

PUBLIC ACCOUNTS COMMITTEE

1955-56

EIGHTEENTH REPORT

[Audit Reports on the Accounts of the Damodar Valley Corporation for the Years 1952-53 and 1953-54]

Part-I

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LOK SABHA SECRETARIAT

NEW DELHI

July, 1956

PUBLIC ACCOUNTS COMMITTEE

1955-56

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Shri V. Subramanian—*Deputy Secretary.*

INTRODUCTION

I, the Chairman of the Public Accounts Committee, having been authorised by the Committee to present the Report on their behalf, present this Eighteenth Report on the Audit Reports on the Accounts of the Damodar Valley Corporation for the years 1952-53 and 1953-54.

2. The Audit Reports on the Accounts of the Damodar Valley Corporation for 1952-53 and 1953-54 were laid on the Table of the Lok Sabha on the 17th February, 1956.

3. The Committee examined these Audit Reports at their sittings held on the 18th and 20th April, 1956.

4. A brief record of the proceedings of the above two sittings of the Committee has been maintained and forms Part II of this Report.

5. A statement showing the summary of the principal conclusions/recommendations of the Committee is also appended to the Report (Appendix VI).

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

SIMLA;
The 27th June 1956.

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

C O R R I G E N D A

Eighteenth Report of the Public Accounts Committee
(1955-56) on the Audit Reports on the Accounts of the
Damodar Valley Corporation for the years 1952-53 and
1953-54

Page 2, Introduction, para 6, line 1: *for 'placed' read 'place'.*

Page 7, para 15, sub para (iii), lines 1 and 2: *for 'matrials' read 'materials'.*

Page 10, para 20, line 5: *for 'disclose' read 'discloses'.*

Page 14, 1st line: *for '72 :5%' read '72.5%' and para 32, last line: insert 'the' between 'as' and 'monsoon'.*

Page 28, foot-note: *for 'Appendix I' read 'Appendix II'.*

Page 24, para 1, line 1: *for '4[;]5' read '4.5'.*

Page 35, Head line: *insert 'the' between 'with' and 'Financial' and in line 18 from bottom: insert 'for' between 'and' and 'raising'.*

Page 40, para 5, line 3: *for 'order' read 'ordered'; and in last line: for 'operation' read 'operations'.*

Page 41, para 8, line 1: *for 'Discrepencies' read 'Discrepancies'.*

/P.T.O.

Page 42, para 10, line 6: *for 'Bricks' read 'Brick'*; and Para 13, line 5, *for 'Contract' read 'contact'*.

Page 45, line 7 from bottom: *for 'effrots' read 'efforts'*.

Page 49, col. 1, after S.No. 4: *for '6' read '5'*.

col. 4, item 5(i), line 1: *for 'd smayed' read 'dismayed'*; and item 5(iii), penultimate line: *for 'or' read 'of'*.

Page 50, item 10(b), col. 4, line 5: *for 'th ' read 'the'*.

Page 51, item 13, col. 4, line 5: *for 'earlir' read 'earlier'*;

item 14, col. 3, *for 'Irrigation and Powe' read 'Irrigation and Power'*.

item 16, col. 4, line 7: *for 'he' read 'the'*; and in the penultimate line: *for 'step' read 'steps'*.

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PART II

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**Earlier Sittings relate to the 16th and 17th Reports of the Public Accounts Committee, (1955-56).

†Earlier Sittings relate to the 17th and 19th Reports of the Public Accounts Committee.

I

**GENERAL FINANCIAL REVIEW OF THE EXPENDITURE OF
THE PROJECT DURING THE YEARS 1952-53 AND 1953-54.**

The entire capital required for the completion of the Projects undertaken by the Damodar Valley Corporation is to be provided by the three Participating Governments viz., the Central Government, the State Governments of Bihar and West Bengal under Section 30 of the Damodar Valley Corporation Act, 1948.

2. The following amounts were provided by the Participating Governments during the years under review:

	1952-53	1953-54
	Rs.	Rs.
Central Government	3,92,77,000]	3,94,90,000
West Bengal Government	8,11,00,000	8,45,03,000
Bihar Government	3,10,00,000	2,07,07,000
	15,13,77,000	14,47,00,000

3. The total capital expenditure during these two years and to the end of the year 1953-54, on the three main objects, viz., Power, Irrigation and Flood Control is shown below:

Object	During 1952-53	During 1953-54	Total to the end of 1953-54
	Rs.	Rs.	Rs.
Power	8,60,47,333(a)	6,13,41,376(b)	36,31,50,944
Irrigation	3,67,21,941	4,57,04,604	12,89,16,496
Flood Control	2,60,19,126	3,72,98,736	8,17,88,624

(a) includes Rs. 53.06 lakhs being working expenses of the power system and a credit of Rs. 55.56 lakhs on account of sale of power.

(b) includes Rs. 78.43 lakhs being working expenses of the power system and a credit of Rs. 99.99 lakhs on account of sale of power.

4. The year 1952-53 witnessed the opening of the Tilaiya Dam and the Hydro Electric Station and the Bokaro Thermal Power-Station; with the commissioning of these two projects included in the First Phase Programme of the Damodar Valley Corporation, the Corporation entered into the stage of production, though on a modest scale.

5. During the year 1953-54, the following projects were under construction:

Konar;
Maithon;
Panchet Hill;
Durgapur Barrage & Canals; and
Transmission and Distribution.

6. Para 2(a)—Audit Report, 1952-53 and Para 2(a)—Audit Report, 1953-54

Allocation of expenditure under Section 32 of the Act.—The three main objectives of the multiple-purpose Damodar Scheme are flood control, generation of electrical energy and irrigation. These aims are to be achieved by building dams and a barrage across the Damodar. Reservoirs created by the dams will moderate the floods and release the stored water as desired to produce hydro-electric power and to provide irrigation.

7. Within the Damodar Valley, the functions of the Corporation, as laid down in Section 12 of the Act, include, besides construction and management of dams, power houses and irrigation and navigation canals, "the promotion of afforestation and control of soil erosion" and "the promotion of public health and the agricultural, industrial, economic and general well-being in the Damodar Valley and its area of operation".

As indicated in para 3 above, the total capital expenditure chargeable to the project is to be allocated between the three main objects, namely, irrigation, power and flood control. The expenditure incurred on other authorised objects, viz., afforestation, soil conservation etc. is to be treated as common expenditure before allocation between the three main objects.

8. It has been stated in the Audit Reports under examination that the question of apportionment of expenditure on Soil Conservation, afforestation and other development works under Section 12(e) and (f) of the Act was under the consideration of the Central Government. Although a period of about 2 years has elapsed since it was suggested at the Conference of the Participating Governments held in July, 1954 that the Corporation might, henceforth undertake developmental activities ancillary to the projects only, and that the expenditure on such activities might be charged to the respective project accounts, the Committee regret to note that no final decision seems to have been taken on this important question of allocation of expenditure, which has got a vital bearing on the

overall financial working of the Corporation. Since under the provisions of the Act, the profits and losses are to be determined object-wise and, except for flood control, are to be distributed between the three participating Governments in proportion to their respective shares in the total capital cost attributable to each object, the Committee desire that this question should be decided without any further delay so that a correct and realistic picture of the financial working of the individual objectives of the Corporation might emerge. They trust that it would be possible to do so by the time they take up next year's accounts of the Corporation.

9. Para 2(b)—Audit Report, 1952-53 and Para 2(b)—Audit Report, 1953-54

Allocation of expenditure under Section 33 of the Act.—The dams at Tilaiya, Konar, Maithon and Panchet Hill are intended to serve more than one of the three main objects. According to Section 33 of the Damodar Valley Corporation Act, expenditure common to two or more of the main objects is required to be allocated to each of the main objects in proportion to the expenditure which, according to the estimate of the Corporation would have been incurred in constructing a separate structure solely for that object. The Committee are informed that although the construction of the Tilaiya and Konar Dams has since been completed, necessary estimates for separate structures for Power and Irrigation have not yet been prepared in the absence of which the allocation of expenditure cannot be finally made in the Annual Accounts. As already stated in the preceding para, the Committee emphasise that this question of allocation of expenditure should be settled quickly. The principal desideratum which the Committee have in mind while drawing pointed attention to the delay in arriving at a decision in these matters is to avoid not only over capitalisation but also any dispute at a later date that might arise between the three participating Governments about the quantum of common expenditure to be borne by them on the completion of the project.

II

ENGINEERING AND STORES

10. The Committee shall now proceed to deal with some of the more important points arising from the Audit Reports in question which they came across during the course of their examination thereof:

Para 4—Audit Report. 1952-53 and Paras 14-15—Audit Report, 1953-54

It has been pointed out in the Audit Report that the reconciliation of the value of the stores as shown in the Stores Ledgers with the balances in the financial accounts for the years under report was in arrears in some of the Project Divisions, viz., the Construction Plant Division, Maithon and Konar Project Divisions etc. The Committee were informed by the representatives of the Damodar Valley Corporation that the reconciliation had since been completed in all the Divisions except in the case of the Construction Plant Division where they expected to finish it within the next two months. In extenuation, the Financial Adviser urged that it was due to the shortage of trained staff and the non-linking of stores at the time of their receipt from the various sources. The Committee observed that the position in this respect had deteriorated in 1953-54 as disclosed by the Audit Report and, therefore, desired to have a note stating the reasons for the set-back and the latest position in the clearance of these arrears.

11. In the note submitted by the Damodar Valley Corporation (Appendix I), it has been stated that as a result of the decision taken in January, 1954 to transfer to the Projects 'preventive maintenance' and 'heavy repairs' work of the equipment working at the moment on the respective Projects, 'Engine repairs' only being left with the Construction Plant Division, Maithon, the store-keeping staff and the clerical staff had been busy in arranging for the physical transfer of the spares, etc., and for raising debits therefor against the Projects concerned for a large number of items of mechanical spares stores; the reconciliation of stock ledger balances with the financial accounts was consequently delayed.

The physical verification carried out in 1953-54 is reported to have indicated that the stores-ledgers were not properly maintained. The Corporation, therefore, directed that the Stores Ledgers should be thoroughly checked up from the very beginning. The reconciliation of the value balances arrived at as per the corrected ledger for 31st July, 1955 with the financial accounts has disclosed an accumulated surplus of about 20 lakhs of rupees caused by the valuation of issues at higher rates than actual cost. It has been stated that this is being adjusted in the accounts for 1955-56.

12. The Committee also note that the reconciliation of balances as at 31st March, 1955 has been completed except in respect of one

out of 28 formations and that this work in the defaulting unit is in progress and is expected to be completed by the 30th June, 1956.

13. While the Committee are inclined to accept that it is possible that shortage of man-power had resulted in this state of affairs, they would like to stress the need for an adequate standard of store-accounting in the interests of both economic administration and avoidance of pilferage and loss of stores by fraudulent means. They are glad to note that the Damodar Valley Corporation have already taken steps to remedy the situation. The Committee trust that the Corporation would get their store accounting system into satisfactory shape soon and by the time they next examine the accounts of the Corporation, there would be marked improvement in the reconciliation of stores balances with the stock ledgers.

Para 6(ii)(b) of Audit Report, 1952-53—Irregular Piece-work Agreements

14. In this case, 86 works costing between Rs. 2,500 and Rs. 42,000 each, with an aggregate value of Rs. 7.4 lakhs (approximately) were given out on piece-work agreements by the Divisional Officers without calling for tenders. The rules required calling of tenders in each of these cases. The Committee wanted to know why tenders were not invited. The representative of the Damodar Valley Corporation pleaded 'urgency of work' as the extenuating circumstance for not following the prescribed procedure. The Committee however, did not feel satisfied with the explanations given and desired to be furnished with a note stating the special circumstances which led to the relaxation of the system of calling for open tenders in these cases.

15. In a note submitted by the Corporation (Appendix II), they have stated that out of 86 agreements, regular tenders were called for in respect of 9. The position in respect of the balance of 77 was as under:—

- (i) 66 agreements included works ancillary to construction of Colony buildings, barracks for work charged personnel and operators, etc. The works consisted primarily of supply of bricks, gravel, coal, brickbats etc. and some small construction works.
- (ii) 2 piece-works agreements related to breaking, stacking and transporting boulders from the downstream.
- (iii) 4 agreements related to the excavation of common materials in the Diversion channel.
- (iv) In 3 cases relating to the construction of Reclamation Tunnel and the foundation for trestles, crusher and batching plant, etc., the late receipt of detailed drawings made it impossible for the Executive Engineer to adopt the normal procedure.
- (v) 1 case related to the supply of moorum for constructing a diversion road.
- (vi) In one case trucks had to be hired for carting of materials as departmental trucks were not available.

16. In some of these cases, the Committee consider, there was no ostensible urgency which would justify the execution of works without calling for tenders. The Financial Adviser admitted that there had been some agreements here which cannot be classed as regular. The Committee would desire that suitable action should be taken against the persons who were responsible for the irregularities in these cases.

17. The Committee were informed that in respect of works costing upto Rs. 2,000 the Executive Engineer had the power to dispense with competition and the Chief Engineer in the case of works costing upto Rs. 10,000. When these powers are exercised, a report is made to the Corporation and the Corporation satisfy themselves about the proper exercise of this discretionary power. The Committee raise no objection to these arrangements on the understanding that the Corporation will ensure that, where a real exercise of judgment is required by the departmental authorities, it is done by the appropriate authority and for adequate reasons.

III

FINANCIAL IRREGULARITIES AND INFRACTUOUS EXPENDITURE

AUDIT REPORT 1952-53

18. Para 6(i)—Extra expenditure borne by the Corporation in respect of supply of certain conduits and fittings at Bokaro

According to the Audit Report, orders for the supply of conduits and fittings for Bokaro Thermal Plant were placed on a firm in August, 1950 subject to adjustment of prices according to the firm's prices prevailing at the time of shipment. The firm, however, placed orders with other manufacturers for want of the required capacity in its own plant. The prices of the other manufacturers were higher than the firm's prices by about Rs. 36,000 and the claim of the firm for this amount was accepted by the Corporation. It should be noted here that the price differential involved was about 11 per cent. The reasons given for accepting this claim were that the firm had not guaranteed the deliveries and that if they had waited until all the requirements could be obtained from the firm's plant, the construction programme of the Corporation would have been upset. Further, there was no stipulation in the agreement entered into with this firm that it should not obtain the supply from a sub-contractor.

18. In evidence, the Committee were informed that if the Corporation had not agreed to this extra payment, they would have kept idle a number of American Experts and workers, about 2,000 in number, at Bokaro Power Station for quite sometime and also would have delayed the generation of power.

From the Audit Report, the Committee observe that the original purchase orders specified clearly that the shipment should be so arranged that the work would be started in time and continued without interruption and in accordance with the construction schedule a copy of which was in the possession of the firm. In the circumstances, it was upto the firm to see that it had all the materials etc., through sub-contractors also, if necessary, to enable it to supply the conduits to the Corporation according to the schedule. The Committee are, therefore, not convinced with most of the extenuating reasons, given except perhaps the one that in the seller's market of the time, an alternative source of supply was not easily available.

19. Para 6(ii)(c) of Audit Report, 1952-53—Departmental Manufacture of bricks

In this case, initial records of brick manufacture and supply for the years 1951-52 and 1952-53 were not available. The total expenditure on brick manufacture was about Rs. 4.5 lakhs. According to the Audit Report, the Corporation had explained that the Brick

Supply Officer who was responsible for the maintenance of these initial account records etc. could not produce the necessary records and ultimately left the services of the Corporation without handing over all the records.

In evidence, the representatives of the Damodar Valley Corporation informed the Committee that the Accounts had since been prepared and would be submitted to the Chief Auditor; it was added that the Police who had investigated this case 'on their own' after the Officer concerned had left the services of the Damodar Valley Corporation, had stated that there was no case for criminal action and that the D.V.C. should institute proceedings against him in a civil court. The D.V.C., it was stated, were seeking legal advice and, thereafter, would proceed in the matter.

As desired by the Committee, the Corporation have submitted a note (Appendix III) indicating the terms of appointment of this Officer and the checks exercised by the D.V.C. during the period of 3 years that this Officer was not maintaining any proper records of manufacture and supply of bricks.

20. The Committee regret to observe from the note that there had been some patent lapses on the part of the Engineering Officers under whom this Officer had been working inasmuch as they failed to exercise any proper and effective supervision over his performances. The note also disclose that although this particular Officer who had been appointed in the first instance on a fixed pay of Rs. 275 per month had left service on 6th March, 1950. After a period of about seven months, he was re-appointed as a Brick Supply Officer for a period of 2 years on 11-11-1950 and given a start of Rs. 400 per month in the scale of Rs. 275-25-500 *plus* allowances. On the 16th September, 1952, he was offered an extension of service for a further period of one year on a monthly pay of Rs. 450 in the above scale *plus* allowances. He, however, asked for a 3 years' contract and claimed bonus in addition to which the Corporation did not agree and his services were eventually terminated in March, 1953. No reasons for giving a higher start by Rs. 125 *plus* allowances to this Officer on his re-appointment have, however, been adduced by the Corporation.

21. The Committee note that the Executive Engineer (Colony), Maithon under whom this Officer was placed in September, 1952 failed to maintain proper brick manufacture accounts. He did not have them brought up-to-date and scrutinised in time before the Brick Supply Officer's contract was to expire. The Brick Supply Officer had not been maintaining an outturn statement of bricks manufactured nor did he furnish complete accounts of issues and receipts of bricks manufactured and otherwise obtained by direct purchase. The Committee are somewhat dismayed to find that his immediate superior, the Executive Engineer did not detect these irregularities in time. In fact it was only after the Brick Supply Officer was given notice to hand over that his conduct appeared to his superiors as suspicious. With just a little vigilance on the part of the Corporation, it was possible that the criminal action against him could have been taken successfully.

22. The Committee find it difficult to believe that these unsatisfactory ways of working of the Brick Supply Officer had escaped the notice of the Executive Engineer and of the internal auditors of the Corporation. They would like to be apprised in due course of the result of the scrutiny of the reconstructed accounts conducted by the Chief Auditor as also the action taken against the ex-Brick Supply Officer and the Executive Engineer concerned. The Committee would also like to be informed of the amount of loss involved in this case.

**23. Para 6(ii)(d)—Infructuous expenditure on the purchase of
“Breco” Ropeway**

In this case, the Ropeway was purchased for a sum of Rs. 28,254 sometime in 1950 with a view to providing arrangements for transport of materials at Maithon work-site. But the Committee regret to learn that the ropeway was not used for that purpose and is still lying unused. The representative of the D.V.C. admitted in evidence that this was a ‘bad purchase’. The Committee would like to be informed, in due course, of the action taken by the D.V.C. to dispose of the ropeway.

24. Para 6(v)(c)—Execution of works without entering into agreements with the contractors

In this case, the construction of some staff quarters at Durgapur estimated to cost about Rs. 6 lakhs was entrusted to two contractors during the early part of 1952-53, but no written agreement was executed before-hand. The works allotted to the contractors were completed in March, 1953 and September, 1953 respectively, but the agreement with one of the contractors was executed only in February, 1954, while the agreement with the other has not yet been finalised. The latter contractor has, it has been further pointed out, put in some extra claims which are stated to be under the consideration of Corporation. The Committee view with disapproval this particular case.

25. The Committee have more than once deprecated this practice of some Engineers to proceed with the execution of works without at first entering into any formal agreement with the contractors. They would like to reaffirm the view expressed by an earlier Committee that save in the most exceptional circumstances, no work of any kind should be commenced without the prior execution of contract documents. Such a course makes the liability of the Government wholly indeterminable and places the Government entirely at the mercy of the contractors.

26. Para 8(a)—Payment of Sales Tax not provided for in the purchase order

It has been reported by Audit that the purchase orders placed with a firm for the supply of timber at Konar in 1951-52 and 1952-53 contained no stipulation for the payment of sales tax nor was there anything in the quotation submitted by the firm to show that the tax was payable in addition to the price quoted. Yet a sum of Rs. 4,939 was paid to the firm as sales tax.

27. In evidence the representative of the D.V.C. observed that although there was no legal liability for the payment of such a tax, the payment was authorised by a Divisional Officer. The Committee are of the opinion that in this case public money was given away without regard to financial propriety. They should like the Corporation to investigate this case and report in due course (i) the action taken against the officer, and (ii) the remedial measures including recovery, if any.

**28. Para 13(a)—Points outstanding from the Audit Report,
1950-51—Para 9**

Headquarters Construction.—The property acquired for the purpose of construction of D.V.C. Headquarters is stated to be still in the possession of the D.V.C. and expenditure stands at Rs. 7·8 lakhs.

The Committee were informed by the representative of the D.V.C. that the Corporation had since abandoned the idea of construction and that they were handing over the property on lease to the Bihar Government. The Committee should like to know, in due course, of the final outcome of the negotiations made with the Bihar Government in this behalf and the annual rental at which this property is leased to that Government.

REHABILITATION, POWER DEVELOPMENT AND UTILISATION OF STORED WATERS

AUDIT REPORT, 1953-54

29. Para. 5—Extra expenditure incurred due to 'land for land' and 'house for house' policy. (See also Para. 6(ii)(a) of 1952-53 Audit Report)—

In pursuance of the policy of the Government of India to provide 'land for land' and 'house for house' to the persons displaced from the villages submerged as a result of the construction of the Tilaiya Dam, the D.V.C. incurred an expenditure to the extent of about Rs. 18 lakhs on buildings and reclamation of lands which the displaced persons did not occupy. It has been pleaded by the D.V.C. that they could not foresee whether the displaced persons would accept compensation in cash or in kind by taking land for land in lieu of cash compensation and despite the best endeavours, the D.V.C. could not obtain the options in all cases before the land reclamation work and construction of houses were undertaken. The Bihar Government desired that the work should be taken up in anticipation of the options. Thus these unwanted lands and buildings which cost about Rs. 18 lakhs represent locked up capital of the D.V.C. on which interest charges have to be paid, in addition to recurring charges for maintenance of the houses. Also, the uncultivated land is likely to deteriorate in course of time unless further expenditure on follow-up cultivation is incurred.

30. While the Committee appreciate that the problem of resettlement of displaced persons who were mostly aboriginals in this case has to be viewed from political and social aspects also, they would, nevertheless, observe that the D.V.C. as a commercial organization should have either phased the programme of construction of these huts on the basis of options received from the displaced persons or obtained an undertaking from the Government of Bihar to the effect that the latter would reimburse the Corporation the losses that might accrue from constructing houses in anticipation of the options from the displaced persons. It also appears that no time limit was fixed for the exercise of such options by the displaced persons. In some cases, cash compensation had also been given.

The present position, as the Committee are informed, is that the houses and the land have been offered at the present market value of Rs. 14.84 lakhs to the Bihar Government, whose acceptance is awaited. The Committee should like to be apprised of the final result of the negotiations which are under progress with the Bihar Government as also the total loss sustained by the Corporation in this transaction.

31. Para. 3—Utilisation of D.V.C. Power

The power stations at Bokaro and Tilaiya were put into operation in 1953; but the maximum consumption of power was only 21% in

34. Explaining the difficulties in utilising the water, the representative of the D.V.C. informed the Committee that irrigation in Bihar was a difficult problem on account of the high level of the terrain and schemes so far put forward by the Corporation were turned down by that Government because of their high costs. The Corporation had since submitted a revised scheme at a lower cost to that Government which was under consideration. As regards the use of water by the West Bengal Government, it was added that since the canal system had been completed only in 1954, the water could not be utilised by that State earlier. Another handicap from which the State Government was suffering was that it had not so far enacted the necessary legislation to levy water rates. While the Committee appreciate the difficulties in utilising the water, they cannot help observing that with proper planning and timely action, most of these difficulties could have been surmounted earlier and the water utilised without delay.

V
PURCHASES OF STORES
AND
MACHINERY ETC.

35. Para. 10—Audit Report, 1952-53 and Para. 7—Audit Report, 1953-54

Non-utilisation of heavy earth-moving machines to their full capacity in the Mechanical Earth Moving Division

The Audit Reports have disclosed the following ratio of actual number of hours the earth-moving machines worked to the minimum number of hours viz. 2000 hours per year;

1950-51	57%
1951-52	46%
1952-53	29%
1953-54	26%

Thus, the extent of the use of the machinery showed marked decline from year to year, and was particularly low during 1953-54. As nearly Rs. 43 lakhs have been invested on these machines, the interest on this unproductive capital outlay which is considerable would be a loss to the Corporation. It has been explained by the Corporation that the nature, type and conditions of work in the Mechanical Earth Moving Division are such that it was not possible to work upto the normal standard of 2,000 hours per annum inasmuch as the work was not centralised but scattered all over the field and moreover it was seasonal, no work being possible during the rains. They have further stated that, according to the technical advice given to them, the extent to which these machines in the Mechanical Earth Moving Division could be used was in the neighbourhood of 1,400 hours per annum per machine and that they were looking further into the matter. Even on this basis, the productive efficiency during 1953-54 worked out to 44% only.

The Comptroller and Auditor-General has reported that during the year 1953-54, in the Mechanical Earth Moving Circle, out of 61 machines in the Circle, 12 machines costing Rs. 5,92,790 were not used at all. Similarly, attachments etc. valuing at Rs. 1,22,945 also remained idle during the period.

Non-availability of spares, paucity of work, opening and closing of camps during the year were stated to be the reasons for the machines and attachments remaining idle.

In reply to a question whether there was enough work for all the machinery to be retained by the D.V.C., the representative of the D.V.C. stated that the Corporation had already started transferring the machines to other Projects in the country. In this connection, they would invite attention to Appendix 3·4 of the Report

of the Construction Plant and Machinery Committee set up by the Government of India in 1954 wherein the overall percentage utilization of the earth-moving equipment in respect of the Damodar Valley Project was given as below:

Scrapers	Graders	Loaders
56.2	40.4	..

The Committee would draw the attention of the Damodar Valley Corporation to the recommendations made by the Construction Plant and Machinery Committee at page 149, 150 and 155 of their Report and like to know what action has been taken by them to dispose of the surplus equipment and machinery to the best advantage of the Corporation.

36. Para. 12 of the Audit Report, 1953-54—Purchases

The Audit Report has pointed out that in spite of existing instructions, the irregular practice by the Field Officers in not sending periodical indents regularly, which militated against bulk purchases being made economically, continued during the year under report.

Further, in spite of existing instructions to the contrary, the Field Officers continued to indent for articles of specified makes of equipment which not only tended to reduce competition among suppliers but also created difficulties in the maintenance and repairs of such equipment because of there being such a variety of makes.

In evidence, the Committee were informed that the Corporation had to go in for different makes of machinery and equipment in 1949 as machinery was in short supply at that time. A purchase procedure has since been laid down with a view to avoid this. The Committee are inclined to the view that in such cases, it would not be proper or advisable to leave it to the indenting officers to specify the makes; there should be co-ordination in the matter of purchase of the makes, types and sizes of the plant best suited for various types of work and also combination and matching of plant where more than one unit of plant is involved. The decision to go in for the best type of equipment should be taken at a high technical level. The dangers in individual indenting officers purchasing a certain type of equipment according to their preferences are only too obvious. The Committee would like to draw attention here to the following extracts from para 2.08 of the Report of Construction Plant and Machinery Committee:

“X X X X the importance of standardisation of a few well-tried items of construction equipment is well recognised, both from the technical and economical points of view. The absence of a master plan or plant planning is surpassed, on many of the projects, only by indecisive mind as to the types, makes and sizes of equipment to purchase. Piece-meal purchases are made of equipment, which often have not matched with the previously acquired plant. X X with so much of indecisive planning, it is impossible to expect a high standard of performance”.

VI

MISCELLANEOUS

37. The Committee now turn to some of the important outstanding recommendations of last year relating to the Damodar Valley Corporation.

Excess payment to Messrs. Hind Patel & Co. for certain items of work done on Konar Dam.

The Public Accounts Committee of 1954-55 had commented in Chapter VI of their Fifteenth Report about the high rates allowed to Messrs. Hind Patel & Co. for certain items of work done by them on the Konar Dam.

The Damodar Valley Corporation Enquiry Committee (called the 'Rau Committee') had assessed the amount of extra payment at Rs. 119 lakhs, while the two technical experts of the Government of India had arrived at the figure of Rs. 94 lakhs and Rs. 114 lakhs respectively. The D.V.C., after reviewing the whole situation at the instance of the last Committee, had stated that the findings of the Rau Committee in this case were substantially correct. The Committee emphasised that since this firm was continuing as Government contractors, the Ministry of Irrigation and Power should explore the possibility of arriving at a speedy settlement with the firm and also persuade it to agree to arbitration without insisting on the income-tax stipulation. The Committee are now given to understand by the Ministry of Irrigation and Power that Government have decided to appoint another Enquiry Committee consisting of a High Court Judge and two Engineers to determine the extent of over-payment. In reply to a pointed question by the Committee whether the firm has agreed to abide by the findings of the proposed Committee, they were informed that the proposed Committee presided over by a High Court Judge was decided upon "with a view to inspire confidence in the contractor's mind". The attitude of the firm still seemed to be that there had been no over-payment. In other words, the Committee feel that the position is just the same as was the case when they examined the matter last. In these circumstances, the Committee find it difficult to appreciate the purpose of appointing yet another Committee to assess the quantum of over-payment, especially when the Government have already with them a dimensional figure with which they could very well proceed to negotiate. In their opinion, the necessity for such a Committee with a judicial officer at its head could have arisen, if the contractor, had agreed to abide by the figure of over-payment arrived at by that Committee. The Committee, therefore, see little justification for the appointment of another Committee and recommend that steps should be taken to effect the recovery from the contractor without further delay.

V. B. GANDHI,
Chairman,

Public Accounts Committee.

SIMLA;

The 27th June, 1956.

PART II

**Proceedings of the Sittings of the Public Accounts Committee held
on the 18th and 20th April, 1956 and 27th June, 1956.**

PROCEEDINGS OF THE EIGHTEENTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON WEDNESDAY, THE 18th APRIL, 1956

The Committee sat from 3.16 P.M. to 5 P.M.

PRESENT

Shri V. B. Gandhi—*Chairman*

MEMBERS

2. Shri U. Srinivasa Malliah
3. Shri Kamal Kumar Basu
4. Shrimati Ammu Swaminadhan
5. Shri S. V. Ramaswamy
6. Shri Diwan Chand Sharma
7. Shri Y. Gadilingana Gowd

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

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

Shri K. K. Iyengar, *Chief Auditor, D.V.C.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

Shri T. Sivasankar, I.C.S., *Secretary, Ministry of Irrigation and Power.*

Shri P. P. Varma, *Chairman, D.V.C.*

Shri A. B. Ganguli, I.C.S., *Member, D.V.C.*

Shri S. M. Banerjee, *Financial Adviser, D.V.C.*

Shri A. M. Komora, *Chief Engineer, D.V.C.*

Shri G. D. Kshetrapal, I.A.S., *Secretary, D.V.C.*

Shri K. M. Chinnappa, *Additional Chief Electrical Engineer, D.V.C.*

Shri P. K. Basu, *Joint Secretary, Ministry of Finance.*

Shri S. N. Singh, *Deputy Secretary, Ministry of Finance, (E.A. Deptt.).*

The Committee took up consideration of the Audit Reports on the Accounts of the Damodar Valley Corporation for 1952-53 and 1953-54.

Para 4 of the Audit Report, 1952-53 and Paras. 14-15—Audit Report, 1953-54—Reconciliation of Stock Ledger balance with financial accounts

The Audit Reports pointed out that the reconciliation of the value of the stores as shown in the Stores Ledgers with the balances in the financial accounts for the years under report was in arrears in some of the project division *viz.* the Construction Plant Division, Maithon and Konar Project Division etc. The Committee wanted to know the present position of reconciliation in these divisions. The representative of the D.V.C. stated that the reconciliation had since been completed in all the divisions except in the case of the Construction Plant Division where they expected to finish it within the next two months. Explaining the reasons for the delay, the Financial Adviser, D.V.C. stated that it was due to the shortage of trained staff and the non-linking of stores at the time of their receipt from various places. The Committee, however, desired to be furnished* with a note stating the reasons for the delay and the latest position in the clearance of these arrears.

Para. 6(i) of Audit Report, 1952-53—Extra expenditure borne by the Corporation in respect of supply of certain conduits and fittings at Bokaro

According to the Audit Report, orders for the supply of conduits and fittings for Bokaro Thermal Plant were placed on the International General Electric Co., (India), Ltd., in August, 1950 subject to adjustment of prices *according to the firm's prices prevailing at the time of shipment.* During the course of the discussions it, however, transpired that a ceiling of 15% on the price in respect of the main order was to be taken into account while determining the price payable to the firm. That firm, however, placed orders with other manufacturers for want of the required capacity in its own plant. The prices of the other manufacturers were higher than the firm's prices by about Rs. 36,000 and the claim of the firm for this amount was accepted by the Corporation, the price differential involved was about 11%. Further, the shipment was also delayed, resulting in upsetting the construction programme. The Committee wanted to know why the D.V.C. did not insist on getting the supply at the price stipulated in the original purchase order. The representative of the D.V.C. explained that this happened during the days of the Korean war when there was a shortage of steel and the I.G.E.Co. was not in a position to supply out of its own quota of steel. Further, there was no stipulation in the agreement entered into with this firm that it should not obtain the supply from a sub-contractor nor was there any guarantee for the deliveries. In extenuation, it was pleaded that at that time, about 2,000 persons were working at Bokaro Power Station under the supervision of 20 highly paid American Engineers. The D.V.C. had, therefore, no other option except to go in for the equipment at extra prices to ensure commissioning of the Power Station at Bokaro in time which ultimately resulted in yielding to the Corporation revenue earlier than anticipated. To a question, why the D.V.C. could not place the order direct with the other manufacturer

*Since furnished. See Appendix I.

rather than employing the I.G.E. as procuring agents, the representatives of the D.V.C. stated that the prospects of obtaining the supplies directly from other manufacturers were not bright in view of the uncertain supply position due to the Korean war.

Para 6(ii)(a) of Audit Report, 1952-53—Infructuous expenditure in respect of certain huts for displaced persons of Maithon submergence area

75 units of temporary huts were constructed at a total cost of about Rs. 63,000 above the anticipated temporary submergence level and made over to the Rehabilitation Department (in September, 1953) for the interim rehabilitation of the people likely to be displaced during the rains of 1953. Audit pointed out that this expenditure on temporary houses need not have been incurred if permanent arrangements had been made in time. The Corporation explained that permanent arrangements could not be made as the displaced persons had not exercised their option either for cash compensation or compensation in kind. The Committee wanted to know why the Corporation could not avoid this infructuous expenditure being incurred. The representative of the D.V.C. stated that despite the best endeavours made by them and the Bihar Government, the displaced persons did not exercise their options as to whether they would take 'land for land' or cash compensation. In the meantime, the monsoons were coming and there was the danger of the houses being submerged. So the D.V.C. had to undertake the construction of these huts as an 'insurance measure'. In reply to a question, it was stated that the Corporation got about Rs. 8,000 as a result of the auctioning of these huts.

Para. 6(ii)(b) of Audit Report, 1952-53—Irregular Piece-work Agreement

In this case, 86 works costing between Rs. 2,500 and Rs. 42,000 each, with an aggregate value of Rs. 7.4 lakhs (approximately) were given out on piece-work agreements without calling for tenders. The Committee wanted to know why tenders were not invited. The representative of the D. V. C. explained that the investigation made by the Corporation revealed that in several cases due to the urgency of the work, regular tenders could not be called for; in certain cases no tenders were received and in some cases work was given to a number of contractors on the basis of negotiated rates. He pleaded that, on the whole, they were satisfied that all necessary precautions were taken by the Divisional Engineer to see that no loss occurred and at the same time the work did not suffer. The Financial Adviser, D.V.C., however, admitted that it was an irregular practice and that had since been stopped. The Committee, being not satisfied with the explanations given, desired to be furnished* with a note stating the special circumstances which led to the relaxation of the system of calling for open competitive tenders in these cases.

Para. 6(ii)(c) of Audit Report, 1952-53—Departmental manufacture of bricks

In this case, initial records of brick manufacture and supply for the years 1951-52 and 1952-53 were not available. The total

*Since furnished, See Appendix I.

expenditure on brick manufacture was about Rs. 4.5 lakhs. The Corporation had explained that the Brick Supply Officer, who was responsible for the maintenance of these initial account records etc. could not produce the necessary records and ultimately left the services of the Corporation without handing over all the records.

The Committee wanted to know the present position of the case. The representative of the D. V. C. stated that the Accounts had since been prepared and would be submitted to the Chief Auditor. The Police who had investigated into this case on their own after the officer concerned had left the service of the D. V. C. on the expiry of his contract, he said, had stated that there was no criminal case and that the D. V. C. should institute proceedings against him in a civil court. He added that they were now seeking legal advice and thereafter would proceed in the matter. The Committee wanted to know whether any check was exercised by the D.V.C. at any stage during the period of three years to see whether this officer was maintaining any proper records of manufacture and supply of bricks. They also asked for the terms and conditions of employment of this officer*.

In reply to a question, the Financial Adviser, D. V. C. stated that the Corporation came to know towards the end of March, 1953 that this officer was not maintaining any record and they decided that he should be asked to hand over charge together with the relevant records, accounts etc. But he postponed handing over charge on some pretext or other and eventually he disappeared. Continuing further he stated that all attempts to trace that officer failed and ultimately his house was broken open on the 17th October, 1953 and then steps were taken by the local officers to check up and finalise the brick manufacture accounts.

Para. 6(ii)(d) of Audit Report, 1952-53—Infructuous expenditure on purchase of "Breco" Ropeway

According to the Audit Report, this Ropeway was purchased for a sum of Rs. 28,254 sometime in 1950 with a view to providing arrangements for transport of materials at Maithon work-site. But the ropeway was stated to be still lying unused. The Committee wanted to know the present position of the Ropeway and whether it had since been disposed of. The representative of the D. V. C. admitted that it was a 'bad purchase' and stated that they were now going to sell it.

Para. 6(iii) of Audit Report, 1952-53—Sheet-piling at Panchet Hill

The representative of the D. V. C. stated that D. V. C. purchased the sheet-piling equipment and machinery referred to in this para. for Rs. 3,94,260 in December, 1952 with the intention of utilising it both at Maithon and Panchet Hill projects. But it came in four months late and the work had to be commenced from December, 1952 and continued until May, 1953. It was hoped to start the sheet-pile driving work at Panchet Hill in time before the monsoon after the pile driving work at Maithon had been completed. But

*See Appendix III.

owing to the late arrival of the machinery ordered, the work could not be completed as scheduled at Maithon. At the same time, the pile driving work at Panchet Hill had to be taken up before the monsoon. There was, therefore, no other alternative but to ask a contractor to do the work at Panchet Hill. He added that if it had not been done, it would have meant waiting for another year for doing the sheet-piling work at Panchet Hill with the machinery purchased by the D. V. C. In reply to a question, it was stated that the equipment had to be imported and that the suppliers had pointed out that they could not guarantee the date of delivery although they undertook to do their best to expedite it. During the course of discussions, it transpired that it took two months to finalise the tenders for the sheet-piling work at Panchet. As the representative of the D. V. C. was not ready with the explanation why the period of two months had been taken to finalise the tenders, he promised to furnish a note* to the Committee.

Para 6(v)(a) of Audit Report, 1952-53—Want of proper records of measurement of earthwork done by the Mechanical Division, Barrage and Irrigation, Durgapur

In this case, no record of earth-moving work which was done departmentally with the help of machines had been maintained. The Committee wanted to know why a departure had been made from the observance of the prescribed rules in this behalf. The representative of the D. V. C. stated that in this case record was kept in the level books and no attempt was made by the officer concerned to maintain the measurement book. He added that the D.V.C. had since asked for such a record being maintained.

Para 8(a) of Audit Report, 1952-53—Payment of sales-tax not provided for in the purchase order

According to Audit Report, the purchase orders placed with a firm for the supply of timber at Konar in 1951-52 and 1952-53 contained no stipulation for the payment of sales-tax nor was there anything in the quotation submitted by the firm to show that the tax was payable in addition to the price quoted. Yet a sum of Rs. 4,939 was paid to the firm as sales-tax. The representative of the D.V.C. agreed with the Committee that there was no legal liability for the payment of such a tax and that it was an *ex gratia* payment.

Para 9 of Audit Report, 1952-53—Air Survey Mapping of Giridih and Hazaribagh Area

Referring to the Audit comment that no formal agreement had been entered into by the D.V.C. with the private company who had been authorised to conduct several surveys from time to time, the representative of the D.V.C. stated that they did not do so as they had fixed the rates.

Para 10(ii) of Audit Report, 1952-53—Low utilisation of heavy earth-moving machinery in the Mechanical Earth Moving Division

According to the Audit Report, nearly Rs. 43 lakhs had been invested on the purchase of Mechanical earth-moving machinery,

*Since furnished, see Appendix—IV.

although the machines were to work for a minimum of 2,000 hours per year, they actually worked upto 57 per cent., 46 per cent. and 29 per cent. of the minimum during 1950-51, 1951-52 and 1952-53 respectively.

The Committee wanted to know who fixed the minimum of 2,000 hours. The Chief Engineer, D.V.C. stated that it was fixed by the D.V.C. on the basis of standards established in the U.S.A.

Explaining the reasons for the machinery lying idle, the representative of the D.V.C. stated that the work of the M.E.M. Division was connected with the resettlement of people whose lands had been acquired by the Corporation for the reservoir area. Since it took some time for the owner to decide either to take cash compensation or 'land for land' they could not proceed with the work. He added that they had since diverted some machines for canal work and despatched some to the Sindri Fertilisers Factory and further proposed to transfer a considerable part of the machinery to the Durgapur Steel Plant when it started working.

Para. 13(a) of Audit Report, 1952-53—Outstandings from Audit Report for 1950-51

Headquarters Construction.—The property acquired for the purpose of Headquarters Construction was stated to be still in the possession of the D.V.C. and expenditure stood at Rs. 7·8 lakhs. The Committee wanted to know the present position. The representative of the D.V.C. stated that they had since abandoned the idea of construction and that they were now going to give it on lease to the Bihar Government.

Accounts.—It was stated that the D.V.C. had decided to follow the C.P.W.A. Code and not have a separate Code.

Land Reclamation.—It was stated that the recommendations made by both the Construction Plant and Machinery and Rates and Costs Committees set up by the Government of India for the utilisation of heavy machinery in all the major projects were under consideration of the Government of India and as soon as their decision was made known, the D.V.C. would take necessary action in the matter.

The Committee then adjourned till 3 P.M. on Friday, the 20th April, 1956.

**PROCEEDINGS OF THE NINETEENTH SITTING OF THE
PUBLIC ACCOUNTS COMMITTEE HELD ON FRIDAY, THE
20TH APRIL, 1956.**

The Committee sat from 3.10 to 5.20 P.M.

PRESENT

Shri V. B. Gandhi—*Chairman*

MEMBERS

2. Shri U. Srinivasa Malliah
3. Shri Kamal Kumar Basu
4. Shrimati Ammu Swaminadhan
5. Shri S. V. Ramaswamy
6. Shri Diwan Chand Sharma
7. Shri Y. Gadilingana Gowd
8. Shri V. Boovaraghasamy
9. Shrimati Violet Alva

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

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

Shri K. K. Iyengar, *Chief Auditor, D.V.C.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

Ministry of Irrigation and Power:

Shri R. R. Bahl, I.C.S., *Joint Secretary.*

Damodar Valley Corporation:

Shri P. P. Varma, *Chairman, D.V.C.*

Shri A. B. Ganguli, I.C.S., *Member, D.V.C.*

Shri S. M. Banerjee, *Financial Adviser, D.V.C.*

Shri G. D. Kshetrapal, I.A.S., *Secretary, D.V.C.*

Ministry of Finance:

Shri P. K. Basu, *Joint Secretary.*

Shri Shiv Naubh Singh, *Deputy Secretary.*

The Committee took up consideration of the Audit Report on the Accounts of the D.V.C. for 1953-54.

Para 3—Utilisation of D.V.C. Power

According to the Audit Report, if the arrangements to obtain the sub-station equipments for Bokaro and Tilaiya Power stations had been made in time, by stipulation of the date of completion of supply and introduction of penalty clause in the purchase orders, the loss resulting from the production of power ahead of transmission arrangements could have been obviated. The Committee wanted to know the present position regarding the completion of transmission lines and the extent to which the power was now being utilised as compared with the firm capacity. The representative of the D.V.C. stated that at present out of 1,00,000 k.w. produced at Bokaro, 78,000 k.w. were being utilised, and they were going to supply another 20,000 k.w. to the Tatas by July this year.

When asked why no penalty clause had been provided for in the contract, the representative of the D.V.C. stated that during the year 1948 when orders were placed in U.S.A. and U.K. for the supply of the transmission equipment etc. (which arrived in 1954-55), it was a seller's market and no firm was prepared to accept a penalty clause for delay in delivery. The Committee then desired to know whether any attempt was made by the D.V.C. to get the penalty clause inserted in the agreement, and if so, with what result; they asked for the names of the firms who tendered and also for a copy of the tender form. As the representative of the D.V.C. was not ready with the requisite information, he undertook to submit a note* to the Committee in this behalf.

Para 4—Utilisation of water stored in the Tilaiya Reservoir

The Audit Report had pointed out that so far it had not been possible to use the water stored in Tilaiya Dam as long ago as the monsoon of 1952. The Committee enquired what action had been taken by the Governments of Bihar and West Bengal to implement the schemes necessary to utilise the water in the Tilaiya Reservoir. The representative of the D.V.C. contended that while the D.V.C. were responsible only to provide water, the statutory responsibility for utilising it rested on the two State Governments. Further, irrigation in Bihar was a difficult problem on account of the high level of the terrain and whatever scheme the D.V.C. prepared was not accepted by the Bihar Government, it being considered costly.

When questioned about the utility of constructing this reservoir without having made any arrangements for the utilisation of water stored in it, the Financial Adviser, D.V.C. pleaded that while an individual unit might not be economical, taking the Damodar Valley Project as a whole, it might be economical. Stating the purpose of this dam, the representative of the D.V.C. stated that it was three-fold viz. flood-control, power and irrigation.

When asked to explain the viewpoint of the Government of India in the matter, the representative of the Ministry of Irrigation and Power stated that the Tilaiya Dam was conceived as a multi-purpose project and its water was to be utilised through the Durgapur Barrage for irrigation in West Bengal. Schemes for irrigation in

*Since furnished, see Appendix V.

Bihar were also prepared by the D.V.C. The latest scheme, he said, had almost been accepted by the Bihar Government at the last Conference of the three participating Governments and only a few points remained to be clarified. The responsibility of the Government of India in this case, he further said, was as one of the three participating Governments.

Explaining the reasons why the West Bengal Government had not been able to utilise the water, the representative of the Ministry of Finance stated that there were certain legal difficulties that stood in their way since they had still to enact legislation for levying water rates for the water supplied to them.

The representative of the D.V.C. stated that since the D.V.C. canal system had been completed only last year, the West Bengal Government could not utilise the water earlier. He added that until 1952 the D.V.C. had not been authorised to spend money on the canal system. In reply to a question, he stated that he had been discussing this matter of utilization of water with the West Bengal Government for the past four months to see whether they could make some amendment in the existing West Bengal Acts to enforce the levy of the water rates.

Para 5—Extra expenditure incurred due to 'land for land' and 'house for house' policy [See also Para 6(ii)(a) of Audit Report, 1952-53]

In pursuance of the policy of Government of India to provide 'land for land' and 'house for house' to the persons displaced from villages submerged as a result of the construction of the Tilaiya Dam, the D.V.C. incurred an expenditure amounting to about Rs. 18 lakhs on lands and buildings which the displaced persons did not occupy. The representative of the D.V.C. explained that they could not foresee whether the displaced persons would accept compensation in cash or in kind and despite their best efforts, the option from the displaced persons could not be obtained in all cases before reclamation work was started. Further the Bihar Government had insisted on the D.V.C. taking up this work in anticipation of the options from the displaced persons. The Bihar Government, he added, had now offered to take over the lands and houses at the present market value which was under negotiation. In reply to a question he stated that the D.V.C. would have to sustain a loss of a few lakhs of rupees in this transaction.

The Comptroller and Auditor-General, however, pointed out that the cost of houses built was much more than the cash compensation that would have been legally payable. While corroborating this, the Financial Adviser, D.V.C. stated it would be 33 per cent. more than what would have been payable under the Land Acquisition Act. In extenuation, he explained that it was definitely the intention of the three participating Governments that the payment of cash compensations to the Adivasis should not be encouraged for more reasons than one.

Para 8—Purchase of Tools and Plant in excess of requirement, Barrage and Irrigation (Durgapur)

Sub-para (i)—Purchase of 7 simplex Locos.—The Committee were informed that two of these Locos. were transferred to Panchet Hill Project and of the remaining five, 2 had been sent to the Chambal Project; 2 to Kosi Project and one to Hindustan Steel.

Sub-para (ii).—The sheet-pile driving frame costing Rs. 70,020/- which had been declared as surplus was stated to have since been disposed of.

Sub-para (v).—It was stated that the three concrete mixers had been sent to the Chambal Project.

When asked what action had been taken by the D.V.C. to ensure that in future they did not indent for any equipment which was not necessary and was declared surplus afterwards, the representative of the D.V.C. stated that while the Corporation took up normal precautions, some equipments had to be purchased and kept as stand-by because they were not readily available in the country.

Para 10—Loss through Fraud

It was stated that the employee of the Corporation who had committed the fraud had since been convicted and sentenced to six months' imprisonment and the defects in the procedure which facilitated the defalcation in this case had been rectified.

Para 11—G.P. Fund benefits to re-employed Pensioners

It was stated that the Government of India had since decided that the re-employed Government pensioners could join the fund but the Corporation would not make any contribution.

Para 12—Purchase

In this case, the field officers in the D.V.C. made piece-meal purchases of specified makes of equipment which tended to reduce competition. The Committee wanted to know how these purchases were justified. The representative of D.V.C. stated that they decided to go in for specific makes of equipment in those cases where they had already got similar makes. He, however, agreed with the suggestion made by the Committee that the decision to buy a particular type must be taken at a high technical level and it should not be left to the indenting officers. On his attention being drawn to the observations made by the Construction Plant and Machinery Committee that the D.V.C. suffered from a multiplicity of equipment under each category, the representative of the D.V.C. assured the Committee that the Corporation had laid down a procedure for avoiding such things in future.

Excess payment to Messrs. Hind Patel & Co. for certain items of work done at Konar Dam

The Public Accounts Committee of 1954-55 have commented in Chapter VI of their Fifteenth Report about the high rates allowed to Messrs. Hind Patel & Co. for certain items of work done by them on the Konar Dam. The Committee had emphasised that since this firm was continuing as Government contractors, the Ministry of

Irrigation and Power should explore the possibilities of arriving at some equitable settlement with them and also persuade them to agree to arbitration without insisting on the income-tax stipulation on the amount that they might have to refund to Government as having been excess paid as a result thereof. The Committee wanted to know the action taken by the Government in this respect. The representative of the Ministry stated that they had decided to appoint an Enquiry Committee consisting of a Judge of a High Court and two Engineers to determine the extent of over-payment and after that had been done, they would ask the contractors to make good to Government the amount paid to them in excess. He assured the Committee that Government had decided to pursue the line of action suggested by the Public Accounts Committee. He also mentioned that they were telling the contractors about the investigation which they contemplated to have in this case and would ask the latter to abide by the findings of the Committee.

Before the Committee concluded their deliberations, the Chairman, D.V.C. invited them to visit the various work-sites in the Damodar Valley.

The Committee then adjourned till 3 P.M. on the 21st April, 1956

**PROCEEDINGS OF THE TWENTYNINTH SITTING OF THE
PUBLIC ACCOUNTS COMMITTEE HELD ON WEDNESDAY,
THE 27TH JUNE, 1956 AT 'GORTON CASTLE', SIMLA.**

The Committee sat from 3.15 to 6.45 P.M.

PRESENT

Shri V. B. Gandhi—*Chairman.*

MEMBERS

2. Shri Ramananda Das
3. Shrimati Ammu Swaminadhan.
4. Shri S. V. Ramaswamy
5. Shri K. G. Deshmukh
6. Shri Balwant Sinha Mehta
7. Shri Y. Gadilingana Gowd
8. Shri Uma Charan Patnaik
9. Shri V. Boovaraghasamy
10. Dr. Indubhai B. Amin
11. Shrimati Violet Alva
12. Diwan Chaman Lall
13. Shri Ram Prasad Tamta
14. Shri P. S. Rajagopal Naidu
15. Shri Mohammad Valiulla
16. Shri V. K. Dhage
17. Shri B. C. Ghose

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

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

The Committee took up consideration of their Draft Eighteenth Report on the Accounts of the Damodar Valley Corporation for the years 1952-53 and 1953-54 and approved Paras 1—31 and 35—37 thereof subject to certain additions and alterations here and there.

2. As regards Paras 32—34, it was decided that Para 32 should be deleted and Paras 33-34 redrafted in the light of the discussions which the Committee had.

3. The Committee then adjourned till 2.30 P.M. on Thursday, the 28th June, 1956.

APPENDICES

APPENDIX I

AUDIT REPORT, 1952-53

Para 4—Reconciliation of stock ledger balances with financial accounts

(i) Why could not the arrears be cleared so far in the case of the Construction Plant Division?

The Construction Plant Division was sanctioned about the end of 1951-52 and started functioning from 1952-53. The stores dealt with by this Division were mainly machine spares. The work being of a specialised type, there were considerable teething troubles in organising the Division. The staff sanctioned in February, 1952 was soon found inadequate. Stores started arriving in large quantities before suitable personnel could be placed in position. It also happened that considerable spares had to be issued during the early stages before the stores received could be properly accounted and paid for. The volume of stores was steadily going up ending with as many as 20,000 items of stores. This resulted in considerable congestion: so that settlement of suppliers' bills as well as adjustment of stores issues fell into heavy arrears. Additional staff to cope with the work was sanctioned in October, 1952 but it took some time to find suitable men for the job. This resulted in delay in adjusting the value of stores issued which could be taken up only in March, 1953. It was decided in January, 1954 to transfer 'preventive maintenance' and 'heavy repairs' work to the Projects, and directions were issued to the Construction Plant Division to hand over the stores to the Projects in accordance with the equipment working at the moment on the Projects, 'Engine repairs' only being left with the Construction Plant Division. This transfer of spares involved a very heavy pressure on the staff employed on the job both in arranging for the physical transfer and raising debits against the Projects concerned for a large number of items of stores. The impact of this transfer is indicated by the fact that the stock balance, which was rupees fifty-six lakhs in February, 1954, came down to rupees twelve lakhs by the end of October, 1954. In the circumstances, the store-keeping staff and the clerical staff could not find time to attend to the work relating to the reconciliation with the financial accounts.

Physical verification carried out in 1953-54 indicated that the store-ledgers were not properly maintained. The Corporation in consultation with the Financial Adviser, therefore, directed late in 1954 that the Stores ledgers should be thoroughly checked up from the very beginning. Additional temporary staff was provided and the work was started in December, 1954, and completed in April, 1955. The value balances as per the corrected ledger for 31st July, 1955 were arrived at and have now been reconciled with the financial accounts. The reconciliation discloses an accumulated surplus of about 20 lakhs of rupees caused by the valuation of issues at higher

rates than actual cost. This is being adjusted in the accounts for 1955-56.

(ii) *What is the latest position of arrears of reconciliation and how is it proposed to bring it up-to-date?*

In the Public Works Department, stores ledger balances are reconciled with the financial accounts half-yearly. This was found rather impracticable in the D.V.C. in view of the large number of items of stores handled by the Projects. The Corporation, therefore, ordered annual reconciliation. This annual reconciliation cannot be carried out until the accounts of the year are finally closed (some time in June). The reconciliation of the stores ledger balances for 1955-56 is not, therefore, due yet. The reconciliation of balances as at 31st March 1955 has been completed except in respect of one out of twenty-eight Formations. The work of the defaulting unit is in progress. The valuation has since been completed and the reasons for the difference are under scrutiny by the Accounts Officer. The work is expected to be completed before end of the month.

The Chief Auditor has observed as follows:

“The adjustment of the value of the stores started about a year after the Division started functioning. The Corporation failed to provide the Construction Plant Division with adequate staff.”

It was a Central Store for machine spares. A successful running of such an Organisation requires the services of personnel with specialised knowledge which was not readily available. This provided a real handicap and we had to replace the store-keeping staff twice. Initial difficulties in organising a Store Depot like this are not uncommon and the Corporation considers that we did as best as was possible.

APPENDIX II

Para 6(ii)(b)—Irregular Piece-work Agreements:

A note stating the special circumstances which justified the non-inviting of open tenders in this case by the authorities concerned.

Out of 86 Agreements, regular tenders were called for in respect of 9. The balance of 77 is accounted for as follows:

(i) 66 Agreements include works ancillary to the construction of Colony buildings, barracks for workcharged personnel and operators, shops for the market, a carpentry shop near the concrete dam and a field office for the Executive Engineer (Mechanical). The works consisted primarily of supply of bricks, purchase of coal for manufacture of bricks, supply of gravel, sand, timber; transportation of bricks, coal, brickbats, etc., and some small construction works. There was a heavy building programme initiated in 1952-53 to meet with the growing needs of the various Departments located at Maithon, viz. Civil, Electrical and Mechanical including the new Organisation of the Construction Plant Engineer. Staff were daily arriving at the colony in large numbers and all the Departmental Heads, viz. Electrical, Mechanical, Civil, etc., were pressing hard for accommodation of their respective staff. The Executive Engineer had, therefore, no time available to follow strictly the normal procedure of calling for open tenders which normally takes three months to finalise. In the case of the carpentry shop, the original idea was to get the form-work done at the Timber Workshop at Maithon, but this had eventually to be given up due to heavy pressure of work at the Timber Workshop. The decision to get the form-work done by the Project itself with timber supplied by the Timber Workshop was taken rather late and the carpentry shop had to be built near the concrete dam within a very short time. There was originally no idea of building a field office for the Executive Engineer (Mechanical), but it was eventually found necessary and the work had to be done within a short time.

The Chief Auditor has observed that the construction of buildings should not have been treated as emergent works. The circumstances in which the work was considered as urgent have already been explained in the above note.

(ii) Two piece-work Agreements relate to breaking, stacking and transporting boulders from the downstream too. This was necessary to prevent deep rain-cuts of the newly constructed dykes during the monsoon. The original idea to get the work done by machines had to be given up as the machines could not be diverted from the Diversion Channel. The work was, however, given out at the lowest rate after obtaining quotations.

(iii) Four Agreements relate to the excavation of common materials in the Diversion Channel. The original idea of departmental work by machines was considered unsuitable as boulders

were encountered in very large proportion. The work was, therefore, done by contract at short notice. Quotations were, however, called for and the lowest rate of Rs. 37|8|- per %0 cft. was further lowered on negotiations to Rs. 30/- per %0 cft. As the work had to be completed within a limited period, the work was distributed at Rs. 30|- amongst 4 contractors for expeditious execution.

(iv) In three cases relating to the construction of Reclamation Tunnel and the foundation for trestles, crusher and batching plant, etc., the detailed construction drawings were received too late to admit of the normal procedure being adopted by the Executive Engineer.

The Chief Auditor has observed that this indicates defective planning.

(v) One was a Supplementary Agreement for the supply of moorum to be used as blinding material for metalling the Diversion Road from the Hangar to the River. The Original Agreement provided for the supply of moorum from the roadside which was not available at the time of metalling. The supply of moorum was entrusted to the same Contractor at Re. 1|- less than the rate currently accepted for similar works.

(vi) In one case trucks had to be hired for carting of materials as departmental trucks were not available.

APPENDIX—III

Para 6 (ii) (c): Departmental manufacture of bricks

(1) *How was the Officer, involved in this case, appointed? What were the terms and conditions of his service?*

The Ex-Brick Supply Officer applied for a suitable post in the Corporation, in September, 1948. Being a refugee from Burma and East Pakistan and out of job, he was then willing to accept any job on a minimum pay of Rs. 160/- per month subject to the condition that the pay might be increased when he showed his merits. His name was registered for Drilling and Brick Manufacturing Section. He again submitted an application in February, 1949 and stated that he would be willing to join as an Apprentice Drill Runner. He was interviewed in April, 1949 by a Selection Board consisting of the two Members of the Corporation, the Director of Personnel, the Deputy Secretary, the Financial Adviser and the Drilling Engineer, and offered the post of a Drill Helper, which he refused to accept. In the meantime the question of departmental manufacture of bricks cropped up and in view of his previous experience in brick manufacturing operations, he was appointed with the approval of the Chairman, one Member and the Financial Adviser, as a Brick supply Officer.

2. At first, he was appointed for 6 months on a fixed pay of Rs. 275/- p.m. The term of his appointment also provided for a periodical bonus based on the production of brick and the degree of difference in overall cost and the prevailing market price. He joined duty at Bokaro on 26.8.49 and relinquished office on 6.3.50. He was re-appointed as a Brick Supply Officer for 3 months from 11.11.50 on a fixed pay of Rs. 275/- p.m. In view of the increased demand for bricks, the term of his appointment was increased to 2 years. His pay also was re-fixed at Rs. 400/- p.m. in the scale of Rs. 275-25-500/- with retrospective effect from 11.11.50 on condition that no bonus should be claimed either for his past service or for his future service.

On 16-9-52, he was offered extension of service for a further period of one year on a monthly pay of Rs. 450/- in the scale of Rs. 275-25-500/- plus allowances. He did not accept the offer which was cancelled in March, 1953.

3. The Chief Auditor has observed as follows:

"It was decided by the Corporation in December, 1950 that the Brick Supply Officer should furnish a security of Rs. 10,000/- either in the shape of a fidelity Bond or any interest-bearing security before any advance not exceeding Rs. 10,000/- was allowed to him. Accordingly, the Brick Supply Officer furnished a fixed Deposit Receipt of Rs. 5,000/- in December, 1950 and proposed to execute a fidelity Bond. Subsequently, the fixed deposit receipt was returned

to him. Neither in the letter of his appointment nor in the agreement executed with him, was the condition of furnishing security mentioned."

The facts are as follows:

He drew an advance of Rs. 5,000/- in the first instance and the Engineer-in-Charge (B&I) received from him a fixed deposit receipt for Rs. 5,000/-. He drew a further advance of Rs. 4,000/- subsequently and was asked to furnish security for Rs. 9,000/-. He arranged with an Insurance Company for a Fidelity Bond and paid the premium. The Insurance Company provided a provisional cover for Rs. 9,000/- pending completion of formalities. This cover note which was effective from 13.1.51 was received by us on 26.1.51. As this covered the total amount of his advance, he requested a return of his fixed deposit receipt. We however retained his fixed deposit receipt. He again represented early in February, 1952 requesting the return of his fixed deposit receipt, as it was mature for encashment. As the balance of cash held by him at that time was about Rs. 1,000/-, the receipt was returned to him. The question of security came up for consideration again during the third week of March, 1952, when some further advances were issued to him under instructions from the Engineer-in-Charge (B&I). It was decided in July, 1952 that he should furnish security for Rs. 4,000/-. He was, therefore, asked on 26.7.52 to furnish the security. In September, 1952, he was offered renewal of his appointment for one year which he did not accept. The matter was not therefore pursued further. He had, however, made over balances of cash in his hand to the Accounts Officers concerned before handing over charge.

(2) *What was the nature and frequency of supervision over the maintenance of accounts?*

4. While at Bokaro, he was placed under the control of the Executive Engineer, Bokaro. On being re-appointed in November, 1950, he was placed under the administrative control of the Engineer-in-Charge (B&I). It was ordered in February, 1951 that the Brick Supply Officer should be treated as a Sub-Divisional Officer and he was authorised to accept piece-work agreements upto Rs. 500/- in each case and to make purchases upto Rs. 200/- on each occasion provided the lowest quotation is accepted. In all other matters, he must obtain orders of the Engineer-in-Charge (B&I). In 1950-51 bricks were manufactured at Maithon and Panchet Hill and the work was carried out under the supervision of the Executive Engineers concerned.

5. As the B&I Project did not at that time contemplate departmental manufacture of bricks, the Corporation, on the advice of the Chief Engineer, order in November, 1951 that the Brick Supply Officer should thereafter be under the administrative control of the Executive Engineer, Maithon Project, with headquarters at Maithon. The Executive Engineer was, therefore, scrutinising and countersigning all bills, imprest accounts, etc., relating to brick manufacture operation, which were also pre-audited by the Accounts Officer,

Maithon, before issue of funds. The financial accounts were maintained by the Accounts Officer, Maithon, while the manufacture accounts were to be prepared by the Executive Engineer.

6. In April, 1952, he was placed in independent executive charge under the administrative control of the Chief Engineer and authorised in September, 1952 to enter into agreements with *Sardars* for various operations subject to an overall limit of unit rate for bricks. The Chief Engineer by an order of September, 1952, placed the Brick Supply Officer under the Executive Engineer (Colony), Maithon for all accounting purposes. The Executive Engineer was also required by an order of December, 1952 to maintain the operation and outturn accounts and to close the manufacture accounts at the end of each season and submit a consolidated manufacture account for all the Projects. The Executive Engineer (Colony) therefore continued to scrutinise and countersign all bills, imprest accounts, etc., before payment by the Accounts Officer, Maithon, who was pre-auditing all these payments and maintaining the financial accounts.

7. The preparation of the manufacture account required to be maintained by the Executive Engineer, which was in arrears at the time the Brick Supply Officer handed over, was taken up only after all the Brick Supply Officer's accounts had been scrutinised by the Field Officers. The work was also handicapped by delay in settlement of certain disputed claims presented by the Brick *Sardars* and other contractors. The B&I and the Panchet Hill Projects have since finalised the accounts while the Maithon Project has completed the accounts for the Left Bank. The accounts of the Right Bank are expected to be finalised in course of the current month. The delay is due to the fact that some disputed claims are yet under scrutiny.

(3) *When was the discrepancy detected?*

8. Discrepancies came to notice sometime after the records handed over by him on termination of his service were scrutinised by the field officers. This could not however be finalised until the records seized by the Bihar Police were returned and the accounts thoroughly investigated by the Internal Audit Officer, deputed from Calcutta. Please see item (5) below.

(4) *On what grounds he was asked to hand over charge?*

9. The terms of his appointment expired on the 10th November, 1952 and he was offered an extension of service for one year. He did neither accept the offer nor reject it, but started prolonged correspondence with the Corporation asking for a longer term of service and a bonus. The Corporation could not agree to this and ultimately decided in March, 1953 to cancel the offer of appointment.

(5) *Why were all the records not taken over at the time of taking the charge?*

10. The Brick Supply Officer was asked by Corporation's letter of the 14th March, 1953 to hand over charge immediately. He delayed handing over charge on some excuse or other. In the first instance, he applied for 1½ months' leave on the ground of his wife's sickness.

which was rejected. On the 30th March, 1953, the Executive Engineer (Colony) at Maithon was directed by the Corporation to make immediate arrangement for taking over charge from the Brick Supply Officer. It was mentioned therein that in case some previous papers are not ready, handing-over-charge should still take place and the Bricks Supply Officer asked to furnish such papers and details of connected accounts subsequently. He was also asked to make it clear to the Brick Supply Officer that he would remain responsible for rendering accounts and for all other matters in respect of the periods prior to his making over charge. A copy of this letter was also endorsed to the Brick Supply Officer. (A similar letter was again issued on the 12th May, 1953 with copy endorsed to the B. S. O.).

11. The Brick Supply Officer, however, ultimately prepared list of records and other properties to be handed over and statements of liabilities still to be paid, and the Executive Engineers concerned took over whatever were handed over and then started scrutinising them. It may be observed in this connection that he did not hand over all the records nor did he prepare an outturn statement of bricks manufactured nor did he furnish complete accounts of issues and receipts of bricks manufactured and otherwise obtained by direct purchase. He did not also hand over a complete list of tools and plant, furniture and other articles drawn by him from different sources. The required information had, therefore, to be collected by reference to various sources.

12. A statement of receipts and issues of bricks was prepared later, and references had to be made to all the officers concerned to confirm receipt of bricks shown as issued.

13. He left Maithon sometime in June, 1953 immediately after he handed over and started writing to all concerned asking for a settlement of his accounts. His whereabouts were not known since then, and letters addressed to his registered address were returned undelivered. The Field Officers could not, therefore, contact him with a view to settling the discrepancies or shortages detected by them in course of examination of the accounts. His salary from January, 1953 and provident fund balances were withheld. A letter was written to him from Headquarters on the 13th June, 1953 stating that no action could be taken for finalising his accounts until he completely handed over all records, documents, properties and assets of the Corporation including Corporation's quarters allotted to him at Maithon. He was also informed that he would be responsible for any loss, damage or discrepancy in respect of stores, cash, etc., not handed over by him. This letter was returned undelivered. He, however came to Anderson House, Alipore, Calcutta on the 27th June, 1953, when this letter was handed over to him. He read the letter but refused to acknowledge receipt. As he did not go back to Maithon to hand over the balance of records in his possession, and to explain the discrepancies, etc., his official residence had ultimately to be broken open in October, 1953 in the presence of responsible officials, and the records, furniture, etc., stored therein were taken possession of. Meanwhile in September, 1953 the Bihar Police, on receipt of some direct information indicative of fraud committed

by him, came to Maithon and undertook a preliminary examination of the accounts. Sometime after the preliminary examination was over they seized all the records and returned them in July, 1955, with a suggestion that departmental action should be taken by the Corporation. Departmental investigation which was already ordered in July, 1954 had to be suspended as the Police seized all the records immediately thereafter. This investigation was resumed when the records were returned by the Police and the report of investigation revealed discrepancies amounting approximately to Rs. 32,000/- which the Brick Supply Officer was asked to explain or to make good. His reply received in April, 1956 is under examination.

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APPENDIX IV

Para 6 (iii)—Sheet piling

A note stating the reasons for taking a period of two months to finalise tenders called for sheet piling etc.

This point has been examined with reference to the records in the Central Purchase Department at Calcutta and it is found that orders were actually placed on the 18th January, 1952 although the formal Purchase Order was issued on the 4th March, 1952. Tenders received on 2nd January, 1952 were sent to the Chief Engineer on 3rd January, 1952 for his recommendation. The Chief Engineer wrote back on the 16th January, 1952 recommending the acceptance of the lowest tender of Messrs. William Jacks. Thereupon, the letter of intent was issued to the suppliers on 18th January 1952; but the formal Purchase Order was issued on 4th March, 1952. The interval between the date of issue of the letter of intent and the issue of the Purchase Order was covered by correspondence with the suppliers with a view to settling certain details relating to price variation, Bank guarantee, etc.

APPENDIX V

AUDIT REPORT: 1953-54

Para 3—Utilisation of D.V.C. Power

(i) *Names of firms who tendered for the supply of equipment for transmission lines and sub-stations advertised by the D.V.C. (A copy of the tender form used may be sent)*

It may be noted, in the first instance, that the entire supply of all the different equipment for transmission lines and the sub-stations did not constitute one contract or a package deal. The equipment were purchased at intervals and separate orders placed on several firms at different times.

Tenders referred to were invited and scrutinized by the Central Electricity Commission (now the Central Water & Power Commission) on behalf of the D.V.C. For specialised electrical equipment, tender forms, as usually understood by the Public Works Department, were not issued. Detailed specifications with conditions of contract were supplied to prospective tenderers. Tenders were received from British firms, e.g., (1) Associated Electrical Industries, representing a group of British Manufacturers like British Thomson Houston, Metropolitan Vickers, Ferguson Pailin, etc., (2) English Elec. Co., (3) General Elec. Co., (4) A. Rey Rolle & Co. Ltd., (5) Ferranti Ltd. (represented by B.I.C.C.), (6) Hackbridge & Hewettic Ltd. (represented by Steam & Mining), (7) General Elec. Co. and (8) Westinghouse of U.S.A.

Tenders were also received from the firms in Japan like Mitsubishi & Fuji, and from Brown Boveri of Switzerland.

(ii) *Why could not the supplies be received within the stipulated time?*

Most of the orders were placed on British manufacturers and almost all of them failed to maintain the promised delivery. The information we have is that, delay occurred due to—

- (a) manufacturing capacity being not sufficient to cope with the orders booked; and
- (b) shortage of essential raw materials.

The Corporation maintained pressure to expedite shipment or cut short delay. Representations were also made to the Ministry of Supply, U. K. through the Indian High Commissioner, London, for allocating more raw materials against our order but our efforts did not meet with complete success. A considerable delay in supply occurred.

(iii) *Were any efforts made to insert a penalty clause in this contract? If so with what result?*

A copy of Clause 27—General Condition of Contract, relating to penalty for late delivery, which form a part of specification is en-

closed to this note (Annexure). In no case, deliveries were guaranteed by the suppliers under penalty. Some typical cases of Delivery-condition are reproduced below:

- (1) Every endeavour will be made to execute the work within the time stated, but no liability is accepted in regard thereto.
- (2) All such times (delivery periods) are to be treated as estimates only not involving any contractual obligation.
- (3) This delivery period is stated in good faith, but cannot be guaranteed.

In view of the clear statements in the tenders received that delivery cannot be guaranteed, no efforts could be made to insert a penalty clause.

4. It may be observed in this connection, that the consumers themselves found the same difficulty in procuring equipment and could not complete their part of the job to receive the supply.

ANNEXURE

Copy of Clause 27 of the conditions of contract

27. Damages for leday in completions:

If the Contractor fails in due performance of his contract within the time fixed by the contract or any extension thereof, and the purchaser shall have suffered any loss from the delay occasioned by such failure, the contractor is liable at the discretion of the Engineer to a reduction upto 4% of the contract price per month reckoned on the contract value of such portion only of the plant as cannot in consequence of the delay be used commercially and efficiently during each month between the appointed or extended time as the case may be and the actual time of acceptance under clause 30, and such reduction shall be in full satisfaction of the Contractor's liability for delay, but shall not in any case exceed 25 per cent. of the contract value of such portion of the plant.

APPENDIX VI

**Summary of the main conclusions/recommendations of the Eighteenth Report
on the Audit Reports on the Accounts of the Damodar Valley
Corporation for the years 1952-53 and 1953-54**

S. No.	Para No.	Ministry or Department concerned	Conclusions/Recommendations
1	2	3	4
1	8	Irrigation & Power	<p>(i) Although a period of about 2 years has elapsed since it was suggested at the Conference of the three Participating Governments held in July, 1954 that the Corporation may, henceforth undertake developmental activities ancillary to the projects only, and that the expenditure on such activities may be charged to the respective project accounts, the Committee regret to note that no final decision seems to have been taken on this important question of allocation of expenditure, which has got a vital bearing on the overall financial working of the Corporation.</p> <p>(ii) Since under the provisions of the D.V.C. Act, 1948, the profits and losses are to be determined object-wise <i>viz.</i>, flood control, irrigation and power, and except for flood control, are to be distributed between the three Participating Governments in proportion to their respective shares in the total capital cost attributable to each object, the Committee desire that this question should be decided without any further delay so that a correct and realistic picture of the financial working of the individual objectives of the Corporation might emerge.</p>
2	9	Irrigation & Power	As already stated in para 8 (S. No. 1), the Committee emphasise that this question of allocation of expenditure common to two or more of the main objects of the Project should be settled quickly. The principal desideratum which the Committee have in mind while drawing pointed attention to the delay caused in arriving at a decision in these matters is to avoid not only over-capitalization but also any dispute at a later date that might arise between the three participating Governments about the quantum of common expenditure to be borne by them on the completion of the Project.
3	19	Do. D.V.C.	(i) The Committee would like to stress the need for an adequate standard of stores accounting on the various projects in the interests of both economic administration and avoidance of pilferage and loss of stores by fraudulent means.

4	1	2	3	4
			(ii) The Committee trust that the D.V.C. would get their stores accounting system into satisfactory shape soon and by the time they next examine the accounts of the Corporation, there would be marked improvement in the reconciliation of stores balances with the stock ledgers.	
4	16	D.V.C.	The Committee consider that there was no ostensible urgency to justify the execution of works without calling for tenders in the case referred to in Para 6 (ii) (b) of Audit Report 1952-53. They would, therefore, desire that suitable action should be taken against the persons who were responsible for the irregularities in these cases.	
6	20	-do-	(i) The Committee are somewhat dismayed to find that there had been some patent lapses on the part of the Engineering Officers under whom the Brick Supply Officer responsible for the irregularities referred to in Para 6 (ii) (c) of the Audit Report, 1952-53 had been working inasmuch as they failed to exercise any proper and effective supervision over his performances and detect these irregularities.	
	21		(ii) The conduct of the Brick Supply Officer appeared suspicious after he was given notice to hand over charge and with a little vigilance on the part of the Corporation, it was likely that criminal action against him could have been taken successfully.	
	22		(iii) The Committee find it difficult to believe that the unsatisfactory ways of working of the Brick Supply Officer had escaped the notice of the Executive Engineer and the internal auditors of the Corporation. They would like to be apprised, in due course, of the result of the scrutiny of the reconstructed accounts conducted by the Chief Auditor as also the action taken against the ex-Brick Supply Officer and the Executive Engineer concerned. The Committee would also like to be informed of the amount of loss involved in this case.	
6	23	-do-	The Committee should be informed of the action taken by the D.V.C. to dispose of the 'Breco' ropeway which is lying unused since 1950.	
7	24	-do-	The Committee view with disapproval the execution of works relating to the construction of staff quarters at Durgapur without entering into a written agreement with the contractors as referred to in para 6(v) (c) of the Audit Report 1952-53.	

1	2	3	4
25	D.V.C. Irrigation & Power All other Ministries	(ii) The Committee would like to reaffirm the view expressed by an earlier Committee that save in the most exceptional circumstances, no work of any kind should be commenced without the prior execution of contract documents, as such a course makes the liability of the Government wholly indeterminable and places them entirely at the mercy of the contractors.	
8	27	D.V.C.	The Committee are perturbed over the manner in which payment of a sum of Rs. 4,939 on account of sales tax was made by a Divisional Officer despite the fact that no stipulation for the payment of sales tax in addition to the price quoted existed in the purchase order. The Committee should like the Corporation to investigate this case and report in due course (i) the action taken against the Officer and (ii) the remedial measures including recovery, if any.
9	28	—do—	The Committee should be informed of (i) the final outcome of the negotiations made by the D.V.C. with the Bihar Government for handing over the property acquired by the Corporation for construction of Head quarters and (ii) the annual rental at which this property is leased to that Government.
10	30	—do—	<p>(a) While the Committee appreciate that the problem of resettlement of persons displaced from the villages submerged as a result of the construction of the Tilaiya Dam, who were mostly aboriginals, has to be viewed from political and social aspects, they would, nevertheless, observe that the D.V.C as a commercial organisation should have either phased the programme of reclamation of land and construction of houses for these persons on the basis of options received from them or obtained an undertaking from the Government of Bihar to the effect that the latter would reimburse the Corporation the losses that might be incurred by the Corporation by constructing houses in anticipation of such options from the displaced persons. It appears that no time-limit was also fixed for the exercising of such options by the displaced persons.</p> <p>(b) The Committee should be informed of the final result of the negotiations which are under progress with the Bihar Government for the taking over of these unwanted lands and houses as also the total loss sustained by the Corporation in this transaction.</p>
11	31	—do—	The Committee would like to know the position taken by the D.V.C. in the matter of penalty being enforced against the consumers for their not having been able to obtain the power supply under the terms of the Agreement.

1	2	3	4
12	33	D.V.C.	The Committee are rather surprised at the stand taken by the D.V.C. that while the Corporation were responsible only to provide water, the responsibility for utilising it rested on the Governments of Bihar and West Bengal. In the opinion of the Committee, Sections 12 and 13 of the D.V.C. Act, 1948 fasten the responsibility on the Corporation for working out schemes for irrigation purposes in consultation with the two State Governments.
13	34	-do-	While the Committee appreciate the difficulties in utilising the water, they cannot help observing that with proper planning and timely action, most of these difficulties could have been overcome earlier and the water utilised without delay.
14	35	D.V.C. Irrigation and Power	The Committee would draw the attention of the D.V.C. to the recommendations made by the Construction Plant and Machinery Committee at pages 149, 150 and 155 of their Report and like to know what action has been taken by them to dispose of the surplus equipment and machinery to the best advantage of the Corporation.
15	36	D.V.C. Irrigation & Power.	It is not proper or advisable to leave to the indenting Officers to specify the makes of equipment; there should be co-ordination in the matter of purchase of the make, types and sizes of the plant best suited for various types of work and also combination and matching of plant where more than one unit of plant are involved. The decision to go in for the best type of equipment should be taken at a high technical level. The dangers in individual indenting officers purchasing a certain type of equipment according to their preferences are obvious. The Committee would like to commend the observations made in para 2.08 of the Report of the Construction Plant and Machinery Committee in this behalf.
16	37	Irrigation & Power.	In the case relating to the excess payment to Messrs. Hind Patel & Co. for certain items of work done on Konar Dam, the Committee find it difficult to appreciate the purpose of appointing yet another Enquiry Committee to assess the quantum of overpayment, especially when the Government have already with them a dimensional figure with which they could very well proceed to negotiate. In the opinion of the Committee, the necessity for such a Committee with a judicial officer at its head could have arisen, if the contractors had agreed to abide by the figure of overpayment arrived at by that Committee. The Committee therefore, see little justification for the appointment of an other Committee and recommend that step should be taken to effect the recovery from the contractors without further delay.