

**PUBLIC ACCOUNTS COMMITTEE**  
**( 1973-74 )**

**(FIFTH LOK SABHA)**

**HUNDRED AND THIRTEENTH REPORT**

**[Action Taken by Government on the recommendations of the Public Accounts Committee contained in their 94th Report (Fifth Lok Sabha) relating to Ministry of Finance]**



**LOK SABHA SECRETARIAT**  
**NEW DELHI**

*April, 1974/Chaitra, 1896 (Saka)*

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CORRIGENDA TO THE 113TH REPORT OF THE P. A. C. (1973-74),  
PRESENTED TO THE LOK SABHA ON 30TH APRIL, 1974.

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
3	1.8	4-5	re-peared	repeated
4	1.11	3	not allowed	not be allowed
6	1.14	6	backing	back-log
14	1.26	2(from bottom)	th	the
17	-	Heading	Recommendation/ observations accepted by Government	Recommendations/ observations that have been accepted by Government.
61	-	"	Recommendations/ Operations	Recommendations/ Observations
62	-	11	already	clearly
65	-	1	department	departmental
69	1.14	2	desires	desire
"	"	6	back-log utili- sation	back-log of utilisation

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## PUBLIC ACCOUNTS COMMITTEE

(1973-74)

### CHAIRMAN

Shri Jyotirmoy Bosu

### MEMBERS

2. Shri Virendra Agarwala
3. Shri S. C. Besra
4. Shri M. Deiveekan
5. Shri C. D. Gautam
- \*6 Shri Pampan Gowda
7. Shri Y. S. Mahajan
8. Shri Bibhuti Mishra
- 9 Shri H. N. Mukerjee
10. Shri Paripoornanand Painuli
11. Shri Narain Chand Parashar
12. Shri H. M. Patel
13. Shri P. Antony Reddi
14. Shri Biswanarayan Shastri
15. Shri Sunder Lal
- @16. Shri M. Anandam
- @17. Shri Golap Barbora
18. Shri Bipinpal Das
19. Shri Nawal Kishore
- @20. Shri P. S. Patil
21. Shri Sasankasekhar Sanyal
22. Shri Sawaisingh Sisodia

### SECRETARIAT

Shri M. S. Sundaresan—*Deputy Secretary*

Shri T. R. Krishnamachari—*Under Secretary*

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\* Elected on 29-11-1972 *vice* Shri D. S. Afzalpurkar died.

@ Ceased to be member of the Committee consequent on retirement from Rajya Sabha w.e.f. 2-4-1974.

## INTRODUCTION

I, the Chairman of the Public Accounts Committee as authorised by the Committee, do present on their behalf this Hundred and Thirteenth Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their Ninety-fourth Report (Fifth Lok Sabha) relating to Ministry of Finance.

2. On the 26th May, 1973 an 'Action Taken' Sub-Committee was appointed to scrutinise the replies from Government in pursuance of the recommendations made by the Committee in their earlier Reports. The Sub-Committee was constituted with the following Members.

Shri H. N. Mukerjee—*Convener.*

- |                              |   |                |
|------------------------------|---|----------------|
| 2. Shri Sunder Lal           | } | <i>Members</i> |
| 3. Shri Biswanarayan Shastri |   |                |
| 4. Shri M. Anandam           |   |                |
| 5. Shri Nawal Kishore        |   |                |
| 6. Shri H. M. Patel          |   |                |

3 The Action Taken Sub-Committee of the Public Accounts Committee (1973-74) considered and adopted this Report at their sitting held on 25th April, 1974. The Report was finally adopted by the Public Accounts Committee on the 27th April, 1974.

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

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

NEW DELHI;  
April 27, 1974.  
*Va.sakha 7, 1896 (Saka).*

JYOTIRMOY BOSU,  
*Chairman,*  
*Public Accounts Committee.*

## CHAPTER I

### REPORT

1.1. This Report of the Committee deals with Action Taken by Government on the recommendations contained in their 94th Report (Fifth Lok Sabha) on Reports of the Comptroller and Auditor General of India, Union Government (Civil) for the years 1969-70 and 1970-71 relating to the Ministry of Finance which was presented to the House on the 30th April, 1973.

1.2. Action Taken Notes have been received in respect of all the 43 recommendations/observations contained in the said Report.

1.3. These Action Taken Notes have been categorised as follows:—

- (i) *Recommendations/observations that have been accepted by Government.*

S. Nos. 1—5, 7, 9—13, 15—17, 19-20, 22—27, 29, 32-33, 35—37, 40-41 and 43.

- (ii) *Recommendations/observations which the Committee do not desire to pursue in view of the replies of Government.*

S. Nos. 6, 31 and 34.

- (iii) *Recommendations/observations replies to which have not been accepted by the Committee and which require reiteration.*

S. Nos. 8 and 30.

- (iv) *Recommendations/Observations in respect of which Government have furnished interim replies.*

S. Nos. 14, 18, 21, 28, 38-39 and 42.

1.4. The Committee hope that final replies in regard to the recommendations to which only interim replies have so far been furnished will be submitted to them expeditiously after getting them vetted by Audit.

1.5. The Committee will now deal with Action Taken Notes on some of the recommendations.

*Fixing a limit on Guarantees given by Government (Paragraph 1.58—S. No. 8)*

1.6. In paragraph 1.58, the Committee had made the following observations regarding regulating the guaranteeing power of Government:

“In paragraph 5.24 of their 55th Report (1968-69) the Committee have desired that in view of the substantial amount of

guarantees given by Government and the contingent liability involved, it is but proper that Government's guaranteeing power is regulated by law as envisaged in Article 292 of the Constitution. In their reply, the Government stated that no real advantage would be secured by prescribing statutory limits on guarantees. The Committee would like the Government to re-examine whether it was not possible to have a law providing for a flexible limit for guarantees and for a retrospective regularisation of any amount exceeding the limit in appropriate cases."

1.7. In their note dated 17th December, 1973, the Ministry of Finance (Department of Economic Affairs) have stated as follows:—

"Broadly, guarantees given by the Central Government are for (i) repayment of borrowings and payment of interest thereon from Banks, foreign lending agencies, public sector financial institutions, etc. on behalf of the Government companies, private companies, cooperative societies, etc. (ii) payment against agreements for supply of materials, equipment, etc. on credit basis, etc. on behalf of Government companies, corporations, Railways, Union Territories, State Governments, local bodies, joint stock companies, cooperative institutions, etc., and (iii) repayment of share capital and payment of minimum dividend. These guarantees are given from time to time by the different Ministries/Departments and they fluctuate much and it is difficult to lay down a limit. For instance, guarantees given for the amount of credit provided by Banks to the Food Corporation of India vary from time to time—the maximum amount guaranteed to State Bank of India for cash credit accommodation to Food Corporation of India as on 31st December, 1970 was Rs. 50 crores and it became Rs. 110 crores as on 31st December, 1971. In view of the wide variations, the ceiling, if it has to be fixed, will have to be at a very high level.

Keeping the limits at a very low level will create obvious difficulties in the matter of giving guarantees. If, however, the limits are kept at a very high level, it is extremely doubtful whether they would serve any useful or practical purpose.

The policy in the matter of giving guarantees has, by and large, been restrictive. In fact the more important aspect of the power to give guarantees is to see that it is used discriminately and after ensuring that Government's interests are duly safeguarded. To ensure this, it has been provided, in the instructions, *Inter alia*, that the decision to give a guarantee



should be taken of a sufficiently high level. In so far as public sector institutions are concerned, individual cases involving less than Rs. 50 lakhs are to be decided at Joint Secretary's level and those in excess of that limit at Secretary's level. In the case of guarantees to private institutions, the approval of the Minister is to be taken and for amounts exceeding Rs. 10 lakhs, the approval of the Cabinet is to be taken.

It may be mentioned here that the guarantees involve only a contingent liability. The occasions on which Government was called upon to make payments in terms of these guarantees have been very few and the amounts involved also small.

In view of the foregoing considerations, a statutory control over guarantees has not been considered feasible."

**1.8. The desirability of regulating the Government's guaranteeing power by law as envisaged in Article 292 of the Constitution has been engaging the attention of the Committee for some time (c.f. Para 5.24 of 55th Report—(1968-69). The Ministry have explained the often repeated difficulties in fixing a limit in view of wide variations in the amount required to be guaranteed and the futility of fixing a very high limit. The Committee would however, like to reiterate that it should be examined whether it is not possible to have a law providing a flexible limit for guarantees and a retrospective regularisation of any amount exceeding the limit.**

*Loan outstanding against an individual (Paragraph 1.60—S. No. 10)*

1.9. While commenting on the delay in the repayment of a loan by an individual who purchased an evacuee property at Ambarnath, the Committee had observed as follows in paragraph 1.60 (S. No. 10):

"The Committee note that a loan amounting to Rs. 52 lakhs is still outstanding from the individual who purchased an evacuee property at Ambarnath, Government have allowed him to pay this amount upto 20th October, 1976 in yearly instalments on certain terms and conditions. The Committee would like to be informed whether the instalment payments as agreed to are being paid by the individual in time. The Committee are of the view that in any case the individual should not be allowed further extension in repaying the loan."

1.10. The Ministry of Finance (Deptt. of Expenditure) in their note dated 7th December, 1973 have stated as follows:—

"Shri.....who had purchased the property at Ambarnath had requested for execution of a revised mortgage-deed

whereby he would be required to pay the whole amount in five instalments instead of seven instalments with the date of payment of instalments commencing from the date of execution of the revised mortgagedeal. This request was considered in consultation with the Ministry of Finance and it was decided that the revised mortgage-deed be executed, stipulating that the amount due from Shri ..... as on 20-10-71, with interest will be payable by him in five annual instalments commencing from 20-10-72.

The revised mortgage-deed was executed on 8-9-72 in consultation with the Ministry of Law and the Ministry of Finance. The amount due from Shri ..... as on 20-3-72, was worked out as Rs. 53,07,705 and accordingly shown in the mortgage-deed. Shri ..... has since paid the interest on that entire amount upto 20-10-1972, but the principal amount of the first instalment due on 20-10-72, is yet to be paid Shri ..... however, made a request for a deferment of the payment of the first instalment for a period of 6 months. This request of Shri ..... has been considered and the Ministry of Finance have advised that since the purchaser has failed to pay up even the first instalment due, the Department of Rehabilitation may examine, in consultation with the Law Ministry, as to what action can be taken against him. The matter has been accordingly referred to the Ministry of Law for advice.

The recommendations of the P.A.C. that in any case Shri ..... should not be allowed further extension of time to repay the loan have been noted by the Department of Rehabilitation for the compliance."

**1.11 Dealing with the delay in repayment of loan and interest by an individual who purchased an evacuee property at Ambarnath, the Committee had suggested that he should not allowed further extension in repayment of the outstanding loan which he agreed to repay fully by 20th October, 1972 but requested for extension of 6 months. The Department of Rehabilitation have referred the matter to the Ministry of Law (which will no doubt cost some money indirectly) for advice. The Committee would like expeditious action in the matter and an early report about it.**

*Outstanding Utilisation Certificates—(Paragraph 1.64 S. No. 11)*

1.12. In paragraph 1.64 (S. No. 11), the Committee had made the following observations regarding delay in issue of Utilisation Certificates:

"For the grants paid by the various Ministries, utilisation certificates were outstanding as on 30th September, 1971 in 3077 cases

involving a total amount of Rs. 35.45 crores. Some of the cases date back to the period as early as 1954-55. The Committee are particularly concerned about a large number of utilisation certificates outstanding in respect of the grants paid by the Ministries of Health and Family Planning and Education and Social Welfare. At the end of the September, 1971 utilisation certificates were outstanding in 1325 cases involving an amount of Rs. 20.33 crores in the case of Ministry of Education and Social Welfare and 1476 cases involving an amount of Rs. 8.86 crores in the cases of Ministry of Health and Family Planning. Though the number of outstanding utilisation certificates has come down as compared with the position at the end of September, 1968 the Committee feel that further efforts are necessary to clear the back-log of utilisation certificates. The Committee understand that a Cell is proposed to be created in the Ministries of Education and Social Welfare and Health and Family Planning to speed up the process of issuing certificates. On this Committee there should be a representative of the Ministry of Finance. The Committee would like to be informed of the progress made in this regard."

1.13. The Ministry of Finance (Department of Expenditure) in their note dated 27th October, 1973 have stated as follows:—

"The observations of the Committee have been noted. The Ministry of Finance have been continually reviewing the position of outstanding utilisation certificates in respect of grants-in-aid sanctioned to autonomous bodies by various administrative Ministries/Departments. The position has been specially reviewed with reference to utilisation certificates shown as pending against various Ministries/Departments in para 40(b) of the latest report of the C&A.G. (Civil) for the year 1971-72 and the Financial Advisers associated with the Ministries/Departments have once again been requested to go through the list of outstanding cases pertaining to their Ministries/Departments and make intensive studies of the cases which are pretty old and to make necessary efforts to clear the back log. The Financial Advisers have already undertaken the reviews. A statement showing position of the utilisation certificates pending as on 30th September, 1972, since issued till the end of June, 1973 and the balance pending as on 1-7-1973, to the extent the information has been received so far in this Ministry, is enclosed (*vide* para 40).

As regards utilisation certificates pending against the Ministry of Education and the Ministry of Health and Family Planning, the Financial Advisers attached to these Ministries have taken up the pending cases with the Ministries concerned to clear the

back log by taking appropriate action. The Ministry of Education have set up a special Cell for this purpose and the matter regarding association of a representative of the Finance Ministry with the Cell has also been taken up with that Ministry. The Ministry of Health and Family Planning have not yet set up any special Cell for this purpose. As and when such a Cell is constituted by them, question of associating a representative of the Finance Ministry with the Cell will be taken up with them.

A statement showing the year-wise break-up of the utilisation certificates since issued upto June, 1973 and the balance pending as on 1-7-1973 in respect of Department of Education is enclosed for the information of the Committee (page 36). Similar statement in respect of Department of Health is also enclosed (page 38). The position in respect of Department of Family Planning is being ascertained. The Ministry of Finance will continue to endeavour to clear the arrears as early as possible.'

**1.14. While dealing with the delay in the issue of utilisation certificates in respect of grants paid by Government, the Committee had been particularly concerned about a large number of outstanding utilisation certificates pertaining to the Ministries of Education and Social Welfare and Health and Family Planning involving large amounts. Stressing the need for further efforts to clear the backlog of utilisation certificates, the Committee had desired that a representative of the Ministry of Finance should be associated with the Cell proposed to be created in these Ministries to speed up the process of issuing certificates. From the reply of the Ministry of Finance the Committee find that a cell has been set up by the Ministry of Education and the matter of associating a representative of the Ministry of Finance has been taken up. But the Ministry of Health and Family Planning have not set up a special cell for the purpose. From the position of the outstanding certificates furnished by the Ministry of Finance, it is found that at the end of June, 1973, there were 1666 outstanding certificates involving Rs. 19.77 crores in respect of the grants paid by the Department of Education and Culture upto September, 1970, and 368 outstanding certificates involving Rs. 4.25 crores in respect of the grants paid by the Department of Health which means a poor performance on the part of the Ministry concerned. (The position in respect of the Department of Family Planning has not been furnished.) The Committee desire that a representative of Finance should be included in the cell set up by the Ministry of Education and a similar cell should be set up in the Ministry of Health and Family Planning. All efforts should be made by these Ministries to clear the back-log of utilisation certificates which have accumulated overmuch, and a special watch should be kept in the matter by the Financial Advisers concerned.**

***Fraud in issuing National Plan Savings/National Defence Certificates***  
(paragraph 1.75. S. No. 14)

1.15. In paragraph 1.75, the Committee dealt with a fraud committed by a district organiser of the National Savings organisation in Uttar Pradesh in issuing National Plan Savings/National Defence Certificates, and observed as follows:—

“The Committee note with concern that District Organiser in the National Savings Organisation in Uttar Pradesh Committed a fraud in issuing National Plan Savings/National Defence Certificates involving an amount of Rs. 5.98 lakhs. The organiser received the amount from different parties but did not issue the proper certificates. In some cases he actually obtained certificates from Post Office but issued forged ones to the parties concerned and the original certificates to some of the parties by suitably altering the entries. On the parties instituting civil suits for recovery of the amount from Government, it was decided to issue ante-dated certificates to them. The frauds committed by the organiser are stated to be under investigation by the Special Police Establishment. The Committee find that the Organiser has been distributing fraudulent certificates over a long period from 1962 to 1967. The Committee feel that a thorough investigation should be made, if not already done, of all the certificates sold through the said Organiser. The Committee would like to be informed about the progress of investigation within six months.”

1.16. In their note dated the 14th November, 1973, the Ministry of Finance (Department of Economic Affairs) have stated as follows:—

“The District Organiser involved in all these transactions has been under suspension since 5th January, 1968. The frauds committed by him were reported to the Special Police Establishment who investigated them. Cases have since been filed against H&D in the Court. All the receipt books issued to the said Organiser prior to his suspension were seized by the C.B.I. authorities and are at present in their custody. On our request they have now agreed to make available these receipt books for examination. Thorough investigation on this basis is being taken in hand but this will take some time. Steps will be taken to complete this investigation expeditiously and a further report will be submitted to the P.A.C. soon.”

1.17. Commenting on a case of fraudulent sale of National Plan Savings/National Defence Certificates by a District Organiser, the Committee had desired that a thorough investigation of all the certificates sold

through the organiser should be made and the progress intimated to them within six months. The Ministry have stated that all the receipt books issued to the said organiser were seized by the Central Bureau of Investigation and they have now agreed to make them available for examination. It appears from this that no progress has been made in the examination of the receipt books. The Committee are of the view that unconscionable delay has already occurred in the investigation and wish that it is expedited and the outcome reported to them. Responsibility for the delay in the matter should also be fixed under advice to the Committee.

*Non-utilisation of wagon tippler ordered by the Trombay Fertiliser Project—(paragraph 1.92, S. No. 18).*

1.18. Commenting on non-utilisation of wagon tippler by the Trombay Fertiliser Project, the Committee in paragraph 1.92 (S. No. 18) recommended as follows:—

“In the case of the tippler ordered by the Trombay Fertilizer Project, there is nothing on record to show if the relative merits of transportation of the material by rail and by road had been examined before deciding to place the order for a tippler. It was only when the material arrived in 1965, that the project authorities came to know that the Railways would charge the rate for a minimum distance of 40 kilometers and not the actual distance which was much less. Because of this the road transportation was found to be cheaper. The conclusion, it seems to the Committee, is obvious that a proper study had not been made of the comparative cost of transportation of the material by rail and by road. The Committee consider that the responsibility should be clearly fixed for the failure to do something which obviously needed doing.”

1.19. The Ministry of Finance (Department of Economic Affairs) in their note dated 15th November, 1973 have stated as follows:—

“Recommendations of the PAC have been communicated to the Ministry of Petroleum & Chemicals with the request that they may fix the responsibility for the failure to make a proper study of the comparative cost of transportation of the material by rail and road. The Ministry of Petroleum and Chemicals have been asked to report action taken to the PAC.”

1.20. Dealing with the non-utilisation of a wagon tippler by the Trombay Fertiliser Project owing to cheaper transport of material by road, the Committee had suggested that responsibility should be fixed for failure to make a proper study of comparative cost of transportation of the material by rail and road. The Ministry of Petroleum and Chemicals

have been asked by the Ministry of Finance to report the action taken in this regard. The Committee would like the Ministry of Petroleum and Chemicals to fix responsibility and action in the matter early and report to the Committee.

*Improper diversion of copper imported by Minerals and Metals Trading Corporation under Economic Development programme—(Paragraph 1.95 S. No. 21).*

1.21. Dealing with the diversion of copper imported by the Minerals and Metals Trading Corporation under the Economic Development Programme to Ordnance Factories, the Committee in paragraph 1.95 (S. No. 21) had recommended as follows:—

“Copper imported by MMTC under the economic development programme was diverted to the Ordnance Factories, although they had sufficient free stock of copper to meet the defence requirements. The MMTC should surely have been aware of the purpose for which the material had been imported. The Committee would like the reasons for this failure to be gone into with care.”

1.22. In their note dated 14th November, 1973, the Ministry of Finance (Department of Economic Affairs) have stated as follows:—

“We had submitted to the PAC earlier that the question of fixing responsibility had been gone into earlier and after examination of the facts it was decided that it would be difficult to hold any body in particular responsible for this lapse *vide* our letter No. F. 40(17)-ECA(A)/70, Vol. I dated 13th March, 1973. How, the recommendations have been communicated to the Ministry of Industrial Development for further action in the matter and to report results to the P.A.C.”

1.23. The Committee had desired that the failure on the part of the MMTC in wrongly diverting to Ordnance Factories the copper which was imported under economic development programme should be carefully investigated. The Ministry of Industrial Development have been asked by the Ministry of Finance to report the action taken in this regard. The Committee would like the Ministry of Industrial Development to take necessary action expeditiously and report the outcome to the Committee.

*Delay in setting up a new Alkaloids plant of Opium Factory, Neemuch—  
Paragraphs 2.31 to 2.34 (S. No. 25 to 28).*

1.24. While commenting on the delay in setting up of the Alkaloids Project at the Opium Factory, Neemuch and faulty estimates originally prepared therefor by the National Chemical Laboratory, the Committee in paragraphs 2.31, 2.32, 2.33 and 2.34 (S. Nos. 25, 26, 27 and 28) had observed as follows:—

2.31 "Government decided in March, 1965 to set up a new alkaloids project at the Opium Factory, Neemuch to utilise the process developed by the National Chemical Laboratory (a Laboratory of the Council of Scientific and Industrial Research). This decision, after 8 years, still remains unimplemented. The delay that has occurred, as will be seen from the paragraphs that follows, is unjustifiable, this led to considerable increase in the cost of the Project.

2.32 Due to faulty estimates originally prepared by the National Chemical Laboratory and subsequent expansion of the scope of the project and increase in prices, the estimated cost of the project was revised from time to time. The estimate of Rs. 53.30 lakhs prepared by the National Chemical Laboratory was revised by the National Industrial Development Corporation (designers and consultants for the project) to Rs. 105.81 lakhs in May, 1969, Rs. 117.74 lakhs in January, 1970 and Rs. 164.09 lakhs in September, 1971.

2.33 The National Industrial Development Corporation who were entrusted with designing of the project in January, 1966 took about 3 years to complete most of designing work by December, 1968 and thereafter another period of 1½ years elapsed before the construction work commenced in October, 1970. The Committee find that lack of proper planning in two aspects resulted in considerable loss of time. First, when the Government approved the project in March, 1965 it was proposed to produce only semi-refined morphine but after entrusting the designing to NIDC, it was considered desirable to expand its scope to the manufacture of synthetic codeine and finished salts also, which gave rise to consideration export potentiality, profitability etc. Secondly, after the designing work was mostly over by December, 1968 the question of conducting the pilot studies of the process developed by the National Chemical Laboratory came for consideration and it was decided in July, 1969 to use the equipment available with the IDPL, Hyderabad for the purpose. The pilot studies took considerable time and



delayed the sanction for the approval of the execution of the project till April, 1970. It is surprising why these two questions viz. expansion of scope and pilot study of a new process were not considered before the Government approved the project in March, 1965.

- 2.34 The project which was sanctioned in April, 1970 was started in October, 1970 and was expected to be completed by July, 1972. While there was no appreciable delay in completion of civil work, fabrication of the plant by the Bharat Heavy Plate and Vessels Limited (turn-key contractors for fabrication, supply, installation and commissioning of the plant and equipment) has been delayed due to difficulties in supply of stainless steel flanges and structural steel sections. The Committee have been informed that the erection/commissioning of the plant may not be completed before August, 1973. The Committee hope that the commissioning of the plant will not be further delayed. The Committee would like to be informed about the commissioning of the plant and the actual cost of the project."

1.25. In their note dated 18th December, 1973, the Ministry of Finance (Department of Economic Affairs) have stated as follows:—

"Detailed reasons for unavoidable delay in the execution of the project are already explained in paras 2.12, 2.21, 2.22, 2.24 and 2.25 for the report of the P.A.C. As regards various enhancements in the cost estimates of the project, these too are fully explained in paras 2.14, 2.15, 2.16, 2.17 and 2.18 of the report of the P.A.C. The position regarding the other points now raised is explained below.

It will be appropriate to mention that the Alkaloid Plant being set up at Neemuch (M.P.) is of its own kind in the whole of India and is fairly complicated. There is no other similar Alkaloid Plant in existence in the country which could be taken as a model or guide. In this case the new process for extraction of alkaloids has been developed indigenously by the concerted efforts of the Scientists of the National Chemical Laboratory, Poona in collaboration with the Departmental Chemists. Consequently the development of the process for the manufacture of semi-refined and finished alkaloids and the preparation of the designs for the Plant and Equipment has been a gradual process and improvements have been brought about at each stage even during the actual construction work to make the plant more economical and efficient.

The original estimates of Rs. 53.30 lakhs for the project were framed prior to the preparation of sketches and drawings for

the buildings and detailed engineering of the Plant and as such these estimates were of a rough and preliminary nature. The sanction issued in April, 1965 should, therefore, more appropriately be taken as sanction to commence work on designing and various other preliminaries. After the finalisation of the preliminaries and the preparation of drawings/designs, the project cost was estimated to be Rs. 117.74 lakhs in January, 1970, and sanction for the execution of the Project at this cost was accordingly issued in April, 1970. Thus the sanction issued in April, 1970 should be taken to be the real starting point for the construction of the project.

National Chemical Laboratory, Poona had originally given the process for the extraction of Semi-refined Alkaloids only and sanction for setting up of the Project on the basis of that process was accordingly issued in April, 1965. The intention was to commence work on the process which was made available by the N.C.L. and simultaneously conduct studies for finding out suitable process for preparation of finished alkaloids. National Chemical Laboratory Scientists, National Industrial Development Corporation Exports and Departmental Chemists accordingly subsequently studied the various processes for the manufacture of finished alkaloids and finalised the process for finished alkaloids for adoption in the Alkaloid Project, Neemuch. With the finalisation of process for finished alkaloids, it was considered desirable to manufacture finished alkaloids also at Neemuch instead of confining the scope of the Project to Semi-refined Alkaloids only. Since the year 1965, the process for the manufacture of finished alkaloids had not yet been developed/finalised, a decision for the setting up of the finished alkaloids sections could not be taken at that stage and it had, therefore to be incorporated subsequently after its finalisation.

National Chemical Laboratory, Poona had developed the process for the manufacture of Semi-refined Alkaloids after conducting Laboratory experiments on a scale of 5 Kgs. of opium. National Chemical Laboratory were from the beginning emphatic that no Pilot Plant trials on a bigger scale were necessary as the repeated laboratory scale experiments had been conducted successfully and the process was considered by them as sound and workable. However, subsequently when National Chemical Laboratory, Poona were asked to give process guarantee, they linked it to the quantity of opium used by them on a laboratory scale. The consultants too were unwilling to

give the process guarantee. It was, therefore, considered desirable that before the Government committed themselves to the huge expenditure on the project, they must be reasonably assured that the process was sound and was capable of being adopted on a commercial scale. It was in these circumstances that the Pilot Plant studies had to be carried out in 1969 at the Indian Drugs and Pharmaceuticals, Hyderabad.

The Government are making every possible effort to complete the Project as quickly as possible. It is, however, regretted that Bharat Heavy Plate and Vessels have not been in a position to complete the Project by August, 1973. In March, 1973, BHPV submitted a revised schedule postponing the completion date of the Project to January, 1974 attributing delay mainly to the following reasons:—

- (i) Non-availability of the Structural Steel due to its paucity within the country;
- (ii) revision in the drawings for Plant and Equipment by the N.I.D.C. at the time of preparation of detailed fabrication drawings for execution mainly to incorporate improvements in the original drawings;
- (iii) agitation in Andhra Pradesh towards the close of 1972 and the beginning of 1973; and
- (iv) the cut imposed by the State Electricity Board in the Power supply affecting their production.

Frequent revisions in the time schedule were brought to the notice of the Secretary, Ministry of Heavy Industry who took keen interest in the matter. Consequently Ministry of Heavy Industry convened a meeting of the representative of the Bharat Heavy Plate and Vessels (turn-key contractors), National Industrial Development Corporation (the consultants) and Project Authorities in June, 1973 in which various activities relating to the Project were discussed. Subsequently to this meeting, Secretary Ministry of Heavy Industry assured that BHPV were making every effort to commission the Project by January, 1974. He also mentioned that they had asked the BHPV to prepare a CPM Chart envisaging completion/commission of the Project by January, 1974, and that the Management Information System proposed to be set up in that Ministry would be used to monitor the Project as soon as that system was established.

Ministry of Heavy Industry have again informed us in September, 1973 that their Secretary has reviewed the progress of the project with the Managing Director and other officers of the BHPV on 14th September 1973 and that they have advised BHPV to complete the work by January, 1974. However, there have been slippages in the January, 1974 schedule and it is hoped that the project may be completed by about the middle of 1974.

Fabrication of Steel Structures and Vessels has almost been completed. The work of erection of Steel Structures and Vessels thereon is currently in full swing and substantial progress has been made in this respect. About 95 per cent of the total electrical materials required has been received at the site and electrical installation work to the extent of 70 per cent is reported to have been completed. Most of the Instrumentation Equipment has also reached the site but the actual installation of instruments has not yet commenced. The air-conditioning and refrigeration equipment is expected to reach the site by March, 1974 and its installation is expected to take another 2 months thereafter.

The Public Accounts Committee would be informed of the completion of the Project and the actual cost incurred on it as soon as the Project is completed.

1.26. The Committee were critical of faulty estimates, delay and lack of planning in regard to establishment of an alkaloids plant at Opium Factory, Neemuch. The original estimate of Rs. 53.30 lakhs sanctioned in April, 1965 was revised to Rs. 105.81 lakhs in May, 1969, Rs. 117.74 lakhs in January, 1970 and Rs. 164.09 lakhs in September, 1971. It has now been stated that the sanction issued in April, 1965 should appropriately be taken as sanction to commence work on designing and various preliminaries and that the sanction issued in April, 1970 should be taken to be the real starting point for the construction project. The information given to the Committee earlier was that provision for certain important and major items had not been included in the original estimates (cf. para 2.14 of Report). Even the estimate of Rs. 117.74 lakhs sanctioned in April, 1970 was revised to Rs. 164.09 lakhs in September, 1971. The Committee would therefore stress that as far as possible, the estimates proposed at the time of the sanction of projects should be realistic and take into account all important aspects so that the final expenditure does not turn to be excessive. The Committee deprecate the tendency to have projects first sanctioned on low estimates and then go on revising the cost upwards. The officers responsible for this should be brought to book. The Committee

would like to be informed of the actual expenditure on the project under consideration.

1.27. The Committee had pointed out that one of the factors contributing to lack of planning of the project was that after most of the design work was completed, it was decided to undertake pilot studies of the process developed by the National Chemical Laboratory which took considerable time. In their reply, the Ministry have stated that pilot studies were not carried out earlier as the National Chemical Laboratory were emphatic that no pilot plant trials were necessary. It was only when the NCL and the consultants were unwilling to give the process guarantee that it was considered desirable that before the Government committed themselves to the huge expenditure on the project, they must be reasonably assured that the process was sound and capable of being adopted on a commercial scale. The Committee feel that in view of the risk involved on exploitation of a new process commercially, the Ministry should have assured themselves of the proven soundness of the process through pilot studies, before sanctioning expenditure in April, 1965.

1.28. The project which was expected to be completed by July, 1972 has been delayed. The date of completion was later extended to April, 1973 and then to January, 1974. It is now expected to be completed by the middle of 1974. The Committee deprecate the delay that has already taken place and desire that the commissioning of the plant should be positively completed by the middle of 1974. Information about the progress of work should be communicated to the Committee.

*Decrease in average yield of opium—(Paragraph 2.47, S. No. 30)*

1.29. Commenting on the decrease in the average yield of opium per hectare, the Committee in paragraph 2.47 (S. No. 30) had observed as follows:—

“Although the area brought under poppy cultivation is increasing, the average yield of opium per hectare is decreasing inspite of the various incentives given to the cultivators for thighter yields. The cultivated area increased from 12.072 hectares in 1965-66 to 47,315 hectares in 1971-72, but the average yield of opium (70C°) per rectare decreased from 36.11 kg. to 26.77 kg. According to the Ministry, the contingency of the exports or the internal requirements being seriously affected by decline in production due to fill in cultivated area cannot be ruled out in future as the area actually cultivated and the yield obtained depend on availability of irrigation facilities and weather conditions. The Committee note that the Indian Council of Agriculture Research have drawn up a scheme of 5 years duration with effect from April, 1971

for agricultural research on poppy crop aiming at (a) improving the morphine content (b) increasing the yield of opium by breeding suitable varieties of seed, (c) conducting agromonomical research which would give maximum yield of opium per hectare (d) developing more efficient methods of lancing and collection and (e) studying various diseases affecting poppy in order to formulate suitable control measures including breeding of disease resistant varieties. The Committee hope that the research efforts on poppy crop will be intensified and particular attention will be paid to areas like Uttar Pradesh where the average yield per hectare is considerably low. The Department should make efforts to ensure that the area brought under cultivation does not fall short of the planned area."

1.30. The Ministry of Finance (Department of Economic Affairs) in their note dated 18th December, 1973 have stated as follows:—

"The main reason for fall in average yield is that when the area under poppy cultivation is increased, some new cultivators who lack the expertise of the traditional cultivators, and new tracts which are not as productive as the regular tracts, are licensed, and as a result, there is a fall in the average yield when the area under cultivation is increased.

Apart from the research undertaken by the Indian Council of Agricultural Research, research is also being conducted by the Agricultural University, Udaipur (Rajasthan), Agricultural College, Gwalior (Madhya Pradesh), Jawaharlal Nehru Agricultural University, Jabalpur (Madhya Pradesh), and the Government Opium & Alkaloid Works, Ghazipur, Uttar Pradesh."

1.31. The Committee had desired that the research efforts on poppy crop should be intensified and particular attention paid to areas like those in Uttar Pradesh where the average yield per hectare is very low. The Committee had also desired that the Department should make efforts to ensure that the area brought under poppy cultivation does not fall short of the planned acreage. The reply of the Ministry of Finance does not meet these two points. This perhaps calls for an explanation. The Committee would like to stress that special attention should be paid to areas where the average yield per hectare is low. Efforts should also be made to ensure that the area brought under cultivation does not fall short of the planned target.

## **CHAPTER II**

### **RECOMMENDATIONS/OBSERVATIONS ACCEPTED BY GOVERNMENT**

#### **Recommendation**

"The Committee are dissatisfied with the variations between the budget estimates and the actual expenditure on capital account during the years 1968-69, 1969-70 and 1970-71. The shortfall of expenditure during the years 1968-69 and 1969-70 amounted to Rs. 333.57 crores and Rs. 121.14 crores which worked out to Rs. 43.8 per cent and 15.7 per cent respectively. In 1970-71 there was excess of expenditure over the budget estimates amounting to Rs. 98.57 crores which worked out to 11.7 per cent. In extenuation of the short-falls, it was urged before the Committee that for the first two or three years of the plan there was slow progress of the plan projects/schemes for various reasons such as non-availability of steel, cement, equipment, etc. The Committee view with concern over budgeting by the Administrative Ministries resulting in locking up of much needed funds. The Committee also regard the excess of Rs. 98.57 crores in the capital expenditure for the year 1970-71 as bad budgeting. The Committee desire that the Administrative Ministries concerned should frame their budget estimates realistically. They should neither be over-optimistic about their capacity to utilise funds, nor grossly under-estimate it. The Ministry of Finance who have Financial Advisers attached to the Administrative Ministries should be able to play a more effective role in ensuring realistic budget provisions. The Committee suggest that the Finance Ministry should analyse the variations between the estimates and actuals during the last five years with a view to identifying the causes for shortfalls or excesses in expenditure and improving the budgeting procedure."

[S. No. 1 (para 1.15) of Appendix II to the 94th  
Report (Fifth Lok Sabha).]

#### **Action taken**

The observations of the Committee have been noted. The Finance Ministry have been continually reviewing the reasons for variations between the budget estimates and the actual expenditure and the Ministries/Departments have been exhorted to frame their budget estimates realistically and include in the budget only such schemes/proposals as have been worked out in complete detail and have a reasonable prospect of being carried through during the financial year.

The Ministries/Departments were also requested that the details of the schemes/proposals should *inter alia* include information on the objective of the proposed project/scheme, its scope, demand assessment and details of product mix and its capacity, foreign collaboration, if any, capital cost estimates, likely dates of completion of the projects and commencement of production, if any, estimates of profitability and likely return on capital employed when the project achieves full rated capacity production and cost benefit analysis. The framing of realistic estimates, therefore, depends upon the soundness of the basic data furnished by the administrative authorities. The need for observance of these instructions has been impressed upon the administrative Ministries/Departments time and again and they have been once again requested to pay special attention to the task of framing budget estimates realistically and exercising control over expenditure *vide* Ministry of Finance's O.M. No. F. 12(42) F(Coord)/73, dated 12th October, 1973 (Copy enclosed Annexure, I)

2. As regards excesses over grants/appropriations, in pursuance of the recommendations at S. No. 1 (Para 1.3) of Appendix XXXV to 49th Report (5th Lok Sabha) of the Public Accounts Committee a Task Force consisting of an officer each from the Department of Expenditure, Department of Economic Affairs (Budget Division) and the office of the Comptroller and Auditor General of India has been constituted to have a detailed analysis made of the effectiveness of the various procedures for expenditure control *vis-a-vis* the functioning of the system of internal financial control and to suggest to Government remedial measures to improve the budgetary system. The Task Force have completed their study. On receipt of their report Government will consider on what lines further action may be taken to achieve the desired results.

3. As regards the suggestions of the Committee that the Finance Ministry should analyse the variations between the estimates and actuals during the last five years with a view to identifying the causes for shortfalls or excesses in expenditure and improving the budgeting procedure, the Financial Advisers in the Department of Expenditure, associated with the administrative Ministries/Departments have been requested to conduct the reviews as desired by the Public Accounts Committee to find out how far the existing arrangements in the Ministries, the system of internal financial advice, etc. have been effective in fostering expenditure control and what remedial measures are necessary to check marked variations between the estimates of expenditure and actuals for the year,

[Department of Expenditure F No. 12(42)-E(Coord)/73, dt. 27th October, 1973]



## ANNEXURE I

No. F. 12(42)-E(Coord)/73

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

Department of Expenditure

New Delhi, the 12th October, 1973.

### OFFICE MEMORANDUM

SUBJECT:—94th Report of the Public Accounts Committee (5th Lok Sabha)—Recommendation No. 1 (Para 1.15)—Variations between budget estimates and actual expenditure.

The Public Accounts Committee while expressing their concern over the variations between the budget estimates and actual expenditure on capital account during the years 1968-69, 1969-70 and 1970-71 have observed in para 1.15 of their 94th report (5th Lok Sabha) as follows:—

“The Committee are dissatisfied with the variation between the budget estimates and the actual expenditure on capital account during the years 1968-69, 1969-70 and 1970-71. The shortfall of expenditure during the years 1968-69 and 1969-70 amounted to Rs. 333.57 crores and Rs. 121.14 crores which worked out to Rs. 43.8 per cent and 15.7 per cent respectively. In 1970-71 there was excess of expenditure over the budget estimate amounting to Rs. 98.57 crores which worked out to 11.7 per cent. In extenuation of the shortfalls, it was urged before the Committee that for the first two or three years of the plan there was slow progress of the plan projects/schemes for various reasons such as non-availability of steel, cement, equipment etc. The Committee view with concern over budgeting by the Administrative Ministries resulting in locking up of much much needed funds. The Committee also regard the excess of Rs. 98.7 crores in the capital expenditure for the year 1970-71 as bad budgeting. The Committee desire that the Administrative Ministries concerned should frame their budget estimates realistically. They should neither be over-optimistic about their capacity to utilise funds nor grossly under-estimate it. The Ministry of Finance who have Financial Advisers attached to

the Administrative Ministries should be able to play a more effective role in ensuring realistic budget provisions. The Committee suggest that the Finance Ministry should analyse the variations between the Estimates and actuals during the last five years with a view to identifying the causes for shortfalls or excesses in expenditure and improving the budgeting procedure".

Instructions have been issued to Ministries from time to time emphasizing the need for framing their budget estimates on a realistic basis and for including in the budget only such schemes/proposals as have been worked out in complete detail and have a reasonable prospect of being carried through during that Financial year. The details *inter alia* include information on the objective of the proposed project/scheme, its scope, demand assessment and details of product mix and its capacity, foreign collaboration, if any, capital cost estimates, likely dates of completion of the projects and commencement of production, if any, estimates of profitability and likely return on capital employed when the project achieves full rated capacity production and cost benefit analysis, etc. The framing of realistic estimates therefore, depends upon the soundness of the basis data prepared by the administrative authorities and in this their judgement has necessarily to play an important part.

2. In cases where the schemes are not fully worked out at the budget stage and a realistic estimate of the likely expenditure during the year is not found possible, provision for preliminary expenses and immediate minimum requirements, if any, need only be included in the budget.

3. In spite of the above instructions, the variations between the budget estimates and the actual expenditure still persist. The Ministry of Home Affairs, etc. are once again requested to pay special attention to the task of framing budget estimates realistically and exercising proper control over expenditure. Suitable instructions may also kindly be issued to all subordinate authorities concerned under them.

Sd./-  
(Y. L. RAJWADE)

*Deputy Secretary to the Govt. of India.*

To

All Ministries/Departments of the Govt. of India

No. F. 12(42)-E(Coord)/73

Copy forwarded to all F. As. and Expenditure Branches for information. It is requested that the observations of the Public Accounts Committee may kindly borne in mind while scrutinising the Budget proposals and while conducting the review regarding progress of expenditure against sanc-

tioned grant so as to ensure that the expenditure closely approximates the sanctioned grant.

Copy also forwarded to:—

- (i) C. & A.G. of India.
- (ii) Supreme Court.
- (iii) Election Commission.
- (iv) Lok Sabha Sectt. (PAC Branch).
- (v) A. G. C. R. New Delhi.
- (vi) Budget Division.

Sd./-

(Y. L. RAJWADE),

*Deputy Secretary to the Govt. of India.*

Copy for necessary action in so far as they are administratively concerned to:—

- (i) Defence Division.
- (ii) A & B Branch.
- (iii) E. G. I. Branch.

Sd./-

(Y. L. RAJWADE),

*Deputy Secretary to the Govt. of India.*

### **Recommendation**

"During 1970-71, although there was an overall excess of Rs. 98.57 crores in expenditure on capital account, there was significant shortfall of capital expenditure on Posts and Telegraphs (Rs. 28.04 crores) and public works (Rs. 13.21 crores). The saving in the P&T Department were mainly due to smaller supply of equipment and cables by the Indian Telephone Industries and Hindustan Cable Ltd., and slower progress in execution of building and line works. As regards public works, a saving of Rs. 5.82 crores was accounted for by the National Highways in which case there was also a saving of Rs. 5.42 crores during 1969-70. In 1969-70 there was also a saving of Rs. 1.27 crores in respect of Border Roads. The Committee desire that the Ministries of Communications and Shipping and Transport should exercise proper care in framing the budget estimates in future and ensure that the funds provided for important projects are utilised during the year."

[S. No. 2 (para 1.16) of Appendix II to the 94th Report (Fifth Lok Sabha)].

**Action taken**

The observations of the Committee have been noted and brought to the notice of the Ministry of Communications and Ministry of Shipping & Transport for their information and strict compliance *vide* Ministry of Finance, Department of Expenditure O.M. No. F.12(42)-E(Coord)/73 dated 10th September, 1973. (Copy enclosed—Annexure II).

[Department of Expenditure F. No. 12(42)-E(Coord)/73 dated 27th  
October, 1973].

**No. F. 12(42) —E(Coord)/73**

**GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
Department of Expenditure**

*New Delhi, the 10th September, 1973.*

**OFFICE MEMORANDUM**

**SUBJECT:—94th Report of the Public Accounts Committee (5th Lok Sabha)—Variations between Budget Estimates and Actual Expenditure.**

The undersigned is directed to forward herewith extract of recommendation at serial No. 2 (Para 1.16) of Appendix II to the 94th Report of the Public Accounts Committee (5th Lok Sabha) relating to variations between budget estimates and actual expenditure and to say that the Public Accounts Committee have particularly desired that the Ministry of Communication and the Ministry of Shipping and Transport should exercise proper care in framing the budget estimates in future and ensure that the funds provided for important projects are utilised during the year. The Ministry of Communications and the Ministry of Shipping and Transport are requested kindly to bear in mind the above observations of the Public Accounts Committee for strict compliance.

**Sd./-**

**(Y. L. RAJWADE),  
Deputy Secretary to the Govt. of India.**

**To**

**Ministry of Communications/Ministry of Shipping and Transport,  
New Delhi.**

**No. F.12(42)-E(Coord)/73**

Copy alongwith enclosure forwarded to Addl. Secretary (Communications) and Joint Secretary (T&P) for information and necessary action.

**Sd./-**

**(Y. L. RAJWADE),  
Deputy Secretary to the Govt. of India.**

### **Recommendation**

"The Committee have in the past urged on the Ministries/Departments to surrender savings as soon as that possibility is envisaged without waiting till the end of the year. Pursuant to the recommendation made in paragraph 1.21 of their 55th Report (4th Lok Sabha), the Ministry of Finance issued instructions in September, 1969 asking the Ministries to review the grants/appropriations periodically and to report the savings to the accredited Finance Division for necessary action. The Committee desire that the Ministry of Finance should review how far these instructions have been implemented and savings surrendered in time during the last three years."

[S. No. 3 (para 1.17) of the Appendix II to the 94th Report (Fifth Lok Sabha)].

### **Action taken**

The Ministry of Finance have been continually reviewing the existing arrangements regarding expenditure control with a view to finding out as to what extent the system of Internal Financial Adviser in the Ministries and the reviews conducted by the accredited financial advisers in the Department of Expenditure are effective in fostering discipline in surrender of savings as soon as they are foreseen and the Ministries are exhorted to surrender the funds whenever they are reasonably foreseen. In pursuance of the above recommendations of this Committee, the Financial Advisers in this Ministry have been requested to conduct a review of the savings surrendered during the last three years by their associated Ministries/Departments with a view to finding out how far the instructions issued by the Finance Ministry regarding review by the administrative Ministries/Departments of their grants/appropriations from time to time and reporting savings by the prescribed dates have been effective and what further remedial measures are necessary to improve the working of the budgetary system. On receipt of the reports from the Financial Advisers indicating the result of their review, the Finance Ministry will consider what further action is necessary to ensure timely surrender of funds by the administrative Ministries.

[Department of Expenditure F. No. 12(42)-E(Coord)/73 dated 27th October, 1973.]

### **Recommendation**

"The Committee were informed that generally 50 per cent of the expenditure is concentrated during the last three months of the financial year. The Committee would like the Ministry of Finance to examine the factors that are responsible for rush of expenditure in the last three months and how the situation can be remedied.

[S. No. 4(1.18) of the Appendix II to the Report (5th Lok Sabha)].

### **Action taken**

The Estimates Committee in para 17.4 of their 24th report (5th Lok Sabha) have recommended that a study to find out the worst cases of rush of expenditure at the end of the year as suggested by the Study Team of the Administrative Reforms Commission would be useful and should be undertaken by the Finance Ministry with a view to checking the tendency of rush of expenditure more effectively. This recommendation of the Estimates Committee has been considered by the Government and it was felt that the existing arrangements for financial control through Internal Financial Advisers coupled with a system of reporting and test checks carried out by the Financial Advisers of the Department of Expenditure accredited to the Administrative Ministries are quite elaborate. Information has been called for from the Associate Finance Divisions regarding instances of worst cases of rush on expenditure at the end of the year. On the basis of this information, it is proposed to carry out some case studies on a selective basis. Based on the results of these studies appropriate corrective measures will have to be evolved.

2. It is expected that as a result of the case studies referred to above it would be possible to identify the main factors that are generally responsible for rush of expenditure in the last three months of the year and to devise suitable measures to curb the tendency.

[Department of Expenditure F. No. 12(42)-E(Coord.)/73, dated 27th October, 1973].

### **Recommendation**

"The expenditure on Administrative Services increased from Rs. 153.52 crores in 1968-69 to Rs. 201.82 crores in 1970-71. The Committee were informed that the increase was mainly due to more expenditure on police. The expenditure on police increased from Rs. 72.60 crores to Rs. 101.60 crores and that on General Administration from Rs. 27.93 crores to Rs. 29.67 crores. The Committee have urged in the past that the expenditure on General Administration should be kept under constant watch to explore further economies. The Committee note that as a result of the studies of the Staff Inspection Unit of the Ministry of Finance, 2576 posts were found surplus in 1970, 1669 in 1971 and 2190 posts in 1972. In paragraph 1.8 of their 90th Report (1969-70), the Committee had suggested that the question of fixing periodicity for reviews to be conducted by the Staff Inspection Unit should be examined. The Committee were informed during evidence that it was very difficult to fix the periodicity. The Committee desire that the Staff Inspection Unit should be able to increase the number and frequency of reviews as and when required.

[S. No. 5 (para 1.27) of Appendix II to the 94th Report (5th Lok Sabha)].

### **Action taken**

Since the 90th Report of the Public Accounts Committee was issued in January, 1970, the SIU has carried out 147 staffing studies including 12 studies of public sector undertakings and autonomous organisations. The coverage of posts in these reviews is 49,703 out of which 7,237 posts were declared surplus resulting in a direct economy of Rs. 314.32 lakhs. Complete details are in Annexure III. From January to end of August 1973, 37 studies have been completed in which 8,957 posts have been covered out of which 896 posts are found surplus resulting in an economy of Rs. 48.49 lakhs.

2. For carrying out the assignments entrusted to it, SIU has at present 15 teams. One of these is earmarked for study of Defence Establishments, while another is exclusively deployed on norms studies of the D. G. P. & T. Another team has been put on work relating to Research and Training and review of Class IV staff. Certain specific responsibilities relating to Internal Work Study Units such as test-checking their work advising them on matters regarding assignments and coordinating their activities with a view to avoiding duplication of studies also devolve on the SIU. For discharging these there are no separate teams available at present, and the P. & T. team is attending to this work. Normally, a team in SIU is expected to cover 1200 to 1500 posts in a year. With 12 teams engaged on staffing reviews, the coverage can at best, be about 15,000 to 18,000 posts per annum. As against this, the actual coverage during 1970-71 and 1972 has been a little over 15,000 per annum. This coverage refers only to staffing studies and not norms studies for which also the SIU is utilised.

3. The total number of Central Government offices is about 5418 which are located all over India and the number of regular employees in them as on 31st March, 1971 was about 27 lakhs including 14.11 lakhs in the Railways who do not come within the coverage of the SIU teams. The large number of offices and their spread have led to recognition of the fact that by itself SIU cannot carry out the assessment of work loads and staff strength of all Central Government offices. Apart from the size of resources and the scale of operations required for carrying out such a task the policy of Government has always been that the responsibility for assessing the work loads of offices and staffing them should primarily devolve on the Ministry concerned and should be located in its Internal Work Study Unit. With a view to implementing this policy, the Internal Work Study Units of the Ministries are being progressively strengthened and their activities are being coordinated with the programmes and studies of the SIU. Along with strengthening the Internal Work Study Units with a view to developing internal competence within the Ministries and thereby achieving a wider coverage the SIU is independently carrying out studies for prescribing standards so as to have full coverage of complements engaged on specific tasks.



4. Apart from the resources available, there are other factors which tend to limit the number of studies in a given period. Before conducting any study, SIU has to obtain the consent of the Department/Office. This consent has to be secured either directly from the Ministries or through the Financial Advisers. Sometimes the studies already taken up in hand have to be postponed on account of the difficulties of the Department/office. Another factor is that work measurement studies have to be conducted at a particular stage of changeover from one system to another and have to be linked with the methods studies carried out by the Department of Personnel and Administrative Reforms. Where such studies have been are being done, work measurement cannot be undertaken until the revised procedures recommended by the Department of Personnel and Administrative Reforms have been installed and the work loads according to the revised methods are stabilised. Besides, every review need not necessarily result in economies, as on occasions, additional posts have to be conceded to cope with increases in work load.

5. It may be mentioned in this connection that increase in the number of studies need not necessarily mean an increase in coverage. Even a small number of reviews may cover a large number of posts. A recent example is in 1973, in one study 2,259 posts were covered. SIU has always been making efforts to increase the number of reviews within the constraints of resources which are available to it. Though no periodicity has specifically been prescribed for reviews, as and when required, SIU has carried out repeat studies of bigger offices with expanding work loads or increasing activities. In these circumstances it is felt that the limited resources of the SIU can be better utilised by concentrating on review of bigger offices, leaving the smaller ones to Internal Work Study Units which are coming into their own and which have the same objectives as the SIU, viz., securing economy in staff consistent with administrative efficiency. The arrangements mentioned above aim at adequately implementing the recommendation of the Public Accounts Committee in para 1.8 of the 90th Report which is in the context of locating surpluses in the existing staff of offices.

[Department of Expenditure F. No. 12(42) -E(Coord.)/73, dated 27th October, 1973].

## PERFORMANCE OF STAFF INSPECTION UNIT

Year	No. of Reviews	No. of posts studied	Posts found surplus		Total	Economies		Cost on SIU
			Direct	Denied		Direct	Preventive	
1970	50 + 3)53	13553 + 1020)14573	2576 + 416)2992	1294) + 55)1349	4341	113.62 + 4.41	59.04 + 2.92	172.66 + 7.33
1971	38 + 4)42	11791) + 1911)13702	1669) + 270)1939	1294 + + 19)1313	3252	70.68 + 17.86	77.37 + 0.96	148.05 + 18.82
1972	42 + 5)52	20412) + 1016)21428	2190) + 116)2306	964) + 124)1088	3394	98.73 + 8.02	65.54 + 4.10	165.27 + 12.12
TOTAL	147	49,703	7,237	3,750	10,987			

+ Undertakings/Autonomous Organisations etc.

### Recommendation

"The Committee are concerned to find that apart from outstanding loans from the State Governments, recovery of principal amounting to Rs. 202 crores and interest amounting to Rs. 25.74 crores was overdue from various autonomous bodies, public undertakings etc. The reason for non-recovery is that in many cases the Public Sector Undertakings are losing concerns and have made profit during the last few years. The Committee are particularly dissatisfied over non-payment of overdue loans and interest amounting to Rs. 85 crores by the Khadi and Village Industries Commission. The arrears represent accumulations from 1959-60 onwards. The Committee suggest that the Ministry of Finance should undertake a review of the cases where arrears of Rs. 1 crore or more have been overdue for more than five years and take necessary steps to effect recoveries."

[S. No. 7 (para 1.42) of Appendix II to the Report (5th Lok Sabha)]

### Action Taken

The observations of the Committee have been noted. The Financial Advisers in the Ministry of Finance, associated with the Ministries have already undertaken the review suggested by the Committee with a view to effecting recovery of the loans of Rs. 1 crore or more which have been overdue for more than five years.

[Department of Expenditure F. No. 12 (42)-E (Coord) 73,  
dt. 27-10-1973]

### Recommendation

The Committee find that guarantees were invoked in the case of the branch line railway companies during 1970-71. The Committee would like the Ministry of Railways and the Ministry of Finance to examine whether it would not be desirable to take over such Railway companies rather than incurring liabilities for the payment of shortfall in the guaranteed return of 3½ per cent on the paid up share capital.

[Sr. No. 9 (Para 1.59) of Appendix II to 94th Report  
(Fifth Lok Sabha)]

### Action Taken

There are six private-owned Railways in respect of which the Government of India have guaranteed a minimum return on the paid up share capital of the Company. These are:—

- (i) Futwah-Islampur Railway.
- (ii) Ahmedpur-Katwa Railway.
- (iii) Bankura Damodar River Railway.
- (iv) Katakhal-Lalabazar Railway.
- (v) Chaparmukh-Silghat Railway.
- (vi) Central Provinces Railways.

Of these, only Futwah-Islampur Railway is being run by the Company itself. The remaining five Railways are being run by the contiguous Government Railways.

2.1. Under the Agreements with the Companies, the Government of India have the options, recurring at regular intervals, to purchase these lines. Whenever such options had fallen due, the financial implications of the purchase were examined in detail. The purchase of any of these Railways was, however, not found to be financially justified. It was also observed that the market value of the shares was much below the value which the Government of India would have had to pay if the lines were purchased at prices stipulated in the agreements. In the circumstances, it would not have been financially prudent to purchase the Railway at the prices payable under the agreements. The options to purchase were, therefore, not exercised.

2.2. Efforts were also made to purchase some of these lines outside the terms of the Agreements, but the negotiations did not succeed.

2.3. As and when the next options to purchase these lines fall due, their nationalisation will again be examined, taking into consideration all the relevant factors.

2.4. The position, in brief, of each of these Railways is given in Annexure 'A'.

[Department of Economic Affairs F. No. 8(28)-B/73, dt. 20-11-1973]

### ANNEXURE 'A'

#### *Futwah-Islampur Railway*

With a view to decide whether or not to exercise the option which fell due on 31st March, 1968, a Commercial Officer of the Eastern Railway was placed on special duty to investigate the traffic prospects of the line and the financial implications of its purchase. A detailed examination showed that on the basis of the fares on the Government Railways, the gross earnings of the line, as anticipated for the year 1968-69, would be about Rs. 11.87 lakhs; Rs. 10.56 lakhs for coaching traffic and Rs. 1.31 lakhs for goods traffic. The working expenses were estimated at Rs. 10.64 lakhs. Thus the net earnings for the year 1968-69 were anticipated to be Rs. 1.23 lakhs. Taking into account items such as average loss of share of surplus profit of the Government in the event of purchase, etc., the net earnings got reduced from Rs. 1.23 lakhs to Rs. 1.03 lakhs.

The purchase price payable under the agreement worked out to Rs. 24.4 lakhs. The purchase was, therefore, estimated to give a return of only 4.2 per cent. If the loss of income tax was also taken into account, the percentage return got further reduced to about 3 per cent, as against minimum return of 6.75 per cent required for financially justifying an investment. Thus, the proposal to purchase the line under the terms of the Agreement was not financially justified. The option was, therefore, not exercised. The next option to purchase the Railway will fall due on 31st March, 1978.

#### *Ahmedpur-Kutwa Railway*

#### *Bankura Damodar River Railway*

The last option to purchase the Bankura Damodar River Railway fell due on 31st March, 1967 and that of Ahmedpur-Katwa Railway on 31st March, 1968. The question of purchase of these Railways, *vis-a-vis* only taking over their working was then examined. It was found that whether the lines were purchased or only their working was taken over, there would be loss but the extent of loss would differ. In the case of outright purchase, the Government of India would have had to pay dividend on the purchase price at 6 per cent., instead of a dividend on the share capital at 3½ per cent and might have had to reduce the rates and fares to the lower level current on the Government Railways. If, however, only the working was taken over and the ownership continued with the Companies, the higher rates and fares in force on the Light Railways could be continued to be charged. Taking into account such factors and the reduction in the Companies' Headquarters expenditure, etc., it was anticipated that the financial advantage of taking over these Railways only for working in preference to purchasing them under the Agreements would amount to about Rs. 1.2 lakhs in the case of each of two Railways. It was, therefore, decided to take over the working of these Railways with effect from 1st July, 1967, instead of purchasing them. The next option to purchase will fall due on 31st March, 1977 in the case of Bankura Damodar River Railway and on 31st March, 1978 in the case of Ahmedpur-Katwa Railway.

#### *Katakhal-Lalabazar Railway*

This Railway is worked and maintained by the contiguous Northeast Frontier Railway. The Northeast Frontier Railway retains 50 per cent of the gross earnings as remuneration for the use of rolling stock and for working and maintaining the Railway and the balance 50 per cent is paid to the Company as their "Net earnings". Under the Agreement with Company, the Government had the first option to purchase the Railway on 31st March, 1954 and thereafter on 31st March of any subsequent period.

of ten years. The previous options to purchase this Railway have not been exercised as the purchase at the price payable under the contract (Rs. 18.2 lakhs) was not found to be financially justified. Efforts were also made in the past to negotiate with the owners so as to give them an opportunity to sell the line at a reasonable price outside the contract. The company, however, did not show interest in a negotiated deal.

#### *Chaparmukh-Silghat Railway*

This Railway is also being worked by the contiguous Northeast Frontier Railway. For management, maintenance and working of the line, including the use of rolling stock, the Northeast Frontier Railway retains 50 per cent of the gross earnings and the balance is paid to the Company as its "Net earnings".

The last option to purchase this Railway fell due on 31st March, 1968. The financial implications of the purchase were then examined. The net income on purchase after taking into account factors, such as "Net earnings" to be retained by the Government (now payable to the Company), saving on account of management expenses, loss of income tax, etc., was anticipated at Rs. 2.03 lakhs. The purchase price under the Agreement worked out to Rs. 42.5 lakhs. The purchase was, therefore, estimated to give a return of 4.7 per cent against the minimum return of 6.75 per cent required for financially justifying an investment. Thus, the proposal to purchase the line under the terms of the Agreement was not financially justified. The option was, therefore, not exercised. The next option will fall due on 31st March, 1978.

#### *Central Provinces Railway*

This Railway is being worked and maintained by the Central Railway. The Central Railway retains 45 per cent of the gross earnings and the balance 55 per cent is paid to the Company as their "Net earnings".

The last option to purchase this Railway fell due on 31st March, 1967 when the question of its purchase was considered in detail. The purchase price in terms of the Agreement worked out to about Rs. 113 lakhs. At this price, the purchase would have yielded a return of about 3½ per cent per annum against the minimum return of 6.75 per cent required for financially justifying a proposal. The option to purchase was, therefore, not exercised.

Efforts were also made to purchase the line outside the terms of the Agreement but the negotiations with the Company did not succeed.

The next option to purchase will fall due on 31st March, 1977.

### **Recommendation**

"The Committee note that a loan amounting to Rs. 52 lakhs is still outstanding from the individual who purchased an evacuee property at Ambarnath. Government have allowed him to pay this amount upto 20th October, 1976 in yearly instalments on certain terms and conditions. The Committee would like to be informed whether the instalment payments as agreed to are being paid by the individual in time. The Committee are of the view that in any case the individual should not be allowed further extension in repaying the loan."

[S. No. 10 (para. 1.60) of Appendix II to 94th Report (5th L.S.)]

### **Action Taken**

Shri Raj Nath who had purchased the property at Ambarnath had requested for execution of a revised mortgage-deed whereby he would be required to pay the whole amount in five instalments instead of seven instalments with the date of payment of instalments commencing from the date of execution of the revised mortgage-deed. This request was considered in consultation with the Ministry of Finance and it was decided that the revised mortgage-deed be executed, stipulating that the amount due from Shri Raj Nath as on 20-10-71, with interest, will be payable by him in five annual instalments commencing from 20-10-72.

2. The revised mortgage-deed was executed on 8-9-72 in consultation with the Ministry of Law and the Ministry of Finance. The amount due from Shri Raj Nath as on 20-5-72, was worked out as Rs. 53,07,705 and accordingly shown in the mortgage-deed. Shri Raj Nath has since paid the interest on that entire amount upto 20-10-1972, but the principal amount of the first instalment due on 20-10-72, is yet to be paid. Shri Raj Nath, however, made a request for a deferment of the payment of the first instalment for a period of 6 months. This request of Shri Raj Nath has been considered and the Ministry of Finance have advised that since the purchaser has failed to pay up even the first instalment due, the Department of Rehabilitation may examine, in consultation with the Law Ministry, as to what action can be taken against him. The matter has been accordingly referred to the Ministry of Law for advice.

3. The recommendations of the P.A.C. that in any case Shri Raj Nath should not be allowed further extension of time to repay the loan have been noted by the Department of Rehabilitation for due compliance.

[Department of Expenditure O.M. No. F.12(42)-E(Coord.)/73 dated 7-12-1973].

### **Recommendation**

"For the grants paid by the various Ministries, utilisation certificates were outstanding as on 30th September, 1971 in 3077 cases involving a total amount of Rs. 35.45 crores. Some of the cases date back to the period as early as 1954-55. The Committee are particularly concerned about a large number of utilisation certificates outstanding in respect of the grants paid by the Ministries of Health & Family Planning and Education & Social Welfare. At the end of the September, 1971 utilisation certificates were outstanding in 1325 cases involving an amount of Rs. 20.33 crores in the case of Ministry of Education & Social Welfare and 1476 case involving an amount of Rs. 8.86 crores in the cases of Ministry of Health & Family Planning. Though the number of outstanding utilisation certificates has come down as compared with the position at the end of September 1968. The committee feel that further efforts are necessary to clear the backlog of utilisation certificates. The committee understand that a call is proposed to be created in the Ministries of Education and Social Welfare and Health and Family Planning to speed up the process of issuing certificates. On this Committee there should be a representative of the Ministry of Finance. The Committee would like to be informed of the progress made in this regard."

[S.No. 11 (para. 1.64) of the Appendix II to the Report (5th Lok Sabha)]

### **Action taken**

The observations of the Committee have been noted. The Ministry of Finance have been continually reviewing the position of outstanding utilisation certificates in respect of grants-in-aid sanctioned to autonomous bodies by various administrative Ministries|Departments. The position has been specially review with reference to utilisation certificates shown as pending against various Ministries|Departments in para 40(b) of the latest report of the C.&A.G. (Civil) for the year 1971-72 and the Financial Advisers associated with the Ministries|Departments have once again been requested to go through the list of outstanding cases pertaining to their Ministries|Departments and make intensive studies of the cases which are pretty old and to make necessary efforts to clear the back log. The Financial Advisers have already undertaken the reviews. A statement showing position of the utilisation certificates pending as on 30th September, 1972, since issued till the end of June, 1973 and the balance pending as on 1-7-1973, to the extent the information has been received so far in this Ministry, is enclosed (*vide* Annexure VI).

2. As regards utilisation certificates pending against the Ministry of Education and the Ministry of Health & Family Planning, the Financial Advisers attached to these Ministries have taken up the pending cases



with the Ministries concerned to clear the back log by taking appropriate action. The Ministry of Education have set up a special Cell for this purpose and the matter regarding association of a representative of the Finance Ministry with the Cell has also been taken up with that Ministry. The Ministry of Health & Family Planning have not yet set up any special Cell for this purpose. As and when such a Cell is constituted by them, question of associating a representative of the Finance Ministry with the Cell will be taken up with them.

3. A statement showing the year-wise break-up of the utilisation certificates since issued upto June, 1973 and the balance pending as on 1-7-1973 in respect of Department of Education is enclosed for the information of the Committee. (*Vide* Annexure IV). Similar statement in respect of Department of Health is also enclosed (*Vide* Annexure V). The position in respect of Department of Family Planning is being ascertained. The Ministry of Finance will continue to endeavour to clear arrears as early as possible.

[Department of Expenditure F. No. 12(42)-E(Coord)|73, dt. 27-10-1973.]

Annexure IV

MINISTRY OF EDUCATION & SOCIAL WELFARE (DEPT. T. OF EDUCATION & CULTURE)  
(U. C. CELL)

Year	Pending utilisation certificates as shown in para 46(b) of the Audit Report (Civil) for the year 1971-72		Utilisation Balance certificates since issued ( till the end of June, 1973)		BALANCE	
	Number of items	Amount	Number of items	Amount	Number of items	Amount
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1955-56	3	75,673			3	75,673
1956-57	2	2,790			2	2,790
1957-58	2	19,600			2	19,600
1958-59	2	3,376			2	3,376
1959-60	20	67,714	1	9,299	19	58,415
1960-61	25	3,85,120	1	9,004	24	3,76,116
1961-62	40	8,91,434			40	8,91,434
1962-63	35	5,21,840	3	38,550	33	4,83,290

1965-64	.	.	.	.	.	56	13,18,170	7	9,783	49	13,08,387
1966-65	.	.	.	.	.	58	10,03,372	2	45,775	56	9,57,597
1965-66	.	.	.	.	.	68	17,55,305	7	56,156	61	16,99,149
1966-67	.	.	.	.	.	104	55,91,475	7	6,42,303	97	49,49,172
1967-68	.	.	.	.	.	151	1,19,35,152	14	4,38,950	137	1,14,96,202
1968-69	.	.	.	.	.	204	1,49,37,078	16	18,68,196	188	1,30,68,882
1969-70	.	.	.	.	.	1155	17,06,40,501	419	8,62,58,834	736	8,43,81,667
1970-71	.	.	.	.	.	353	19,11,06,328	136	11,31,48,605	217	7,79,57,723
(Up to 30-9-70)											

TOTAL :

\*\*2279 40,02,54,928

613

20,25,25,455

1666

19,77,29,473

\*\*The pendancy shown against this Ministry in Para 4c (b) of the Report of the C&AG for 1971-72 is, however, 2254 items for Rs. 3993 lakhs only. The position given in Column 2 above has been taken from the statement of outstanding utilisation certificates received from the various Accountants General for purposes of factual verification and confirmation. Before inclusion of the same in the Audit Report. The figures in this column also include the pendency in respect of grants paid by the Directorate of Education, Delhi Administration consisting of 188 items for Rs. 56.09 lakhs. The difference between the figures in the Audit Report and according to the records of this Ministry is only 25 items for Rs. 10 lakhs. This may be due to the fact that the Audit Department might have treated some of the items as settled, which, however, stand included in Column 2 above.

# DEPARTMENT OF HEALTH

Annexure V

Year	Pending utilisation certificates as shown in para 40(b) of the report of C&AG (Civil) for the year 1971-72.			Utilisation certificates since issued till the end of June, 1973			BALANCE
	Number	Amount (in lakhs)		Number	Amount (in lakhs)	Number	Amount (in lakhs)
(1)	(2)	(3)		(4)	(5)	(6)	(7)
	616	899					
	84	130					
	532	769		164	335	368	425
Health							
1956-57	2	0.55				2	0.55
1957-58	4	0.75				4	0.75
1958-59	7	2.40				7	2.40
1959-60	8	0.64				8	0.64
1960-61	23	11.32		16	10.57	7	0.75

(Transferred to Min. of W.H. & U.D. and Deptt. of Family Planning)

1961-62	21	4.13	1	0.80	20	3.33
1962-63	23	2.94	1	0.20	22	2.74
1963-64	20	5.56	6	1.78	14	3.78
1964-65	24	28.13	9	21.81	15	6.32
1965-66	41	42.30	18	20.65	23	21.65
1966-67	42	19.42	7	7.89	35	11.53
1967-68	71	43.03	21	30.06	50	12.97
1968-69	82	325.18	50	183.97	32	141.21
1969-70	41	40.00	21	30.00	20	10.00
1970-71	123	233.75	14	27.27	109	206.48
	532	760.10	164	335.00	368	425.10

# ANNEXURE VI

Statement showing the position of outstanding utilisation certificates in respect of grants-in-aid sanctioned to various autonomous bodies by the administrative Ministries concerned.

Ministry/Deptt.	Pending utilisation certificates as shown in para 40(b) of the C&AG. report for 1971-72			Utilisation certificates since issued			Balance outstanding	
	Number	Amount (Rs. in lakhs)		Number	Amount (Rs. in lakhs)		Number	Amount (Rs. in lakhs)
(1)	(2)	(3)		(4)	(5)		(5)	(7)
Industrial Development .	16	896		13	21		3	875
Education .	2254	3993		588	2016		1666	1977
Food .	4	2		3	1		1	1
Community Development	6	2		6	2		..	..
Co-operation .	41	30		2	2		39	28
Min. of Law .	2	1		..	..		2	1
Deptt. of Health	532	760		164	335		368	425
	84	Transferred to Works & Housing, Family Planning etc.						
		139						
Commerce .	185	280		52	105		133	173
Rehabilitation	9	6		3	1		6	5
Home Affairs	101	34		54	21		47	13

### **Recommendation**

The Committee are not satisfied with the delays in completion of proforma accounts by Government Undertakings of Commercial and quasi-Commercial nature. Out of 34 such undertakings, proforma accounts for the year 1970-71 had not been finalised by 27 undertakings till January, 1972. The Committee were explained difficulties in the timely closing of accounts in respect of the two undertakings under the Ministry of Finance. The Committee desire that the other Ministries concerned should also look into the reasons for delay in the compilation of the proforma accounts of the undertakings under their control. In case the present time schedule fixed for closing of the accounts is considered unrealistic, necessary steps should be taken in consultation with the Comptroller and Auditor General to revise the schedule. Once a realistic time schedule is fixed, no excuse should be accepted for not adhering to it except in very exceptional circumstances.

[S. No. 12-Paragraph 1.71 of Appendix II to Ninety-Fourth Report (Fifth Lok Sabha)]

### **Action taken**

The recommendations of the Committee have been brought to the notice of the respective Ministries to take suitable action to expedite completion of proforma accounts for the years 1970-71 and 1971-72 in regard to Government Undertakings of Commercial and quasi-Commercial nature under their administrative control. They have also been requested to examine the feasibility of fixing a more realistic time schedule for closing of these accounts in future, in consultation with the Comptroller and Auditor General.

[Department of Economic Affairs, F. No. 8(29)-B/73, dt. 20.11.1973].

### **Recommendation**

The Committee are particularly unhappy that the proforma accounts in respect of the Electricity Department, Laccadive, Minicoy, Amindivi Islands and the Ice-cum-freezing plant, Ernakulam have not been compiled since their inception in 1961 and 1967 respectively. It is unfortunate that they have taken a long time to finalise the form of accounts. Now that the forms have been finalised, the committee desire that the Proforma Accounts should be compiled and furnished to the Audit without further delay.

[S. No. 13 (para 1.72) of Appendix II to 94th Report (5th Lok Sabha)]

### **Action taken**

The Union Territory of Laccadives has since submitted the proforma accounts from 1962-63 to 1971-72 and the same have been forwarded by

this Ministry to the Accountant General, Kerala, Trivandrum *vide* letter No. 16(21)/72-EL.I (EL. III), dated the 26th April, 1973. The Accountant General, Kerala, has vetted the above position with the remarks that the Electricity Department was declared as 'Commercial' with effect from 1st April, 1961, and the Department has, however, prepared the proforma accounts for the period 1962-63 upto 1971-72. The Electricity Department has accepted the position. The preparation of the proforma accounts for 1961-62 at this late stage may not be insisted upon. The proforma accounts for 1972-73 is under preparation by the Local Administration and its submission is being watched by the Ministry.

After a decision was taken by the Ministry in consultation with the Ministry of Finance and the Comptroller and Auditor General of India in August, 1971 that the Ice-cum-freezing plant, Ernakulam need not be declared as commercial but that proforma accounts should be maintained for the purpose of broad financial assessment of the working of the scheme in consultation with Accountant General Kerala, the Director Indo-Norwegian Project, Ernakulam prepared a set of forms and sent the same to the Accountant General Kerala, for approval in November 1971 (*vide* Director, INP letter No. L/12-2/67-68/10005, dated 23rd November 1971) and also sought certain clarification. The approval of the Accountant General to the proposed forms together with his instructions regarding preparation of the proforma accounts were received in November, 1972. The work of preparation of proforma accounts from 1967-68 has been taken in hand by the Director, Integrated Fisheries Project. The proforma account for the year 1967-68 have since been prepared and audited by Accountant General Kerala. The proforma accounts for the period from 1968-69 to 1972-73 have been completed and the fact intimated to the Accountant General Kerala by the Director Integrated Fisheries Project, Ernakulam for his audit scrutiny.

[Ministry of Agriculture O.M. No. 1-9/73-Budget, dt. 24-11-1973 and 7-11/73-FY (B&A) dt. 17-11-1973]

### **Recommendation**

"The Committee have been informed that the procedure of handling of money by the field staff of the National Savings Organisation has been tightened up. The Committee hope that such cases will not recur."

[S. No. 15 (Paragraph 1.76) of Appendix II to the Ninety-Fourth Report (Fifth Lok Sabha)]

### **Action taken**

The observations of the Committee have been noted.

[Department of Economic Affairs, F. No. (28)-B/73, dt. 14.11.1973].



### **Recommendation**

"The Committee find that during the period 1967-68 to 1969-70, in a total number of 189 cases, 7.365 million US dollars (Rs. 5.524 crores) had to be refunded out of loans drawn from US AID owing to objections raised by the AID authorities. It was explained during evidence by the Finance Secretary that out of the total loan of 2,376 million US dollars received over the period 1958-59 to 1969-70, refunds amounted to 9.233 million dollars which worked out to 0.388 per cent. While the Committee appreciate that though as a percentage of the total amount invested, the amount of refund is small, in their view that is no justification for the failure to exercise proper care in importing stores, equipment etc., under the programme. One case referred to in the Audit paragraph indicates that reasonable care was not exercised in the importing and utilisation of equipment material."

[Sl. No. 16 (para 1.90) of Appendix II to 94th Report (Fifth Lok Sabha)]

### **Action taken**

"Comments of the PAC have been brought to the notice of Irrigation and Power Ministry for their guidance."

[Department of Economic Affairs, F. No. (28)-B/73, dt. 14.11.1973].

### **Recommendation**

"In the case of four wagon tipplers imported for the Trombay Fertilizer Project, the Delhi 'C' Thermal Power Station and the Barauni Power Project, the question of long term utilisation of the equipment was not properly examined before placing the orders. The wagon tipplers procured by Delhi 'C' Thermal Power Station and Barauni Power Project have not generally been used since their import due to the Railway having changed over from 4-wheeler wagons to 8-wheeler wagons for carrying coal."

[Sl. No. 17 (para 1.91) of Appendix II to 94th Report (Fifth Lok Sabha)]

### **Action taken**

"Recommendations of the PAC have been brought to the notice of the Ministry of Irrigation and Power and the Project Authorities. The concerned authorities have been asked to utilise the Wagon Tipplers procured by the Delhi 'C' Thermal Power Station and Barauni Power Project to the maximum extent possible."

[Department of Economic Affairs, F. No. 8(28)-B/73, dt. 14-11-1973].

### **Recommendation**

"In another case a refund had to be made as a part of the steel imported by the Railways in 1964 remained under dispute with Port Trust Authorities for a long time. As a result it could not be utilised. The Committee are surprised that a dispute between the two Government Agencies could not be settled for three years."

[Sl. No. 19 (Para 1.93) of Appendix II to 94th Report (Fifth Lok Sabha)].

### **Action taken**

"Recommendation of the PAC has been brought to the notice of the Ministry of Railways and the Ministry of Transport with the suggestion that such delays should be avoided in future."

[Department of Economic Affairs F. No. 8(28)-B/73, dt. 14.11.1973]

### **Recommendation**

"In the case of the equipment imported for Barapani Hydro Electric Project, none of the five equipments could be utilised in the project due to delays in their arrival. This shows that the placing of the orders for the equipment had not been properly planned."

[Sl. No. 20 (para 1.94) of Appendix II to 94th Report (Fifth Lok Sabha)]

### **Action taken**

"Recommendations of PAC have been brought to the notice of the Ministry of Irrigation and Power and the Project Authorities for their guidance in future."

[Department of Economic Affairs F. No. 8(28)-B/73, dt. 14.11.1973]

### **Recommendation**

"The Committee are surprised that such a large number of Audit Objections and Inspection Reports involving substantial amounts should still be outstanding. Some of the Inspection Reports pertain to the period as far back as 1949-50. This is not a desirable state of affairs. Audit Objections and Inspection Reports are meant to be dealt with promptly, otherwise the very object of having audit and inspection is defeated. Every effort should be made to clear audit objections still outstanding for the period prior to 1966-67 before 31st March, 1974."

[S. No. 22 (para 1.101) of Appendix II to the 94th Report (5th Lok Sabha)]

### **Action taken**

Every year, immediately on receipt of the Report of the C.&A.G. (Civil) which shows inter alia the number of audit objections and paras of inspection reports outstanding against the Ministries/Departments, the

Ministry of Finance takes up the cases with the Ministries/Departments concerned urging them to take effective steps for clearance of the outstanding items and thereafter a watch is kept on the progress of their clearance. The above observations of the Committee have been noted and brought to the notice of all the Ministries/Departments who have been also requested to take special steps to clear the objections, specially those relating to the period prior to 1966-67 before 31st March, 1974 and to furnish to the Finance Ministry an interim report indicating the steps taken or being taken to clear the arrears and the position as on 31st August, 1973 vide Finance Ministry's O.M. No. F. 12(15)-E(Coord)/73, dated 2nd June, 1973, (copy enclosed—Annexure VII). The reports received so far from the Ministries/Departments indicate that they have been taking action to clear the outstanding objections, especially those relating to the period prior to 1966-67. The steps taken/being taken by them *inter alia* include:—

- (i) setting up of ad hoc Committees wherever necessary comprising representatives of Administration, Audit and Ministry of Finance to examine and settle the more important and old objections;
- (ii) issuing special directions to the subordinate authorities at appropriate levels to take concrete efforts to ensure that the outstanding audit objections and inspection reports pertaining to the period upto 1966-67 are cleared by the target date;
- (iii) having periodical discussions with the audit officers etc.; and
- (iv) keeping a constant watch over the progress of clearance of the outstanding items by obtaining periodical reports.

It is expected that the above measures taken by the Ministries/Departments would lead to the settlement of a large number of outstanding audit objections and inspection reports especially those pertaining to the period prior to 1966-67. The Ministry of Finance endeavour to keep a constant watch over the progress in this regard.

[Department of Expenditure O.M. F. 12(42)-E(Coord)/73, dt. 27.10.1973]

## **ANNEXURE VII**

**No. F. 12(15)-E(Coord)/73**

**GOVERNMENT OF INDIA**

**MINISTRY OF FINANCE**

**(DEPARTMENT OF EXPENDITURE)**

*New Delhi, the 2nd June, 1973.*

### **OFFICE MEMORANDUM**

**SUBJECT:—***Report of the Comptroller and Auditor General of India (Civil) for the year 1971-72—Paras 47 and 48 regarding outstanding audit objections and inspection reports.*

The undersigned is directed to invite a reference to paras 47 and 48 of the report mentioned above regarding audit objections and inspection reports shown as outstanding against various Ministries/Departments and to say that the Public Accounts Committee while dealing with the position of outstanding audit objections and inspection reports have observed in their 94th report (5th Lok Sabha) relating to Ministry of Finance, as follows:—

**“The Committee are surprised that such a large number of Audit Objections and Inspection Reports involving substantial amounts should still be outstanding. Some of the Inspection Reports pertain to the period as far back as 1949-50. This is not a desirable state of affairs. Audit Objections and Inspection Reports are meant to be dealt with promptly, otherwise the very object of having audit and inspection is defeated. Every effort should be made to clear audit objections still outstanding for the period prior to 1966-67 before 31st March, 1974.”**

As usual the Public Accounts Committee may review the position of outstanding audit objections and inspection reports when they examine the Ministry of Finance or the administrative Ministries. The Ministry of Home Affairs etc. are requested to take special steps to clear the objections especially those relating to the period prior to 1966-67. A brief indicating the steps which are taken or being taken to clear the arrears with special reference to those relating to the period prior to 1966-67 and the position

as on 31st August, 1973 may kindly be furnished to this Ministry through their Associated Financial Advisers by 15th September 1973, positively.

(SD.) (Y. L. RAJWADE),

*Deputy Secretary to the Government of India.*

To

All Ministries/Departments of the Government of India.

No. F. 12(15)-E(Coord)/73

Copy forwarded to all Financial Advisers in the Department of Expenditure for information and necessary action.

(SD.) (Y. L. RAJWADE),

*Deputy Secretary to the Government of India.*

No. F. 12(15)-E(Coord)/73

Copy forwarded to A & B Branch/Defence Division/B.P.E. for necessary action in so far as the objections relate to them.

(SD.) (Y. L. RAJWADE),

*Deputy Secretary to the Government of India.*

#### **Recommendation**

The Committee note that the Officer on Special Duty who was appointed to make a comprehensive study of the working of the Narcotics Department has submitted some important recommendations, most of which are stated to have been accepted by Government. The Committee desire that an early decision should be taken on the remaining recommendations which are still under consideration, particularly those relating to financial management.

[S. No. 23 (Para 2.5) of Appendix II to 94th Report (Fifth Lok Sabha)]

#### **Action taken**

As stated in the written reply submitted to the Committee, most of the recommendations of the Officer on Special Duty have been accepted and implemented. As desired by the Committee, early action will be taken on the pending recommendations including those relating to financial management. However, in respect of those recommendations which have large financial implications, the implementation will depend on the availability of funds.

[Department of Revenue and Insurance F. No. 658/1/72-Opium, dt. 18.12.1973]

### **Recommendation**

The Committee desire that steps should be taken to introduce early a consolidated and comprehensive Narcotics Bill in Parliament.

[S. No. 24 (Para 2.6) of Appendix II to 94th Report (Fifth Lok Sabha)]

### **Action taken**

The Committee's recommendation has been noted. However, it may be stated that before the introduction of a consolidated and comprehensive Narcotics Bill in Parliament, the excise laws framed by various State Governments have to be taken into consideration and for this purpose it will be necessary to have detailed discussions with the State Governments. India has also to take into account the new international developments in the field of narcotics i.e. the adoption of the Convention on Psychotropic Substances by the Conference of Plenipotentiaries held in 1971. The Government of India is considering the question of accession to the convention, and if it accedes, we will have to incorporate appropriate provisions in the Central Narcotics Bill to bring the psychotropic substances under control.

[Department of Revenue and Insurance F. No. 658/1/72-Opium, dt. 18.12.1973]

### **Recommendations**

2.31. Government decided in March, 1965 to set up a new alkaloids project at the Opium Factory, Neemuch to utilise the process developed by the National Chemical Laboratory (a Laboratory of the Council of Scientific and Industrial Research). This decision, after 8 years, still remains unimplemented. The delay that has occurred, as will be seen from the paragraphs that follow, is unjustifiable, this led to considerable increase in the cost of the Project.

2.32. Due to faulty estimates originally prepared by the National Chemical Laboratory and subsequent expansion of the scope of the project and increase in prices, the estimated cost of the project was revised from time to time. The estimate of Rs. 53.30 lakhs prepared by the National Chemical Laboratory was revised by the National Industrial Development Corporation (designers and consultants for the project) to Rs. 105.81 lakhs in May, 1969, Rs. 117.74 lakhs in January, 1970 and Rs. 164.09 lakhs in September, 1971.

2.33. The National Industrial Development Corporation who were entrusted with designing of the project in January, 1966 took about 3 years to complete most of designing work by December, 1968 and thereafter another period of 1½ years elapsed before the construction work commenced in October, 1970. The Committee find that lack of proper plan-

ning in two aspects resulted in considerable loss of time. First, when the Government approved the project in March, 1965, it was proposed to produce only semi-refined morphine but after entrusting the designing to NIDC, it was considered desirable to expand its scope to the manufacture of synthetic codeine and finished salts also, which gave rise to consideration of issues regarding the marketability of products, export potentiality, profitability etc. Secondly, after the designing work was mostly over by December, 1968 the question of conducting the pilot studies of the process developed by the National Chemical Laboratory came for consideration and it was decided in July, 1969 to use the equipment available with the IDPL, Hyderabad for the purpose. The pilot studies took considerable time and delayed the sanction for the approval of the execution of the project till April, 1970. It is surprising why these two questions viz. expansion of scope and pilot study of a new process were not considered before the Government approved the project in March, 1965.

[S. Nos. 25, 26 and 27 (Paras 2.31, 2.32 and 2.33) of Appendix II to 94th Report (Fifth Lok Sabha)]

#### **Action taken**

Detailed reasons for unavoidable delay in the execution of the project are already explained in Paras 2.12, 2.21, 2.22, 2.23, 2.24 and 2.25 of the report of the P.A.C. As regards various enhancements in the cost estimates of the project, these too are fully explained in Paras 2.14, 2.15, 2.16, 2.17 and 2.18 of the report of the P.A.C. The position regarding the other points now raised is explained below:

It will be appropriate to mention that the Alkaloid Plant being set up at Neemuch (M.P.) is of its own kind in the whole of India and is fairly complicated. There is no other similar Alkaloid Plant in existence in the country which could be taken as a model or guide. In this case the new process for extraction of alkaloids has been developed indigenously by the concerted efforts of the Scientists of the National Chemical Laboratory, Poona in collaboration with the Departmental Chemists. Consequently, the development of the process for the manufacture of semi-refined and finished alkaloids and the preparation of the designs for the Plant and Equipment has been a gradual process and improvements have been brought about at each stage even during the actual construction work to make the Plant more economical and efficient.

The original estimates of Rs. 53.30 lakhs for the Project were framed prior to the preparation of sketches and drawings for the buildings and detailed engineering of the Plant and as such these estimates were of a rough and preliminary nature. The sanction issued in April, 1965 should,

therefore, more appropriately be taken as sanction to commence work on designing and various other preliminaries. After the finalisation of the preliminaries and the preparation of drawings/designs, the Project cost was estimated to be Rs. 117.74 lakhs in January, 1970 and sanction for the execution of the Project at this cost was accordingly issued in April, 1970. Thus the sanction issued in April, 1970 should be taken to be the real starting point for the construction of the Project.

National Chemical Laboratory, Poona had originally given the process for the extraction of Semi-refined Alkaloids only and sanction for setting up of the Project on the basis of that process was accordingly issued in April, 65. The intention was to commence work on the process which was made available by the N.C.L. and simultaneously conduct studies for finding out suitable process for preparation of finished alkaloids. National Chemical Laboratory Scientists, National Industrial Development Corporation Experts and Departmental Chemists accordingly subsequently studied the various processes for the manufacture of finished alkaloids and finalised the process for finished alkaloids for adoption in the Alkaloid Project, Neemuch. With the finalisation of process for finished alkaloids, it was considered desirable to manufacture finished alkaloids also at Neemuch instead of confining the scope of the Project to Semi-refined Alkaloids only. *Since the year 1965, the process for the manufacture of finished alkaloids had not yet been developed/finalised, a decision for the setting up of the finished alkaloids section could not be taken at that stage and it had, therefore, to be incorporated subsequently after its finalisation.*

National Chemical Laboratory, Poona had developed the process for the manufacture of Semi-refined Alkaloids after conducting Laboratory experiments on a scale of 5 kgs. of Opium. National Chemical Laboratory were from the beginning emphatic that no Pilot Plant trials on a bigger scale were necessary as the repeated laboratory scale were necessary as the repeated laboratory scale experiments had been conducted successfully and the process was considered by them as sound and workable. However, subsequently when National Chemical Laboratory, Poona were asked to give process guarantee, they linked it to the quantity of opium used by them on a laboratory scale. The consultants too were unwilling to give the process guarantee. It was, therefore, considered desirable that before the Government committed themselves to the huge expenditure on the Project, they must be reasonably assured that the process was sound and was capable of being adopted on a commercial scale. *It was in these circumstances that the Pilot Plant studies had to be carried out in 1969 at the Indian Drugs & Pharmaceuticals, Hyderabad.*

[Department of Revenue and Insurance F. No. 658/1/72-Opium, dt. 18.12.1973]



### **Recommendation**

The Committee have been informed that the indigenous production of opium alkaloids in the Government Alkaloid Works, Ghazipur has been around 5,500 Kgs. per year of which Codeine and its salts account for nearly 4,400 Kgs. For meeting the requirements of the Pharmaceutical Industry in the country Government had to import 2,000 Kgs. of Codeine Phos. in 1971 and 2,050 Kgs. in 1972. The Committee hope that the capacity of the new Alkaloid Plant at Neemuch Factory will be fully utilised not only to meet the internal requirements but also to export the products, if feasible.

[S. No. 29 (Para 2.35) of Appendix II to 94th Report (Fifth Lok Sabha)]

### **Action taken**

The recommendation of the Committee has been noted. Every effort will be made to fully utilise the capacity of the Alkaloid Plant at Neemuch to meet the internal requirements and also to export the finished alkaloids.

[Department of Revenue & Insurance F.No. 658/1/72—Opium, dated 18-12-1973]

### **Recommendation**

The Committee note that due to increased world demand, the production of manufactured opium by the Factories at Ghazipur and Neemuch has increased from year to year and that there is no underutilisation of production facilities in the factories. To cope with increase in work, more casual labour is employed on temporary basis during the peak season. The Committee hope that efficiency of production and labour requirement will be kept under constant watch.

[S.No. 32 (Para 2.57) of Appendix II to 94th Report (Fifth Lok Sabha)]

### **Action taken**

Efficiency of production and labour requirements are kept and will continue to be kept under constant watch.

[Department of Revenue & Insurance F. No. 658/1/72—Opium, dated 18-12-1973]

### **Recommendation**

It is stated that with a view to reducing losses, precautions have been taken to improve the stacking of bags of opium received from weighment centres and to cover the floor with polythene sheets as far as possible. The Committee desire that efforts should be made to reduce the time-lag between the receipt of the bags and their reweighment in the factories.

[S.No. 33 (Para 2.58) of Appendix II to 94th Report (Fifth Lok Sabha)]

### **Action taken**

Efforts are always made to reduce the time lag between the receipt of the bags and their reweighment in the factories and suitable orders in this regard have been issued. During the year 1973, the time lag was considerably reduced.

[Department of Revenue & Insurance F.No. 658/1/72-Opium, dated 18-12-1973.]

### **Recommendation**

The Committee note the steps taken by the Department in pursuance of the recommendations of the Opium Losses Enquiry Committee to improve the overall efficiency of the working of the factories and to reduce storage and manufacturing losses of opium. But a few recommendations of the Committee which require large capital investment on major alterations in the existing layout of the factories are still under study. These recommendations relate to the storing of opium according to the consistence and morphine strength, transportation of opium from weighment centres to factory in aluminium alloy containers etc. The Committee hope that early decision will be taken on these recommendations. The Committee expect as a result of the measures already taken, the losses to decrease substantially.

[S. No. 35 (Para 2.70) of Appendix II to 94th Report (Fifth Lok Sabha)]

### **Action taken**

The practice of storing opium according to the consistency and morphine strength was discontinued following Government's acceptance of recommendation (No. 76) of the Officer on Special Duty.

As regards transporting opium from weighment centres to the factory in aluminium alloy containers, a similar recommendation was made by the Officer on Special Duty (Narcotics) who recommended the use of metallic containers on an experimental basis at few centres. In pursuance of this recommendation, the system was given a trial but was not found to be satisfactory because of the lack of storage facilities and the additional costs involved in transportation of empty containers from the factory to the divisional offices.

As stated in the reply already submitted to the Committee, most of the recommendations of the Opium Losses Committee have been accepted and implemented. Early decision will be taken on the pending recommendations.

[Department of Revenue & Insurance F.No. 658/1/72-Opium, dated 18-12-1973.]

### **Recommendation**

On the question of fixation of norms for the losses, the Opium Losses Enquiry Committee expressed an opinion on the basis of weighted average that tentatively 1 per cent loss could be considered as normal both in storage and during manufacture, pending evaluation of norms on more scientific basis by the Department. The Opium Losses Enquiry Committee had also conducted experiments to ascertain the normal range of variation in assay by sending samples to some international analysts which showed the difference in assay results from 0.95° to 2.70°. The matter is being studied further by Department. The Committee hope that the Department will actively pursue the question of fixing norms for the losses on a scientific basis. The Committee would like to be informed about the outcome of the studies made by the Department.

{S.No. 36 (Para 2.71) of Appendix II of 94th Report (Fifth Lok Sabha)]

### **Action taken**

One of the major reasons for losses in opium is the difference in results of assay by chemists in order to determine the moisture content in the same lot(s) of opium conducted from time to time. As mentioned in the Committee's report, opium samples sent to some international analysts showed the difference in assay results from 0.95° to 2.70°. Thus the difference in assay itself would show variations in losses to the extent of 0.95 per cent to 2.70 per cent, apart from losses due to sticky nature of opium. This makes the question of fixation of norms for opium losses, a complex problem. The Opium Losses Enquiry Committee in para 6.1.4 of their report have suggested that for this purpose the department should draw out a place of experiments spread over the next few years. The fixation of norms for opium losses will take some time, but the matter will be actively pursued as suggested by the Committee.

(Approved by the Additional Secretary to the Government of India  
F. No. 658/1/72-OPIUM)

### **Recommendation**

The Committee note that after examination of the losses by the Opium Losses Enquiry Committee, certain old losses amounting to Rs. 95,52,419 have been written off and others are under examination. The Enquiry Committee have pointed out that there are a few specific cases of losses by theft. The Committee desire that these cases should be examined expeditiously and necessary action taken against the persons concerned.

{S.No. 37 (Para. 2.72) of Appendix II to 94th Report (Fifth Lok Sabha)]

### **Action taken**

Whenever, there is a case of theft of opium, suitable action is taken. There was a theft case in Mandsaur factory. The persons, suspected to have committed the theft were prosecuted by the police. However, the suspected persons who were awarded various terms of imprisonment by the trial court have been acquitted by the High Court.

[Department of Revenue & Insurance F.No. 658/1/72-Opium, dated 18-12-1973.]

### **Recommendation**

The export of opium increased from 532 tonnes in 1960 to 907 tonnes in 1971. The export of 777 tonnes in 1970 constituted 91.6 per cent of the total world exports of opium. With Turkey reportedly having stopped opium poppy cultivation after the 1972 crop, India will be the only country to export opium to other countries.

The profit of the factories increased from Rs. 255.84 lakhs in 1968-69 to Rs. 615.19 lakhs in 1971-72 without providing for the manufacturing and storage losses. According to the Ministry, "though we do make some profits by sale of opium, it is not our sole objective for producing opium." While the Committee appreciate this view, they hope that the working results of the factories will continue to be improved by increasing efficiency in production and reducing manufacturing storage losses.

[S. Nos. 40 & 41 (Paras. 2.93 & 2.94) of Appendix II to 94th Report (Fifth Lok Sabha)]

### **Action taken**

The Committee's observation has been noted.

[Department of Revenue & Insurance F.No. 658/1/72-Opium, dated 18-12-1973.]

### **Recommendation**

The Committee have been informed that in Ghazipur Factory there were some lapses in regular annual verification of dead stock articles prior to 1970. The Committee hope that the stock articles as well as general stores and raw opium will be regularly done in the factory.

[S. No. 43 (Para 2.102) of Appendix II to 94th Report (Fifth Lok Sabha)]

### **Action taken**

Orders have been issued that verification of stock articles as well as general stores and raw opium should be regularly done in Ghazipur Factory.

[Department of Revenue & Insurance F.No. 658/1/72-Opium, dated 18-12-1972.]

## CHAPTER III

### RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF REPLIES OF GOVERNMENT

#### Recommendation

The Committee understand that as a result of a review held in 1953 it was decided by Government to maintain a cash balance of Rs. 50 crores with the Reserve Bank of India, having regard to the volume of transactions involved. In view of the fact that 20 years have elapsed since then, the Committee consider that it is the time for Government to review the position and examine the desirability of revising the requirement of minimum cash balance on a realistic basis with due regard to the volume of transactions at present. The Committee would like to be informed of the result of the review.

(S No. 6 (Para 1.37) of Appendix II to 94th Report (Fifth Lok Sabha).

#### Action taken

The adequacy of the present limit of Government's minimum cash balance with the Reserve Bank has been reviewed in consultation with the Bank.

2. As explained in the note earlier submitted to the Committee (re-produced on page 19 of their 94th Report) the arrangements with the Reserve Bank provide for replenishment of Government cash balance to bring it about the level of Rs. 50 crores, as and when it becomes necessary, by issue of treasury bills in favour of the Bank. Every Friday or even earlier, if necessary, the position of Government cash balance with the Reserve Bank is reviewed in the light of Government's immediate commitments and *ad hoc* treasury bills in favour of the Bank are created or cancelled so as to bring the cash balance to the required level. This facility of automatic replenishment of their working balance enables the Central Government to operate on a very fine balance.

3. In 1967 the Reserve Bank reviewed the levels of minimum balances of State Governments in the light of the volume of their transactions with the Bank and as a result the limits were raised from Rs. 3.94 crores to Rs. 6.50 crores for all States (except J&K). The Reserve Bank have now examined the position of Central Government's balance also by applying the same criterion. They consider that the existing level of Central Government's cash balance is far more comfortable than that

fixed in the case of State Governments. This is because the ratio of revenue and expenditure met from revenue of the Central Government to States' revenues and expenditures is much higher than the ratio of Central and States' minimum balances with the Reserve Bank.

Apart from this, Central Government's revenues being pre-dominantly derived from Central excise and customs and income and other direct taxes, are subject to less fluctuations as between one month and another compared with State Governments' revenue receipts. The Central Government, unlike the State Governments, also get substantial credits through investments in treasury bills, Small Savings instruments and various other heads in the Public Account. These receipts are normally sufficient to cover disbursements except of course periodical transfers to States but such occasions are taken care of by issue of *ad hoc*s in Reserve Bank's favour as mentioned earlier.

4. On the other hand, if the existing level of Central Government's working balance with the Bank were raised, Government would, without deriving any benefit, be required, to pay additional interest for maintaining a higher level of balance through issue of *ad-hoc* treasury bills.

5. Government are therefore of the view, and this view is shared by the Reserve Bank, that it is not necessary to raise the minimum balance maintained by them with the Bank.

6. This has been seen by Audit.

[Department of Economic Affairs F. No. 8(28)-B/73, Dated 14th November, 1973].

### Recommendation

The price of opium is linked with the average yield per hectare tendered by the poppy cultivators, that is the higher the yield per hectare the higher the price per kilogram paid to the cultivator. For the year 1972-73, price payable to the cultivator for different slabs of average yield per hectare under this system ranges from Rs. 60 to Rs. 100 per kg. of raw opium of the same consistence. The Committee desire that the feasibility of introducing some other system should be examined in depth which should not only provide incentive for tendering high average yield but also remove discrimination in the price payable to the cultivators for the same quality of opium.

[S. No. 31 (Para 2.48) of Appendix II to 94th Report (Fifth Lok Sabha)]

### Action taken

As regards evolving of a system which while providing incentive for tendering high average yield, would also remove discrimination in the

price payable to the cultivators for the same variety of opium, it may be stated that any incentive scheme for getting high yield will certainly distinguish between an efficient cultivator and another cultivator whose performance has not been of the same standard. The present system has been evolved after giving trial to other systems and has been found to be most satisfactory. In fact for a sensitive item like opium, apart from extensive preventive measures to prevent leakages, it is essential to have an in-built incentive on the lines we now have so as to induce the cultivator, to progressively increase his yield, and discourage him from diverting any quantity to unauthorised channels. The system has also earned appreciation in international forums. The United Nations Commission on Narcotic Drugs in its report of the 23rd Session held in 1969 observed as under:

"With regard to opium production, the Board (International Narcotics Control Board) had continued to emphasize the need for all-round tightening of control *and had comended the practice in India, whereby incentive payments were made to cultivators who produced a higher yield and whereby licences were withdrawn if the yield was unsatisfactory.*"

[Department of Revenue & Insurance F. No. 658/1/72-Opium, dated 18-12-1972.]

### **Recommendation**

The Committee desire that early decision should be taken on the question of dispensing with the storage of opium in vats to avoid wastage.

[S. No. 34 (Para 2.59) of Appendix II to 94th Report (Fifth Lok Sabha)].

### **Action taken**

During 1973, efforts were made in Neemuch factory to retain the opium in bags instead of pouring it into vats, but it was found that due to passage of time and due to heat, opium stored in bags started oozing out due to fermentation. Spillage of opium on storage, racks and on floors was also noticed. It is therefore, considered advisable to retain for the present the practice of storing opium in vats. The Narcotics Commissioner and the Chief Chemist have been requested to jointly go into this matter further.

[Department of Revenue & Insurance F. No. 658/1/72-Opium, dated 18th December, 1973].

## **CHAPTER IV**

### **RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES HAVE NOT BEEN ACCEPTED BY COMMITTEE AND WHICH REQUIRE RE-ITERATION**

#### **Recommendation**

In paragraph 5.24 of their 55th Report (1968-69) the Committee have desired that in view of the substantial amount of guarantees given by Government and the contingent liability involved, it is but proper that Government's guaranteeing power is regulated by law as envisaged in Article 292 of the Constitution. In their reply, the Government stated that no real advantage would be secured by prescribing statutory limits on guarantees. The Committee would like the Government to re-examine whether it was not possible to have a law providing for a flexible limit for guarantees and for a retrospective regularisation of any amount exceeding the limit in appropriate cases.

[Sr. No. 8 (Para 1.58) of Appendix II to 94th Report (Fifth Lok Sabha)].

#### **Action taken**

Broadly, guarantees given by the Central Government are for (i) repayment of borrowings and payment of interest thereon from Banks, foreign lending agencies, public sector financial institutions, etc. on behalf of the Government companies, private companies, cooperative societies, etc. (ii) payment against agreements for supply of materials, equipment, etc. on credit basis, etc. on behalf of Government companies, corporations, Railways, Union Territories, State Governments local bodies, joint stock companies, cooperative institutions, etc., and (iii) repayment of share capital and payment of minimum dividend. These guarantees are given from time to time by the different Ministers/Departments and they fluctuate much and it is difficult to lay down a limit. For instance, guarantees given for the amount of credit provided by Banks to the Food Corporation of India vary from time to time—the maximum amount guaranteed to State Bank of India for cash credit accommodation to Food Corporation of India as on 31st December, 1970 was Rs. 50 crores and it became Rs. 110 crores as on 31st December, 1971. In view of the wide variations, the ceiling, if it has to be fixed, will have to be at a very high level. Keeping the limits at every low level will create obvious difficulties in the matter of giving guarantees. If, however, the limits are kept at a very high level, it is extremely doubtful whether they would serve any useful or practical purpose.



The policy in the matter of giving guarantees has, by and large, been restrictive. In fact the more important aspect of the power to give guarantees is to see that it is used discriminatnigly and after ensuring that Government's interests are duly safeguarded. To ensure this, it has been provided in the instructions, *intra alia*, that the decision to give a purantee should be taken at a sufficiently high level. In so far as public sector institutions are concerned, individual cases involving less than Rs. 50 lakhs are to be decided at Joint Secretary's level and those in excess of that limit at Secretary's level. In the case of guarantees to private institutions, the approval of the Minister is to be taken and for amounts exceeding Rs. 10 lakhs, the approval of the Cabinet is to be taken.

It may be mentioned here that the guarantees involve only a contingent liability. The occasions on which Government was called upon to make payments in terms of these guarantees have been very few and the amounts involved also small.

In view of the foregoing considerations, a statutory control over guarantees has not been considered feasible.

[Department of Economic Affairs F. No. 8(28)-B/73, dt. 17th December, 1973].

### Recommendation

Although the area brought under poppy cultivation is increasing, the average yield of opium per hectare is decreasing inspite of the various incentives given to the cultivators for higher yields. The cultivated area increased from 12,072 hectares in 1965-66 to 47,315 hectares in 1971-72, but the average yield of opium (70C°) per hectare decreased from 36.11 kg. to 26.77 kg. According to the Ministry, the contingency of the exports or the internal requirements being seriously affected by decline in production due to fall in cultivated area cannot be ruled out in future as the area actually cultivated and the yield obtained depend on availability of irrigation facilities and weather conditions. The Committee note that the Indian Council of Agricultural Research have drawn up a scheme of 5 years duration with effect from April, 1971 for agricultural research on poppy crop aiming at (a) improving the morphine content (b) increasing the yield of opium by breeding suitable varieties of seed, (c) conducting agronomical research which would give maximum yield of opium per hectare (d) developing more efficient methods of lancing and collection and (e) studying various diseases affecting poppy in order to formulate suitable control measures including breeding of disease resistant varieties. The Committee hope that the research efforts on poppy crop will be intensified and particular attention will be paid to areas like Uttar Pradesh where the average yield per hectare is considerably low. The Department should make

efforts to ensure that the area brought under cultivation does not fall short of the planned area.

[S. No. 30 (Para 2.47) of Appendix II to 94th Report (Fifth Lok Sabha)].

#### **Action taken**

The main reason for fall in average yield is that when the area under poppy cultivation is increased, some new cultivators who lack the expertise of the traditional cultivators, and new tracts which are now as productive as the regular tracts are licensed, and as a result, there is a fall in the average yield when the area under cultivation is increased.

Apart from the research undertaken by the Indian Council of Agricultural Research, research is also being conducted by the Agricultural University, Udaipur (Rajasthan), Agricultural College, Gwalior (Madhya Pradesh), Jawaharlal Nehru Agricultural University, Jabalpur Madhya Pradesh) and the Government Opium & Alkaloid Works, Ghazipur, Uttar Pradesh.

[Department of Revenue & Insurance F. No. 658/1/72-Opim, dt. 18th December, 1973].

## **CHAPTER V**

### **RECOMMENDATIONS/OPERATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES**

#### **Recommendation**

"The Committee note with concern that District Organiser in the National Savings Organisation in Uttar Pradesh Committed a fraud in issuing National Plan Savings/National Defence Certificates involving an amount of Rs. 5.58 lakhs. The organiser received the amount from different parties but did not issue the proper certificates. In some cases he actually obtained certificates from Post Office but issued forged ones to the parties concerned and the original certificates to some other parties by suitably altering the entries. On the parties instituting civil suits for recovery of the amount from Government, it was decided to issue ante-dated certificates to them. The frauds committed by the organiser are stated to be under investigation by the Special Police Establishment. The Committee find that the Organiser has been distributing fraudulent certificates over a long period from 1962 to 1967. The Committee feel that a thorough investigation should be made, if not, already done, of all the certificates sold through the said Organiser. The Committee would like to be informed about the progress of investigation within six months."

[S. No. 14 (Paragraph 1.75) of Appendix II to the Ninety-Fourth Report (Fifth Lok Sabha)].

#### **Action taken**

The District Organiser involved in all these transactions has been under suspension since 5th January, 1968. The frauds committed by him were reported to the Special Police Establishment who investigated them. Cases have since been filed against the D.O. in the Court. All the receipt books issued to the said Organiser prior to his suspension were seized by the C.B.I. authorities and are at present in their custody. On our request they have now agreed to make available these receipt books for examination. Thorough investigation on this basis is being taken in hand but this will take some time. Steps will be taken to complete this investigation expeditiously and a further report will be submitted to the P.A.C. soon.

[Department of Economic Affairs F. No. 8 (28)-B/73, dt. 14th November, 1973].

### **Recommendation**

"In the case of the tippler ordered by the Trombay Fertilizer Product, there is nothing on record to show if the relative merits of transportation of the material by rail and by road had been examined before deciding to place the order for a tippler. It was only when the material arrived in 1965, that the project authorities came to know that the Railways would charge the rate for a minimum distance of 40 kilometres and not the actual distance which was much less. Because of this the road transportation was found to be cheaper. The conclusion, it seems to the Committee, is obvious that a proper study had not been made of the comparative cost of transportation of the material by rail and by road. The Committee consider that the responsibility should be already fixed for the failure to do something which obviously needed doing."

[Sl. No. 18 (Para 1.92) of Appendix II to 94th Report (Fifth Lok Sabha)].

### **Action taken**

"Recommendations of the PAC have been communicated to the Ministry of Petroleum and Chemicals with the request that they may fix the responsibility for the failure to make a proper study of the comparative cost of transportation of the material by rail and road. The Ministry of Petroleum and Chemicals have been asked to report action taken to the PAC."

[Department of Economic Affairs F. No. 8 (28)-B/73, dt. 14th November, 1973].

### **Recommendation**

"Copper imported by MMTC under the economic development programme was diverted to the Ordnance Factories, although they had sufficient free stock of copper to meet the defence requirements. The MMTC should surely have been aware of the purpose for which the material had been imported. The Committee would like the reasons for this failure to be gone into with care."

[Sl. No. 21 (Para 1.95) of Appendix II to 94th Report (Fifth Lok Sabha)].

### **Action taken**

"We had submitted to the PAC earlier that the question of fixing responsibility had been gone into earlier and after examination of the facts it was decided that it would be difficult to hold any body in particular responsible for this lapse vide our letter No. F. 40(17)-ECA(A)/70 Vol. I

dated 13th March, 1973. However, the recommendations have been communicated to the Ministry of Industrial Development for further action in the matter and to report results to the P.A.C."

[Department of Economic Affairs F. No. 8(28)B/73 dt. 14th November, 1973].

### **Recommendation**

The project which was sanctioned in April, 1970 was started in October, 1970 and was expected to be completed by July, 1972. While there was no appreciable delay in completion of civil work, fabrication of the plant by the Bharat Heavy Plate and Vessels Limited (turn-key contractors for fabrication, supply, installation and commissioning of the plant and equipment) has been delayed due to difficulties in supply of stainless steel flanges and structural steel sections. The Committee have been informed that the erection/commissioning of the plant may not be completed before August, 1973. The Committee hope that the commissioning of the plant will not be further delayed. The Committee would like to be informed about the commissioning of the plant and the actual cost of the project.

[S. No. 28 (Para 2.34) of Appendix II to 94th Report (Fifth Lok Sabha)].

### **Action taken**

The Government are making every possible effort to complete the Project as quickly as possible. It is, however, regretted that Bharat Heavy Plate and Vessels have not been in a position to complete the Project by August, 73. In March 73, BHPV submitted a revised schedule postponing the completion date of the Project to January, 1974 attributing delay mainly to the following reasons:—

- (i) Non-availability of the Structural Steel due to its paucity within the country;
- (ii) revision in the drawings for Plant & Equipment by the N.I.D.C. at the time of preparation of detailed fabrication drawings for execution mainly to incorporate improvements in the original drawings;
- (iii) agitation in Andhra Pradesh towards the close of 1972 and the beginning of 1973; and
- (iv) the cut imposed by the State Electricity Board in the Power supply affecting their production.

Frequent revisions in the time schedule were brought to the notice of the Secretary, Ministry of Heavy Industry who took keen interest in the

matter. Consequently Ministry of Heavy Industry convened a meeting of the representative of the Bharat Heavy Plate & Vessels (turn-key contractors), National Industrial Development Corporation (the consultants) and Project Authorities in June, 1973 in which various activities relating to the Project were discussed. Subsequent to this meeting, Secretary Ministry of Heavy Industry assured that BHPV were making every effort to commission the Project by January, 1974. He also mentioned that they had asked the BHPV to prepare a CPM Chart envisaging completion/commission of the Project by January, 1974 and that the Management Information System proposed to be set up in that Ministry would be used to monitor the Project as soon as that system was established.

Ministry of Heavy Industry have again informed us in September, 1973 that their Secretary has reviewed the progress of the Project with the Managing Director and other officers of the BHPV on 14th September, 1973 and that they have advised BHPV to complete the work by January, 1974. However, there have been slippages in the January, 1974 schedule and it is hoped that the Project may be completed by about the middle of 1974.

Fabrication of Steel Structures and Vessels has almost been completed. The work of erection of Steel Structures and Vessels thereon is currently in full swing and substantial progress has been made in this respect. About 95 per cent of the total electrical materials required has been received at the site and electrical installation work to the extent of 70 per cent is reported to have been completed. Most of the Instrumentation Equipment has also reached the site but the actual installation of instruments has not yet commenced. The air-conditioning and refrigeration equipment is expected to reach the site by March, 1974 and its installation is expected to take another 2 months thereafter.

The Public Accounts Committee would be informed of the completion of the Project and the actual cost incurred on it as soon as the Project is completed.

[Department of Revenue & Insurance F. No. 6581/72-Opium, dt.  
18th December, 1973].

### **Recommendation**

Even though the Commercial Accounting has been introduced in the opium factories from 1st April, 1970, the accounts of the factories continue to be maintained on a single entry basis. The Committee desire that ac-

counting procedure and the department manual may be finalised expeditiously in consultation with the Comptroller and Auditor General.

[S. No. 38 (Para 2.78) of Appendix II to 94th Report (Fifth Lok Sabha)].

#### **Action taken**

The departmental manual containing the accounting procedure has already been sent to the Comptroller and Auditor General for advice. The Government's decision will be taken on receipt of advice of the Comptroller and Auditor General.

[Department of Revenue & Insurance F. No. 658|1|72-Opium, dt. 18th December, 1973].

#### **Recommendation**

The Committee find that, even after the introduction of a uniform system of accounting with effect from 1st April, 1970 in the Opium Factories, Ghazipur and Neemuch, the production losses in the Ghazipur Factory are still not adjusted in the production account till the write off sanction is received, whereas in the Neemuch Factory abkari losses are adjusted in the production account. The Committee hope that under the new procedure which is stated to be under consideration, a uniform cost accounting system will be followed by the two factories to enable the Department to make a comparative study of the respective cost of their production and effect necessary economies. The Committee desire that the new procedure should be finalised expeditiously.

[S. No. 39 (Para 2.86) of Appendix II to 94th Report (Fifth Lok Sabha)].

#### **Action taken**

As explained in the action taken statement with regard to Public Accounts Committee Recommendation No. 38, the Departmental manual containing the accounting procedure has been sent to the Comptroller and Auditor General. After the receipt of the advice of the Comptroller and Auditor General and the Government's approval thereon, a uniform accounting procedure will be followed in the two factories.

[Department of Revenue & Insurance F. No. 658|1|72-Opium, dt. 18th December, 1973].

### **Recommendation**

The Committee note that no minimum, maximum and re-ordering level of sundry stores has been fixed by the Opium Factory, Ghazipur so far. The Committee desire that the limit should be fixed early.

[S. No. 42 (Para 2.101) of Appendix II to 94th Report (Fifth Lok Sabha)].

### **Action taken**

The need for sundry stores varies according to variation in receipt of quantity of opium in Ghazipur Factory from the growing areas. A formula has been evolved according to which the maximum level of sundry stores fixed is the average of three year's actual consumption plus fifty per cent. The fixation of the minimum and re-ordering level of stocks of different items of the sundry stores is under consideration.

[Department of Revenue & Insurance F. No. 658|1|72-Opium, dt. 4th December, 1973]

NEW DELHI;  
April 27, 1974

Vaisakha 7, 1896 (S)

JYOTIRMOY BOSU,  
Chairman

*Public Accounts Committee*



## APPENDIX

### SUMMARY OF MAIN CONCLUSIONS/RECOMMENDATIONS

S. No.	Para No.	Ministry/Deptt. concerned.	Conclusion/Recommendation
1	2	3	4
1	1.4	Finance	The Committee hope that final replies in regard to the recommendations to which only interim replies have so far been furnished will be submitted to them expeditiously after getting them vetted by audit.
2	1.8	—do—	The desirability of regulating the Government's guaranteeing power by law as envisaged in Article 292 of the Constitution has been engaging the attention of the Committee for some time (c.f. Para 5.24 of 55th Report—(1968-69). The Ministry have explained the often repeated difficulties in fixing a limit in view of wide variations in the amount required to be guaranteed and the futility of fixing a very high limit. The Committee would however like to reiterate that it should be examined whether it is not possible to have a law providing a flexible limit for guaranteees and a retrospective regularisation of any amount exceeding the limit.
3	1.11	Finance/ Rehabilitation	Dealing with the delay in repayment of loan and interest by an individual who purchased an evacuee property at Ambarnath, the Committee had suggested that he should not be allowed further extension in repayment of the outstanding loan which he agreed to repay fully by 20th Oc-

tober, 1972 but requested for extension of 6 months. The Department of Rehabilitation have referred the matter to the Ministry of Law (which will no doubt cost some money indirectly) for advice. The Committee would like expeditious action in the matter and an early report about it.

#### 4 1.14 Finance: Education/Health and Family Planning

While dealing with the delay in the issue of utilisation certificates in respect of grants paid by Government, the Committee had been particularly concerned about a large number of outstanding utilisation certificates pertaining to the Ministries of Education and Social Welfare and Health and Family Planning involving large amounts. Stressing the need for further efforts to clear the backlog of utilisation certificates, the Committee had desired that a representative of the Ministry of Finance should be associated with the Cell proposed to be created in these Ministries to speed up the process of issuing certificates. From the reply of the Ministry of Finance the Committee find that a cell has been set up by the Ministry of Education and the matter of associating a representative of the Ministry of Finance has been taken up. But the Ministry of Health and Family Planning have not set up a special cell for the purpose. From the position of the outstanding certificates furnished by the Ministry of Finance, it is found that at the end of June, 1973, there were 1666 outstanding certificates involving Rs. 19.77 crores in respect of the grants paid by the Department of Education and Culture upto September, 1970, and 368 outstanding certificates involving Rs. 4.25 crores in respect of the grants paid by the Department of Health which means a poor performance on the part of

the Ministry concerned. (The position in respect of the Department of Family Planning has not been furnished). The Committee desires that a representative of Finance should be included in the cell set up by the Ministry of Education and a similar cell should be set up in the Ministry of Health and Family Planning. All efforts should be made by these Ministries to clear the back-log utilisation certificates which have accumulated overmuch, and a special watch should be kept in the matter by the Financial Advisers concerned.

5 1.17

Finance

Commenting on a case of fraudulent sale of National Plan Savings/National Defence Certificates by a District Organiser, the Committee had desired that a thorough investigation of all the certificates sold through the organiser should be made and the progress intimated to them within six months. The Ministry have stated that all the receipt books issued to the said organiser were seized by the Central Bureau of Investigation and they have now agreed to make them available for examination. It appears from this that no progress has been made in the examination of the receipt books. The Committee are of the view that unconscionable delay has already occurred in the investigation and wish that it is expedited and the outcome reported to them. Responsibility for the delay in the matter should also be fixed under advice to the Committee.

6 1.20 Finance Petroleum and Chemicals

Dealing with the non-utilisation of a wagon tippler by the Trombay Fertiliser Project owing to cheaper transport of material by road, the Committee had suggested that responsibility should be fixed for failure to make a proper study of comparative cost of transportation of the material by rail and road. The Ministry of Petroleum and Chemicals

have been asked by the Ministry of Finance to report the action taken in this regard. The Committee would like the Ministry of Petroleum and Chemicals to fix responsibility and action in the matter early and report to the Committee.

#### Finance Industrial Development

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The Committee had desired that the failure on the part of the MMTC in wrongly diverting to Ordnance Factories the copper which was imported under economic development programme should be carefully investigated. The Ministry of Industrial Development have been asked by the Ministry of Finance to report the action taken in this regard. The Committee would like the Ministry of Industrial Development to take necessary action expeditiously and report the outcome to the Committee.

#### Finance

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The Committee were critical of faulty estimates, delay and lack of planning in regard to establishment of an alkaloids plant at Opium Factory, Neemuch. The original estimate of Rs. 53.30 lakhs sanctioned in April, 1965 was revised to Rs. 105.81 lakhs in May, 1969, Rs. 117.74 lakhs in January, 1970 and Rs. 164.09 lakhs in September, 1971. It has now been stated that the sanction issued in April, 1965 should appropriately be taken as sanction to commence work on designing and various preliminaries and that the sanction issued in April, 1970 should be taken to be the real starting point for the construction project. The information given to the Committee earlier was that provision for certain important and major items had not been included in the original estimate (cf. para

2.14 of Report). Even the estimate of Rs. 117.74 lakhs sanctioned in April, 1970 was revised to Rs. 164.09 lakhs in September, 1971. The Committee would therefore stress that as far as possible, the estimates proposed at the time of the sanction of projects should be realistic and take into account all important aspects so that the final expenditure does not turn to be excessive. The Committee deprecate the tendency to have projects first sanctioned on low estimates and then go on revising the cost upwards. The officers responsible for this should be brought to book. The Committee would like to be informed of the actual expenditure on the project under consideration.

The Committee had pointed out that one of the factors contributing to lack of planning of the project was that after most of the design work was completed, it was decided to undertake pilot studies of the process developed by the National Chemical Laboratory which took considerable time. In their reply, the Ministry have stated that pilot studies were not carried out earlier as the National Chemical Laboratory were euphatic that no pilot plant trials were necessary. It was only when the NCL and the consultants were unwilling to give the process guarantee that it was considered desirable that before the Government committed themselves to the huge expenditure on the project, they must be reasonably assured that the process was sound and capable of being adopted on a commercial scale. The Committee feel that in view of the risk involved on exploitation of a new process commercially, the Ministry should have assured themselves of the proven soundness of the process through pilot studies, before sanctioning expenditure in April, 1965.

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Finance

The project which was expected to be completed by July, 1972 has been delayed. The date of completion was later extended to April, 1973 and then to January, 1974. It is now expected to be completed by the middle of 1974. The Committee deprecate the delay that has already taken place and desire that the commissioning of the plant should be positively completed by the middle of 1974. Information about the progress of work should be communicated to the Committee.

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The Committee had desired that the research efforts on poppy crop should be intensified and particular attention paid to areas like those in Uttar Pradesh, where the average yield per hectare is very low. The Committee had also desired that the Department should make efforts to ensure that the area brought under poppy cultivation does not fall short of the planned acreage. The reply of the Ministry of Finance does not meet these two points. This perhaps calls for an explanation. The Committee would like to stress that special attention should be paid to areas where the average yield per hectare is low. Efforts should also be made to ensure that the area brought under cultivation does not fall short of the planned target.