

**PUBLIC ACCOUNTS COMMITTEE
1963-64**

TWENTY-FIFTH REPORT

(THIRD LOK SABHA)

[Appropriation Accounts (Civil), 1961-62 and Audit Report (Civil), 1963 relating to the Ministries of Finance and Steel, Mines & Heavy Engineering and the Financial Results (Civil Grants) and Grants-in-Aid].



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**LOK SABHA SECRETARIAT
NEW DELHI**

March, 1964/Chaitra 1886 (Saka)

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(1963-64)

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

PUBLIC ACCOUNTS COMMITTEE (1963-64)

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Shri Y. P. Passi—*Under Secretary.*

* Declared elected on the 29th November, 1963 vice Shri Fhakt Farshan ceased to be a Member of the Committee on his appointment as Deputy Minister.

** Declared elected on the 29th August, 1963 vice Shri Nawab Singh Chauhan.

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Twenty-fifth Report on the Appropriation Accounts (Civil), 1961-62 and Audit Report (Civil), 1963 in so far as they relate to the Ministries of Finance and Steel, Mines and Heavy Engineering, and the Financial Results of Government of India (Civil Grants), and Grant-in-aid etc.

2. The Appropriation Accounts (Civil), 1961-62 and Audit Report (Civil), 1963 were laid on the Table of the House on the 18th April, 1963. The Committee examined these in so far as they relate to the Ministries etc. mentioned above at their sittings held on 21st, 23rd and 30th January, 1964 and at the sittings held during September—November, 1963 and January, 1964. A brief record of the proceedings of each sitting of the Committee has been maintained and forms part of the Report (Part II)*.

3. The Committee have already presented separate Reports relating to other Ministries dealt with in these Appropriation Accounts and Audit Report [18th, 19th, 20th and 24th Reports (Third Lok Sabha)].

4. The Committee considered and finalised the Report at their sitting held on the 28th March, 1964.

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

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

They would also like to express their thanks to the officers of the Ministries concerned for the co-operation in giving detailed information asked for by the Committee during the course of their evidence.

NEW DELHI;

March 30, 1964.

Chaitra 10, 1886 (Saka).

MAHAVIR TYAGI,

Chairman,

Public Accounts Committee.

* Not Printed. One cyclostyled copy laid on the Table and five copies placed in the Library.

I

**FINANCIAL RESULTS OF THE GOVERNMENT OF INDIA
(CIVIL GRANTS), 1961-62**

*Total of Voted Grants and Charged Appropriations and Expenditure
—para 24, page 21 of Audit Report*

The table given below shows the amount of original and supplementary grants and appropriations, the actual expenditure during the year 1961-62 and the savings:—

(In crores of rupees)

	Total Grants/ Appropriations	Actual Expendi- ture	Savings	Percen- tage (3) to (1)
	(1)	(2)	(3)	(4)
<i>Voted Grants—</i>				
Original	1,405·81			
Supplementary	+49·48			
TOTAL	1,455·29	1,271·16	184·13	12·7
<i>Charged Appropriations—</i>				
Original	5,976·35			
Supplementary	+64·64			
TOTAL	6,040·99	5,336·76	704·23	11·6
G. TOTAL	7,496·28	6,607·92	888·36	11·9

Excesses over Grants—para 26 (a), pages 22—25

2. There were excesses under 11 grants aggregating Rs. 1,35,50,927 and in one Appropriation aggregating Rs. 58,897 for which no provision was made. The Committee have examined these excess in their 16th Report (Third Lok Sabha) and recommended their regularisation in the manner prescribed in Article 115 of the Constitution.

Supplementary Grants/Appropriations—para 25, pages 21-22

3. During the year, 50 Supplementary Voted Grants totalling Rs. 49.48 crores and 14 Supplementary appropriations for charged expenditure aggregating Rs. 64.64 crores were also obtained.

In 4 cases the supplementary provision to totalling Rs. 0.03 crores proved entirely unnecessary as the expenditure did not even come up to the original grant or appropriation. In all these cases, the supplementary provision was obtained at the end of the year in March, 1962. In 22 grants or appropriations, the supplementary provision proved excessive; while the additional funds provided in these cases totalled Rs. 109.24 crores (of which Rs. 84.61 crores were provided in the last month of the year), the amount utilised was only Rs. 73.76 crores.

Savings in Voted Grants and Charged Appropriation—paras 24 (b) and 27, pages 21, 25—29

4. The percentage of savings in total grants and appropriations for the 5 years ending 1961-62 is given below:—

(In crores of rupees)

Year	Total of Voted Grants and Charged Appre- priations	Amount of Saving	Percen- tage
1957-58	5499	221	4.0
1958-59	6892	443	6.4
1959-60	7308	255	3.5
1960-61	7416	500	6.7
1961-62	7496	888	11.9

The overall saving of Rs. 888.36 crores in 1961-62 was the net result of excesses and savings as shown below:

	Savings	Excesses	Net Savings
(In crores of rupees)			
Voted Grants	185.71 (In 123 Grants)	1.58 (In 12 Grants)	184.13
Charged Appropriations	704.37 (In 31 Appropriations)	0.14 (In 2 Appropriations)	704.23

In 56 grants the savings exceeded 10 per cent of the funds provided and in 32 of these cases, the savings exceeded 20 per cent.

Out of the total saving of Rs. 184.13 crores under voted grants, the savings in Grant No. 122—Purchase of Food Grains (Rs. 48.84 crores) and in Grant No. 120 relating to Loans and Advances by the Central Government (Rs. 20.76 crores) alone amounted to Rs. 69.60 crores.

In extenuation of the savings, the Secretary, Ministry of Finance (Department of Economic Affairs) stated during evidence that the problem was of a recurring nature and should be looked at from a somewhat wider perspective. Government were functioning within the ambit of Five Year Plans and budget provisions were made keeping in view the long term objectives. For slow progress of works, despite funds being available, the witness urged that availability of foreign exchange was a major factor. Another variable factor was the crop position which could not be forecast correctly.

While the Committee appreciate that the annual estimates have to be framed keeping in view the Plan targets they feel that there is all the more reason, to see that the estimates include provision for such schemes only as are mature enough to be taken up for execution and that the administrative machinery is fully geared up to achieve the targets. The estimates must also take into consideration the difficulties that are likely to be encountered in execution. Large savings, clearly show that there is failure to spend usefully the funds to the extent anticipated. The Committee especially feel concerned to note the increase in the percentage of savings from 6.7 per cent

(Rs. 500 crores) in 1960-61 to 11.9 per cent (Rs. 888 crores) in 1961-62. Such a situation calls for the need for better budgeting particularly in the matter of avoiding provision for immature schemes and for greater drive to achieve the Plan targets without over-looking the need for economy and financial regularity.

5. The Committee will now deal with a few selected cases of savings under the individual Ministries.

APPROPRIATION ACCOUNTS (CIVIL), 1961-62

Ministry of Finance

Grants-in-aid to States—Grant No. 34 and Grant No. 119—pages 20 and 25.

6. Under Grant No. 34 out of the budget provision of Rs. 220.64 crores, there was a saving of Rs. 16.81 crores. Large savings occurred under Group heads B.1—Forest (53.68 lakhs), B. 8—Agriculture (Rs. 94.09 lakhs) and B. 9—Animal Husbandry (Rs. 47.28 lakhs). The saving was attributable mainly to less demands from States in respect of the Centrally sponsored schemes. In the case of Grant No. 119—Capital Outlay on Grants to States for Development, Rs. 80.83 lakhs remained unutilised out of the original provision of Rs. 17.16 crores. The bulk of the saving was under the group head A. 5—Housing Schemes under “Grants to States for Development” where Rs. 53.23 lakhs, out of the original provision of Rs. 378.23 lakhs, remained unutilised.

In the evidence, the representative of the Ministry of Finance (Department of Economic Affairs) stated that the major portion of the expenditure depended upon the progress of expenditure of the State Governments themselves. If they were unable to spend the money, they got less than what was initially voted by Parliament. The States had their own difficulties which were constantly being looked into.

In para 6 of their 8th Report (Third Lok Sabha), the Committee had expressed concern over the continuance of savings in the schemes executed by the State Governments and had desired that the system should be reviewed with a view to providing for realistic estimates in this behalf in the budget placed before the Parliament. The Committee desire that this matter should be examined in consultation with the Planning Commission and the States and steps taken to remedy the present position under which the States fail to utilise the provision made for development schemes in the Central budget.

Ministry of Information & Broadcasting

*Capital Outlay of the Ministry of Information and Broadcasting—
Grant No. 126, pages 88-89.*

7. Out of the final grant of Rs. 4·94 crores there was a saving of Rs. 3·03 crores which came to 61·2 per cent. During evidence, the representative of the Ministry stated that 57 transmitters were to be installed, but this work could not be done as there were many **difficulties** relating to acquisition of land through State Governments, construction of buildings and procurement of stores.

The Committee feel concerned at the shortfall of expenditure to the tune of Rs. 3·03 crores (61·2 per cent) in regard to installation of transmitters. While they note the difficulties in acquisition of lands through the State Governments, they suggest that in such cases only a token provision should be included in the original budget estimates to cover the preliminary expenses and for other initial outlay which could be definitely foreseen and a supplementary grant should be obtained later, if necessary.

Ministry of Food and Agriculture

(DEPARTMENT OF FOOD)

Purchase of food-grains—Grant No. 122, page 69

8. Under this Grant, there was a saving of Rs. 48·84 crores (22·7 per cent) out of the total provision of Rs. 215·32 crores. The Secretary of the Ministry explained that the saving was due to curtailment of the programme of purchases and imports of food-grains. Savings in the originally sanctioned budget grant were foreseen but the provision was allowed to stand undisturbed during the earlier months of the financial year as the likely production of wheat could not be forecast with any precision. Because of the shortage of storage accommodation and better crop it was decided in October, 1961 to reduce the imports. An amount of Rs 48·72 crores was surrendered in March, 1962.

The Committee regret to note that although the Department of Food decided to curtail import in October, 1961 and informed the Finance Ministry about the saving in November, 1961, the amount was not surrendered till March, 1962.

(DEPARTMENT OF AGRICULTURE)

Grant No. 39—Agriculture (Saving Rs. 0·99 crores)

Grant No. 40—Agricultural Research (Saving Rs. 1·91 crores)

Grant No. 41—Animal Husbandry (Saving Rs. 0·30 crores)

9. The savings under these grants worked out to 22.9%, 30% and 27.9% of the total provisions respectively. Explaining the reasons for the savings, the Secretary, Department of Agriculture stated that in the budget for 1961-62 which was the first year of the Third Five Year Plan, a number of schemes were included for which details had not been fully worked out before-hand, and many of these schemes started late. There were various other difficulties e.g. delay in acquisition of land, tight foreign exchange position, etc.

It was pointed out by the Comptroller & Auditor General that according to the orders of the Ministry of Finance issued in August, 1958 where a new scheme was planned to be taken up in the budget year, which had been accepted in principle and for which the details necessary for budget provision were not available, budget provision would be limited to the requirements for preliminary expenses and for initial outlay on collection of materials, recruitment of skeleton staff, etc. The Financial Adviser stated that it was the general principle laid down by the Ministry of Finance and was generally observed by the Ministry. But where a scheme was such as was likely to mature in a short period of time this principle was sometimes departed from.

The Committee are not satisfied with this explanation. The instructions issued by the Ministry of Finance in 1958 pursuant to the recommendation contained in the 8th Report of the Committee (Second Lok Sabha) should have been followed in the present cases. The Committee hope that such cases will be avoided in future.

Another point to which the Committee wish to draw attention is that at present there are a number of Research Institutes for various commodities under the Department of Agriculture, viz., Indian Agricultural Research Institute, Central Rice Research Institute, Central Potato Research Institute, Central Arid Zone Research Institute, Soil Conservation Research and Demonstration Centres, Institute of Agricultural Research Statistics and Indian Grassland and Fodder Research Institute. At the instance of the Committee, the Department of Agriculture have furnished a note to the Committee stating the various researches carried out by these Institutes and how far these researches have helped in the development of agriculture. The Committee feel that instead of having a multiplicity of Research Institutes, the Ministry should examine the feasibility of merging some of them in a single Institute with research stations spread over the various parts of the country, with a view to effecting economy in expenditure on establishment and securing better planning and co-ordination of research programmes

Ministry of Education

Survey of India—Grant No. 78, page 105

10. Under this grant there was a saving of Rs. 9·55 lakhs (about 95%) out of a total provision of Rs. 10·02 lakhs under sub-head 'E-Charges in England'. The Committee were informed that the saving was due to the non-procurement of stores from abroad on account of foreign exchange restrictions. Although, at the time of making budget provision, the Ministry of Finance were consulted about the availability of foreign exchange, they (Ministry of Finance) were **not** in a position to say as to what extent the foreign exchange would be available.

The Committee suggest that before including various schemes in the budget, the availability of foreign exchange for the purpose should be ascertained in consultation with the Ministry of Finance well in advance. Where the availability of foreign exchange for schemes was doubtful, only a small provision should be included in the original budget and supplementary grant obtained as and when the foreign exchange becomes available.

Ministry of Health

Medical and Public Health—Grant No. 44, pages 74-75

11. (i) Out of the total grant of Rs. 10·80 crores, there was a saving of Rs. 2·76 crores. Under Group head A. 3(2)—Grants to Others, about 27 per cent (Rs. 94·41 lakhs) of the original provision (Rs. 340·99 lakhs) was not utilised mainly due to slow progress of the construction of the building of All India Institute of Medical Sciences.

During evidence, the Director of the All India Institute of Medical Sciences informed the Committee that the saving was not due to negligence or laxity on the part of the engineering department of the All India Institute of Medical Sciences, but due to other reasons relating to three works *viz.*, construction of OPD block, Teaching block and Ward block. In regard to the construction of the Ward block, it was stated that the water-table at Delhi was rising necessitating change in the design of that building. The architects took a long time in deciding about the changes and, therefore, the construction of the building could not be taken in hand during that year. **The Committee expected greater expedition on the part of the Institute in securing a change in design when they had their own Building Committee and an engineering unit to deal with the**

architects. They are surprised to note that construction of Ward block could not commence at all during the year.

(ii) Under Group-head B. 2(2)—Other Grants about 26 per cent (Rs. 67·10 lakhs) of the original provision (Rs. 258·87 lakhs) was not utilised mainly due to non-receipt of proposals for opening of new clinics for family planning from voluntary organisations/Local Bodies to the extent anticipated, owing to their inability to find funds for meeting the matching contribution of 20 per cent on urban clinics. It was admitted during evidence that the utilising capacity of these organisations was initially over-estimated. The urban clinics could not raise their own resources and only a very few of them came forward for assistance. This came to light in the following year when it was decided to give them cent per cent assistance to enable them to render free service through their voluntary workers. When the assistance was 80 per cent, 21 urban clinics were granted assistance; but when the assistance was raised to 100 per cent, 109 urban centres were granted assistance. The Committee were informed that steps had been taken for the expansion of clinics, establishment of voluntary organisations as well as increased ramification of the Government organisation itself through primary health centres and extending them to the villages.

The Committee hope that in the background of the experience gained in 1961-62, there would be closer budgeting during the subsequent years. They also desire to emphasize the necessity of constant review to watch whether results achieved are commensurate with the expenditure incurred on Family Planning.

Ministry of Steel, Mines and Heavy Engineering

(DEPARTMENT OF MINES AND METALS)

Miscellaneous Departments and other Expenditure under the Ministry of Steel, Mines and Fuel—Grant No. 85, pages 113-114.

12. Under this grant there was a saving of Rs. 4·43 lakhs out of the total grant of Rs. 45·48 crores. A sum of Rs. 52·52 lakhs was surrendered which indicates defective control over expenditure.

Under group head A.5—Exploration of Coal, Petroleum and Mineral, a provision of Rs. 3 lakhs was made in June, 1961 by re-appropriation to meet an expected payment to be made to Jaipur Mining Corporation for acquiring its assets and property in Khetri Mines. The payment, however, could not materialise due to delay in completion of legal formalities in the signing of agreement with

the Corporation. The payment was actually made during 1962-63 and even in that year, funds were provided only by re-appropriation. During evidence, the Committee enquired whether the acquiring of assets and property in Khetri Mines and the payments to the Jaipur Mining Corporation was not a "new service", and if so, why the specific approval of Parliament was not obtained for the expenditure. The representative of the Ministry of Steel, Mines and Heavy Engineering (Department of Mines & Metals) stated that the payment related to the acquisition of the rights, interests and technical data from the Jaipur Mining Corporation, who were a lease-holder of the Khetri Mines. The witness added that in essential details, the payment was made for acquiring the technical data collected by the Corporation; for, apart from that, the assets of the Corporation were only a few huts etc. Since there was already a major head for explorations under the Indian Bureau of Mines, it was considered that if a minor head under that broad major head was opened, the funds could be provided by re-appropriation. The Ministry of Finance had also concurred in that view. The witness, however, agreed that Parliament's approval should have been taken for this expenditure.

The Committee are surprised how the Finance Ministry agreed with the view that funds could be provided for the purchase of assets of the Jaipur Mining Corporation by re-appropriation without obtaining the specific approval of Parliament for the expenditure. The Committee note that the funds provided by re-appropriation in 1961-62 had remained unutilised. Also, no specific provision for the expenditure was made in the budget for 1962-63 and thus the opportunity for obtaining the specific approval of Parliament was not availed of. Since the purchase of the assets of the Corporation involved expenditure on a 'new service' in 1962-63, the Committee feel that this requires regularisation by Parliament, *ex post facto*. In para 82 of their 42nd Report (Second Lok Sabha), the Committee had discussed the manner of regularisation of expenditure on a 'new service' which may be disclosed after the end of the financial year. The Committee had expressed the opinion that as in the pre-Constitution days, such cases could be brought before Parliament for approval, without violating any of the provisions of the Constitution, by moving a resolution in appropriate terms and getting its approval *ex post facto* to the money spent on such items. The Committee regret to point out that the comments of Government on this recommendation have not yet been furnished to them. The Committee would like to urge on Government to expedite their decision in this behalf and take necessary action in the present case.

II

MINISTRY OF FINANCE

Rehabilitation Finance Administration—para 43, pages 44-45 of Audit Report (Civil), 1963.

13. On the 31st December, 1960 (the date on which the Administration was dissolved), the amounts outstanding from the borrowers were Rs. 5.95 crores in respect of principal and Rs. 1.35 crores in respect of interest. The interest accrued during the subsequent period (January, 1961 to December, 1961) amounted to Rs. 26.75 lakhs. The position of recovery of loans and interest on 31st March, 1962 was as follows:

(In lakhs of rupees)			
Region	Recoveries effected	Recoveries waived	Balance outstanding as on 31-3-62
Eastern	12.52	9.00	428.67
Western	87.77	0.37	219.13
	(In addition a sum of Rs. 56.58 lakhs representing compensation is lying unadjusted on 31-3-62 for want of full details).		

It has been stated by the Ministry that the recovery of loans was waived as the Collectors were not able to process the recovery for long periods and that departmental officers (inspecting staff) who maintained close liaison with the Collectors and the Certificate Officers were satisfied that the Revenue Officers were unable to effect recovery.

The expenditure incurred by the Ministry in administering the functions of the Administration during the period January, 1961 to March, 1962 amounted to Rs. 7.82 lakhs, i.e. about 41% of the recovery in cash (Rs. 19.37 lakhs out of Rs. 100.29 lakhs).

The following information regarding amounts of outstanding loans and interest available with Audit was brought to the notice of the Committee:

(In crores of rupees)

Region	Total amount Outstanding	
	As on 31-3-1962	As on 31-10-1963
Eastern	4.29	3.98
Western	2.19	1.31
TOTAL	6.48	5.29

The Committee enquired about the latest position with regard to the outstanding amounts. The representative of the Ministry of Finance (Department of Economic Affairs) stated that the position of outstanding loans as on the 31st December, 1960, when the Ministry took over the outstanding loans from the R.F.A., was that there were about 11,682 outstanding loan accounts and the total amount involved was Rs. 7.30 crores. The latest position as on 31st December, 1963 was that 8,249 accounts were outstanding and the outstanding amount including interest was Rs. 5.18 crores. The witness added that during the last year, the percentage of recovery was 7.8, while the total cost on account of administration would be about 10 per cent. In reply to a question, the witness informed the Committee that about 3000 loan accounts were settled upto the year 1963 after the work was taken over by the Finance Ministry. Thereupon, the Committee enquired what was the amount recoverable in those 3000 cases and out of that what was the amount recovered and what was the write off. The information furnished by the Ministry is as follows:—

*Statement of amount recoverable, recovered and written off in the accounts closed from 1-1-1961 to 31-12-1963.

(i) No. of accounts closed	3439
(ii) Amount recoverable	Rs. 349.44 lakhs
(iii) Amount recovered	Rs. 301.96 lakhs
(iv) Amount written off	Rs. 47.48 lakhs

*Not vetted by Audit.

In reply to a question, while explaining the procedure of waiver, the witness stated that in the first instance a certificate was to be issued by the officers concerned of the States. Inspectors of the Central Government had also to make efforts to recover that amount. If recoveries were not made for a number of years in spite of the best efforts of both the officers referred to above, then those cases were considered for write off. Before doing so, an up-to-date statement of the conditions of the party was obtained from the Central Inspectoral Staff. With regard to the test check exercised in this regard, it was stated that 20% cases were checked by supervisors incharge, about 5% by the Officer incharge and 10% by the Assistant Administrator and the Administrator. The witness further added that a final decision to write off was taken by a Committee consisting of (i) Joint secretary (Department of Economic Affairs), (ii) Joint Secretary, (Department of Expenditure) and (iii) Administrator.

In reply to another question, it was stated that wherever part realisation was possible, those cases were closed after obtaining a part payment. In some cases, 50% interest was written off, while in some, full interest had been waived. There were cases in which a part of the principal amount had also been written off. When the Comptroller and Auditor General pointed out that the figures showed that from January, 1961 to October, 1963, Rs. 31.65 lakhs were recovered in the Eastern region and Rs. 37.49 lakhs were waived, and in the Western region Rs. 178 lakhs were recovered and Rs. 4.70 lakhs were waived, the witness stated that in the Western region the writes off were not likely to be many because compensation claims were available for adjustment and it was hoped to recover most of the loans.

The Committee enquired as to what was the total amount of recoveries processed by the Ministry during 1962-63 and 1963-64 (upto October, 1963) and what was the expenditure incurred during this period for this purpose and for connected administrative functions. The representative of the Ministry stated that the total amount collected in 1962 was Rs. 56 lakhs. The expenditure on staff was Rs. 6.91 lakhs. The total amount collected in 1963 was Rs. 72 lakhs and the total expenditure on staff was likely to be Rs. 7.47 lakhs. It was added that in taking this ratio of expenditure on staff to the collection, the adjustment of compensation claims should also be taken into account. It was added that most of these claims were not presented by the claimants for the satisfaction of their debt but the claims had been purchased in the market and then handed over to the Administration for adjustment against their dues.

The Committee note the slow progress of settlement of the outstanding loans during the last three years; i.e., on the 31st December, 1963, 8249 outstanding loan cases involving a sum of Rs. 5.18 crores were pending settlement as against 11,682 outstanding loan cases involving a sum of Rs. 7.30 crores as on the 31st December, 1960 and that the establishment charges incurred on the realisation of these loans were about 10 per cent. The Committee would reiterate their earlier recommendation contained in sub-para 9 and 10 of para 10 of their 7th Report (3rd Lok Sabha) that effective steps should be taken to expedite the recovery of the outstanding loans and with a view to ensuring an economic working of the Rehabilitation Finance Administration Unit, its establishment charges should be periodically reviewed in the light of the outstanding cases, and suitable economies effected.

Audit Report on the Accounts of the R.F.A. for the year ended 31st December, 1960

14. It was pointed out by Audit that several cases of failure to make proper verification of guarantees, delay in taking up recovery proceedings immediately after the borrowers had defaulted to pay the dues, etc. had been brought out in the separate Audit Report on the accounts of the R.F.A. for the year ending 31st December, 1960. The Committee enquired about the six cases in which the entire loan amount with a part or whole of the accumulated interest was outstanding at the end of December, 1960—nearly 5 to 8 years from the date of sanction of the loans. In four of these, action to recall the loan had not been taken till 1960 and even afterwards there were delays ranging from 4 to 14 months in referring the cases to the Collector. The witness stated that no explanation could be found for it in the books of the Administration. He agreed that the Administration should have taken immediate steps after two or three years, if recoveries were not made. The witness added that most of the officers who were in responsible position in those days were no longer in Government service. Only clerical and accounting staff was there. About the four cases in which very little progress was made in the realisation of principal and interest upto December, 1960 although the cases had been referred to the Collector as early as 1956-57, the witness stated that all the cases which were referred to the Collector were being pursued; but seldom any reply was received. The witness added that a letter had been addressed to the Chief Secretary of the West Bengal Government enquiring about the availability of any assets for recovery. If there was none, he should inform at least that the amount could not be recovered. When asked about the three cases involving a total loan of Rs. 16,050 in which forged certificates produced by the guarantors had been accepted without verification

from the employer, the representative of the Ministry stated that compensation claims were accepted by the officers and then referred to the Settlement Commissioner for adjustment. The witness, however, agreed that they should have been verified from independent sources. The witness also accepted the blame for the three cases involving a total loan of Rs. 18,000 in which one and the same person had been accepted as guarantor.

The Committee would like to refer to their earlier observation contained in sub-para 8 of para 10 of their 7th Report (Third Lok Sabha) to the effect that such irregularities presented a dismal picture of the manner in which the Administration was conducting its affairs resulting in avoidable loss of public money. The Committee hope that the Ministry of Finance will take such remedial measures as are possible at this stage to mitigate the losses.

Loss of confiscated currency notes and other securities from a Post Office—para 44, page 45 of Audit Report (Civil), 1963

15. In December, 1960, some files containing confiscated currency notes/cheques were reported missing from the steel cabinet of the Principal Postal Appraiser in the Foreign Post Office, New Delhi. A complete inventory of unaccounted for currency notes/drafts, cheques, etc. which was made subsequently from the records pertaining to the period 1955 to the end of 1960, indicated a shortage of Indian currency, cheques and drafts amounting to Rs. 11,570 and foreign currency and foreign cheques for Rs. 12,506. The amount of loss was reduced to Rs. 10,656, as a result of subsequent locating of some cheques and drafts lying in a sealed cover inside the steel cabinet.

A special audit conducted in June, 1962, showed the following irregularities:

- (i) The currency and cheques confiscated were kept in the Foreign Post Office in disregard of the prescribed procedure requiring all valuables confiscated to be stored in the strong treasure chest secured by double locks in the C.B.R. Building, New Delhi or in the strong room of the Chief Accounts Officer, Customs and Central Excise.
- (ii) No systematic record of the confiscated currency had been kept.
- (iii) There was no record of any physical verification of valuables kept in the steel cabinet having been carried out by any officer at any time.

The misappropriation was facilitated by continuous failures on the part of the Supervisory Officer to observe the prescribed procedure. No responsibility for the loss had been fixed till December, 1962. It was, however, reported that two officers were charge-sheeted in this connection in April, 1962.

The Committee enquired about the position of the departmental action taken against the officials concerned, why the loss was not reported to the police and whether prescribed procedure regarding storage of valuable was being followed now. The Chairman, Central Board of Excise and Customs stated that on the 5th December, 1960, the Principal Postal Appraiser reported to the Assistant Collector that the currency was missing and the loss was immediately reported to the police—the State Police and the S.P.E. It was added that after six months the State Police reported that the culprit could not be traced. It was only in June, 1961, that they said that they were going to close the case. As such, no departmental enquiry could be initiated till then. It was added that the latest position was that the officers were asking for a large number of documents which were more than 500 or 600 and 31st December, 1963 was the last date for examination of documents and it was hoped that within the next three or four months, the matter would be finalised. When asked how such a case became possible, the Chairman, Central Board of Excise and Customs accepted that unfortunately the officers concerned were not following the correct procedure. They were keeping the file with the currency in the Post Office itself instead of sending it to the Cashier or to the Bank. It was added that now everything was being sent to the Bank or the Cashier at the end of the day.

The Committee take a serious note of the disregard of the prescribed procedure by the Supervisory Officers in not exercising proper checks which facilitated loss of confiscated currency notes and other securities amounting to Rs. 10.656. The Committee also regret the abnormal delay in completing the departmental inquiry. They hope that the departmental enquiry will be expedited and suitable punishment awarded to the guilty officer and to those who failed to exercise proper supervision.

Delay in disposal of surplus buildings and resultant avoidable expenditure on watch and ward, para 45, pages 45-46 of Audit Report (Civil), 1963.

16. Consequent on the abolition of land customs cordon around the former French settlements of Pondicherry and Karaikall from January, 1955, 367 buildings (including 28 non-residential buildings) of the book value of Rs. 11.15 lakhs, were declared surplus. In

February, 1955, it was decided to dispose of the buildings; 119 buildings were transferred to the Ministry of Health in October, 1961, but the other buildings have not been disposed of although more than seven years have elapsed since the decision was taken.

It had been reported even as early as June, 1958 that almost all the buildings had developed cracks and were in a state of disrepair. A sum of about Rs. 1.60 lakhs is estimated to have been spent on the watch and ward of these vacant buildings upto the end of July, 1962 and thereafter, an expenditure of about Rs. 1.350 p.m. is being incurred on this account.

The Committee enquired what action was taken for the disposal of these buildings. The Secretary, Ministry of Finance (Departments of Revenue and Expenditure) stated that the buildings were located on the border between Madras and Pondicherry. There were not even regular villages in many places and they were isolated frontier posts where practically there was no human habitation and as such there was no demand for them in the area. The first step was to dispose them of by negotiations with the Ministries, the Madras Government and keeping some buildings for Income-tax Department; when all these failed then the question of auction was taken into consideration. Now it was proposed to dispose them of by auction but the Madras Government had written asking the Ministry not to dispose them of. With regard to action taken to prevent further cracks in those buildings, the Secretary added that no steps could be taken. It was added that an immediate attempt was made in December, 1955 to offer the buildings to the Government of Madras as they were near that place, but negotiations broke down, as the Madras Government offered only Rs. 34,000 against the estimated market value of Rs. 93,000. When asked as to when the tenders were invited for the disposal of these buildings, the Additional Chief Engineer (IV), C.P.W.D. stated that auction notices were given in December, 1963 for the first time, but there was no public response. The Chairman, Central Board of Excise and Customs added that the date had been extended till the 10th February, 1964.

In regard to 119 buildings transferred free of cost to the Ministry of Health, the witness stated that their book value was Rs. 3.10 lakhs 222 buildings, (book value—Rs. 3.44 lakhs) were written off in December, 1962 and they included some buildings which were offered to Madras Government. The book value of the buildings to be disposed of i.e., 242 [367—125 (119 given to Ministry of Health and 6 to Ministry of Railways)] was about Rs. 2.5 to Rs. 8 lakhs.

The Committee regret to observe that due to various administrative delays at different stages, 367 buildings, rendered surplus as early as in January, 1955 could not be suitably disposed of for a considerable length of time. 119 buildings were transferred to the Ministry of Health in October, 1961 and 222 buildings (book value of Rs. 3.44 lakhs) had to be written off in December, 1962. A sum of about Rs. 1.60 lakhs was spent on the Watch and Ward of these vacant buildings upto July 1962, and thereafter an expenditure of about Rs. 1350 p.m. was being incurred on this account.

The Committee were informed that these buildings were offered to the Madras Government in December, 1955 and that the negotiations with that Government broke down as they offered only Rs. 34,000 against the estimated market value of Rs. 93,000. The Committee consider it unfortunate that this offer was not accepted and that the auction notices were issued only in December, 1963 for the first time. The Committee regret that so little progress should have been made in the disposal of buildings which had become surplus as early as in February, 1955—more than 8 years ago and consider that the responsibility should be fixed for failure to take appropriate action at the different stages. The Committee would like to be informed of the final disposal of these buildings.

Delay in finalisation of pension and provident fund final payment cases—para 116, pages 133-134 of Audit Report (Civil), 1963

17. (a) During 1961-62, out of 2,545 Pension cases of Central Government officers received in Audit offices, 1,519 cases (59 per cent) were received after the date of retirement, out of which 349 were received one year after retirement, although according to the directions issued by the Ministry of Finance steps for the preparation and submission of pension papers should be taken one year in advance of the date of retirement.

(b) Out of 3,802 claims in respect of final payment of Provident Fund balances received during 1961-62, the required particulars from the administrative authorities were received in 553 cases more than six months after retirement and in 927 cases 3 to 6 months beyond the date of retirement, though in accordance with the directions issued by the Ministry of Finance the fact of the officer having left service is to be reported to Audit without loss of time.

The Committee enquired what were the circumstances in which delay occurred in settlement of pension cases. The Secretary, Ministry of Finance (Departments of Revenue and Expenditure) stated that in a good number of cases very often it was for verification of

service that cases got delayed. To a question whether service records were kept up-to-date or not, the Secretary stated that pension cases were taken in hand about 18 months before retirement of an officer, but leave taken, leave salary paid, etc., had to be ascertained. The Comptroller and Auditor-General pointed out that all these things happened later and the delay actually occurred at the first stage of application. When it was pointed out that after a long period of service an officer should not wait indefinitely for settlement of his pension, the Secretary, Ministry of Finance (Departments of Revenue and Expenditure) stated that for such cases there was a provision for provisional pension. The Comptroller and Auditor-General observed that sanction of the anticipatory pensions was not desirable because in such cases files remained open endlessly.

The Committee are sorry to note that there are continued delays in sending the pension cases to Audit offices. With regard to the furnishing of particulars for settlement of Provident Fund balances also, the position is not satisfactory, as will be observed from the Audit para. The Committee consider it extremely unfair that the retirement dues of Government servants retiring after a long service of about 25 or 30 years should be delayed in this fashion. In this connection, the Committee would like to refer to their earlier recommendation contained in sub-paras 5 and 6 of para 46 of their 8th Report (Third Lok Sabha). In view of the continuing unsatisfactory position in this regard, the Committee suggest that the Government should appoint a Committee with a Senior Officer of the Comptroller and Auditor-General and another senior officer of the Ministry of Finance to examine the various problems connected with the settlement of retirement dues and to streamline the entire procedure with a view to ensuring that the retirement dues are paid promptly to avoid any financial hardship to the retiring Government servants.

III

MINISTRY OF STEEL, MINES AND HEAVY ENGINEERING (Deptt. of Mines and Metals)

COAL BOARD

Audit Report on the Accounts for the years 1960-61 and 1961-62

18. The Coal Board, which was set up under the Coal Mines (Conservation and Safety) Act, 1952 for the purpose of maintenance of safety in Coal Mines and for conservation of coal, is financed from the net proceeds of excise duty levied on all coal and coke raised/manufactured and despatched from the collieries. Under the Act, a sum not exceeding the net proceeds of duties of excise collected in the preceding financial year is payable by the Government to the Coal Board. The excise duties collected and the amounts paid to the Board for the 6 years ending 1961-62 are given below :—

(In lakhs of Rs.)

Year	Net proceeds of duties of excise collected	Amount paid by Government to the Board
1956-57	121.53	123.00 (1957-58)
1957-58	144.51	135.71 (1958-59)
1958-59	153.60	155.95 (1959-60)
1959-60	219.45	210.05 (1960-61)
1960-61	423.66	359.38 (1961-62)
1961-62	773.77	

The Committee referred to the fact that final figures of the Excise Duty collected during 1961-62 were made available by the Coal Board only in December, 1963 and enquired as to whether any

time limit had been laid down by Government by which the certification of the net proceeds of the Excise Duty levied on all coal| coke raised by the Coal Board should be completed. Explaining the procedure for the collection of duty, the representative of the Department of Mines and Metals stated that the duties were directly credited to the revenues of the Government. The Government made an approximately equal provision in the budget for the operation by the Coal Board, so that the process of certification did not in any way stand in the way of the Coal Board operating on its funds. When asked about the principle followed in giving the money to the Coal Board and the extent to which this depended on the collection of Excise Duty, the witness replied that it depended on the approximate assessment of the duties realised in the preceding year.

Explaining the reasons for the time taken in obtaining the figures, the witness stated that the collection was done through several agencies, the local treasuries etc. and this took some time.

Asked about the basis on which the budget was framed, when the figures of collection were received 18 months after the end of the year, the representative of Coal Board replied that the money actually collected depended very largely on the raising of coal. Those figures were known earlier and on that basis a fair approximation of the amounts that would be available could be made. He thought that the approximate figures were enough for the purpose of preparing the budget. The representative of the Ministry, however, added that the entire proceeds from the Excise Duty were not credited to the Coal Board. Funds were provided for in the Budget for the Coal Board after making an overall assessment of the receipts that accrued in a year for which authentic figures were available, taking into consideration the actual production targets of coal and after making an assessment of expected receipts during the budget year.

When the witness was asked whether the allotment to the Coal Board of 71%, 49% and 46% of the collections during the three years ending 1961-62 was due to the non-availability of complete figures or whether it was done as a deliberate decision of the Government, the representative of the Coal Board stated that it was a deliberate decision of the Government because the rate of Excise Duty was altered to provide the subsidy for Coastal Shipment, etc.

The Committee are surprised to note that the final figures of the Excise Duty collected during the year 1961-62 were made available by the Coal Board only in December, 1963 i.e. after 18 months (after

the end of even the subsequent financial year). The Committee, suggest that steps should be taken to improve the certification procedure and fix a time limit for the submission of the collection returns of Excise Duty. This is all the more necessary in view of the statutory provision that the sum payable by the Government to the Coal Board in any year should not exceed the net proceeds of duties of Excise collected in the preceding financial year.

In spite of the statutory provision referred to above, the Committee noticed that the amount paid by Government to the Coal Board during 1957-58 and 1959-60 exceeded the net proceeds of duties of Excise collected during the preceding financial year. Explaining the reasons for exceeding the statutory limit in these two cases, the representative of the Ministry stated that the collection of the Excise Duty during the preceding year was only a yard-stick for the budget provision in the following year. As coal production was progressively increasing, it was anticipated that the actual realisation of receipts would be larger and therefore, sometimes more than the realisation was given. He admitted that technically law did not permit this excess payment and promised to look into it in future.

The Committee suggest that Government should restrict provisional payments to the Coal Board to an amount which will be well within the receipts from Excise Duty during the previous year in order to avoid contravention of the provisions of the Act.

Audit Reports for 1960-61 and 1961-62

Heavy closing Cash Balance—para 1

19. On 31-3-1961, the Board had a closing balance of Rs. 271:75 lakhs, out of which a sum of Rs. 120 lakhs was invested in short term deposits and Rs. 127:10 lakhs in the Government of India Loans. The closing balance, thus, represented more than a year's expenditure of the Board. Similarly on March 31, 1962, the Board had a closing balance of Rs. 289:48 lakhs out of which a sum of Rs. 100 lakhs was invested in short term deposits and Rs. 127:10 lakhs in Government loans, the total cash balance in current account with the State Bank of India being Rs. 62:38 lakhs.

Explaining the reasons for the heavy closing balances with the Board upto the end of 1961-62, the representative of the Coal Board stated that heavy balances accumulated largely due to the fact that the Coal Board had to spend the funds on aid for stowing and other items. The Scheme did not come into full working order for a few

years. In the meanwhile the money was coming in. It was not considered worthwhile to change the rate of Excise Duty merely because the Board did not actually start functioning fully.

The witness added that the Ropeway Scheme was under discussion for a long time. The Government, therefore, felt that it would not be necessary to reduce the amount. The balances were kept in an account with the State Bank. It was admitted in reply to a question that as funds were mainly invested in Government securities, it was in effect transfer of money from Government to State Bank. Explaining the reasons for not reducing the balances quickly, the representative of the Ministry stated that heavy expenditure on Ropeways Scheme was anticipated every year, but that schedule was slightly upset. They, however, anticipated that heavy expenditure would be incurred in the following year on this project.

From the heavy accumulation of balances with the Coal Board (Rs. 289.48 lakhs on 31-3-1962) it is obvious that the various schemes sponsored by the Coal Board have not been making progress as anticipated. This needs looking into. The Committee also suggest that the amounts to be paid by Government to the Coal Board should be realistically assessed on the basis of actual requirements, so as to avoid such heavy accumulations in future.

Audit Report for the year 1960-61

Upgrading and downgrading of collieries—para 2

20. During the review of the Board's records for 1960-61, it was noticed that a colliery continued to be graded as grade I, even though the loading samples drawn between 20th January, 1958 to 6th September, 1960 indicated that the quality of the coal despatched was of Grade II.

The Ministry informed Audit in October, 1961 that the matters regarding grading and regrading were of an administrative nature and further that there were no financial implications involved in so far as the Government and the Coal Board are concerned. The Ministry later informed Audit in August, 1962 that the inspecting staff had since been strengthened, that samples had been drawn from almost all the 850 collieries and proper gradings refixed, where necessary and that a Technical Committee, appointed in January, 1962 was looking into the question of grading and sampling of coal on a scientific basis.

The argument advanced by the Ministry that grading and regrading of a colliery is an administrative matter without any financial implication so far as the Government and Board are concerned, is not

the Coal purchased on the basis of the grade fixed erroneously, such of the consumers as have no arrangements for independent analysis of coal samples may have to pay at a higher rate for coal of a sub-standard quality. Similarly, various Government agencies who may purchase from the collieries are also likely to lose in the transactions.

21. The Committee enquired the results of, and the decision of the Government/Board on the survey conducted on the basis of the recommendations of the Technical Committee appointed by the Government in January, 1962 for looking into the question of grading and sampling of Coal on a scientific basis. The representative of the Ministry stated that the report of the Committee was received quite sometime ago. That report prescribed a new procedure for sampling and analysis of Coal. It was much more detailed and complicated than the present procedure of just checking a few samples of coal from a wagon. It had prescribed that after every 500 tons of loading, samples should be taken not from static wagons, but while the coal was moving e.g. in basket loads from the pit-mouth to the wagon. There were also prescribed principles of analysis viz., the I.S.I. Standards. The witness stated that it was found that the whole procedure was very complicated and would involve the appointment of enormous staff and capital expenditure on installing crushers, mobile vans to take samples and equipment to do analysis. The problem was to simplify the procedure and introduce it in progressive stages.

The witness added that though the present system of grading and pricing of coal was unscientific and irrational, it was in existence for years ever since the controls were introduced in 1944. So they wanted to see whether the introduction of the new system would not cause a violent upset in the price structure of Coal. For that purpose, a Sub-Committee was appointed consisting of knowledgeable people. The Chairman of the Sub-Committee who was an eminent scientist, unfortunately had a serious illness. Only after his recovery, the Sub-Committee submitted its report. The authorities were trying to see how best their recommendations could be implemented. Though it was not possible to introduce the new procedure in all respects they were trying to have some basis for introducing soon the calorific system of grading and pricing.

The Committee consider it unfortunate that there should have been inordinate delay in taking suitable action on the recommendations of the Technical Committee appointed by Government in January, 1962 for looking into the question of grading and sampling of coal on a scientific basis. The Technical Committee gave its report in July, 1962, but action proposed to be taken on its recommendations has not yet been finally decided. In view of the accepted fact that the present

system of grading and pricing of coal is unscientific and irrational, the Committee hope that necessary steps to improve the position will be taken without further loss of time.

Audit Report for the year 1961-62

Proper utilisation of loans and grants advanced to collieries—para 1

22. The loans and grants advanced by the Coal Board to the collieries and other parties for the six years ending 1961-62 are as given below :

Year	(In lakhs of rupees)	
	Grants	Loan
1956-57	71·87	2·1
1957-58	82·10	4·84
1958-59	108·17	0·34
1959-60	151·62	6·93
1960-61	184·92	14·99
1961-62	222·99	11·23

The Committee asked as to how the Board ensured that the loans and grants advanced to collieries and other parties were properly utilised by the parties concerned. The witness replied that the loans were granted for putting up stowing plant, etc. He further explained that if for example money was given for the erection of ropeway, the expenditure was known as the bills of expenditure were sent to the Board and the Board had some officers from the Audit Department to check the accounts. He further added that the accounts submitted were looked into. He urged that the amounts involved, apart from one particular ropeway, were so trivial that there could not be any large scale diversion of expenditure.

The Committee suggest that in addition to the accounting checks, the question of introducing suitable administrative checks to ensure that the grants and advances involving large amounts given to the collieries are being utilised for the purposes for which they are being given may be examined.

Non-repayment of instalments of loans etc. by collieries on due dates—para 2

23. A test check of some cases of loans given to collieries by the Coal Board has shown that in the following cases, the amounts of principal and interest remained overdue at the end of 1961-62:

Name of Colliery	Amount of principal outstanding on 31-3-62	Amount of interest outstanding on 31-3-1962	Earliest period to which the arrears relate
*1. Bhowrah } Kankance }	Rs. 2,92,300	Rs. 85,619	December, 1961
*2. Deoli	Rs. 15,000	Rs. 4,145	February, 1962

It was suggested by Audit to the Board in July, 1962 that a clause for the levy of penal rate of interest for delayed repayments of loans might be incorporated in the agreements. The Coal Board obtained the advice of the Solicitor to the Government of India, who advised them to stipulate in the agreements a higher rate of interest and to allow rebate in the case of punctual payments, since a clause relating to the levy of a penal rate of interest was not generally enforceable in courts of law.

The Committee enquired whether the decision regarding the insertion of a clause stipulating a higher rate of interest in the agreements with a rebate for punctual payments had been implemented. The representative of the Coal Board replied in the affirmative and further stated that in a sense the Coal Board had adopted the decision. As, however, no fresh loans had been granted, the decision had not come into operation. The witness stated that the people who had already got loans would not agree to the insertion of those clauses. Those who had taken loans had mortgaged their entire assets against the loans. There was no default in the sense of non-payment, but there had been delays in payments.

The Committee suggest that delays in the recovery of instalments of principal and interest in respect of loans advanced to the Collieries should be avoided and that steps should be taken to avoid any accumulation of arrears in this regard.

*The principal together with interest was paid in March, 1963, and May, 1962, respectively.

IV

MINISTRY OF STEEL AND HEAVY INDUSTRIES

(NOW MINISTRY OF STEEL, MINES AND HEAVY
ENGINEERING)

(DEPTT. OF IRON AND STEEL)

Iron and Steel Controller's Organisation

Delay in execution of contracts—para 84, page 84

24. As against 65 contracts placed on a certain firm during November, 1954 to April, 1962 involving the imports of 1.60 lakh tons of steel valued at Rs. 10.91 crores, the firm completed shipments by the stipulated dates in respect of 29 contracts only. In other cases the supply was delayed for varying periods as shown below and a quantity of 6,049 tons was still outstanding:

Total quantity contracted for*	77,091 tons
Quantity supplied within the stipulated delivery period	42,959 "
Shipments delayed for less than three months	12,201 "
Shipments delayed for more than three months	15,331 "
Balance still to be supplied (November, 1962)	6,049 "

These contracts were subject to the condition that in the event of failure to adhere to the stipulated shipment period, the Iron and Steel Controller would be entitled to recover from the firm, liquidated damages at the rate of 2 per cent per month or part of a month in respect of the quantity outstanding for shipments. No liquidated damages had been levied in respect of delayed shipments except in two cases, where claims for Rs. 87,000 approximately were preferred in January and April, 1960, but even in these two cases, no amount had been recovered so far.

The Committee enquired the reasons for not levying liquidated damages where contracts were not executed within specified time. The representative of the Ministry of Steel, Mines and Heavy Engineering (Department of Iron and Steel) stated that whenever a contractor failed to complete a contract within a specified time, a request was made by him for the extension of time. At the time when extension was granted, it was made clear that extension was granted subject to all the terms and conditions of the original contract being fulfilled. In spite of this condition, liquidated damages could not be levied as they were unable to establish the actual

*NOTE.—Bulk contracts with foreign suppliers in which the firms act only as handling agents have been excluded.

Ex-stock deliveries have also been excluded.

damages suffered by them. In this connection, the Law Ministry had advised that merely mentioning that extension was granted subject to the terms of the original contract did not safeguard their right to levy liquidated damages unless it was established that actual damage had been suffered. The witness admitted that at the time of granting extension, the clause relating to levy of liquidated damages was not repeated. The witness added that the ordinary rules of Government purchases were applied in the Iron and Steel Controller's Office, but the D. G. S. & D. Manual was not applied.

An *ad hoc* Committee was appointed in April, 1962, to consider delay in two cases where claims for Rs. 87,000 approximately were involved. The *ad hoc* Committee had recommended in one of these two cases to retain the claim of Rs. 8,595 already made and to examine the question of increasing the claim as there was a fall in the market price at the time of granting extension. The Committee enquired whether this factor was considered when extension was granted. The witness stated that in this particular case, the fall in price took place during the extension period and not at the time when extension was granted.

In the other case involving Rs. 78,988, the *ad hoc* Committee had decided upon the levy of token liquidated damages to a maximum of one per cent of the contract value instead of two per cent provided in the contract. The Committee enquired the reasons for the reduction of liquidated damages. The representative of the Ministry stated that it was done on the advice of the Law Ministry. The *ad hoc* Committee consisted of the representatives of Audit Department, the Iron and Steel Controller, the Finance Ministry and the Steel Ministry.

In reply to a question, the witness stated that they had not realised any amount whatsoever on account of liquidated damages in any case.

The Committee are of the view that in the absence of any damages being claimed from contractors for the delay in execution of contracts, the supply of steel may be quite uncertain and the contractors who are mainly concerned with the supply of imported articles, may tend to withhold supply when prices go up and make the supply later on when prices come down. In order to eliminate/minimise the delay, the Committee recommend that some penalty should be imposed on the contractors for their failure to fulfil contracts within the specified time and suitable provision be made in the contracts.

It was pointed out by the Comptroller & Auditor General during evidence that according to the Manual of Purchase Order of D. G. S. 2627 (Aii) LS—3.

& D. whenever it was decided to extend the period of completion of contract subject to recovery of liquidated damages for delay in supplies, the contractor must be given a warning to this effect in writing at the time of granting the extension and it would not be correct to grant extension without any mention of the liquidated damages. The representative of the Ministry informed the Committee that the D.G.S. & D. Manual was not applicable to the Iron and Steel Controller's Organisation and they were guided by ordinary purchase rules of Government. The Committee feel that without any proper and uniform purchase procedure, there are possibilities of some lacuna being left in the contract. The Committee regret to note that the provisions of the manual of the D. G. S. & D. had not been followed without any recorded reasons as to why they were considered inappropriate for the Iron and Steel Controller's Organisation. The procedure laid down in that manual was obviously evolved in the light of actual purchase experience over a long period of years and in the light of legal advice obtained from time to time. The Committee desire that the Iron and Steel Controller's Organisation should either be guided by the D. G. S. & D. Manual with suitable modifications where necessary or they should prepare and publish their own manual.

The Committee further desire that this matter regarding levying of liquidated damages be reviewed again with a view to safeguarding the Government's interest as regards delay and financial losses.

Handle contracts—para 86, page 85

25. In certain cases, the Iron and Steel Controller appointed handling agents to handle the steel at ports, deliver it to consignees, realise the cost of the steel from them, and credit the amounts recovered to Government. Handling agreements executed during December, 1959 to March, 1962 involved payments estimated at Rs. 50 lakhs, but the selection of the handling agents had not been made after calling for competitive tenders. It has been stated that the handling of material worth millions of dollars required adequate experience and that this could not be ensured merely on the basis of competitive tenders.

With regard to the appointment of handling agents at ports to handle imported steel (worth millions of dollars) without inviting competitive open tenders, the representative of the Ministry stated that the Iron and Steel Controller maintained a panel of names for selection of handling agents. The rates were fixed by Government in consultation with the Ministry of Finance and contracts were given by rotation. The contracts were given to a number of parties and not to one or two persons. **In reply to a question, the witness agreed to examine the proposal of inviting either open tenders or limited tenders for selection of handling agents.**

The Committee may be apprised of the decision taken in the matter.

Undue benefit to controlled stockists of steel—para 87, pages 85-86

26. Since early in 1956, the Iron and Steel Controller had been placing orders on Indian firms for imported steel sheets with the stipulation that payment for the cost of sheets was to be made on a "gross for net" weight basis, that is, on the gross weight inclusive of the packing material. This method of payment was justified on the ground that the sheets were to be securely packed to withstand the rigours of sea voyage and that payment on the basis of actual net weight of the material would have led to higher prices having to be paid to the suppliers. The consignees in India to whom the steel was allotted were also required to make payment on the same basis.

In April, 1957, however, the Ministry issued orders that controlled stockists need pay only for the net weight of the material actually received by them, the difference between the contractual price on the gross weight and the controlled selling price on the net weight being paid to the importers from the Iron and Steel Equalisation Fund. The grant of this concession to the controlled stockists was justified mainly on the ground that they had to open the bundles and sell the sheets loose on the basis of the net weight. The net weight was to be determined as indicated on the packages; where there was no such indication, an allowance was to be made equal to 2½ to 6 per cent of the gross weight, according to the category of steel sheets and the nature of the packing.

The controlled stockists were allowed, however, to retain the packing material free of cost. The Steel Controller had contended that this course was decided upon as the scrap value was negligible and that the collection and sale of this material and maintenance of proper accounts for it would not be remunerative.

No records had been maintained by the Iron and Steel Controller from which the total quantity of steel sheets imported under this arrangement could be readily ascertained. The total loss to Government on this account cannot, therefore, be worked out, but taking the figures of 5,371 tons representing the quantity imported through one port (Calcutta) for one year (1960-61), the weight of the packing material, allowing a tare of 4 per cent, would be of the order of 200 tons costing about Rs. 20,000 on a scrap value basis.

The representative of the Ministry stated during evidence that controlled stockists of imported steel were not prepared to pay for the packing material and offered to surrender the scrap to them. But Government did not consider it worth while to collect the scrap from hundreds of stockists as it involved great difficulties. The total weight of the packing material left with the controlled stockists

during the seven years from 1956—62 was 1,900 tons and the scrap value was Rs. 1,90,000. It was added that the question of making an *ad hoc* reduction on account of packing material in the amount of subsidy payable to the importers had not been considered as the controlled stockists had to incur certain charges in taking delivery, in the opening of packages etc. The arguments advanced by the controlled stockists was that the covering sheets got torn and could not be sold. Nor could they realise the cost of the covering sheets from their customers. It was, therefore, decided by Government to meet the cost of these from the Equalisation Fund.

The Committee enquired the reason for not maintaining the records giving the total quantity of steel sheets imported and allotted to controlled stockists. The witness stated that the records were being maintained by the Assistant Controller.

In the course of evidence, the Committee were informed that the question of making an *ad hoc* recovery from the controlled stockists on account of cost of packing material had not been considered as the controlled stockists had to incur certain expenditure on handling and opening of packages, etc. In the view of the Committee it is a normal feature for purchasers to incur certain expenditure while taking delivery or opening packages. The Committee are surprised that for Steel which is paid for on the basis of the *gross* weight including the cost of packing material, the controlled stockists are allowed an undue advantage by being required to pay only for the *net* weight and without making any payment for the packing material which they retain and can dispose of for an appreciable amount. They are, therefore, of the opinion that in order to make up the loss on account of packing material suitable recovery should be made from the controlled stockists.

Iron and Steel Equalisation Fund—para 88, pages 86—89

27. A summary of the Receipts and Payments Account of the Iron and Steel Equalisation Fund for the four years ending 31st March, 1962 is shown below:

(In crores of rupees)

Year	Receipts	Payments	Cash balance at the end of the year
1958-59	23·70	16·23	7·47
1959-60	25·74	7·60	25·61
1960-61	31·81	17·29	40·13
1961-62	25·45	12·69	52·89

In para 62 of the Central (Civil) Audit Report, 1962, a reference was made to the steadily increasing credit balance in the Fund and it was suggested that a review of the basis for the recovery of the surcharge and the purposes for which accumulations in the Fund could be utilised was called for. The question was now under consideration of the Government.

(a) Receipts

(i) Surcharge from the Main Producers

The amounts which accrued to the Fund on account of surcharge payable by the main producers and the amounts realised were as follows:

	(In crores of rupees)	
	Amount due	Amount realised
<i>(a) Private Sector</i>		
Prior to 1961-62	149.50	137.33
In 1961-62	15.02	18.42
Total	164.52	155.75
Net amount outstanding at the end of 1961-62		8.77
<i>(b) Public Sector</i>		
Prior to 1961-62	6.29	4.92
In 1961-62	7.37	5.86
Total	13.66	10.78
Net amount outstanding at the end of 1961-62		2.88

The amounts outstanding against the main producers as worked out by the Iron and Steel Controller were still under reconciliation with the figures as worked out by the main producers. In the case of Tatas the work of reconciliation was stated to have almost been completed except for some minor discrepancies which the Ministry expected would be reconciled and settled soon. The reconciliation conducted in respect of the Indian Iron and Steel Company had brought out a discrepancy of about Rs. 1.30 crores, the Iron and Steel Controller's accounts showing Rs. 1.08 crores as being due to Government from the firm, while the firm claimed that an amount of Rs. 0.22 crores was due to it from Government. The firm had not furnished a statement showing the details of debits and credits appearing in its books in respect of the Fund, nor had it made available its books of accounts representing the full details of transactions with the Fund. The Ministry had stated (January,

1963), that an officer was being deputed shortly to visit Burnpur to finalise the reconciliation. Pending a reconciliation of the accounts according to the main producers with the accounts maintained by the Iron and Steel Controller in regard to the amounts of surcharge payable to Government the main producers had been allowed to pay the amounts which they themselves admitted were due from them to the Steel Equalisation Fund.

(ii) *Amounts due from Controlled Stockists*

According to the provisions of the agreement entered into by the Iron and Steel Controller with controlled stockists, payments became due to the Fund in cases of statutory revision in the price of steel; in such cases provisional payments were required to be made by the controlled stock-holders, with reference to the stocks held by them on the date of revision, within 14 days from the date of receipt of the Iron and Steel Controller's bills in respect of price changes brought into effect from 11th June, 1956 and 16th May, 1957 respectively and within 14 days from the date of the price revision in respect of price changes introduced after May, 1957. A test check of some cases involving payments of about Rs. 15 lakhs had showed that there had been, on an average, a delay of nearly four months in making payments to the Fund.

(b) *Balance Sheet*

(i) *Sundry Debtors*

The year-wise analysis of the outstandings totalling Rs. 1373·15 lakhs against the Sundry Debtors as on 31st March, 1962 is shown below:—

Year to which the Oustandings pertain	Amount (in lakhs of rupees)
Prior to 1958-59	25·45
1958-59	8·64
1959-60	43·24
1960-61	82·90
1961-62	1212·92

Against these outstandings, recoveries had since been effected to the extent of Rs. 913·72 lakhs, leaving a balance of Rs. 459·43 lakhs (approx.) as on 31st December, 1962, the bulk of this amount being due from the main producers. It had been stated by the Iron and Steel Controller that the outstandings were covered by the amounts due to the main producers on account of increase in retention prices allowed by Government in their orders issued in September, 1962.

The amount of Rs. 1.16 crores outstanding against the re-rollers related to recoveries due on account of surcharge and revaluation of stock on different dates due to increase in the statutory selling prices. It had been stated that such outstandings were normally adjusted against the counter-claims of re-rollers for freight transport charges etc. The amount had since been reduced to about Rs. 31 lakhs (December, 1962).

The outstanding amount of Rs. 76 lakhs due from sundry parties on account of subsidy on imported steel had been brought down to Rs. 54.90 lakhs (Approx.) on 31st December, 1962.

(ii) *Special Advances*

Special advances of Rs. 20.18 crores were given from the Equalisation Fund to TISCO and IISCO during the period from 1954-55 to 1957-58. These loans were interest-free upto 30th June, 1958. From 1st July, 1958, interest at the rate of 5 per cent per annum was chargeable on these advances but the recovery of interest had been postponed till a decision had been taken on the retention prices to be allowed to all main producers in Private and Public Sectors. Though the revised retention prices were fixed in September, 1962, no recovery of interest had so far been made, and the mode of payment of the interest and repayment of Special advances was stated to be under consideration of Government (January, 1963).

The representative of the Ministry stated that Raj Committee's Report was submitted in October, 1963 and now Government intended to take up the question of revising the constitution, scope and working of the Iron and Steel Equalisation Fund. The Committee enquired whether amounts outstanding from the main producers as worked out by the Iron and Steel Controller had been reconciled with the figures as worked out by the main producers. The representative of the Ministry stated that the counter claims had been examined and the figures upto 31st March, 1962 had been reconciled. The latest position (May, 1963) indicated that some amount might have to be returned to the main producers. About the reconciliation of the transactions for 1962-63, the witness added that there was hardly any difference in their claims and the counter claims of the main producers.

As regards the amount due to the Fund from the re-rollers, the witness stated that the details were as follows:—

M/s Tin Plate Co. of India	Rs. 67.15 lakhs
M/s Singh Engineering Works, Kanpur	Rs. 11.22 lakhs
National Iron & Steel Co. Ltd.	Rs. 7.90 lakhs
J. & K. Iron & Steel Co. Ltd.	Rs. 5.93 lakhs }
TOTAL	Rs. 92.20 lakhs

The total amount outstanding was Rs. 101 lakhs, of which Rs. 92.20 lakhs was outstanding against four companies as stated above and about Rs. 9 lakhs against miscellaneous parties. Out of this amount of Rs. 92 lakhs, about Rs. 68 lakhs was outstanding against Tin Plate Co. who had a counter claim of a crore of rupees against Government. In reply to a question, the representative of the Ministry stated that the counter claim of Tin Plate Co was one year old. It was partly due to the higher cost of tin as the tin prices had risen and partly due to excise duty which the Equalisation Fund had to pay.

The Committee enquired about the latest position in regard to the recovery of interest accrued as on 31st March, 1963 (Rs. 4.79 crores approximately) on the special advances to TISCO and IISCO. The representative of the Ministry stated that under the special contracts with the companies neither the principal nor the interest became payable till Government fixed a special element in the retention price from which the producers could pay back the advances with interest. The Tariff Commission had recommended an element of Rs. 8 to be paid to the producers but Government decided not to pay it. Therefore, under the terms of agreement, although the interest should be paid, it could not be paid till Government determined the special element in the prices.

In reply to a question, it was stated by the representative of the Ministry that the recommendation of Tariff Commission was not mandatory but the contract entered into by Government with the companies was binding.

As regards payments due to the Equalisation Fund from controlled stockists as a result of the statutory revision in the prices of steel on 2nd February, 1961 and 30th April, 1962, one witness stated that Rs. 1.3 lakhs was outstanding from them. The bills had been sent and they hoped that it would be settled soon.

The Committee note that the Minister of Steel, Mines and Heavy Engineering announced in Lok Sabha on the 2nd March, 1964 that "now that freight equalisation will be entrusted to the Joint Plant Committee and statutory control over price is abolished in the case of bulk production, there is no further need to continue the operations of Equalisation Fund. Accruals to the Fund and payments from the Fund resulting from previous transactions will, however, have to continue". He added that Government had decided that as from 1st March, there should be no new transactions involving payment either to or from the (Steel) Equalisation Fund. The Committee trust, therefore, that the final settlement of the outstandings against the producers etc. would be expedited.

V

GENERAL

Ministry of Finance

Grants-in-Aid—Outstanding utilisation certificates—Para 89, pages 90-91.

28. In respect of grants-in-aid sanctioned by Government to any public body or institution, the rules stipulate that the sanctioning authority should, before payment of grant-in-aid, insist, as far as possible, on obtaining an audited statement of accounts of the body or institution concerned in order to ensure that any previous grant was spent fully for the purpose for which it was intended. A certificate of utilisation of the grant is required to be furnished by the sanctioning authority to the Accountant General in every case of grant specifying that the grant has been utilised on the objects for which it was sanctioned; and where the grant was conditional, the conditions have been fulfilled.

The following statement given in the Audit Report indicates the delays which had occurred in the receipt of such certificates:

(In lakhs of rupees)

Name of the Ministry	Period to which the grants relate	No. of utilisation certificates outstanding at the end of Sept., 1962	Amount
Commerce and Industry	1956-62	186	177
Community Development, Panchayati Raj and Co-operation	1956-62	65	30
Education	1953-62	967	20,05
Finance	1960-62	19	6
Food and Agriculture	1954-62	142	104
Health	1954-62	1,051	389
Home Affairs	1958-62	468	327
Works, Housing and Supply	1958-59	23	5
Works, Housing and Supply (Department of Rehabilitation)	1955-62	212	68
Scientific Research & Cultural Affairs	1953-62	1,009	23,96
Transport and Communications	1960-62	21	16
Cabinet Secretariat	1961-62	16	85
External Affairs	1957-61	14	2
Total		4,193	56,10

Of the cases included in the above table, 666 cases covering an amount of Rs. 400 lakhs related to grants paid before April, 1959.

During evidence, the representative of the under-mentioned Ministries stated the latest position of outstanding utilisation certificates in respect of their Ministries as below:

Ministry	No. of utilisation certificates outstanding
Food and Agriculture	7
Health	531
Transport	7
Works, Housing and Rehabilitation (Department of Works & Housing)	14
(Department of Rehabilitation)	72 (96 cases pertaining to educational grants transferred to Ministry of Education)

The Committee learnt from the witnesses that in some cases further grants had been given to the institutions without obtaining the utilisation certificates for the earlier grants. The Committee enquired of the representatives of the Health Ministry as to what action had been taken on the standing order of Government to the effect that where utilisation certificates were not received within **one year**, further grants should **not be given**. He stated that the voluntary organisations concerned had been warned to this effect. In the beginning they had genuine difficulties as a result of which they could not furnish the certificates in time. To a question whether there was any procedure of getting the grant refunded if the same was not utilised, the Committee were informed that if the organisation was not working properly its non-recurring assets were taken over by the State Director of Health Services, accounts adjusted and further grants stopped.

Referring to the grants given by the Ministry of Food and Agriculture, the C. & A. G. pointed out that in the case of Council of Gosamvardhan no utilisation certificate was given for 1956-57, 1957-58 and 1958-59. Still further grants were given to the Institutions in 1961-62. With regard to the grants given by the Ministry of Works, Housing and Rehabilitation (Department of Rehabilitation), the Comptroller & Auditor General informed the Committee that utilisation certificates for huge amounts had not been received since 1955-56 and there were cases where the institutions were given grants in subsequent years, although utilisation certificates had not been received in respect of the previous years.

The representative of the Ministry of Finance (Department of Co-ordination) stated in evidence that in order to avoid delays in submission of utilisation certificates, it was proposed to stipulate in the sanction order itself that Audit certificates should be furnished before a particular date, failing which the Ministry would go into the matter further. **The Committee take a serious note of delays in furnishing utilisation certificates by the grantees. It is regrettable that despite the instructions that where utilisation certificates were not received within the stipulated period, further grants should not be given, grants are continued to be issued to the institutions from whom utilisation certificates have been pending for the last several years. The Committee desire that the Ministry of Finance should review the position and take necessary remedial measures to ensure that further grants are not made to the institutions which default in submission of utilisation certificates in time.**

The Secretary, Ministry of Finance (Department of Economic Affairs) informed the Committee that under the scheme of delegations most of the Financial Advisers did not refer back such cases of default to the Finance Ministry but were dealing with them within the Ministry concerned. The Secretary, however, agreed that there should be somewhat different procedure with regard to bodies getting larger grants from Government and suggested that it might be made a necessary convention to attach a Financial Adviser to such bodies and he should be made responsible to report to the Ministry of Finance about administrative laxity or failure of financial procedure etc.

The Committee suggest that the position in this regard should be stream lined by the Ministry of Finance so that Government are able to exercise proper checks and vigilance through the Financial Advisers attached to the autonomous bodies etc. receiving large grants.

The Committee would also like to draw attention to their observation made in para 4 of their 24th Report (Third Lok Sabha) regarding the need for compliance with the instructions issued by the Finance Ministry in February, 1960 laying down that assets created out of Government grant should not without the prior approval of the Government be disposed of encumbered or utilised for purposes other than those for which grants had been sanctioned. The Committee hope that these conditions will be strictly enforced by the Ministries issuing grants.

The Committee suggest that the feasibility of laying down a general rule that all applications for grants from private organisations or

institutions should be processed through the State Government concerned, unless the institutions are of All India character and on the approved list drawn up by the Central Government, may be examined.

Outstanding Audit Objections and Inspection Reports—Para 112, pages 128—130.

29. (a) The financial irregularities and defects in accounting procedure noticed in Central audit are brought to the notice of the Departmental authorities through objection statements. Half-yearly reports of Outstanding Audit Objections are also forwarded by Audit to the Administrative Ministries for taking necessary steps to expedite their settlement. The volume of outstanding objections relating to the period ending 1961-62 is indicated below:

(i) The number of outstanding objections was large in the offices of the Ministries noted below and in their attached and subordinate offices:—

Ministries	Total No. of objections relating to the Ministry and their attached and subordinate offices	Total amount (Rs. lakhs)	No. of objections raised prior to April, 1959	Amount (Rs. lakhs)
Works, Housing & Supply	85,876	7,260	25,931	2,222
Transport & Communications	11,642	826	1,949	54
External Affairs	14,612	431	3,247	69
Food & Agriculture	5,501	208	868	60
Home Affairs	4,684	125	977	14
Irrigation & Power	1,943	83	556	27
Health	2,652	67	1,017	7
Community Development, Panchayati Raj and Co-operation	2,965	67	292	8
Information & Broadcasting	1,513	62	344	16
Commerce & Industry	3,324	57	479	9
Education	1,347	39	253	5

(ii) The following is a broad analysis of the outstanding objections:—

Nature of objections	Number of Items	Amount Rs. (In lakhs)
(a) Want of sanctioned estimates	32,315	3,407
(b) Excess over sanctioned estimates	9,346	953
(c) Want of detailed contingent bills	5,062	272
(d) Want of stamped acknowledgments or other documents etc.	40,551	1,229

The entire expenditure in respect of which the detailed bills and vouchers are not submitted escapes audit scrutiny altogether for an unusually long period

(b) *Outstanding Inspection Reports*.—The audit done in Central office is supplemented by local inspection. All important financial irregularities and defects in initial accounts noticed during local audit and inspections are included in Inspection Reports and sent to Departmental Officers for necessary action. Besides, copies of the Inspection Reports, half-yearly statement of Outstanding Inspection Reports are also forwarded to the Administrative Ministries.

The names of the Ministries with comparatively large outstanding are shown below:—

Ministries	Year of issue of the earliest outstanding Reports	Number of outstanding	
		Reports	Items in Reports
Rehabilitation	1949-50	774	2,897
Works, Housing and Supply	1947-48	708	4,741
Commerce & Industry	1952-53	622	3,635
Education	1951-52	563	2,585
Food & Agriculture	1947-48	532	2,379
Home Affairs	1949-50	451	2,035
External Affairs	1949-50	419	2,128

The Committee examined the representatives of the Ministries of International Trade, Education, Information and Broadcasting, External Affairs, Food and Agriculture, Development, Panchayati Raj

and Co-operation, Home Affairs, Transport, Works, Housing and Rehabilitation Health and Finance in regard to the outstanding objections and inspection reports relating to their Ministries.

The representative of the Ministry of International Trade stated that there were 706 audit objections and 237 inspection reports outstanding against the Ministry. All officers in the attached and subordinate offices had been asked to intimate to the Ministry the latest position in respect of these objections every six months. Besides, monthly progress reports were submitted to the Ministry and, if necessary, the representative of the Ministry made on-the-spot investigations and held meetings with the officers concerned to settle the audit objections.

The representative of the Ministry of Education stated that bulk of the objections (794 cases involving Rs. 30 lakhs) were pending with the Education Departments of the Union Territories which were primarily responsible for the settlement thereof. A reference had been made to the subordinate Offices and the Union Territories for expeditious disposal of these cases. In a note submitted to the Committee, the Ministry have stated the latest position as 499 audit objections (involving Rs. 12.35 lakhs) pending with the Union Territories and 70 objections (involving Rs. 2.70 lakhs) with the Ministry proper.

The Secretary, Ministry of Information and Broadcasting stated that against the 344 objections raised before April, 1959, only 50 were now pending and the total number of outstanding cases was 1085 as on 30th June, 1963. He added that every effort was being made to dispose of the outstanding audit objections as quickly as possible, and that a Deputy Secretary had been put in charge of the work in accordance with the instructions issued by Government in 1957.

The Secretary, Ministry of Food and Agriculture (Department of Food), stated that out of 577 objections pertaining to the Department of Food, the objections still outstanding were 245. Out of these, certain items pertained to settlement of accounts with Pakistan and other foreign Governments. As regards inspection reports, out of 370 inspection reports containing 1256 paras, the number of reports still pending was 224 containing 575 paras.

The representative of the Ministry of Community Development, Panchayati Raj and Co-operation stated that the bulk of the objections related to the Union Territories, out of which about 1600 objections were still pending. The number of objections pending against the main Ministry was only 94.

The representative of the Ministry of Home Affairs stated that as against 8,080 objections outstanding as on 31st March, 1961, the number as on 31st March, 1962 was 4,684. Out of these 3,701 related to the Union Territories and 983 to other organisations. The present position was that 1,515 objections relating to Union Territories and 714 relating to other organisations had been settled, leaving a balance of about 2,400. As against 620 inspection reports containing 3,136 items outstanding as on 31st March, 1961, the figure as on 31st March, 1962 was 451 reports containing 2,035 items. Out of these 55 inspection reports containing 568 items had been settled. Again, the bulk of the items related to the Union Territories. To enable the Ministry to watch the disposal of the audit objections and to check up the delay in this regard, the Union Territories were required to submit two-monthly reports.

The Secretary of the Ministry of Transport stated that out of 11,642 objections pertaining to the Ministry of Transport and Communications 1772 related to the Ministry of Transport proper, of which all except 427 had since been settled.

The representative of the Ministry of Works, Housing and Rehabilitation (Department of Works and Housing) stated that out of 84,396 objections against the Department, the number outstanding was 34,891 as on 30th November, 1963. On being asked the reasons for the delay in the settlement of objections, the Chief Engineer stated that normally Audit placed an item under objection for want of sanctioned estimates. The Divisional Officers indicated the reference to the estimates, but until the papers were linked up in the Audit Office, the objections were kept pending. He added that in respect of old cases linking of relevant papers was difficult, but with the co-operation of Audit special teams of officers were constituted to liquidate the arrears and they were able to bring down the figures substantially.

The representative of the Ministry of Health stated that the bulk of the outstanding audit objections had been settled. Steps were being taken to clear the remaining arrears of about 600 or 700 objections as early as possible.

In a note submitted by the Ministry of External Affairs it has been stated that 3125 audit objections relating to the Ministry (involving Rs. 31.46 lakhs) and objections involving Rs. 167.07 lakhs relating to the Tribal Areas and Naga Land were still outstanding. Besides, 521 inspection reports relating to the Ministry and 997 relating to the Tribal Areas and Naga Land were pending.

The representative of the Ministry of Finance (Department of Expenditure) stated that quarterly meetings were held where the audit objections were brought to the notice of each of the concerned officers of the various Ministries. With regard to the specific audit objections numbering 32,315 involving an amount of Rs. 3,407 lakhs spent without sanction, the Secretary, stated that the Ministry of Works, Housing and Rehabilitation was setting up a special unit to go into these cases and issue necessary sanctions.

The Committee have in their previous Reports emphasised the need for prompt clearance of outstanding audit objections and inspection reports. They regret to find that the position in respect of some Ministries continues to be unsatisfactory. Determined efforts are, therefore, called for to dispose of old objections and avoid their accumulation in future. The Committee note that orders were issued by Government in 1957 that the Ministries should designate a Senior Officer to deal with audit objections with a view to ensuring their prompt disposal. The Committee desire that such of the Ministries as have not designated a Special Officer for the purpose should soon take necessary action in the matter. The Committee also suggest that a procedure should be laid down to pick up for disposal more important objections which call for early settlement and which might otherwise involve possible loss to Government.

NEW DELHI:
 March 30, 1964.
 Chaitra 10, 1886 (Saka)

MAHAVIR TYAGI,
 Chairman,
 Public Accounts Committee.

APPENDIX I

Summary of main conclusions/Recommendations

S. No.	Para No. of Report	Ministry/Deptt. concerned	Conclusions/Recommendations
1	2	3	4
1	4	<u>Finance</u> All other Ministries	While the Committee appreciate that the annual estimates have to be framed keeping in view the Plan targets, they feel that there is all the more reason, to see that the estimates include provision for such schemes only as are mature enough to be taken up for execution and that the administrative machinery is fully geared up to achieve the targets. The estimates must also take into consideration the difficulties that are likely to be encountered in execution. Large savings clearly show that there is failure to spend usefully the funds to the extent anticipated. The Committee especially feel concerned to note the increase in the percentage of savings from 6.7% (Rs. 500 crores) in 1960-61 to 11.9% (Rs. 888 crores) in 1961-62. Such a situation calls for the need for better budgeting particularly in the matter of avoiding provision for immature schemes and for greater drive to achieve the Plan targets without overlooking the need for economy and financial regularity.
2	6	<u>Finance</u> Planning Commission	In para 6 of their 8th Report (Third Lok Sabha), the Committee had expressed concern over the continuance of savings in the schemes executed by the State Governments and had desired that the system should be reviewed with a view to providing for realistic estimates in this behalf in the budget placed before the Parliament. The Com-

1	2	3	4
			mittee desire that this matter should be examined in consultation with the Planning Commission and the States and steps taken to remedy the present position under which the States fail to utilise the provision made for development schemes in the Central budget.
3	7	Information, Broadcasts <hr/> Finance	The Committee feel concerned at the shortfall of expenditure to the tune of Rs. 3·03 crores (61·2%) in regard to installation of transmitters. While they note the difficulties in acquisition of lands through the State Governments, they suggest that in such cases only a token provision should be included in the original budget estimates to cover the preliminary expenses and for other initial outlay which could be definitely foreseen and a supplementary grant should be obtained later, if necessary.
4	8	Food & Agriculture (Food) <hr/> Finance	The Committee regret to note that although the Department of Food decided to curtail import in October, 1961 and informed the Finance Ministry about the saving in November, 1961, the amount was not surrendered till March, 1962.
5	9	Food, Agriculture (Agriculture) <hr/> Finance	(i) The Committee are not satisfied with the explanation given for the Savings under some Grants relating to Deptt. of Agriculture. The instructions issued by the Ministry of Finance in 1958 pursuant to the recommendation contained in the 8th Report of the Committee (Second Lok Sabha) should have been followed in the present cases. The Committee hope that such cases will be avoided in future. (ii) Another point to which the Committee wish to draw attention is that at present there are a number of Research Institutes for

various commodities under the Department of Agriculture, viz., Indian Agricultural Research Institute, Central Rice Research Institute, Central Potato Research Institute, Central Arid Zone Research Institute, Soil Conservation Research and Demonstration Centres, Institute of Agricultural Research Statistics and Indian Grassland and Fodder Research Institute. At the instance of the Committee, the Department of Agriculture have furnished a note to the Committee stating the various researches carried out by these Institutes and how far these researches have helped in the development of agriculture. The Committee feel that instead of having a multiplicity of Research Institutes, the Ministry should examine the feasibility of merging some of them in a single Institute with research stations spread over the various parts of the country, with a view to effecting economy in expenditure on establishment and securing better planning and co-ordination of research programmes.

45

6 10

Education

Finance

The Committee suggest that before including various schemes in the budget, the availability of foreign exchange for the purpose should be ascertained in consultation with the Ministry of Finance well in advance. Where the availability of foreign exchange for schemes was doubtful, only a small provision should be included in the original budget and supplementary grant obtained as and when the foreign exchange becomes available.

7 11

Health

(i) The Committee expected greater expedition on the part of the Institute in securing a change in design when they had their own Building Committee and an engineering unit to deal with the architects. They are surprised to note that construction of Ward block could not commence at all during the year.

(ii) **The Committee hope that in the background of the experience gained in 1961-62, there would be closer budgeting during the subsequent years. They also desire to emphasize the necessity of constant review to watch whether results achieved are commensurate with the expenditure incurred on Family Planning.**

8

12 **Steel, Mines & Heavy Engineering (Mines & Metals)**

Finance

The Committee are surprised how the Finance Ministry agreed with the view that funds could be provided for the purchase of assets of the Jaipur Mining Corporation by re-appropriation without obtaining the specific approval of Parliament for the expenditure. The Committee note that the funds provided by re-appropriation in 1961-62 had remained unutilised. Also, no specific provision for the expenditure was made in the budget for 1962-63 and thus the opportunity for obtaining the specific approval of Parliament was not availed of. Since the purchase of the assets of the Corporation involved expenditure on a 'new service' in 1962-63 the Committee feel that this requires regularisation by Parliament, *ex post facto*. In para 82 of their 42nd Report (Second Lok Sabha), the Committee had discussed the manner of regularisation of expenditure on a 'new service' which may be disclosed after the end of the financial year. The Committee had expressed the opinion that as in the pre-Constitution days, such cases could be brought before Parliament for approval, without violating any of the provisions of the Constitution, by moving a resolution in appropriate terms and getting its approval *ex post facto* to the money spent on such items. The Committee

regret to point out that the comments of Government on this recommendation have not yet been furnished to them. The Committee would like to urge on Government to expedite their decision in this behalf and take necessary action in the present case.

9 13

The Committee note the slow progress of settlement of the outstanding loans during the last three years i.e., on the 31st December, 1963, 8249 outstanding loan cases involving a sum of Rs. 5.18 crores were pending settlement as against 11,682 outstanding loan cases involving a sum of Rs. 7.30 crores as on the 31st December, 1960 and that the establishment charges incurred on the realisation of these loans were about 10 per cent. The Committee would reiterate their earlier recommendation contained in sub-paras 9 and 10 of para 10 of their 7th Report (3rd Lok Sabha) that effective steps should be taken to expedite the recovery of the outstanding loans and with a view to ensuring an economic working of the Rehabilitation Finance Administration Unit, its establishment charges should be periodically reviewed in the light of the outstanding cases, and suitable economies effected.

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10 14 Finance (Eco. Affairs)

The Committee would like to refer to their earlier observation contained in sub-para 8 of para 10 of their 7th Report (Third Lok Sabha) to the effect that such irregularities as disclosed in the Audit Report presented a dismal picture of the manner in which the Administration was conducting its affairs resulting in avoidable loss of public money. The Committee hope that the Ministry of Finance will take such remedial measures as are possible at this stage to mitigate the losses.

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11	15	<u>Finance (Eco. Affairs)</u> <u>Finance (Revenue)</u>	<p>The Committee take a serious note of the disregard of the prescribed procedure regarding storage of valuable by the Supervisory Officers in not exercising proper checks which facilitated loss of confiscated currency notes and other securities amounting to Rs. 10,656. The Committee also regret the abnormal delay in completing the departmental inquiry. They hope that the departmental enquiry will be expedited and suitable punishment awarded to the guilty officer and to those who failed to exercise proper supervision.</p>
12	16	<u>Finance (Econ. Affairs)</u> <u>Finance (Revenue)</u>	<p>The Committee regret to observe that due to various administrative delays at different stages, 367 buildings rendered surplus as early as in January, 1955 could not be suitably disposed of for a considerable length of time. 119 buildings were transferred to the Ministry of Health in Oct. 1961 and 222 buildings (book value Rs. 3.44 lakhs) had to be written off in December, 1962. A sum of about Rs. 1.60 lakhs was spent on the Watch and Ward of these vacant buildings upto July 1962, and thereafter an expenditure of about Rs. 1350 p.m. was being incurred on this account.</p> <p>The Committee were informed that these buildings were offered to the Madras Government in December, 1955 and that the negotiations with that Government broke down as they offered only Rs. 34,000 against the estimated market value of Rs. 93,000. The Committee consider it unfortunate that this offer was not accepted and that the auction notices were issued only in December, 1963 for</p>

the first time. The Committee regret that so little progress should have been made in the disposal of buildings which had become surplus as early as in February, 1955—more than 8 years ago and consider that the responsibility should be fixed for failure to take appropriate action at the different stages. The Committee would like to be informed of the final disposal of these buildings.

13 17

Finance The Committee are sorry to note that there are continued delays in sending the pension cases to Audit Offices. With regard to the furnishing of particulars for settlement of Provident Fund balances also, the position is not satisfactory as will be observed from the Audit para. The Committee consider it extremely unfair that the retirement dues of government servants retiring after a long service of about 25 or 30 years should be delayed in this fashion. In this connection, the Committee would like to refer to their earlier recommendation contained in sub-paras 5 and 6 of para 46 of their 8th Report (Third Lok Sabha). In view of the continuing unsatisfactory position in this regard, the Committee suggest that the government should appoint a Committee with a Senior Officer of the Comptroller & Auditor General and another Senior Officer of the Ministry of Finance to examine the various problems connected with the settlement of retirement dues and to streamline the entire procedure with a view to ensuring that the retirement dues are paid promptly to avoid any financial hardship to the retiring government servants.

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14 18 Steel, Mines & Heavy Engineering (Mines & Metals)

Finance (Revenue)

(i) The Committee are surprised to note that the final figures of the Excise Duty collected during the year 1961-62 were made available by the Coal Board only in December, 1963 i.e. after 18 months

(after the end of even the subsequent financial year). The Committee suggest that steps should be taken to improve the certification procedure and fix a time limit for the submission of the collection returns of Excise Duty. This is all the more necessary in view of the statutory provision that the sum payable by the Government to the Coal Board in any year should not exceed the net proceeds of duties of Excise collected in the preceding financial year.

(ii) The Committee suggest that Government should restrict provisional payments to the Coal Board to an amount which will be well within the receipts from Excise Duty during the previous year in order to avoid contravention of the provisions of the Act.

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19 Steel, Mines & Heavy Engineering (Mines & Metals)

From the heavy accumulation of balances with the Coal Board (Rs. 289.48 lakhs on 31-3-1962) it is obvious that the various schemes sponsored by the Coal Board have not been making progress as anticipated. This needs looking into. The Committee also suggest that the amounts to be paid by Government to the Coal Board should be realistically assessed on the basis of actual requirements, so as to avoid such heavy accumulations in future.

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Do.

The argument advanced by the Ministry that grading and regarding of a colliery is an administrative matter without any financial implication so far as the Government and Board are concerned, is not convincing to the Committee. When higher prices are charged for the Coal purchased on the basis of the grade fixed erroneously

such of the consumers as have no arrangements for independent analysis of coal samples may have to pay at a higher rate for coal of a sub-standard quality. Similarly various Government agencies who may purchase from the collieries are also likely to lose in the transactions.

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Do.

The Committee consider it unfortunate that there should have been inordinate delay in taking suitable action on the recommendations of the Technical Committee appointed by Government in January, 1962 for looking into the question of grading and sampling of coal on a scientific basis. The Technical Committee gave its report in July, 1962, but action proposed to be taken on its recommendations has not yet been finally decided. In view of the accepted fact that the present system of grading and pricing of coal is unscientific and irrational, the Committee hope that necessary steps to improve the position will be taken without further loss of time.

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Do.

The Committee suggest that in addition to the accounting checks, the question of introducing suitable administrative checks to ensure that the grants and advances involving large amounts given to the collieries are being utilised for the purposes for which they are being given may be examined.

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Do.

The Committee suggest that delay in the recovery of instalments of principal and interest in respect of loans advanced to the Collieries should be avoided and that steps should be taken to avoid any accumulation of arrears in this regard.

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Do.

The Committee are of the view that in the absence of any damages being claimed from contractors for the delay in execution of contracts, the supply of steel may be quite uncertain and the contractors

who are mainly concerned with the supply of imported articles, may tend to withhold supply when prices go up and make the supply later on when prices come down. In order to eliminate minimise the delay, the Committee recommend that some penalty should be imposed on the contractors for their failure to fulfil contracts within the specified time and suitable provision be made in the contracts.

Steel, Mines and Heavy
Engineering
(Iron & Steel)

(ii) It was pointed out by the Comptroller & Auditor General during evidence that according to the Manual of Purchase Order of D.G.S. & D. whenever it was decided to extend the period of completion of contract subject to recovery of liquidated damages for delay in supplies, the contractor must be given a warning to this effect in writing at the time of granting the extension and it would not be correct to grant extension without any mention of the liquidated damages. The representative of the Ministry informed the Committee that the D.G.S. & D. Manual was not applicable to the Iron and Steel Controller's Organisation and they were guided by ordinary purchase rules of Government. The Committee feel that without any proper and uniform purchase procedure, there are possibilities of some lacuna being left in the contract. The Committee regret to note that the provisions of the manual of the D.G.S. & D. had not been followed without any recorded reasons as to why they were considered inappropriate for the Iron and Steel Controller's Organisation. The procedure laid down in that manual was obviously evolved in the light of actual purchase experi-

ence over a long period of years and in the light of legal advice obtained from time to time. The Committee desire that the Iron and Steel Controller's Organisation should either be guided by the D.G.S. & D. Manual with suitable modifications where necessary or they should prepare and publish their own manual.

Do. (iii) The Committee further desire that this matter regarding levying of liquidated damages be reviewed again with a view to safeguarding the Government's interest as regards delay and financial losses.

21 25 Do. In reply to a question, the witness agreed to examine the proposal of inviting either open tenders or limited tenders for selection of handling agents. The Committee may be apprised of the decision taken in the matter.

22 26 Do. In the course of evidence, the Committee were informed that the question of making an *ad hoc* recovery from the controlled stockists on account of cost of packing material had not been considered as the controlled stockists had to incur certain expenditure on handling and opening of packages, etc. In the view of the Committee it is a normal feature for purchasers to incur certain expenditure while taking delivery or opening packages. The Committee are surprised that for Steel which is paid for on the basis of the gross weight including the cost of packing material, the controlled stockists are allowed an undue advantage by being required to pay only for the net weight and without making any payment for the packing material which they retain and can dispose of for an appreciable amount. They are,

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23	27	Do.	<p>therefore, of the opinion that in order to make up the loss on account of packing material suitable recovery should be made from the controlled stockists.</p> <p>The Committee note that the Minister of Steel, Mines and Heavy Engineering announced in Lok Sabha on the 2nd March, 1964 that "now that freight equalisation will be entrusted to the Joint Plant Committee and statutory control over price is abolished in the case of bulk production, there is no further need to continue the operations of Equalisation Fund. Accruals to the Fund and payments from the Fund resulting from previous transactions will, however, have to continue". He added that Government had decided that as from 1st March, there should be no new transactions involving payment either to or from the (Steel) Equalisation Fund. The Committee trust, therefore, that the final settlement of the outstandings against the producers etc. would be expedited.</p>
24	28	<p>Fianance</p> <hr/> <p>All other Ministries</p>	<p>(i) The Committee take a serious note of delays in furnishing utilisation certificates by the grantees. It is regrettable that despite the instructions that where utilisation certificates were not received within the stipulated period, further grants should not be given, grants are continued to be issued to the institutions from whom utilisation certificates have been pending for the last several years. The Committee desire that the Ministry of Finance should review the position and take necessary</p>

remedial measures to ensure that further grants are not made to the institutions which default in submission of utilisation certificates in time.

(ii) The Committee suggest that the position regarding Financial Advisers should be stream-lined by the Ministry of Finance so that Government are able to exercise proper checks and vigilance through the Financial Advisers attached to the autonomous bodies etc. receiving large grants.

(iii) The Committee would also like to draw attention to their observation made in para 4 of their 24th Report (Third Lok Sabha) regarding the need for compliance with the instructions issued by the Finance Ministry in February, 1960 laying down that assets created out of Government grant should not without the prior approval of the Government be disposed of/encumbered or utilised for purposes other than those for which grants had been sanctioned. The Committee hope that these conditions will be strictly enforced by the Ministries issuing grants.

(iv) The Committee suggest that the feasibility of laying down a general rule that all applications for grants from private organisations or institutions should be processed through the State Government concerned, unless the institutions are of All India character and on the approved list drawn up by the Central Government, may be examined.

The Committee have in their previous Reports emphasised the need for prompt clearance of outstanding audit objections and ins-

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pection reports. They regret to find that the position in respect of some Ministries continues to be unsatisfactory. Determined efforts are, therefore, called for to dispose of old objections and avoid their accumulation in future. The Committee note that orders were issued by Government in 1957 that the Ministries should designate a Senior Officer to deal with audit objections with a view to ensuring their prompt disposal. The Committee desire that such of the Ministries as have not designated a Special Officer for the purpose should soon take necessary action in the matter. The Committee also suggest that a procedure should be laid down to pick up for disposal more important objections which call for early settlement and which might otherwise involve possible loss to Government.

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31.	B. S. Jain & Company, 71, Ahupura, Muzaffar- nagar	90	46.	Bahri Brothers, 188, Lajpat Rai Market, Delhi-6	27
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34.	W. Newman & Company Limited, 3, Old Court House Street, Calcutta	44	50.	Mehra Brothers, 50-G, Kalkaji, New Delhi-19	85
35.	Thacker Spink & Com- pany (1933) Private Ltd., 3, Esplanade, East, Calcutta-1.	45	51.	Dhanwantra Medical & Law Book House, 1522, Lajpat Rai Mar- ket, Delhi-6	87
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40.	J. M. Jaina & Brothers, Mori Gate, Delhi	11	AGENTS IN FOREIGN COUNTRIES		
41.	The Central News Agency, 23/90, Connaught Circus, New Delhi	15	56.	The Secretary, Establishment Depart- ment, the High Commission of India, India House, Aldwych, LONDON, W.C.-2	59
42.	The English Book Store, 7-L, Connaught Cir- cus, New Delhi	20			
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