do appreciate that disposal of the Nahar Foundry to a third party who might perhaps have moved the foundry from Himachal Pradesh resulting in the |
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			loss of employment to about 600 people, was not in the best interest of the country at the then prevailing situation. But, in their opinion, this apprehension could have been allayed by the inclusion of a clause in the sale deed that the Ruler would not have the right to sell it to a third party and remove the foundry from Nahana.
75	107	<u>Production</u> <u>Railways</u> All Other Ministries	The Committee suggest that the Ministry of Railways and other Government departments should be approached for manufacture orders which the Nahana Foundry could execute. With the prospect of cheap power becoming available in the near future from Bhakra Nangal, Government may take up the question of diversification of its production. For this purpose, the Committee would suggest that Government should before long appoint a small Committee of experts to survey its manufacturing capacity as well as the possibility of modernising it.
76	108	Do.	The Committee see no strong justification for the retention of such a large complement of office staff in any circumstances and especially so when the foundry was running at a continued loss and there was not much work to keep it fully occupied.
		Do.	The Committee desire that immediate action should be taken to institute an enquiry into large amounts spent on the development of new manufactures viz., Sarovar pumps, bullock-driven centrifugal pumps etc. which proved quite unsuccessful and action taken against the persons concerned who were responsible for launching upon this experiment.
77	109	Production.	The Committee are anxious that the activities of the National Instrument Factory should be switched over from repair and maintenance to that of a manufacturing unit. Proper cost accounting technique should be introduced and balance sheet and profit and loss accounts prepared just as is being done in the case of other Government Commercial undertakings. The Committee hope that it should be possible to fix a limit for acquiring stocks over and above those immediately required to meet the demands of the National Instruments Factory in hand as soon as the first phase of the reorganisation scheme has been completed. Further, they also desire that due proportion between the slow moving and non-slow moving stores held by the factory should also be maintained and all possible care and prudence exercised to ensure that the items of non-moving and slow moving stores

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			<p>were indented not in excess of requirements which result not only in the locking up of public money but also possible deterioration owing to the efflux of time.</p> <p>The Committee suggest that Government might explore the possibility of setting up an optical glass factory either as an adjunct to this Factory or as an independent undertaking.</p>
78	110	Production	The Committee hope that with the statistical data in their possession, the Government will be in a position to formulate a co-ordinated programme for the production by the private and public sectors of the various types of machine tools etc.
79	111	Do.	The Committee would suggest that a proper cost-accounting system should be introduced quickly to enable Government to assess the economies of the Penicillin Factory, Pimpri. They trust that while calculating the overall cost per unit of penicillin produced at the Factory, the capital cost of the factory including the expenditure incurred on the construction of the housing colony, research work etc. would be taken into account.
80	112	Rehabilitation	<p>The Committee regret to say that in their view the Rehabilitation Commissioner had failed even in the very limited responsibility of 'rendering accounts' which the Ministry contended had been placed on him.</p> <p>The Committee think that Government should have made arrangements to keep an account of the various payments made by the social worker and ensure that each and every payment was supported by a receipt or voucher.</p>
81	113	Do. Finance	The Committee trust that in future Government would try to evolve in consultation with Audit, a simplified form of accounting in such cases where it would be difficult, for some reason to maintain elaborate and detailed accounts. Failure in the maintenance of initial accounts, which are prescribed by the C. & A.G., should be condoned only in consultation with the C. & A. G.
82	114	Rehabilitation.	<p>The Committee do not feel convinced of the stand taken by the Ministry in regard to infructuous expenditure incurred on the transport of tents from Kurukshetra to Ujjain. They also feel that there had been an omission on the part of the Ministry in not informing the State Government about the condition of tents. Timely intimation would have saved the Government of unnecessary expenditure on levelling the ground etc.</p>

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83	115	Rehabilitation	<p>The Committee do not understand how the F.A. and A. O. attached to the camp, whose duty it was to guide the camp Commandant, overlooked the fact that Government's specific orders should have been obtained for relaxing the requirements of calling for tenders.</p> <p>The Committee would like to know when the tender was approved by the Ministry of Finance and what was the final rate at which the new contract was given on the 16th May, 1950.</p>
84	116	Do.	<p>The Committee recommend that cases in regard to review of the conduct of various Camp Commandants in charge of refugee camps should be pursued more vigorously and a revised note submitted to them stating the amount of loss involved in each case recovery if any, effected from the persons responsible; prospect of any recovery and disciplinary action taken.</p>
85	117	Do.	<p>The Committee desire that the Ministry should inform the Committee of the loss to Government on account of the frauds, embezzlements etc. by officers employed in the various camps, in the 41 cases reported.</p>
86	119	Transport	<p>The Committee regret that it should have taken Government as much as three years to enact the proposed national highways legislation. They think that the necessary Bill should be finalised so that it may be ready for immediate introduction when any opportunity presents itself.</p>
87	120	Do.	<p>The Committee suggest that the Government might consider the desirability of writing off this small sum in regard to scheme for running and chartering of vessels for coastal trade, if it is not susceptible of reconciliation, and close the accounts because the volume of work and expenditure involved in reconciling and closing the account would be completely out of proportion to the amount outstanding. The Committee would recommend that this war-time scheme should be wound up without any further delay and the amount lying in suspense credited to the Consolidated Fund.</p>
88	122	Do. W. H. & S.	<p>The Committee would urge that early action should be taken to fix the final price of the road rollers and the difference be recovered from the various indentors. They desire that the question of recovery of these outstanding dues should be rigorously pursued by the Ministry and they express</p>

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			the hope that by the time they take up next year's Accounts, the balance recoverable would be nil.
89	123	<u>Transport</u> <u>External Affairs</u>	The Committee would like to be apprised of the final decision in due course in regard to the explanation of the Mechanical Engineer who recommended the purchase of the second-hand tractor after technical examination.
90	124	Do.] .	In the Committee's view, the opinions of Superintending Engineer and Executive Engineer go to indicate that the construction of the bridge over a river in a hill district of the NEFA was faulty in location and defective in execution. They find it difficult to accept the plea that the loss in this case should be treated as normal risks of losses attendant on projects undertaken urgently.
91	125	W. H. & S. ¶	The Committee are concerned at the slow manner in which action was being taken in the case of over-payment due to faulty measurements which was detected in 1949 and enquiry instituted in 1952.
92	127	Do.	The Committee are not satisfied that the Executive Engineer in-charge of the work of constructing residential quarters was blameless in making a wrong estimate resulting in excess payment to the contractor. The Committee feel that the Executive Engineer should have negotiated with the contractor for a reasonable rate for the additional quantity at least and that if the contractor was intractable, he should have left the design unchanged. They are surprised at the plea of defective estimating and the heavy work load of the Executive Engineer in extenuation. They also find it difficult to understand that he should have acted on his own responsibility in this case involving large extra payment to the contractor and would like to have a thorough enquiry made into this case and responsibility fixed.
92A	128	Do. . <u>Law</u> <u>All Other Ministries.</u>	The Committee consider that the so-called safeguarding clauses as they stand do not at all safeguard the interests of the Public Exchequer and result in excess payments as in the case referred to above. They feel that there is a lacuna which should be filled up. They would, in this connection, invite attention to their recommendation in Para 90 of their Fifteenth Report suggesting the desirability of bringing before Parliament legislation empowering Government to review concluded contracts and to effect recovery of

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			demonstrably excessive or unconscionable payments made as a result of ignorance, oversight, ineptitude, incompetence or corruption on the part of the agents of Government.
93	131	W. H. & S.	The Committee feel that notwithstanding the fact that the timber used by the firm in the construction of pre-fabricated huts was according to specification, the firm was liable to pay full damages to Government. They are of the view that disciplinary action should have been taken against the Housing Adviser in time.
93A	132	Do.	<i>Prima facie</i> , the certificate given by the Inspector that the stores were to specification was incorrect. He should have referred the matter to the Director General, Supplies and Disposals for further instructions without assuming that the limited tests which he carried out would meet the requirements.
94	133	Do.	The Committee desire that Government should take early action on the question of regularisation of the loss on supply of the capacity and of fixing the responsibility for the on the officers concerned.
95	134	Do.	In view of the inherent risks in fixation of prices by oral discussions not confirmed in writing subsequently as in the case of certain stores of a Retail Shop (Disposals), the Committee trust that there would be no deviation from the prescribed procedure in future.
96	136	Do.	In the opinion of the Committee unusual incidents arising out of a contract involving additional payments should be reported to Government, whose function it is to consider whether there has been negligence or error in administration and whether the settlement is reasonable.