

**PUBLIC ACCOUNTS COMMITTEE
(1972-73)**

(FIFTH LOK SABHA)

SEVENTY-SIXTH REPORT

[Report of the Comptroller and Auditor General (Civil) for the year 1969-70 relating to Ministry of Home Affair and Report of the Comptroller and Auditor General (Civil) for the year 1970-71 relating to the Ministries of Home Affairs, Information & Broadcasting and Department of Agriculture and Appropriation Accounts (Civil), 1970-71 relating to the Department of Agriculture].



**LOK SABHA SECRETARIAT
NEW DELHI**

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CORRIGENDA TO 76TH REPORT OF THE PUBLIC ACCOUNTS COMMITTEE (FIFTH LOK SABHA) PRESENTED TO LOK SABHA ON 27.3.1973.

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<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
5	1.14	4	<u>Add</u> the words "though they were requested by the Municipal Corporation" after "Corporation".	
14	1.33	1	37,390	73,390
43	-	10	Plain	Pali
52	2.14	4	Rs. in lakhs	Rs. 2 lakhs
		7	(Urduq	(Urdu)
		8	7v percent	71 percent
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			688 percent	68 percent
60	3.5	8	Delete the words "The Depart- ment.....stated:"	
67	3.11	12-13	arbi to be informed of the outcome in the matter.	arbitration should be reported to them.
74	Appendix III	S.No.3 - Col. 3	16,940	3,16,940
		S.No.5- Col. 4	82,311	82,315
		S.No.8 - Col. 4	11,948	11,950
		S.No.11 - Col. 5	67	68
		S.No.12 - Col. 4	76,337	76,336
89	Appendix IV - S.No. 25 - Col. 4	6	Ajkal	Ajkal(Urdu)
		7	84 percent for Kurukshetra	74 percent for Kurukshetra(E)
		7-8	74 percent for Kurukshetra (Hindi)	71 percent for Kurukshetra (Hindi)
		8	32 percent for Yojana (English)	52 percent for Yojana (English)
		9	67 percent for Yojana (Tamil)	68 percent for Yojana (Tamil)
94	Appendix IV - S.No. 34 - Col. 4	6	watch progress through future Audit Reports	be informed of the out- come in the matter.

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*Not printed. (One cyclostyled copy laid on the Table of the House and five copies placed in Parliament Library).

PUBLIC ACCOUNTS COMMITTEE
(1972-73)

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SECRETARIAT

Shri Avtar Singh Rikhy—*Joint Secretary.*

Shri T. R. Krishnamachari—*Under Secretary.*

INTRODUCTION

1. The Chairman of P.A.C., as authorised by the Committee do present on their behalf this Seventy-Sixth Report of the Committee (Fifth Lok Sabha) on the Report of the Comptroller and Auditor General (Civil) for the year 1969-70 relating to Ministry of Home Affairs and Report of the Comptroller and Auditor General (Civil) for the year 1970-71 relating to the Ministries of Home Affairs, Information and Broadcasting and Department of Agriculture and Appropriation Accounts (Civil), 1970-71 relating to the Department of Agriculture.

2. The Report of the Comptroller and Auditor General of India for the year 1969-70 Central Government (Civil) and Report of the Comptroller and Auditor General of India for the year 1970-71 Union Government (Civil) and Appropriation Accounts (Civil) 1970-71 were laid on the Table of the House on 22nd June, 1971 and 7th April, 1972 respectively.

3. The Committee examined paragraphs relating to the Ministry of Home Affairs on 14th September, 1972. Written information was obtained from the Ministries of Home Affairs, Information and Broadcasting and Agriculture (Department of Agriculture) on points arising out of the paragraphs relating to them. This Report was considered and finalised by the Public Accounts Committee (1972-73) at their sitting held on 23rd February, 1973 Minutes of these sittings form Part II* of the Report.

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

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

6. The Committee would also like to express their thanks to the officers of the Ministries of Home Affairs, Information & Broadcasting and Department of Agriculture for the cooperation extended by them in giving information to the Committee.

NEW DELHI;

ERA SEZHIYAN,

February, 23 1973.

Chairman,

Magha, 4 1894 (S).

Public Accounts Committee.

*Not printed (One cyclostyled copy laid on the Table of the House and five copies placed in the Parliament Library.)

CHAPTER I
MINISTRY OF HOME AFFAIRS
Execution of building works

Audit Paragraph

1.1. Five building works (one school, two leper houses, one nurses' hostel and eight residential quarters) estimated to cost Rs. 15.59 lakhs and financed entirely out of grants paid by Government were awarded by the Delhi Municipal Corporation in June, 1965 to the National Building Construction Corporation, a Government of India undertaking, on a cost plus basis (i.e. construction cost plus 15 per cent). The decision to entrust the work to the Corporation was taken in the interest of "speedy execution" and to overcome "acute difficulties" stated to have been experienced in getting suitable contractors for execution of major road and building programmes.

1.2. The works were required to be completed within 9 to 24 months, but even after five years these are still in progress (September, 1970). The terms negotiated with the National Building Construction Corporation (no formal agreement has been executed) did not provide for any penalty for delayed completion of works.

1.3. The works were estimated to cost Rs. 15.59 lakhs, but Rs. 22.85 lakhs had already been spent by the Corporation upto 31st March, 1970. In the absence of revised estimates the future liabilities on the works are not ascertainable. The National Building Construction Corporation was not bound by the rates or the ceiling for each item of work as estimated by the Municipal Corporation. However, it had agreed to furnish to the Municipal Corporation, within three months of the commencement of each work, an approximate estimate of cost but this has not been done.

1.4. An advance of Rs. 2 lakhs was paid in 1965-66 by the Municipal Corporation to the National Building Construction Corporation for one the works. It was stipulated that the amount would be adjusted at 10 per cent of the amount of each running payment bill to be submitted every month. Adjustment of Rs. 1.25 lakhs was still pending on 31st March, 1970. The National Building Construction Corporation had not preferred any bill during 1969-70.

1.5. Audited statements of expenditure (required to be submitted) on these works have not so far (September, 1970) been submitted by the National Building Construction Corporation to the Municipal Corporation.

1.6. The Corporation in its comments forwarded by the Ministry in December, 1970 stated that "delay in the execution of work and their final completion is a normal feature of works" and that "the executing agency being a Government of India Undertaking, there is not much for the Corporation to explain". It further stated that "there has been some delay in the execution of the agreement and finalisation of the accounts with the N.B.C.C." and that "necessary steps are being taken to adjust/finalise their accounts".

[Paragraph 65 of the Report of the Comptroller and Auditor General of India for the year 1969-70, Central Government (Civil)].

1.7. The Committee desired to know if the Ministry were aware of the difficulties experienced by the Corporation in getting suitable contractors when the grants were sanctioned. The Ministry of Home Affairs, in a reply, stated, "At a meeting held on the 11th January, 1965 to review the progress of implementation of the various flood protection schemes, the representatives of the Municipal Corporation of Delhi represented that many of the schemes were of small amounts, which did not attract bigger contractors. In the case of some others, the contractors abandoned the works while they were in progress and much difficulty was experienced in finding new contractors to take on those half-finished works. It was, therefore, decided to pool up the Corporation's works and entrust them for execution to the National Building Construction Corporation (a Government of India Undertaking). The difficulties referred to above were known to Government when these grants were sanctioned to the Corporation in March, 1969."

1.8. The Committee enquired why no formal agreement was executed with the National Building Construction Corporation, the Ministry of Home Affairs have, in a written note, stated, "The agreement could not be finalised as the National Building construction Corporation came forward with certain additional conditions of their own having administrative and financial implications, which were proposed for incorporation in the agreement. These related to (a) payment by the Municipal Corporation of Delhi of the cost of defective works, including cost of dismantling, plus 15 per cent; (b) reimbursement by the Municipal Corporation of Delhi of the

cost of stores lost or damaged plus 15 per cent. The Municipal Corporation of Delhi also proposed the insertion of a clause in the agreement entitling it to rescind the agreement under certain circumstances. Since the first two conditions were not acceptable to the Municipal Corporation of Delhi and the other to the National Building Construction Corporation, the draft agreement could not be finalised and consequently negotiations continued. Since the work has been completed, it has been decided by the Municipal Corporation of Delhi to dispense with the agreement and to settle the claims of the National Building Construction Corporation. The Municipal Corporation of Delhi has also decided not to allot any work to the National Building Construction Corporation in future without finalising the agreement in advance.

1.9. The Committee were further informed: "The National Building Construction Corporation did not agree to the inclusion of the penalty clause in their conditions for the execution of works. As such, no penalty could be imposed for the delay on their part.

1.10. In reply to a question why the National Building Construction Corporation did not furnish the approximate estimate of the cost of each work, the Ministry of Home Affairs stated: "The National Building Construction Corporation has furnished revised estimates for the undermentioned two works only. Their revised estimates and the original estimated cost worked out before allotment of the works is indicated below:—

	Revised	Original
	Estimates	Estimates
	Rs.	Rs.
(1) 'A' Grade Nurses Hostel at Hindi Rao Hospital	7,56,900	6,45,100
(2) D-II type quarters at Hindu Rao Hospital	5,10,000	2,95,250

The revised estimates for other works have not yet been received from the National Building Construction Corporation in spite of several reminders and personal efforts." In a subsequent reply the Ministry of Home Affairs stated: "The National Building Construction Corporation have stated that they could not furnish the approximate estimates in respect of the remaining 3 works, as the relevant drawings and designs of the buildings were frequently changed and the drawings were not available to them. The Delhi Municipal Corporation stated in this regard that in every work of big organisation, there are some changes during the progress of construction.

The Architects who prepare the drawings make certain changes and this practice is in vogue in C.P.W.D., N.D.MC and Other Public Undertakings."

1.11. Asked about the reasons for the delay in completion of the works, the Ministry of Home Affairs have stated: "The following five works were entrusted by the Municipal Corporation of Delhi to the National Building Construction Corporation and the reasons for the delay in their completion, as ascertained from the latter, are indicated below each:

(1) *Construction of the School Building at Muftiwalan*

- (a) The work was originally designed as an ordinary building at the pre-tender stage, but, subsequently, it was changed to a framed structure after the work was awarded.
- (b) The building site was surrounded by a number of old buildings founded at shallow depths. The foundations for the buildings to be constructed had to be taken 10 to 12 feet in depth in stages to ensure that no damage was done to the adjoining structures.
- (c) The approaches to the site were narrow lanes, where load-carrying vehicles could not ply. Therefore, all the materials required for the work had to be transported through animal labour only.
- (d) Besides, the old building had to be got vacated by occupants and demolished. The sewerage had also to be diverted and some electric poles shifted before the work could be started.

(2) *Construction of the Leper House near Village Takirpur: and*

(3) *Construction of the compound Wall*

- (a) The site was occupied by lepers and it took some time to clear them before the work could be started.
- (b) The alignment of the compound wall was not made by the Health Department for some time, which resulted in delay.

(4) *Construction of 'A' Grade Nurses Hostel at Hindu Rao Hospital.*

This work was started in May, 1966 and was to have been completed by May, 1968. It was, however, actually completed in December, 1968 and taken over by the Corporation in September, 1969. The delay in completion of the work is attributed by the NBCC to the change in the design of certain parts of the buildings, e.g. conversion of dormitories into cubicles, provision of cup-boards, railings, etc.

(5) *Construction of D-II type flats at Hindu Rao Hospital*

"A part of the site for the buildings was lying on firm ground and the other part in low lying area. A search went on for an alternative site, but, ultimately, it was decided to built on the same site. This necessitated changes in the specifications of the foundations also."

1.12. The Ministry further stated: "All the works, except a small portion of the work of compound wall of lepers' house, which is being carried out by an outside agency, have been completed at a total cost of Rs. 22.86 lakhs. The final bills for some of the works have not yet been received from the National Building construction Corporation."

1.13. As regards the advance of Rs. 2 lakhs paid in 1965-66 by the Municipal Corporation to the NBCC for one of the works, the Committee has been informed: "Out of Rs. 2 lakhs advance, only Rs. 3,000 are lying unrecovered which will be recovered from the final bills."

1.14. The Committee enquired if the audited statement of expenditure has been submitted. The Ministry stated: "Audited statements of expenditure have not been submitted by the National Building Construction Corporation of Delhi to furnish the same. It may, however, be added that there was no such condition in their offer to take up these works."

1.15. In a subsequent reply, the Ministry stated: "It is the general practice of the NBCC to furnish monthly accounts for detailed scrutiny to all clients of cost plus works before running bills are paid by them. Thereafter, a statement of the cost of individual works based on the annual audited accounts is submitted to the clients for reconciliation with the running bills already paid, any underpayment or overpayment being adjusted at the time of

final payment. The accounts of different individual works are not audited separately. The delay was due to reconciliation of accounts of these works from the very beginning and final bills are being furnished to the MCD shortly by the NBCC."

1.16. Asked as to what steps, if any, are taken by Government to see that the grants paid to the Municipal Corporation are spent economically on the objects for which these are paid and within a reasonable time. In reply, the Ministry have finalised the following note:—

"The following steps are taken by the Delhi Administration to ensure that the grants paid to the Municipal Corporation of Delhi are spent economically on the objects for which these are paid within a reasonable time;

- (1) The Administration keeps a watch on the progress of the implementation of the various schemes by the Municipal Corporation of Delhi as well as on the targets fixed in this behalf through quarterly reports obtained from the Corporation.
- (2) The Municipal Corporation of Delhi is required to furnish utilisation certificates for the various grants-in-aid released to them by Government from time to time in order to ensure that the grants obtained by the Corporation are duly utilised within a reasonable period.
- (3) The Municipal Corporation is also required to furnish the audited statement of accounts in respect of the grants released to them by the Government from time to time with a certificate from the auditors of the Corporation to the effect that the grants was utilised for the purpose for which it was sanctioned.

The Delhi Administration now, commencing from the current financial year, viz., 1972-73, release grants-in-aid or loan assistance to the Municipal Corporation of Delhi on quarterly basis after satisfying themselves about the progress of financial expenditure and physical achievements during the preceding quarters."

1.17. The Committee are not at all happy about the way the five building works were awarded by the Delhi Municipal Corporation (DMC) to the National Building Construction Corporation (NBCC)

in June, 1960 without settling the terms and conditions of the contract and before executing a formal agreement. The terms negotiated with the N.B.C.C. did not provide for any penalty for delayed completion within 9 to 24 months. In fact the decision to entrust the construction work to the N.B.C.C. is stated to have been taken in the interest of "speedy execution". These expectations were not fulfilled inasmuch as none of these buildings were completed within the time in as much as none of these buildings were completed within the time Schedule. On the contrary even after a lapse of more than 7 years (December, 1972) a small portion of the work of compound wall of lapers' house remained to be built.

1.18. The Committee are concerned to note that although almost all the five buildings have been completed, the N.B.C.C. have not so far furnished revised estimates in respect of three works and the audited statements of expenditure and the final bills in respect of some of the works inspite of several reminders and personal efforts from the D.M.C. Because of several years delay in the completion of the works, the cost of the buildings originally estimated at 15.59 lakhs has jumped to 22.85 lakhs. The cost is likely to go up further when final bills are presented by N.B.C.C.

1.19. The reasons advanced by the N.B.C.C. for the delay in the completion of works are not very convincing. The Committee are inclined to think that the root cause of failure of N.B.C.C. to carry out the works according to the time schedule and for non compliance with other requirements is the absence of a written agreement and penalty clause for delayed completion. Aware of this lacuna the N.B.C.C. seem to have taken it easy and proceeded with the work rather leisurely. For want of a written agreement the DMC felt helpless as is evident from their statement that "delay in the execution of works and their final completion is a normal feature of works" and that "the execution agency being a Government of India Undertaking there is not much for the Corporation to explain." The Committee deprecate this attitude on the part of the D.M.C. They are convinced that such a situation would not have arisen had the DMC taken care to settle the terms and conditions with the contractors in advance and reduced them in black and white before entrusting the work to them. The Committee are glad to be informed that learning a lesson from this experience the D.M.C. has decided, "not to allot any work to the N.B.C.C. in future without finalising the agreement." The Committee would like to stress that such an agreement should invariably provide for a penalty clause for delayed execution of works.

1.20. The Committee are informed that various steps are taken by the Delhi Administration to ensure that grants paid to the D.M.C. are spent economically and within a reasonable time on the objects for which those are paid. The present case, however, reveals that the various measures said to have been taken are not being strictly enforced. They trust that the Delhi Administration will in future keep a strict watch over the progress of utilisation of the grants-in-aid and loan assistance by the D.M.C. and release the amounts on a phased basis after satisfying themselves about the need for further instalments.

1.21. The Committee would also like to observe that N.B.C.C. should not stand on technicalities but should do all it can to help a sister organisation. They trust that all issues between the two Corporations will be settled amicably and the accounts finalized without further loss of time.

Delhi Fire Service

Audit Paragraph

1.22. In March, 1959 Government sanctioned improvement and expansion of Delhi Fire Service at a cost of Rs. 58 lakhs which was raised to Rs. 72.64 lakhs in January, 1963. Seven new fire stations (cost Rs. 36.84 lakhs) and certain other auxiliary buildings, etc. (cost Rs. 17.05 lakhs) were to be constructed and equipment worth Rs. 18.75 lakhs was to be purchased. Against the total grant of Rs. 47.15 lakhs paid by Government between 1958-59 and 1968-69 the Corporation had spent Rs. 48.27 lakhs (including equipment Rs. 17.92 lakhs) till 31st March, 1969 as shown below:—

Year	Grants paid	Expenditure
	(In lakhs of rupees)	
1958-59 to 1965-66	33.49	41.06
1966-67	7.87	3.05
1967-68	3.05	2.81
1968-69	2.74	1.35
	47.15	48.87

Out of the grant of Rs. 47.15 lakhs Rs. 1.25 lakhs were refunded to Government, and out of the expenditure of Rs. 48.27 lakhs Rs. 1.03 lakhs were not admitted in audit.

1.23. While sanctioning the scheme in March, 1959, Government had stated that "it is suggested that in order to complete the construction of work in the shortest possible time, a special Public Works Division may be set up if necessary, and work should be executed on an emergency basis in compliance with codal formalities". However, out of seven new fire stations, construction of four only was taken up (between May, 1961 and January, 1968). Two of these four stations were completed (in September, 1964 and December, 1966) and the other two are yet to be completed. Work on the remaining three stations (estimated cost of which in 1963 was Rs. 15.18 lakhs) has not commenced (September, 1970).

1.24. It was stated by Government (in November, 1970) that "no time limit was fixed by the Government for completion of the scheme. Nor was such a time limit possible because the implementation of the scheme involved procurement of fire-fighting equipment, the supply of which was not very satisfactory and acquisition of sites and construction of fire stations about which also it was not possible to make any accurate forecast."

[Paragraph 68 of the Report of the Comptroller and Auditor General of India for the year 1969-70, Central Government (Civil).]

1.25. Asked as to why during a period of 11 years *i.e. from 1959 to Sept., 1970* only, two fire stations had been completed, the Ministry of Home Affairs have furnished the following note:—

"The reasons for delay in completion of the remaining five fire stations are as under:—

(1) *Mathura Road Fire Station*

The site for this fire station was fixed at the crossing of Mathura Road and Ring Road and a request was made for the acquisition of land there on 3rd February, 1959. The Delhi Administration issued notice for acquisition of land under Section 4 of the Land Acquisition Act on 4th May, 1960. The owner of the land, however, obtained a stay order from the Court in May, 1961. The matter is still being contested in the court and it has not been possible to acquire this piece of land.

Meanwhile, the national emergency during 1962 necessitated the opening of a fire station immediately in this vicinity. An alternative site on the opposite side of the road was therefore, requisitioned and a temporary fire station in temporary sheds started in December, 1962. The Delhi Municipal Corporation made a request to the Delhi Administration for formal acquisition of this piece of land to avoid any legal complication in connection with the requisitioned site. Acquisition proceedings were taken by the Delhi Administration and the compensation amount was deposited in March, 1971. Unfortunately, this site also is encroached upon and it has not been possible so far for the Delhi Administration to hand over the vacant possession of the entire site to the Corporation. It has, therefore, not been possible to take up construction of a permanent fire station building even at this site. Meanwhile, however, the temporary fire station set up in 1962 has been continuing and serving the surrounding area.

(2) Fire Station in Jama Masjid Area

The proposal to have a fire station in this area was mooted in 1959. However, this being a highly congested area, no suitable site was readily available for the fire station. A site was provided for in the overall Redevelopment Scheme of Jama Masjid Complex. This scheme was approved by the Ad hoc (Slum Clearance and Improvement) Committee of the Corporation on 16th September, 1961. However, in the context of the Chinese Aggression of 1962, it was felt imperative to start a fire station on any site that was available. Hence a temporary fire station was started in a park by the side of Jama Masjid in 1962. It has been functioning at this site ever since then.

Since the earlier Redevelopment Scheme of Jama Masjid could not progress due to a number of factors, search for another site for permanent fire station was continued and it was in 1969 that the D.D.A. approved a site near **Purdah Bagh** in Darya Ganj. This was not a vacant site. A number of quarters had been constructed by the Ministry of Rehabilitation to accommodate displaced persons who were still living in these quarters. No decision has yet been taken about rehabilitating these persons on an alternative site. Some displaced persons from similar nearby quarters have been allotted alternative accommodation by the D.D.A. The D.D.A. are being requested to provide alternative accommodation to the occupants of these quarters. It would not be possible to construct permanent fire station

on this site till the D.D.A. is able to rehabilitate the occupants of the quarters of this site. In the meantime, fire services continue to be provided from the existing temporary fire station established in 1962, as indicated above.

(III) *Free Fire Station at Pusa Road*

A temporary fire station was put up at Pusa Road in 1962 in the context of the Chinese Aggression. This site was also considered to be most suitable for the location of a permanent fire station by the Chief Fire Officer. However, the D.D.A. have changed the land use of this site and have offered another site near the new Industrial Centre. This is situated in the interior and not considered suitable for the construction of a permanent fire station from the operational point of view. Besides, the site offered is under the process of development. The D.D.A. has been requested to earmark the existing site of the temporary fire station for the construction of permanent fire station building. Meanwhile, services are adequately being rendered from the temporary fire station started here.

(IV) *Fire Station—Roshanara Road (Roop Nagar)*

The Corporation requested for allotment of this particular site for the opening of a fire station on 4th November, 1959. As the site had been earmarked for the C.G.H.S. Dispensary, the use had to be changed. It was in the context of Chinese Aggression in 1962 that a temporary fire station was opened at this site. By this time, formal allotment had also been made. However, a Corporation School was running on a part of this site and the site could be available for construction of a permanent building after the school was shifted to its permanent building. This became possible in 1965. The work of construction of the main fire station building and the staff quarters was taken up in 1966. While the staff quarters were completed in 1968, the work of the main building could not make satisfactory progress on account of the fact that there was no space because the temporary fire station continued to function there. Moreover, there was dispute with the contractor, who abandoned the work in March, 1968 and the matter was referred to arbitration. The arbitration proceedings have not yet been finalised. However, in March, 1971, decision was taken to resume the work departmentally without waiting for the decision of the arbitration. The work has since been completed except for the drill-tower and a few other petty items, which are likely to be completed during the course of this year. The fire station is now functioning in its permanent building.

(V) Fire Station in Sadar Bazar

The land for this fire station was acquired in 1962, but it was squatted upon and the removal of squatters took another four years. Then there was difficulty in getting a suitable contractor for the work. The work of the residential quarters was awarded in 1968 and completed in 1969. The main fire station building was awarded in October, 1968 but certain engineering problems, which could not be anticipated earlier, were encountered. These were:—

- (i) high sub-soil water; and
- (ii) due to the area having been filled up, the foundations had to be much deeper than could be anticipated.

The Contractor was reluctant and the work had to be rescinded. The work was re-awarded and has almost been completed except the drill-tower and other petty items which also are expected to be completed during the course of this year. The fire station has, however, been functioning since 1962 and now it is located in its permanent building.

1.26. The Committee asked why it had taken over 12 years for the implementation of the scheme. The Ministry of Home Affairs stated in their written reply, "Though temporary sites were made available for the fire stations as early as 1962, there have been difficulties in getting permanent sites for these fire stations. Permanent sites for 4 fire stations were made available before 1970 and for the 5th Fire Station in March, 1971. The permanent sites for the remaining two fire stations are yet to be made available."

1.27. According to the Audit Paragraph while sanctioning the improvement and expansion of Delhi Fire Service in March 1959 Government had suggested that 'in order to complete the construction work in the shortest possible time, a Special Public Works Division may be set up, if necessary and work should be executed on an emergency basis in compliance with codal formalities'. The position after a lapse of over 13 years is that only two Fire Stations have been completed and two are expected to be completed during 1972 and construction of the remaining three has yet to be taken up as permanent sites for them have not been made available.

Quite evidently the progress in the implementation of the Scheme has been very tardy and disappointing. The Committee take a serious view of the delay that has occurred at the various stages in establishing the Fire Stations which was mainly due to absence of planning and forethought on the part of the D.M.C. and lack of coordination between the Corporation and D.D.A. in the matter of selection of permanent sites for the Fire Stations.

1.28. The Committee are surprised and concerned at the statement made by Government in justification of the delay that "no time limit was fixed by the Government for completion of the scheme". They desire that vigorous and concerted efforts should be made by the Delhi Administration and D.D.A. to secure suitable and permanent sites for the remaining three fire stations at Mathura Road, Jama Masjid Area and Pusa Road so that the construction work is taken up without further delay. The Committee would like to be informed of the progress in this regard.

**State Trading Scheme (Central Purchase Organisation Scheme)—
North East Frontier Agency**

Audit Paragraph

1.29. State Trading in foodgrains and other essential commodities in North-East Frontier Agency was sanctioned by Government in August, 1955 and started from December, 1955. The object was to supply daily necessities to the officers and staff of NEFA Administration serving in the interior and also, to some extent, to the local people as to prevent profiteering by private traders and to promote trading among tribals on co-operative basis.

1.30. When the scheme was sanctioned, Government of India had laid down the condition that the working of the scheme should be reviewed eleven months after its introduction. The review was not, however, conducted till 1967. In May, 1969, Government of India sanctioned *ex-post-facto* continuance of the scheme upto 1969-70; no sanction has been issued for the further continuance thereafter.

1.31. In paragraph 59 of the Audit Report, 1966, mention was made of non-submission of pro-forma accounts of the scheme. The pro-forma accounts upto 1969-70 have been received (December, 1970); the accounts for the years 1967-68 to 1969-70 have not been certified by Audit. A summary of the transactions under the scheme

and the financial result thereof upto end of March, 1970 is given below:—

	(Lakhs of rupees)	
Cost of purchases	..	15,56.56
Cost of transportation	..	6,56.50
Other expenses	..	2,66.15
Total cost		24,79.21
Sales		17,10.48
Subsidy received from Government		6,56.50
Closing stock	..	31.17
Loss	..	81.06

1.32. Although profit of Rs. 22.46 lakhs had been earned by operation of the scheme upto the end of 1966-67, there was an accumulated loss of Rs. 81.06 lakhs at the end of March, 1970 due to heavy losses suffered after 1966-67 (Rs. 37.90 lakhs in 1967-68, Rs. 42.96 lakhs in 1968-69 and Rs. 22.26 lakhs in 1969-70).

1.33. During the three years 1967-68 to 1969-70, 37,390 persons on the average enjoyed the benefit of the scheme the net average cost of the amenity was Rs. 160 *per capita* per annum.

[Paragraph 33 of the Report of the Comptroller and Auditor General of India for the year 1970-71—Union Government (Civil)].

1.34. The Committee enquired why no review of the scheme was done eleven months after its introduction *i.e.* in November, 1956. The Secretary, Ministry of Home Affairs stated: "This has been an omission. But at that time the Administration was pretty new and there was hardly any experience of maintenance of accounts of this nature and there was a lot of correspondence with the A. G., Assam about the various procedures and various forms in which the accounts should be maintained and this took quite a lot of time. The forms in which accounts to be maintained were settled as late as in 1965 and after that the proforma accounts preparation was taken up and they said that unless the forms were prescribed and unless the accounts were put in those forms and unless the proforma accounts were prepared year by year it would be difficult to have any review whatsoever. So, it was an omission but this was the background." Asked whether before the expiry of 11 months

any representation was made by the NEFA Administration regarding difficulties in undertaking a review, the witness stated: "The NEFA Administration were corresponding directly with the AG, Assam, to seek his advice about how the accounts should be maintained and how the proforma accounts for each year should be prepared. As I said, these difficulties might have been known here also, but no special report was sent that a review could not be done on account of those reasons." The Committee pointed out that the NEFA Administration should have been aware of the need for a review even though the proforma accounts were not ready. The witness agreed that "a review should have been submitted. The various stages of the scheme were purchases, collection, air-dropping and receiving at the basis and distribution from there to the persons eligible. In that the maintenance of accounts of the various places would really figure as the basic thing. That was what had held up every kind of review." He added: "They had a picture of the total purchases made and total amounts air-dropped in various places or supplied to various places. Beyond that, they had no other thing." The Committee asked whether there was any thing on record that any review of the scheme in general terms was made or asked for. The Secretary, Ministry of Home Affairs, stated: "Although we have not been able to lay our hands on any such document, the inference that can be drawn is that as far as the physical purchases and physical supplies were concerned, the scheme worked or continued to work all right, but the financial aspects thereof could not be scrutinised till after considerable time when the proforma accounts were prepared."

1.35. The Committee asked how in 1967 it was discovered in the Ministry of Home Affairs that no review of the scheme had been made. The Home Secretary replied: "Work regarding NEFA, now Arunachal Pradesh, was transferred from the EA Ministry to MHA in August 1965. In September, 1965, it was discovered that the scheme was running on its own steam without any sanction from here. Then we took up the matter. At the time another scheme was sanctioned in MHA about delegation of powers and authority to the NEFA Administration. When the reference went to Finance about this, they pointed out that the scheme itself is running without sanction and unless it was regularised, the question of delegation of authority could not be taken up. That was really what made us wake up. A lot of correspondence took place. We sought a lot of clarifications from NEFA Administration. According to the advice of the Ministry of Finance, we had to prepare memorandum to regularise the past activities and to obtain proper sanction for the future. This was done

and the matter was in the proper way referred to the Ministry of Finance in August, 1967 and thereafter subsequent events took place and a proper sanction was obtained regularising the past activities and also making the scheme continuing for the future."

1.36. The Committee pointed out that according to para 59 of Audit Report (Civil), 1966, the proforma accounts of the scheme upto 1956-57 were prepared by the administration. Asked why a review could not be prepared on the basis of these accounts the witness stated: "Our present knowledge does not indicate that any proforma accounts were ready at that time but in the light of the previous Audit Report we are prepared to look into it once again. The reference I have before me is of 30th December, 1965 circulating decisions taken for the preparation of proforma accounts as per final minutes of the meeting held in AG's office on 24 December, 1965. This was the crucial date. This indicated how the proforma accounts were to be prepared."

1.37. In a written reply submitted to the Committee subsequently, the Ministry of Home Affairs stated: "In fact the proforma accounts and balance sheet for 1955-56 were only prepared and presented to Audit in September, 1958. This account was, however, not accepted by the Audit as the same did not take into account the following items of charges:

- (i) Cost of packing materials.
- (ii) Supply Dropping Equipments.
- (iii) Maintenance of transport vehicles.
- (iv) Labour charges in packing, loading and unloading.
- (v) Air freight.
- (vi) Depreciation godown and vehicles.
- (vii) Leave and pension contribution
- (viii) Road transport charges.

In this connection it may be stated that the C.P.O. scheme sanctioned by Government of India in August, 1955 came into effect in Arunachal Pradesh (then NEFA) from December, 1955. Therefore, the proforma accounts for 1955-56 rejected the accounts of four months only and since this account was not accepted by the Audit there could have been no point in carrying out review of the scheme in the absence of an authentic account. Besides the Director of Supply and Transport, Arunachal Pradesh in his note dated 16th February, 1962 (Annexure I) pointed out the reasons for delay in the preparation of Annual Proforma Accounts. The question as to which items of charges should find place in the Annual Proforma

Account became a controversial issue and after a protracted correspondence between this Administration and Accountant General it was decided to consider the issue in a meeting held on 24-12-65 between Accountant General, Assam and Nagaland and this Administration to sort out the points of differences. When this was done immediate steps were taken to prepare the Proforma Accounts from 1955-56 onwards. The first batch of Annual Proforma Accounts were submitted to Audit in March/April, 1966."

1.38. The Committee enquired about the action taken to prepare the proforma accounts from 1955 onwards. In a written reply, the Ministry of Home Affairs stated: "The accounting procedure evolved by the Administration was sent to Audit in Financial Adviser's D.O. letter No. 37/2/55—FA dated 21-11-55 and the views of Audit seeking clarification on certain aspects of accounting of storage, packing etc. were received in February, 1956 *vide* Accountant General, Assam and Nagalands letter No. HA/348, dated 7-2-56. The clarifications were furnished in February, 1956 *vide* letter No. SP-215/55, dated 17th February, 1956, addressed to the Accountant General. In February, 1956, the Accountant General, Assam and Nagaland intimated that they had no objection to the printing of forms subject to further modification as might be necessary on receipt of suggestion of the Ministry of Food and Agriculture. The advice of the Ministry of Food and Agriculture was obtained by the Administration accordingly and the Financial Adviser, Arunachal Pradesh *vide* his letter No. SP-216/55, dated 19th May, 1956 forwarded the views of Ministry of Food and Agriculture and requested the Accountant General, Assam and Nagaland to furnish his comments. Since the advice of the Ministry was that maintenance of elaborate system of accounts on commercial principles was unnecessary, the Accountant General, Assam and Nagaland *vide* his letter No. HA/TM/39/55/288, dated 2-7-56 pointed out that adoption of the Ministry's recommendation would involve reclassification of expenditure from capital to revenue and suggested that the specific orders of the Government of India should be obtained. In July, 1956, the Administration *vide* letter No. SP-215/55/93, dated 6th July, 1956 sought clarification on various points and also requested the Government of India to reconsider their previous decision regarding treatment of the scheme as State Trading activity. The Government of India *vide* letter No. F. 10(1)/NEFA/56 dated 21-12-56 did not agree with the suggestion of the Administration and invited detailed suggestions of the Administration for simplification of the accounts."

"The treatment and booking of certain items of expenses like packing, loading and unloading charges was under correspondence with the Accountant General, Assam & Nagaland subsequently. In

February, 1957, the views of the Administration on proforma accounts were sent to the Accountant General, Assam and Nagaland. Certain queries were raised by the Audit in May, 1957 and the clarifications were furnished in September, 1957. The views of the Accountant General, Assam and Nagaland were received in January, 1958. The Administration, however, did not agree on the exhibition of cost of establishment and reiterated that exhibition of a percentage of charge would satisfy the requirements *vide* the Administration letter No. SP-215/55, dated 7-11-58. In February, 1959, the Accountant General, Assam and Nagaland wanted the Administration to obtain specific orders of the Government of India."

"Subsequent developments till 1964 are not clear from the available records. The various issues connected with the preparation of proforma accounts were discussed in a meeting held in the Office of the Accountant General on 24-12-65 and the decisions were arrived at."

"The preparation of Annual Proforma Accounts was taken up after the principles were determined as above."

1.39. The Ministry of Home Affairs have furnished the following information regarding dates of preparation of proforma accounts and submitted to Audit:

Proforma Accounts	Date of preparation	Date of submission to Audit for auditing
1. 1955-56	. January 1965	} March, 1966
2. 1956-57	. April 1965	
3. 1957-58	. August 1965	
4. 1958-59	. January 1966	} March, 1968
5. 1959-60	. December 1966	
6. 1960-61	. March 1967	
7. 1961-62	. March 1968	
8. 1962-63	. January 1969	January 1969
9. 1963-64	. December 1969	December 1969
10. 1964-65	. April 1970	} August, 1970
11. 1965-66	. June 1970	
12. 1966-67	. July 1970	September, 1970
13. 1967-68	. 25 September 1970	20-12-71 to 8-1-72
14. 1968-69	. 10 October, 1970	March, 1972
15. 1969-70	. 25 November 1970	27-3-72

1.40. The Secretary, Ministry of Home Affairs stated during evidence that "At the moment the things are running smoothly; even the delays in the preparation of accounts have been removed; 1970-71 accounts will be ready by this year and 1971-72 accounts by September, 1973."

1.41. The Committee asked how the budget provision was continued to be made till 1968-69 without a sanction and how the Associated Finance did not detect the omission. The Financial Adviser stated: "I would explain why the budget provision could be made of a scheme of this type without proper sanction. The budget is prepared and sanctioned on the basis of schemes, particularly, involving non-developmental expenditure where Planning Commission does not come into the picture. So, while preparing the budget estimates, the Ministry of External Affairs who were dealing with the subject at that time might have come up for budget sanction under various heads. This was probably a social or a welfare amenity amongst various other welfare amenities provided to the staff in that area. So, this must have come as a request for budget provision under that head. When it came to the Associated Finance of the Ministry of External Affairs, they must have agreed to it on the basis of the past sanction in the earlier year. They may not have been aware of the fact that the scheme is incorporated in budget provision and that a review of the scheme is called for and it has not been carried out."

"The papers are not before us. We have not been able to obtain them. Another reason could be that the Ministry of External Affairs might have pointed out to the Associated Finance that a review of the scheme was not possible unless the accounts were finalised. It would be appreciated that the object of a review is to find out not only about the social aspect of the scheme but also about its financial results. The financial results of a scheme cannot be known unless proper accounts are available." The Financial Adviser added: "Actually, the budget is sanctioned by the Associated Finance itself. When the budget provision come before the Associated Finance under various heads, they just see how much expenditure was incurred, how much provision was made in the earlier year, how much has been asked for this year and so on." The Home Secretary stated: "So far as the system is concerned, it is good. But the system should not normally permit this kind of a thing unless there has been some sort of a slip somewhere. As you have rightly said, if there is a condition attached to a particular sanction, that condition has to be fulfilled before the sanction can be repeated." In a written note, the Ministry of Home Affairs with the concurrence of the Ministry

of Finance stated: "The files of the Ministries of External Affairs and Home Affairs relating to Budget Estimates of the CPO Scheme in NEFA Administration (new Arunachal Pradesh) for the year till 1968-69 are not available as the same had been destroyed in accordance with the prescribed retention schedules for records. It is, therefore, not possible to determine the circumstances under which the budget provision continued to be made."

1.42. The Committee pointed out that scheme had made a profit of Rs. 22.46 lakhs upto 1966-67 when the overhead surcharge was 15 per cent but it suffered losses during the years 1967-68, 1968-69 and 1969-70 although the overhead surcharge was increased to 25 per cent. The witness added: "For sorting out all the objections during the period of Kalinga Airways operations, they employed a large staff and that cost had to be reflected in the cost of establishment. Today, we find that there are as many as 150 numbers in staff which are surplus and we are finding out ways and means to absorb them in alternative jobs so that the cost of this scheme gets reduced. We have got some idea on the basis of which we will be able to reduce the cost to some extent. This is also one of the things responsible for the loss."

1.43. The witness informed the Committee that according to the audited accounts now available, the figure of accumulated loss at the end of March, 1970 had gone down from Rs. 81.06 lakhs (as mentioned in the Audit Report) to Rs. 36 lakhs. In a written note, the Ministry of Home Affairs stated: "The net loss upto the end of 1969-70 shown in the Audit Report was worked out as below:

Year	Net loss as per audit para
1967-68	Rs. 37.90 lakhs
1968-69	Rs. 42.96 lakhs
1969-70	Rs. 22.66 lakhs
	<hr/> Rs. 103.52 lakhs

Cumulative profit up to the end of 1966-67 was taken as Rs. 22.46 lakhs. The net loss was accordingly computed as Rs. 81.06 lakhs (Rs. 103.52 lakhs—Rs. 22.46 lakhs).

The above figures were taken from the unaudited accounts for the years 1967-68 to 1969-70. After the figures were recast after further

reconciliation with the outposts' accounts and the revised figures which have also been certified by Audit were as below:

Year	Net loss
1967-68	Rs. 17,59,314.01
1968-69	Rs. 29,81,638.27
1969-70	Rs. 11,97,721.01
	<u>Rs. 59,38,667.29</u>
Cumulative profit upto 1966-67	Rs. 23.39 lakhs
Net Loss	Rs. 36.00 lakhs

Yearwise profits/losses are indicated below:—

1955-56	Net profit	Rs. 20,858.00
1956-57	Net loss	Rs. 4,11,854.00
1957-58	Net loss	Rs. 3,25,334.00
1958-59	Net profit	Rs. 3,29,268.00
1959-60	Net loss	Rs. 18,128.00
1960-61	Net loss	Rs. 3,28,276.00
1961-62	Net profit	Rs. 19,011.00
1962-63	Net loss	Rs. 1,64,007.00
1963-64	Net loss	Rs. 2,82,388.00
1964-65	Net profit	Rs. 2,39,997.00
1965-66	Net profit	Rs. 8,43,812.00
1966-67	Net profit	Rs. 23,32,358.00
1967-68	Net loss	Rs. 17,59,314.00
1968-69	Net loss	Rs. 29,81,632.00
1969-70	Net loss	Rs. 11,97,721.00

The main reason for the losses is the increase in the expenditure on packing materials, establishment and contingency charges and interest on capital outlay after 1966-67."

1.44. The Committee desired to know why the margin of overhead surcharge allowed on the scheme was revised from 15 per cent to 25 per cent. In a written reply, the Ministry of Home Affairs stated:

"The margin of overhead surcharge was increased from 1-2-1969. The scheme was originally sanctioned in 1955. At that time Government of India had approved inclusion of 15 per cent above the delivery price at Jorhat in fixing the sale price of commodities from CPO Centres. The surcharge had been allowed to off set the cost of staff, loss in air-dropping and part of cost of packing used but did not

include the subsidised airlift charges. At the time of review of the scheme during 1968-69, proforma accounts upto 1961-62 only were available with the Ministry. It was found from these accounts that levy of 15 per cent was not sufficient to cover the expenditure on establishment charges, airdropping losses and packing material etc. Normally even an increase in surcharge from 15 per cent to 20 per cent on the basis of the information then available, would have covered the losses under the scheme. However, with effect from 1-7-67, the airdropping operations had been entrusted to the I.A.F. when the old contract with a private company (Kalinga Airlines) came to an end. The IAF was not prepared to make good the losses in airdropping, unlike the company which under the contract was liable for losses in excess of 4 per cent of the value of stores airdropped. It was therefore decided to raise the rate of surcharge to 25 per cent straightway w.e.f. 1-2-1969."

1.45. The scheme for state trading in foodgrain and other essential commodities in NEFA (now Arunachal Pradesh) was sanctioned by Government in August, 1955 and started from December, 1955. When the scheme was sanctioned Government had laid down the conditions that the working of the scheme should be reviewed eleven months after its introduction. The committee are surprised that the review which was due in November, 1956 was not conducted till 1967. While admitting omission to conduct the review Government have tried to explain that the delay in the review was linked up with the availability of proforma accounts. It has been pleaded that being new the NEFA Administration did not have any expert of maintenance of accounts of this nature and took them several years in settling with A. G. Assam and Nagaland the procedure and various forms to be maintained which were ultimately finalised in December, 1965.

1.46. The explanation furnished is not at all satisfactory. From the evidence made available it is evident that at no stage the NEFA Administration brought to the notice of the Ministry the difficulties they are facing in submitting the review in the absence of proforma accounts. Nor is there anything on record to show that Administrative Ministry (Ministry of External Affairs) called for the review at the end of 11 months of the introduction of the scheme or at any time later. The omission was discovered only in September, 1965 after the work relating to NEFA was transferred from the Ministry of External Affairs to the Ministry of Home Affairs in August 1965

Surely NEFA Administration could have reviewed the operation of the scheme in general terms and highlighted their difficulties in conducting a financial review because of the accounts not being maintained in proper forms or for the reason that it was premature to do so as the scheme had been in operation for 11 months only.

1.47. From the facts brought out during evidence, the Committee cannot resist the impression that the scheme was launched without any previous planning. It appears that no thought had been given to the procedure regarding maintenance of accounts and the various forms to be used in that connection before the scheme was introduced. It is regrettable that it took a decade for the NEFA Administration to sort out the points of difference relating to the maintenance of accounts and settling the various issues connected with the preparation of proforma accounts. The A. G. Assam being at Shillong all this long drawn correspondence and red tape would have been avoided if the Administration could have discussed the matter at a meeting earlier and not waited till 24th December, 1965.

1.48. Further, not only was no review conducted for such a long time but as admitted by the official representative "the queerest thing is that the budget provision continued to be made year after year" without obtaining sanction for the scheme till 1968-69. It is intriguing how budget provision could be made for a scheme of this nature without proper sanction and without the Administrative Ministry, Ministry of Finance and the Associate Finance being able to detect the irregularity. It is regrettable that files relating to Budget Estimates of the CPO scheme in NEFA from 1956 to 1968-69 are said to have been destroyed as per rules. Thus no clue can be found as to how such a state of affairs came to exist. The Committee desire that the present system of making budget provision for such schemes should be examined with a view to find out the lacuna which enable them to continue without sanction of the Government as happened in the present case. The Committee would like to know the remedial measures taken to avoid recurrence of such irregularities.

1.49. The Committee are concerned that the scheme which showed accumulated profit upto 1966-67 to the tune of Rs. 23.39 lakhs suffered a loss of Rs. 59.39 lakhs during the years 1967-68 to 1969-70 resulting in a net loss of Rs. 36 lakhs as on 31-3-1970. The scheme is suffering from losses inspite of the fact that the overhead surcharge in fixing the saleprice of commodities has been raised from 15 per cent to 25 per cent with effect from 1st February, 1969. The Committee feel that with the gain in experience in the running of the scheme

the overhead expenses should progressively come down and Government should ensure necessary economies in the operation and take vigorous efforts to limit and control the overhead expenses. The Committee desire that reasons for losses should be carefully examined and necessary remedial measures taken to avoid them.

(i) Carriage contracts

Audit Paragraph

1.50. On a review of the operation of the scheme during the years 1967-68 to 1969-70 the following points were noticed:—

1.51. Ration and other essential commodities are generally carried to store depots and sub-depots, which are connected by land route, from the Central store depot through carriage contractor. Security deposits at the rate of 10 per cent of the estimated carriage charge of the goods to be transported are obtained from the contractors. During 1968-69 and 1969-70, five carriage contractors failed to deliver stores worth Rs. 2.36 lakhs entrusted to them for carriage; against that the Administration held Rs. 0.39 lakh only (Rs. 0.20 lakh as security deposit and Rs. 0.19 lakh in the form of pending bills). The Directorate sought (February, 1970) approval of NEFA Administration to filing suits against the contractors for recovery of the value of the stores. The Administration stated (November, 1971) that the plaints received from the Government pleader for filling the suits were under its active consideration.

[Paragraph 33(i) of the Report of the Controller and Auditor General of India for the year 1970-71—Union Government (Civil)].

1.52. The Committee pointed out that the security deposit of the carriage contracts was much less than value of stores entrusted to them. The Chief Commissioner, NEFA stated: "The deposit is on the basis not on the total amount to be carried in the whole year but the total amount of contract involved in carriage charges—10 per cent of it. The total amount may run into lakhs and no small contractor may be in a position to give 10 per cent for instance 1 lakh was deposited and nobody will come forward." In reply to a question, the witness stated that a suggestion received from the Director of Supplies in June, 1969 to raise the amount of security deposit from 10 per cent to 50 per cent of the value of the contract was not accepted by

the Administration as the increase would result in no contractor coming forward to handle the jobs. The Committee enquired why there was delay of 20 months on the part of the NEFA Administration in replying to the request of the Directorate seeking approval to file suits against the contractors for recovery of the value of the stores. The Chief Commissioner stated: "This is a lapse on the part of Administration. I am sorry about it. But the case was handed over to CBI immediately." The witness added: "The legal advocate (Government) in Jorhat was not playing the game and asked for a new advocate on our own. The case was referred to the Government of India and Home Ministry referred the case to Law Ministry. It did take some time to get the answer. I am responsible for certain delay." The Secretary Ministry of Home Affairs stated: "It was in March, 1970 that this case was referred to CBI and relevant documents were seized for their enquiry in April, 1970, September, 1970 and November, 1970. These documents remained with the CBI for quite some time and when the documents were received back the orders for prosecution were issued." The witness added that in the case of one of the 4 contractors, the amount would be adjusted, his claims and deposits being more than this. Asked about the total cost of goods carried by a contractor, the witness stated: "In each consignment we are not supposed to give more than the security deposit. It is unfortunately accumulated loss. It was not given at one time. Once a consignment is given, it is to be delivered within a week, the second consignment is not to be handed over till such time, we get the information from the consignee that he has received these things. What we do is this. Three vouchers are sent, one along with the carriage contractor along with the stores, one signal is given to the consignee that so much is sent through the contractor and one by post. After the stores are received at the receiving end, they are supposed to send the three vouchers duly receipted back to the depot. In addition, they send telegraphic information about the receipt of the stores and also indicate the quantity received. Only after that the second consignment is sent. In these cases of losses, some of the people, whether intentionally or unintentionally issued second and third consignments and sometimes fourth also, without insisting on the usual procedure. That is the reason why we handed over these cases to SPE, that it may be a criminal case." The Home Secretary stated: "Disciplinary action is being taken against some people."

1.53. The Committee desired to know the position regarding recovery of the amounts from the contractors. In a written reply, the Ministry stated that civil suit has already been filed against two carriage contractors for recovery of Government claims and the

case is *sub-judice*. Preliminaries have already been completed and the filing of civil suit against third contractor for recovery of Government dues is already in hand. The amount due from the fourth contractor is covered by the dues payable to the firm.

1.54. As regards the remedial measures taken, it has been stated in the Ministry's written reply that the number of places fed through carriage contractors have been substantially curtailed. Out of 31 land fed CPO centres only one CPO centre is still fed through the carriage contract and the rest have been replaced by Fair Price Shops who transport their own stores. Instructions are stated to have been issued for inspection of loads at the time of delivery to carriage contractors and inspection at the receiving end regarding the weight and quality of stores. In case of a complaint of short receipt of stores against a carriage contractor the matter is investigated forthwith and proper action taken against him in terms of the contract.

1.55. Admittedly the four contractors failed to deliver goods worth Rs. 2.36 lakhs because the correct procedure laid down in this regard had not been followed in that further consignments were given to the contractors without first ensuring that the previous consignment had been duly delivered. They note that civil suit for recovery of value of stores have been filed being filed against three contractors and that disciplinary action is being taken against delinquent officials. The Committee would like to be informed of the outcome of the civil suits instituted against the contractors and the disciplinary action taken against the staff.

(ii) Godown losses

Audit Paragraph

1.56. During the years 1967-68 to 1969-70 the godown losses at the various depots amounted to Rs. 6.76 lakhs (1967-68 Rs. 1.40 lakhs; 1968-69 Rs. 2.67 lakhs and 1969-70 Rs. 2.69 lakhs). The godown losses during this period were one per cent of the value of stores (Rs. 616.47 lakhs) handled. In January-February, 1956 a team of officers of the Government of India, Ministry of Food and Agriculture, who made an on-the-spot study of the working of the scheme had held that godown losses upto 0.01 per cent (of the total quantity, of the stores handled) per mensem may be taken as reasonable. On a test check of the records of godown losses made available to Audit (December, 1970), it was observed that during the period from 1st April, 1966 to 31st March, 1970 in a large number of cases the percentage of losses of various stores was far in excess and ranged from 0.57 per

cent to 100 per cent. The Administration stated (November, 1971) that each individual loss is investigated by a Board of Officers before write off is sanctioned and after receipt of the statements of losses mentioned above proper inquiry would be held in the case of abnormally high losses.

[Paragraph 33(ii) of the Report of the Comptroller and Auditor General of India for the year 1970-71—Union Government (Civil).]

1.57. The Committee enquired about the reasons for the godown losses in some stores being far in excess of the limit of 0.01 per cent per mensem. The Home Secretary stated: "On account of special circumstances in these areas the godowns are very defective. There is lot of dampness. Rainy season extends to about seven months and anything that gets slightly wet, it is almost lost. It becomes full of pests. Then take for instance the consignment of cigarettes. They are dropped, there may be little drizzle, if they get wet, when they are put in the godowns, they are completely lost. Thus that is shown hundred per cent loss. If any grain bag gets soaked, it becomes full of pests and it has to be condemned. On the average you will find that the loss has been in the neighbourhood of one per cent. Here I would submit for your consideration that the yardstick of .01 per cent per mensem was a very rough figure which was again on an *ad-hoc* basis. Even the FCI have authorised their officers to write off losses upto the extent of 1 per cent per annum. They made a study also. Again there was a study done by a team of the Administrative Reforms Commission in January. They also recommended that the average losses in godowns should be at the level of about 1 per cent per annum. We have worked out our figures of 1969-70 and these figures are well within this one per cent per annum."

1.58. Asked if the losses would be considerably less, if the stores were not kept for a long period, the witness stated: "Monsoon takes place during the winter. From October onwards upto March you stock for the next seven months also. You have to keep minimum three months' stock in any CPO godown. The godowns are in places which are not connected by road. It is not possible to construct pucca godowns because every thing will have to be dropped. It will be very expensive. We have rains for seven months in a year. The normal flooring is not there. In the areas, where we have got this dropping session, rain is about 100 to 200". "During these six months maximum amount of loss happens." Asked if the Administration had considered building sounder types of godowns, the witness stated: "The present types of godowns, suppose if they cost Rs. 3000, if we were to construct pucca godowns, it may cost anything upto one
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lakh." The Home Secretary stated: "We are having developmental plans for all this area and for a faster rate of development. This would include opening up communications to the inaccessible areas. The administrative officers have also poor accommodation to live in. Along with these schemes, the question of godowns will also be taken up. But it will take many more years before we reach that stage. Till then, there is no escape but to suffer this 1 per cent loss."

1.59. The Committee note that during the years 1967-68 to 1969-70 the godown losses at various depot amounted to Rs. 6.76 lakhs which worked out to 1 per cent. According to the Ministry the godown losses of 1 per annum have been authorised by the Food Corporation of India and also recommended by the team of Administrative Reforms Commission. The Committee, however, understand from Audit that in some cases the losses of stores ranged upto cent per cent. The Committee, therefore, desire that necessary remedial measures should be taken to minimise godown losses. It should be ensured that storage facilities are satisfactory that the stores are properly kept in the godowns and that there is no scope for pilferage or stores like salt and sugar getting bad during storage due to dampness. Precautions against any hazards due to fire should also be taken. Periodical checks of the godown and surprise checks of stores kept in the godown should be conducted by supervisory officers and inspecting staff from time to time to keep the staff on their toes.

(iii) Losses noticed in physical verification

Audit Paragraph

1.60. (a) Physical verification of the stock of rice at the central purchase organisation, Along, conducted during 1967-68 and 1969-70 disclosed shortage of 139 quintals of rice worth Rs. 0.19 lakh. Besides, at the closure of the centre with effect from 1st July, 1969 there was a loss of Rs. 0.34 lakh due to irregular disposal of 421 quintals of rice and 3.76 quintals of mustard oil at reduced rate to a local contractor through verbal negotiation. An enquiry was ordered into this (May, 1970). Report of the enquiry is awaited (November, 1971).

1.61. (b) Physical verification of stores at Basar conducted in January|March|June|October, 1969 disclosed that stores worth Rs. 0.38 lakhs were either short or damaged.

[Paragraph 33(iii) of the Report of the Comptroller and Auditor General of India for the year 1970-71—Union Government (Civil).]

1.62. The Committee asked how the shortage of rice occurred. The Home Secretary stated: "In the system of purchase from FCI every single bag is not allowed to be weighed. It is only 5 per cent of the total that is allowed to be weighed and whatever is written on the bag has to be accepted as correct." He added: "We have to incur extra cost if we do the weighing ourselves. Actually it is the seller who normally establishes a system of sale and the buyers agree to the system." Asked if the question had been taken up with the FCI the witness stated: "We have reported to the FCI but they say that according to the system, they are not responsible." Asked about the percentage of the shortage, the witness replied: "According to the figures they have tabulated, it is of the order of about 4 per cent." The witness agreed to bring the matter to the notice of FCI.

1.63. Referring to the irregular disposal of 421 quintals of rice and 3.76 quintals of mustard oil at a reduced rate, the Home Secretary stated: "Here the position was that the stocking was done rather in excess to what they should have done in rice; and there was a local good crop and the local price, on account of the good crop, was lower and therefore the purchases were much slower than what they normally were. The result was that the excess stock remained with them for a longer period and may be it deteriorated. There were no purchasers because the local prices were loss. In an area like this which is confined to a particular commodity, there is hardly any possibility of the tender system and, therefore, all they could do to minimise the losses was to persuade somebody to accept it at a lower price. That is how it happened. If the stocking had been done normally, probably this would not have been necessary." Asked about the result of the enquiry the witness stated: "The enquiry is being done. Explaining the reasons for delay, the witness stated that the 1st Report had come but the Commissioner did not feel satisfied with the inquiry. Therefore, he scrapped the inquiry and asked for a fresh inquiry. The witness add that the report of the first enquiry was submitted in March, 1971 and now a third enquiry had been ordered. Asked about the reasons for appointing the second and third enquiries, the Chief Commissioner, stated: "I wanted to know who was responsible for placing an order for so many quintals. The man responsible will be a senior man. They miscalculated the requirement of rice which was taken by tractors all the way a distant of about 250 miles—and it could not be back-loaded also as it would have resulted in a total loss. The cost price at that time was about Rs. 90 per quintal for along whereas our rate was Rs. 144 and nobody would buy it and naturally we had to sell it

for less than Rs. 90. No contractor was available and we had to call some local businessman and negotiate with him. It was lucky that we recovered whatever money we have recovered. He added: "There were two enquiries conducted to find out who was responsible for this but of no avail. Now, the third enquiry is going on. I have deputed Special Officer to find out what has happened. The idea of this enquiry was to punish the officials concerned who are found guilty." Asked why this case was not handed over to CBI. The witness stated: "This case was not at all handed over to CBI because there was no dishonesty involved. Only when dishonesty is involved or when we suspect that there is some dishonesty, we will hand over the case to the CBI. In other cases we hold a local enquiry."

1.64. The Committee desired to be furnished with a note stating the full details of the case of over-stocking of rice and mustard oil and the results of each enquiry. In a note the Ministry of Home Affairs have stated: "Along CPO held an opening balance of 560 quintals of rice in January, 1969. This stock of rice was in good condition. At that time Along CPO was responsible to feed 4155 heads approximately per month. That stock of rice was sufficient to feed the above heads for about 1½ months at 8 Kg. per head per month. Along being a landfed CPO centre it was entitled to keep 664 quintals of rice being the authorised level for monsoon stocking in addition to the monthly maintenance stock of 332 quintals.

So the total stock of rice at Along CPO at any one month should have been 996 quintals including monsoon stock of 664 quintals being two months authorised stock level. Since Along CPO was already holding 560 quintals of rice in January, 1969 an additional quantity of 436 quintals of rice would have been required by that CPO to see the consumers through the monsoon period. Besides, this CPO had sent message to North Lakhimpur base as far back as 6th February, 1969 not to send any rice to Along and suddenly on 19-3-69 again a firm indent for supplying 938 quintals rice was placed and continued to receive the rice upto 1st April, 1969. As a result of this a considerable quantity of rice remained excess in stock and could not be disposed off by that CPO. By the passage of time the stock deteriorated and same could not be sold at the original price. To save the total loss to Government the same had to be sold at the reduced rate which resulted in the loss.

The result of each inquiry is condensed below:—

The report of the inquiry conducted in March, 1971 was not conclusive. It was stated that against a sale of 2838 quintals of rice from Along CPO during 1968 an indent for 4800 quintals was made

in 1969-70 and that the indenting authority had to keep provision for unseen contingencies over and above the actual sale while indenting. It concluded "The Assistant Director of Supply and Transport, Arunachal Pradesh and the District Supply Officer did not act according to the occasion demand but the Board was of opinion that their gross negligence or carelessness were not visible in any occasion though they did not act in a befitting way as they were expected to."

The Director of Supply and Transport, Arunachal Pradesh, however, brought out during subsequent exchange of correspondence with him that the Along CPO had placed an indent for 938 quintals of rice as late as March 1969—a fact which was not brought out in the enquiry Report. The Report of the subsequent enquiry was received by the Administration on 27-11-72. According to the report of the enquiry officer, the Along CPO had 862 quintals of rice when an indent was placed on Director of Supply and Transport, Arunachal Pradesh for a further quantity of 938 quintals of rice. During January and February, 1969 the sale of rice amounted to 180.11 and 114.57 quintals respectively. The stock of rice was accumulating from November, 1968. The Inquiry Officer has pointed out that had an earlier decision been taken for disposal of rice the loss might have been less. He had also expressed the view that the district have to ensure adequate monsoon stocking and that the storage facilities in the interior were not satisfactory. He has, however, held that the District Supply Officer was responsible for the loss sustained at Along CPO. The enquiry report is being processed by the Administration.

A further note will be submitted with regard to the stocking of mustard oil. The note is still awaited.

1.65. The Committee note that loss in this case occurred due to overstocking of rice and mustard oil at Along CPO. The Committee would like to know the action taken against the officers found responsible as a result of the enquiry made into the matter.

(iv) Air dropping losses

Audit Paragraph

1.66. During the period July, 1967 to March, 1970 the value of commodities lost in air dropping to various air bases were Rs. 14.82 lakhs as against stores worth Rs. 296.62 lakhs handled, the percentage of loss ranged from 1.68 to 11.43. The losses were in most cases attributed to bursting of bags and misdropping of loads in inaccessible

areas. The Commander, 10 Wing Air Force, observed (August 1970) as follows:—

“On perusal of the air drop reports received in the recent past, it has been revealed that in most cases the losses are due to bag bursting. The only reasons that can be arrived at is mainly due to faulty packing and low quality materials used.”

1.67. On the basis of recommendations of a Committee appointed to enquire into air dropping losses, Government of India had decided (October 1969) that air dropping losses beyond 4 per cent to 5 per cent for Dakota and Caribou and 8 per cent for AN.—12 crafts should be investigated by competent authority. The Administration stated (November 1971) that no joint committee had been constituted as in North East Frontier Agency, communication was difficult and service of helicopter for a single investigation would cost Rs. 9,000 in addition to travelling allowance of the officers, and that the matter had been taken up with Government for appointing joint committee.

[Paragraph 33(iv) of the Report of the Comptroller and Auditor General of India for the year 1970-71—Union Government (Civil)]

1.68. The Committee desired to know the reasons for higher percentage of air-dropping losses ranging upto 11.43 per cent. The Home Secretary stated that “on the basis of loss in air dropping to various air bases of Rs. 14.82 lakhs as against stores worth Rs. 296.62 lakhs, you will find that the average loss works out to about 5 per cent. Now a Committee was appointed at the instance of the Public Accounts Committee by the Ministry of Defence to determine what should be the reasonable tolerance limit of air dropping losses. Shall we say for non-monsoon period 4 per cent by Dakota and Caribou and 5 per cent for monsoon period. These are the limits upto which we can combine air dropping because of the inherent situation. According to the pilot, the average height for this difficult area is about 2000 ft. I am sure you will be able to appreciate this area is situated more than the average height—it is ranging from 4,000 to 5,000 ft.—and when air dropping is done, the rate of acceleration of the drop weight touches the ground is much more and therefore bag bursting is much more normal in these places. The losses were also attributed in most cases to the dropping of loads in inaccessible areas.

They do the air dropping as far as possible by only Dakotas and Caribous and a few helicopters have been used still because of the inherent situation of the area, the losses have been more than the usual. The other kind of losses is due to misplacements. Due to

winds which are also very frequent in this area, the weight drifts and therefore the bags are misplaced or misdropped in inaccessible areas and from those areas they cannot be recovered. So all these factors have been examined. Sir, if you take the average, then the situation is not so bad.

Then what we prescribe here is that the figure should be calculated on the average for each dropping zone for a period of 3 months and for your satisfaction I have brought some figures for each base from which the air-dropping operation takes place and those figures are well within 5 per cent.

1.69. The Committee drew attention to the opinion of the Financial Adviser given in July 1971 that in order to conceal inexperience among the pilots Air Force blames the packing materials, defective packing or dropping zones for the higher losses although the packing material used was the same as used by the Army and taken from the same source and that it was also packed by persons who have long experience. The Home Secretary stated: "For purchasing the bags, the specifications are the same as are prescribed for the army and extra precaution that was taken was that instead of packing grains in 4 gunny bags, it was 5 gunny bags. But still due to acceleration of the weight and the altitude, the bag bursting may have been more. Therefore, I cannot say the versions given by the Air Force are wrong." The Chief Commissioner stated: "I do support that the pilots should be trained. I do not blame the Air Force at all. When they were jumping over them, they tried to put the blame on the others. It is partly true, but it is not wholly true." The witness added that the higher percentage of losses was because of the high altitude of this area.

1.70. Asked on what basis the Financial Adviser gave his opinion in July, 1971, the Joint Secretary, Ministry of Finance, stated: "In 1968, a committee was appointed by the Defence Ministry to go into the conduct and enquire into air dropping of supplies. The slight increase in losses in the NEFA area was, however, due to the following reasons: (a) a number of unsuitable dropping zones, particularly near the border in NEFA; (b) change over of agencies in July in the middle of monsoon. The dropping took place under monsoon conditions on small dropping zones. Then the aircraft was unsuitable for this area where the dropping zones were very small and the droppings were done in small quantity. So, these broadly have been the findings of the Committee which neither represents the NEFA Administration nor the particular air force because this was headed by an army officer. It will not be out of place to mention here the comparison with the losses for the army dropping. I will give you some figures

for the army losses in the eastern sector. In 1969-70, it was 1.31 per cent or other for Dakota, it was 2.1 per cent for Caribou, it was .94 per cent. Then in 1970-71, it was .51 per cent for other .36 per cent for Dakota and for Caribou, it was 2.55 per cent. Again in 1971-72, the figures are 1.28 per cent, 1.61 per cent and 1.53 per cent respectively." The witness added: "The point is that the pilots we have sent for dropping are not inexperienced and they have not been inadequately briefed. Perhaps the reasons for the high losses are that the dropping zones are situated in a particularly difficult area." The representative of the Air Headquarters stated: "One of the primary causes for losses in air dropping to my mind is the supply in the eastern sector, the nature of the DZ and the nature of the terrain where DZ is located. In Assam, I wish to point out, first of all, that the air force had been dropping for the NEFA agencies since 1950. There was a slight break when Kalinga took over. But, at the same time, when Kalinga was doing in NEFA, we were continuously doing air dropping for the army in the eastern sector. Why I am mentioning this point is that I want to impress upon everybody present here that the Air Force has very wide and very great experience of supply dropping in NEFA. Their selection of DZ was arranged, first of all, by the users. They told us that they wanted a DZ in this particular area. We carried out an aerial survey. If we find that the area is suitable, we allow them, if not, then we suggest to them some other method. But NEFA Administration has problems in locating the DZ because there are cases in NEFA where even though bags have been dropped in the DZ all the time they have been constantly bursting. During my tenure in the area, it also happened and we used to get very great losses in free dropping. But on investigation, we found out that DZs were located on rocks. Therefore, no matter how actually droppings were the bags always used to burst. The losses that you get in NEFA are higher. There are many other factors. I am quite sure the persons present here will realise that the air force takes utmost care in selecting the pilots. The figures which the Joint Secretary has presented now should speak for themselves. We are using the same air crafts and we are doing the supply dropping for the army. Their losses are even less than 7 per cent. I cannot see as to why with the same equipments, same pilots doing the same task for another agency should have higher losses. There are so many contributing factors and one of them is the nature of the DZ and the other one is the terrain. I do not think you can put a particular agency responsible for these losses. It is a contributory loss." Asked about the contributing factors responsible for higher losses in NEFA, the witness stated: "There are a number of dropping zones for NEFA which are at a higher altitude. There, the areas available are much too small for these heights."

1.71. The Home Secretary stated: "Army droppings are being done in NEFA, in Manipur and all those areas and in those areas, dropping zones are at comparatively lesser heights. As far as I know, in all these areas, the dropping zones are within about 5000 feet high, while in Arunachal Pradesh, as the Air Vice Marshal has explained, it is physically impossible to have better dropping zones and whatever best could be made available in those inaccessible areas has been found and the heights range between 5,000 and 14,000 feet and in spite of all the experience that the Air Force has and in spite of their best pilots being used in those operations in those areas, the very nature of the dropping zones in Arunachal Pradesh makes the situation much more difficult than in other areas."

1.72. Asked about the present air dropping losses in operation by Air Force compared with those during the period prior operation of Kalinga Airways, the representative of the Air Headquarters stated: "I do not have the dropping losses figures for the period 53—59. But we have been doing droppings for the Army in the NEFA and ever since we have been doing this, I do not think our losses have ever exceeded 5 per cent. I am talking of the average losses." The Home Secretary stated: "When the Air Force used to do the dropping earlier, those dropping zones had not been extended to such inaccessible areas as they have been done now."

1.73. The Chief Commissioner stated: "As soon as the aircraft is sent, in any dropping zone, then at that time, all the representatives of the agencies which are available in that area—who will be represented by their seniormost officers—will be present there—when the droppings take place. It may be Assam Rifles, it may be CRP, or it may be for the NEFA Administration. As soon as the droppings take place, with that, load manifest is dropped also. Then all the people collect together and then loads will be collected and they will find out which load is meant for whom. It may be that in some case the whole load may be for the NEFA Administration. It may be sometimes for the Assam Rifles or sometimes it may be a combined load or composite load. Then, after this, all the people who are present at that place, will sign together an enquiry report which contains the details like so much should be the load according to the manifest load and so much has been received. If there are any bag bursts and things like that are noticed, they are mentioned in the report. They have to then send this information by wireless net. If they have not received the load and if the receipt signed by them is not obtained by the consignor within a reasonable time, then the second load is not sent. The second consignment is not sent to the same dropping zone."

He added that "There is no question of unauthorised persons coming into the picture."

1.74. Asked about the measures taken to reduce the losses, the Chief Commissioner stated: "At present, we take 3 or 4 bags. Now, we are using 5 bags. The Air Force representative advised us to use 5 bags. That means for over-load, we are spending additional one rupee." Asked about the gain by adopting this measure, witness stated: "Otherwise, the percentage might have been 5.25 instead of 5."

1.75. At the instances of the Committee, the Ministry of Home Affairs furnished the following percentages of losses in air dropping of stores done by Kalinga Airlines and Air Force:—

Percentage of losses by Kalinga Airlines		Percentage of losses by Air Force	
Year	Percentage of losses	Year	Percentage of losses
1960-61	2.61%	1967-68 (1-7-67 to 31-3-68)	5.76%
1961-62	2.17%		
1962-63	1.52%	1968-69	4.35%
1963-64	2.01%	1969-70	3.66%
1964-65	2.40%	1970-71	3.47%
1965-66	4.35%	1971-72	2.89%
1966-67	5.18%		
1967-68 (1-4-67 to 30-6-67)	3.88%		

1.76. The Committee desired to know whether there was any surprise check of air dropping zone by any superior officers. In a written reply, the Ministry of Home Affairs stated: "Stores air dropped are received by a Board consisting of representatives drawn from Assam Rifles Battalion, Subsidiary Intelligence Bureau and Deputy Commissioner's establishment. The stores are weighed in the presence of the above board and any discrepancy found is reported to the despatching basis by WT message within 48 hours from the time of receipt of stores indicating therein reasons for losses and these are accepted as such. Surprise checks cannot be carried out as any visit of the office for the purpose will have to be intimated to the Dropping Zones beforehand."

1.77. The Committee note that the percentage losses suffered in air dropping of stores by Air Force in Arunachal Pradesh is higher as compared to the stores dropped for the Army in the Eastern Sector. The main reason for the higher percentage of losses is stated

to be the location of the dropping zones in NEFA at higher altitude on rocks which result in the bursting of bags. In order to reduce the losses 5 bags are now being used in packing of stores instead of 3 or 4 bags. From the figures given to the Committee, it is found that the air dropping losses in Air Force operation have progressively come down from 5.76 per cent in 1967-68 to 2.89 per cent in 1971-72. The Committee are glad to note the downward trend in losses in Airforce operation and hope that the efforts will be continued to be made to reduce the percentage of losses.

(v) Disposal of unserviceable parachutes

Audit Paragraph

1.78. In July 1967 a board of officers including a specialist of I.A.F. surveyed and classified 79,368 parachutes held at Rowriah depot and declared 56,183 as unserviceable and 23,185 as repairable and recommended that repair should be undertaken immediately. Government of India issued sanction in July 1968 for disposal of the unserviceable parachutes on the condition that the sale should be made in a phased manner in small lots costing not more than Rs. 6 lakhs at a time. According to the instructions of the Government of India, the unserviceable parachutes were to be disposed of through the Director General, Supplies and Disposals. 56,183 unserviceable parachutes (book value Rs. 44.04 lakhs) were actually disposed of in three lots as shown below through auctioneers appointed by the Director General, Supplies and Disposals.

When disposed of		Number disposed of	Book value	Amount realised	Percentage of the amount realised to book value
(Lakhs of rupees)					
April	1969	15,000	11.76	1.96	16.66
May	1969	15,000	11.76	1.83	15.56
May	1970	26,183	20.52	2.45	11.94

None of these lots was small. While the first lot was disposed of nine months after issue of sanction by Government of India, the second lot was disposed of in the very next month and fetched a price lower than the first lot. The third lot was the biggest and fetched the lowest price.

1.79. The 23,185 parachutes considered serviceable after repairs were 18 feet parachutes. (As 18 feet parachutes were outmoded and 28 feet parachutes were to be used, those were not ultimately repaired and are still in stock (November, 1971).

[Paragraph 33(v) of the Report of the Comptroller and Auditor General of India for the year 1970-71—Union Government (Civil)]

1.80. The Committee desired to know for what period the parachutes had been accumulated. The Chief Commissioner stated: "Before 1967, we have not disposed of any condemned parachutes. This is an accumulated stock before that. That is, even when it was found uneconomical." Asked if the Administration had not laid down any procedure to dispose of unserviceable parachutes once in every two or three years, the witness stated: "Now, we are regularly disposing them of."

1.81. The Committee desired to know the reasons for delay in according sanction to the disposal of unserviceable parachutes. In a written note, the Ministry of Home Affairs stated: "The Administration reported in September, 1965 to the Ministry that a large quantity of supply dropping equipment had accumulated at various outposts. The Ministry on 8-10-65 asked for a detailed list of all the places where these stores were lying, the period for which they had been lying there and whether adequate storage facilities were available for storing the articles. Partial information was received from the Administration in June, 1966. The Ministry of Defence were requested to make available suitable aircraft for back-lifting the stores. The Defence Ministry in July 1966 expressed their inability to provide helicopters which were the only means of retrieving these stores from the outposts. The Administration was then asked in August, 1966 to intimate the cost of carrying and also parachutes by porters as compared to hiring of helicopters and also as to how the cost of transportation compared with the cost of new parachutes. This information was supplied in March, 67. Thereafter further efforts were made to obtain helicopters from the Defence Ministry. But these proved infructuous. In the meantime the Administration had also constituted a Condemnation Board for the examination of the stores to segregate items which could be retrieved after repairing and those which have to be disposed of. Instructions were also issued to the effect that new parachutes should be used for air dropping in dropping zones located near landing grounds or road heads from where retrieval is easy and economical and for dropping zones in areas where retrieving is uneconomical and difficult only old parachutes should be used."

"In view of the difficulty in arranging for the airlifting of the unserviceable parachutes, the D.G.S. & D. was requested on 10th January, 1968 to indicate whether it will be possible for their organisation to undertake the disposal of the stores. On receipt of a reply from the D.G.S. & D. on 17-6-68, sanction was issued on 20-7-1968 for the disposal of stores."

"It will be seen that the collection of details about the location and quantities of the stores lying at various outposts, the comparative economics of retrieving them through porters and helicopters, references to the Defence Ministry regarding the hiring of helicopters and the final decision to dispose of the unserviceable articles through the D.G.S. & D. took considerable time and this explains the delay in the according of sanction for disposal."

1.82. Asked about the reason for the delay of nine months in auctioning the first lot, the representative of the D.G.S. & D. stated: "The surplus report is dated the 30th August, 1968, and it was forwarded by a letter dated 12-9-68 to the DGS&D, New Delhi. It was actually received at Delhi on 8th October, 1968, and three days later, that is, on 11th October, 1968, the screening board met and decided the method of disposal. They decided that it may be transferred to Calcutta, that is, to our office at Calcutta for disposal by auction." The Home Secretary stated that the correspondence between NEFA Administration and DGS&D had started in August, 1968.

1.83. The Committee pointed out that according to the Government sanction, unserviceable parachutes were required to be disposed of in phased manner in small lots costing not more than Rs. 6 lakhs at a time, but they were actually disposed of in larger lots according to Audit Paragraph. The representative of the DGS&D stated: "The stores were disposed of in very small lots. In fact, in the first auction, we put up 15,000 numbers, but in 75 lots of 200 each, so that any actual user who wanted to buy small amounts could buy them. But in the auction which was first held in March, 1969, there was nobody who had come forward to buy it at a reasonable price. There were six or seven parties but they were bidding at very low rates." The witness added: "In the auction held in April, 1969, 15,000 were sold in 10 lots, because in the first auction held in March, 1969, we made 75 lots, and we could not sell anything; so, the next time, we made 3 lots each of 200, one lot of 400 and 2 lots of 1000 each and 4 lots of 3000 each, and we were able to sell all the lots at an average rate of about Rs. 13 each." The witness added: "The lots of 200 each were sold at the

rate of Rs. 13.5, while the bigger lots were sold at slightly lower rates. They were Rs. 13.5, Rs. 13.4, Rs. 13.3 and so on, and the average comes to Rs. 13.07. Everything was above Rs. 13."

1.84. According to Audit 4 auctions were held during March to June, 1969 and it was possible to dispose of only 30,000 numbers in auctions held in April and May, 1969 while the other auctions had to be scrapped as the offers received were below the guiding price fixed. A fifth auction was also arranged in October, 1969 with no better results. The last auction was attended by about 200 persons but with the exception of 2 or 3 none of them participated for fear of local people who as ascertained by the Supervising Officer did not allow the outsiders to participate in the auction. In the circumstances it was decided to dispose of the balance quantity in two lots of 13,000 and 13,183 numbers by advertised tender on all India basis. As the offers received against tenders were better than those received in the last auction, it was decided to accept the offer. The Committee asked whether it was not possible to transport the parachutes elsewhere and dispose them of. The representative of the DGS&D stated that "instead of transporting them and incurring extra cost, the easier way was to hold auction/to invite tenders. Asked if the economics of transportation of the parachutes for disposal elsewhere was considered. the witness stated "this aspect had not been examined."

1.85. The Committee desired to know why 18 ft. parachutes are continued to be kept in stock although these were outmoded. The Chief Commissioner stated that "they have in consultation with experts decided that these 18 ft. parachutes can be used in Dakotas." Asked why it was earlier considered that these could not be used, the witness stated: "One of the representatives of the Air Force, I think, who was on the board, said that this is an outmoded equipment that we are utilising. Later on, when we consulted a Rear Air Supply Organisation Colonel, he said it can be used over such and such height. We did not want to condemn or sell them because we felt we can use them for a couple of times."

1.86. The Committee are unhappy over the delay in the disposal of 56,183 unserviceable parachutes. The Administration had reported in September, 1965 that large dropping of supply equipment had accumulated at various outposts. But the Government sanctioned the disposal of unserviceable parachutes in July, 1968. A further period of 2 years was taken by DGS & D for disposal of parachutes through auction/tender. The Committee have been informed that

a procedure is now followed to dispose of unserviceable parachutes regularly. The Committee trust the accumulation of unserviceable parachutes will be avoided in future.

1.87. The Committee were given to understand that in the present case there was poor response in the auctions held to dispose of parachutes and the last lot of 26,183 parachutes was disposed of through tenders. The Committee suggest that in view of the difficulty in auctioning such stores in Arunachal Pradesh the feasibility of transporting them to another station for the purpose of auctioning may be examined for future.

(vi) Misappropriation

Audit Paragraph

1.88. During the two years 1968-69 and 1969-70 ten cases of misappropriation of Government money/sale proceeds of stores etc. (Rs. 1.25 lakhs) came to notice. Investigation/disciplinary proceedings were under way (June, 1971).

[Paragraph 33(vi) of the Report of the Comptroller and Auditor General of India for the year 1970-71—Union Government (Civil)]

1.89. The particulars of the aforesaid ten cases have been furnished by Audit as follows:—

Name of the C.P.O. Centre	Amount Rs.	Whether reported to the Accountant General
1. Bameng	35,677.12	Reported in August, 1970
2. Waii	9,678.94	Reported in December, 1970
3. Namsai	31,617.05	Reported in April, 1969
4. Sepla	5,233.84	Reported in May, 1968
5. Pali	11,879.72	No: reported
6. Tato	3,781.96	Not reported
7. Changlagam	8,907.49	Not reported
8. Seijosa	6,753.77	Not reported
9. Ziro	6,518.15	Reported in November, 1968
10. Boleng	2,576.99	Not reported

1.90. The Committee asked about the number of cases which were not reported to the Accountant General. The Home Secretary stated that "Three cases have not been reported; that is a mis-

take. Naturally there is regret for it." Explaining the present position of the cases, the witness stated: "Three have already been referred to the C.B.I. and four more are in the process of being referred to the C.B.I. Out of the remaining three, in one case the store keeper has just disappeared and the loss is much less in fact. It works out to Rs. 2311.75; out of that amount an amount of Rs. 2006 has been found at the other end and so the discrepancy is really of the order of Rs. 305. In the case of Seijosa the amount has been written off as it was found that there were no malafides. They have taken the orders of the competent authority. It was not a misappropriation case; the loss occurred on account of the storage problem. In respect of Ziro there was loss in physical verification and disciplinary action is taken. The persons were suspended with effect from 20-11-1969. There was an enquiry and the enquiry report suggested that the losses might be recovered from the five persons who were involved. I think they will be able to make good that loss." The witness agreed that the case could have been reported to the C.B.I. earlier.

1.91. In a written reply the Ministry of Home Affairs have stated the following position of the cases:—

(1) *Misappropriation at Waii CPO*

Deputy Commissioner Bomdila has already been asked to initiate departmental action against the accused store-keepers vide our No. SUP-4/283/70 dated 28-9-72.

(2) *Misappropriation at Sopla CPO*

The case has been handed over to Central Bureau of Intelligence on 14-10-71 and their report is awaited.

(3) *Misappropriation at Tato CPO*

The case has been filed in the court of Law in 1970 and its decision is awaited.

(4) *Misappropriation at Boleng CPO*

There was a discrepancy of Rs. 2312.75p. Out of this Rs. 2066.98 was credited to Government account. Out of the balance of Rs. 305.77 a sum of Rs. 169.90 has also been recovered from the dues of absconding store-keeper.

(5) *Misappropriation at Namsai CPO*

Deputy Commissioner, Tezu has already been asked on 19-10-1971 to institute both criminal case in the Court and departmental action against the defalcating store-keeper. The present position is being ascertained.

(6) *Misappropriation at Chaglagam CPO*

A Court case has been instituted against the defaulting official and a warrant of arrest has also been issued but the person is absconding to date.

(7) *Misappropriation at Plain CPO*

Warrant of arrest has already been issued but the accused is still absconding as per report received from Deputy Commissioner, Ziro.

(8) *Misappropriation at Seijusa CPO*

This was not a case of misappropriation but was a case of storages detected in the course of periodical verification of stores. This was duly inquired into and the value of stores has already been written off.

(9) *Misappropriation at Ziro CPO*

Recovery has been ordered from the officials responsible for the loss *vide* Deputy Commissioner, Ziro's letter No. S/8625/72/347-520, dated 10/11-5-72.

(10) *Misappropriation at Bameng CPO*

The case has already been handed over to Central Bureau of Intelligence *vide* our No. SUP-4/148/70 dated 4-6-71 and their report is awaited.

1.92. That as many as ten cases of misappropriation of Government money/sale proceeds of stores came to be noticed in the operation of the scheme during two years (1968-69 and 1969-70) shows that either there is lacunae in the system which enabled dishonest persons to circumvent the rules or else the checks and counter-checks prescribed for detecting the frauds are inadequate and ineffective. The Committee therefore desire that apart from handing over the cases to the C.B.I. the Administration should take steps to investigate the procedural snags and slackness, if any, on the part of the supervisory staff concerned for appropriate remedial measures.

They would urge that detailed instructions should be issued to guard against the possibility of such frauds in future and for the guidance of the staff concerned. The Committee trust that suitable action would be taken against persons found guilty so that it acts as a deterrent against any such laxity in future.

CHAPTER II

MINISTRY OF INFORMATION & BROADCASTING

(PUBLICATIONS DIVISION)

Audit Paragraph

2.1. A review of the working of the Publications Division conducted by Audit in November 1970 disclosed the following:—

- (i) Journals:—For giving publicity to the planning programmes and performance, the Publications Division publishes seven journals—some in more than one language. All the journals are priced. It would be seen from the following that the total loss on the journals progressively increased during the three years ending 31st March, 1970 (accounts for 1970-71 not ready), the increase being 50 per cent during two years:—

(Lakhs of rupees)

Year	Total No. of copies Printed (in lakhs)	Total cost of production	Total revenue from sales & Advertisements	Total free supply	Total loss
1967-68	16.03	10.17	4.59	1.68	3.90
1968-69	15.68	10.84	4.74	1.76	4.34
1969-70	17.19	13.02	5.16	2.01	5.85

2.2 The financial results of the individual journals for the year 1969-70 are as follows:—

Serial No.	Name of the Journal	Sale price per copy	Total No. of copies printed	Total cost of production	Cost of production per copy	Revenue		Gross profit (+) Gross loss (-)	Free Supply	Net Profit (+) Net Loss (-)	
						Sales	Adver-tise-ment				
						Rs.	Rs.	Rs.	Rs.	Rs.	
1	Ajkal (Hindi)—Monthly	0.60	42,780	68,017	1.60	22,151	1,199	23,350	-44,667	2,591	-42,076
	Ajkal (Urdu)—Monthly	0.60	37,230	68,152	1.84	10,370	1,500	11,870	-56,282	12,935	-43,347
2	Bal Bharati —Monthly	0.35	316,940	198,732	0.63	80,598	14,845	95,443	-1,03,289	1,413	-1,01,876
3	Bhagirath—Quarterly	1.00	16,910	18,249	1.08	12,435	17,731	30,166	+11,917	1,390	+13,307
4	Panchayati Raj (E)—Monthly	0.20	1,01,075	38,029	0.38	2,708	5,352	8,060	-29,969	16,463	-13,506
5	Kurukshetra (E)—Monthly	0.40	114,191	91,482	0.81	10,349	10,950	21,299	-70,183	37,853	-32,330
	Kurukshetra (H)	0.30	49,844	46,608	0.94	2,838	2,151	4,989	-41,619	10,623	-30,996
6	Indian & Foreign Review (Fortnightly)	0.50	356,714	240,624	0.68	171,936	8,759	180,695	-59,929	5,975	-53,954
7	Yojana (E)—Fortnightly	0.25	333,540	267,901	0.81	47,248	57,261	104,509	-163,392	50,790	-112,602
	Yojana (H) Fortnightly	0.25	161,425	142,792	0.89	14,638	5,912	20,550	-122,242	27,052	-95,190
	Yojana (Tamil)—Fortnightly	0.25	84,171	53,357	0.22	5,176	2,649	7,825	-45,532	14,398	-31,134
	Yojana (Bengali)	0.25	104,065	67,905	0.66	4,406	2,934	7,340	-60,565	19,084	-41,481
			17,18,885	13,01,848		3,84,853	1,31,243	5,16,096	-7,85,752	2,00,567	-5,85,185

2.3 (ii). **Physical verification:**—Physical verification of stocks held by the Division (value of average stock between Rs. 40 to Rs. 45 lakhs) conducted in September, 1965, September—October 1967 and April—June 1969 disclosed shortages and excesses as below:—

	(Lakhs of rupees)	
	Shortages	Excesses
September, 1965	0.96	0.38
Sept.-Oct., 1967	2.67	1.92
April-June, 1969	0.53	0.62

The shortages noticed in September-October 1967 and April—June 1969 are yet to be written off (January 1971).

Shortages of 'Picture postcards' and copies of 'Hand Book of India' worth Rs. 80,581 were noticed by the Division in 1967. The loss was reported to the police in July, 1968. The final police report was received in October, 1969 which suggested departmental action in the matter. Departmental action has, however, not been taken so far (November 1971).

[Paragraph 34 of the Report of the Comptroller and Auditor General of India for the year 1970-71—Union Government (Civil).]

(i) Journals

2.4. The Committee desired to know the reasons for 50 per cent increase in the loss on the journal in 1969-70 as compared to 1967-68. In a note, the Ministry of Information and Broadcasting have stated: "There are three main reasons for the loss: (i) higher expenditure due to increase in number of journals and the total number of copies printed; (ii) general increase in the cost of production including cost of paper; and (iii) there being a substantial gap in the cost of production of and sale price per copy, any increase in circulation adds to losses." The Ministry have elucidated these points further as follows:—

- (i) There were only 10 journals with total print order of 16.03 lakh copies in 1967-68; the number went up to 12 in 1969-70, with the addition of Bengali and Tamil versions of YOJANA (Fortnightly). The total number of copies printed increased to 17.18 lakhs. This increase in the number of journals and the number of copies led to an increase in the cost of production from Rs. 10.17 lakhs to Rs. 13.01 lakhs resulting in an additional expenditure of Rs. 2.84 lakhs in 1969-70. Of this, a sum of Rs. 1.21 lakhs was accounted for by the two new versions of YOJANA. At

the same time, the increase in cost of production could not be offset by any appreciable addition to revenue as the two new journals needed time to build up paid circulation and attract advertisement. There was, however, an increase of Rs. 0.58 lakh in revenue from sales and advertisements on the older journals, the comparative figures being Rs. 4.58 lakhs in 1967-68 and Rs. 5.16 lakhs in 1969-70.

- (ii) Apart from marginal increases in the cost of production of the 10 old journals, the addition of the Bengali and Tamil versions of YOJANA in 1969-70 alone increase the cost of production by Rs. 1.21 lakhs. The journals are printed by private presses on the basis of Competitive rates obtained as a result of tenders invited for specific periods. The rates quoted by the presses are fully reflected in the rising cost obtaining in the market from time to time.
- (iii) There is a wide gap between the cost of production per copy of a journal and its sale price which is fixed at a much lower level keeping the basic objective of making the journals available to readers at as modest a price as possible. This element of subsidy is an essential part of Government's policy aimed at evoking public involvement in the task of national reconstruction by providing to reading public wholesome motivational literature at a low price. While there were noticeable increases in the cost per copy of almost every journal in 1969-70, the sale price of the majority of these journals remained unchanged. This being the case in respect of the Mass circulation Journals like BAL BHARATI, INDIAN AND FOREIGN REVIEW, YOJANA (English and Hindi) and AJKAL (Hindi and Urdu), which account for almost 75 per cent of the total number of copies printed, any increase in their cost of production as also circulation leads to increase the amount of deficit. The only way to partially offset the losses is to increase advertisement revenue, but there are obvious limitations to attracting more or less the same set of advertisers to as many as 12 journals published by a Government Department.

2.5. The Committee enquired about the steps taken or being taken to reduce the loss. The Ministry have stated in their reply: "Except for AJKAL (Hindi and Urdu) and BAL BHARATI, which are brought out by the Ministry of Information and Broadcasting to cater to the felt needs of special category of readers, the remaining

9 journals are brought out on behalf of the various Ministries of the Government of India as part of their publicity effort (In the respective fields covered by them). In other words the objective behind this effort is dissemination of information irrespective of considerations of profit or loss. Their commercial viability, if any, being only a secondary consideration, the loss on these journals, particularly to the extent of the deficit involved in fixing a lower sale price, is inevitable. However, every effort is made to make up the losses by (i) periodical increases in sale price, (ii) increase in the rates of advertisement, and (iii) promoting paid circulation to attract more advertisements. The following steps have already been taken in these directions:

- (i) The sale prices of YOJANA (English) and INDIAN AND FOREIGN REVIEW were increased from 25 paise to 40 paise and from 50 paise to 75 paise respectively with effect from 1-4-70. Later, the sale price of Bal Bharati, the children's monthly in Hindi was also increased from 35 paise to 45 paise during the year 1971-72. This was done because the journals had attained a sufficient standing among the reading public and it was considered that these could stand this increase without affecting their paid circulation.
- (ii) The advertisement rates for various journals were raised with effect from January 1968. This resulted vide (Appendix I) in increased revenue as shown below:

1967-68	Rs. 1.05 lakh
1969-70	Rs. 1.31 lakh
1970-71	Rs. 1.59 lakh

The progressive increases are also indicative of a more concerted effort in reaching as many advertisers as possible.

- (iii) On the sales promotion side, a new "City Agency" scheme providing for more liberal terms of discount and facilities for return of unsold copies has been put into operation since February 71. This has attracted a good number of new city agents, resulting in a much larger number of copies being lifted through this channel than before.
- (iv) At present the work relating to the despatch, circulation and advertisement for all the 12 journals is being looked after by two officers. This is hardly conducive to any

personalised attention to the needs of any individual journal. The Internal Work Study Unit of Ministry of Information and Broadcasting is presently studying this problem with a view to making each journal or a group of journals a self-contained unit so as to secure concentrated attention. Given the necessary additional staff, it should be possible to cut down the losses to the barest minimum”

2.6. The Committee desired to know if any norms have been fixed for the free mailing list. The Ministry of Information and Broadcasting in a note have stated, “The number of copies to be distributed free in the case of publicity journals YOJANA (English Hindi, Assamese, Bengali and Tamil), KURUKSHETRA (English and Hindi), BHAGIRATH AND INDIA AND FOREIGN REVIEW which are published on behalf of the planning Commission, Department of Community Development, Ministry of Irrigation and Power and Ministry of External Affairs are decided by the respective Departments taking into consideration the essential targets which they would like to reach as part of their publicity effort. The free mailing lists for these journals are review periodically and economies, wherever possible, are effected. As regards free distribution of the 3 general magazines, BAL BHARATI and AJKAL (Hindi and Urdu) brought out on behalf of the Ministry of Information and Broadcasting, free distribution is kept to the barest minimum. This is much below the generally accepted level of 10 per cent of the print order, normally fixed by most publicity organisations.”

2.7. A review of the working of the Publications Division had also been conducted by Audit earlier in 1963. Particulars of cost of production and sale price of journals during the year 1962-63 are given in Appendix II.

2.8. Paragraph 47 of the Audit Report 1964 relating to the working of the Publications Division mentioned that losses were being incurred on the journals issued by the Division as the cost of production was much above the sale price. The losses were attributed by the P.A.C. vide paragraph 22 of their 38th Report (Third Lok Sabha) to:—

- (i) Decline in revenue from advertisement;
- (ii) Inadequate circulation; and
- (iii) The issue of a large number of copies.

2.9. The Committee are unhappy over the continuing losses being incurred on the journals published by the Publication Division.

The total loss progressively increased from Rs. 3.90 lakhs in 1967-68 to Rs. 4.34 lakhs in 1968-69 and Rs. 5.85 lakhs in 1969-70. Excepting 'Bhagirath-Quarterly' which made a profit of Rs. 13,307 during 1969-70, all the other eleven journals were running at a loss. A comparison of the two statements showing cost of production and sale price of publications during 1962-63 and 1969-70 indicates that the financial results have not at all been encouraging. Instead of improving, the situation has in fact worsened.

2.10. The Committee note that the sale prices of 'Yojana (English)' and 'Indian and Foreign Review' were increased from 25 paise to 40 paise and from 50 paise to 75 paise respectively with effect from 1-4-70 and that of 'Bal Bharti' from 35 paise to 45 paise during the year 1971-72. They, however, find that the sale prices of journals like 'Ajkal (Hindi & Urdu)', 'Yojana (Hindi)', 'Panchayati Raj (E)', 'Kurukshetra (H)' have remained unchange since 1962-63 although the cost of production has noticeably increased over the years. The Committee feel that the selling prices of journals call for an upward revision.

2.11. The Committee also note that the rates of advertisement in respect of four journals, viz., 'Bhagirath', 'Bal Bharti', 'Kurukshetra' (English and Hindi) have been raised from January 1968. The Committee suggest that rates of advertisement in respect of the other eight journals may be reviewed with a view to revising them.

2.12. The purpose of publishing the journals by the Publications Division is to give publicity to the planning programme and performance. The aim is to evoke public involvement in the task of national reconstruction by providing to the reading public wholesome motivational literature at a modest price. It is, however, observed that more number of copies of journals like 'Ajkal (Hindi)', 'Panchayati Raj (E)', 'Kurukshetra (English and Hindi)' and 'Yojana (Hindi)' were printed and sold in 1962-63 than in 1969-70. This goes to show that there has, in fact, been a drop in the circulation of these publicity journals. In the case of other journals there has been only a marginal increase during this period. Further on the basis of revenue realized from sale prices of the journals as given in the statement showing the financial results for the year 1969-70, the average sale circulation per issue for some of the journals works out as under:—

Ajkal (H)—Monthly	3077	or	3100
Ajkal (U) —do—	1440	or	1500
Kurukshetra (H)—Monthly	788	or	800
Yojana (E)—Fortnightly	7874	or	8000
Yojana (H)— —do—	2440	or	2500

Having regard to the vastness of the country and its huge population, their circulation is very low.

2.13. The Committee therefore desire that energetic and intensive promotional measures should be taken to push up the sale of these journals and to popularise the journals by bringing them to the notice of a wider reading public.

2.14. One of the factors contributing to the losses in the running of these journals is a large quantum of free supply of copies thereof. As against the sale of Rs. 3.85 lakhs in 1969-70, free supply copies were of the value of Rs. in lakhs. In the case of 8 out of 12 journals Appendix III the percentage of the value of free supply to the number of copies printed was considerably high being 52 per cent in the case of Ajkal (Urdu) 81 per cent for Panchayati Raj (74 per cent for Kurukshetra, (E) 7 per cent for Kurukshetra (H), 52 per cent for Yojana (English), 62 per cent Hindi Yojana 688 per cent for Yojana (Tamil) 73 per cent for Yojana (Bengali). In para 24 of their 38th Report 1964-65 (crd Lok Sabha) the Public Accounts Committee had desired that Government should ensure that free issue of publications is reduced to minimum. The Committee had suggested that a system should be evolved where by magazines should not be sent free only to those persons who are really interested in them and make request for continuing their supply instead of mailing them mechanically according to the list as besides an economy in their numbers it would also make saving on account of postage etc. While reiterating their earlier suggestion, the Committee would like that the free mailing list of the journals should be periodically reviewed by the publications Division in consultation with the Ministries concerned with a view to keeping them to the minimum.

2.15. The Committee find that all the 12 journals are being sold for below the cost price. While appreciating that these form part of the publicity efforts of Government aiming at dissemination of information to the public and should not be measured merely in terms of profit and loss, the Committee feel that their commercial viability cannot be ignored. In the Committee's view the following steps amongst others, may help in making the journals self-supporting:—

- (1) Reduction in the cost of production by carefully fixing the print order in the light of experience regarding sale/issue of journals.
- (2) Periodical review of sale price of journals and advertisement rates with a view to meet the increasing cost.
- (3) Taking systematic and intensive sale promotional measures e.g. "city agency" scheme already put into operation for increasing the circulation of these journals etc.
- (4) Attracting advertisements by improving the contents of the journals, quality of printing and increasing priced circulation.

2.16. The Committee note that the Internal Works Study Unit of the Ministry is presently studying the problem relating to the despatch, circulation and advertisement of these journals with a view to making each journal or group of journals self-contained unit so as to secure concentrated attention and cut down losses to the barest minimum. The Committee trust that this will be done without increasing the overhead expenditure.

(ii) *Physical verification*

2.17. The Committee desired to know if the shortages noticed in September-October, 1967 and April-June 1969 had been written off. The Ministry stated, "The files containing the physical verification report relating to the Feeder and Current Stores for the years 1967 and 1969 were duly examined in the Division and submitted to the Ministry of Information and Broadcasting where it was subjected to closer scrutiny and referred back to the Division with a number of queries. These queries were duly commented upon and the file was finally submitted to the Ministry of Information and Broadcasting on 16-10-1970. The files could not be traced thereafter and had to be reconstructed on the basis of whatever records were available in duplicate. The file relating to the physical verification of October 1967 which reflected shortages and excesses of Rs. 2,65,624.20 and Rs. 1,90,430.93 respectively has since been reconstructed and submitted after due examination and appropriate recommendations of the Director, Publications Division, to the Ministry of Information and Broadcasting for according sanction to write off the books found short and take on stock those found in excess.

The file concerning the physical verification of the Feeder Stores conducted in April-June, 1969, has also been reconstructed and is

being submitted for Ministry's orders. The discrepancies revealed as a result of the above verification are of the following order:

1. Shortage—Rs. 31,148.98 only
2. Excess—Rs. 30,234.48 only

It would be seen that the shortages in the above physical verification were almost matched by excesses. These discrepancies, therefore, appear to be the result of errors and omissions in ledger postings, which would be regularised as soon as the Ministry's sanction is received."

2.18. The earlier Audit Report of 1964 on the Publications Division (para 47) also had pointed out shortages and excesses in the stocks accounts. In their 38th Report (Third Lok Sabha) the Public Accounts Committee had expressed their surprises over the fact that no physical verification of the priced publications had been conducted for seven years during the period 1954—1961 and recommended that physical verification of publications must be done annually as verification done at longer intervals could not be effective in detecting irregularities and taking timely action. The Committee regret that notwithstanding this clear recommendation, the stock verification was conducted in alternate years instead of annually.

2.19. The Committee are surprised that the files containing the physical verification report relating to the years 1967 and 1969 which are stated to have been submitted to the Ministry of Information and Broadcasting in October, 1970 could not be traced thereafter and had to be reconstructed on the basis of whatever records were available in duplicate. They consider the loss of these important files as a very serious matter as they appear to have a bearing on the shortages of 'Picture Post Cards' and copies of 'Year Book of India' revealed during the stock verification carried out in 1967 and desire that thorough investigation be made into the loss of files with a view to fix responsibility.

2.20. The Committee are unhappy that action on the discrepancies revealed as a result of verification conducted during 1967 and 1969 has not been finalised so far. They desire that the irregularities should be fully investigated and action taken against parties at fault. The Committee have no doubt that Government will take remedial measures to ensure that such lapses do not recur.

Shortages of 'Picture Post Cards' and 'Hand Book of India'

2.21. The Committee enquired why there was delay in reporting the shortages of picture posts cards and copies of 'Hand Book of

India' to the Police. The Ministry stated in the reply, "There was no inordinate or avoidable delay in reporting the matter to the police as will be observed from the following facts:—

- (a) The physical verification of the "Hand Book of India" and "Picture Postcards" was conducted between 27th September, 1967 and 22nd August, 1968 and 26th September, 1967 and 13th November, 1967 respectively, by the Accounts Officer.
- (b) The Business Manager, after examining the Report, pointed out in his note dated 22nd March, 1968 certain incorrect findings of Accounts Officer in regard to the physical counting of Picture Postcards, which showed considerable shortages. The report, naturally, had to be referred back to Accounts Officer for reconciliation.
- (c) It was found in March, 1968 that certain publications of the Division were found on sale with a private firm of Jaipur who were not our authorised agents. This was brought to Business Manager's notice by an Asstt. Business Manager who visited Jaipur to attend a marriage. The A.B.M. concerned made informal enquiries which revealed that the source of supply of these publications to the firm were two clerks working in the Business Wing of the Division, who had sold these picture postcards in February, 1966. This being a serious matter by itself and also having a direct bearing on the shortages found in the physical verification Report, the Business Manager himself visited Jaipur to verify the facts. Though the Physical Verification Report was finalised after reconciliation on 13th November, 1968, a report was lodged with the S.P.E. on 17th July, 1968 as soon as we thought a prima facie case existed. The A.G.C.R. were also apprised of the position the same day, i.e., 17th July, 1968."

2.22. The Committee desired to know whether any Departmental action had been taken in the matter, the Ministry stated:

"Not so far, for the following reasons:

- (a) Though a report about the shortages was sent to S.P.E. on 17th July, 1968, a case was registered by them on 31st December, 1968, they asked for detailed information about the two suspects alleged to be involved in the case. The S.P.E. later asked for a copy of the Physical

Verification Report on 18th January, 1969. The information asked for was collected and passed on to S.P.E. on 28th March, 1969.

- (b) The S.P.E.'s report dated 23rd September, 1969 was received in this Division on 7th October, 1969 recommending such action against the two suspects as may be deemed fit since the allegations about the possession and sale of Government publications and the picture postcards have been established and action against the Store-keeper for laxity in supervision over the affairs of the Stores in the Publications Division. As for the shortages found in the stores, the S.P.E.'s recommendation was to consider the desirability of fixing responsibility for the shortage and excess in the stores and to take suitable action for prevention of such lapses.
- (c) The S.P.E.'s report was examined in the Publications Division and the Ministry. The S.P.E. were requested on 29th January, 1970 to furnish more details and guidelines to enable the Division to initiate action against the two suspects.
- (d) The S.P.E.'s reply dated 28th February, 1970 was received on 14th April, 1970 (via Ministry) that they (S.P.E.) had nothing to add to their earlier report. The whole case was, therefore examined in the Division and the Ministry for fixing and pin-pointing exact responsibilities on the officials handling stores and those involved in the unauthorised sale of publications at Jaipur.
- (e) The Ministry ordered a Joint Enquiry on 25th February, 1971 which involved a gazetted officer also. After collecting of material for initiating departmental action a reference was made to the Central Vigilance Committee on 17th August, 1971 for advice since a gazetted officer was involved.
- (f) The Central Vigilance Committee after examining the material before them opened on 23rd October, 1971 that the first thing to do was to send to the gazetted officer a statement of allegations against him and ask for his explanation. They (C.V.C.) could offer comments only after examining the explanation of the Gazetted Officer concerned.

- (g) A Memo.- was issued to the gazetted officer concerned on 28th October, 1971 who replied on 31st October, 1971 asking for facility for examining certain documents.
- (h) All the documents|records asked for have been collected. The officer concerned who is at Bombay, has been asked to inspect the records|documents on 5th September, 1972. Since this is a case of Joint Enquiry further action will be taken on receiving the Gazetted Officers explanation."

2.23. The Committee are unhappy to note that certain publications of the Publications Division 'Picture Post Cards' and 'Hand Book of India' worth Rs. 80,581 were found short in the physical verification conducted in 1967. Copies of Picture Post Cards and certain other publications were later on found on sale with a private firm of Jaipur who were not the authorised agents. These copies are stated to have been unauthorisedly sold by two clerks of Publications Division in February, 1966.

2.24. The Committee are at a loss to understand as to why it took the Publications Division about 4 months in lodging the report with the Special Police Establishment in July, 1968 when both the Assistant Business Manager and the Business Manager had themselves verified the fact of unauthorised sale of the 'Picture Post Cards' by personal visits to Jaipur in March, 1968. The Committee are further concerned to note that even though the matter had been reported to the SPE on 17th July, 1968 the case was registered by them on 31st December, 1968, i.e., after a lapse of more than 5 months and the investigation report furnished to the Publications Division on 7th October, 1969 i.e. a year and three months after the report had been lodged with them. The Committee cannot but deprecate the delay in the reporting and the investigation of the case which to them appears avoidable. They wish the authorities concerned had a better appreciation of the urgency of the case and taken prompt action. Now that the report of the SPE is in the hands of the Government, the Committee desire that departmental action already initiated by the Publications Division should be processed without further delay and persons found guilty suitably punished.

CHAPTER III
MINISTRY OF AGRICULTURE
(DEPARTMENT OF AGRICULTURE)
Spares for overhaul of aircraft

Audit Paragraph

3.1. On the basis of tenders, the Directorate of Plant Protection, Quarantine and Storage, appointed in March, 1965 firm 'A' as contractor for overhaul of its aircraft. The contract originally valid for 1965-66 was later on extended piecemeal upto October, 1969. According to the terms of the contract, the firm was to be paid at specified rates for various services (including the cost of spares of value upto Rs. 100). The contract did not provide the basis on which the cost of spares of value more than Rs. 100 each would be reimbursed to the firm until November, 1968 when a formal agreement was entered into with the firm stipulating a new clause as under:—

“The contractor will charge an element of 30 per cent towards export-packing, sea freight, inland freight duty, customs duty, octroi, warehouse rent etc. and additional 10 per cent on this total by way of administrative charges over the net cost of items imported by him and utilised on the aircraft during the *C of A overhaul or supplied by the contractor”.

3.2. The claims of the firm for spares from December, 1967 were regulated according to this clause while making payment to the firm. It was observed that the Directorate allowed 10 per cent overheads on the basic cost of spares also, in addition to the 30 per cent incidental charges towards export packing etc. In the view of audit intimated to the Department in June, 1970, as the word total on which 10 per cent overheads were to be allowed as mentioned in the new clause, referred to the total incidental charges only and did not include the basic cost of the spares, the firm was entitled, in addition to the basic cost of spares and 30 per cent incidentals, only to 3 per cent (10 per cent of 30 per cent) as overheads as against 13 per cent (10 per cent of 130 per cent) allowed

*Certificate of airworthiness.

by the Department. In view of the difference of opinion in the interpretation of the clause, the matter was referred to the Ministry of Law which upheld the interpretation of audit in December, 1970; according to that the firm had been paid Rs. 21,793 for the period December, 1967 to March, 1969 in excess of that to which it was entitled.

3.3. The Ministry stated (July, 1971) that the firm had been asked to refund the excess amount and the question of recovery was being actively pursued by the Directorate. Subsequently, in December, 1971 the Ministry stated that the firm had refuted its claim for refund of over-payment made and action was being taken, in consultation with Ministry of Law, to refer the matter to the arbitrator etc.

3.4. The following points also came to notice in the course of examination of the contract with the firm:—

(i) The firm did not support its claims for the cost of spares (value over Rs. 100 each) with original or certified copies of the manufacturer's/suppliers' invoices, customs receipts, port trust receipts etc. on the ground that "it would not be practical..... due to various reasons". The Department did not have with it the manufacturer's price list.

(ii) Prior to December, 1967, according to the firm's own admission:

"(a) On all engine spares and accessories we are getting a commission from our suppliers ranging from 0 to 25 per cent. These Commissions we keep towards our overhead expenses. In our above bills we are charging you the list price plus all expenses such as customs duty, freight etc., plus 10 per cent handling charges. The commission will cover our overhead expenses in respect of extra work involved in ordering spares against AID import licence".

"(b) On De-Havilland spares we do not get any commission from the manufacturers. In order to cover our overhead and handling expenses we charge you 30 per cent on the list price plus an additional 30 per cent towards export packing, inland freight and bank charges, insurance, sea freight, clearing charges, duty octroi charges, ware-house rent and port trust charges. That means on the list price of the De-Havilland we charge

you a total of 60 per cent while making our Bill. This higher percentage is to cover extra work and expenses involved while ordering spares against AID licence”.

3.5. The total value of spares supplied by the firm of classes (a) and (b) above during the period April, 1965 to November, 1967 was Rs. 8.81 lakhs. The remuneration retained by the firm on these supplies was apparently excessive even when compared to the remuneration which it subsequently received from December, 1967 on the basis of the agreement entered into in November, 1968. The extra payment to the firm on this account has not been assessed any stage. The Department, in a *note, have stated:

[Paragraph 28 of the Report of Comptroller and Auditor General of India for the year, 1970-71—Union Government (Civil)].

3.6. The Committee desired to know as to how the reasonableness of rates quoted by the firm was verified by the Department and if the Department ascertained the manufacturer's list prices at any stage. The Department, in a* note, have stated:

“The question of certificate of air-worthiness overhaul and supply of spares for this purpose and maintenance of aircraft came up for consideration before the Directorate of Plant Protection, quarantine and Storages. The Directorate had entrusted to M|s. Indamer Co. the C of A overhaul as per agreement entered into with the company on the 23rd March, 1965. The agreement provided regulated charges in respect of C of A overhaul but stipulated that any extra work required for structural repairs, incorporation of mandatory modifications etc. would be charged extra by the Contractor on the basis of actual labour expenditure and cost of material.

The agreement entered in 1965 did not specifically state how spares were to be provided and charged in case such spares were required for purposes other than for execution of C of A overhauls. As regards the spares which were to be utilised for the overhaul of aircraft, the cost of spares was paid by Directorate of Plant Protection, Quarantine and Storages in accordance with the actual price paid to the manufacturers or other overseas suppliers. Since the question whether the prices charged were those as paid by the firm to their overseas suppliers was a matter that required verification, the Directorate

*Not vetted by Audit.

of Agricultural Aviation had instructed the firm to furnish documentary evidence for the prices they claimed for supply of spares. The firm was further advised that certified copies of manufacturer's or suppliers invoices should accompany every bill.

In the meantime, efforts were also made to locate spare parts catalogue and price list in order to compare the prices charged by the firm and see whether there were any excess charges. This was not possible as the price catalogue available with the Directorate of Plant Protection, Quarantine and Storage did not contain many items included in the bills and prices shown therein in respect of some of the items were not comparable. M/s. Indamer, therefore, were asked to explain the price differentials. The firm in their reply dated 21st May, 1967 (Appendix IV), stated that it was not practical for them to produce vouchers in original or true copies thereof. The reason being that the invoices or vouchers pertained for spares obtained in one lot and which were meant for a large number of customers. The same appears applicable in case of charges such as customs, octroi, sea freight etc. As regards handling charges, warehousing, loading, transport charges etc. the firm had indicated that their rates were 10 per cent of the total value and no separate vouchers could be made available in respect of these charges. It was decided to obtain an undertaking from the firm that in case that it was discovered at a subsequent date that any excess payment had been made for spares, the difference between the list price and the excess paid will be refunded by the firm. It was, further decided that a certificate from a Chartered Accountant should be appended to every bill to the effect that the prices charged for the spares are those which have been paid net to the suppliers. The Directorate also decided that 30 per cent will be paid over the net prices less discount towards export packing, sea freight, octroi, clearing charges etc. and 10 per cent of this total as handling charges.

In accordance with the desire of Audit, M/s. Indamer Co. (P), Ltd., Bombay have been asked to produce relevant documents in support of their claims from 1965 to November, 1967."

3.7. To a question whether the claims of the company were regulated according to the interpretation of Audit on the terms of contract, which was upheld by the Ministry of Law, the Ministry have stated:

"The payment of bills preferred by M/s. Indamer Co. (P), Ltd., Bombay prior to the observations of the Accountant General, CW & M in regard to the interpretation of Clause 4 of the agreement had been settled on the basis that 10 per cent on account of the administrative charges represent 10 per cent of the landed cost including 30 per cent on the basic cost of the spares towards export, packing, internal freight, sea freight etc. Settlement of bills preferred by the Company thereafter has however been held in abeyance and the amount involved is Rs. 71851.46.

The Directorate have withheld payment of bills for services rendered by the Company to adjust any excess amount paid in light of the interpretation of Clause 4 of the Agreement by the Audit as upheld by the Ministry of Law. The Company did not agree to the view that any excess payment had resulted and also with the interpretation of the Clause 4 of the Agreement. The party wanted an arbitration on this issue as per the relevant clause provided in the agreement of 1968. The question of appointment of an arbitrator is under consideration in consultation with the Ministry of Law."

3.8. Asked if the Ministry of Law advised arbitration and if so whether any arbitrator has been appointed, the Ministry *stated.

"Ministry of Law had indicated that the Department of Agriculture may like to avail of provisions of Clause 12 of the Agreement entered into in November, 1968 to have the dispute adjudicated upon if need be. This opinion was expressed after it was pointed out to the Ministry of Law that the Company had refuted the interpretation of Clause 4 of the Agreement as given by Audit and upheld by Ministry of Law, with reference to refund of overpayment. The question of appointment of arbitrator is under consideration in consultation with the Ministry of Law."

*Not vetted by Audit.

3.9. The Committee enquired as to how in the absence of manufacturers price list, the Department satisfied itself that the claims preferred by the firm were not excessive. The Ministry *replied:

"The Directorate of Plant Protection Quarantine and Storage had obtained an undertaking from the firm that they would refund any excess payments and furnish a certificate to the effect that the prices for spares charged are the net prices paid to the manufacturers or suppliers, from their chartered Accountants."

3.10. The Committee enquired whether the extra payment upto November, 1967 has since been assessed. The Ministry stated:

"The present Directorate of Agricultural Aviation, which was erstwhile a Unit attached to the Directorate of Plant Protection, Quarantine and Storage, had a fleet of 3 Beaver aircraft and 1 Auster Autocar aircraft prior to 1964. Additions to the fleet were made during 1964, bringing the fleet strength of the Unit to 7 Beaver and 1 Auster Autocar aircraft.

The certificate of Airworthiness overhauls were entrusted to M|s. Indian Airlines, but in 1964 they declined to handle this work any further. After consulting Director General of Civil Aviation on the basis of quotations received, it was decided to entrust C of A overhauls to M|s. Indamer Company (P), Ltd., Bombay. An Agreement was drawn up in consultation with Ministry of Law. This agreement came into force w.e.f. 23rd March, 1965. The Agreement provided for payment of spares required for replacement; but in case the unit cost of any item was less than Rs. 100 it was not chargeable separately. The firm had fixed a consolidated sum for the execution of C of A overhauls and the payment was to be made for the full amount, which was settled on the basis of quotations and agreement connected therewith. The various items constituting this consolidated sum were described in annexures "A" and "B" of the agreement. One of the constituent elements was "the cost of 100 per cent replacement aircraft spares, the unit cost of which does not exceed Rs. 100 each." The necessity for the replacement of these spares/components during the C of A depended upon their permissible life/limit and also the physical condition of the items. Although replacement

*Not vetted by Audit.

of rubber parts, bolts, screws, nuts, washers, etc, are mandatory, the scale of replacement cannot be reduced to a yardstick, because replacements are necessitated by wear and tear which cannot be reduced to a fixed scale. Actual consumption is, therefore, a fluctuating element, and varies from aircraft to aircraft. Under the circumstances payment had to be made of the full amount settled under the agreement for each overhaul, irrespective of the extent of consumption/utilisation of low-ost spares. All that can be said in this regard is that the break-up of the consolidated sum was the likely expenditure that had to be incurred by the Contractor in the completion of C of A overhauls. We cannot, therefore, take out items singly to build up the total sum chargeable, as this was settled on the basis of comparative cost analysis based on quotations. The agreement entered into in 1965 did not specifically state how spares were to be provided and charged in case such spares were required for purposes other than for execution of C of A overhauls. As the spares which were to be utilised for the overhaul of aircraft, the cost of these spares was paid by the Directorate of Plant Protection, Quarantine and Storage in accordance with the actual price paid to the manufacturers or other overseas suppliers. Since the question whether the prices charged were those paid by the firm to their overseas suppliers was a matter that required verification, the Dte. of PPQ&S had instructed the firm to furnish documentary evidence for the prices they claimed for supply of spares. The firm was further advised that certified copies of manufacturers or supplier's invoices should accompany every bill.

Despite the efforts made to ascertain the price of spares from catalogues and price lists, it was not possible to ascertain whether the payment of spares was made to the firm on the basis of manufacturers' prices. To safeguard the interest of the Government and to fortify the Directorate against any excess payment, the firm was called upon to furnish a certificate that the prices charged were those actually paid to their overseas suppliers. Keeping this in view, a clause was introduced in the agreement, effective from December, 1967, that payment of spares shall be made on the basis of net cost of items imported by the Contractor and utilised, plus a charge of 30 per cent of or export packing, sea freight and inland

freight, duty, octroi, warehouse rent, etc., and an additional 10 per cent on this total by way of administrative charges. These charges shall be paid in rupees.

In computing the excess amount paid to M/s. Indamer Company (P), Ltd., prior to November, 1967, when there was no clause governing payment of spares costing more than Rs. 100 in value, the following facts should be kept in view:—

- (a) The admission made by M/s. Indamer Company in their letter dated 6th November, 1967, on which the draft paragraph has been based by Audit, that the Contractor is getting a commission from the suppliers ranging from 0.25 per cent. This commission, along with 10 per cent charged by him on the list price on account of handling expenses, is kept by the Contractor for extra work involved in ordering spares; and
- (b) On De Havilland spares the Contractor charged 60 per cent extra in view of the fact that they received no commission from the manufacturers. This 60 per cent represents 30 per cent for overhead and handling expenses and 30 per cent towards export, packing, inland freight, bank charges, insurance, sea freight, clearing charges, duty, octroi, warehousing and port trust charges.

On the basis of this observation the contractor was called upon in clear terms to produce actual invoices and price lists of the spares supplied to the Aerial Unit. On the basis of invoices or price list produced, the payments made under each bill were checked, with the exception of a few items, which could not be traced in the invoices. A statement has been prepared indicating the dollar value of each bill and the amounts charged in rupees by the Contractor after conversion. It is found that the total value of spares supplied by the firm during the period from March, 1965 to November, 1967 amounts to Rs. 4,64,4776.96. This amount which has been arrived at on the basis of the actual payments made to the firm, as indicated by Audit, viz., Rs. 8.81 lakhs, does not tally with the actual payments made to the firm as worked out in the Statement. The cost of spares obtained by the firm from M/s. De Havilland and others

amounts to \$ 16,747.72 and \$ 26,720.64 respectively. The total amount in rupees received by the firm on account of net cost of spares amount to Rs. 3,09,129.67. On the sale of these spares this Directorate the firm has charged extra remuneration as overhead charges, which has been computed at Rs. 1,43,814. This contains the actual element of air-freight paid in dollars under instructions from the Directorate of Plant Protection, Quarantine and Storage, in respect of spares/components, which were either required immediately or which would have been damaged in transit if transported by surface means. As the firm has charged the actual air-freight cost, the firm has to be reimbursed on the basis of expenses actually defrayed by them on this account, so that the amount of Rs. 29,810 has to be excluded from Rs. 1,43,814 to arrive at what the firm had retained (Rs. 1,14,814) as overhead charges in making spares available to the Directorate of Plant Protection, Quarantine and Storage. On this basis the net amount charged by the Contractor comes to Rs. 1,14,004 which is only 33.5 per cent of Rs. 3,09,129.

The other point which has emerged in this connection is that in assessing the excess payment made to the firm a basis has to be formulated for determining the precise quantum of excess payment. There appears to be only two ways of assessing this excess payment. One is on the basis of observation made by Audit in the draft para, which is based on the Contractor's admission that they receive 0—25 per cent commission on spares other than those manufactured by De Havillands, which they had kept to offset their overhead expenses and charged 10 per cent extra to meet their administrative expenses; and in case of De Havilland spares, on which they received no commission, they charged an extra 60 per cent on the landed and delivery cost of spares. The other assumption would be to calculate the excess payment in accordance with the new clause incorporated in the last agreement entered into in November, 1968 and as per interpretation given to this clause by Audit, which was upheld by Ministry of Law. The payments made to the firm as per statement attached* herewith indicate that overhead charges claimed by the Contractor do not reveal that it has been made in consonance with the assumption made by the firm in their letter dated 6th November, 1967. Neither has the firm charged 60 per cent on De Havilland parts, nor has

*Not included.

it charged (25 per cent+10 per cent) 35 per cent or spares from other sources, as the total overhead expenses claimed by the firm after deducting the cost of airfreight comes to barely over 33 per cent. The question of payment of 60 per cent on De Havilland parts also, therefore, does not arise. The other basis on which excess payment to the firm may be assessed is in accordance with the new clause incorporated in the 1968 agreement. Taking this as basis we find that the charges are not only not excessive, but are in keeping with the interpretation given by Audit and upheld by Ministry of Law.

3.11. The Committee note that the Indamer Co. (P) Ltd. have not accepted the interpretation of Clause 4 of the Agreement as given by the Audit and upheld by the Ministry of Law and have refuted the claim of the Directorate of Agricultural Aviation for refund of the excess payment made to them during December 1967 to March 1969. The Committee are informed that the Company has asked for arbitration for the settlement of the issue. The question of appointment of the arbitrator is said to be under consideration. As dispute arising out of the interpretation of Clause (4) of the Agreement is still to be adjudicated upon by the arbitrator/court of law, the Committee would not like to offer any comment on the agreement at this stage. They desire that the outcome of the arbitration be informed of the outcome in the matter.

3.12. The Committee further observe that the question of assessment of extra payment made to the firm from April 1965 to November 1967 is yet to be decided. They desire that the case should be processed at an early date in consultation with Audit and the accounts with the Company finally settled. The Committee would like to be informed of the outcome in the matter.

MINISTRY OF AGRICULTURE
(DEPARTMENT OF AGRICULTURE)

APPROPRIATION ACCOUNTS (CIVIL) 1970-71—GRANT No. 30—
AGRICULTURE

	Total grant Rs.	Actual expenditure Rs.	Saving— Rs.
Voted—			
Original	14,63,03,000	11,67,27,551	—2,95,77,449
Supplementary	2,0000		
Amount surrendered during the year			2,73,30,384

Notes and comments :

I. Saving occurred mainly under—

Group-head				(Lakhs of rupees)
A.—Subordinate and Expert Staff:				
A. 1.—Directorate of Plant Protection Quarantine and Storage				
	O.	58.22	} 46.62	47.90
	R.	—11.60		

Saving was mainly due to (i) non-filling of posts under plan non-plant schemes and (ii) partial implementation of schemes.

E.—Boring Operations :

E. 1.—Project for Ground Water Explorations :

E. 1(4).—Suspense ;

E.1(4)(2).—Other Suspense Account

	O.	70.00	} 53.60	53.36	—0.24
	R.	—16.40			

Saving was mainly due to non-receipt of debits from the supply department (Rs. 16.24 lakhs).

F.—Indian Council of Agricultural Research

F. 1.—Administration :

	O.	31.54	} 19.55	18.99	—0.56
	R.	—11.99			

Saving was mainly due to (i) transfer of large number of staff to the research side of Indian Council of Agricultural Research (Rs. 12.25 lakhs). (ii) non-receipt/adjustment of debits from Supply Department (Rs. 0.30 lakh).

Group-head (Lakhs of rupees)

G.—Grants-in aid, Contributions, etc.

G. 2.—Other Grants

	O.	644.68	} 466.21	465.22	—0.99
	S.	0.02			
	R.	—178.49			

Saving was mainly due to (i) late/non-implementation of coordinated scheme for studying the cost of cultivation of principal crops (Rs. 4.81 lakhs), (ii) non-taking of decision to set up land reform centres (Rs. 2 lakhs), (iii) non-setting up of Fertiliser Promotion Council and fertiliser control laboratory (Rs. 20.79 lakhs), (iv) non-finalisation of terms and condition and procedure for payment of subsidy for fishing trawlers (Rs. 5 lakhs), (v) less requirements by a Port Trust (Rs. 96.10 lakhs) and (vi) less grants sanctioned based on actual requirements (Rs. 49.87 lakhs).

I. 23—Establishment of Film Unit for Production of Agricultural Films.

O.	15.00	}	0.12	..	—0.12
R.	—14.88				

Saving was mainly due to non-implementation of the scheme due to non-receipt of prints of short instructional films from Films Division, Bombay.

[Pages 57-58—Appropriation Accounts (Civil) 1970-71]

3.14. According to a note* furnished by the Department of Agriculture a saving of Rs. 96.10 lakhs was due to less requirements by the Madras Port Trust. The Ministry stated:

“A provision of Rs. 125 lakhs was made in the budget of 1970-71 for the scheme of landing and berthing facilities for fishing crafts at Major Ports and was intended mainly to cover the requirements of the harbours at Madras and Bombay. Against this, grants were released to the following Port Trusts:

(1) Bombay Port Trust	Rs. 25.00 lakhs
(2) Vizagapatnam Port Trust	Rs. 0.70 lakh
(3) Paradeep Port Trust	Rs. 0.50 lakh
TOTAL	26.20 lakhs

An amount of Rs. 2,70,900 met from an advance from the Contingency Fund of India in 1969-70 was recouped to the Contingency Fund in 1970-71. Thus a total expenditure of Rs. 28,90,900 was incurred and a saving of Rs. 96,10,000 was surrendered.

The Madras Port Trust was unable to go ahead with the work and the expenditure during the year was 'Nil'. The harbour had been sanctioned in November, 1968. In 1969, however, the Ministry of Transport took up the question of conducting fresh model tests in view of the fact that model studies for the main outer harbour had indicated the possibility of deposition of bad material through the action of currents in front of the eastern breakwater. It was therefore, recommended by the Ministry of Transport that studies should be carried out by incorporating the model of the fisheries harbour in the three dimensional model of Madras Harbour at the Central

*Not vetted by Audit.

Water and Power Research Station, Poona. The Port Trust accordingly made arrangements for the combined model studies. The design of construction had also to be changed. The original proposal was to use caissons mad out of steel sheet piles. This design had not proved successful in the outer harbour and has been changed in the revised design now drawn up. The model tests taken up at the Central Water and Power Research Station, Poona, were not completed during 1970-71 and as such the Port Trust considered it inadvisable to commence construction."

3.15. The Committee note that the Madras Port Trust could not utilise any funds out of the money provided during 1970-71 for the scheme of landing and berthing facilities for fishing crafts. The harbour had been sanctioned in 1968, but the Ministry of Transport and Shipping took up the question of conducting fresh model tests for the harbour in 1969 in view of the fact that the model studies for the main outer harbour had indicated the possibility of deposition of bad material. The tests could not be completed during 1970-71 and hence the Madras Port Trust considered it inadvisable to commence construction. The Ministry of Agriculture had therefore no option but to surrender the amount of Rs. 96.10 lakhs. The Committee feel that with closer liaison and coordination between the Ministry of Agriculture and Ministry of Shipping and the Madras Port Trust, such a large provision of funds for this scheme for the year 1970-71 could have been avoided. The Committee hope that there would be better coordination and planning in future among the various agencies so that budget provision is made for such projects only as are likely to be taken up during the year and scarce resources are not unnecessarily locked up.

NEW DELHI;
February 23, 1973.
Magha 4, 1894 (Saka).

ERA SEZHIYAN,
Chairman,
Public Accounts Committee.

APPENDIX I

Statement showing the advertisement rates for various Journals raised with effect from January, 1968.

Name of Journal	Advertisement Rates			
	Contract for 4 or more insertions			Casual
	Old rates	Revised Rates (January '68)	Old rates	Revised Rates (January '68)
	Rs.	Rs.	Rs.	Rs.
1. Bhagirath	130/-	250/-	160/-	300/-
	70/-	135/-	85/-	165/-
	40/-	80/-	45/-	100/-
2. Bai Bharati	150/-	300/-	175/-	350/-
	80/-	160/-	90/-	180/-
	40/-	80/-	50/-	100/-
3. Kurukshetra (English)	200/-	300/-	250/-	350/-
	120/-	180/-	150/-	225/-
	65/-	100/-	85/-	130/-
4. Kurukshetra (Hindi)	80/-	150/-	100/-	180/-
	45/-	85/-	65/-	100/-
	25/-	45/-	30/-	60/-

APPENDIX II

Statement showing cost of production and sale price of publications

	No. of copies printed	No. of copies sold	No. of copies issued free	Balance	Cost of produc- tion	Total sales including adver- tisement	Sale price of each copy Rs. P.	Cost of produc- tion per copy Rs. P.
1. Aikal (Hindi)—(Monthly)	• 55,800	50,095	3,587	2,118	72,748	41,204	0.60	1.30
2. Aikal (Urdu)—(-do-)	• 34,670	30,047	2,742	1,881	51,339	21,183	0.60	1.48
3. Bal Bharati (H)—(-do-)	• 1,63,088	1,56,475	3,941	2,672	83,319	57,185	0.35	
4. Bhagirath (English)—(-do-)	• 44,425	41,204	1,270	1,951	26,413	29,347	0.25	
5. Panchayati Raj (E)—(-do-)	• 1,17,150	11,223	1,04,286	1,641	34,940	1,685	0.15	
6. Gram Sevak (H)—(-do-)	• 19,600	1,562	17,758	280	10,971	639	0.15	
7. March of India (E)—(-do-)	• 65,300	61,427	2,567	1,306	92,925	71,803	1.00	
8. Kurukshetra (E)—(-do-)	• 1,78,440	19,467	1,56,397	2,576	97,545	14,820	0.35	
9. Kurukshetra (H)—(-do-)	• 86,720	10,194	74,149	2,377	36,279	5,693	0.35	
10. Traveller in India (E)—(-do-)	• 1,06,185	1,02,750	2,524	902	1,04,448	1,14,454	1.00	
11. Indian Information (E)—(-do-)	60,471	52,840	4,716	2,909	45,187	24,897	Reduced from 50 np to 0.25 np w. e. f. 1-11-1962.	
12. Bhartiya Samachar (H)—(-do-)	• 35,790	28,955	4,079	₹ 2,756	₹ 27,899	₹ 12,009	Reduced from 45 np to 0.15 np w.e.f. 1-11-1962.	

13. Yojana (E)—(-do-)	.	.	.	2,62,998	1,17,826	1,37,315	7,857	1,63,908	68,937	0.25
14. Yojana (H)—(-do-)	.	.	.	1,62,135	77,679	75,073	9,383	1,26,623	28,824	0.25
15. Metric Maprol (H)—(Bi-Monthly)	.	.	.	23,400	22,215	113	1,072	8,661	9,486	0.40
16. Metric Maprol (E)—(-do-)	.	.	.	45,150	43,529	607	1,014	16,476	18,086	0.40

<u>9,99,681</u>	<u>5,20,272</u>
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APPENDIX III

Statement showing the percentage of free supply of publication to the number of copies printed

S. No.	Name of Journal	No. of copies printed	No. of copies of free supply	Percentage
1.	Ajkal (Hindi)—Monthly	42,780	4,318	10
2.	Ajkal (Urdu)—Monthly	37,230	19,410	52
3.	Bal Bharati—Monthly	16,940	4,037	23
4.	Bhagirath (English)—Quarterly	16,910	1,390	8.2
5.	Panchayati Raj (English)—Monthly	1,01,075	82,311	81
6.	Kurukshetra (English)—Monthly	1,14,191	84,337	74
7.	Kurukshetra (Hindi)—Monthly	49,844	35,410	71
8.	Indian Foreign Review (English)—Fortnightly	3,56,714	11,948	3
9.	Yojana (English)—Fortnightly	3,33,540	1,75,786	52
10.	Yojana (Hindi)—Fortnightly	1,61,425	1,00,555	62
11.	Yojana (Tamil)—Fortnightly	84,171	57,592	67
12.	Yojana (Bengali)—Fortnightly	1,04,065	76,337	73

APPENDIX IV

[Refer Paragraph 3.6 of the Report]

Copy of letter dated 21st May, 1967.

From:—INDAMER COMPANY PRIVATE LTD., JUHU AIRPORT
BOMBAY

To

The Directorate of Plant Protection, Quarantine and Storage.

Attn:—Group Capt. S. P. Sen, Director-Ag. Aviation.

Dear Sir,

We wish to acknowledge receipt of your letter F.1-18/65-Adm.III dated 28th April, 1967 in respect of different charges in our bills.

It is not practical for us to produce vouchers in original or certified true copies in support of these charges for the following reasons:—

1. We have more than 50 customers and all their requirements are consolidated into one order and the shipment is made by our suppliers in one lot. Our suppliers make one invoice for the whole lot including inland freight in U.S.A. and freight from U.S.A. to Bombay. Hence, the production of our supplier's invoice will in no way help you in solving your problem as the totals will exceed the value of your suppliers. The inland freight and ocean freight are proportionately divided while we make our invoices on our customers.

2. One bill of entry is made for the total value of one whole consignment which includes other customers requirements also as described above. Also, the bill of entry will only specify the commodity as "Aircraft Spares" and shown the total amount of duty paid for the whole consignment. We cannot understand how this is going to help you as a supporting voucher in view of the fact that the value of the consignment shown in the Bill of entry and the amount of duty paid for exceeds the likewise amount charges in our bills. The same goes for octroi duty and clearing agents charges also.

3. In respect of custom duty, excise and octroi charges, we do not see why you need supporting vouchers when the rate of duty for these spares have been fixed by the Government of India. For Aircraft spares, the custom duty is 3 per cent for batteries the custom duty is 3 per cent, 18 per cent excise duty; for Radio equipment and spares the rate of duty is 40 per cent 'AN' parts such as bolts, nuts, washers etc. the rate is 75 per cent and the bearings are charged at 105 per cent complete aircraft engine is charged at 3 per cent duty 11 per cent excise duty. The Octroi duty on all aircraft spares is 1 per cent on the total c.i.f. duty value. As regards handling charges, warehouse rent, loading and transport charges, our fixed rate is 10 per cent on the total value and as such no supporting voucher is required. Sales-Tax is a fixed Government levy and as such no vouchers are made available.

To overcome your task with your audit, we suggest that in future, we submit our ex-Bombay quotation for all your requirements and you in turn accept our quotations and place orders. This procedure we are sure will solve your problems. Kindly confirm.

Thanking you.

Very truly yours,
INDAMER COMPANY PRIVATE LIMITED
Sd/-
(S. K. IYENGAR)
DIRECTOR.

APPENDIX V
Summary of Main Conclusions/Recommendations

S. No.	Para No.	Ministry/Department concerned	Conclusions/Recommendations
(1)	(2)	(3)	(4)
1.	1.17	Home Affairs	<p>The Committee are not at all happy about the way the five building works were awarded by the Delhi Municipal Corporation (DMC) to the National Building Construction Corporation (NBCC) in June, 1965 without settling the terms and conditions of the contract and before executing a formal agreement. The terms negotiated with the N.B.C.C. did not provide for any penalty for delayed completion within 9 to 24 months. In fact the decision to entrust the construction work to the N.B.C.C. is stated to have been taken in the interest of "speedy execution". These expectations were not fulfilled inasmuch as none of these buildings were completed within the time schedule. On the contrary even after a lapse of more than 7 years (December, 1972) a small portion of the work of compound wall of lepers' house remained to be built.</p> <p>The Committee are concerned to note that although almost all the five buildings have been completed, the N.B.C.C. have not so far furnished revised estimates in respect of three works and the audited statements of expenditure and the final bills in respect of some of the works inspite of several reminders and personal efforts from</p>
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the D.M. because of several years delay in the completion of the works, the cost of the buildings originally estimated at 15.59 lakhs has jumped to 22.86 lakhs. The cost is likely to go up further when final bills are presented by N.B.C.C.

Home Affairs

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The reasons advanced by the N.B.C.C. for the delay in the completion of works are not very convincing. The Committee are inclined to think that the root cause of failure of N.B.C.C. to carry out the works according to the time schedule and for non-compliance with other requirements is the absence of a written agreement and penalty clause for delayed completion. Aware of this lacuna the N.B.C.C. seem to have taken it easy and proceeded with the work rather leisurely. For want of a written agreement the D. M. C. felt helpless as is evident from their statement that "delay in the execution of works and their final completion is abnormal feature of works" and that "the execution agency being a Government of India Undertaking there is not much for the Corporation to explain." The Committee deprecate this attitude on the part of the D.M.C. They are convinced that such a situation would not have arisen had the D. M. C. taken care to settle the terms and conditions with the contractors in advance and reduced them in black and white before entrusting the work to them. The Committee are glad to be informed that learning a lesson from this experience the D.M.C. has decided, "not

to allot any work to the N.B.C.C. in future without finalising the agreement." The Committee would like to stress that such an agreement should invariably provide for a penalty clause for delayed execution of works.

The Committee are informed that various steps are taken by the Delhi Administration to ensure that grants paid to the D.M.C. are spent economically and within a reasonable time on the objects for which those are paid. The present case, however, reveals that the various measures said to have been taken are not being strictly enforced. They trust that the Delhi Administration will in future keep a strict watch over the progress of utilisation of the grants-in-aid and loan assistance by the D.M.C. and release the amounts on a phased basis after satisfying themselves about the need for further instalments.

The Committee would also like to observe that N. B. C. C. should not stand on technicalities but should do all it can to help a sister organisation. They trust that all issues between the two Corporations will be settled amicably and the accounts finalized without further loss of time.

According to the Audit Paragraph while sanctioning the improvement and expansion of Delhi Fire Service in March, 1959 Government had suggested that 'in order to complete the construction work in the shortest possible time, a Special Public Works Division may be set up, if necessary and work should be executed in an emergency

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basis in compliance with codal formalities'. The position after a lapse of over 13 years is that only two Fire Stations have been completed and two are expected to be completed during 1972 and construction of the remaining three has yet to be taken up as permanent sites for them have not been made available. Quite evidently the progress in the implementation of the Scheme has been very tardy and disappointing. The Committee are of the view that the delay that has occurred at the various stages in establishing the Fire Stations was mainly due to absence of planning and forethought on the part of the D.M.C. and lack of coordination between the Corporation and D.D.A. in the matter of selection of permanent sites for the Fire Stations.

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Home Affairs

The Committee are surprised and concerned at the statement made by Government in justification of the delay that "no time limit was fixed by the Government for completion of the scheme". They desire that vigorous and concerned efforts should be made by the Delhi Administration and D.D.A. to secure suitable and permanent sites for the remaining three fire stations at Mathura Road, Jama Masjid Area and Pusa Road so that the construction work is taken up without further delay. The Committee would like to watch the progress in this regard through future Audit Reports.

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The scheme for state trading in foodgrains and other essential

commodities in NEFA (now Arunachal Pradesh) was sanctioned by Government in August, 1955 and started from December, 1955. When the scheme was sanctioned Government had laid down the conditions that the working of the scheme should be reviewed eleven months after its introduction. The Committee are surprised that the review which was due in November, 1956 was not conducted till 1967. While admitting omission to conduct the review Government have tried to explain that the delay in the review was linked up with the availability of proforma accounts. It has been pleaded that being new the NEFA Administration did not have any expert of maintenance of accounts of this nature and took them several years in settling with A.G. Assam and NEFA the procedure and various forms to be maintained which were ultimately finalised in December, 1965.

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The explanation furnished is not at all satisfactory. From the evidence made available it is evident that at no stage the NEFA Administration brought to the notice of the Ministry the difficulties they are facing in submitting the review in the absence of proforma accounts. Nor is there anything on record to show that Administrative Ministry (Ministry of External Affairs) called for the review at the end of 11 months of the introduction of the scheme or at any time later. The omission was discovered only in September, 1965 when the work relating to NEFA was transferred from the Ministry of External Affairs to the Ministry of Home Affairs. Surely NEFA Administration could have reviewed the operation of the scheme in

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general terms and highlighted their difficulties in conducting a financial review because of the accounts not being maintained in proper forms or for the reason that it was premature to do so as the scheme had been in operation for 11 months only.

10. 1.47 Home Affairs

From the facts brought out during evidence, the Committee cannot resist the impression that the scheme was launched without any previous planning. It appears that no thought had been given to the procedure regarding maintenance of accounts and the various forms to be used in that connection before the scheme was introduced. It is regrettable that it took a decade for the NEFA Administration and A.G. Assam to sort out the points of difference relating to the maintenance of accounts and settling the various issues connected with the preparation of proforma accounts. Both the authorities being at Shillong, all this long drawn correspondence and red tape would have been avoided if they could have discussed the matter at a meeting earlier and not waited till 24th December, 1965.

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Further, not only was no review conducted for such a long time but as admitted by the official representative "the queerest thing is that the budget provision continued to be made year after year" without obtaining sanction for the scheme till 1968-69. It is intriguing how budget provision could be made for a scheme of this nature without proper sanction and without the Administrative Ministry,

Ministry of Finance and the Associate Finance being able to detect the irregularity. It is regrettable that files relating to Budget Estimates of the CPO scheme in NFFA from 1956 to 1968-69 are said to have been destroyed as old records. Thus no clue can be found as to how such a state of affairs came to exist. The Committee desire that the present system of making budget provision for such schemes should be examined with a view to find out the lacuna which enabled them to continue without sanction of the Government as happened in the present case. The Committee would like to know the remedial measures taken to avoid recurrence of such irregularities.

The Committee are concerned that the scheme which showed accumulated profit upto 1964-67 to the tune of Rs. 23.39 lakhs suffered a loss of Rs. 59.39 lakhs during the years 1967-68 to 1969-70 resulting in a net loss of Rs. 36 lakhs as on 31st March, 1970. The scheme is suffering from losses inspite of the fact that the overhead surcharge in fixing the saleprice of commodities has been raised from 15 per cent to 25 per cent with effect from 1st February, 1969. The Committee feel that with the gain in experience in the running of the scheme the overhead expenses should progressively come down and Government should ensure necessary economies in the operation and take vigorous efforts to limit and control the overhead expenses. The Committee desire that reasons for losses should be carefully examined and necessary remedial measures taken to avoid them.

Admittedly the five contractors failed to deliver goods worth Rs. 2.36 lakhs because the correct procedure laid down in this regard

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had not been followed in that further consignments were given to the contractors without first ensuring that the previous consignment had been duly delivered. They note that civil suit for recovery of value of stores have been filed against three contractors and that disciplinary action is being taken against delinquent officials. The Committee would like to be informed of the outcome of the civil suits instituted against the contractors and the disciplinary action taken against the staff.

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Home Affairs

The Committee note that during the years 1967-68 to 1969-70 the godown losses at various depot amounted to Rs. 6.76 lakhs which worked out to 1 per cent. According to the Ministry the godown losses of 1 per cent per annum have been authorised by the Food Corporation of India and also recommended by the team of Administrative Reforms Commission. The Committee, however, understand from Audit that in some cases the losses of stores ranged upto cent per cent. The Committee, therefore, desire that necessary remedial measures should be taken to minimise godown losses. It should be ensured that storage facilities are satisfactory that the stores are properly kept in the godowns and that there is no scope for pilferage or stores like salt and sugar getting bad during storage due to dampness. Precautions against any hazards due to fire should also be taken. Periodical checks of the godown and surprise checks of stores

kept in the godown should be conducted by supervisory officers and inspecting staff from time to time to keep the staff on their toes.

The Committee note that loss in this case occurred due to overstocking of rice and mustard oil at Along CPO. The Committee would like to know the action taken against the officers found responsible as a result of the enquiry made into the matter.

The Committee note that the percentage losses suffered in airdropping of stores by Air Force in Arunachal Pradesh is higher as compared to the stores dropped for the Army in the Eastern Sector. The main reason for the higher percentage of losses is stated to be the location of the dropping zones in NEFA at higher altitude on rocks which result in the bursting of bags. In order to reduce the losses 5 bags are now being used in packing of stores instead of 3 or 4 bags. From the figures given to the Committee, it is found that the airdropping losses in Air Force operation have progressively come down from 5.76 per cent in 1967-68 to 2.89 per cent in 1971-72. The Committee are glad to note the downward trend in losses in Air Force operation and hope that the efforts will be continued to be made to reduce the percentage of losses.

The Committee are unhappy over the delay in the disposal of 56,183 unserviceable parachutes. The Administration had reported in September, 1965 that large dropping of supply equipment had accumulated at various outposts. But the Government sanctioned

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the disposal of unserviceable parachutes in July, 1968. A further period of 2 years was taken by DGS & D for disposal of parachutes through auction/tender. The Committee have been informed that a procedure is now followed to dispose of unserviceable parachutes regularly. The Committee trust the accumulation of unserviceable parachutes will be avoided in future.

Home Affairs

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The Committee were given to understand that in the present case there was poor response in the auctions held to dispose of parachutes and the last lot of 26,183 parachutes was disposed of through tenders. The Committee suggest that in view of the difficulty in auctioning such stores in Arunachal Pradesh the feasibility of transporting them to another station for the purpose of auctioning may be examined for future.

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That as many as ten cases of misappropriation of Government money/sale proceeds of stores came to be noticed by Audit in the operation of the scheme during two years (1968-69 and 1969-70) shows that either there is lacunae in the system which enabled dishonest persons to circumvent the rules or else the checks and counter-checks prescribed for detecting the frauds are inadequate and ineffective. The Committee therefore desire that apart from handing over the cases to the C.B.I. the Administration should take

steps to investigate the procedural snags and slackness, if any, on the part of the supervisory staff concerned for appropriate remedial measures. They would urge that detailed instructions should be issued to guard against the possibility of such frauds in future and for the guidance of the staff concerned. The Committee trust that suitable action would be taken against persons found guilty so that it acts as a deterrent against any such laxity in future.

Information and
Broadcasting

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The Committee are unhappy over the continuing losses being incurred on the journals published by the Publications Division. The total loss progressively increased from Rs. 3.90 lakhs in 1967-68 to Rs. 4.34 lakhs in 1968-69 and Rs. 5.85 lakhs in 1969-70. Excepting 'Bhagrath-Quarterly' which made a profit of Rs. 13,307 during 1969-70, all the other eleven journals were running at a loss. A comparison of the two statements showing cost of production and sale price of publications during 1962-63 and 1969-70 indicates that the financial results have not at all been encouraging. Instead of improving, the situation has in fact worsened.

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The Committee note that the sale prices of 'Yojana (English)' and 'Indian and Foreign Review' were increased from 25 paise to 40 paise and from 50 paise to 75 paise respectively with effect from 1st April, 1970 and that of 'Bal Bharti' from 35 paise to 45 paise during the year 1971-72. They, however, find that the sale prices of journals like 'Ajkal (Hindi and Urdu)', 'Yojana (Hindi)', 'Panchayati Raj (English)', 'Kurukshetra (Hindi)' have remained unchanged since

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1962-63 although the cost of production has noticeably increased over the years. The Committee feel that the selling prices of these journals call for an upward revision.

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Information and
Broadcasting

The Committee also note that the rates of advertisement in respect of four journals, viz., 'Bhagirath', 'Bal Bharti', 'Kurukshetra (English and Hindi)', have been raised from January, 1968. The Committee suggest that rates of advertisement in respect of the other eight journals may be reviewed with a view to revising them.

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The purpose of publishing the journals by the Publications Division is to give publicity to the planning programme and performance. The aim is to evoke public involvement in the task of national reconstruction by providing to the reading public wholesome motivational literature at modest price. It is, however, observed that more number of copies of journals like 'Ajkal (Hindi)', 'Panchayati Raj (English)', 'Kurukshetra (English and Hindi)' and 'Yojana (Hindi)', were printed and sold in 1962-63 than in 1969-70. This goes to show that there has, in fact, been a drop in the circulation of these publicity journals. In the case of other journals there has been only a marginal increase during this period. Further on the basis of revenue realised from sale prices of the journals as given in the statement showing the financial results for the year 1969-70, the average

sale circulation per issue for some of the journals works out as under:—

Ajkal (H)—Monthly	3077 or 3100
Ajkal (E)—Monthly	1400 or 1500
Kurukshetra (H)—Monthly	789 or 800
Yojana (E)—Fortnightly	8000
Joyna (H)—Fortnightly	2400 or 2500

Having regard to the vastness of the country and its huge population, their circulation is very low.

The Committee therefore desire that energetic and intensive promotional measures should be taken to push up the sale of these journals and to popularise the journals by bringing them to the notice of a wider reading public.

One of the factors contributing to the losses in the running of these journals is a large quantum of free supply of copies thereof. As against the sale of Rs. 3.85 lakhs in 1969-70, free supply copies were of the value of Rs. 2 lakhs. In the case of 8 out of 10 journals the percentage of the value of free supply to the number of copies printed was considerably high being 52 per cent in the case of Ajkal, 81 per cent for Panchayati Raj, 84 per cent for Kurukshetra, 74 per cent for Kurukshetra (Hindi), 32 per cent for Yojana (English), 62 per cent for Yojana (Hindi), 67 per cent for Yojana (Tamil), 73 per cent for Yojana (Bengali). In para 24 of their 38th Report 1964-65

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(3rd Lok Sabha) the public Accounts Committee had desired that Government should ensure that free issue of publications is reduced to minimum. The Committee had suggested a system should be evolved whereby magazines should be sent free only to those persons who are really interested in them and make request for continuing their supply instead of mailing them mechanically according to the list as besides an economy in their numbers it would also make saving on account of postage etc. While reiterating their earlier suggestion, the Committee would like that the free mailing list of the journals should be periodically reviewed by the Publications Division in consultation with the Ministries concerned with a view to keeping them to the minimum.

Information and
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The Committee find that all the 12 journals are being sold for below the cost price. While appreciating that these form part of the publicity efforts of Government aiming at dissemination of information to the public and should not be measured merely in terms of profit and loss, the Committee feel that their commercial viability cannot be ignored. In the Committee's view the following steps amongst others, may help in making the journals self-supporting:—

- (1) Reduction in the cost of production by carefully fixing the print order in the light of experience regarding sale/issue of journals.

- (2) Periodical review of sale price of journals and advertisement rates with a view to meet the increasing cost.
- (3) Taking systematic and intensive sale promotional measures e.g. "city agency" scheme already put into operation for increasing the circulation of these journals etc.
- (4) Attracting advertisements by improving the contents of the journals, quality of printing and increasing priced circulation.

The Committee note that the Internal Work Study Unit of the Ministry is presently studying the problem relating to the despatch, circulation and advertisement of these journals with a view to making each journal or group of journals a self-contained unit so as to secure concentrated attention and cut down losses to the barest minimum. The Committee trust that this will be done without increasing the overhead expenditure.

The earlier Audit Report of 1964 on the Publications Division (para 47) also had pointed out shortages and excesses in the stocks accounts. In their 38th Report (Third Lok Sabha) the Public Accounts Committee had expressed their surprises over the fact that no physical verification of the priced publications had been conducted for seven years during the period 1954—1961 and recommended that physical verification of publications must be done annually as

verification done at longer intervals could not be effective in detecting irregularities and taking timely action. The Committee regrets that notwithstanding this clear recommendation, the stock verification was conducted in alternate years instead of annually.

The Committee are surprised that the files containing the physical verification report relating to the years 1967 and 1969 which are stated to have been submitted to the Ministry of Information and Broadcasting in October, 1970 could not be traced thereafter and had to be reconstructed on the basis whatever records were available in duplicate. They consider the loss of these important files as a very serious matter as they appear to have a bearing on the shortages of 'Picture Post Cards' and copies of 'Year Book of India' revealed during the stock verification carried out in 1967 and desire that thorough investigation be made into the loss of files with a view to fix responsibility.

The Committee are unhappy that action on the discrepancies revealed as a result of verification conducted during 1967 and 1969 has not been finalised so far. They desire that the irregularities should be fully investigated and action taken against parties at fault. The Committee have no doubt that Government will take remedial measures to ensure that such lapses do not recur.

Information and
Broadcasting

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The Committee are unhappy to note that certain publications of the Publications Division 'Picture Post Cards' and 'Hand Book of India' worth Rs. 80,581 were found short in the physical verification conducted in 1967. Copies of Picture Post Cards and certain other publications were later on found on sale with a private firm of Jaipur who were not the authorised agents. These copies are stated to have been unauthorisedly sold by two clerks of Publications Division in February, 1968.

The Committee are at a loss to understand as to why it took the Publications Division about 4 months in lodging the report with the Special Police Establishment in July, 1968 when both the Assistant Business Manager and the Business Manager had themselves verified the fact of unauthorised sale of the 'Picture Post Cards' by personal visits to Jaipur in March, 1968. The Committee are further concerned to note that even though the matter had been reported to the SPE on 17th July, 1968 the case was registered by them on 31st December, 1968, i.e., after a lapse of more than 3 months and the investigation report furnished to the Publications Division on 7th October, 1969 i.e. a year and three months after the report had been lodged with them. The Committee cannot but deprecate the delay in the reporting and the investigation of the case which to them appears avoidable. They wish the authorities concerned had a better appreciation of the urgency of the case and taken prompt action. Now that the report of the SPE is in the hands of the Government,

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the Committee desire that departmental action already initiated by the Publications Division should be processed without further delay and persons found guilty suitably punished.

Agriculture

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The Committee note that the Indamer Co. (P) Ltd. have not accepted the interpretation of Clause 4 of the Agreement as given by the Audit and upheld by the Ministry of Law and have refuted the claim of the Directorate of Agricultural Aviation for refund of the excess payment made to them during December, 1967 to March, 1969. The Committee are informed that the Company has asked for arbitration for the settlement of the issue. The question of appointment of the arbitrator is said to be under consideration. As dispute arising out of the interpretation of Clause (4) of the Agreement is still to be adjudicated upon by the arbitrator/court of law, the Committee would not like to offer any comment on the agreement at this stage. They desire that the outcome of the arbitration should be reported to them.

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The Committee further observe that the question of assessment of extra payment made to the firm from April, 1965 to November, 1967 is yet to be decided. They desire that the case should be processed at an early date in consultation with audit and the accounts with the Company finally settled. The Committee would like to watch progress through future Audit Reports.

The Committee note that the Madras Port Trust could not utilise any funds out of the money provided during 1970-71 for the scheme of landing and berthing facilities for fishing crafts. The harbour had been sanctioned in 1968, but the Ministry of Transport and Shipping took up the question of conducting fresh model tests for the harbour in 1969 in view of the fact that the model studies for the main outer harbour had indicated the possibility of deposition of bad material. The tests could not be completed during 1970-71 and hence the Madras Port Trust considered it inadvisable to commence construction. The Ministry of Agriculture had therefore no option but to surrender the amount of Rs. 96.10 lakhs. The Committee feel that with closer liaison and coordination between the Ministry of Agriculture and Ministry of Shipping and the Madras Port Trust, such a large provision of funds for this scheme for the year 1970-71 could have been avoided. The Committee hope that there would be better coordination and planning in future among the various agencies so that budget provision is made for such projects only as are likely to be taken up during the year and scarce resources are not unnecessarily locked up.