

**PUBLIC ACCOUNTS COMMITTEE
1963-64**

TWENTY-SIXTH REPORT

(THIRD LOK SABHA)

[Action taken by Government on the Outstanding Recommendations of the Public Accounts Committee contained in their 3rd, 7th, 8th, 9th, 10th and 12th Reports (Third Lok Sabha) relating to Civil Accounts and 4th and 11th Reports (Third Lok Sabha) relating to Defence Services Accounts].

VOL. II—APPENDICES



**LOK SABHA SECRETARIAT
NEW DELHI**

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CONTENTS

	PAGE
'Composition of the Public Accounts Committee (1963-64) . . .	(ii)

APPENDICES

Statement showing action taken or proposed to be taken on the
recommendations of the P. A. C. relating to
Ministry of—

*III.	Community Development & Co-operation	1
IV.	Education	4
V.	External Affairs	11
VI.	Finance	19
VII.	Food and Agriculture (Department of Agriculture)	33
VIII.	Food and Agriculture (Department of Food)	46
IX.	Health	49
X.	Home Affairs	50
XI.	Industry	64
XII.	International Trade	79
XIII.	Expenditure on Publications of Annual Reports of Public Undertakings	99
XIV.	Irrigation and Power	104
XV.	Labour and Employment	111
XVI.	Steel, Mines and Heavy Engineering	120
XVII.	Supply (Department)	127
XVIII.	Transport	136
XIX.	Works, Housing and Rehabilitation (Department of Rehabilitation)	151
XX.	Works, Housing and Rehabilitation (Department of Works and Housing)	154
XXI.	Defence (Defence Services Accounts)	165

*Appendices I and II are appended to Vol. I—Report.

PUBLIC ACCOUNTS COMMITTEE (1963-64)

CHAIRMAN

Shri R. K. Khadilkar*

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21. ***Pandit S. S. N. Tankha

SECRETARIAT

Shri H. N. Trivedi—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

*Appointed as the Chairman of the Committee on 17-4-1964 vice Shri Mahavir Tyagi ceased to be a Member of the Committee on his appointment as a Minister.

**Declared elected on the 29th November, 1963 vice Shri Bhakt Darshan 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.

£ Ceased to be Members of the Committee consequent on their retirement from the Rajya Sabha on 2-4-1964 under Article 83(1) of the Constitution.

APPENDIX III
MINISTRY OF COMMUNITY DEVELOPMENT & CO-OPERATION
(Department of Community Development)

*Statement showing Action taken or proposed to be taken on the re-
commendations of the P.A.C.*

EIGHTH REPORT (Third Lok Sabha)

Recommendation

1. *The Committee are not convinced of the utility of the post of the Social Educational Organiser. They trust the Ministry will take up this matter urgently and either merge the duties and functions of this officer with another or abolish the post altogether.*

[S. No. 18 of Appendix IV to the Eighth Report, 1962-63]

ACTION TAKEN

The Social Education Organiser, as a member of the Block Team of Extension Officers, was entrusted with the responsibility of promoting youth and other associate organisations, adult literacy, library and reading rooms, leadership training programme of Gram Sahayaks Camps, Youth Camps, School Teachers' Camps in Social Education and recreational and cultural activities.

2. With the introduction of Panchayati Raj some changes took place in the functions of the Social Education Organisers. Based on the recommendation of the Annual Conference of Community Development held in 1960, the State Governments were permitted to combine the functions of the S. E. O. with that of the Panchayat Extension Officer or the Sub-Deputy Inspector of Schools in blocks, where they were not able to provide a separate functionary for Social Education. The Ministry communicated to the State Governments three job charts relating to (1) Panchayat Extension Work, (2) Promotion of Community Organisations, including youth organisations, and (3) Educational, recreational, cultural and social activities as a part of the adult education programme. The States were requested to apportion the entire work among different functionaries, depending on the number of functionaries available and the quantum of work. The emphasis in the job of the Social Education Organiser was shifted to organisational work, organisation of yuvak mandals and other associate groups. Some of the State Governments have accordingly combined the post of Social Education Organiser with that of the Panchayat Extension Officer or the Education Extension Officer in blocks. Even where the Social Education Organiser has been given a composite role, in the field either of Education or of Panchayats, in addition to that of Social Education, it was emphasized that his principal tasks relating to Social Education should not suffer and for this purpose he should continue to receive the prescribed training. This was reiterated by the recent Conference of State Ministers of Community Development and Panchayati Raj.

3. With the introduction of Village Volunteer Force, the Social Education Organiser is further required to associate himself actively with the training of Dalapatis and other members of the village Volunteer Force, besides promoting the programme of mass education through the organisation of radio listening groups and information-cum-Community Centres.

4. In view of the position explained above, it is necessary to have in each block a functionary who will look after the programmes of Social Education. While it is desirable to have a separate Social Education Organiser for this purpose, the State Governments have been given the freedom to combine this post with that of Panchayat Extension Officer or the Education Extension Officer, provided the principal task of this combined functionary relating to social Education does not suffer and he receives the prescribed training appropriate to this task.

[O.M. No. 27/7/63-Bud., dated 4th April, 1964]

Recommendation

2. *In the opinion of the Committee, the production purchase or translation of books should not be undertaken by the Ministry of Community Development & Cooperation. This function should better be left either to the Ministry of Education or to the Ministry of Information & Broadcasting who are in a better position to ensure the correctness of the facts contained in the books.*

[S. No. 20 of Appendix IV to the Eighth Report, 1962-63]

ACTION TAKEN

The Scheme for the production of literature as visualised by this Ministry is primarily meant for the members of the Panchayati Raj Institutions, cooperatives etc. who are engaged in Community Development and Cooperation programmes and not exclusively for neo-literates. The scheme is implemented jointly by the Ministries of Community Development & Cooperation, Education and Information and Broadcasting. The Ministry of Community Development & Cooperation, which possesses the necessary technical knowledge of the requirements of Community Development and Cooperation programmes, selects the subjects and draws up synopsis. Selection of books/ manuscripts on these subjects is done by the Ministry of Education. Rendering in regional languages, printing, price fixation as well as distribution are done by the Ministry of Information & Broadcasting.

2. In the initial stages of the scheme there was not good response to the invitation for entries of books and manuscripts on approved subjects. As a result, books which had won prizes under other schemes of the Ministry of Education were purchased for supply to village libraries. Since then there has been steady progress.

3. Having regard to the observations made by the Public Accounts Committee, the working of the Scheme was recently reviewed by this Ministry in consultation with the Ministry of Finance. It was agreed that, with a view to avoiding duplication, the

scheme should be re-oriented and funds allotted should be exclusively utilised for the production and distribution of literature conducive to the concept of Community Development, Panchayati Raj and Cooperation. Under the revised scheme, it has been decided not to produce books on cultural subjects, but to confine production to subjects with which this Ministry is directly concerned.

[O.M. No. 27/7/63-Bud., dated 4th April, 1964]

Recommendation

3. *The Committee would like the Ministry to lay stress on the actual execution of the programme and the achievements made and not on the amount of money spent on the programme. The Ministry should also make periodical assessment of the physical targets achieved so that a watch may be kept on the progress made in different spheres.*

[S. No. 21 of Appendix IV to Eighth Report, 1962-63]

ACTION TAKEN

This Ministry is already laying great emphasis on the review of progress in terms of physical achievements. The schedules for periodical Block level progress prescribed by the Ministry mainly relate to items of physical progress. The Annual Appraisal of progress of the Community Development programme prepared by the Ministry is also devoted mostly to an analysis of physical achievements. The brief financial review given in the appraisal is meant to ascertain the extent to which the Plan outlays have been utilised in the prescribed manner, according to the priorities fixed, and to assess whether the physical achievements are commensurate with the funds spent for the purpose.

2. An attempt is now being made to evolve a suitable procedure for obtaining independent estimates of agricultural production at the level of each Block. If this proves successful and Block level estimates of agricultural production are obtained as a regular feature, it will be possible to relate the progress in making available various inputs with the end result of increase in actual production.

[O.M. No. 27/7/63-Bud., dated 4th April, 1964]

APPENDIX IV
MINISTRY OF EDUCATION

*Action taken or proposed to be taken on the recommendations of the
Public Accounts Committee*

EIGHTH REPORT (Third Lok Sabha)

Recommendation

1. *A detailed statement regarding submission of utilisation certificates by voluntary welfare institutions in respect of grants given to them by the Central Social Welfare Board is still awaited. The Committee would defer their comments till the requisite information is received from the Ministry.*

[S. No. 23 of Appendix IV to Eighth Report (1962-63)]

ACTION TAKEN

The requisite information has already been submitted to the Public Accounts Committee vide item No. 4 of the statement enclosed with the Ministry of Education's O.M. No. F. 5-21/62-SW.3, dated 22nd March 1963.

[O.M. No. F. 6-3/63-A.8, dated 9-8-63]

Recommendation

2. *The Committee desired to be furnished with the following further information:—*

- (a) *a statement regarding purchase and maintenance of jeeps by the Board for the last three years.*
- (b) *a statement giving a year-wise break-up of the expenditure of the Board since its inception.*

The Committee regret that neither of the statements has yet been received. The Committee, therefore, defer their comments on these aspects of the question. In the mean time, in view of the paramount need for economy, in the background of the national emergency, the Committee would like the Ministry to explore the possibility of curtailing expenditure incurred by the Central Social Welfare Board.

[S. No. 24 of Appendix IV to Eighth Report (1962-63)]

ACTION TAKEN

The information regarding jeeps and the CSWB's expenditure has already been submitted to the Public Accounts Committee vide items No. 2 and 3 of the statement enclosed with the Ministry of Education's O.M. No. F. 5-21/62-SW.3, dated the 22nd March 1963, addressed to the Lok Sabha Sectt. (not printed). As regards the Committee's observations regarding economy in the Central Social Welfare

Board's expenditure, steps have already been taken in this direction. Thus at the time of preparation of the revised estimates for the Board's expenditure for the year 1962-63, the provision for the Board was reduced from Rs. 250 lakhs to Rs. 195 lakhs. Again, for the year 1963-64, the Board had proposed a budget provision of Rs. 260 lakhs. The amount actually provided for the Board in the current financial year's budget is, however, only Rs. 200 lakhs inspite of the fact that the Board now has to spend more on some items of its programme on account of re-orientation of those items towards defence effort.

[O.M. No. F. 6-3/63-A.8, dated 9-8-63]

Recommendation

3. (i) *The Committee regret to observe that the mistake in notification issued by the M/E.A., which showed the appointment of the officer concerned as First Secretary, had entailed to Government an extra avoidable expenditure of over Rs. 10,000/-. The Committee consider this as unfortunate. They trust that care will, henceforth be taken by the Ministry concerned to ensure that mistakes of this type do not recur.*

(ii) *The Committee hope that such non-recovery would not be allowed to become a precedent for future.*

(iii) *The Committee also feel that after the Education Ministry had pointed out to the Mission that the officer concerned was not entitled to the residence for which negotiations were being conducted, it should have, instead of further proceeding in the matter, referred the case to the Ministries concerned and taken their specific approval to the proposed lease deed. This, unfortunately was not done.*

[S. No. 26 of Appendix IV to 8th Report (1962-63)].

ACTION TAKEN

(i) The requisite order (not a Notification as stated by the Committee), granting the rank of First Secretary, with allowances as such was issued by the Ministry of Education on the advice of the Foreign Service Board, received, through the Ministry of External Affairs. It appears, however, that the decision of Board was based on some misunderstanding. A copy of the recommendation and Report of the PAC (including this particular recommendation) has been sent to the Ministry of External Affairs for guidance. No specific action on the part of this Ministry is necessary. The recommendation has, however, also been noted by Ministry of Education.

(ii) The recommendation has been noted.

(iii) A copy of the recommendation has been sent to the Embassy of India, Washington for information and guidance.

[O.M. No. F. 6-3/63-A.8, dated 9-8-63]

Recommendation

4. *The Committee take a serious view that an organisation, like the Central Social Welfare Board, fed by Govt. grants, should have*

persisted in following irregular procedure, resulting in defalcation, regardless of objection by audit and directives by Govt. The Committee trust that the Ministry of Education will, henceforth, be more effective in ensuring not only proper utilisation of their grants but also strict compliance with their directives, by the Board.

[S. No. 27 of Appendix IV to 8th Report (1962-63)]

ACTION TAKEN

The Committee's observations have been noted.

[O.M. No. F. 6-3/63-A.8, dated 9-8-63]

Recommendation

5. The Committee were informed that with a view to obviating the recurrence of cases of the present type a number of measures had since been introduced to improve the accounting and cash procedure in the Central Social Welfare Board. The Committee trust that the introduction of these measures will result in the achievement of the end in view.

[S. No. 28 of Appendix IV to 8th Report, (1962-63)]

ACTION TAKEN

The Committee's observations have been noted.

[O.M. No. F. 6-3/63-A. 8 dated 9-8-63]

Recommendation

6. The Committee desire that the Departmental proceeding should be finalised at an early date and report made to them.

[S. No. 29 of Appendix IV to 8th Report (1962-63)]

ACTION TAKEN

The Committee's observations have been noted. A Departmental Committee consisting of the Chairman, Central Social Welfare Board (Chairman) and Deputy Educational Adviser, Social Welfare Division, Ministry of Education (Member) has since been set up. The Committee is expected to finalise its report by 19th December 1963.

[O.M. No. F. 6-3/63-A.8, dated 9-8-63]

Recommendation

7. While the Committee appreciate the circumstances in which the Education Department, Tripura had to undertake departmental construction of buildings, they see no justification on the part of the Department for withdrawing excessive funds from the Treasury during the last few days of the financial year as also their failure to execute formal agreements with contractors or take earnest money or security deposit from them. The Committee are also unable to understand how, in the absence of measurement books, the Department could ensure that the payments made to the contractors were in conformity with the actual work done by them. The Committee trust that care will, henceforth, be taken by the Department to obviate the recurrence of such irregularities.

[S. No. 30 Appendix IV to the 8th Report 1962-63]

ACTION TAKEN

The observations made by the Public Accounts Committee in this behalf were duly communicated to the Tripura Administration. The Administration have since reported that they have issued instructions to their Education Department to take steps to avoid recurrence of such irregularities in future *vide* Tripura Administration letter No F. 6(1)-Fin(B)/63, dated the 6th June, 1963.

[O.M. No. 6-9/63-A. 8 (Vol. II) dated 9-12-63]

Recommendation

8. While agreeing with the view of the Ministry that the appointment of Chartered Accountants for auditing the accounts of each camp would not be commensurate with the expenditure involved, the Committee feel that it would be useful to have the accounts of a group of camps audited every year in rotation. The Committee would also like to reiterate their earlier recommendation that the auditors for this purpose should be appointed with the approval of the Comptroller and Auditor General, who should further be authorised to issue directions to the auditors in regard to the manner in which the accounts shall be audited. The Committee also suggest that, in view of the large scale grants, that are being given to the Bharat Sevak Samaj, the feasibility of associating one of the officers of the Ministry of Finance with the Samaj to tender advice in financial matters may also be examined.

[S. No. 32 of Appendix IV to 8th Report (1962-63)].

ACTION TAKEN

The recommendation made by the Public Accounts Committee for the appointment of a few internal auditors by the Bharat Sevak Samaj has been further examined. The Government do not consider it necessary to implement this recommendation at present as the pattern of camp movement has since been revised from the current financial year with effect from 1st April, 1963. The Scheme of Labour and Social Service Camps has since been reoriented with a view to assessing to what extent self-sufficiency could be achieved. In these camps only remunerative projects are proposed to be taken up and the beneficiary agency is expected to pay for the labour put in by the students on the projects in those camps. In view of the changed situation it is likely that the Samaj will not be able to conduct as many camps as they had hitherto been conducting. Accordingly the concession extended to them that the camp accounts may be audited by the Block Development Officers, Inspectors of Schools, Headmasters and Principals of Schools and Colleges, Local Fund Auditors, Officers of the Co-operative Department etc. has been withdrawn. The rules and conditions of the reoriented scheme require that accounts of all the camps should be audited by Chartered Accountants. In the circumstances the question of appointment of internal auditors does not arise as the camp accounts will now be audited by chartered accountants.

The task of reviewing the grants-in-aid given to Bharat Sevak Samaj by different Central Ministries will be performed by the Co-ordination Committee on Public Co-operation. The Ministries concerned are already represented on this Committee. Besides, a post of Finance Officer to be attached to the Secretary, National Advisory Committee on Public Co-operation has already been sanctioned. The post is being filled by the Planning Commission in consultation with the Ministry of Home Affairs.

[O.M. No. F. 6-3/63-A. 8 dated 9-8-63]

Recommendation

9. *The Committee observe that the maps sold to the general public constitute a small proportion of the total number of maps issued by the Map Record & Issue Office, Dehra Dun. The Committee, therefore, suggest that the question of fixing ad hoc prices of these maps and thereby effecting economies in the maintenance of cost accounting staff for determining the cost of these maps, may be urgently examined by the Ministry. The extent of savings in annual recurring expenditure as a result of this measure may be intimated to the Committee.*

[S. No. 78 Appendix IV to Eighth Report 1962-63]

ACTION TAKEN

It is not a fact that a fairly large complement of staff is being employed in the Survey of India to do a detailed costing of the sale price of maps to be sold to the public. The position is that cost rate books are maintained in every section of the Reproduction offices of the Department by the section officer himself or by another person deputed by him for any work that passes through the section. The maintenance of the cost rate books takes only a very small time of the Section Officer as he just computes the figure from the schedule of rates and enters in the register slip of the job. On the basis of these entries, a monthly statement of income and expenditure of the different sections of the Reproduction offices is made out to enable the Manager and the Director to watch the expenditure on stores and other items and to check the profit and loss of each section which, in turn, indicates the work-load and the efficiency of each section. These data have to be maintained in the Survey of India factories with the object of maintaining a check on their efficiency.

As regards the pricing of maps of different series, the prices are fixed by working out the cost of reproduction of some sample maps of a series from the plate-making stage onwards in accordance with the schedule of rates. This job takes only a few man-days in the whole year and no special staff is employed particularly for this purpose.

The present system has proved to be in the interests of efficiency of the printing establishments and has worked satisfactorily. In view of this and as no special staff is employed by the Survey of India

Department on cost accounting it is felt that no change in the existing procedure is called for.

[S.R.C.A. O.M. No. F. 7(5)/62-Acc. dated 28-8-1963]

Recommendation

10. *The Committee regret to observe that the plant purchased by the Central Food Technological Research Institute, Mysore, at a cost of Rs. 2.00 lakhs for large-scale manufacture of Tapioca Macaroni has not been utilised for the intended purpose since January, 1961. The Committee desire that efforts should be made for the maximum utilisation of the plant, failing which steps should be taken for its disposal.*

[S. No. 80 of 8th Report (1962-63)]

ACTION TAKEN

The objection is based on the assumption that the plant was intended for use as a regular production unit. It was actually intended for use as an experimental plant to demonstrate the possibilities of the process developed by the Institute. The Kerala Government which was interested in the process asked for supply of certain quantities which were produced and paid for by that Government. They were satisfied with the possibilities and therefore asked for the design and estimates for a bigger plant with a capacity of 20 ton per day. This was furnished by the Institute.

The Plant has various components for unit operations and these different units are being used in connection with other experimental programmes. The latest developments in the line relate to the production of 'weaning foods with high protein contents' and the 'ready-to-eat pre-cooked foods' for the Armed Forces which have been appreciated by the U.N.I.C.E.F. and the Army Headquarters in the context of the present National Emergency.

In appreciation of the work done on protein rich foods at the Institute, the (NIH), United States of America, National Institutes of Health, have recently sanctioned a major project costing Rs. 38.00 lakhs and this Plan is being utilised as a major research equipment for this research work.

The Council of Scientific and Industrial Research has noted the observation of the Committee that the Plant should be fully utilised and steps in this direction will be taken.

[S.R.C.A. O.M. No. 18/1/63-PU dated 12-9-63.]

Recommendation

11. *The Committee were informed that the price of the plant had been fixed at Rs. 44,407. The party to whom the plant had been sold was a big firm in Kerala (should be Madras State). It had already paid Rs. 8,000 and according to a letter received from the firm, the balance would be paid in the month of March. The Committee would like to be informed when the full recovery of the amount due from the firm in question is effected.*

[S. No. 81 of Appendix IV to Eighth Report (1962-63)]

ACTION TAKEN

The Plant for the production of Multi-purpose Food was located in Coimbatore for the purpose of meeting a specific demand of the Government of Madras for producing a protein food supplement in conjunction with the mid-day school feeding programme. The Plant was transferred, erected and run by the Institute to demonstrate the possibilities and also to keep a check on the quality. The ultimate object was to transfer the plant to industry as it was not considered desirable for the Institute to keep on with large-scale production worth thousands of rupees per day.

This being a new type of food to which the masses were not accustomed, the industry was fighting shy and was not coming to take up commercial production. The industrialist who eventually came forward was selected for the purpose in consultation with the Government of Madras. He undertook to provide the necessary facilities of accommodation, transport etc. and the Institute agreed to instal the plant, technical advice and supervision for the trial period of six months of the end of which the Industrialist would take over the plant on payment of cost.

As initially the installation of this plant was for demonstration purposes, it was not considered necessary to enter into formal agreement. An agreement was reached in respect of (i) cost of equipment and Plant and other charges payable by the firm to the Council of Scientific and Industrial Research and also (ii) the cost of the services, rent of buildings, salary of staff and wages of workers and other miscellaneous charges which were borne by the firm in the duration of working of the Plant by the Institute and thus payable by the Council.

The Amount due from the firm was arrived at Rs. 64,256.48 (including the cost of the Plant and equipment which was fixed at Rs. 44,407.25) and the amount payable by the C.S.I.R. to the firm was arrived at Rs. 27,763.56. The net amount due from the firm was Rs. 36,492.92 which has been received from the firm in final settlement of the trial operation and cost of the Plant, on 29th March, 1963.

Thus a sum of round about Rs. 8,000 was adjusted towards the cost of the plant and not actually paid by the firm to the Council of Scientific and Industrial Research."

(S.R.C.A. O.M. Nò. 18/1/63-PU dated 12-9-63)

APPENDIX V

MINISTRY OF EXTERNAL AFFAIRS

Statement showing action taken or proposed to be taken on the recommendation of the P.A.C.

THIRD REPORT (Third Lok Sabha)

Recommendation

1. *The Committee note that while there has been some improvement in the situation some of the notes were received in the Lok Sabha Secretariat more than two months after the presentation of the Appropriation Accounts to Parliament. The Committee expect the Ministries strictly to adhere to the prescribed time limit and trust that every endeavour will be made to avoid similar delays in future. Had the Ministries furnished their notes in time, it would have been possible for the Committee to examine the excesses much earlier and present their Report to Parliament in the August-September, 1962 session.*

ACTION TAKEN

The observations of the Committee have been noted and necessary instructions issued to all concerned.

Recommendation

2. *One unsatisfactory feature noticed by the Committee was that out of 11 voted Grants in which excesses occurred in as many as 5 cases, amounts were surrendered as late as in March, 1961. This would show that the Ministries concerned did not have a correct appreciation of the trends of expenditure against these grants right upto the end of the Financial year. The Committee would like the Ministry of Finance to examine this aspect in detail in consultation with the Ministries concerned, so as to avoid such anomalous situations in future.*

ACTION TAKEN

The observations of the Committee have been noted and necessary instructions issued to all concerned.

Recommendation

3. *The Committee observe from the notes furnished to them by the Ministries concerned that, as in the previous years, the excesses were primarily due to defective assessment of requirements in the budget and in the revised estimates. In some cases misclassification*

in accounts was partly responsible for the excesses. This would indicate the imperative need for greater attention to estimating, control over progress of expenditure and prompt reconciliation of the departmental figures of expenditure with those of the Accounts Offices.

ACTION TAKEN

The observations of the Committee have been noted and necessary instructions issued to all concerned.

Recommendation

4. The Committee find from one of the explanatory notes on excesses that the Ministry of Finance have already issued clear instructions in June 1957 regarding provision for charged expenditure to meet payments of awards, Decrees, etc. likely to be made against Government during the year. They trust that these instructions would be followed strictly in future and that in regard to provision of fund to meet the expenditure on account of arbitration awards/ Court Decrees and their correct accounting, there will be no oversights or misunderstandings.

ACTION TAKEN

The observations of the Committee have been noted and necessary instructions issued to all concerned.

Recommendation

5. The Committee feel that the explanation of the Ministry is not quite satisfactory; for the Nagaland Administration should have got in touch with the State Government concerned and the Accounts Officers and ascertained the extent of debits likely to be raised. Obviously this was not done. This only confirms that there has been lack of close liaison between the Administration and the concerned State Governments and Accounts Offices. The Committee consider that there is a need for closer co-ordination amongst the various departments concerned with the object of ensuring that the expenditure does not exceed the voted grants.

ACTION TAKEN

The observations of the Committee have been noted and necessary instructions issued to the Nagaland Administration in particular and to the Authorities concerned in general.

A Note will be sent separately duly vetted by Audit.

[O.M. No. Q/7340/Aud/33/63-B & A. III, dated 36-9-63].

26-9-63].

EIGHTH REPORT (Third Lok Sabha)

Recommendation

6. The Committee feel that enough attention is not being paid to the tribal areas. They suggest that a small advisory committee consisting of members of Parliament from the areas may be constituted

to advise Government on matters concerning the development of the areas.

[S. No. 8, Appendix IV, 8th Report (3rd Lok Sabha)]

ACTION TAKEN

(i) The suggestion made has been given very careful consideration, but it is felt that it would not be practicable to set up such a committee for the present. However, because of the very special and deep attention actually paid to the area, schemes are formulated and funds provided for the maximum possible acceleration of effort. It is usually the limitations of terrain, personnel and logistics rather than a lack of interest or a lack of desire to progress quickly that sometimes results in shortfalls.

(ii) The figures of expenditure from 1953 onwards show the rapid increase. These are tabulated below:—

Year	Assam Rifles	Education	Econ. D. v. of Tribal Areas	Total Budget Grant.
	Rs.	Rs.	Rs.	Rs.
1953-54	1,59,49,441	3,72,478	30,68,323	3,78,53,000
1954-55	1,75,84,335	3,05,821	38,72,506	4,36,95,000
1955-56	2,42,85,901	5,45,457	34,56,723	5,22,67,000
1956-57	2,57,05,469	5,10,771	30,66,502	6,66,08,000
1957-58	2,91,89,769	13,70,363	81,71,903	5,82,02,000
1958-59	4,54,22,373	15,02,535	93,26,798	8,43,80,000
1959-60	5,04,05,931	15,32,118	95,69,756	8,70,90,000
1960-61	5,79,42,059	16,63,146	1,21,02,321	10,27,74,000

The slight apparent decrease in the total Budget Grant for 1957-58 was due to the transfer of Tuensang Frontier Division in NEFA to Nagaland.

(iii) The increase in expenditure has resulted in solid physical achievement. The educational statistics are summarised below:

Item	Position at time of Independence	Position today	Remarks
Schools in NEFA	3	211	
Students enrolment in NEFA	50	Over 9,000	
Middle Schools in NEFA	Nil	26	
High Schools & Higher Secondary schools	Nil	6	

At the time of Independence, there was only one single Matriculate in NEFA and due to the lack of an educational base, the next group of 3 students could only sit for Matriculation in 1954. Now that this base has been satisfactorily widened, rapidly increasing numbers

are becoming available for higher education. This year 35 students matriculated. Their quality is also excellent. During each of the last two years Matriculation success percentages have been over 70% as compared with the Gauhati University average of 40 to 50 per cent.

(iv) NEFA has produced its first Agricultural Graduate while another is studying for his Agricultural Degree. The first NEFA student is studying for his MBBS. As many as 136 trained Primary School teachers are now from NEFA itself and N.E.F.A. is producing its own rural health visitors and junior nurses at its own institution, as well as helping with stipends the training of compounders outside. NEFA hopes shortly to send its first engineering trainee for degree studies at Roorkee and special emphasis is being laid on technical education.

(v) NEFA now has 6 NCC Units and 20 ACC Platoons with the total enrolment of 470 Cadets.

(vi) NEFA now has 91 health Units and 14 Mobile Medical Teams as against 15 at the time of Independence. It has already surpassed the all-India average with one doctor for every 2,800 people and one hospital bed for every 370, although distances and difficulty of communications also have to be taken into account. The stress is now on preventive rather than curative measures. Malaria incidence has been reduced by 95% and the spleen rate around Pasaghat from 90 per cent to 4.8%. BCG teams have inoculated nearly 70,000 people. Smallpox inoculation is in progress and Goitre is being controlled by the distribution of iodised salts. 600 villages have benefitted from water supply schemes. 40 NEFA girls have been trained as Junior nurses and 18 boys as Health Assistants at the NEFA Health Training and Research Institute.

The commercial extraction of timber has increased twelvefold and forest revenues have risen from 3.41 lakhs in 1951-52 to 36.65 lakhs in 1962-63. Forest plantation and regeneration programmes are expanding. NEFA now has a co-operative Rice Mill, three tribal saw mills and is canning and bottling its own orange squash and pine-apples.

During the first two plans 780 miles of roads, 654 miles of bridle paths and 3389 miles of porter tracks were built.

9. Agricultural and livestock farms have been established and 413 Gram Sevaks including 300 Tribal candidates trained in NEFA's own institution. Agricultural implements worth Rs. 4,72,000 and 1,47,000 fruit grafts and seedlings have been distributed on subsidy. Many areas of NEFA where the people for several months of the year had to subsist on jungle roots are now agriculturally self-sufficient for the villagers food, and small surpluses are now becoming available for sale to Government staff in the interior.

There are now 43 co-operatives-Consumer, transport and milling, with a share capital of Rs. 2,81,62,000, as against 5 co-operatives in 1956-57.

Even more important has been the widening of the horizons of the people themselves. There are many instances of active help given to our forces during the recent operations. They welcomed the administration on its return and have volunteered in increasing numbers for the Armed Forces, Assam Rifles and Home Guards.

[O.M. No. Q/Aud./7340/30/63-BA. III, dated 3-1-64]

Recommendations

7. *The Committee feel that in all cases of the present type, the Ministry of Law should be consulted, at the initial stages so as to avoid complications later. The Committee would like to be informed of the final disposal of plots which could not be utilised for the purpose for which they were purchased.*

[S. No. 33—Appendix IV, 8th Report (3rd Lok Sabha)]

ACTION TAKEN

The Committee's recommendation has been brought to the notice of all Indian Missions and Posts abroad for compliance. The High Commission was advised to take up the matter with the Pakistan Government at the highest level when relations with Pakistan become more cordial. No progress in this case has been possible so far.

Recommendations

8. *The Committee feel that proper lists and stock registers should have been maintained when the furniture was originally received and also when it was transferred to another place. Non-maintenance of such registers shows laxity on the part of supervisory officers. They would reiterate their recommendation in para 65 of their Forty-Second Report (Second Lok Sabha) and desire that the Ministry of External Affairs should take steps to satisfy itself that at least now stock registers for furniture etc. are maintained by all the Indian Missions abroad and that the stocks are verified physically at regular intervals and reconciled.*

[S. No. 34—Annexure IV, 8th Report (3rd Lok Sabha)]

ACTION TAKEN

As a result of persistent and continuous follow-up action, Stock Registers from 72 Missions (including Karachi Mission) have already been received though with minor defects. Only 18 Missions have not been able to complete this work as yet.

As regards Karachi, it may be mentioned that there are more than 250 India-based Officers and members of Staff on the rolls of this Mission. The relevant Stock Registers have been compiled on the basis of physical verification and other records available with them and a copy of each has been received in this Ministry.

As regards physical verification, 46 Missions (including our Mission in Peking) have completed the work and sent physical verification certificates to the Ministry.

The defaulting Missions have been reminded and they have reported that they have taken the necessary steps to complete the work of physical verification.

Recommendations

9. *The Committee are unhappy to note that in spite of the fact that complete and detailed instructions with regard to maintenance of accounts had already been issued by the Ministry of External Affairs, some of the Missions did not observe them. They would like the Ministry to enjoin upon the Missions the importance of strictly observing such instructions.*

[S. No. 35, Appendix IV, 8th Report (3rd Lok Sabha)]

ACTION TAKEN

It has once again been enjoined upon all Missions/Posts of follow the instructions meticulously.

Recommendations

10. *The Committee take a serious note of the disregard of the financial rules by officers in high position who are expected to set examples in such matters for other staff. They Hope that the Ministry will take suitable measures to avoid a recurrence of such cases in future.*

[S. No. 36, Appendix IV, 8th Report (3rd Lok Sabha)]

ACTION TAKEN

Noted.

Necessary instructions have been issued.

Recommendations

11. *The Committee are perturbed over the negligence on the part of the supervisory officers in not exercising proper checks and taking things for granted which facilitated the embezzlement. They regret to note that there has been some delay in finalising action against the delinquent officers. The Committee recommend that a thorough investigation of this case should be made, responsibility fixed and suitable action taken against the delinquent officials. The Committee would also like to be apprised of the results of this investigation.*

[S. No. 37—Appendix IV, 8th Report (3rd Lok Sabha)]

ACTION TAKEN

The two locally recruited messengers who embezzled Government money were prosecuted in court and both of them were convicted to terms of imprisonment. The possibility of instituting civil proceedings to recover the amount of loss has been examined. Considering the financial standing of the two messengers, it has been decided that it would not be advisable to start such proceedings against them. They are making payments in instalments of small amounts.

The question of responsibility of the Supervisory officers and staff for the loss to Government is still being investigated.

Recommendations

12. *The Committee would like to observe that if prompt and adequate action had been taken when Audit pointed out bad state of accounts of the Consular section in November, 1958, this subsequent embezzlement could have perhaps been avoided. The Ministry should examine this aspect of the case also. The Committee would also like the case against the Supervisory officer to be decided expeditiously and the Committee be apprised of the same.*

[S. No. 39, Appendix IV, 8th Report (3rd Lok Sabha)]

ACTION TAKEN

The officer who committed the embezzlement has been dismissed from service. In the departmental proceedings against the supervisory officer, the penalty of Censure has been imposed on him on the advice of the U.P.S.C.

Recommendations

13. *The Committee are unhappy to note that in this case also, the supervisory officers have failed to discharge their duties efficiently and vigilantly. They hope that the supervisory officers will come upto expectations and streamline the working of the various Indian Missions abroad. They hope that action against the supervisory officers concerned would be completed soon the Committee apprised of the same.*

[S. No. 39—Appendix IV, 8th Report (3rd Lok Sabha)]

ACTION TAKEN

The court case against the India-based Cashier, who committed the embezzlement is still proceeding. As advised by Special Police Establishment, the action against the supervisory officers has to wait till the court case against the cashier is decided.

Recommendations

14. *The Committee are surprised to note that although the Ministry got the information about this case as early as December, 1960, they informed the Accountant General, Central Revenues, only in February, 1962, and that the explanation of the supervisory officer was also called for as late as February, 1962. They hope that action against the defaulting officers for irregularities and lapses in this case will be completed early and they will be informed about it in due course.*

[S. No. 40—Appendix IV, 8th Report (3rd Lok Sabha)]

ACTION TAKEN

The defalcation in question was done by three acts of malfeasance:—

- (a) one, by altering a cheque for Rs. 9,9000.
- (b) second, by forging and encashing a draft for Rs. 12,000.

(c) third, by encashing three cheques (total value of Rs. 14,972) and not accounting them in Account Books.

(2) The negligence on the part of supervisory officer in the case of first act of malfeasance was negligible, and after examination it was decided not to take any disciplinary action against him. The blame for the second act of malfeasance was upon the bank authorities who encashed the draft. No supervisory officer of the Mission could be made responsible as the blank form on which the draft for encashment was made out did not come from the set of forms issued to the Mission. As regards the third embezzlement, disciplinary proceedings have already been started against the supervisory officer responsible. He has submitted his reply to the charge sheet which is under consideration.

(3) The Government or the Reserve Bank of India have not suffered any loss so far as the second act of malfeasance is concerned. Only the collecting bankers have suffered loss.

(4) In the criminal case instituted in a Sikkim Court for the second defalcation (b), the accused official has been convicted and sentenced to 3 year's imprisonment and a fine of Rs. 5,000.

(5) As regards the first and third acts of malfeasance, Special Police Establishment were consulted whether criminal proceedings could be initiated in India. S.P.E. have intimated that criminal proceedings are not called for since the punishment already imposed on the guilty person would meet the ends of justice. They are investigating whether the accused has any property in India in order to decide whether civil proceedings could be initiated for the recovery of the loss.

[O.M. No. Q (Aud.)/7340(1)/63, dated 29-9-63]

APPENDIX VI

MINISTRY OF FINANCE

Statement showing action taken or proposed to be taken on the recommendations of the P.A.C.

SEVENTH REPORT (THIRD LOK SABHA)

Recommendations

1. (i) *The Committee regret to note that even according to the Ministry's own assessment, out of total loans advanced to the displaced persons by the Rehabilitation Finance Administration amounting to Rs. 11.22 crores, the bad and doubtful debts were likely to be of the order of Rs. 2.5 crores or 22 per cent of the total loans advanced. It is apparent from the high percentage of doubtful debts that the handling of loans by the R.F.A. had not been satisfactory.*

(ii) *The irregularities disclosed in the Audit Report on the Accounts of the Administration for the years 1958 and 1959 present a dismal picture of the manner in which the Administration was conducting its affairs resulting in avoidable loss of public money.*

(iii) *The Committee also observe that even after entrusting the work of recovering the outstanding loans to the Ministry of Finance, the total recoveries of both principal and interest had been only about Rs. 1.2 crores during the period of nearly two years. They are not satisfied with the progress made in this regard especially in view of the fact that most of these loans are now overdue. In view of the fact that the establishment charges incurred on the realisation of these loans come to nearly 10 per cent of the recoveries, the Committee would urge that vigorous and effective steps should be taken to expedite the recovery of outstanding loans.*

(iv) *The Committee also desire that with a view to ensuring an economical 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.*

[S. No. 6, App. III, 7th Report (3rd Lok Sabha)]

ACTION TAKEN

(i) and (ii) *The remarks have been noted. It may, however, be mentioned, in this connection, that the Rehabilitation Finance Administration was established in order to grant speedy assistance to displaced persons migrating from Pakistan to establish themselves in business or industry. While all reasonable efforts were made by the erstwhile Rehabilitation Finance Administration to grant loans on commercial consideration yet, in granting assistance, it could not divorce itself from human consideration necessary for handling a problem of the magnitude which this country faced in a large number*

or persons migrating from their normal economic moorings and struggles to get established in new surroundings in another part of India. Taking into consideration this mitigating factor of the Rehabilitation Finance Administration having to rush to the help of the displaced persons in certain extraordinary circumstances, it was rather inevitable that a portion of the loans ultimately became bad. Further during the period 1950-53, whenever there was a sudden spurt of migration especially from East Pakistan, Rehabilitation Finance Administration had to face the problem of quick disbursement of amounts in respect of sanctioned cases, so that the financial assistance could reach the approved loanees as speedily as possible. The percentage of bad and doubtful debts has, therefore, to be viewed against this overall background of the problem which the Rehabilitation Finance Administration had to handle from time to time.

(iii) The remarks have been noted. In addition to the recovery of outstanding loans, the newly established Rehabilitation Finance Administration Unit has to undertake the work relating to write off of bad and doubtful debts either wholly or partially, accepting compound proposals received from loanees in order to weed out the bad cases as quickly as possible. In cases where a partial or full write off is justified detailed enquiries about the financial position of the borrowers and their guarantors have to be made before a case can be put up for consideration. The guarantors are spread out at various places and the enquiries regarding their economic position do take considerable time. Efforts are, however, made to expedite the work of recovery.

(iv) The remarks have been noted. As on the 30th June, 1960 when the Rehabilitation Finance Administration was placed in liquidation, the strength of the staff was 305 and the outstanding loan accounts were 11,812. On the 1st January, 1961 when the Rehabilitation Finance Administration Unit was established in the Ministry, the number of outstanding loan accounts was 11,688 with the staff strength of 215 persons. On 30th June, 1963 the strength of the staff was 155 and the number of outstanding loan accounts were 9,100. The establishment expenditure, at present, is about Rs. 50,000 per month. The staff position is constantly under review to effect suitable economies.

This note has been vetted by Audit.

[O.M. No. F. 1(33)-Corp 63, dated 6-1-64]

Recommendation

2. *The Committee are not satisfied with this explanation. To have an effective control over the cost of various products, it is essential that the apportionment of the labour charges is made on a rational basis. The Committee desire that a suitable procedure should be evolved to ensure that the accounts depict a true picture of the cost of various products.*

[S. No. 31, Appndix III, Seventh Report (3rd Lok Sabha)].

ACTION TAKEN

The Narcotics Commissioner has reported that I.M.O. Cake and I.M.O. Powder are manufactured in the same section by the same labourers. Some of the labourers employed on the I.M.O. Cake have to stir the opium kept for drying till it reaches the required consistence. The stirring is not done continuously and as such the same labourers are engaged for manufacturing the I.M.O. Powder during the period in between two stirrings. It is difficult, therefore, to distribute the labour costs accurately for the manufacture of cake and powder separately. In view of the above recommendations of the Committee, the Opium Chemist at the Alkaloid Works, Ghazipur has now introduced a register so as to record the actual number of workers employed daily in the manufacture of opium cake B.P. etc. It is hoped that the above method will help in distributing the labour charges on a more rational basis. U.O. Note No. 42/2/62-OPIUM, dated the 18th March, 1964 from Deptt. of Revenue & Company Law.

[O.M. No. 27/11/63-Co-ord., dated 4-4-64]

Recommendation

3. *The Committee urge that in cases involving high stakes, all pros and cons should be considered before entering into an agreement; validity of contractual documents should be ensured beforehand, and effective administrative machinery should be set up to keep a vigil on the performance of the parties concerned. They would also like the Ministries concerned to take prompt action on the recommendations of the Committee. In a case where a Ministry is unable to implement any recommendation, the reasons therefor should be communicated to the Committee at an early date.*

[Serial No. 39 (second sub-para), Appendix III, 7th Report (3rd Lok Sabha)]

ACTION TAKEN

The recommendations of the Committee have been accepted by the Government and brought to the notice of all the Ministries Departments for information and compliance.

[O.M. No. F.11(22)-EII(A) '63, dated the 1st October, 1963].

[O.M. No. F. 18(10)-E.G.I. (B) 63, dated 21-10-63]

Recommendation

4. *The Committee agree with the views of the Comptroller and Auditor-General and recommend that the practice of declaring dividend from the general reserve fund in circumstances disclosed in this case should be discontinued forthwith.*

[S. No. 14, App. III: 7th Report (3rd Lok Sabha)]

ACTION TAKEN

Instructions have been issued to all the Ministries.

Recommendation

5. *The Committee desire that a provision be made in the Rules fixing a time-limit within which the Annual Administration Reports of the Tea Board should be published so that the latest position showing*

the correct picture of the Board is available. Similar provision should be made in the case of other autonomous bodies, wherever does not exist already.

[S. No. 69, App. III, 7th Report (3rd Lok Sabha)]

ACTION TAKEN

Necessary action is being taken.

Recommendation

6. *In view of the great need for economy in the present emergency so as to strengthen the sinews of defence the Committee feel that large amounts could be saved if the Annual Reports of all Public undertakings were produced in the simple manner of the Annual Reports of the various Ministries of the Government of India. The Committee trust that Government will issue necessary instructions to all concerned in this matter.*

The Committee desire that efforts should be made to reduce the expenditure on administration and establishment in the Public Undertakings to the extent possible without in any way impairing the efficiency.

[S. Nos. 72 & 74, App. III, 7th Report (3rd Lok Sabha)]

ACTION TAKEN

These matters are constantly receiving Government's attention.

[O.M. No. F. 3(2)-PC/63, dated 23-8-63]

EIGHTH REPORT (Third Lok Sabha)

Recommendation

7. *The Committee desire that the present procedure of including savings under floatation of treasury bills which were grossed up four times for inclusion in the budget should be reviewed in consultation with the Comptroller & Auditor General.*

[S. No. 1, Appendix IV, 8th Report (3rd Lok Sabha)]

ACTION TAKEN

The matter is under consideration in consultation with the Comptroller & Auditor General.

Recommendation

8. *The Committee are far from happy over the practice of surrendering funds in the last month of the financial year. They desire that serious notice should be taken of the disregard of the instructions issued by the Ministry of Finance in this behalf.*

[S. No. 9, Appendix IV, 8th Report (3rd Lok Sabha)]

ACTION TAKEN

Instructions have been issued for the guidance of the administrative authorities.

Recommendation

9. *The Committee would like the Ministry of Finance to examine whether it would not be desirable to keep the Parliament informed*

when the basis and pattern of central assistance to the States as originally approved by Parliament subsequently undergoes a change.

[S. No. 19, Appendix IV, 8th Report (Third Lok Sabha)]

ACTION TAKEN

The matter is under consideration and a further reference will follow.

Recommendation

10. *The Committee take a serious view of the lapse on the part of the Ministry of Scientific Research & Cultural Affairs in not having taken the specific approval of Parliament for interest free loans by a supplementary grant during the year 1960-61; for, this involved a contravention of an important principle of Parliamentary Control over expenditure. They desire that the Ministry of Finance should issue necessary instructions to all the Ministries to prevent recurrence of such cases.*

[S. No. 41, Appendix IV, 8th Report (Third Lok Sabha)]

ACTION TAKEN

Instructions have been issued in this connection.

Recommendation

11. *The Committee would like to be apprised in due course of the results of the arrangements for watching the proper exercise of financial powers delegated to subordinate authorities, introduced under the instructions issued by the Ministry of Finance on 26th October, 1962.*

[S. No. 44, Appendix IV, 8th Report (Third Lok Sabha)]

ACTION TAKEN

The Committee's observations have been noted.

Recommendation

12. *The Committee propose to deal with the general question of fixation of a limit on expenditure on works not included in the budget estimates separately in a subsequent report.*

[S. No. 98(i), Appendix IV, 8th Report (Third Lok Sabha)]

ACTION TAKEN

Necessary instructions have already been issued in pursuance of the Committee's recommendations in their Tenth Report (Third Lok Sabha).

[O.M. No. F. 8(7)-B/63, dated 11-12-63]

Recommendation

13. *The Committee would like the Ministry of Finance to impress upon the spending authorities the need for strict compliance with the recommendation of the Public Accounts Committee made in para 21 of their Report on the accounts for 1946-47 (pre-Partition).*

[S. No. 25 (ii), Appendix IV, 8th Report (3rd Lok Sabha)]

ACTION TAKEN

The recommendations of the Committee have been brought to the notice of all the Ministries for guidance/compliance.

Recommendation

14. *The Committee have from time to time stressed the importance of prompt disposal of audit objections. They would desire the Ministry of Finance to issue necessary instructions to all concerned so that necessary steps are taken for clearing all outstanding audit objections and inspection reports and it is ensured that such objections do not accumulate but are attended to with promptitude.*

[S. No. 125, Appendix IV, 8th Report (3rd Lok Sabha)]

ACTION TAKEN

The recommendations of the Committee have been brought to the notice of all the Ministries for guidance/compliance.

[O.M. No. F. 18(12)-E.G.I.(B)/63, dated 30-8-63]

Recommendation

15. *In extenuation of the savings over grants, it was urged before the Committee that at present there was no concept of balancing the revenue budget with taxation and capital budget with loans. The targets of taxation and borrowing were also fixed over a period of five years, and as such gap between estimates and expenditure was not really a matter of concern to the present kind of economy. The savings only reduced the amount of deficit financing. While the Committee appreciate the Finance Ministry's point of view, they feel that the question should not be looked at from this angle. Large savings are indicative of bad budgeting as they clearly prove the inability to spend usefully the funds to the extent anticipated. In the context of the development plans it becomes all the more necessary that the administrative Ministries should frame their estimates more realistically so that Parliament is not asked to vote for funds which cannot be utilised. The year 1960-61 being the last year of the Second Five Year Plan should have made up the shortfalls in the planned expenditure of the earlier years.*

[S. No. 2, Appendix IV, 8th Report (3rd Lok Sabha)]

ACTION TAKEN

The recommendations of the Committee have been brought to the notice of all the Ministries for guidance/compliance.

Recommendation

16. *The Committee feel concerned to find that savings continue to occur in the schemes executed by the State Governments. They desire that the system should be reviewed with a view to providing for realistic estimates in this behalf in the budget placed before Parliament.*

[S. No. 25 (ii), Appendix IV, 8th Report (3rd Lok Sabha)]

ACTION TAKEN

The observations of the Committee have been brought to the notice of all the Ministries for guidance/compliance.

Recommendation

17. *The Committee suggest that the present procedure regarding making of budget provision for imported equipment should be reviewed to remove difficulties. At the time of making provision for such equipment, the possibility of their procurement within the financial year should be carefully examined; otherwise, only a token provision should be included in the budget to be followed by a supplementary grant, if necessary. The Committee also feel that closer coordination between indentors and suppliers will also ease matters. They would reiterate the recommendations contained in para 5 of their Report on the Accounts for 1947-48 (Post-Partition) and para 15 of their First Report (First Lok Sabha).*

[Sl. No. 6, Appendix IV, 8th Report (3rd Lok Sabha)]

ACTION TAKEN

The observations of the Committee have been brought to the notice of all the Ministries/Departments.

Recommendation

18. (i) *The Committee feel concerned over delays in finalisation of pension and Provident Fund cases, which are mainly attributable to non-submission of papers to Audit in time, incomplete records and protracted correspondence over making clarifications. It is regrettable that even in the Ministry of Finance about 60% of pension cases (i.e. 367 out of 621) were not forwarded to Audit in 1960-61 before the retirement of the officers even though according to the Ministry's own orders necessary papers are required to be prepared and submitted to Audit one year before the date of retirement.*

(ii) *The Committee were assured that the procedure regarding finalisation of pension and Provident Fund final payment cases was kept under constant review and instructions were issued from time to time for the expeditious finalisation of cases. The Committee desire that serious notice should be taken of disregard of these instructions. It should be particularly ensured that service documents of officers are kept upto-date to avoid difficulties at the time of retirement. It is needless to over-emphasize that Government should aim at avoiding financial hardship to pensioners, and their dependants resulting from delays in settlement of their cases.*

[Sl. No. 43 (i) and (ii), Appendix IV, 8th Report (3rd Lok Sabha)]

ACTION TAKEN

Necessary instructions have been issued to various administrative Ministries impressing the need for the expeditious settlement of Pension/Final payment of Provident Fund cases.

Recommendation

19. *The Committee are surprised that no acknowledgements had been kept on record for the moneys advanced. They desire that strict orders should be issued for following the rules properly.*

[S. No. 61 (iii), Appendix IV, 8th Report (3rd Lok Sabha)]

ACTION TAKEN

The observations of the Committee have been brought to the notice of all the Ministries/Departments for information and guidance.

[O.M. No. F. 18(12)-E.G.I. (B)/63, dated 30-3-64]

NINTH REPORT Third Lok Sabha**Recommendation**

20. *While the Committee appreciate the force of the contention that the budget of the year is to be viewed in the context of the Plan wherein both the total expenditure and resources are assessed for the Plan period, they nevertheless feel that these annual estimates are significant stages towards the achievement of the Plan targets. Further, the annual budget is the main instrument of financial control by Parliament. To the extent there are shortfalls in planned expenditure and under-estimating of revenue, the economy would seem to indulge in exaggerated inflationary expectation implicit in the deficits shown in the annual budget estimates. In the Committee's view it is obvious that the situation calls not only for greater drive to achieve the planned targets of developmental expenditure but also for a closer estimate of resources and expenditure.*

[S. No. 1 of Appendix V to the 9th Report (3rd Lok Sabha)].

ACTION TAKEN

The recommendation of the Committee has been brought to the notice of all the Ministries for guidance/compliance.

[Vide O.M. No. F.18(13)-E.G.I.(B) /63, dated 17-3-64]

Recommendation

21. *The Committee feel that the administrative ministries should be asked to work out the details of the various projects and schemes included in the Plan well in advance of their inclusion in the budget estimates and that Finance Ministry should not relax its scrutiny to see that only such of the schemes and projects are included in the*

budget estimates as have a reasonable prospect of being carried through during the financial year.

[S. No. 5 of Appendix V to the 9th Report (3rd Lok Sabha)]

ACTION TAKEN

The recommendation of the Committee has been brought to the notice of all the Ministries for guidance/compliance.

[Vide O.M. No. F.18(13)-E.G.I.(B)/63, dated 17-3-64]

Recommendation

22. *The Committee note that the settlement of terms and conditions of loans granted to States for rehabilitation of displaced persons has been pending too long. They would like to be informed of the settlement reached in this regard. The Committee would also suggest for future guidance that terms and conditions of loans should be settled first before any loans are actually given by the Central Government.*

[S. No. 18 of Appendix V to the 9th Report (3rd Lok Sabha)]

ACTION TAKEN

The recommendation of the Committee has been brought to the notice of all the Ministries/Departments for guidance/compliance with necessary instructions.

[Vide O.M. No. F.18(13)-E.G.I.(B)/63, dated 17-3-64]

In regard to the settlement of the terms and conditions of the loans granted to States for the rehabilitation of displaced persons, the Department of Rehabilitation have been requested to send the final reply to the Lok Sabha Secretariat.

[Deptt. of Expenditure O.M. No. F. 18(13)-E.G.I. (B)/63, dated 17-3-64]

Recommendation

23. *The Committee recognise that to deal with stresses and strains, and disparities arising in a process of planned economic growth, fiscal measures have to be taken in the course of the year which may not be foreseen at the time of framing the Budget. Consequently there may be variations. They gathered the impression however, that by and large, the variations were due to other factors, mainly, lack of firm statistical basis and conservatism in assessment of revenue. The Committee have dealt with these aspects in regard to Customs Revenue in para 4 of their Sixth Report (1962-63) on Revenue Receipts. They feel that the same deficiencies are noticeable in respect of estimates of Excise Revenue and of the Income and Corporation taxes.*

The Committee trust that the Ministry will keep under constant watch the reported tendency among Revenue Officers to underestimate the collection of revenue so that it does not prejudice framing of accurate estimates. In the opinion of the Committee an overall variation exceeding 3 to 4 per cent should be regarded as a matter of concern requiring special remedial measures.

[S. Nos. 2 & 4 of Appendix IV to 9th Report (3rd Lok Sabha)]

ACTION TAKEN

The recommendations have been noted.

[Deptt. of Revenue O.M. No. F. 27/14/63-Coord. dated 22-6-63]

Recommendation

24. *In the Committee's opinion the fact that 76 per cent. of the total under-estimate was attributed to higher production than anticipated in respect of items already under excise underlines the need for basing the estimates on better statistical data as regards trends of production of excisable goods.*

[S. No. 3 of Appendix IV to 9th Report (3rd L.S.)]

ACTION TAKEN

The Committee's observations have been noted.

[Deptt. of Revenue O.M. No. F. 27/14/63-Coord.
dt. 13-9-63]

(F. No. 36/11/63-CXI)

Recommendation

25. *The Committee trust that the Central Board of Revenue will exercise due vigilance to see that the necessary steps for recovery of tax demand are taken with sufficient promptitude to avoid the arrears of tax being eventually declared as irrecoverable.*

[S. No. 8 of Appendix IV to 9th Report (3rd L.S.)]

ACTION TAKEN

The observations of the Committee have been noted by the Central Board of Revenue.

[Deptt. of Revenue O.M. No. F. 27/14/63-Coord.
dt. 22-6-1963]

(F. No. 16/31/63-IT)

TENTH REPORT (Third Lok Sabha)**Recommendation**

26. *The Committee agree, subject to the introduction of safeguards as mentioned in subsequent paras that Ministries should have the power to reappropriate funds available within a sanctioned grant to works, including civil works, P. & T. Works, roads, communications and civil aviation works, estimated to cost less than Rs. 25 lakhs each, provided they do not constitute a 'new form of service' as proposed by the Ministry of Finance. New works in these categories estimated to cost above this limit should be undertaken after obtaining a supplementary grant or an advance from the Contingency Fund. It was agreed that this arrangement would be subject to an annual review in the light of the works sanctioned by Government.*

In order to see that the Finance Ministry may act as an effective instrument to promote proper budgeting, the Committee suggest the reappropriation of funds to new works estimated to cost Rs. 10 lakhs or more each should require prior approval of the Ministry

of Finance. In other words, the delegation of powers to reappropriate funds for new works costing Rs. 10 lakhs or more, but not exceeding Rs. 25 lakhs, will operate in this sense that instead of coming to Parliament, the concerned Ministries will come to the Finance Ministry, so that the merits and urgency of the works might undergo a fresh assessment by an authority, independent of the Ministry.

[S. Nos. 1 and 2, Appendix VII, 10th Report (3rd Lok Sabha)]

ACTION TAKEN

The Committee's recommendation has been accepted. Necessary instructions have been issued.

Recommendation

27. With a view to maintaining proper parliamentary control of expenditure, the Committee desire that detailed report should also be made to Parliament regarding new works estimated to cost Rs. 10 lakhs or more each not included in the original budget, but sanctioned during the course of the financial year.

[S. No. 3, App. VII, 10th Report (3rd Lok Sabha)]

ACTION TAKEN

The recommendation has been accepted. Necessary instructions have been issued.

Recommendation

28. While the Committee agree that criteria for deciding essentiality of works cannot be rigidly laid down, it should be possible for the Ministries concerned to exercise their own judgment in circumstances of each case, whether the work is of such an urgent and essential nature as cannot be postponed in the public interest. The Committee desire that this should prominently be brought to the notice of all concerned. The Committee have no doubt that the golden rule, that new works, which are novel or contentious, or, which, while small at the outset, involve heavy liabilities in future years, ought not, save in very exceptional circumstances, be undertaken without previous authority of Parliament, will be strictly observed by the Ministry of Finance.

[S. No. 4, App. VII, 10th Report (3rd Lok Sabha)]

ACTION TAKEN

This recommendation has also been accepted and necessary instructions issued.

[O.M. No. F. 8(17)-B/63, dated 28-6-63]

MINISTRY OF RAILWAYS
(RAILWAY BOARD)

TENTH REPORT Third Lok Sabha

Recommendation

29. *The Committee feel that as in the case of Civil and P&T Works, it would be sufficient to show details of works individually costing more than 5 lakhs in the Budget Estimates of the Railways.*

[S. No. 5, Appendix VII, 10th Report, (3rd Lok Sabha)].

ACTION TAKEN

The recommendation is accepted. This has been seen by Audit.

Recommendation

30. *The Committee concur in the proposal of the Ministry of Railways that it should have the power to reappropriate funds available within a sanctioned Grant to works estimated to cost not more than Rs. 2 crores each, provided that they do not constitute a new form of service. They also recommend that a list of non-budgeted new works costing more than Rs. 25 lakhs each should also be placed before Parliament. The Committee would like to make it clear that these powers of reappropriation to incur expenditure on non-budgeted works costing more than Rs. 25 lakhs each should be exercised by the Ministry of Railways only for undertaking new works, which might become necessary to meet the urgent demands of transport.*

[Serial No. 6, Appendix VII, 10th Report, (3rd Lok Sabha)].

ACTION TAKEN

This has been noted for compliance. This has been seen by Audit.

[O.M. No. 63-B(C)-PAC. III/10, dated 9-4-64].

MINISTRY OF FINANCE

TWELFTH REPORT (Third Lok Sabha)

Recommendation

31. (i) *While the Committee agree that in some cases it might not be possible for the Ministries to adhere strictly to the prescribed time-limit, they feel that there was hardly any justification for inordinate delay in the submission of notes on their outstanding recommendations. As pointed out in their earlier Reports, this not only dislocates the programme of business of the Committee, but by such delays in taking action the criticisms and suggestions made by the Committee in respect of some of the important procedural and financial matters also lose much of their force. They feel that the long time taken in the submission of these notes could be largely reduced if the Ministries concerned initiate action on the recommendations of the Committee, as soon as the Report is presented to the House.*

(ii) *The Committee do appreciate that in some cases, it may be difficult to finalise action within a month, specially when the matter has to be referred to different authorities before final action is taken. The Committee, therefore, agree to extend the time-limit for submission of these statements to three months from the date of presentation of their report to the House. They trust that the Ministries will take steps to adhere to this time-limit strictly in future. The Committee also desire that in cases where it is not possible to submit the notes even during this extended period, a note explaining the reasons for the delay should be submitted to them. The Committee will thus have a complete picture about the implementation of their earlier recommendations and would take up selected cases for further examination with the representatives of the Ministries during the course of consideration of the relevant Accounts of the following year.*

[Serial No. 1, Appendix I, 12th Report (3rd Lok Sabha)].

ACTION TAKEN

The recommendation of the Committee has been noted by this Ministry and has also been brought to the notice of all the Ministries/Departments for information and compliance.

Recommendation

32. *The Committee also decided to simplify the existing procedure regarding review of action taken by Government on the recommendations contained in their reports. According to this simplified procedure, comments/statements containing action taken on the recommendations of the Committee would be appended to the report of the next year without any comments. However, selected recommendations of substantial nature where it is felt that adequate action has not been taken by Government or which require reiteration, will be dealt with in a separate chapter. The Committee hope that the simplified procedure will result in reduction of work all round and it will also assist the Committee in focussing attention to their important recommendations of substantial nature. They would, however, like to point out that this revised simplified procedure can be effective only if the Ministries on their part also co-operate by giving complete information asked for and by furnishing their comments and replies with promptitude so as to avoid the necessity of making further references.*

[Serial No. 2, Appendix I, 12th Report (3rd Lok Sabha)].

ACTION TAKEN

The recommendation of the Committee has been noted by this Ministry and has also been brought to the notice of all the Ministries/Departments for information and compliance.

[O.M. No. F. 18(17)-EGI(B)/63, dated 30-8-63]

Recommendation

33. *The Committee (1962-63) note that the Ministry of Finance agree to the principle underlying their earlier recommendation (referred to in para 76 of their 18th Report—2nd Lko Sabha) but are reluctant to issue formal instructions to the Government Directors on the lines envisaged by the Committee. The Committee are unable to appreciate the reasons advanced for this reluctance. The Committee do*

not see how the issue of these instructions would impinge on the "Autonomy" of these undertakings. All that is envisaged by the issue of these instructions that the Government should be kept informed by the Government Directors concerned as a normal part of their responsibility as representatives of the respective Ministries whenever a Board of Directors takes a decision involving major change in policy or heavy financial commitments with which the former are not in agreement. The position regarding their ultimate accountability to their Ministries must be made clear. Each such case need not necessarily result in the issue of a directive by Government. The Committee would like the Ministry of Finance to re-examine the matter in the light of these comments.

[S. No. 3, Appendix I, 12th Report (3rd Lok Sabha)]

ACTION TAKEN

The basic principle underlying the recommendation of the Committee is accepted. In view, however, of the decisions of the Government on the public sector undertakings announced in Parliament in November, 1961 (*vide* decisions of the Government of India on the recommendations contained in the Report of the Krishna Menon Committee and other Reports and Studies on the running of public sector undertakings placed on the Table of the Lok Sabha on the 24th November, 1961 and Rajya Sabha on 30th November, 1961), it is felt that it would be more appropriate to establish a convention requiring such Directors to report to Government any major differences which may arise during the working of the Board of Directors of Government Undertakings. For this purpose, instructions are being issued that Government Directors should be suitably briefed by the Secretaries concerned in this behalf.

[O.M. No. F. 3(6)-PC/63, dated, 13.11.63].

Recommendation

34. *The Committee also regret that the information furnished to the Sub-Committee in this behalf by the representative of the Organisation during the course of evidence was materially incorrect and misleading. They hardly consider it necessary to emphasise again that the representatives of the Ministries and Departments appearing before the Committee should come fully posted up with facts and furnish accurate information to the Committee.*

[S. No. 5 (ii), Appendix I, 12th Report (3rd Lok Sabha)]

ACTION TAKEN

The recommendation of the Committee has been noted by this Ministry and has also been brought to the notice of all the Ministries/Departments for information and compliance.

[O.M. No. F. 18(17)-EGI(B)/63, dated 30-8-63]

APPENDIX VII

MINISTRY OF FOOD AND AGRICULTURE

(DEPARTMENT OF AGRICULTURE)

*Action taken or proposed to be taken on the Recommendations of
the Public Accounts Committee*

SEVENTH REPORT (Third Lok Sabha)

Recommendation

1. The Committee trust that by now the initial difficulties have been overcome and it would be possible for the Forests Department not only to achieve the target fixed but also to work upto higher targets.

[S. No. 32 of Appendix III to Seventh Report—3rd L.S.]

ACTION TAKEN

According to the working plan the yield is a definite prescription and not a target which may be exceeded at will. Therefore, it would not be correct to try to exceed the yield.

[O.M. No. 1-3/63-Budget, dated 13-11-63]

Recommendation

2. Even granting that the saw mills are utilised for operating on logs which are left-overs, the Committee feel that the Percentage of wastage is unduly high. They hope that with higher extractions from South and Middle Andamans, it would be possible to increase the intake of the saw mills and also to reduce the percentage of wastage.

[S. No. 33 of Appendix III to Seventh Report—3rd L.S.]

ACTION TAKEN*

The three saw mills established in the Island are mainly auxiliary units to help the Forest Department to utilise the available timber to the maximum extent. They were not established as main lumbering units for conversion into sawn sizes and sale. The Forest Department, Andamans, sells the timber as logs by sending them to the mainland by ships from time to time and the cream of the produce goes into this log market as ply, match and a portion as hard-wood logs. The left-over logs usually with some defect or the other, are sent to the saw-mill for conversion into sawn sizes for supply to the Public Works Department to meet their demand. It is not possible to maintain a definite percentage of wastage as the quality of logs received and fed to the mills are mainly defective

ones with knots, bends and cracks etc. As the saw-mills are meant for sawing defective logs only with a view to making them somewhat useful instead of allowing them to go completely as waste, the question of increasing the intake in the saw-mills and thereby see whether the percentage of wastage could be reduced does not arise. However, no separate account of defective logs is kept.

[O.M. No. 1-3/63-Budget, dated 13-11-63]

Recommendation

3. *The Committee of 1961-62 were informed that although the seasoning kiln was installed at the instance of the local P.W.D. who had estimated their monthly requirements of seasoned timber at 200 tons, the off-take by the P.W.D. had been very much less. It is surprising that the local P.W.D. should now be preferring un-seasoned wood, when at their instance and at some cost the seasoning kiln had been set up. The Committee desire that the chimney of the boiler should be obtained and fitted without further delay and the plant worked to its full capacity. Thereafter efforts should be made to export the seasoned timber, which cannot be taken by the local P.W.D. or sold in the local market to the mainland. The Committee would like to be informed of the outcome of these efforts.*

[S. No. 34, Appendix III to Seventh Report—
3rd L.S.]

ACTION TAKEN

The chimney of the seasoning kiln boiler has been received and fitted during January, 1963. All the four chambers of the plant are now available for seasoning timber. With the four chambers working, the average monthly capacity is about 100 tons of seasoned timber. The local demand for the seasoned timber from the P.W.D. has not shown much improvement. Only 8 tons were supplied to the P.W.D. as against the production of 120 tons of seasoned timber during 1961-62. Andamans Forest Department will, therefore, be forced to send major portion of their output of seasoned timber to the mainland for sale. The demand for such timber in the mainland is also not known. At both the depots at Calcutta and Madras, there is only limited area of covered space for stacking these seasoned timber to prevent exposure to sun and rain. In view of this position, it is not considered advisable to work the kiln to its full capacity as there is every likelihood of these depots and yards being glutted with such timber of fetching low prices in auctions. With a view to ascertaining the demand for seasoned and ascu-treated timber in both Calcutta and Madras markets, a consignment of 10 tons to each was sent in November, 1962 and December, 1962 to Calcutta. A consignment 10 tons was shipped to Madras on 9th June, 1963. The result of these shipments in respect of the sale price and the choice of the consumers is being watched. In view of these facts, the seasoning kiln has to be worked to limited capacity, only to start with and when the demand increases, the output will be increased.

[O.M. No. 1-3/63-Budget, dated 13-11-63]

Recommendation

4. *The Committee feel that proper accounts for various categories of ascu-treated timber should be kept so that their rates might be correctly worked out.*

[S. No. 35, Appendix III to Seventh Report—
3rd L.S.]

ACTION TAKEN

Proper accounts for creosoted and various categories of ascu-treated timber are now maintained by the Forest Department, Andamans, so that their rates may be fixed on the basis of their production costs. The rates for 1962-63 were fixed on the basis of production cost. The rates for the years 1961-62 and 1962-63 for ascu-treated timber which are based on actual cost of production are indicated below. These rates do not include any element of profit.

	1961-62	1962-63
Grade I	Rs. 2.71 nP per cft.	Rs. 2.85 nP per cft.
Grade II	Rs. 2.35 nP per cft.	Rs. 2.35 nP per cft.
Grade III	Rs. 1.63 nP per cft.	Rs. 1.63 nP per cft.

As regards the creosoting charges, its rate was fixed during 1959-60 @Rs. 3.19 nP per cft. and was allowed to continue till the end of 1961-62 irrespective of the cost of production. This rate has been revised to Rs. 3.80 nP per cft. on the basis of actual cost of production with effect from 1st April, 1962 to 31st March, 1963.

[O.M. No. 1-3/63-Budget, dated 13-11-63]

Recommendation

5. *From the facts brought to their notice, the Committee are unable to escape the conclusion that at the time these projects were considered initially, a proper market survey of demand for the treated timber in the Andamans or in the mainland and the availability of ships etc. for transport thereof was not made. They recommended that all these aspects may now be reviewed by the Ministry and remedial measures taken immediately to set things right. In the opinion of the Committee, efforts to popularise the products might prove fruitful resulting in greater demands for the creosoted and ascu-treated timber.*

[S. No. 36, Appendix III to Seventh Report—
3rd L.S.]

ACTION TAKEN

Efforts are being made at every exhibition to show the various types of treated timber produced by the Forest Deptt., Andamans, for sale. It is anticipated that in the course of next few years, the sale of these treated timbers will increase. As regards transport of treated timbers, the Shipping Corporation of India have recently acquired three more ships with the help of the Department of Transport. Messrs. R. Sen & Co. have also acquired one loader and this vessel will also be available for lifting Andamans timber

shortly. In view of these developments, the problem of shipping timber to the mainland is expected to improve considerably.

[O.M. No. 1-3/63-Budget, dated 13-11-63]

Recommendation

6. *The Committee hope that every effort would be made to dispose of the surplus stores as early as possible and physical verification of stores conducted at regular intervals.*

[S. No. 37, Appendix III to Seventh Report—
3rd L.S.]

ACTION TAKEN

Every effort is being made to dispose of the surplus stores valued at present at Rs. 76,150/- as early as possible. A list of surplus stores has already been circulated to all the Departments in the Islands with the request to forward their indents for the stores required by them lying surplus with the Forest Department, Andamans. As regards physical verification of stores, tools and plants, verification for the year 1961-62 has already been carried out and reports received. Instructions have also been issued to carry out the physical verification of stores at regular intervals.

[O.M. No. 1-3/63-Budget, dated 13-11-63]

Recommendation

7. *Since there is a great demand for timber in the mainland specially from the plywood manufacturers in Calcutta the Committee urge that early steps be taken to reinforce shipping arrangements in consultation with the Ministry of transport so that the accumulated timber could be cleared early and no further accumulation allowed to take place, to avoid possibility of deterioration of timber involving financial loss.*

[S. No. 38, Appendix III to Seventh Report—
3rd L.S.]

ACTION TAKEN

The accumulations of 1961 have already been cleared with the help of the Ministry of Transport. Initially the Shipping Corporation of India placed one of their vessels for lifting Andamans timber to the mainland. They have since acquired three ships viz., "Sanchi", "Ajanta" and "Nalanda" for this trade with the assistance of the Ministry of Transport on the recommendations of the Department of Agriculture. Besides, M/s. R. Sen & Co. Calcutta, have also acquired one vessel "Bay Bengal" for lifting Andamans timber with the assistance of that Ministry. It is, therefore, felt that the shipping bottleneck will be reduced to a considerable extent now. It must, however, be borne in mind that some times the lifting of Andamans timber to the Calcutta port is hampered due to bore tides in the Hooghly which is a normal feature of the river.

[O.M. No. 1-3/63-Budget, dated 13-11-63]

Recommendation

8. *The Committee regret to note that the firm had failed to furnish the quarterly statements required under Clause 18 of the Agreement and that on one or two occasions Government had to hold back their funds in order to make payments of wages of labour in Andamans not paid by the Company. They consider it unfortunate that no action was taken when statements were not furnished by the firm. They are sorry to learn that despite their recommendation made last year (1961-62), the Ministry of Law were still busy collecting necessary material for obtaining the view of the Attorney General.*

The Committee urge that in cases involving high stakes, all pros and cons should be considered before entering into an agreement; validity of contractual documents should be ensured beforehand, and effective administrative machinery should be set up to keep a vigil on the performance of the parties concerned. They would also like the Ministries concerned to take prompt action on the recommendations of the Committee. In a case where a Ministry is unable to implement any recommendation, the reasons therefor should be communicated to the Committee at an early date.

The Committee desire further that the arbitration proceedings in this case should be expedited and the Committee informed of the results.

[S. No. 39 Appendix III to Seventh Report—3rd L.S.]

ACTION TAKEN

Noted. In the proceedings of the Public Accounts Committee it has been stated that the Ministry of Law were busy collecting necessary material for obtaining the view of the Attorney General. The conclusion arrived at by the Public Accounts Committee was based on the evidence tendered by the representative of the Department of Agriculture before them on 18th September, 1962. It is regretted that the correct position was not fully explained. The correct position is as follows:—

“Necessary material for obtaining the view of the Attorney General was being collected by the Department of Agriculture to enable the Ministry of Law to prepare the case for obtaining the opinion of the Attorney General”.

The views of the Attorney General have since been obtained. Thereafter Government has reviewed the whole position. In exercise of powers conferred by sub-rule (4) of Rule 125 of the Defence of India Rules 1962, the Central Government has appointed an Authorised Controller with effect from 24th May, 1963 to ensure that the company does its job strictly in accordance with the North Andamans Agreement of Licence. The Authorised Controller issued directive to the company on 21st June, 1963 and the progress made by the licensee in exploiting North Andaman Forests is being watched.

Noted for future guidance.

The Government arbitrator has been requested (in person) to expedite the arbitration proceedings and he has agreed to do it. It

may be stated that during the arbitration sittings, held in September, 1963, the admittance or rejection of documents filed by both the parties continued. The filing and admittance of documents is expected to be completed in the next sitting of the arbitrators. Thereafter tendering of evidence will commence.

(O.M. No. 1-3/63-Budget dated 13-11-63).

Ministry of Law (Deptt. of Legal Affairs) have also submitted a note.

MINISTRY OF LAW

(DEPARTMENT OF LEGAL AFFAIRS)

On the 12 July, 1962, the Ministry of Food and Agriculture (Department of Agriculture) sought the advice of the Ministry of Law on some questions relating to the North Andaman Agreement of Licence, one of which was whether the Agreement could be terminated at that stage when the whole matter was under arbitration. It was not indicated that this question was posed with reference to the recommendation of the Public Accounts Committee (1961-62). The Ministry of Law advised on the same day that the Agreement could not be terminated in terms of clause 18 thereof which provides for termination only upon non-payment of royalty but raised the question whether it could be terminated under section 39 of the Indian Contract Act on the ground that the licensee had refused to perform or had disabled himself from performing his promise in its entirety. The Ministry of Law felt that the question was an extremely difficult and ticklish one and refrained from coming to a conclusion immediately in the absence of a fully detailed statement of the case setting out the facts on the strength of which the Department contended that the licensee had either refused to perform the obligations under the Agreement of Licence and/or disabled itself from performing those obligations in their entirety. The Ministry of Law further felt that the implications of the action of termination of the Agreement were so serious that when the required statement was prepared and the further advice of the Ministry of Law was sought, they would perhaps have to consult the Additional Solicitor-General before tendering advice. The administrative Department was advised that if they desired the question to be further considered, they should prepare a fully detailed statement of case and adduce grounds in support of their contention that the licensee had either refused or disabled himself from performing its obligations under the Agreement.

2. It was only on the 18th December, 1962 that the material indicated in the advice dated the 12th July, 1962, by the Ministry of Law was furnished to them with a request to obtain the opinion of the Attorney-General. A draft statement of case for the opinion of the Attorney-General was then prepared by the Ministry of Law and forwarded to the administrative Department for comments on the 22nd December, 1962. Their comments were received in the Ministry of Law on the 24th December, 1962. The statement of case was finalised in the light of those comments and submitted to the Attorney-General for opinion on the 2nd January, 1963. As certain additional points were raised by the administrative Department with reference to the

Defence of India Rules, a supplementary statement of case was prepared in the Ministry of Law and forwarded to the Attorney-General who gave his opinion on the 15th March, 1963, and a copy of the opinion was forwarded to the administrative Department on the 18th March, 1963.

3. It is thus respectfully submitted that there was no delay on the part of the Ministry of Law in obtaining the opinion of the Attorney-General and the Ministry of Law was not concerned with collecting any material for obtaining the views of the Attorney-General.

[O.M. No. F.5 (2) (4)/63-B & A dated 31-10-63].

Recommendation

9. *The Committee recommend that suitable steps be taken to settle the outstanding accounts, expeditiously.*

(S. No. 40 Appendix III to Seventh Report—3rd L.S.)

(i) *The Committee are not happy with the present state of affairs at the Himachal Rosin and Turpentine Factory, Nahan and hope that steps will be taken to improve the position as early as possible.*

(ii) *In their opinion, verification of stock should essentially be done at the appropriate time.*

(iii) *The Committee also do not feel happy over the delay (about nine months) in concluding police investigations into the causes of fire in the factory at Nahan, which took place in December, 1961. They would like to be informed of the result of the investigation and remedial action taken in the matter.*

[S. No. 41 Appendix III to Seventh Report—1963].

ACTION TAKEN

A draft of the statement of action taken along with other relevant papers was referred to the Director of Commercial Audit for vetting on the 17th August, 1963. The audit have returned the draft on the 28th October, 1963 and have pointed out certain discrepancies. Necessary action to reconcile the discrepancies is being taken and the papers will again be referred to the Audit for vetting.

[O.M. No. 1-3/63-Budget dated 13-11-63].

Recommendation

10. (i) *While the Committee are glad to learn that the major portion of the import of arecanut has now been entrusted to the State Trading Corporation, they feel that this action should have been initiated much earlier when unduly heavy margin of profit was going into the hands of private importers. In fact, as stated in the Audit para the resolution of the Government of India constituting the Arecanut Committee in May, 1949 had already authorised that Committee to handle the import of arecanut themselves.*

(ii) *With the taking over of a major portion of the import of arecanut by the State Trading Corporation, the Committee hope that the market price in India will come down. They would desire the Indian Central Arecanut Committee to recommend the maximum and the minimum prices for this commodity in consultation with the State Trading Corporation.*

(iii) *The Committee would also like to invite attention to para 2 (13) of the Resolution of the Government of India dated the 21st May, 1949, which laid down certain functions of the Indian Central Arecanut Committee. The Ministry should review the position in order to see what duties are required to be performed by the Arecanut Committee to be of real benefit to the actual consumers of arecanut in this country.*

(S. No. 71 Appendix III to Seventh Report—3rd L.S.)

ACTION TAKEN

(i) The observations of the Public Accounts Committee have been noted.

(ii) The conditions under which this recommendation was made by the Public Accounts Committee for fixation of minimum and maximum prices of arecanut by the Committee in consultation with the State Trading Corporation have since changed. Import of arecanut into the country was prohibited from the second half of the licensing period April, 1962—March, 1963 (*viz.* for the period October, 1962 to March, 1963). Import of arecanut has been stopped altogether for the current licensing period (April 1963—March, 1964). The fixation of maximum and minimum prices of arecanut is not considered necessary due to the following reasons:—Regulation of prices for internal sale cannot be undertaken without regulation of supplies. Import of arecanut having been stopped the only source of increasing supplies is increasing the indigenous production to the required level. Any attempt at fixation of prices of arecanut at this stage may result in undoing the beneficial effects of the developmental activities already under way for increasing the production.

(iii) The Indian Central Arecanut Committee is primarily concerned with improving the production of arecanut and promoting its development by undertaking all necessary measures including research, marketing, developmental schemes, etc. within the allotment made by the Government of India and the Committee has already undertaken suitable programmes of work on these lines. A number of measures like setting up of demonstration farms, prevention of loss due to pests and diseases, extensive cultivation, supply of quality seeds to arecanut growers etc. have been taken during recent years. The various measures being undertaken by the Committee would go a long way in increasing the production of this commodity. According to the supply and demand principle, the increased production would help in keeping down the prices and thus helping the consumers ultimately.

[O.M. No. 1-3/63-Budget dated 13-11-63].

Recommendation

11. *While appreciating the difficulties owing to which there had been shortfall of revenue the Committee hope that all possible steps will be taken to improve the financial working of the brood lac farms so that revenue could be increased to the extent possible.*

(S. No. 45 Appendix IV to Eighth Report--3rd L.S.)

ACTION TAKEN

Necessary instructions have been issued to the Chief Lac Development Officer in the Indian Lac Cess Committee to intensify his efforts to improve the financial working of the brood lac farms *vide* Ministry's letter No. 3-145/60-Com. IV, dated the 23rd May, 1963.

[O.M. No. 1-4/63-Budget, dated 31-10-63].

Recommendation

12. *The Committee are not satisfied with the explanation furnished to them for the delay extending over some years in preparation of estimates and construction of the godown which was intended to be completed in 1958-59. They recommend that plans and estimates should be prepared and finally approved before schemes are taken up for execution. They would like to be informed as soon as the construction of the godown is completed.*

(S. No. 46 Appendix IV to Eighth Report--3 L.S.)

ACTION TAKEN

The recommendation has been noted for future guidance. The date of completion of the godown will be intimated as soon as it is completed. The building is nearing completion and is expected to be ready by the end of October, 1963. Air-conditioning of the building will be taken up thereafter.

[O.M. No. 1-4/63-Budget, dated 31-10-63].

Recommendation

13. *The Committee are not convinced by the arguments advanced by the Ministry for the extra expenditure on freight. In their opinion, the extra expenditure could have been avoided, if in the shipping contract itself alternative ports had been mentioned or suitability of the port for discharge of the cargo in this case was decided in advance of the arrival of the ship. It is unfortunate that cases of extra expenditure incurred on diversion of ships are occurring year after year either under the Department of Food or under the Department of Agriculture as would be clear from paras 36-38 of 25th Report Vol. II (1959-60) and paras 96-97 of 34th Report (1960-61) of the Public Accounts Committee. The Committee desire that suitable instructions should be issued in this matter in consultation with the Ministry of Transport and Communications (Department of Transport) and any contravention thereof resulting in avoidable expenditure suitably dealt with.*

(S. No. 47 Appendix IV to Eighth Report--3rd L.S.)

ACTION TAKEN

Suitability of the port of discharge is invariably considered in advance. Shipping schedule specifying the ports of discharge is drawn up well in advance and furnished to the Department of Supply and State Trading Corporation at the time of or soon after the placing of the contracts with the suppliers for arranging supplies strictly in conformity with the shipping schedule. However, to obviate losses due to diversion of vessels, the charter parties usually provide for the port/ports of discharge being indicated after sailing upto a specified point in the journey. It would, therefore, be possible in such cases finally to decide the destination port/ports even after sailing of the ship, upto the specified point in the journey where the discharge port has to be declared. This is considered to be an adequate provision to cover reasonable changes. It is, therefore, considered that no further provision providing for alternative port of discharge in the bill of lading is necessary. (The draft reply has been seen by the Department of Transport).

[O.M. No. 1-4/63-Budget, dated 31-10-63].

MINISTRY OF FOOD & AGRICULTURE (DEPARTMENT OF AGRICULTURE)

Recommendation

14. *The Committee recommend that in cases where financial assistance is to be given to societies or organisations which resort to profit making, it should be in the form of loans and not grants.*

[S. No. 48 (iii), Appendix IV to Eighth Report—3rd L.S.]

ACTION TAKEN

Ministry of Finance have confirmed *vide* their D.O. letter No. F.18(12)-E.G.I(B)/63, dated the 6th August, 1963, that necessary action on the recommendation of Committee at S. No. 48 (iii) under para 51 is being taken by them.

[O.M. No. 1-4/63-Budget, dated 31-10-63].

Recommendation

15. *The Committee desire that the entire question of financial transactions with the World Agriculture Fair should be looked into by the Government as it involves important principles which are of vital interest to the proper working of the Government. It would be advisable for the Government to lay down certain broad and healthy conventions and formalities to be observed by persons holding high official position when they are either participants or patrons of non-official organisations which have any financial dealings with the Government.*

[S. N. 48 (iv), Appendix IV to Eighth Report—3rd L.S.]

ACTION TAKEN

Ministry of Finance have *vide* their D.O. letter No. F.18(12)-E.G.I. (B)/63, dated the 6th August, 1963, stated that Ministry of Home Affairs have been requested to take necessary action on the recommendation at S. No. 48 (iv). (A note submitted by the Ministry of Home Affairs is at appendix X, item 4.

Recommendation

16. *The Committee would also like to be informed about the recovery of Government dues from the Bharat Krishak Samaj.*

[S. No. 48 (v), Appendix IV to Eighth Report—3rd L.S.]

ACTION TAKEN

No amounts are due to this Ministry from the Bharat Krishak Samaj on account of transactions relating to the World Agriculture Fair.

[O.M. No. 1-4/63-Budget, dated 31-10-63].

Recommendation

17. *The Committee suggest that early steps should be taken to increase the throughput under the Delhi Milk Supply Scheme, as originally envisaged, so that the scheme works on 'No profit, No loss basis', as intended by Government.*

[S. No. 49, Appendix IV to Eighth Report—3rd L.S.]

ACTION TAKEN

The progress made with regard to the quantity of milk procured and sold by the Scheme daily on an average is indicated in the attached statement. (Annexure). This will show that the Scheme has made very great progress since its start namely 3 years back. On the basis of the existing facilities, it is hoped to attain the daily throughput of 7,000 mds. of milk during winter 1964-65. However, during summer, owing to decrease in supply of milk, it will not be possible to reach the daily throughput of 7000 mds. of milk. Areas from which a collection of 7,000 mds. may be made in winter would not ordinarily supply more than, say, 4200 maunds in summer. In the interest of getting the maximum supplies possible in summer, it is not practicable to restrict intake in winter. Thus in order to ensure an intake of 7000 maunds during summer, it may become necessary to accept the daily throughput of 11000 mds. during winter. For this purpose, additional equipment will have to be purchased, the existing milk collection and chilling centres should be increased to 30, and the building of the Central Dairy will also have to be extended suitably. This matter is under consideration.

[No. 2-11/63, DD dated 5-11-63].

Recommendation

18. *The Committee are concerned to learn that the Administrative Officers in charge did not care to see that the prescribed procedure and the financial rules were being followed.*

They feel that the departmental investigations should be expedited and the officers at fault dealt with suitably;

They desire that as required under the rules only those persons who have pledged adequate security should be entrusted with the duties of handling cash.

It should be further ensured that the receipts are remitted to the Treasury as early as possible so that there is no unnecessary accumulation of cash with the cashier.

Verification of cash by the supervisory authorities should also be more frequent.

[Para 82, 34th Report—2nd L.S.]

ACTION TAKEN

In so far as recommendation 1 is concerned, it may be stated that the departmental investigations have already been instituted against Shri N. L. Bedi, the Ex-Cashier of the Directorate. The departmental proceedings are still in progress and they are likely to take some-time more before the final decision is taken. At present no action is being taken against the supervisory officers as the extent of their responsibility will be known when the detailed inquiry is held by the Inquiry Officer against the Cashier.

As regards recommendation 2 above, the duties of handling cash have been entrusted to the Cashier who has pledged security for Rs. 2,000 in the form of Fidelity Insurance Guarantee. As regards the other remarks, instructions have been issued that receipts should be promptly remitted to the Treasury and the Register of undisbursed amount should be maintained and reviewed regularly as suggested by the Committee. The Cash is now checked every day after the close of the day's transactions by the Accounts Officer and arrangements have been made for monthly check by an officer nominated by the Head of the Department. Cash check is also carried out every year by the Head of the Department.

(The above note has been vetted by the Accountant General Commerce, Works and Miscellaneous vide his letter No. Rep. II-7 (135) F&A/633 dated 25-7-63).

ANNEXURE
(See item 17)
MINISTRY OF FOOD AND AGRICULTURE
(DEPARTMENT OF AGRICULTURE)
DELHI MILK SCHEME

Statement of Average Quantity of Milk Procured and daily sale of Milk and Milk Products

	1959-60		1960-61		1961-62		1962-63		
	Quantity	Average per day	Quantity	Average per day	Quantity	Average per day	Quantity	Average per day	
<i>Quantity Procured:—</i>									
1. Buffalo Milk (Litres)	36,76,863	24,189.88	1,95,32,671	53,514	3,11,90,729	85,454	4,29,94,230	1,17,792.41	51
2. Cow Milk („)	44,835	294.96	3,53,052	967.26	4,90,387	1,343.52	18,96,141	5,194.90	
<i>Sales :—</i>									
1. Buffalo Milk (litres)	32,94,053	21,671.39	1,58,66,155	43,468.91	2,63,57,979	72,213.64	3,32,87,907	91,19975	
2. Cow Milk („)	42,866	282.01	3,43,575	941.30	4,47,158	1,225.09	22,61,569	6,196.08	
3. Toned Milk („)	4,69,340	3,087.76	33,59,925	9,205.27	58,33,648	15,982.59	77,33,034	21,186.40	
4. Butter (K. Gs)	728.40	4.79	55,904	152.87	74,012	202.77	1,39,088	381.06	
5. Ghee („)	3,622.00	23.82	55,798	153.16	1,61,205	441.65	2,34,380	642.14	
6. Whole Milk powder ( „ )	..	..	..	..	..	..	53,631	146.93	
7. Skimmed Milk powder ( „ )	..	..	23,840	65.31	53,405	146.31	1,69,131	463.37	
8. Ice Cream :—									
Cups (No.)	183	1.20	3,770	10.32	44,647	122.32	85,442	234.09	
Bars (No. )	..	..	1,833	5.02	97,581	267.34	1,09,630	300.36	

APPENDIX VIII

MINISTRY OF FOOD & AGRICULTURE (DEPT. OF FOOD)

Action taken or proposed to be taken on the recommendations of the P.A.C.

Eighth Report (Third Lok Sabha)

Recommendation:

1. *The Committee would like to watch the results of the action taken to ensure timely preparation and reconciliation of Accounts of the State Trading Schemes regarding purchase of food-grains. They need hardly impress upon the Ministry the importance of timely preparation and reconciliation of accounts. They hope that these accounts will soon be brought up-to-date. The Committee would like the Ministry to take suitable measures to eliminate such delays in the preparation of proforma accounts in future.*

[S. No. 50, Appendix IV, to Eighth Report (1962-63)].

ACTION TAKEN

The observations of the Committee are noted. The proforma accounts for 1960-61 and 1961-62 have also now been compiled and incorporated in Appendix V of the Audit Report (Civil) 1963.

[O.M. No. 23/63-Eighth Report/BFC, I, dated 8-7-63].

Recommendation:

2. *The Committee would like to see these arrears cleared at an early date. They also desire that the accounting of the Bombay Region for the period from 1954-55 to 1958 should be set right, reasons for the confused state of affairs investigated and responsibility fixed.*

The Committee recommend that the investigations into this case should be completed quickly and responsibility fixed for the serious lapses in this case. They further recommended that in future every case of shortage should be investigated and responsibility fixed on the defaulting officer instead of adjusting the same against any excess discovered.

[S. Nos. 52 & 58 of Appendix IV to Eighth Report (1962-63)]

ACTION TAKEN

1. Out of 1399 unlinked items upto 1959-60, 902 items have since been linked leaving a balance of 497 items yet to be linked. Action to link the remaining items is in hand.

2. All the accounts have since been reconciled by the Regional Director (Food), Bombay. Those for the years 1954-55 and 1955-56 have been accepted by the Pay & Accounts Officer, Bombay and also by the Deputy Accountant General, Commerce Works and Miscellaneous, Bombay. Accounts for the years 1956-57 and 1957-58 are being examined by the Pay & Accounts Officer, Bombay and will be shown to the Deputy Accountant General, Commerce Works and Miscellaneous, Bombay as soon as they have been accepted by the former as correct.

3. Shortages are not as a rule adjusted against excesses noticed. Excesses are accounted for as receipts and shortages are separately investigated into and necessary action taken.

4. The question of fixation of responsibility for the confused state of accounts is under examination and a report will follow.

[U.O. No. 23/63-BFC-I/Eighth Report, dated 6-9-63].

Recommendation:

3. The Committee are glad to know that a programme for the construction of godowns for storage of foodgrains in the Third Plan has been made. They hope that this programme will be implemented as scheduled and that losses due to defective and inadequate storage would be eliminated as a result thereof.

[S. No. 55 of Appendix IV to Eighth Report (1962-63)].

ACTION TAKEN

Noted. The position as on 1-6-1963 of the programme of construction of godowns is as follows:—

	(In '000 tonnes)
1. Capacity already owned	<u>1617.7</u>
2. Capacity under construction	<u>266.3</u>
3. Capacity for which Administrative Approval|Expenditure sanction has been issued and construction is likely to start soon.	<u>524.8</u>
4. Capacity for which Administrative Approval|Expenditure sanction is yet to be issued but which has been approved in principle for construction.	<u>589.7</u>
• . Total:	<u>2998.5</u>

The entire programme is likely to be completed within the Third Plan Period.

Godowns are being constructed on Scientific lines and are designed to eliminate losses due to defective and inadequate storage.

[O.M. No. 23/63-Eighth Report/BFC-I, dated 8-7-63].

Recommendation:

4. *The Committee would like the Ministry to settle the accounts with the West Bengal Government in respect of the advances made to that Government for the purchase of foodgrains at an early date.*

[S. No. 56 of Appendix IV to 8th Report (1962-63)]

ACTION TAKEN

The outstanding balance now stands reduced to Rs. 75.34 lakhs. The Government of West Bengal from whom this amount is due had withheld the payment as they had certain claims against the centre for a similar amount. These claims have previously been considered and were not found acceptable. The West Bengal Government desired to have a discussion which was held in this Ministry with their officers on the 18th and 19th July, 1963. They have promised to settle the Centre's claim against them for the amount referred to above by the end of this year.

[O.M. No. 23| (14) |59 BFC—I, 18th Report, dated 30-8-63]

Recommendation:

5. *The Committee would like the Ministry to keep a very close watch on the expenditure on demurrage so that it might be kept to the minimum.*

[S. No. 57 of Appendix IV to the 8th Report, (1962-63)]

ACTION TAKEN

Noted.

[O.M. No. 23/63/BFC-I, Eighth Report, dated 8-7-63]

APPENDIX IX

MINISTRY OF HEALTH

*Action taken or proposed to be taken on the Recommendation of the
Public Accounts Committee*

EIGHTH REPORT (Third Lok Sabha)

Recommendation:

The Committee observe that the officer concerned in this case served Government for a period of only three months after return from the study leave, as against at least three years' service under Government, stipulated by the Rules. The Committee note the Ministry's promise to allow leave to the Officer at any time after July, 1954. They, however, feel that the promise should have been made 'subject to admissibility under the Rules'. During the course of evidence the Committee were assured by the Secretary, Ministry of Health, that no relaxation of these rules would be allowed in future. The Committee trust that the Ministry will keep this assurance.

[S. No. 59 Appendix IV, Eighth Report (Third Lok Sabha)].

ACTION TAKEN

The recommendation of the Public Accounts Committee has been communicated to all concerned for information and future guidance *vide* this Ministry's circular No. F. 27-5/61-Estt(CHS), dated 17-10-1963.

[O.M. No. F. 7-16/63-B, dated 21-2-64]

APPENDIX X

MINISTRY OF HOME AFFAIRS

Statement showing action taken or proposed to be taken on the Recommendations of the Public Accounts Committee

THIRD REPORT (Third Lok Sabha)

Recommendation:

1. *The Committee are not convinced with the explanation offered. The tours of the Ministers must have been notified well in advance. Had the Ministry exercised a close watch over the expenditure on account of tours, consulting the tour programmes from time to time, the resultant excess could have been avoided. It is not understood why a surrender of Rs. 47,900 was made on 31-3-1961, while on the other hand the expenditure had actually been incurred in excess of the grant.*

[S. No. 6, Appendix XV, 3rd Report (3 L.S.)]

ACTION TAKEN

The final requirements of funds for tour expenses of Minister have necessarily to be based on information supplied by various Ministries, the trend of actuals in the past and progress of expenditure as booked by the Accountant General, Central Revenues and this was precisely what was done in 1960-61. It is relevant to note, in this connection, that the Ministries had intimated their requirements under 'Tour Expenses' as Rs. 4,84,410 in March, 1961. This figure was, however, revised in the light of past actuals and actual expenditure upto January, 1961, as booked by the Accountant General, Central Revenues (which incidentally was only Rs. 5,27,598) and the final grant was fixed at Rs. 7 lakhs. The actual expenditure for the year, however, turned out to be Rs. 9,58,010, but this fact came to light only after the close of the financial year. The excess was thus due to factors beyond the control of this Ministry.

As regards the surrender of Rs. 47,900, a review of the final requirements under each sub-head was made in March, 1961, on the basis of information available and it was found that after carrying out the necessary reappropriations there would be a net saving of Rs. 47,900 which could be surrendered. As already stated, the fact that the actual expenditure would exceed the grant was not known at the time the surrender was made. This was known only when the accounts for the year were closed long after 31st March. No

Liability register was maintained by the Ministries during 1960-61. In the absence of Liability Registers the Ministries could not foresee excess and report to this Ministry. The Liability Registers are, however, being maintained from the year 1962-63.

Instructions have since been issued to all Ministries that before intimating the requirements of funds for tour expenses of Ministers on nine and eleven monthly basis, an assessment should be made by each Ministry of the expenditure already incurred upto that period and probable expenditure for the remaining period of the year after consulting wherever possible, the tour programmes of the Ministers. Liabilities already undertaken such as debits pertaining to railway requisitioned accommodation, etc. should also be taken into account and the requirements of funds to be intimated to this Ministry should invariably be based on the results of such assessment.

Recommendation:

2. (a) *The Committee are not convinced of the explanation given by the Ministry. They feel that the Ministry acted on assumption instead of reviewing the position with reference to the expenditure already incurred by and actual needs of the Manipur Administration.*

(b) *The Committee observe from the Ministry's explanation that the excess was primarily due to lack of knowledge of the accounting procedure regarding the receipts from the State Trading Department. This would indicate the need for greater attention to accounting of transactions in order to ensure proper control over expenditure.*

[S. No. 7, Appendix XV to 3rd Report (3 L.S.)]

ACTION TAKEN

The Committee's observations have been noted. As regards (b), instructions have already been issued to the Manipur Administration to ensure that mistakes of this nature do not recur.

[No. 32/16/62-AC.I, dated the 10th June 1963/20th Jyaistha 1885]

EIGHTH REPORT (Third Lok Sabha)

Recommendation:

3. *The Committee invite attention of the Ministry to their earlier recommendation contained in para 191, Vol. I of the seventh Report (Second Lok Sabha) and hope that the Ministry of Home Affairs will review the position in order to ensure that disciplinary cases are disposed of as expeditiously as possible so as to be really effective.*

[S. No. 16 of Appendix IV to the 8th Report (3rd Lok Sabha)]

ACTION TAKEN

An almost similar recommendation has been made by the P.A.C. in column 6 of item 51 of their 12th Report. In view thereof all the vigilance officers have been requested to take all possible steps to expedite disposal of pending disciplinary cases.

Recommendation:

4. *The Committee desire that the entire question of financial transactions with the World Agricultural Fair should be looked into by the Government as it involves important principles which are of vital interest to the proper working of the Government. It would be advisable for the Government to lay down certain broad and healthy conventions and formalities to be observed by persons holding high official position when they are either participants or patrons of non-official organisations which have any financial dealings with the Government.*

[S. No. 48 (iv) of Appendix IV to the 8th Report (3rd Lok Sabha)]

ACTION TAKEN

Some instructions in this regard have already been issued for the guidance of the State Governments. (This Ministry's letters No. 51/92/50-Public, dated the 19th June, 1950 and 30th January, 1951.) The question of issuing further instruction on this subject is under consideration in this Ministry and a further report will be sent to the Lok Sabha Secretariat in due course.

[O.M. No. F. 30/8/63-AC-I dated 30-9-63]

TWELFTH REPORT (Third Lok Sabha)**Recommendation:**

5. (i) *While it may be accepted that the Director of Procurement could not verify the stocks of each centre periodically, as was his duty to do, it is difficult to understand why he did not undertake the verifications in respect of this particular centre when there were reports of shortages. It appears that timely action was not taken by him on these reports. The Committee understand from audit that the first report of verification was submitted in April, 1954 and after this date there were only three charges in the incumbency of the post. The period for which each person held charge is known and it should not be difficult to fix the responsibility.*

(ii) *The Committee further understand from Audit that the Board of Enquiry had observed as follows: "Some exemplary action could be taken against such an officer (SDO) then and there for the naked violation of every bit of rules, regulations and orders but nothing was done in this regard. He has since retired from service and we can hardly take any action against him".*

(iii) *The Committee further understand that another SDO was not only responsible for the lapse in regard to the non-execution of the agreement with the Agent but also for not taking any security from the Agent and not conducting proper verification about the landed property of the Agent before his appointment. The Board have themselves pointed out these lapses but have not suggested any action against the SDO.*

(iv) *The Committee are not happy about the manner in which this case has been handled by the Administration and would suggest that the matter be investigated further and responsibility for lapses fixed on the officials concerned.*

[S. No. 4 of Appendix I to the 12th Report (3rd Lok Sabha)]

ACTION TAKEN

The Government of Tripura have been requested to investigate the matter further and to intimate to this Ministry the result of the investigation. They have also been requested to fix the responsibility for the lapses on the officials concerned. [Vide letter No. 4/7/63-MT dated the 30th August, 1963].

[O.M. No. F. 30/14/63-AC-I dated 11-10-63]

APPENDIX XI

MINISTRY OF INDUSTRY

Statement showing action taken or proposed to be taken on the recommendations of the P. A. C.

SEVENTH REPORT (Third Lok Sabha)

Recommendation

The Committee feel that with the increase in the yield between 6000-8000 units per milli-litre, the Total Target should increase correspondingly (to about 80 to 96 million mega units).

The Committee would like to have a detailed note indicating inter-alia the concrete steps taken by the Management to improve the quality of the products as also to take up the organisation technically, administratively and financially so that it would be of maximum benefit to the people.

[S. No. 17, Appendix III, 7th Report (Third Lok Sabha)]

ACTION TAKEN

The trial operations in respect of the production of penicillin at the HAL Pimpri commenced in March 1955 and regular production was taken in hand in August 1955. It was planned to produce annually 3.6 mmu of penicillin raising upto 9 mmu. The actual production of finished penicillin from the year 1955-56 was as follows:

Year	Production
	MMU
1955-56	0.62
1956-57	9.89
1957-58	21.43
1958-59	25.20 + 3.83 from imported crystals.
1959-60	32.05 + 1.10 " " "
1960-61	40.24 + 2.52 " " "
1961-62	42.99 + 2.54 " " "
1962-63	50.17 + 2.44 " " "
1963-64 (Estimated)	60.00 With the additional two fermenters, the production will go up to 60 mmu per annum during the year 1963-64.

The Plan of operations envisaged a production of 3.6 MMU rising to 4.8 MMU and ultimately to 9 MMU. This "ultimately" perhaps meant with the achievement of technological improvements and not merely by the fact that 6 tanks were installed. Accordingly, when the number of tanks was increased to 10, the design capacity also changed as 8 MMU ultimately rising to 15 MMU. In the initial stage of the construction of the penicillin Project it was thought that the technical side of the penicillin Project both in regard to production and the creation of an adequate research Centre should be examined by an Experts Committee of Scientists. It was thought necessary that the plans of UNTAA who had been assisting Government in securing the know-how and needed equipment for establishment of the factory, should be so formulated as to set up economic production of penicillin and that the research side of the project should be equipped on a sound footing from the very start. A proposal for such a Committee to apply suitable checks on these technical aspects was made at that time. In 1954, the Experts Committee of Scientists with Col. R. N. Chopra as its Chairman and Major Gen. S. S. Sokhey, Dr. B. Mukherjee of Central Drugs Research Institute, Lucknow, Lt. Col. T. C. Puri, Dy. Director General, Health Services, Dr. C. G. Pandit, ICMR as members was constituted. The terms of reference of the Committee were

"To examine the technical side of the penicillin project from the production as well as the research aspect and to advise the Government from time to time on the steps necessary to ensure the technical excellence of the project."

The advice of the Committee helped the Government to draw up the day-to-day details of the manner in which the factory should gradually come up in order to achieve the objectives of an economic unit. It is relevant to note that the Committee was appointed at a time when construction was in its early stages—when the Board of Directors for the management of the factory had not been constituted. The responsibilities of the Expert Committee devolved later on the management under the guidance of the Board of Directors.

The Experts Committee of Scientists in its report dated the 14th November 1956 observed *inter alia* that—

"the management and the Board of Directors should direct all their efforts to produce good quality of penicillin which meets the pharmacopoeial requirements upto the full capacity of the present plant, that is, about 30 MMU. Only then can any move towards expansion seem logical."

The opinion of the technical experts including those of the WHO, who were associated in the initial stages of the installation of the Pimpri Plant was taken into consideration when the rated capacity of the Pimpri Plant for the different periods was fixed. It may be relevant to state that the yields of penicillin is controlled by several factors of which the fermentor capacity is only one. The capacity of the strain (micro-organisms) producing penicillin and their further

processing and extraction efficiency are among the other factors governing the rated capacity of any plant producing bio-synthetic products like penicillin. So, the production capacity of the Pimpri Plant at different periods had to be co-related with these factors which may vary from one plant to another. Against this background the rated capacity of the plant for respective years was computed as under:—

Year	Capacity MMU
1958-59	24
1959-60	30
1960-61	35
1961-62	45
1962-63	50

N.B.: Six more fermenters were added during the period from 1958-59 to 1960-61 in order to raise the rated capacity by 60%. The impact of the expansion on the production of penicillin in the Pimpri factory was felt gradually and reflected in the production from September-October 1959.

There has been no under-estimation of targets in relation to the installed capacity. The Committee have apparently proceeded on a linear extrapolation of the improved titres obtained since the time of the Expert Committee when the yield was of the order of 2000 units per millilitre. It may be pointed out that the capacity of 30 MMU envisaged by the Expert Committee in 1956 could have been achieved only with a strain which could yield 4000 units. The basis for this calculation is furnished below:—

No. of tanks 10

Less for maintenance ' 1

Available for continuous production 9

No. of batches possible with 9 tanks in a year :

$$= \frac{9 \times 365 \times 24}{125 \text{ cycle time}} = 630$$

To get 30 MMU of finished bulk, 37.5 MMU 1st crystals are required :

$$\left\{ \frac{\text{Finished bulk}}{\text{Efficiency}} = \frac{30 \text{ MMU}}{0.80} = 37.5 \text{ MMU} \right\}$$

To obtain 37.5 MMU of 1st crystals in 630 batches with 80% Extraction Efficiency, a yield of about 4000 units per millilitre is required :

$$\frac{(630 \times 20,000 \times \text{titre} \times .80 \times 1000)}{106}$$

As for the new strain which is capable of yielding 6000-8000 units per millilitre, the productivity of this strain should be measured in relation to the time the strain takes to yield this higher output. In other words, the higher yield of about 8000 is possible only on a manufacturing time of about 160 hours which means that the yield per hour is about 50 units. This yield of 50 units per millilitre per hour has been acclaimed as very favourably comparable with yields obtaining in similar foreign industries. HAL have on their record an official appreciation of the capacity of this strain by a foreign manufacturer who was contacted with a view to obtaining a strain technical assistance for increasing penicillin yields. This foreign company has also observed that there are cultures available which produce a total unitage of even 10,000 units per millilitre; but these take a comparatively longer time of 200 hours to produce this higher yield. Added, there are certain other technical difficulties in filtration and extraction in using the longer cycle strains. Therefore, with HAL present strain yielding on an average 8000 units per millilitre on a time cycle of 160 hours (this has yet to be established on long continuous runs) with 18 fermenter tanks in use, the maximum production possible under the existing condition is only 60 MMU per year as shown by the calculation below:—

No. of fermenters	.	18
Allotted for tetracycline	.	1
		<hr style="width: 50px; margin: 0 auto;"/>
		17
Less for maintenance	.	1.5
		<hr style="width: 50px; margin: 0 auto;"/>
Available for continuous production	.	15.5

No. of batches possible per year with 15.5 fermenters on a cycle time of 170 hours=

$$\frac{15.5 \times 24 \times 365}{170} = 800 \text{ batches approx.}$$

(170 hours = 160 hours fermentation + 10 hours turnover time).

Penicillin G. production: 630 batches = 54.94 MMU bulk.

Penicillin V. production: 170 batches = $\frac{5.95 \text{ MMU bulk}}{=60.89}$

There is hardly any question of achieving a production of 80-90 mmu per year, with the information and data HAL have on strains. The economics that are thus affected by the improved strain are those caused by a lower consumption of raw materials because of reduced number of batches.

Implementation of the recommendations made by the Expert Committee of Scientists, HAL, have enlarged its activities and made improvements from time to time, as indicated below:—

- (i) 60% expansion programme in the manufacture of penicillin. By adding two additional fermenters, HAL will be able to manufacture 10 MMU of penicillin bulk over the present programme.
- (ii) A new plant for the manufacture of 40—45 tonnes of streptomycin and Dihydrostreptomycin per year has been established and regular production has commenced in February, 1963. Due to the increased demand, the capacity is being doubled which will be completed by the end of the current year.
- (iii) From the results of experiments conducted in its laboratory, HAL have installed a plant costing Rs. 10 lakhs for manufacture of tetracyclines with an annual capacity of 1.5 tonnes. This Plant has suspended production of Oxytetracycline from March 1962 due to a legal suit filed by a Pharmaceutical Company on the question of patent rights. Till the question of patents is decided, HAL have commenced trial production of Chlor-tetracycline Hydro-Chloride from January 1963. The Company has in view to step up the production to 20—25 tonnes per annum in the second phase of the production programme.
- (iv) HAL have established an Antibiotics Research Centre. A sum of Rs. 17 lakhs has been spent by way of capital expenditure on the Research Laboratory and its equipment including Rs. 5.53 lakhs spent on the "Animal House" "Quality Control". An entirely Indian staff of about 75 Scientists has been working in the laboratory which has the departments of Mycology, Organic Chemistry, Bio-chemistry, Bacteriology and Physical Chemistry. The research activity forms an important and integral part of the production activity and plays a very useful role in rendering technical advice and assistance for improving the quality of products manufactured. The laboratory also makes efforts to study problems of fundamental and applied interest, such as the selection of improved strains, keeping properties of penicillin salts and study of properties, metabolism, enzyme make up, bio-synthesis of penicillin etc. This research Centre has also been recognised as a Post Graduate Training Centre by the Universities of Poona and Bombay, and some members of its scientific staff have been notified as 'Guide' for Ph. D. Degree. It organises also scientific seminars and symposia to promote study of antibiotics.
- (v) HAL are establishing a Pilot Plant Laboratory for antibiotics research at a cost of Rs. 10 lakhs.

- (vi) The results of research conducted in the Research Laboratory of the Company indicate successful manufacture of a new anti-fungal antibiotic termed as Hamycin. The Company has been granted a licence to instal a pilot plant for the manufacture of 15 kg. of this new drug per annum. It is proposed to undertake the commercial production of this new antibiotic.

The Quality Control Department of HAL has been completely re-organised. The performance of the Company can well be judged from the financial results indicated in the last Annual Report—1961-62. It would be observed that the Company had achieved a net surplus of 310 lakhs after paying a dividend of Rs. 15.45 lakhs (6½% on the investment) upto the end of the year 1961-62.

Recommendation:

2. While noting that progressive reduction has been achieved in the cost of first crystals at Pimpri due to increase of Production and overall control of cost, the Committee would like to observe that the cost of Production of first crystals as well as bulk penicillin was still considerably higher in 1960-61 when compared to the price of imported products. The Committee hope that steps would be taken by Government to reduce the cost of Production further both in the case of first crystals and bulk penicillin.

The Committee are not happy with the present pricing policy of the Hindustan Antibiotics Ltd., Pimpri. In this connection, it would be worthwhile to mention the following observation of the Committee on the Judiciary U.S. Senate appointed to investigate the price of drugs in that country.

"in drugs generally, India ranks amongst the highest priced nations of the world—a case of inverse relationship between the per capita income and the level of Drug price."

If such anomalous position is to be rectified, it could be done, in the opinion of the Committee, by making available to the people drugs and medicine at the lowest economic price. The Committee are unable to accept the contention that if prices of penicillin are reduced, the profit will go to Middlemen in the private sector. They are sure that if armed with sufficient powers to check profiteering in drugs the Government exercised their powers properly and sought the cooperation of the medical profession, the benefit of cheaper drugs could certainly be extended to the poorest section of the people. The Committee are of the view that such a wide margin of profit as indicated by the figures is not justified in the case of such commonly used and essential drugs as Penicillin. The Committee are of the view that in a welfare state the undertakings manufacturing drugs and medicine of common use should not run on profit motive. Their aim should be to render service to the common man by selling their

products at the cheapest rate. They, therefore, suggest that the question of fixing the sale price of penicillin should be referred by Government to the Tariff Commission vide Section 12(d) of the Tariff Commission Act 1951.

[S. Nos. 18 & 19, Appendix III, 7th Report (3rd Lok Sabha)]

ACTION TAKEN

The cost of production of bulk drugs from basic stages in the country is comparatively higher than in other countries more advanced in the field of drugs and pharmaceuticals for more than one reason. Among others the following factors contribute to the higher cost namely:—

- (i) Units are newly installed at a considerably higher capital expenditure;
- (ii) lower capacities of units compared with those units established in foreign countries;
- (iii) foreign manufacturers who are well-established in the field for a long time are able to keep their over-head charges sufficiently at a low-level by writing off both capital and developmental expenditure;
- (iv) higher prices paid for indigenously available raw materials and also comparatively higher cost of imported raw materials because of payment of freight and duties thereon;
- (v) high excise duties on alcohol and other commodities on which restrictions exist in using them e.g. isolrophyl alcohol;
- (vi) new units would take time to gain experience and to achieve required efficiency.

The manufacturing cost of a biosynthetic drug like Penicillin in a country possessing highly skilled manufacturing resources, with the capital investment already ploughed back will, obviously, be appreciably lower when compared to the cost of production in a country like India which has taken up this line at a later stage and has had to build up everything from scratch. Further, foreign manufacturers who have well organised sales management for a long time have been keeping internal prices higher than those actually in India while lowering the international price (export price) for purposes of competition. The so called international price is, therefore, not based on actual cost of production.

A comparison between the cost of production in India and USA will, therefore, be not reasonable. All the same every effort has been continuously made since the Hindustan Antibiotics Ltd. went into production in 1955-56 to reduce the cost of production.

It will be recalled in this connection that when the Project for Penicillin was first approved in 1951, it was expected that bulk Penicillin from Pimpri would sell at Rs. 1.25 nP per M.U. and this price was considered comparable to the international price for Penicillin prevailing at that time. The first lots of Penicillin manufactured at Pimpri in 1956 were, however, sold at 69 nP per M.U. i.e. at nearly half the estimated price due to reduction of cost, on account of increased volume of production and higher yield due to development of industry. This bulk price was further reduced to 50 nP per M.U. from 1-10-59. During the same period the price of first crystals was reduced from initial 50 nP per M.U. to 40 nP per M.U.

As stated in the earlier paragraphs (*vide* 3—6 ante) various measures have been adopted from time to time to lower the cost of production, improve the efficiency and increase the yield of strains and develop fresh and better strains. These measures are constantly being reviewed with a view to improving them wherever indicated so that the cost of production would further be reduced.

As regards the sale price of Penicillin and of Penicillin products, the present price of Pimpri Penicillin supplied to bottling unit is 50 nP per M.U. No further reduction in prices has been effected since October, 1959 as it was found that at this price level it is possible to make available to the consumer vialled Penicillin at a reasonable price which can bear comparison with the internal prices of drugs in advanced countries like U.S.A., U.K., West Germany and Canada. According to the latest information available, the retail prices of three unitages of penicillin produced at HAL, Pimpri and the internal prices of similar vialled products in U.K., U.S.A., West Germany and Canada are as follows:—

Table prices in nP.

Product	H.A.L.	U.K.	U.S.A.	W. Germany	Canada
1. Penicillin G. Sod. 5 lac.	61	84	81	584	91
2. Streptomycin sulphate 1 gm	58	125	115	530	..
3. Penicillin V Tablets*	475	574	2744	1150	708

* { HAL price 36 tablets of 65 mg.
 { UK price 30 tablets of 60 mg.
 { USA price 50 tablets of 65/125 mg.
 { West Germany price 200 tablets of 125 mg.
 { Canada price 12 tablets.

A price policy sub-Committee of Hindustan Antibiotics Ltd. reviews the question of prices of various products from time to time. Substantial benefits have already been extended to 'institutional' consumers like hospitals—by way of special discounts which were successively increased from 5 per cent to 10 per cent in April 1959 and from 10 per cent to 15 per cent in May, 1960. About 70 per cent of production is sold to bottlers and 30 per cent is vialled and sold. Of the vialled sales, 90 per cent is sold to Government and institutional consumers. Price reductions effected by HAL during the last six years in respect of Penicillin products are indicated below:—

Selling price in nP.

Product	Selling Price					
	1956	April	Nov.	Oct.	Dec.	June
		1958	1958	1959	1959	1962
1. Pencillin V in bulk per M.U. .	150	..	125	100	..	80
2. Penicillin G in bulk per M.U. .	62	69	..	50	..	50
3. Procaine Penicillin 15 lac .	246	..	..	..	130	130
4. Procaine Penicillin 4 lac .	58	..	..	..	55	55
5. Pencillin V Tablets box of 12	250	..	225	..	200	175

The retail prices of vialled antibiotics before production by Pimpr factory and the present prices are given below:—

Selling Price in nP.

Product	Selling price	
	Before production by HAL	Present price
1. Penicillin G Sod.		
2 lac unit	67	42
5 lac unit	119	61
10 lac unit	202	94
2. Penicillin Fort.		
4 lac	120	55
3. Penicillin V. tablets :		
Box of 12	250	175
Box of 36	600	475

Product	Selling price	
	Before ; production by HAL	Present price
4. Dihydrostreptomycin 1 gm vial	100	58
5. Dihydrostreptomycin	100	58
6. Streptopan $\frac{1}{2}$ gm.	125	70
1 gm.	162	85
7. Streptodacin 1 gm.	100	58

As regards the suggestion that the fixing of sale price of Penicillin should be referred to Tariff Commission, it may be mentioned that Hindustan Antibiotics Ltd. is only one of the four licensed manufacturers of this product.

The capacity licensed/installed in respect of penicillin is as follows:—

Name of the unit	Capacity in mu per annum	
	Licensed	Installed
1. HAL, Pimpri	45	45
2. Alembic Chemical Works, Baroda	20	10
3. Standard Pharm. Works, Calcutta	10	10
4. IDPL (Rishikesh Plant)	140	..

The penicillin produced by the three manufacturers is bottled by them and by the following bottlers who purchase bulk penicillin from Pimpri/Baroda/Calcutta for meeting a part of their requirements:—

- (1) Pfizers, Bombay.
- (2) Sarabhais, Baroda.
- (3) Glaxos, Bombay.
- (4) Dey's Medical Stores, Calcutta.
- (5) Hoechst, Bombay.

The bottlers also permitted to import penicillin to meet part of their requirements for vialling. Sarabhais are permitted to import first crystals as they have installed capacity for conversion of crystals into sterile penicillin.

The question of reduction in the sale price of penicillin and penicillin products will be considered further in the light of the Committee's views and the decision taken will be intimated, in due course.

Recommendation:

3. *The Committee feel that the very purpose of encouraging indigenous production was largely defeated in this case, where a higher tender involving extra expenditure of Rs. 38,000 for the supply of Phosphoric acid was accepted inasmuch as the indigenously manufactured product itself contained imported raw material which formed 60 to 70 per cent of the total cost. They hope that such cases will not recur.*

[S. No. 20, Appendix III, 7th Report (3rd Lok Sabha)]

ACTION TAKEN

Tenders were invited in August 1960 for the purchase of 41 tonnes of phosphoric acid. Against the lowest quotation of Rs. 70,695 for the imported material, HAL purchased the material that was available indigenously at a total cost of Rs. 1,08,650 for delivery at site, i.e. 54 per cent higher than the price of the imported material. This means the indigenous material cost Rs. 38,000 approximately more. The Committee feel that the very purpose of encouraging indigenous production was largely defeated in this case, where a higher tender involving extra expenditure of Rs. 38,000 for the supply of phosphoric acid was accepted inasmuch as the indigenously manufactured product itself contained imported raw material which formed 60 to 70 per cent of the total cost.

In accordance with the existing procedure applications for import of raw materials, spares etc. required by the public sector undertakings are scrutinised in the first instance by the Department of Technical Development from the indigenous angle. The views of the Department of Technical Development as to whether import should be allowed or the goods are indigenously available on reasonable terms having regard to the general policy of the Government to encourage indigenous production, are considered before releasing the foreign exchange for the purpose by the Ministry of Finance, Department of Economic Affairs. Generally the Department of Economic Affairs are not favourably inclined to release foreign exchange involved in the import of stores which are indigenously available merely because of price difference. Imports have been refused even in cases where the price difference happened to be more than 54 per cent, as for example in the case of the purchase of indigenous phosphoric acid by HAL.

While considering the question of utilising indigenous phosphoric acid by HAL in preference to the imported material available at cheaper rates it has been opined by the Department of Technical

Development that the import of indigenously available raw materials should not be allowed only because of higher price of the indigenous materials. This view has been reiterated by the Department of Technical Development recently when the question was re-examined.

It has also been examined in consultation with the Department of Technical Development whether in view of the high foreign exchange involved in the import of raw materials indigenous production of phosphoric acid should be given up altogether; and whether the country's requirements should be met by imports. It has been recommended by the Department of Technical Development that indigenous production of phosphoric acid should not be given up altogether. While the phosphoric acid of pharmaceutical grade may continue to be imported the phosphoric acid of technical grade should be produced by the wet process in the country from imported rock phosphate. HAL require phosphoric acid of higher grade which could be secured only by processing of imported P_2O_5 . Department of Technical Development are of the view that it would be better to allow HAL to import phosphoric acid than to make them import P_2O_5 , and have it converted into phosphoric acid by indigenous manufacturers. According to the Department of Technical Development the cost of pharmaceutical grade phosphoric acid prepared from imported phosphorous pentoxide will be about Rs. 2500 per tonne. HAL had paid Rs. 108,650 to Messrs. Excel Industries, Bombay for 41 tonnes of the material. In other words, the price paid was Rs. 2,650 per tonne. The quotation for the imported material was Rs. 1,600 per tonne.

In the case under reference, the Company acted on the advice of Government. The higher price paid for the purchase in the circumstances explained above does not exhibit either negligence or carelessness on the part of the Company officials or the Management.

Incidentally, it would be relevant to mention that in considering Ministry of Finance Note on "Purchases from foreign countries" the Cabinet at its meeting held on the 2nd September 1959 noted that "as a broad policy, preference should be given to articles or equipment obtainable in India, even though their manufacture contained an element of expenditure of foreign exchange." Taking cue from the Cabinet decision, the Ministry of Finance, Department of Economic Affairs with whom the general question in regard to the extent to which price preference should be given to indigenous goods having regard to the foreign exchange position had been taken up, were of the view that no foreign exchange would be released for import of stores which are available indigenously. They have, however, added that as a matter of policy, the domestic sources of supply have to be utilised to the maximum extent possible and that the question of price preference would be considered on merit on each case.

This note has been vetted by the Comptroller and Auditor General of India, vide his U.O. No. 608-CA|255-RAC|62-Vol. I dated 23-9 1963.

[O.M. No. 5(9)|B&A|63, dated 9-10-63]

Recommendation:

4. *The Committee would like to be informed when the Mandi Salt Sources transfer to Hindustan Salt Company is effected and consequential savings effected therefrom. The Committee trust that in view of the fact that this is the only rock salt Mine in the country, Government would take special steps to expedite the experiments now in progress so that the mines could be exploited to the fullest extent. They hope that with the increase in production, the losses would be wiped out and the Mines would become a self-supporting unit. They would like to be apprised of the progress made in this regard.*

[S. No. 42, App. III, 7th Report (3rd Lok Sabha)]

ACTION TAKEN

The Mandi Salt Mines have been transferred to the Hindustan Salts Limited with effect from the 1st May, 1963. Information regarding the consequential savings as a result of the transfer will be available after the Company has worked the source in question for a year or two.

According to the scheduled programme of the Indian Bureau of Mines, a series of bore-holes are to be drilled in the area of Mandi Salt Mines, to find out the extent of thickness and the Salt reserves in the Drang and Guma Mines.

2. The Indian Bureau of Mines commenced the work in the middle of January, 1963. The first bore-hole was drilled in the 'Bhatogi' block upto the depth of 123.40 metres. About 40 metres of rock salt between the depth of 32 metres and 72 metres was encountered. Drilling at another site was then commenced. The second bore-hole has also been successfully closed on the 23rd April, 1963 at 180 metres after encountering about 94 metres of rock salt. Thereafter the rig was removed to the third bore-hole in the same block where drilling was done upto, a depth of 95 metres. About 32 metres of salt between the depth of 35 metres and 67 metres were encountered.

At the request of the Drilling Engineer of the Indian Bureau of Mines, the Salt Department has sanctioned construction of approach roads to the bore-holes in 'B' series and improvement of Nagrota Mine Road at Drang in order to have a proper road for carriage of drilling rigs to the sites of the holes of these series.

4. All necessary facilities are being extended by the Salt Department to the drilling party of the Indian Bureau of Mines.

5. The Indian Bureau of Mines are expected to complete their drilling operations in 36 months i.e. by the end of 1965.

This Note has been vetted by the Director of Commercial Audit, New Delhi.

[O.M. No. 5(9)/B&A/63, dated 28-11-63.]

Recommendation:

5. *The Committee would like to be informed about the recovery of the Cess amounting to Rs. 25,887 and the result of the discussion with the Ministry of Home Affairs with regard to change in the rules for taking departmental action before handing over the case to the court. The result of the departmental enquiries should also be communicated to the Committee at an early date.*

[S. No. 43, App. III, 7th Report (3rd Lok Sabha)]

ACTION TAKEN

Originally, the departmental investigations disclosed that a quantity of about 2,19,664 mds. of salt was removed from the Attiput North Salt Factory in the Madras Region without payment of Cess during the period from 1953 to the 3rd August, 1960. Thus, the loss of revenue to the Government was calculated to be Rs. 27,687 (inclusive of machine hire charges). As the licensee had already deposited Rs. 1,800, the net loss incurred was estimated to be Rs. 25,887 only. The alleged removal of salt during the years from 1953 to 1957 could not, however, be established due to lack of evidence. The case was entrusted for enquiry to the Superintendent, Special Police Establishment, Madras, in December, 1960. The criminal complaint lodged by the Special Police Establishment, Madras, against the accused lessees/licensees was heard in the Court of the Sub-Divisional Magistrate, Poonamallee. The trial Court dismissed the case on the ground that the prosecution was time-barred under Section 40(2) of the Central Excises and Salt, Act, 1944, and, as such, the offence was deemed to be non-cognizable for purpose of action in a Court of Law. Thereupon, it was decided by the Salt Commissioner to take departmental action against the accused lessees/licensees and a 'Show Cause' Notice was served on them by the Salt Commissioner on the 23rd May, 1962. Charges were drawn up against the Joint lessees licensees on the following counts:—

- (i) removal of a quantity of 1,56,554 maunds of salt from 1-1-1958 to 3-8-1960 without any permit and without payment of Cess charges thereon;
- (ii) progressive replacement of old salt by new salt and forming of new heaps without presentation of storage petition; and
- (iii) failure to present manufacturing petition for the year 1960.

The Joint Lessees/licensees were directed by the Salt Commissioner:

- (i) to credit a sum of Rs. 19,572.83 nP. by way of cess charges which had been evaded; and
- (ii) to show cause why penal action should not be taken against them for violation of the conditions of the license and Rule 131 of the Central Excise Rules, 1944.

The machine hire charges originally included were excluded as there was no basic evidence to prove that the licensees had used departmental machines for removal of the quantity of salt involved.

2. Having regard to the explanations furnished by the Joint Licensees in their defence statement and the reports made by the Local officers of the Salt Department, it was concluded by the Salt Commissioner that both the individuals, jointly and severally, stood committed to serious offence by their deliberate violation of the conditions of the licence and provisions of the Central Excises and Salt Act, 1944 and the Central Excise Rules, 1944. In view of the gravity of the offence committed, the following punishment was ordered by the Salt Commissioner on the 5th December, 1962:—

- (i) that the licence in respect of the salt works held by the two joint licensees, should be withdrawn forthwith, whereby they would not be able to manufacture, excavate or collect salt thereat, or remove salt therefrom, from the date of withdrawal of the licence;
- (ii) that a fine of Rs. 1,000 (Rupees one thousand) only be imposed on the licensees for having failed to exercise reasonable precautions to prevent the commission of these offences; and
- (iii) that the assignment of the Central Government land held by the Joint Licensees should also stand terminated with effect from the date of withdrawal of the licence.

However, as it was found that it was the Central Government and not the Salt Commissioner that was competent to impose these punishments, the matter is under consideration in consultation with the Ministry of Law.

3. One of the Joint licensees has on the 5th March, 1963 filed an appeal with the Central Board of Revenue, against the decision of the Salt Commissioner and the appeal is under consideration of the Board.

4. The Deputy Salt Commissioner, Madras, was asked by the Salt Commissioner to serve a demand notice on the two joint licensees, calling upon them to credit a sum of Rs. 19,572.83 nP. As the joint licensees failed to deposit the Government dues as also the fine imposed on them, as demanded by the Deputy Salt Commissioner, Madras, the stock of salt estimated to contain 15,755 quintals standing in the name of the joint licensees was attached by the Deputy Salt Commissioner, Madras. The auction of the salt heaps in 3 lots was held on the 31st January, 1963 as scheduled and the highest bids (one lot of about 5,230 quintals @Rs. 3.40 per quintal, another lot of about 5,110 quintals @ Rs. 3.62 per quintal and the third lot of about 5,415 quintals @Rs. 3.79 per quintal) were accepted on the 5th February, 1963. The auction purchaser has so far removed two lots and the third lot is still to be cleared. So far, 7,600 quintals have been removed and the amount realised is Rs. 26,772 towards the sale price of the salt at the accepted bid rate. The amount so far realised covers cess charges as evaded and also the fine imposed on them totalling Rs. 20,572.83 nP. In addition to the cess charges and the fine imposed by the Government, the joint licensees are required to pay an amount of Rs. 15,294.17 nP. towards assignment fee demanded from them. Thus, the Salt department has a total claim of

Rs. 35,867.00 nP. against the parties, out of which a sum of Rs. 26,772 has already been recovered from the auction purchaser and the remaining amount is also likely to be recovered from the removals still to be made by him.

5. A separate Note is being furnished so far as the discussion with the Ministry of Home Affairs with regard to change in the rules for taking departmental action before handing over the case to the court is concerned.

This Note has been vetted by the Accountant-General, Commerce, Works and Miscellaneous, New Delhi.

[O.M. No. 5(9) Accts. 63, dated 1-8-63].

Recommendation:

6. *The Committee would like to be informed about the recovery of the cess amounting to Rs. 25,887/- and the result of the discussion with the Ministry of Home Affairs with regard to the change in the rules for taking departmental action before handing over the case to the Court. The results of departmental enquiries should also be communicated to the Committee at an early date.*

[Para 50 (S. No. 43 of Appendix III) of Seventh Report
(3rd L.S.).

ACTION TAKEN

In paragraph 50 of their Report the Public Accounts Committee had *inter alia* raised the following two points in connection with the case of evasion of payment of salt cess which was detected in 1960:

- (a) the feasibility of holding departmental enquiry first before handing over the case to the Court; and
- (b) why photostat copies of the relevant papers were not kept to facilitate departmental action before they were handed over to the Police;

At the time of giving evidence the Committee was assured that the matter would be taken up with the Ministry of Home Affairs for discussion with a view to seeing whether the existing rules regarding departmental enquiries could be revised. As regards (b) the Committee were informed that orders had since been issued that departmental action could be taken simultaneously with the police investigation.

The position in respect of these two points is explained below:

- (a) The present procedure is that departmental action should be taken in the first instance before launching a prosecution. The question whether departmental action should be resorted to in the first instance was considered at a meeting of Secretaries in 1958 and it was decided that except in cases where the SPE insist that the case should be put up in Court, departmental action should be taken in the first instance. It is however necessary to point out that

the question whether departmental action on criminal prosecution should be resorted to first will arise only after investigations are over. At the stage of investigation into a complaint it is desirable that there is no duplication of effort as if parallel investigations are undertaken by the departmental authorities and the SPE in respect of the same allegations, each investigation may get delayed and one may obstruct the other. Therefore whenever a complaint comes to notice it should be decided first whether it should be investigated by the SPE or the Departmental authorities. If it is decided that the SPE should investigate the case then it would be proper to hold in abeyance the investigation by the departmental authorities except in respect of matters which do not fall within the purview of the SPE investigation.

- (b) In regard to photostat copies the Ministry of Home Affairs have issued instructions on 29th April, 1961 in respect of documents in the possession of audit offices. According to these instructions in cases where it is considered that the documents should be seized immediately, the Investigating Officer should submit a written requisition together with a list of documents and obtain delivery thereof from the Treasury Officer etc. The Treasury Officer etc. should send an immediate report to the Head of the Audit Office. In such cases the Police should take immediate steps to furnish photostat copies to the Treasury Officer etc. for being submitted to the Audit Officer in lieu of the original vouchers for facility of work in the Audit Office.

It will be seen from the position explained above that provision exists for taking departmental action before handing over the case to the Court. In so far as the question of retaining photostat copies of documents etc. is concerned it will be seen that action to do so can be taken on the lines of the Home Ministry's instructions referred to above. The only determining factor in such a case would be the inherent legal implication in proceeding against an official on the same charge both departmentally and in Court.

In so far as the present position of the case commented on by the Public Accounts Committee is concerned an Inquiry Officer was appointed on 16-8-1962 to enquire into the case. The Enquiry Officer submitted his Report on 24-4-1963. On the basis of the Enquiry Officer's report notice has been served on two Inspectors (S/Shri M. V. Padmanabhan and K. Govindan) asking them to show cause why they should not be removed from service. Their replies are awaited. In the case of another Inspector (Shri S. Lakshminarayana) his increment has been withheld for a period of two years with immediate effect. One Jamadar (Shri K. Doraiswamy Naidu) has been retired from service with effect from 22-8-62 and it has been proposed to reduce his pension by 10%.

[O.M. No. 5(9)/B&A/63, dated 27-8-63].

Recommendation:

7. *The Committee would like to be informed about the recovery of the cess amounting to Rs. 25,887 and the result of the discussion with the Ministry of Home Affairs with regard to change in the rules for taking departmental action before handing over the case to the court. The result of departmental enquiries should also be communicated to the Committee at an early date.*

[S. No. 43, App. III, 7th Report (3rd Lok Sabha)].

ACTION TAKEN

The Ministry of Home Affairs is concerned with the portion 'A' of the recommendation at col. 4. The Public Accounts Committee made a similar recommendation in para 18 (ii) of their 5th Report (Third Lok Sabha). The position regarding that recommendation has already been explained to the Lok Sabha Secretariat (P.A.C.) vide this Ministry's O.M. No. 30/2/63-AC. I dated the 26th April 1963.

Recommendation:

8. *The Committee are perturbed at the huge amount of about Rs. 34 crores for which utilisation certificates are over due and are still awaited from various State Boards/Institutions as also at the delay in recovering a sum of about Rs. 4 crores which is refundable to the Commission. It is disturbing to note that no effective steps have been taken by the Commission so far against the parties for their failure to furnish the certificates. They wonder if the failure to furnish the utilisation certificates for such long periods does not indicate that the amounts had not been utilised in all cases for the purpose for which they had been sanctioned. In the absence of any concerted and sustained efforts on the part of the Commission to improve matters all these years, the Committee cannot help feeling that there has been a lack of planning and supervision which is regrettable. To improve this state of affairs the Committee suggest that the following steps be taken urgently:*

- (1) * * * * *
- (2) * * * * *
- (3) * * * * *
- (4) *The Ministry of Home Affairs should adopt procedures, similar to those to be adopted in the case of State Boards in respect of Centrally Administered Territories.*
- (5) * * * * *

[S. No. 50, App. III, 7th Report (3rd Lok Sabha)].

ACTION TAKEN

The Ministry of Home Affairs is concerned only in respect of sub-para (1) of para 57 of the recommendation. The action on this subparagraph is dependent on the procedure to be adopted by the Ministry of Industry in the case of State Boards. That Ministry have intimated that they have not finalised any procedure in this respect

so far, and that the matter is still under examination in the Khadi & Village Industries Commission.

[O.M. No. F. 30/6/63—AC. I, dated 7-9-63]

MINISTRY OF INDUSTRY

Recommendation:

9. *In the opinion of the Committee the procedure adopted by the Commission in advancing further loans to enable the loanees to repay their instalments of 10% and thus renewing the loans violates the very meaning and spirit of the rules. In accounting matters, such transactions are the least expected from a missionary organisation like the Khadi Commission. The Committee suggest that this practice should be put a stop to immediately, and if necessary, the rules may be suitably clarified to prevent such a practice being resorted to in future.*

[S. No. 51. Appendix III, 7th Report (Third Lok Sabha)].

ACTION TAKEN

A new formula of giving working funds to institutions is under consideration of the Commission, which will substitute the present procedure of grant and renewal of loans. Details of this are being obtained. The Commission is, however, discontinuing the existing practice as recommended.

[O.M. No. 5(9)/B&A/63, dated 2-11-63].

Recommendation:

10. *The Committee would like to stress that relaxation of rules should be an exception and not a rule and therefore relaxation should be allowed only after Government is fully satisfied about its necessity. The Committee consider it unfortunate that the utilisation certificates were not submitted even after the extended period. In their opinion, this calls for strong measures against the defaulting parties.*

[Sl. No. 54, Appendix III, 7th Report, (Third Lok Sabha)].

ACTION TAKEN

In the initial stages, relaxation of time for the utilisation of funds was given as the institutions were not so well equipped to utilise the funds within the normal period of one year. The relaxation has now been gradually curtailed. In this connection, it may be mentioned that in December, 1961, the Commission has been authorised to grant extensions upto 6 months in exceptional cases only and that too when a portion of the funds has actually been utilised. Utilisation Certificates have already been obtained in most cases from the institutions and the procedure under consideration by the Commission for periodical submission of accounts by the institutions to the Commission would also, it is expected, lead to better watch over the

utilisation of funds in future. Out of the total of Rs. 34 crores in respect of the amounts disbursed during and upto the year 1959-60 for which Utilisation Certificates were due from all types of institutions (including the State Govts. and State Boards) so far as Registered institutions are concerned, the amount was only Rs. 2.93 crores. Even in the Audit Report, 1963, the amount for which the Utilisation Certificates were due from the registered institutions is shown as Rs. 4.56 crores as against Rs. 36.86 crores disbursed upto 1959-60. There has been further progress since then and the position revealed as at the end of November, 1963 is as follows:—

Year	Amount for which Utilisation Certificates are awaited
Upto 31-3-1957	Nil.
1957-58	Rs. 8,45,662
1958-59	Rs. 7,32,161
1959-60	Rs. 15,00,994
1960-61	Rs. 35,04,503
TOTAL	Rs. 65,83,320

In view of these factors, it is felt that the measures already taken should prove adequate and further progress is being watched by this Ministry.

[O.M. No. 5(9)/B&A/63, dated 12-3-64].

Recommendation:

11. *The fact that the percentage of increase in the expenditure on the administration of the Commission is disproportionately higher when compared to the percentage of increase in the total expenditure of the Commission on loans and grants for the corresponding period, indicates that there is further scope for economy. The Committee, therefore, suggest that a further review of the work load in various sections be made and reduction in expenditure effected to the maximum extent possible.*

[Sl. No. 55, Appendix III, 7th report (Third Lok Sabha)]

ACTION TAKEN

In order to locate where economy can be effected, the break-up of the expenditure on administrative staff, audit, etc is being collected and studied.

[O.M. No. 5(9)/B&A/63, dated 4-12-63]

Recommendations

12. *The Committee are anxious to ensure that preventive measures are taken in such cases so that such irregularities do not occur. It is essential for this purpose, in the opinion of the Committee to have a better and stricter control by the Commission over the activities of the State Boards. They trust that the Ministry, in consultation with the Commission and the Comptroller and Auditor General would be able to evolve a suitable procedure early to meet this end.*

[S. No. 59, App. III, 7th Report (3rd Lok Sabha)]

ACTION TAKEN

State Boards are autonomous statutory bodies set up under the Acts of the State Legislatures and as such accountable to them. The Khadi and Village Industries Commission cannot have much direct control over their activities. It is really for the State Governments and the State Legislature to take effective measures for avoiding irregularities in the maintenance of accounts etc. since the Boards are working under their administrative control. However, the question of responsibility of the Commission *vis-a-vis* the State Boards was discussed at length by the former Chairman of the Commission with the Comptroller and Auditor General on 13th February, 1963. It was agreed that the Commission would not be held initially accountable for the irregularities pertaining to the accounts of the State Boards unless they have occurred directly as a result of neglect of rules and safeguards or defect in procedure in the Commission itself. The Comptroller and Auditor General also decided that in all such cases the irregularities might initially be brought to the notice of the Commission who would either take suitable action to get the irregularities rectified by the State Boards or consider withholding of further grants/loans to the State Boards until remedial measures are taken by them. If however, Audit is satisfied that the Commission was not taking any action in this regard, it would be reasonable to blame the Commission and the mention of the irregularity in the Central Audit Report would be appropriate at that stage.

(ii) The Commission has brought to the notice of the State Boards, through various circulars, the types of checks that are usually exercised in respect of grants-in-aid paid by Government to private institutions etc. It has also been decided to educate the State Boards on typical irregularities so that they may take effective action to prevent their recurrence.

(iii) The various State Governments have been requested to appoint Financial Advisers to the State Boards. With the appointment of Financial Advisers, the position is likely to improve considerably.

[O.M. No. 5(9)/B&A/63, dated 3rd August, 1963]

Recommendation:

13. (i) *The Committee are unhappy to note that the Commission have not been able to make much headway in recovering the balance of the loan. As already suggested earlier, they feel that failure to*

utilise loans and grants for purposes for which these are granted and to tender proper accounts etc., should be treated as serious lapses and the question of black listing such Organisations should be considered.

(ii) *In view of the irregularities disclosed in these cases of exhibitions, the Committee desire that a review should be made of the procedure followed in organising such exhibitions and giving financial assistance therefor. It should also be seen whether the grant of financial assistance by the Commission for holding such exhibitions has in any way resulted in stepping up the sale of the products or in making them popular. If the amounts spent are not commensurate with the results achieved, the question of discontinuance of the practice of giving loans/grants to such exhibitions should be seriously considered.*

[S. No. 61, App. III, 7th Report (3rd Lok Sabha)]

ACTION TAKEN

In this connection it may be stated that the Bangalore Exhibition was organized at the eleventh hour and the expenditure was more than the amount anticipated, as it was conducted on a large scale for a longer period. In view of this, the State Board has already approached the Commission for the grant of a sum of Rs 25,000 to enable them to meet the extra expenditure and the Commission is seriously considering the proposal. If, on examination, the grant is justified and is agreed to, the question of refund of loan by the State Board would not arise.

(ii) While the Commission would very much like to accept the recommendation of blacklisting Organising Institutions it feels that if recourse is had to such an action the response from such Institutions will be poor, as these are manned mostly by self-less workers, and their enthusiasm will be dampened. The Commission will, however, endeavour to take other action to see that accounts are rendered promptly. It has also taken note of the lapses of the grantee Institutions with a view to avoid their recurrence.

(iii) As regards the utility value of these exhibitions *vis-a-vis* the expenditure, the Commission is satisfied that the exhibitions for which financial assistance had been given have proved to be an effective medium to popularise the Khadi & Village Industries products. These exhibitions are intended to create an interest in the large number of the public that happen to visit them. The results achieved which should not be measured in terms of sales only, but of the value of such publicity and propaganda, can be said to be quite favourable compared to the amount spent. The need for such publicity through exhibitions is still greater and any discontinuance at this stage will give a set-back to the activities of the Commission.

[O.M. No. 5(9)/Accounts/63, dated 22nd August, 1963]

Recommendation:

14. *The Committee feel that had the meters been installed in time, the short recovery of Rs. 32,055 could have been avoided.*

They hope that the balance of the dues will be recovered early and a report submitted to them.

[S. No. 14, App. IV, 8th Report (3rd Lok Sabha)]

ACTION TAKEN

The Okhla Industrial Estate was transferred by the Government of India to the Delhi Administration from the National Small Industries Corporation with effect from. The Delhi Administration purchases water in bulk from the Delhi Municipal Corporation and supplies it to units situated in the Industrial Estate at Okhla on "no profit no loss" basis. During the period from April 1959 to the end of October, 1961, the amount assessed for recoeryv from the consumers fell short, by Rs. 32,055 of the payments made to the Mnicipal Corporation. This short assessment is due to the fact that the water meters installed in different factory buildings remained out of order and did not gie correct reading of water consumered by different allottees.

The defective water meters have since been replaced by the C.P.W.D. and the individuals will now be charged on the basis of actual water meter readings. There will in future be no loss to the Government in the payment to the Delhi Municipal Corpora-tion.

The Delhi Administration have reported that the amount of Rs. 32,055·36 representing short assessed water charges from the period from April, 1959 to October, 1961 was further assessed against the occupants on floor area basis and a sum of Rs. 26,487·15 has since been recovered. Intensive efforts are being made by the Delhi Ad-ministration to recover the balance amount of Rs. 55,68·21 and it is hoped that this will be recovered from the occupants of the Okhla Industrial Estate in a short time.

[O.M. No. 5(10)/Accounts/63, dated 24th July, 1963]

Recommendation:

15. *The Committee are not satisfied with the explanation for purchase of stores in excess of requirements. They feel that if a sense of urgency or emergency really existed, Government should have taken special steps to acquire the land in time and started the construction of the building according to schedule. The Committee would like to be informed when the construction of buildings is completed in both the cases.*

[S. No. 15, App., IV, 8th Report (3rd Lok Sabha)]

ACTION TAKEN

The main reasons for delay in establishment of an extension centre at Bhubaneshwar were the ban on construction of buildings imposed in the middle of 1957 and the vacillation of the State Government in deciding on the plot of land to be given for the Centre. The State Government changed their mind twice before coming to a decision in this regard. These were factors beyond the control of this

Ministry. Construction work of the temporary shed required for installation of the machinery at this extension centre will be commenced after the formalities regarding execution of the sale deed and sanction of plans are completed. The matter is under correspondence with the State Government.

In the case of Nabadwip also the delay in the establishment of the Centre was due to non-availability of suitable rented accommodation and the landlord's initial reluctance to sell the entire plot of land required for construction of our own building. Formalities in regard to the purchase of the land were completed in 1960 and the actual construction of the building was commenced on 11th February, 1962 and was completed by 28th March, 1963. The Extension Centre has started functioning. All the machinery (except rolling mill and 3 other Small Machines) were installed by 29th March 1963 and temporary power connection obtained. The entire power requirements of the Centre will, however, be supplied by State Electricity Board after a transformer is installed.

[O.M. No. 5(10)/B&A/63. dated 3rd October, 1963]

12th Report (3rd L.S.)

Recommendation:

16. *The Committee of 1958-59 has also expressed concern at the unsatisfactory state of affairs prevailing before the Commission was set up in 1957. It might perhaps be too early to evaluate the progress of the Commission. The Committee, however, would like to point out that if the funds earmarked in pursuance of the policy of Development of traditional Khadi are to be self-spent, the financial procedure to be followed by the Commission needs tightening up. The Committee trust that the Commission will address itself to this matter. It is the responsibility of Government (who are accountable to Parliament) to assist and clothe the Commission, if necessary, with greater powers for dealing with statutory State Boards.*

Further comments of the Committee (1961-62)

The Committee would like to know whether Financial Regulations have been finalised by the Committee.

[S. No. 7, App. II, 12th Report, (3rd Lok Sabha)]

ACTION TAKEN

A note (Annexure) has already been sent to the Lok Sabha Secretariat indicating the position regarding finalisation of Financial Regulations of the Khadi and Village Industries Commission. The matter has not progressed further and it is still pending with the Khadi & Village Industries Commission.

[O.M. No. 5(14)/B&A/63, dated 21st September, 1963]

ANNEXURE

GOVERNMENT OF INDIA

MINISTRY OF COMMERCE & INDUSTRY

(See item 16)

At Serial No. 13 of Appendix I to Vol. II of their 42nd Report (Second Lok Sabha), the Public Accounts Committee desired to know whether Financial Regulations have been finalised by the Khadi & Village Industries Commission. The position in this respect is that the Financial Regulations have been finalised by the Commission. Financial and Accounts Rules of the Commission have, however, been drafted excepting a few portions. The draft has been prepared in consultation with the Financial Adviser to the Commission, and it is awaiting the approval of the Commission.

The preparation of the regulations required the services of a suitable officer with considerable experience and knowledge of Government accounting, rules and procedure. The Officer, having been appointed, could not complete the work as he had to be given certain other assignments, which could not be attended to in addition. He was appointed full time in August, 1961 only. As the Commission's activities cover a wide field, the officer had, necessarily, to discuss the actual working of the different sections and of the trading schemes with a large number of officers and visit a number of Trading and Production Centres for collection of the requisite material. This involved much time and labour."

Sd/- K. V. VENKATACHALAM,

Joint Secretary to the Govt. of India.

APPENDIX XII

MINISTRY OF INTERNATIONAL TRADE

Statement showing action taken or proposed to be taken on the recommendation of the PAC.

SEVENTH REPORT (THIRD LOK-SABHA)

Recommendation:

1. Whatever be the reasons for the shortfalls, the Committee are not happy about the persistent short-falls against the budgetary provisions year after year, as they are clearly indicative of a tendency to provide for large funds than what could be usefully spent. The Committee feel that the grants made to the Tea Board should have been limited to their capacity to spend. The Committee suggest that the Ministry should restrict the allotment of funds to the Tea Board in the light of past performances, specially in view of the present emergency.

[S. No. 63. App. III, 7th Report (3rd Lok Sabha).]

ACTION TAKEN

The Ministry have taken note of the above observations and will endeavour to exercise stricter control to minimise the possibility of large unspent balances.

[O.M. No. 7(1)-B&A/63, dated 28th August, 1963.]

Recommendation:

2. (i) In regard to the amounts spent on propaganda in India, while noting that the figures have been progressively reduced, the Committee are of the view that the figures are still on the high side.

(ii) The Committee are unable to appreciate the reason why the Government while they desire to have more and more quantities of tea for export to foreign countries should spend heavy amounts for propagating consumption of tea internally which is already being done by the private trade themselves. Nor do they see any justification for spending any sums of moneys (about Rs. 14 lakhs) on staff and establishment for internal propaganda which could be much better utilised for propagating the promotion of tea sales abroad, which is stated to be the avowed policy of Government and which is now so essential in view of the heavy drop in the export of tea during 1961 as compared to the year 1956.

In respect of the propaganda for tea promotion abroad, the Committee feel that the present policy needs reorientation. In their opinion, propaganda work should be concentrated more in those countries where consumption of tea was appreciably less, while some

work should continue in the countries where the rate of tea consumption was quite high in order to ensure that there was no fall in the level of consumption."

[S. No. 64, App. III, 7th Report (3rd Lok Sabha).]

ACTION TAKEN

Expenditure on internal promotion is being reduced to the absolute minimum. Though the gross expenditure on this item was Rs. 18.23 lakhs, Rs. 20.60 lakhs and Rs. 18.30 lakhs during the three years 1960-61, 1961-62 and 1962-63, the nett expenditure amounted to only Rs. 12.81 lakhs, Rs. 13.67 lakhs and Rs. 11.91 lakhs respectively, after deducting the sale proceeds of tea and snacks and administrative fees from canteens realised and proportionate charges on account of officers and staff of headquarters of the Tea Promotion Directorate debited to "Tea Promotion outside India". In 1961-62 an expenditure of Rs. 1.77 lakhs was incurred over and above the normal expenditure on the purchase of 2 chassis and for building their bodies (Rs. 51,000) and on account of participation in the Indian Industries Fair (Rs. 1.26 lakhs). This expenditure cannot wholly be regarded as on internal promotion as the vans are operating abroad to serve the needs of external promotion and the Board's participation in the Fair was primarily aimed at attracting the attention of a large number of foreign visitors to that Fair. So also, in 1962-63 a sum of Rs. 43,000 was spent on the supply of tea to our jawans. If these two items are not taken into account the normal expenditure in the years 1961-62 and 1962-63 would workout at Rs. 11.90 lakhs and Rs. 11.48 lakhs respectively.

Expenditure on staff and establishment on Tea Promotion in India was Rs. 11.01 lakhs, Rs. 11.28 lakhs and Rs. 11.20 lakhs in the year 1960-61, 1961-62 and 1962-63 respectively. This has remained more or less stationary notwithstanding the extra expenditure incurred during the latter 2 years in implementing the recommendations of the Pay Commission.

Correspondingly, our promotional efforts in foreign markets are being intensified, special attention being given to new potential markets or where our share of the total tea imports is small or where there is a downward trend in the offtake of Indian tea. Recent decisions taken by Government cover the opening of the Tea Centres in London, Edinburgh and Dublin and cooperating with Ceylon and the local trade in Australia in a joint campaign to propagate teas. In the framework of intensified foreign propaganda, the existing staff for internal propaganda is being diverted or readjusted to meet such needs. The Tea Centre at Bombay and other Tea Bars and Buffets in the country also serve as efforts at promotion of tea outside India, as these are being patronised by a large number of foreign tourists and visitors.

[O.M. No. 7(1)-B&A/64, dated 27th February, 1964.]

Recommendation:

The Committee are unable to find any justification for such large saving on development schemes (to the tune of Rs. 12 lakhs) on the one hand and on the other the failure to improve the production of green tea which has a good export market. They trust that proper attention to this aspect would be given in future.

[S. No. 66, App. III, 7th Report (3rd Lok Sabha).]

ACTION TAKEN

Though at the initial stages some delay was involved in framing rules and prescribing the procedure for the implementation of the various development schemes undertaken by the Tea Board, there has been satisfactory progress made since with a good response evinced in the major schemes in operation like the Tea Machinery Hire-Purchase Scheme, the Plantation Finance Scheme, etc.

The Board have also been paying special attention to the green tea growing areas. A loan of Rs. 3 lakhs on easy terms was extended by the Board to the Punjab Government for the setting up of a Co-operative Tea factory at Bir (Kangra). The construction of the factory with an initial annual capacity of 2 lakh pounds is under progress. The Board also have posted a Field Advisory Officer to render technical advice and guidance on improved and scientific methods of tea cultivation to the small growers in Kangra, Mandi and Dehra Dun. A special research scheme has also been started at the Palampur Demonstration Farm with financial assistance from the Board to help the small growers of Kangra. The Board propose to place at the disposal of the State Governments funds for disbursement to small growers in the formation of Small Growers' Co-operatives for improvement of plantations. There is further a proposal to start a Co-operative Tea Marketing Society in Kangra to ensure organised marketing facilities for the small tea growers of that area. An expert team visited tea plantations in the Punjab in April 1963 and their report incorporating measures for improvement has been forwarded by the Tea Board to the Punjab Government for consideration. Government and the Tea Board are thus alive to the need for assisting the green tea producers and will continue to pay special attention to their problems.

[O.M. No. 7(1)-B&A/63, dated 23rd October, 1963.]

Recommendation:

The Committee feel unhappy over the inordinate delay and the resultant loss (about Rs. 2 lakhs) that has occurred in this case. In their opinion, with better planning and coordination with the Indian Embassy in Egypt and a sense of urgency, the Tea Centre could have started functioning much earlier. Moreover, in the absence of the Tea Adviser designate, the Centre could have been started under the guidance of someone else with some knowledge of catering, etc. during the interim period. They hope such cases will not recur.

[S. No. 67, App. III, 7th Report (3rd Lok Sabha).]

ACTION TAKEN

The observations of the Public Accounts Committee have been carefully noted for future guidance.

[O.M. No. 7(1)-B&A/64, dated 4th January, 1964.]

Recommendation:

5. A provision be made in the rules fixing a time-limit within which the Annual Administration Reports of the Tea Board should be published so that the latest position showing the correct picture of the Board is available.

[S. No. 69, App. III, 7th Report (3rd Lok Sabha).]

ACTION TAKEN

The above recommendation follows a general observation made in the 10th Report of the Public Accounts Committee (Second Lok Sabha), viz. since large sums of money are voted by Parliament for payment to such Boards as grants-in-aid, it is only proper that Parliament and the Public Accounts Committee should be apprised of their activities. It was, therefore, recommended that the Annual Reports on the working of the autonomous Boards should be placed before Parliament.

2. In so far as the Tea Board was concerned, there was no statutory responsibility for submission of the Annual Administration Reports to Parliament. In practice, however, the Board had been preparing its Annual Reports and sending them to Government who in turn had been forwarding copies to the Parliament Library.

On the basis of the recommendation of the Public Accounts Committee, Annual Administration Reports of the Tea Board from the year 1958-59 onwards have been placed before Parliament. The latest report of the Board, viz. for 1961-62 has been laid on the tables of both the Houses of Parliament in January, 1963.

3. In accordance with the earlier recommendation of the Public Accounts Committee, the Comptroller & Auditor General of India has decided that the audit of the accounts of the Tea Board conducted by the office of the Deputy Accountant General, Commerce, Works and Miscellaneous, (then Deputy Director of Audit, Food, Rehabilitation, Supply, Commerce, Steel & Mines) Calcutta, should be so arranged that the Audit Report and audited accounts would be made available to the Tea Board in time to enable it to include them in the Annual Report. It was further decided that in future the Annual Report along with the audited accounts and the Audit Report thereon will be presented to Parliament by the 15th February of the following year at the latest.

4. The recommendation of the Public Accounts Committee will be given effect to by the Tea Board and the Government.

[O.M. No. 7(1)-B&A/63, dated 28th August, 1963]

EIGHTH REPORT (THIRD LOK SABHA)

Recommendation:

6. *The Committee are not quite satisfied with the explanation regarding delays in despatch of exhibits and are unhappy to note that in spite of their earlier recommendations, delays are still occurring.*

The Ministry should fix time limit within which all the exhibits properly packed should reach the port and the participants, who should be notified sufficiently in advance, told that no exhibits would be accepted beyond that.

[S. Nos. 10(i) (iii), App. IV, 8th Report (3rd Lok Sabha).]

ACTION TAKEN

An Advisory Committee including representatives of Trade and Industry meets every year and advises the Government on the annual programme of India's participation in Exhibitions and Fairs abroad. The established trade and their organisations are always associated even in the initial decisions and planning. Based on the recommendations of the Advisory Committee, participants in our exhibitions are also notified sufficiently in advance of the Government's decision on the annual programme of Exhibitions. In addition, detailed instructions to participants are also issued well in time before each event in regard to packing marking etc. and the last date of acceptance of goods by the shipping agents at the port. Thus, the P.A.C.'s wishes are being implemented in full in this regard.

On the whole, this has yielded satisfactory results. The bulk of exhibits are to be supplied free of cost by the Trade and Industry. The response from Trade and Industry has no doubt improved of late. However, it is still somewhat patchy. Response depends on the participants' knowledge and assessment of the market in the area of exhibition, and immediate returns by way of business etc. Those industries which cannot expect immediate results in a competitive international market do not always readily come forward. Furthermore, the better internal market in India is another deterrent. Many sectors of Industry and Trade would go unrepresented if Government does not make considerable efforts to fill up the gaps in sectors in which adequate representation is not obtained. The last date for receipt of goods has very often to be extended so as to enable the gaps to be filled up. A rigid enforcement of the target date originally stipulated for receipt of goods and rejection of late comers will make the display unbalanced and also leave many commodities unrepresented in foreign markets. It has also been our endeavour to avoid criticism by Audit that exhibition halls hired at considerable cost to Government do not contain a sufficient quantity and variety of exhibits. Since participants are to send their goods direct to the clearing agents after obtaining the approval of their exhibits from Government or the Export or Commodity Promotion bodies, the actual position regarding the goods reaching the port in time for shipment becomes known to the Ministry only after shipment. Very often

transport bottlenecks to happen even in transport within India itself. No liaison office at the ports at present to keep continuous watch over the collection of goods at the ports and the shipping could be arranged due to the continuous need for economy in expenditure. Shipping is also subject to vagaries of weather, port conditions, sailings and transshipment etc. Nevertheless, such liaison office at ports will be set up if found unavoidable.

Recommendation:

7. The Committee feel that if any useful purpose is to be served by participation in the International Fairs and Exhibitions, the Government would be well advised to induce the private Trade and Industry to take more active part both financial and administratively in such exhibitions abroad, so that they may also feel as active participants.

[S. No. 10(ii), App. IV, 8th Report (3rd Lok Sabha).]

ACTION TAKEN

Administratively, as explained in regard to the answers to the observations mentioned at item 10(i) and 10(iii) at pre-page, the established trade and their organisations are always associated. Their financial participation, however, is now limited to the extent of the expenditure required for the supply of exhibits and their internal transport within India except in the case of the Annual Leipzig International Fairs, Spring and Autumn. In the case of this particular fair, some of the established exporters who have been getting the benefit of some positive export trade are now paying part of the other organisational expenditure. This is possible in the case of the Leipzig Fair because the G.D.R. Government tracks part of their import trade through the Fair.

A second exception is the Indian Exhibition now being organised at Moscow in July, 1963. Government has constituted an Advisory Committee under the Chairmanship of Shri G. D. Birla. Commercial participants are required to pay Rs. 55 per Sq. ft. to the Government towards the total expenditure contingent to their participation.

(ii) To associate the Trade Government also releases foreign exchange to the delegation of representatives of participants to go abroad to demonstrate their products and canvass business during exhibitions.

(iii) Further, Government releases foreign exchange and also gives advice and guidance to the Trade and Industry who desire to participate on their own in International Fairs/Exhibitions in which Government do not take direct part.

Government is, however, constrained to co-ordinate, finance and administer exhibitions abroad for the following reasons:—

(1) Many of our industries are still in the development stage and require not only protection but also the active support of Government in exploring and exploiting foreign markets.

(ii) Proper trade publicity and demonstration has to be carried out on a global basis with long term objectives, which only Government is at present in a position to organise and carry out. Private Trade and Industry are not generally interested in markets which do not or cannot be expected to yield immediate returns on an attractive scale.

(iii) If Government does not take an active role in Fairs and Exhibitions abroad, many industries and trades specially the developing ones such as Small Scale and Cottage and Tourist industries will not be properly represented and publicity will be lopsided and restricted to few sectors.

(iv) By and large, Trade and Industry are not sufficiently export-minded and do not appreciate fully the need for trade publicity and demonstration abroad. The risks attached to export trade, the attractive home market where no such risks are involved, are also contributory factors to this attitude.

(v) Standards of display and projection of themes will have to be maintained at international levels to yield results.

(vi) The Government is also enabled to publicise abroad achievements in the Cultural, Social, Economic fields and Plan Publicity, foreign investment opportunities etc. Trade and Industry cannot be expected to handle these themes.

Recommendation:

8. The Ministry should issue instructions to officers concerned and to Missions abroad where such exhibitions are held that a proper register/inventory of all the articles should be maintained, so that a proper check can be exercised on the disposal of exhibits.

[S. No. 10(iv), App. IV, 8th Report (3rd Lok Sabha).]

ACTION TAKEN BY GOVERNMENT

Instructions to this effect are already extant and are being observed. In the 3 cases referred to by the P.A.C. the interval between the receipt of goods, or their being taken charge of by the Mission, and the exhibition was very short; and the records or of accounting could, therefore, be completed only after the event. The observation of the P.A.C. has again been communicated to all Missions and officers for strict compliance.

Recommendation:

9. The Committee are unhappy to note that sanctions for expenditure abroad are issued without proper examination of facts and figures and without consulting the Missions concerned about the details on which estimates were based. They hope that a suitable procedure will be evolved to ensure that such cases are not repeated.

[S. No. 11, App. IV, 8th Report (3rd Lok Sabha).]

ACTION TAKEN

Sanction for expenditure on exhibitions abroad are issued only on estimates framed after obtaining necessary data and estimates from

the Missions concerned. In the cases of the two Indian Exhibitions, at Beunos Aires 1959 and at Saigon, 1959, the estimates furnished by the Missions were considered as too low for exhibitions of 10,000 Sq. ft. each as compared to *pro rata* cost incurred actually in other exhibitions. Higher estimates were, therefore, sanctioned by the Ministry in order that certain normal standards of decoration and display may be achieved. Savings resulted were on account of prudent spending and exceptionally good public relations work on the part of the Missions and Exhibition. Officers and the co-operation extended by local parties etc. The instructions of the P.A.C. have been noted by the Ministry for further tightening up of the estimates in future.

Recommendation:

10. *The Committee do not appreciate the manner in which the question of disposal of exhibits is being handled. They suggest that effective steps should be taken to ensure that exhibits are disposed of as quickly as possible to avoid incurring of loss on that account. Before disposal of the exhibits abroad, it should be ascertained whether the cost of retransporting them back to India would be less than the loss likely to be suffered by such disposal. Missions abroad should be asked also to furnish the Ministry with stock lists of exhibitions regularly.*

[S. No. 12, App. IV, 8th Report (3rd Lok Sabha).]

ACTION TAKEN

Exhibits are only samples and few in number in each kind and are not in bulk which alone local importers would be readily interested in purchasing. They are also shop soiled and undergo depreciation in the course of display, exposure and handling. The exhibits being imported without prepayment of import duties etc., permission to dispose of exhibits, specially on rates of duties and taxes based on the market value of the goods after display is only obtained with considerable difficulties. Import licences being obtained by buyers are also insisted in certain countries before the sale can be effected. The disposal of exhibits abroad is thus achieved only with great difficulty. However, the Missions had been instructed to do so in order to economise expenditure on the return of goods to India and also as it will lead to goods reaching the consumer. Strict instructions have recently been issued to the Missions to expedite action either for disposal locally wherever possible or to return the goods to India in a short period.

Disposal of such goods, as are returned, at the ports is also being arranged to avoid further expenditure. Disposal by auction of exhibition goods at Delhi is also being arranged.

Instructions to Missions in regard to maintenance of stock registers and furnishing of stock lists to the Ministry are already extant. The Missions have been issued strict instructions in this regard recently also. Compliance with the instructions by the Missions is and will be watched carefully.

Recommendation:

11. *The Committee are unhappy over the lethargic and inefficient manner in which the Directorate of Exhibitions is functioning. It is surprising that even after a lapse of five years pending insurance claims have not been settled owing to non-availability of forms. Nor have any account of the contents of the packages etc. been maintained. The Committee desire that a thorough investigation into the affairs of the Directorate should be made, responsibilities fixed for such slackness in performing the duties and suitable disciplinary action taken against the officers concerned.*

[S. No. 13 (i), App. IV, 8th Report (3rd Lok Sabha).]

ACTION TAKEN

It seems, there is some misunderstanding. The delay in the settlement of insurance claims is not due to want of any special forms but on account of disputes on claims, although the claims are based on the reports of international surveyors. In such insurances, there are several parties involved viz., the packers, the shipping and forwarding agents, the carriers both internal and international, the consignees port authorities particularly Port Commissioners, the insurance agencies, their under-writers, etc. Some dispute or other, therefore, is always likely to take place and some of these disputes sometimes take a long time for satisfactory settlement. It is difficult for the Government to arbitrarily force the insurance company to satisfactory settlement. At best Government could go only to the Court of Law for a remedy and this could be resorted to only when all other measures fail. In any case, it is not on account of the negligence or omissions of any particular officer that the insurance claims are not settled in time.

It was also observed that accounts of the contents of certain packages in the store have not been maintained. In this particular case too, it seems, there is a misunderstanding of the situation. The packages referred to have been received from overseas and they had relevant invoices attached to the shipping documents and they were awaiting the survey required under insurance. The boxes could not be opened and contents entered into the stock register before the survey could be completed. The officer, who was doing the physical verification, it seems, has made his observations inadvertently in regard to these boxes.

Recommendation:

12. *The Committee further desires that a survey of the work done by the various Exhibition Sections under the Ministry of Commerce and Industry should be made early in order to avoid any duplication of work by abolishing/merging some of them, if necessary.*

[S. No. 13 (ii), App. IV, 8th Report (3rd Lok Sabha).]

ACTION TAKEN

The units under the Ministry concerned with Exhibitions are:—

- (i) The Directorate of Exhibitions;
- (ii) The Exhibition Unit in the All India Handicrafts Board;
and
- (iii) The Exhibition Unit in the State Trading Corporation.

The Directorate of Exhibitions organises Trade Fairs/Exhibitions abroad at Government level and co-ordinates participation therein by the Trade and Industry, both from private and public sectors, and other service Ministries and Organisations. The Directorate of Exhibitions is also responsible for advising and guiding domestic and international fairs organised in India and also exhibitions organised by foreign countries in India.

The All India Handicrafts Board has, its main function, the development, promotion and creation of demands for handicrafts internally and in foreign markets. The Exhibition Unit in this organisation, therefore, arranges domestic exhibitions. It also participates in Exhibitions abroad, through the Directorate of Exhibitions, as a means to promotion of Indian handicrafts abroad.

The small exhibition unit in the State Trading Corporation participates in Exhibitions/Fairs organised by the Directorate of Exhibitions in State Trading Countries in order to negotiate and conclude deals, as in these countries bulk of the annual purchases are made at the time of exhibitions. It also avails of similar exhibition quota offered in other countries. This is as it should be, as the State Trading Corporation is a trading organisation with monopoly in the trading of certain commodities.

There is, therefore, no duplication of work among these three units.

Recommendation:

13. *The Committee would also like the Ministry to review the position regarding the Government participation in Exhibitions and Fairs in order to ascertain whether any beneficial results, in the shape of increase in the sale or export of commodities or otherwise have flown from the activities. Thereafter the question of curtailment of these activities, to the extent possible, should be examined so as to conserve foreign exchange and other expenditure.*

[S. No. 13 (iii), App. IV, 8th Report (3rd Lok Sabha).]

ACTION TAKEN

The real purpose of exhibitions abroad is to keep in touch with markets and also to give visual commercial publicity to India's exportable goods. Visual Commercial Publicity supported by ancillary publicity is essential as the world market now is a 'buyers' market'. As in the case of any other publicity, such as advertisements, it is

difficult to measure quantitatively the trade which has resulted out of an exhibition except in cases or events where a trade is tracked through the events or fairs by means of granting a fair quota for the import of goods. Nevertheless, the number and nature of the trade enquiries being obtained to give the Government and the participants a fair idea of the results. Judging from the number and nature of the trade enquiries received in India Exhibitions abroad, the results have been encouraging. Furthermore, the policy of the Government is now only to hold or organise a limited number of exhibitions where there is a potential market for our goods or where there is a danger of elimination of Indian goods due to want of effort to keep in touch with the market

[O.M. No. 5(10) Accts./63, dated 31-7-63.]

[Additional notes on S. Nos. 10 and 13, App. IV, 8th Report (3rd Lok Sabha).]

14. "Detailed note in regard to the Fairs held abroad during 1959-60 giving information about:

- (a) Selection and receipt of exhibits,
- (b) Difficulties in shipping etc.,
- (c) Financial commitments,
- (d) Maintenance of stock registers, and
- (e) Disposal of exhibits."

ACTION TAKEN

(a) Selection and Receipt of Exhibits

(i) In their 18th Report, the P.A.C. had instructed that the participants for exhibitions and fairs should be given adequate notice so that the necessity for air-freighting of goods is avoided. In view of this advice, which was accepted *in toto* by the Government, forward programme of Exhibitions abroad for the next financial year is circulated to the Export Promotion Councils, Commodity Boards, Chambers of Commerce and Trade, Mercantile Firms etc. as soon as the forward programme is determined on the advice of an "Ad-hoc" Advisory Committee on Exhibitions and Fairs abroad. This tentative programme framed at the time of budget proposals for the next year generally reflects the intentions of the Government and its advance circulation is intended to inform the participants and give them time for making up their minds as to the choice of events that they would like to participate in and prepare their exhibits.

(ii) This tentative programme is finalised after considering the funds granted in the budget, later developments etc. As each event in the programme comes up in the calendar, advance preparations are made well in time and the planning in detail is finalised for each individual exhibition. Shipping information is obtained from the Shipping Agents and target date for the participants to send their goods to the Shipping Agents is circulated to all participants in

good time. The fixation of the sailing date is made taking into account:—

(1) frequency, the sailing schedule, voyage period, transshipment and other facilities; (2) time normally required by the participants to collect, pack and despatch goods to the Shipping Agents; and (3) to avoid the goods reaching destination too early so that expenditure on storage and custody and insurance charges and deterioration of exhibits in storage are minimised.

Thus it would be seen that the parties are given sufficient time to enable them to make arrangements to take part in the event but also to ensure that the Government is not put to any avoidable expenditure.

(b) *Difficulties in Shipping etc.*

However, the actual shipment and deliveries at the destination are dependent on so many factors. To mention only the more important they are:—

(i) Although adequate notice is given through the circulation of tentative programme in advance, the particular exhibition circular stipulating target dates for shipment etc. is also issued in time and in addition special efforts are made with individual parties. The collection of the exhibits at the port is dependant on the readiness with which private parties send their exhibits in time. It is the trade samples that have formed the bulk of items on display in an exhibition. Wherever, there are gaps in the representation of commodities, which are considered essential from the trade point of view, further efforts have to be made to persuade and collect from private parties such representative samples. It is also necessary with a view to avoiding unnecessary expenditure, that shipments should be effected in economic lots and thus the collection and despatch of exhibits is dependant on the smooth flow of the exhibits in time from the private parties. It some times happen that some exhibitors send their goods to the shipping agents at the eleventh hour and even later thus causing dislocation in shipping arrangements.

(ii) *Steamer Sailings.*—The actual sailing or the loading of the vessels are dependant on the vessels reaching or leaving a port in time, availability of shipping space, conditions in the port, and weather conditions as well as port conditions at port of transshipment or discharge. These are factors which are beyond the control of the Government. Cancellation or postponement of scheduled sailings without adequate prior notice also sometimes complicates the situation.

(iii) The previous paragraphs explain in brief the normal precautions taken by Government and how the upsetting of the shipping programme sometimes happens. Action for collection of goods for the Lyons International Fair (April, 1959) and Tokyo International Fair (May, 1959) had been initiated in January/February, 1959 respectively before issue of Public Accounts Committee's Report dated 24th April, 1959. The causes which led to delayed receipt of goods

at the particular exhibitions mentioned in paragraph 18 of the Audit Report (Civil) 1962 are explained below:—

Lyons International Fair, 1959—4th to 13th April, 1959

Participants were addressed on 9th January, 1959 advising them of Government's intention to participate in this Fair and were also informed that goods should reach the shipping agents *latest by 20th February, 1959*. Formal terms and conditions stipulating the same date for receipt of goods by the Shipping Agents were also issued on 14th January, 1959 to the parties. The sailing was scheduled for 26th February, 1959. The boat actually sailed on 4th March, 1959 taking 80 cases. 30 cases received late from parties for shipment by this sailing were shipped in two vessels, scheduled to sail on 10th March, 1959. One of the two vessels, which carried 4 cases actually sailed on 12th March, 1959; the other one which carried 26 cases left on schedule i.e. 10th March, 1959. All the consignments were to be unloaded at Genoa and further transport to Lyons was to be made by the overland route. The normal period of voyage to Genoa was about 14—17 days. Normally, these goods should have reached the Exhibition Site in time. However, there was congestion at the port of Genoa. Therefore, 106 cases in the first 2 sailings reached Lyons on 3rd April, 1959. Even so, the Mission, who had been informed earlier on 18th March, 1959 about these shipments, managed the customs clearance and other formalities and put these exhibits on display before the Fair opened on the 4th April, 1959. The last consignment of 4 cases by the vessel which left India on 12th March, 1959 reached Lyons after the opening of the Fair. Nonetheless, the Mission cleared them also and put them on display.

In addition, there was one case of samples of handloom textiles flown direct to our Embassy at Paris by the All India Handloom Board. This was done at the cost of that Board. This case was taken from Paris to Lyons and put on display while the Fair was in progress.

Thus, it will be seen that no exhibits were received after the termination of the Fair and the delay which occurred in the delivery of the exhibits at Lyons was due to circumstances beyond control.

Tokyo International Trade Fair, 1959—5th to 22nd May, 1959.

The provisional booking of the space in this Fair, made by Government, was cancelled by the Fair authorities. Information about the restoration of the booking of a smaller space was received only on 21st February, 1959. In the meanwhile, however, information about the available sailings to Japan had been called for from Shippers on 11th February, 1959, which was received on 26th February, 1959. On the same day, the participants were requested to arrange delivery of their exhibits to the Shipping Agents at Calcutta by 20th March, 1959, so that a sailing scheduled for 26th March, 1959 could be availed of. 34 cases received by the Shipping Agents were loaded on this ship in time, but after loading the ship was delayed and actually sailed only on 6th April, 1959. 9 cases which could not be loaded on this vessel and two more cases received late after the closing of the loading of this vessel were shipped by a second vessel which sailed on 3rd April, 1959 i.e. three days earlier of the vessel which had already been loaded and was scheduled to sail earlier.

When the first boat reached an intermediate port in Japan, Moji, the Embassy arranged to take delivery of the goods and arranged to transport them to Tokyo by road. Thus the Mission was able to put them on display from 14th to 22nd May, 1959 after clearance by the Customs authorities at Tokyo, while the fair was still in progress. The second vessel, which carried 11 cases, reached Tokyo only on 20th May, 1959. This consignment was not released from Customs. Therefore, they could not be put on display.

The Mission had, however, before the receipt of the first consignment of exhibits put on display exhibits already with them.

Thus, it will be seen that the delay in the receipt of the exhibits at Tokyo was due to reasons beyond Government's control *viz.*, the unforeseen delay in sailing of the vessel, difficulties in shipment, late receipt of goods. It will also be seen that the Mission had put in special efforts for collection of the exhibition consignment and for putting the major part of the consignment of exhibits on display immediately on receipt.

Canadian National Exhibition—Toronto 26th August, 1959 to 12th September, 1959.

Tentative annual programme of Exhibitions/Fairs for 1959-60 in which this event was included was circulated to parties as early as 25th April, 1959. Circulars were issued in advance on 23rd May, 1959 advising participants of Government's participation in the Canadian Fair, 1959 and advising them that goods should be kept ready for despatch by 3rd week of June, 1959. The circular of 'Terms and Conditions' stipulating that goods should reach the shipping agents not later than 1st July, 1959 were issued on 4th June, 1959. The first lot of 82 cases was shipped from Bombay by a boat which sailed on 9th July, 1959. 7 cases were received at Bombay after the steamer had sailed. They were transported to Cochin to catch the next sailing on 17th July, 1959, but unfortunately did not reach Cochin in time. These 7 cases and three more sent by participants direct to Cochin were shipped by a vessel scheduled to sail on 21st July, 1959 but the departure of which actually took place only on 27th July, 1959. The consignment reached Halifax, the port of discharge for Toronto, on 17th August, 1959 but clearance and transport to Toronto took another 8 days. Thus, this consignment of 10 cases reached Toronto on 25th August, 1959. The day before the opening of the Exhibition on 26th August, 1959. The Mission did not find it possible at that late stage to disturb the display already arranged for introducing these exhibits. Therefore, they did not put them on display.

Izmir International Fair, 1960—20th August, 1960 to 21st September, 1960.

Arrangements for participation in this Fair were governed by the terms of an agreement entered into by the Ambassador of India in Turkey with a Turkish firm of importers. According to this agreement, the Turkish firm was to meet all the expenditure on the organisation of the Indian Pavilion in the Fair and import Indian commodities to the extent of the Fair quota. For this purpose, the firm was to select the commodities, approve prices and enter into a contract with the State Trading Corporation for the purchase, collection

and despatch of these items. Because of the delay on the part of the Turkish firm in issuing of final instructions to the State Trading Corporation, as late as July, 1960, and owing to the infrequency of the direct sailings to Izmir, certain goods reached Izmir after 20th September, 1960. However, the Turkish firm was able to obtain from the Turkish Government the necessary permission for taking delivery of the delayed consignments also. They did take delivery of all the goods except a part of consignment valued at \$ 8,797.37, comprising some bales of hessian etc. fans and sewing machines. This part consignment also is to be paid for by the Turkish firm according to an agreement entered into by this firm in respect of participation in the Izmir Fair, 1962. Thus no loss has been caused by the delay in receipt of the goods to Izmir, which also was not due to any fault on Government's part.

(c) *Financial Commitments*

This has reference to the audit comments under paragraph 18 of Audit Report (Civil) 1962 in regard to the cancellation of the participation in Izmir Fair, 1961 after an agreement had been entered into with Turkish Firm by Ambassador for India in Turkey.

On the suggestion of the Mission in Turkey, the offer of a Turkish firm to arrange our participation in the Izmir Fair, 1961 and to buy Indian merchandise and goods to the limit of the Fair quota of \$ 9 lakhs was accepted. The general arrangements for participation and purchase of exhibits by this firm through the State Trading Corporation were to be on the pattern of the arrangements with this firm in respect of Government of India's participation in the Izmir International Fair, 1960. After entering into agreement with the Ambassador, the Turkish firm sent their accredited representatives to India to finalise with the State Trading Corporation the details for the purchase of goods and despatch. As was necessary on the previous occasion in 1960, the firm's representatives were to select the commodities to the limit of the Fair quota of \$9 lakhs, approve the prices and enter into agreement with the State Trading Corporation to cover the operative part in respect of shipment, packing and despatch. This agreement was to form an integral part of their agreement with the India's representative at Turkey. The firm's representatives during their one month stay in India made provisional selection of goods worth only \$1.90 lakhs. They also agreed in writing to certain provisions about payments stipulated by the State Trading Corporation. Before completing selection of goods for the balance of the Fair quota, they returned to Turkey on the understanding that they would pay a second visit to India to finalise their purchases. However, after their return to Turkey, their principals did not agree to the conditions of the State Trading Corporation on the grounds that their representatives who had agreed to the conditions, were not well conversant with the English language and that they have not understood the import of those conditions. At the same time, they requested that the State Trading Corporation should arrange the shipment from India of goods covering about 25 different categories and of value approximately \$7.10 lakhs although their representatives had neither selected the goods, approved the prices nor entered

into any agreement with the State Trading Corporation in this regard. It was obviously risky and impossible for the S.T.C. to comply with their request.

Under the circumstances, there was no alternative but to cancel the participation. It would have been extremely risky for the State Trading Corporation to ship the goods against the Fair quota without proper safeguards for the recovery of the value of the goods. Nor was the Government in a position to advise any trading party in India to send the goods to a firm in Turkey on consignment basis under such conditions. It may be made clear here that the cancellation of the participation was done without any compensation being paid to the Turkish firm.

(d) *Maintenance of the Stock Registers*

The information asked for is in respect of two categories of Stock Registers:

(i) The first is related to the comments made in the Audit Report 1962 that proper stock registers and inventories of exhibits had not been kept in the Lyons Fair, 1959, the Brno Fair, 1959 and Tokyo International Fair, 1959.

The circumstances in which exhibits were received late at the Lyon and Tokyo International Fairs, 1959 have been explained earlier separately. It will be seen therefrom that the delay in receipt of goods at the Exhibition sites in both these fairs was due to circumstances beyond our control in view of the very short interval between the receipt of the goods at the site of exhibition and their being put on display, it was not possible for the respective Missions then to prepare and maintain properly the stock registers. The Missions naturally gave priority to the clearance and display of the exhibition goods. Stock registers are not, however, the only records from which the accounting of the exhibits received from the exhibition could be done by the Exhibition Officer. There are other records also from which the accounting of exhibits for an exhibition can be done. Firstly, the copies of invoices of exhibits sent from India are available with the Ministry. They are also filed with the Indian Customs authorities and the Insurers. Spare copies are also available with the Shipping Agents in India. Secondly in the country of import exhibition goods are cleared under bond according to Fair regulations or special permission. Detailed documents of imports of exhibits have also to be filed with the Customs authorities. The Exhibition Officer has to, in order to obtain release of the bond, prove the re-export of all the items received for an exhibition or to account for and explain why, if any of the goods are not re-exported. In short he has to satisfy the Customs authorities in all respects before the bond is released. In addition, copies of the invoices are also sent to the Exhibition Officer or the Mission-in-Charge of the exhibition by the shipping agents in India as part of the shipping documents and directly by the participants also. Thus, there are sufficient number of independent records of exhibition goods sent or returned from Exhibitions readily available. From these, stores accounting can be done, even in those exceptional circumstances when the Officer-in-charge of an exhibition is unable to maintain

the stock registers concurrently with the receipt of the exhibition goods.

From such records, the disposal of the exhibits received for the Lyons Fair, 1959 has been satisfactorily accounted for and it is as under:—

	Rs.
(a) Value of goods received by the Mission ..	35,871·53
(b) Value of goods returned to India/ handed over locally to the agents of the parties concerned. ..	30,932·69
(c) Value of goods rendered unfit/ destroyed ..	34·25
(d) Goods distributed free as per party's instructions. ..	409·70
(e) Samples of non-commercial value distributed free ..	4,494·89
	<u>35,871·53</u>

Tokyo International Fair, 1959:—

	Rs.
(a) Value of goods despatched ..	6,314·50
(b) Value of goods for free distribution (Embassy has sought the permission of Government of Japan). ..	2,679·04
(c) Value of goods with the Mission ..	3,635·46
	<u>6,314·50</u>

The Mission has subsequently completed the stock registers and verified the balances of goods physically.

Brno Trade Fair, 1959:—

In this case also, India's participation was managed by the Indian Mission at Prague, without any assistance from India. The concerned officer of the Mission reached Brno only a few days before the Fair opened. He had immediately to set-up the exhibition. In these circumstances, the stock registers were made up subsequently. From the stock registers and other records, the accounting of exhibits has been completed as under:—

	Rs.
(a) Value of goods despatched ..	69,444·31
(b) Sales ..	33,049·30
(c) Value of goods returned to India ..	33,360·85
(d) Value of goods returned to Party ..	889·67
(e) Free *distribution ..	2,144·49
	<u>69,444·31</u>

(ii) The comments in item (iv) of the para 18 Audit Report (Civil) 1962 is about the second category of stock registers at the Head-Quarters.

In the Ministry two sets of stock registers are maintained. One set is intended to show the stocks of exhibits lying at Head-Quarters. In these stock registers, the purchases of exhibits made by the Ministry from time to time were being recorded by pasting therein the original invoices received from the suppliers. It may be stated that the purchases are made only against requirements of immediate despatches abroad and not for stocking against future requirements. This set of stock registers also show the particulars of goods returned from abroad after any event. Due to the fact that the stock registers are required to be consulted in several connections, like preliminary selection of exhibits, verification of bills etc., they are necessarily handled by several persons. Certain omissions in attestation of the entries in the stock registers have occurred for this reason. But these omissions come to light and are rectified later in the course of work. It may be stated that since 1959-60, 3 stock verifications of the exhibits lying at Headquarters had taken place and there have been shortage of only 4 small items of small value of Rs. 58:50 and 4 photographs, all of them returned from exhibitions abroad. This would show that the stock registers reflect the position of the stocks at Head-Quarters correctly and that the omissions in attestation have not impaired the accuracy of the registers.

The form of the stock registers which are already in use was considered to be inadequate by audit in 1958 and in consultation with them, revised form of stock registers suitable from all angles, including Audit requirements, was devised. The new forms of stock registers were received from the Government of India Press only late in 1961 and they have since been brought into use. There should be no room in future for omissions of any kind.

The second set of stock registers is only a duplicate set of records of exhibits with the Missions and Showrooms that according to rules should be maintained by the actual holders of the exhibits abroad, namely the Mission or the Showroom Officers. The responsibility for the maintenance of the store records is that of the officer incharge of the stores. Together with other records in the Ministry namely the relevant files, invoices and other documents, this duplicate set of registers of the stock with the Missions abroad enables the Ministry to help and assist the Mission. Omissions in attestation of entries in this duplicate record will not vitiate this purpose.

(e) *Disposal of Exhibits*

The value of goods purchased, including flags, gramophone records, etc. given as Rs. 18,79,300 relates to a long period of 7 years. Out of this the value of exhibits now left with the Mission is Rs. 5.29 lakhs. It will be appreciated that this expenditure was incurred in respect of as many as 65 exhibitions and for over a dozen of Showrooms and Trade Centres. These goods were purchased mainly for decoration of the Indian Pavilions and Showrooms and to provide and reflect the country's cultural background, progress, crafts and for purposes of ancillary publicity. This procedure was also intended to help in saving foreign exchange expenditure to the extent

possible, which otherwise might have been required to procure such decoration materials from those countries where the Exhibitions took place. The goods procured, therefore, were not consignments of merchandise intended for sale and also included some engineering goods worth approximately Rs. 2,96,000 (round). The engineering goods had to be procured at Government's cost as the manufacturers were not in a position to give their goods on a long term basis for the purpose of continued displays in a series of Showrooms established in other countries. These engineering exhibitions goods too were used for visual publicity in special exhibitions arranged in a number of Showrooms for a period of nearly 4 years by transferring the goods from one place to another.

After use in the various exhibitions, the goods were retained in the Missions and Showrooms for further use for as long as possible and until they lose their display value with a view to getting the maximum advantage of the expenditure incurred. These goods have been in constant use or display and have, therefore, been subject to considerable depreciation by soilage, handling, exposure and deterioration. In fact, in the case of consumer goods displayed in international fairs, the practice is to assess the disposal value, approximately 33 $\frac{1}{3}$ per cent per exhibition. The Ministry nevertheless, in their instructions to the Missions had advised that while disposing of the old stocks, they should try to dispose of the goods at the best price possible and at reduction not exceeding 33 $\frac{1}{3}$ per cent per year of use of the goods. It may be added that instructions have also been issued to our Missions concerned that disposal value assessment should be done by a Committee of Officers in order to avoid loss due to wrong judgements by any single individual.

It will, nevertheless, be appreciated that most of these goods which are remnants after use in various exhibitions have very little residual value.

As already stated the Government has given discretionary powers to the Missions in the matter of the disposal of goods which belong to Government. Regarding the disposal of the exhibits belonging to private parties, the grant of such discretion is not possible. The goods from the private parties are received on a consignment basis, that is to say they are not paid for. The Government, therefore, is a "bailee" in respect of these goods sent by private parties to various Showrooms and Exhibitions and, therefore, is obliged to obtain their instructions and act according to them, however, old their exhibits may be. If it is not possible to comply with their directions, the Mission or the Showroom has to obtain fresh instructions for disposal from the concerned parties.

Even in regard to the disposal, there are some practical difficulties. For obvious reasons, the goods for display in any Showroom or Exhibition are imported without pre-paying of duties. When the goods are not re-exported or destroyed under customs supervision but are to be sold even at reduced prices, Government will be obliged to pay duty on the original value of the goods. If such duties were paid they would not have any relation to the actual market value of the goods for sale, which are soiled, damaged or deteriorated in the course of normal handling and display. On the other hand,

it would also be uneconomical to return the goods to India at Government expense. An advantage in disposing of exhibits abroad even at reduced prices, which may not appear to be a large gain monetarily, is the trade publicity it gets abroad. When goods are sold in a foreign country, they meet and stimulate consumer interest to some extent in that country which after all is the object of all phases of trade promotion. For these reasons, Missions are to make efforts to persuade the Government of the country in which the Show-room or Mission is located to waive the import duty or to charge the duty proportionately to the actual value of the goods at the time of disposal. These efforts, however, have not always been successful.

Nevertheless, the Indian Missions concerned have been instructed to dispose of the old stocks by sale as far as possible in order to derive the best advantage to the Government. The disposal of the stock of remnants is reported by the Missions as and when the disposal is effected. There has been some progress in this regard. The Missions are further being regularly reminded to expedite the liquidation of old stocks and the Ministry is closely watching the progress. After giving some more time to our Missions, the idea is to take action to write off the absolutely undisposable stocks.

Action is in progress for disposal of exhibits in stock at Delhi, which are unserviceable. A Committee of Officers was formed in November, 1960 for examination of items in stock and attempts were made for the disposal through the D.G.S. & D. of the items condemned by the Committee of Officers but that organisation could not do so as the value of such condemned goods did not amount to the minimum limit of Rs. 5,000 for each category. Accordingly, further segregation of items unfit for further display is being done. Alternative means of disposal to the best advantage of the Government are also being explored. It is expected that the disposal of these exhibits would be completed in the near future.

Further information required by the Public Accounts Committee at the sitting on 25-9-1962 in respect of exhibitions abroad

15. "How many Exhibition Sections are there in various Branches of the Ministry of Commerce & Industry and how much expenditure has been incurred on these Sections, separately?"

ACTION TAKEN

Particulars of the Exhibition Sections under the Ministry of Commerce & Industry together with expenditure incurred in the year 1959-60, 1960-61 and 1961-62 are given below:—

(i) *In the Ministry*

	1969-60	1960-61	1961-62
Exhibition Branch	4,91,924	4,91,422	5,20,694
(ii) <i>Under the Ministry In</i>			
(a) State Trading Corporation.	4,771·27	42,480·01	24,208·11
(b) All India Handicrafts Board, New Delhi.	75,594	94,468	97,935

Note:—

The above figures do not include the expenditure on organisation of exhibitions in India and abroad by the 3 Exhibition Units mentioned above.

[O.M. No. 7(1)B&A/63, dated 28th August, 1963]

APPENDIX XIII

(See para 18 of Report)

Expenditure of Publications on Annual Reports of Public Undertakings

Name of the Public Undertaking	Expenditure incurred during the year		
	1959-60	1960-61	1961-62
<i>Ministry of Scientific Research and Cultural Affairs</i>			
National Research Development Corporation of India	636.46	1,082.41	1,105.55
<i>Department of Atomic Energy</i>			
Travancore Minerals Limited, Quilon	671.00	526.00	1,406.00
Indian Rare Earths Limited, Bombay.	788.00	866.00	1,801.00
<i>Ministry of Works, Housing and Rehabilitation (Department of Works (& Housing))</i>			
Ashoka Hotels, Ltd., New Delhi	712.40	1,989.20	3,772.30
Hindustan Housing Factory Ltd., New Delhi	2,148.75	2,341.51	2,345.57
National Buildings Construction Corporation Ltd., New Delhi	Nil	316.00	495.40
		[The Corporation was incorporated on 15-11-60].	
<i>Ministry of Food and Agriculture (Department of Food)</i>			
Central warehousing corporation	1,985.66	2,333.52	2,766.60

Name of the Public Undertaking	Expenditure incurred during the year		
	1959-60	1960-61	1961-62
<i>Ministry of Mines & Fuel</i>			
National Coal Development Corporation Ltd.	8,003.62	7,887.16	7,500.00 (Provisional figure)
Indian Refineries Ltd.	6,200.26	5,846.23	4,912.30
Indian Oil Co. Ltd.	1,491.00	6,242.00	8,010.45
National Mineral Development Corporation Limited		3,643.19	4653.00
Neyveli Lignite Corporation Limited	2,044.08	1,754.00	2,320.00
<i>Ministry of Irrigation and Power</i>			
National Projects Construction Corporation Limited	630.00	480.00	500.00
tion	2,720.05	2,681.70	Not furnished
<i>Ministry of Commerce and Industry</i>			
Hindustan Cables Ltd.	4,835	4,074	5,467
The National Newsprint and Paper Mills Ltd.	5,344	8,065	7,929
National Instruments Ltd.	5,354	6,465	4,686
Hindustan Antibiotics Ltd.	4,359	5,337	3,867
Hindustan Salts Ltd.	2,174	2,308	Not yet published. Quotation accepted for Rs. 1725/-
Hindustan Insecticides Ltd.	3,392	2,853	2,541

Name of the Public Undertaking	Expenditure incurred during the year		
	1959-60	1960-61	1961-62
Nahan Foundry Ltd.	3,463	1,477	2,949
National Small Industries Corporation Ltd.	2,610	2,710	2,977
National Industrial Development Corporation Ltd.	1,828	2,088	3,294
The Pyrites & Chemicals Development Company Ltd.	..	..	210
The State Trading Corporation of India Ltd.	4,049	3,224	4,716
The Export Risks Insurance Corporation Ltd.	387	464	430
Rehabilitation Industries Corporation Ltd.	..	735	1,040
Hindustan Photo Films Mfg. Company Ltd.	..	..	1,367
Hindustan Organic Chemicals Ltd.	..	..	630
<i>Ministry of Transport & Communications (now Transport)</i>			
Air-India, Bombay	19,687.50	18,375.00	19,372.50
Indian Airlines Corporation New Delhi	22,345.00	25,576.79	16,471.00
Indian Telephone Industries Ltd., Bangalore	3,012.95	2,966.69	3,985.20
<i>Ministry of Defence</i>			
Hindustan Aircraft Limited	2,800.00	2,100.00	5,100.00
Bharat Electronics Limited.	914.00	3,602.00	8,230.00
Garden Reach Workshops Limited	1,694.00	3,056.00	3,559.00

Name of the Public Undertaking	Expenditure incurred during the year		
	1959-60	1960-61	1961-62
Mazagon Dock Limited	(The Accounts were cyclostyled)		550.00
<i>Ministry of Steel and Heavy Industries (now Ministry of Steel, Mines and Heavy Engineering)</i>			
Praga Tools Corporation Ltd, Secunderabad	9,488.00	9,702.00	9,958.00
Heavy Electricals (India) Ltd., New Delhi	4,054.58	6,462.64	6,028.49
Fertilizer Corporation of India Ltd., New Delhi	..	5,899.79	7,760.23
Hindustan Machine Tools Ltd., Bangalore	Not furnished		14,660.67
Heavy Engineering Corporation Ltd., Ranchi	9,524.31	9,677.05	8,000.00 (approx. Final bill not yet received)
<i>Ministry of Finance</i>			
Film Finance Corporation Ltd., Bombay	..	420.00	249.50
The State Bank of India	7,291.20	11,105.50	15,258.55
Reserve Bank of India	1,946.98	2,442.30	2,730.00
Industrial Finance Corporation of India, New Delhi	4,298.04	5,105.62	5,436.08
Life Insurance Corporation of India	12,910.84	16,246.95	21,934.43
<i>Ministry of Transport</i>			
Delhi Transport Undertaking	3,327.60	2,873.45	..
Hindustan Shipyard Ltd., Visakhapatnam	4,649.32	7,743.72	7,511.06

Name of the Public Undertaking	Expenditure incurred during the year		
	1959-60	1960-61	1961-62
The Mogul Lines Ltd., Bombay	441.00	441.00	1,891.00
The Shipping Corporation of India Ltd.	1,483.65	3,894.72	11,506.24
Ganga Brahmaputra Water Transport Board	250.00	400.00	350.00
<i>Ministry of Steel, Mines and Heavy Engineering (De- partment of Iron & Steel)</i>			
Bolani Ores Limited	187.43	307.65	561.00
*Hindustan Steel Ltd.	19,380.76	16,932.63	15,188.14

*(The figures for the year 1959-60 is final)

(The figures for the years 1960-61 and 1961-62 are provisional).

APPENDIX XIV

MINISTRY OF IRRIGATION AND POWER

Action taken or proposed to be taken on the recommendations of the Public Accounts Committee

Recommendation

1. (i) In evidence, the Committee desired to know the reasons for not accepting in toto their recommendation regarding the introduction of Administrative Audit system in the Centrally-financed projects. The Secretary, Ministry of Irrigation and Power, promised to furnish a note to the Committee, in the light of the comments received from the various project authorities. This is still awaited.

(ii) It has all along been the concern of the P.A.C. that large funds provided by Central Government for the execution of River Valley Projects should be spent not only in accordance with the terms of the sanction, but also in the most economical and efficient manner. It was with this end in view that the P.A.C. have repeatedly urged for an early introduction of the Administrative Audit System in the Centrally-financed projects. The Committee, however, regret to observe that though the system was considered highly desirable by the Ministry of Irrigation and Power, it had not yet been introduced in toto in any of the Centrally-financed projects. The Committee reiterate their views regarding the need for an early introduction of the system in the Projects, on the lines of the Chief Technical Examiner's Organisation in the C.P.W.D., at the Centre. This recommendation assumes added importance in view of the following observation of the Third Finance Commission after a detailed examination of the financial working of multipurpose river valley and other irrigation projects

"We are disappointed to find that in a number of cases the returns are insufficient to meet even the working expenses and in the majority of case insufficient to cover the additional incidence of interest liability."

[S. No. 71 of Appendix IV-Eighth Report 1962-63 (Third Lok Sabha)].

ACTION TAKEN

In their first Report of February, 1952, the Public Accounts Committee suggested the introduction of the system of administrative audit, particularly in the large spending Departments of the Government of India, even though it involved an extra expenditure in the setting up of the requisite machinery. The proposal of the Committee is reproduced hereunder:—

"The introduction of the 'Administrative Audit System' by the Ministries should not be delayed merely on the ground of want of funds. For better organisation and to secure

efficiency, it is worthwhile spending a little extra on overhauling the present defective system which, if continued indefinitely, might eventually result in a huge waste of public funds."

The above proposal was made with a view to securing economy in expenditure, and ensuring better technical and financial control over the work of the various river valley projects. It was intended by the Committee that some sort of an organisation should be set up in each project, which should be independent of the Project executive for carrying out an internal audit of the project transactions. At that stage there was no specific reference to the Irrigation and Power Projects. The Committee's recommendation was accepted by the late Ministry of Works, Housing and Supply (now Works, Housing and Rehabilitation), and they decided to introduce the system in the C.P.W.D. For this purpose, a cell was created in that Ministry with a Chief Technical Examiner assisted by Technical Examiners and other necessary staff to effect a direct and rigid control and to ensure an effective, independent and uninterrupted technical audit of the works in the Central Public Works Deptt. The main functions of that Organisation are as under:—

- (i) Inspection of important works after completion as also during progress for ensuring (a) quality to specifications (b) execution to schedule and (c) no undue deviations during construction;
- (ii) Inspection of works carried out departmentally for ensuring no excessive use of materials and labour;
- (iii) Checking a percentage of concluded contracts for ensuring reasonable rates and no ambiguity in conditions, description and specifications with particular reference to negotiated contracts;
- (iv) Checking a percentage of bills after payment with reference to measurement books as also check on measurements and quality of works executed; and
- (v) To help the Ministry of Works, Housing and Supply, Audit and A.G.C.R., on technical points in audit objections, draft paras. bills, contracts, etc.

2. The desirability of introducing the system in the various multipurpose river valley projects was again emphasised by the Public Accounts Committee in their 7th Report in August, 1963:—

"The Ministry of Irrigation and Power should consider the desirability of the early introduction of the Administrative Audit System in the various multipurpose river valley projects which are at present being executed under their control."

3. After consulting the Central Water and Power Commission and Hirakud Dam Project authorities who expressed themselves strongly against the introduction of this system in the multipurpose river

valley projects, a note was submitted embodying the views of the Ministry to the Public Accounts Committee in August, 1954. The view taken by this Ministry was that the system of Administrative Audit could not be forced on projects like Bhakra Nangal, which were under the administrative control of the State Government. As regards the Damodar Valley Corporation and the Hirakud Project which were under the control of the Ministry, it was considered that the then existing arrangements were adequate. It was felt that the works on river valley projects were concentrated within a region of manageable area and sufficient safeguards and checks regarding technical and financial control were already existent and that the introduction of the system was likely to lead to delay. Besides, the creation of an internal audit organisation would mean unnecessary extra expenditure. Further, it was felt that there was acute shortage of engineering personnel, more specially of the type required to man the technical and administrative audit organisation.

4. The matter was discussed at the meeting of the Public Accounts Committee held in August, 1954. The Committee did not accept the argument regarding the impracticability of introducing the system on river valley projects. It was agreed, that a revised note would be prepared by the Govt., after consultation with the Centrally financed multipurpose project authorities.

5. Accordingly, the comments of the various project authorities and State Govts. concerned were obtained. An analysis of the comments received showed that Madhya Pradesh and Rajasthan were agreeable to introduce the proposed system and the Nagarjunasagar Project were willing to introduce the system after the tempo of work in the Project had increased sufficiently. The acceptance by the D.V.C. was qualified by the condition that the system would be adopted provided it was introduced also in Bhakra, Hirakud etc. Since Bhakra and Hirakud were not in favour of implementing the proposal, the D.V.C.'s position was left indeterminate. All the others, namely, Kosi (Bihar), Hirakud, Bhakra (Punjab), Rihand (U.P.) Tungabhadra (Board), and Koyna (Bombay) either expressed themselves against the proposal or did not find it necessary to adopt it.

The Ministry also considered, in this connection, the suggestions made by the Rates and Costs Committee for the establishment of Cost Control Organisation on the projects. Introduction of cost control had already been recommended by the Estimates Committee of Parliament. It was found that the functions of the cost control organisation, as suggested by the Rates and Costs Committee, overlapped to a large extent those of the administrative audit organisation.

6. In many projects quality control units had been set up and a cost control unit was also proposed to be organised in the Central Water and Power Commission in order to coordinate the work in the projects, watch the trend of cost of development projects, give directions to the projects where necessary etc. It was felt that the Cell for each project should consist of a Cost Accountant and quality

control engineer with necessary staff charged with the duties of cost accounting, quality control and check up of quantities and specifications. The Cost Section was to function as an independent fact collecting agency which would compile data for presentation to executives in a form most serviceable to them. The Rates and Costs Committee had recommended that the cost organisation should be headed by a competent Cost Engineer assisted by trained staff and that he should be able to comment (a) on the operations which were costing more than the estimates (b) the possible avenues of saving and (c) ultimate cost of the project. This organisation, it was envisaged, would be independent of the executive organisation but be responsible to the Chief Engineer of the Project. In the light of this, it was felt by the Ministry that the purpose for which the Administrative Audit System had been recommended could easily be served by amplifying the functions of the cost control organisation in the projects in such a manner as to provide for spot check of quality and quantity of work and scrutiny of works from the technical point of view. Thus the duties of the Technical Examiner envisaged under the administrative audit system and those of the cost engineer would be combined in one and the same officer.

A note was accordingly prepared by the Ministry in consultation with the Ministry of Finance in the light of the remarks of the A.G.C.R. and sent to the Public Accounts Committee in September, 1957 *vide* Appendix XLVII of 7th Report (2nd Lok Sabha).

7. The matter was discussed in the meeting of the P.A.C. held in January, 1958. The Committee then recommended *vide* para 197 of 7th Report (2nd Lok Sabha) Vol. I.

"The Committee are of opinion that it is high time that the Ministry launched a system of Administrative Audit by technical persons in various projects financed by the Centre. They do not think that the States would object to such a system being introduced in various projects."

8. As desired by the Public Accounts Committee the Ministry addressed all the State Governments on 2nd January, 1959 copy enclosed telling them that the Government of India had accepted the recommendation of the P.A.C., and that they were of the view that the introduction of the Administrative audit system in the river valley projects financed by the Centre was very desirable. It was made clear to them that the Quality Control Units already set up at the Projects *vide* this Ministry's letter No. 29(2) 57-Policy dated 2nd July, 1957, should be entrusted with the work of administrative audit. In other words, this Unit, besides Quality Control was also required to perform the functions which in the Central Public Works Department, were the responsibility of the Chief Technical Examiner.

9. The main difference between the set-up suggested by this Ministry to the States and the set-up in the late Ministry of Works, Housing and Supply (now W.H. & R.) is that while in the Ministry of Works Housing and Rehabilitation, the Chief Technical Examiner's Organisation was entrusted solely with the task of Administrative Audit, in the Irrigation and Power Projects the functions of the

quality control Organisation were so widened as to include the work of Administrative Audit. In the Works, Housing and Rehabilitation Ministry, the Chief Technical Examiner's Organisation is a cell in the Ministry itself and works independently of the Chief Engineer, Central Public Works Deptt. In the case of River Valley Projects, the Quality Control Organisation, which has been entrusted with the task of Administrative Audit, is directly responsible to the Chief Engineers in charge of the Projects.

10. The question whether the Organisation in charge of Administrative Audit in the River Valley Project should be independent of the Chief Engineer of the Project or should work under his control, was considered carefully, by this Ministry in consultation with the Central Water and Power Commission, the Financial Adviser of the Ministry and Chief Engineer, Hirakud Dam Project. After careful consideration, it was felt that it would not be advisable to introduce an Organisation independent of the Chief Engineer of the Project as that would make for division of responsibility. The Chief Engineer would not be prepared to take full responsibility if an independent Technical Examiner, was posted. The head of the Project Organisation, apprehending differences of opinion with the Technical Examiner, might develop a tendency of consulting the Technical Examiner at every stage for getting clearance. This would ultimately result in delays in the execution of works. A Chief Engineer of a Project is selected on the basis of his qualifications, technical knowledge, experience and integrity and it was thought that it would restrict his initiative and drive if a Technical Examiner were to be placed in a position to sit in judgment over him. On the other hand, it was considered to be a more desirable arrangement for the Chief Engineer of the Project in over all charge to have the assistance of an Organisation of the type contemplated above for spot check of quality and quantity of work and scrutiny of contracts etc. from the technical point of view. In a big River Valley Project, the Administrator or the Chief Engineer of the Project has to look after several aspects of the project Organisation and the main job of execution is done by the executing wing of the Organisation. The view taken was that it should be a sufficient safeguard if the Quality Control and Administrative Audit Organisation functioned independently of the Superintending Engineers and Executive Engineers directly in charge of the works. Accordingly, in the instructions issued by this Ministry to the State Governments on 2nd January, 1959, it was suggested that the Quality Control Units working under the Chief Engineer of the Project, should be entrusted with the task of Administrative Audit.

11. The reactions of the State Governments to the above suggestion were consolidated in the Ministry and sent to the Lok Sabha Secretariat on 22nd April, 1961 for their information. While several State Governments agreed to the suggestion, others explained their difficulties in adopting the same.

12. These reactions of the State Governments are by no means final. The idea underlying 'Administrative Audit' is slowly catching on. Unlike the Ministry of Works, Housing and Rehabilitation, which

could issue administrative orders for implementation of the suggestion, this Ministry has to rely entirely on the cooperation of the State Governments. The control of this Ministry is limited to watching the progress of Irrigation and Power projects and of proper utilisation of the funds against the loans sanctioned. In spite of this limitation efforts to persuade the State Governments to accept the suggestion made by the Ministry in their letter dated January 2, 1959 are being continued.

[O.M. No. 10(1)/63—Policy (Budget), dated 21-9-1963.]

Recommendation

2. *The reasons mentioned in the Auditor's Report for the low margin of profit (0.9%) during 1960-61, as against the estimated profit of 5 to 5½% are a matter of concern. The Committee suggest that the matter should be carefully examined by the Ministry with a view to taking suitable remedial measures. The Committee hope that the Corporation will succeed in showing better financial results in future as assured by their representatives.*

[S. No. 70 of Appendix IV—Eighth Report of Public Accounts Committee, 1962-63, (Third Lok Sabha)]

ACTION TAKEN

NATIONAL PROJECTS CONSTRUCTION CORPORATION LTD.

Para 73 of the 8th Report of the P.A.C.

The question of improving the financial working of the Corporation is constantly engaging the attention of the Board of Directors as well as the management. The position is reviewed by the Board of Directors at their periodical meetings and suitable measures are considered/adopted for securing works in competition, executing them efficiently and economically and bettering the financial position of the Corporation. In fact, the results of the working of the Corporation during the year 1961-62 have shown great improvement inasmuch as the Corporation were able to close the year with a profit of 5½% in relation to the value of work done by them during the year. The Corporation also declared a dividend of 4% (free of taxes) as against 1% during the year, 1960-61.

2. The following measures have been adopted for improving the working of the Corporation:

(a) Machinery

Building of Corporation's own fleet of machinery

This measure was mainly aimed at improving the competitive position of the Corporation in tendering for and securing works. After building up their own fleet of machinery, the Corporation have lately been able to offer very competitive rates, which has resulted in their being allotted a number of works, e.g., Darbhanga and Panagarh Airfields, Chandan and Farakka Lock. The larger volume of work resulting therefrom will lower the percentage of administrative overheads in relation to value of work and also improve the profits position.

(b) Central Workshop and Stores

The Corporation have recently set up their own workshop at Agra, for overhaul and repairs of their machinery, vehicles and other equipment.

With a view to diversifying the activities of the Corporation and to improving their work-load, a scheme for fabrication of structural steel at the workshop has been approved in principle.

The Central Stores set up at Agra will eliminate the necessity of holding large and dispersed stocks (especially of spares) at each of the Corporation's field units. It will thus reduce the locking up of the Corporation's capital.

(c) Administrative measures:

- (i) *Creation of own cadre of Engineers.*
- (ii) *Improvement in service conditions.*

The Corporation have, of late, been experiencing difficulty in securing the services of experienced technical personnel. With a view to overcoming this difficulty, the Corporation are building up a nucleus of young Engineering officers on attractive terms.

(d) Organisation

With a view to having more effective control—on works in the Eastern region, and for buying machinery, spares, etc., in the competitive market at Calcutta the Corporation have set up a Zonal offices at Patna and Bilaspur for effective control over major works undertaken or to be taken up by the Corporation in Bihar and Madhya Pradesh.

In addition to exercising an effective control over the works, it is hoped that the Zonal offices will be effective in maintaining liaison with the project authorities in the respective areas.

3. The financial results of the working of the Corporation for the year 1962-63 indicate a net profit of Rs. 22,28,764. The profit in that year was the highest, the comparative position being as follows:

Year	•	Profit (Rs. in lakhs)
1957-58	..	3·29
1958-59	..	3·74
1959-60	..	4·08
1960-61	..	2·22
1961-62	..	17·09
1962-63	..	22·29

The profit in 1962-63 represents about 9% of the value of work done which is the highest rate of profit earned so far, the next best rate prior to this being 5·5% in 1961-62.

APPENDIX XV

MINISTRY OF LABOUR AND EMPLOYMENT

Statement showing action taken or proposed to be taken on the recommendations of the Public Accounts Committee.

EIGHTH REPORT (Third Lok Sabha)

Recommendation

1. While the Committee appreciate the need for opening more local offices for the convenience of workers, they feel that the percentage of administrative expenses to total expenditure (14.20 for 1960-61) is on the high side, particularly when it is remembered that about 40 per cent of the total expenditure of the Employees' State Insurance Corporation comprises payments to State Governments on account of Corporation's share of expenses on medical care. The Committee trust that the matter will be kept under constant review with a view to effecting maximum possible economy in establishment charges, without any detriment to the amenities provided to the employees.

[S. No. 72 Appendix IV to the 8th Report (Third Lok Sabha).]

ACTION TAKEN

The recommendation has been noted. The percentage of administrative expenses to the total expenditure for the year 1961-62 is 13.43.

Recommendation

2. The Committee feel concerned at the extent of unspent balances lying with the Employees' State Insurance Corporation (Rs. 20.42 crores on 31st March 1961). While the Committee are glad to be assured of the Corporation's anxiety in the matter they observe that the pace of utilisation has, hithertofore, been painfully slow. The Committee desire that effective steps should be taken to ensure maximum utilisation of the funds for the purposes intended in the Act.

[S. No. 73 Appendix IV to the 8th Report (Third Lok Sabha).]

ACTION TAKEN *

The Employees' State Insurance Corporation is alive to the necessity of expediting the utilisation of surplus balances with the Corporation by constructing independent hospitals, dispensaries and wards in the existing State hospitals. This is borne out by the fact that during the Third Five Year Plan, the Corporation has agreed to meet the full cost of construction of buildings under the Employees' State Insurance Scheme to overcome the difficulty of scarcity of

funds with the State Governments to meet their share of the cost of construction. The Corporation's anxiety in this regard is further confirmed by the fact that during 1962-63 and 1963-64, plans and estimates amounting to Rs. 5.03 crores and Rs. 3.80 crores respectively were sanctioned, thus bringing the total amount sanctioned upto 31st July, 1963 to Rs. 12.86 crores and payments made to about Rs. 5.30 crores. In order to quicken the pace of construction of the Employees' State Insurance buildings, special land acquisition Officers have been appointed in the States of Madras, Punjab, Bihar, Andhra Pradesh and Gujarat.

The actual utilisation of the funds however depends upon many factors—availability of land, preparation of plans and estimates, procurement of raw materials etc. While the Corporation has been prompt in issuing administrative sanctions of the plans and estimates, the non-availability of raw materials in time hampers the pace of construction and retards the utilisation of funds sanctioned for the purpose. Further the responsibility for construction devolves on the State Governments, who in turn have to depend on State Central Public Works Departments or State Housing Boards, who are already over-burdened with State Development Projects.

The observations of the Public Accounts Committee are being transmitted to the States and further efforts will be made to get the construction work actively accelerated within the limitations of present emergency.

Recommendation

3. The Committee regret to observe that due to non-implementation of the scheme, as per agreed arrangements, bulk of the expenditure incurred by the Employees' State Insurance Corporation on setting up local offices in the Region has become infructuous. The Committee trust that the Corporation will benefit from its experience in the present case, and be more careful while setting up such offices in future.

[S. No. 74 Appendix IV to the 8th Report (Third Lok Sabha).]

ACTION TAKEN

The recommendation has been noted.

Recommendation

4. While the Committee are glad to be informed that the amount of outstandings due to the Employees' State Insurance/Corporation on account of contributions has considerably come down, they observe that the amount still remaining to be recovered is quite large. They desire that further efforts should be made by the Corporation to ensure expeditious recovery of this amount. They further desire the Corporation to examine the feasibility of reviewing the existing procedure for recovery, with a view to obviating the accumulation of such heavy outstandings in future.

[S. No. 75 Appendix IV to the 8th Report (Third Lok Sabha).]

ACTION TAKEN

The outstanding income as on 31st March, 1961, due for recovery stood at Rs. 82 lakhs. These arrears have come down to Rs. 42 lakhs as stated by the Director General. Out of this amount, Rs. 24.4 lakhs represented Employers' Special Contribution only.

Strenuous efforts have continued to be made to bring down the figures of arrears, which came down to Rs. 38.98 lakhs on 31st March, 1963, out of which Rs. 22.17 lakhs represented Employers' Special Contribution.

The existing procedure for recovery which, amongst other things, provides for legal action against the defaulters is fairly stringent. It may be pointed out that the accumulation of arrears of employees' contribution is usually due to the slow process of recovery in the Employees' Insurance Courts, with whom the cases under section 75 of the Employees' State Insurance Act are filed. The State Governments are therefore requested where necessary to set up whole-time Employees' Insurance Courts with full-time Judges to expedite the pending cases. Employers' Special Contribution arrears are recovered through the Collectors as recovery of land revenue dues and they are requested to expedite the pending cases.

These steps are taken to ensure that the arrears are brought down to the minimum.

[O.M. No. 1(81)/63-HI dated 31-3-63].

*Items 1—4 not vetted by Audit.

Recommendation

5. *The Committee feel concerned to observe that while the amenities provided to the mica miners are far from adequate, the funds collected by the levy of the cess with the avowed object of financing schemes for their welfare remain largely unutilised. The fact that during the last sixteen years, the Mica Mines Labour Welfare Organisation has been in existence, only a few houses should have been constructed indicates that the Organisation has not attended to the problem with the zeal expected of a welfare organisation. The Committee would in this connection invite attention to para 17 of their Twentieth Report (Second Lok Sabha) on the working of the Coal Mines Labour Welfare Fund wherein they observed: "If earmarked funds are not being properly utilised for the purpose underlying the levy over a period of years, the Committee feel that the continuance of the levy will be looked upon as an unnecessary burden by the taxpayer". The Committee trust that the Ministry and the Organisation will address themselves to the matter with a view to ensuring the maximum utilisation of the funds for the purposes intended in the Act.*

[S. No. 76, Appendix IV to 8th Report (Third Lok Sabha).]

ACTION TAKEN

The receipts into and expenditure from the Mica Mines Labour

Welfare Fund from its inception are as follows:—

Year	Income (Rs. in lakhs)	Expenditure (Rs. in lakhs)	Accumulated balance at the end of the year (in lakhs)
Opening Balance . . .			
on 15-8-1947 . . .	11.88	..	11.88
1947-48 (Post Independence)	9.50	.05	21.33
1948-49 . . .	11.78	1.16	31.96
1949-50 . . .	19.26	1.96	49.26
1950-51 . . .	35.39	1.87	82.78
1951-52 . . .	27.85	3.16	107.47
1952-53 . . .	22.70	5.93	124.24
1953-54 . . .	17.89	6.73	135.40
1954-55 . . .	13.16	9.94	138.62
1955-56 . . .	19.39	10.03	147.98
1956-57 . . .	32.65	13.02	167.62
1957-58 . . .	21.55	10.25	178.92
1958-59 . . .	26.35	13.72	191.55
1959-60 . . .	30.96	17.46	205.05
1960-61 . . .	27.35	24.99	207.41
1961-62 . . .	24.63	27.42	204.62
1962-63 . . .	19.98	27.25	197.35
1963-64 . . .	25.00 (Esti- mate)	31.13 Budget Estimates)	191.22 (Pro- visional)

In welfare activities of this kind the tempo of expenditure at the initial stages is generally slow whereas income, based on a fixed percentage of mica exports, is not so variable a factor, resulting in accumulation of balances. With a view to utilising the accumulations, the three Chairmen of the Advisory Committees drew up plans costing about Rs. 155 lakhs non-recurring and Rs. 125 lakhs recurring to be spent during 1st April, 1961 to 31st March, 1966 for expansion of medical, educational, housing and other welfare activities. The unutilised balance in the Fund on 1st April, 1961 being Rs. 207 lakhs and with an average annual income of 25 lakhs, the available resources upto 31st March, 1966 will be Rs. 332 lakhs approximately. With the proposed expenditure of Rs. 280 lakhs envisaged in the plans, the accumulated balances are expected to come down to Rs. 52 lakhs only. These also may be used up shortly after 1966 as the trend of expenditure now is that it exceeds the annual income. A mid-term appraisal of the plans prepared in 1960 is being undertaken. The three Chairmen have been asked to examine in consultation with their Advisory Committees, what had been done so far in the matter

of utilisation of accumulated balances and what they proposed to do in the remaining two years. They have also been asked to prepare tentative proposals for the next Plan. These details are expected to be placed before the Co-ordinating Committee of the Fund at its next meeting to be held sometime in January, 1964.

2. Regarding Housing facilities the following schemes were originally sanctioned:—

Subsidy Scheme.—A scheme was sanctioned in June 1953 for Bihar which envisaged that mine owners who constructed houses according to the plans and specifications prescribed by the Mica Mines Labour Welfare Fund were eligible to a subsidy equal to 20 per cent of the cost of construction of each house subject to a maximum of Rs. 280 per house. An enhanced subsidy equal to 25 per cent of the cost of construction subject to a ceiling of Rs. 350 per house was also announced in respect of houses, applications for which were to be received by 15th October, 1953 and the construction of which was completed by 15th October, 1953. No houses were built under this scheme.

Subsidy-cum-loan scheme.—As the response to the above scheme was not encouraging, sanction was accorded in 1955 to the introduction of a subsidy-cum-loan Scheme for mica mines throughout India. It provided for the construction both of one-roomed and two-roomed houses by mine owners according to the prescribed plans. A subsidy equal to 25 per cent subject to a ceiling of Rs. 560 for one-roomed house, and Rs. 735 for two-roomed house and a loan equal to 37½ per cent of the cost of construction, subject to a maximum of Rs. 840 for one-roomed houses and Rs. 1102.50 nP. for two-roomed houses were offered. Unfortunately, no houses were constructed under this scheme also by the employers.

New subsidised housing scheme.—Since there was no response to the subsidy-cum-loan Scheme also a new Subsidised Housing Scheme was introduced in 1960, providing that the mica owners who constructed houses in accordance with the plan and specifications approved by the Fund, were to be given a subsidy equal to 50 per cent of the cost of construction or Rs. 2,240 whichever was lower. The response from employers was again poor.

3. In order to have an appreciation of the problem, a sample survey on housing conditions in mica fields of Bihar was conducted in 1960. The report of the survey team submitted in August 1960 showed some special features about mica mining. Mica Mines are situated in dense forests. The mining labour generally comes from adjoining villages to work and is of a migratory nature, their main occupation being agriculture. They work as miners only to supplement their income in off season. A large percentage of the mines employ a small number of persons, generally less than 50. Majority of the workers prefer to receive Rs. 4 p.m. as allowance in lieu of accommodation. Besides above considerations, hesitancy on the part of mine owners to construct houses for miners is due to uncertainty about the life of a mica mine. Mining of mica is a business of luck

in so far as one may strike a mica pocket but it is not definite that it may turn out to be a business prospect. Even in a working mine, mica reef may come to a sudden end, as unlike coal and other mines, estimates of mica-deposits cannot be made. These factors make planning of housing programme for mica miners a difficult proposition. The survey team suggested that houses should be constructed on sites in proximity to a number of mines located within a short radius, so that on abandonment of ore mine, the houses could be utilised by other mines.

4. Based on the experience gained in previous schemes and the survey report, the initiative in the matter given previously to mine owners was shifted to the department and the following schemes have been introduced:

- (i) *Departmental Colonies.*—In October 1960, construction by the Fund itself of two departmental colonies of 50 houses each at Jorasimar and Dhorakola in Bihar costing Rs. 2.46 lakhs was sanctioned. These houses will be let out to miners free through mine owners who will pay nominal rent. The construction of the colony at Jorasimar is nearing completion. For the colony at Dhorakola land is being acquired. Five more such colonies, four of 24 houses each and one of 48 houses at Dharbey, Bendro, Pessam Sankh and Domchanch also in Bihar are also expected to be taken up in the near future. Their estimates are under scrutiny.
- (ii) *Low Cost Houses.*—Construction of 500 Low Cost Houses in Bihar at the cost of Fund, has been sanctioned in July 1962 at an estimated cost of Rs. 6.56 lakhs. The houses will be handed over to mine-owners at nominal rent with responsibility for their maintenance. Mica miners will get them free of rent. The scheme contemplated that land for the purpose will be provided by the mica mine owners near the work-site. In this connection it was brought to notice that while the mica mine owners had all rights over the mines, they did not have surface rights over the land and that the surface rights vested with the Government of Bihar. In the circumstances, it would not have been possible for the mine owners to provide the land for the purpose unless the surface rights were acquired by them from the Government of Bihar. To overcome this difficulty, the Government of Bihar were addressed in December, 1961 to assist the mica mine owners concerned by agreeing to transfer to them the surface rights of the land required for the construction of houses for the mica miners. The Government of Bihar have now informed that they are agreeable to give to the mica owners surface lease of land required for construction of low cost houses for the workers employed in mica mining industry. It is hoped the scheme will make rapid progress now that the main hurdle regarding land has been removed.

- (iii) *'Build Your Own House' Scheme.*—This scheme for construction of 500 houses in Bihar at an estimated cost of Rs. 1.67 lakhs has been sanctioned in August 1963. The scheme envisages a grant of Rs. 325 approximately to each mica miner covered under the scheme in cash or in the form of building material to enable him to build/improve his village house. Steps are also being taken to extend similar schemes to the other two mica producing regions viz. Rajasthan and Andhra Pradesh.

5. Government have thus, been fully aware of the need for housing for mica miners and have tried to do their utmost. With the schemes in hand, the housing situation for mica miners is expected to improve to a large extent.

6. With a view to co-ordinate the activities of the Fund in the three regions, to scrutinise and assess the progress of the schemes put into effect and to advise how these could be developed a Co-ordinating Committee has also been set up this year under the Chairmanship of Deputy Labour Minister, with the three Chairmen, officers from the Ministry and a representative of the Ministry of Finance (H.L.L. Division) as members. The first and the second meetings of the Committee were held on the 4th May, 1963 and 11th November, 1963. The Committee is expected to meet again in January 1964. The intention is that the Committee should meet three or four times a year preferably in the mica mining areas to enable the members to see things on the spot.

[O.M. No. 23 (6) 63-MIII, dated 24-12-1963]

Recommendation

6. *The Committee regret the delay in finalising departmental proceedings in this case. They hardly consider it necessary to point out that such delays are not in the financial interests of the State as they involve in some cases payment of avoidable subsistence allowance to delinquent officials. The Committee trust that care will, henceforth, be taken by the Ministry of Labour and Employment to ensure expeditious disposal of disciplinary proceedings.* *

[S. No. 77 (ii), Appendix IV, 8th Report (Third Lok Sabha).]

ACTION TAKEN

A brief history of the case is enumerated below chronologically:—

2nd January, 1960: Shri N. B. Sikdar was placed under suspension on an alleged charge of mis-appropriation of Fund's money.

7th January 1960: The Deputy Commissioner, Dhanbad, was informed about this and was requested to keep Shri Sikdar under Police surveillance.

9th January, 1960: The Deputy Commissioner was requested to institute a case against Shri Sikdar and to investigate the matter thoroughly. Shri Sikdar was immediately taken

in Police custody and a case was instituted against him in the Court of the S.D.O. Bagmara.

The original bills recorded in the office of the Accountant General, Bihar was inspected, and on 7th March, 1960 departmental charges were framed against Shri Sikdar and a charge sheet was served on him through S.D.O. Bagmara as he was in Police custody. Shri Sikdar thereupon asked for original bills to be produced before him for his inspection.

23rd March, 1960: The S.D.O. Bagmara was requested to obtain relevant vouchers from the Accountant General, Bihar, by an order of the court for purposes of departmental enquiry. In the meantime Shri Sikdar was released on bail.

17th June, 1960: After several reminders the S.D.O. Bagmara replied that vouchers or their photostat copies can be given by Accountant General on the order of the Inspector General of Police for Police investigation or to his Court.

27th June, 1960: The S.D.O. Bagmara was requested to make the relevant vouchers available in his Court where the departmental enquiry could be held either in his presence or in the presence of any officer duly authorised by him. The need for concluding departmental enquiry before the conclusion of criminal proceedings was impressed on the S.D.O. No reply was received from S.D.O. Bagmara in spite of four reminders

1st April, 1961: The Deputy Commissioner, Dhanbad was requested to look into the matter.

11th April, 1961: The Deputy Commissioner, Dhanbad replied that since the case was *sub judice* in the court of S.D.O. Bagmara, he would not be justified in doing anything connected with the departmental enquiry. Thus the departmental enquiry could not be proceeded with. Shri Sikdar was residing in his quarter at Regional Hospital, Katras. A similar report was made to the Deputy Commissioner, Chhindwara for defalcations alleged to have been made by him in the course of his discharge of duties in the office of the Inspector Labour Welfare Junnerdeo, and the Police there was also investigating into the matter. In a letter dated 22nd February, 1961, purported to have been sent from Sijua, Shri Sikdar stated that in connection with a case started in the Court of the Magistrate, Chhindwara, he was leaving for that place. Immediately he was asked to explain why he was leaving station without obtaining prior permission of the Coal Mines Welfare Commissioner. The letter sent to Shri Sikdar in the address given by him was returned undelivered and his residence at Regional Hospital, Katras was also found locked. The Superintendent of Police,

Dhanbad was informed accordingly on 7th April, 1961 and asked to look into it. Enquiry made by the Department from other sources revealed that Shri Sikdar did not actually attend Chhindwara Court.

22nd May, 1961: The Superintendent of Police, Dhanbad was again asked to pursue the matter; he replied that the bailor of Shri Sikdar on being asked to produce the bailee, reported that he was arrested by the Junnerdeo Police in connection with another case and that the S.D.O. Bagmara had sent a production warrant to the S.D.O. Junnerdeo for production of the accused. An enquiry was at the same time made departmentally from the Deputy Commissioner, Madhya Pradesh and it was learnt that Shri Sikdar had not actually been arrested by Junnerdeo Police.

19th June, 1961: The Superintendent of Police, Dhanbad was informed about the whole position. At the same time, a charge of unauthorised absence from Headquarters during the period of suspension was framed against Shri Sikdar on 19-6-1961 and action on this charge was taken as per rule 18(ii) of the Classification Control and Appeal Rules.

31st August, 1961: Shri Sikdar was dismissed from the service. Thus departmental proceedings against Shri Sikdar for alleged defalcation of money could not be completed before he had absconded. Shri Sikdar was dismissed from service on 31st August, 1961 not in respect of defalcation of money, which case was sub judice in the court of S.D.O. Bagmara, but for unauthorised absence from headquarters during the period of suspension.

[O.M. No. 4/1/63/MIII, dated 21-6-1963]

APPENDIX XVI

GOVERNMENT OF INDIA

MINISTRY OF STEEL, MINES AND HEAVY ENGINEERING

(DEPARTMENT OF IRON AND STEEL)

Statement showing action taken or proposed to be taken on the recommendations of the Public Accounts Committee.

THIRD REPORT (Third Lok Sabha)

Recommendation

1. The Ministry have stated that the excess of Rs. 1,80,96,922 in Grant No. 82 was due to the flow of receipts under Group Head 'B-4' having been stepped up contrary to their expectations. Even allowing for the factors mentioned by the Ministry, the large excess of Rs. 1.81 crores indicates that there has been a failure to make a reasonable assessment in time of amounts likely to be realised from the Steel Producing Companies. The Committee trust that the Ministry will endeavour to improve the procedure in this respect.

[S. No. 8, Appendix XV, 3rd Report 3rd L.S.]

ACTION TAKEN

Noted. Efforts are made and will continue to be made to bring about an improvement in budgeting as far as possible.

[O.M. No. SC(C)-3(5)/63 dated 24-9-63.]

(DEPARTMENT OF MINES AND METALS)

SEVENTH REPORT (Third Lok Sabha)

Recommendation

2. In the light of the facts disclosed the Committee find it difficult to accept the above explanation of the Ministry of Mines & Fuel. They feel that, as soon as the Corporation had learnt about the delay in the completion of the Railway line, it should have advised the India Supply Mission, Washington to approach the suppliers for postponement of the shipment of the two draglines. The Committee regret that this failure of the Corporation had resulted in avoidable payment of interest charges amounting to Rs. 60,880 to the Export Import Bank, in addition to storage charges payable to the Railways.

[S. No. 21 Appendix III to Seventh Report—1962-63]

ACTION TAKEN

The observations of the Public Accounts Committee have been noted by the National Coal Development Corporation and due care will be taken in future to avoid similar eventualities.

[No. C3-10(3)/63 dated 28-8-63.]

Recommendation

3. The Committee are not happy over the manner in which the Corporation had handled this case. They observe that the decision of the Corporation to stop all outside despatches from the Bokaro Colliery resulted in not only a shortfall in the output of the Colliery to the extent of about half a lakh tons but also an infructuous expenditure of Rs. 45,000 on account of lay-off compensation paid to labour for forced idleness. The Committee understand from Audit that the local technical authorities had forewarned that it would not be possible for the Kargali Washery to take the entire output of the Bokaro Colliery. If so, the Committee consider the above decision of the Corporation as highly ill conceived. The Committee grant that adequate quantities of Bokaro Coal should have been supplied to the Kargali Washery for enabling the foreign contractor to give the stipulated throughput of washed coal.

This, the Committee feel, should have been done, not by stopping outside despatches, but by according the Washery overriding priority in the matter of coal supply from Bokaro. Even if initial error had been committed in anticipating that the washery will be able to utilise the entire output of coal the Corporation should have rescinded its decision as soon as large stocks started accumulating at the pitheads, and resumed outside despatches instead of curtailing production.

[S. No. 22, Appendix III of Seventh Report, (3rd LS)]

ACTION TAKEN

This has been noted by National Coal Development Corporation Ltd. for future guidance.

[No. C2-10(20)/63 dated 29-8-1963.]

Recommendation

4. The Committee trust that determined efforts will be made by the Washery authorities to attain the rated capacity at the earliest possible date.

[S. No. 23, Appendix III to Seventh Report, (3rd L.S.)]

ACTION TAKEN

Throughput of the washery, in terms of clean coal, has since been increased from about 90,000 tonnes to over 1 lakh tonnes per month and the washery has, by and large, maintained an average production of over 1 lakh tonnes of clean coal per month from December, 1962. In fact, except for occasional short-falls for various unavoidable reasons, the washery is now maintaining an average daily production of over 4,000 tonnes of clean coal, based on which,

where working days in the month are 25 or more, production has since stabilised at not less than 1 lakh tonnes of clean coal per month. It is also hoped that with the improvement and modifications that have since been made it will be possible to further increase production of clean coal at this Washery, as a result of which the throughput will go up still further, provided external factors, such as late and short supply of box wagons, electricity breakdown (Bihar State Electricity Board) and breakdowns in the middlings off-take by the Damodar Valley Corporation do not intervene.

2. The maintenance arrangements within the washery itself are now considered adequate, as a result of which breakdowns within the washery are now rare and it has been possible to maintain 14 hours of working in two-shift operation, the third shift being reserved for maintenance. It can, therefore, be stated that as a result of help of the German Engineer and the Administrative changes within the Washery, defects within the plant have been rectified to the extent that production of over one lakh tonnes per month is now assured, with the likelihood that the throughput will go up further.

3. The only cause for anxiety in regard to the working of the washery at present is the operation of the bicable ropeway conveying coal from the Bokaro mine to the Kargali Washery. The track ropes of this ropeway have developed serious defects and have to be replaced. A new set of ropes has been ordered, which is expected in the country shortly. Replacement of the track ropes will thereafter take a few weeks before the ropeway can be recommissioned for its full capacity. Meanwhile, alternative methods of transporting coal from the mine to the washery have been arranged, on the basis of which it is hoped that production will be maintained at a rate of 1 lakh tonnes per month, if not more. The Corporation in fact have since taken a decision ultimately to dismantle the bicable ropeway so that a substantial quantity of coal presently locked up by the ropeway, can be extracted as this will improve the working conditions of both Bokaro and Kargali collieries. The actual dismantling of the ropeway, however, will be undertaken only after permanent alternative means of transport are finally commissioned.

The rated capacity of the Kargali Washery is 137,000 tonnes of washed coal per month. As against this the output of washed coal since December, 1962 has been as follows:

Month	Output in tonnes.
December	1,00,083
January	97,261
February	99,011
March	1,03,030
April	1,00,302
May	1,06,875
June	1,07,854
July	1,08,841
August	1,08,714
September	1,00,111

[C-3-12 (7)/63 dated 22.10.63].

DEPARTMENT OF IRON & STEEL

Recommendation

5. (i) *On the basis of the facts mentioned, it is apparent that the order for procurement of 18 capacitors at a cost of Rs. 86,000 was placed without properly assessing the requirement.*

(ii) *The Committee desire that the disposal of surplus capacitors should be expedited.*

[Serial No. 24, Appendix III to the 7th Report (3rd LS)].

ACTION TAKEN

All the capacitors have since been disposed of at a total cost of Rs. 106,387.26 nP. the details of which are as follows:

Date of disposal	Description	Cost	Sales Tax	Total
		Rs.	Rs.	Rs.
27 1-1962	100 KVA Capacitors	62,130 27	621 30	62,751 57
16 4-1963	50 KVA Capacitors	43,635 69	872 72	44,508 41
Total Sale proceeds :				107,259 98

Recommendation

6. *The Committee are not satisfied with the explanation of the Hindustan Steel. They feel that, while 20,000 tons of ore might have been considered as adequate stock in the normal course, larger reserves should have been built up from the departmentally-owned Rajhara Mines, as a precaution against the impending moonsoon. The failure of the project authorities to do this as also their inability to utilise the existing stock had entailed an additional expenditure of Rs. 11.85 lakhs to the Company. One of the reasons mentioned in evidence for not using the existing stocks was that the ore crane was not in working order. If so, the Committee feel that all-out efforts should have been made to set the crane right at the earliest possible date; on failing this, other suitable arrangement should have been made for built-up stocks being readily usable. Moreover, since the additional stock obtained through State Trading Corporation was at much higher cost, it would have been advisable to place the orders in instalments of say 10 days supply at a time, instead of bulk supply of 40 days. (The breach lasted for a period of fortnight). The Committee trust that the project authorities will benefit from their experience in the present case, and in the interests of both economy and uninterrupted tempo of production, make adequate provision against the rainy season in future.*

[Serial No. 25, Appendix III to the 7th Report (3rd LS)].

ACTION TAKEN

The remarks of Public Accounts Committee have been noted.

12TH REPORT (Third Lok Sabha)

Recommendation

6A. In a statement furnished by the Ministry of Steel & Heavy Industries (Department of Iron and Steel) the observations of the OAC (1960-61) made in para 142 of their 34th Report (Second Lok Sabha) are stated to have been noted. From this, the Committee presume that their observations have been accepted by the Ministry. If so, the Committee feel that the Ministry should have examined whether the persons responsible for finalising this deal at a higher cost of Rs. 2.25 lakhs acted in the best interest of Government. They regret that no indication of this has been given by the Ministry. The Committee urge that the case should be reviewed according and the outcome thereof intimate to them.

[Appendix-I-Sl. No. 8, para 8, 12th Report (3rd LS)]

ACTION TAKEN BY THE MINISTRY

The case has been reviewed. There is nothing new to add to what has already been stated. All this happened in 1956; and the officials of this Organisation responsible for finalising the deal, have since either, retired or left this organisation. In view of this and with the details available at this distance of time, it is hardly possible to comment whether they acted in the best interest of the Government or not.

Recommendation

7. (i) In the light of the fact that of the 50 tons of the material ordered telegraphically in June, 1958, not even 1 ton could be used by the Project authorities upto the 25th July, 1959, the Committee can hardly accept the plea of urgency advanced by the Hindustan Steel for placing the repeat order, without awaiting the laboratory test of the material offered at lower rates.

(ii) It has been stated in extenuation in the Ministry's note that by the time the second purchase order was issued in June, 1958, the actual consumption of the cement in the first blast furnace could not be ascertained as the work was still in progress. It has also been explained that according to the commissioning schedule then in vogue, construction work in the second and third blast furnaces was also to go on simultaneously, and it was necessary to plan and procure the materials in advance. The Committee cannot but reject this plea. They feel that the second order could well have been placed after a proper assessment of the quantities required on the basis of the progress made in the construction of the first blast furnace and not on the ad hoc quantity of 25 tons obtained for the first blast furnace. The Committee trust that the Hindustan Steel will benefit from their experience in this case, and be more careful while placing orders for such materials in future.

[S. No. 9, Appendix I to the 12th Report, (3rd LS)].

ACTION TAKEN

The observations have been noted by the Hindustan Steel Limited for future guidance.

DEPARTMENT OF HEAVY ENGINEERING

Recommendation:

8. *In the face of this opinion of the Ministry of Law, it passes the comprehension of the Committee as to how the subsidiary agreement contemplating additional payment was approved and accepted by the Company and the Government on 15th January, 1959. It is also inexplicable how the letter dated the 5th April, 1956 came to be issued from the late Production Ministry to M/s. A.E.I. In the absence of any evidence to prove the abrogation of the Consultants' letter dated the 19th June, 1955, the Committee feel that the matter needs further investigation. It is significant in this connection that the Consultants had claimed that the subsidiary agreement which was finalised on 15th January, 1959 with the approval of and acceptance of the Company and the Government had superseded the terms of their letter dated the 19th June, 1955. The Committee understand that the relevant file of the Ministry leading to the conclusion of the main agreement in November, 1955 with the technical consultants is missing for a long time. The matter, therefore, calls for a thorough investigation.*

[Sl. No. 24 (para 37), Appendix I to 42nd Report (2nd L.S.) and S. No. 15, Appendix II, 12th Report, (3rd LS)].

ACTION TAKEN

This Ministry would adhere to the earlier statement made by the then Secretary, Ministry of Commerce and Industry, when he appeared as a witness for the P.A.C., that the letter dated 19th June, 1955, pertained to the earlier stage of negotiations with the Consultants whereas the agreement which was concluded in November, 1955 provided *inter alia* that if the Consultants entered into some arrangements with other specialists in the field, Government's approval would be obtained thereto, that the additional payments consequent on the arrangement referred to, though not specifically provided for in the agreement, could not be ruled out and that it appeared that the stand taken by the Consultants in their letter dated the 19th June, 1955 was changed at the time of the final signing of the agreement.

(In compliance with the requirement of the Director of Commercial Audit, a copy of their letter No. Rep. I/7(4) 62-63, dated the 15th June 1963 addressed to the Deputy Secretary (Public Accounts Committee), Lok Sabha Secretariat is annexed).

ANNEXURE

(See item 8)

No. Rep. I/7(4)/62-63

OFFICE OF THE DIRECTOR OF COMMERCIAL AUDIT

New Delhi-1, 15th June, 1963

From

The Director of Commercial Audit.

To

The Deputy Secretary,
(Public Accounts Committee),
Lok Sabha Secretariat,
New Delhi.

**SUBJECT:—P.A.C.—Consideration of Appropriation Accounts (Civil)
1959-60 and Audit Report (Civil) 1960—Part I—Heavy
Electricals (India) Limited.**

Sir,

I invite a reference to your letter No. 2/1/3/61-PAC, dated the 14th September, 1962 to the Ministry of Steel & Heavy Industries (Department of Heavy Industries) New Delhi wherein the Ministry was requested to show the relevant files relating to Technical Consultants Agreement to this office.

These files have since been examined in this office with a view to ascertain the reasons why the Government agreed to make payments to the Subsidiary Consultants when no such provision existed in the agreements. It has been observed that except for a letter dated 19-6-1955 (copy enclosed) in the Ministry's file No. P. 32/2/55 Vol. I no other paper throws any light on the point. This letter, however, clearly states that there would not be any additional lump sum charge on account of the collaboration with the subsidiary consultants.

As the Ministry has not shown any papers indicating that payment to the subsidiary consultants was to be made separately nor has the main file, leading to the invitation of global tenders, negotiations and the conclusion of the agreement with the consultants, been shown to us, it has not been possible to examine the necessity of making payments to the subsidiary consultants. In this connection attention is also invited to the recommendation of the Public Accounts Committee contained in para 37 of their 42nd Report.

Yours faithfully,

Sd/- P. K. SEN.

Director of Commercial Audit.

APPENDIX XVII

DEPARTMENT OF SUPPLY

Statement showing action taken or proposed to be taken on the Recommendations of the Public Accounts Committee.

EIGHTH REPORT (Third Lok Sabha)

Recommendation

1. The Committee feel that the fact that 2,500 cases of contracts of supplies were still in arrears, did not speak well of the working of the Supplies Department. Obviously such delays affect adversely the programmes of the indentors, and the advantages of centralised purchases would be set at naught, if supplies are delayed so much. The Committee, therefore, desire that suitable steps should be taken by the Ministry to improve the position.

[S. No. 112 of Appendix IV (Para 115) of 8th Report (3rd LS)].

ACTION TAKEN

The number of Acceptances of Tender against which supplies have not yet been completed for the years 1956-60 as on 1-4-1963 is as follows:—

Year	Outstanding at the time of starting the review of old A/Ts.	Completed	Balance
Upto 1956	226	150	76
1957	247	179	68
1958	475	209	266
1959	787	353	434
1960	1911	1033	878
	<u>3646</u>	<u>1924</u>	<u>1722</u>

These outstandings, compared with the 45,000 numbers of contracts completed during the above period, represent approximately 3.6% of the total contracts due for delivery during this period. It may be mentioned that the outstandings do not mean that no supplies have been made but on the contrary, it is likely that in most of these cases major part of the supplies have been made and only part supplies may be held up. Thus the percentage of outstanding contracts in terms of value of outstanding supplies compared to the value of supplies made will further be reduced and may even not be of any great significance.

Execution of all contracts within the delivery period will, no doubt, be an ideal position, but this efficiency cannot be achieved due to several factors over which the contracting firms have sometimes

no control. The broad reasons for delay in respect of the outstanding cases are given below:—

(i) *Limited Capacity:*

About 50 old outstanding contracts are for wheels, tyres and axles for which the capacity is limited. Supplies are made according to a production schedule. In drawing up the schedule later on more urgent demands have to be given priority with the result that older orders remain outstanding.

(ii) *Non-availability of special sizes of sections required for fabrication:*

In spite of Quota Certificates for controlled categories of steel, there is considerable delay in the fabricators getting physical deliveries of steel. While the firms were able to procure the requirements of common sizes and sections with some delay, difficulty arose in case of small requirements or for non-standard sizes which producers would not undertake immediately till sufficient demand had accumulated to make it an economical rolling. Even firms of repute and good standing have been finding it difficult to get certain sizes of steel plates for execution of an old pending contract for Turntable. Some contracts are held up for this reason.

(iii) In some cases part of the stores were found damaged in transit and had to be replaced by the suppliers. This resulted in the contracts not getting completed. Damaged parts had to be manufactured afresh and supplied in some cases.

(iv) *Delay on account of supply not conforming to approved samples resulting in rejection and re-tendering of stores for inspection:*

With the large increase in Government purchases of stores there has not been corresponding increase in capacity to manufacture. Quite a number of firms have come up who are not fully equipped but are able to secure contracts by quoting competitive prices. Such firms have no previous experience and fail to put up acceptable stores within delivery period. Extensions have to be granted to enable them to produce acceptable stores.

All outstanding old contracts are reviewed by the Purchase Directorates with a view to treat them as closed where outstanding supplies are less than 5% in accordance with the existing instructions. In the other cases the contracts have to be examined with a view to cancellation, if necessary. The Statistical Wing in the D.G. S. & D. will also be supplying list of contracts where delivery periods have expired, so that the Purchase Directorates should pursue the case further. The position is constantly under review.

[File No. 45(3) '63-PI].

Recommendation

2. The Committee are not happy at the manner of reference, processing and the final outcome of the arbitration cases as pointed out in the Audit Report. While there could be no objection to disputes being referred to arbitration as it was open to either party to refer the cases either to a court of law or an arbitrator, the fact that such cases should have been pending for over ten years was a serious matter. The Committee learnt that under the Rules an arbitrator was to give an award within a period of four months from his appointment, failing which he was required to obtain the permission of a court of Law for the extension of the time. If so, the Committee fail to understand the delays in the settlement of these cases. They would also like to know whether any responsibility was fixed for the failure on the part of the Government officials in the specific cases mentioned in the Audit Report.

[S. No. 113 of App. IV (Para 116) of the 8th Report (3rd Lok Sabha)]

ACTION TAKEN

The implied conditions of an arbitration agreement are specified in the first schedule to the Arbitration Act, 1940. Para 3 of the first schedule provides that the Arbitrators shall make their award within four months after entering on the reference or after having been called upon to act by notice in writing from any party to the arbitration agreement or within such extended time as the Court may allow.

Under Section 28 of the Arbitration Act, the Court is empowered to enlarge from time to time, the time for making the award, whether the time for making the award has expired or not or whether the award has been made or not. In view of this provision, the interested party almost always moves the Court for extension of time for making the award. Parties very often proceed with the arbitration case before the Arbitrators, though the time for making the award has expired with the implied understanding that extension would be obtained from Court in due course, particularly before the making of the award.

Detailed reasons for the inordinate delay in finalisation of arbitration cases are enumerated in Annexure I. It would be seen therefrom that the Arbitrators are unable to decide the case before the expiry of four months.

As regards the disciplinary aspect, according to the Audit para, D.G.S. & D. has to fix responsibility only in the following two cases:—

- (i) Amount of the award Rs. 36,646.—In this case, the firm had asked for Rs. 1-8 for Excise Duty and this was included in the A/T. It was subsequently brought to D.G. S. & D.'s notice that the element of Excise Duty on the chemical used should work out to only six annas. Thereupon D.G.S. & D. unilaterally modified the A/T which the

firm contested. The disciplinary aspect of the case has been examined. D.G. has held that in this case the officers concerned exercised their discretion in the best possible manner in dealing with the A/T and there is no scope for taking disciplinary action against any one.

- (2) *Amount of the award Rs. 54,300.*—In this case, the firm defaulted in supply and one of the pleas advanced was that there was delay in supply by Government of material for manufacturing tents. On investigation it was found that this plea was not correct. The contract was, therefore, cancelled and liquidated damages of Rs. 10,000 were imposed. The firm claimed refund of amount withheld as liquidated damages and also claimed Rs. 40,000 as damages. The Umpire ordered refund of amount withheld as liquidated damages, a sum of Rs. 40,000 as damages and a sum of Rs. 3,500 as cost. An examination of the file showed that there was no lapse on the part of anyone in the DG S&D and the delivery of cloth to the firm was delayed on account of its own delay in making payments of the price of cloth. Therefore, there was no case for taking any disciplinary action. The fact that the delivery of cloth to the firm was delayed on account of its own delay in making payments of the price of cloth, was duly brought to the notice of the Arbitrator before the award was given, but the award was against Government. There was no alternative but to accept the verdict of the Umpire as it could not be successfully challenged in Court under the Arbitration Act, 1940, as he had not given any reasons for his decision.

The position as at (1) and (2) above was communicated to Audit vide DGS&D's D.O. letter No. A-p,AP,3(167)62, dated the 26th September, 1962.

The other nine cases mentioned in the Audit Para relate to supply of timber for Railways or Defence. The firm themselves have been in most of these cases shifting stations of supply rendering it difficult for the Inspection authorities to carry out inspection in time. There have also been delays in inspection in some cases. The inspecting authorities were representatives of the indentors. As a result of difficulties in obtaining supplies of timber from private parties, DGS&D are now confining themselves mainly to purchase through State Government Forest Departments. The Inspectors under the new contracts are officers of the State Government.

[File No. 45(3)/63-PI.]

Recommendation:

3. *The Committee are not satisfied with the explanation of the Ministry in this case. They would like to know the action taken by the Ministry to fix responsibility for the various lapses which resulted in a heavy loss.*

[S. No. 114 of Appendix IV, (Para 117) of 8th Report (3rd Lok Sabha).]

ACTION TAKEN

The disciplinary aspect of the case has been carefully examined and it has been found that the officers concerned acted in good faith and as such they cannot be held responsible for non-recovery of risk purchase amount.

[File No. 45 (3) /63-PI.]

Recommendation:

4. The Committee were informed that the firm had failed to supply paint against a number of other contracts and the matter was being investigated. The Secretary to the Ministry promised to furnish a detailed report to the Committee. The Committee reserve their comments pending receipt of the detailed report. Meanwhile they would urge upon the Ministry to expedite the matter as it had already been delayed.

[S. No. 115 of Appendix IV, (Para 118) of 8th Report (3rd Lok Sabha).]

ACTION TAKEN

With reference to their O.M. No. 2/126/62/PAC, dated the 17th October, 1962, a separate Note for the Public Accounts Committee has been sent to the Lok Sabha Sectt., vide the late Ministry of E&DC Memo. No. 5/163-Admn.II, dated the 24th August, 1963. (Annexure II).

[File No. 45 (3) /63-PI.]

Recommendation:

5. It was explained in evidence that the suppliers had a general tendency to make bulk supplies towards the close of the financial year before their contractual period expired and that this had resulted in the stock having exceeded the permissible limits for a temporary period in the Stationery Office, Calcutta. The Committee feel that this is not a healthy practice and should not have been allowed to persist. Besides creating other complications like storage problems etc. such bulk supplies towards the close of the contractual period would hardly permit effective and proper inspection of stores and there were possibilities of substandard material being accepted by the Office in hurry.

[S. No. 116 of Appendix IV, (Para 119) of 8th Report (3rd Lok Sabha).]

ACTION TAKEN

Since this Department is not concerned, the Ministry of WH&R has been requested to deal with this item.

[File No. 45 (3) /63-PI.]

ANNEXURE I

(See item 2)

Reasons for inordinate delay in issue of awards by arbitrators.

It will be appreciated that after the arbitrators have been appointed and have entered on the reference the Government have little control over their deliberations and are in no position to guide the progress of the cases. The arbitrators|umpires are their own masters and they fix the hearings as it suits their convenience. The arbitrators have to deal with quite a large number of cases. Again, these cases cannot summarily be disposed of but have to be given a full dress trial in conformity with the provisions of the Law. The case has to pass through several stages e.g. filing of pleadings, documents, interrogatories, examination of witness etc. The witnesses have often to come from out side Delhi. It would also seem to be desirable that the Government should not only ensure justice but also infuse a feeling in the subject that justice is in fact being dispensed. In several cases the Government arbitrator is the same person. As such his position is in no way different from a regular civil court which has several cases pending before it and can only hear them from stage to stage. Apart from this, the opposite party usually adopts all possible dilatory tactics to delay the proceedings when it is to their advantage to do so. For example, they will not allow their Arbitrator to attend the arbitration proceedings in cases involving Government claims. The Co-arbitrators do not co-operate with the Government Arbitrator and try to remain absent on some excuse or the other. If the co-arbitrators refuse to act, or fail to agree to appointment of Umpire, Government has to go to Court for appointment of substitutes or Umpires as the case may be. Cases are often dragged to the courts on flimsy and frivolous grounds and the courts take several years for decisions as the matter usually goes from the lowest court to the highest court in appeal, revision etc. This usually happens in the bulk of the cases which contain a dual arbitration clause.

2. These reasons apply *mutatis mutandis* to the cases of sole arbitration under contracts placed on or after 1st September, 1956. The disposal of these cases is, however, expeditious in comparison to dual arbitration inasmuch as the cases are heard only once by the Sole Arbitrator and awards made, as against double hearing of the cases by the Arbitrators and the Umpires under the dual arbitration clause.

3. Government are quite helpless as there are no effective means available legally or otherwise to counter act such tactics. Sometimes there are also genuine difficulties both in the way of the Government and the other party notwithstanding a sincere desire on their part to bring the case to an early conclusion and these often hamper the smooth progress of the case. One chief difficulty of this

nature is the non-availability of evidence at the appropriate level. Then there are complicated and difficult cases involving shifting of voluminous records and accounts which do not, by the very nature, admit of a speedy disposal. Thus more or less the Government are not in a position to ensure the disposal of any case or cases within any specified period of time

ANNEXURE II

(See item 4)

MINISTRY OF ECONOMIC AND DEFENCE CO-ORDINATION (Department of Supply)

Note for the Public Accounts Committee on Para 59 of the Audit Report (Civil), 1962.

REFERENCE:—*Lok Sabha Secretariat O.M. No. 2/1/26/62/PAC, dated 17th October, 1962.*

Consequent on the examination of Para 59 of the Audit Report (Civil), 1962, the P.A.C. desired further information as follows:—

“A detailed note on the circumstances leading to the awarding of contracts for paints etc. which the firm failed to supply and the steps proposed to be taken to effect recoveries. The result of the enquiry promised by the Secretary into the case may also be stated.”

2. In all, thirteen contracts for Paints, Oil, Paste and Drier Liquid etc., were placed on the firm during the period March-July, 1955. As regards the circumstances leading to the awarding of the contracts on the firm, it may be stated that three Supply Orders were placed on them against the Rate Contract and in the other ten cases, contracts were placed on the basis of an advertised tender in July 1955. The firm was registered at that time. As the firm failed to supply bulk of the stores, the contracts were cancelled at the firm's risk and expense. A limited tender enquiry was issued on 1st October, 1955, for repurchase and the firm in question quoted the same rates as were quoted against the cancelled contracts and which were the lowest. The D. G. S. & D. referred the case to the Ministry of Law on 16th December, 1955 for advise whether the quotation of the firm could be ignored on account of their being the defaulting firm and at the same time the excess cost could be recovered. The Ministry of Law advised on 19th December, 1955 as follows:—

“The firm's former contract was cancelled as it was not in a position to supply the stores within the stipulated period. The firm had demanded extension of delivery period which was rejected by us. The firm's present offer could not be assumed to be a bogus one. As their quotations are the lowest they could not be ignored. In order to safeguard our position and to secure due performance of the contract within the stipulated period we may call upon the firm to give nominal security deposit”.

3. On 5th January, 1956 at a discussion which took place between the representative of the firm and the DGS & D, the firm's represen-

tative was told that the question of reinstatement of their contracts would be considered if they could (i) give a definite delivery date for completing the supplies of the outstanding quantities and (ii) deposit as security 5 per cent of the value of the outstanding quantities as a guarantee for completion. The firm in their letter dated 9th January, 1956 agreed with a proviso that all their pending bills would be paid to them on basis of the 1st condition and promised to supply the materials in 4 months in some cases and within 6 months in other cases in equal monthly instalments. They, however, subsequently agreed to a security deposit to the extent of 2½ per cent on the value of the outstanding quantities against all the cancelled and outstanding contracts vide their letter dated 11th January, 1956. It was decided on 13th January, 1956 to accept the firm's proposal to deposit 2½ per cent security deposit against the individual contracts cancelled, reinstate all the cancelled contracts and extend the delivery dates. Accordingly the contracts were reinstated.

4. The firm again failed to execute supplies and consequently the contracts were again cancelled for the unsupplied quantities at their risk and expense. The firm requested in their letter dated 13th February, 1957 for reinstatement of the contracts on the ground that they had considerable quantities already manufactured which they could offer from stock immediately and they could supply the balance quantities within three months. The D.G.S. & D. requested the firm on 20th February, 1957, to confirm that they would furnish 10 per cent security deposit (by way of deduction from their pending bills) as guarantee to supply the stores within 8 days from the date of reinstatement of the cancelled contracts. At first the firm did not directly agree to the conditions imposed by DGS & D but after some correspondence ultimately agreed and it was decided on 11th May, 1957 to reinstate the contracts by allowing extension in delivery period with 10 per cent security deposit. As the firm still failed to complete supplies, the contracts were finally cancelled at their risk and expense.

5. As regards steps proposed to be taken to effect recoveries it may be stated that in accordance with the advice of the Ministry of Law on 15th September 1962, DGS & D have preferred claims on the firm to the extent of Rs. 3,25,709 in respect of all the thirteen contracts. The security deposit totalling Rs. 53,560 made by the firm against the contracts and lying with the Pay and Accounts Officer is being adjusted against DGS & D's claim and in case the firm is not agreeable to pay the balance amounts of Rs. 2,72,149, the cases will be referred to arbitration as advised by the Ministry of Law.

6. The disciplinary aspect of the case is being examined by the Vigilance Section of the DGS & D.

This has been seen by Audit.

(Joint Secretary).

APPENDIX XVIII

MINISTRY OF TRANSPORT

Statement showing action taken or proposed to be taken on the recommendations of the PAC.

THIRD REPORT (Third Lok Sabha)

Recommendation:

1. *The reasons stated by the Ministry regarding the excess in Grant No 87 would show that the Ministry's control over expenditure has not been adequate and effective. The Committee feel that the unliquidated liabilities could have been foreseen if a proper watch had been kept through the liability Register and if the Ministry had been in constant touch with the concerned Deptts. from whom the debits were to be received. The Committee, however, hope that suitable steps will be taken to ensure that such excesses do not recur.*

[S. No. 9, Appendix XV, 3rd Report, (3LS).]

ACTION TAKEN

With a view to making a proper assessment of expenditure of the D.G., I.S.D. London has been requested to inform the Deptt. of Lighthouses & Lightships (consignees) of the date of shipment of equipments, Stores etc. with particular of their actual cost paid or likely to be paid immediately after shipment is effected. He has also been requested to furnish by the 15th of March of each year information regarding the progressive total of payments made upto end of February and anticipated payments likely to be made in March by cablegram. It is also proposed to remind the D.G., I.S.D. by Cable in case the requisite information is not received by that date. Constant touch will also be kept with other concerned Deptts. such as D.G.S.&D. and the Customs so that the Liability Registers which are being maintained will reflect the full extent of the liabilities to be met before the end of the financial year.

[O.M. No. 1-S&P(14)/62, dated 9-4-63.]

Recommendation:

2. *The Committee are of the view that the excess in Grant No. 133-Capital Outlay on Roads could have been anticipated and provided for, had there been close liaison between the indenting and Supplying Departments. In regard to expenditure of Rs. 72.51 lakhs on certain urgent and unforeseen works (roads), the committee*

feel that even though the works were of an urgent nature their completion should have taken enough time to enable the Ministry to arrange for a Supplementary Grant.

[S. No. 10, Appendix XV, 3rd Report, (3LS).]

ACTION TAKEN

In order to ensure close liaison between the Directorate General Border Roads, which is responsible for processing the indents and supplying departments, namely Director General of Supplies & Disposal and Director General Ordnance Factories, a number of meetings were and are being held. However, further steps are being taken to post ourselves with information of deliveries and payments made so that budgetary control is tightened.

Orders already exist that no work should be executed without necessary sanction and allotment of funds. The works in question being of urgent and unforeseen nature were carried out without complying with the above requirements. As this position was known after the close of the year 1960-61, no supplementary grant could be obtained to cover the expenditure. Instructions have been issued reiterating the correct position and impressing upon the Engineers the necessity to avoid such cases in future.

[O.M. No. 1-B&P(14) 62, dated 9-4-63.]

SEVENTH REPORT (Third Lok Sabha)

Recommendation:

3. *The Committee regret to observe that in the year 1960-61 expenditure (both operating and non-operating) had registered an increase as compared to the earlier years. The Committee would once again urge upon the IAC to review the position and take effective measures to reduce their overheads and other working expenses so that the undertaking may not continue to be a liability on the exchequer. They would watch the results of the action taken in this regard through subsequent Audit Reports.*

[S. No. 1, App. III, 7th Report (3rd Lok Sabha).]

ACTION TAKEN

The observations of the Committee have been noted by the Corporation. It may, however, be clarified for the information of the Committee that there has been a progressive increase in expenditure each year due to increased operations and greater revenue ton kilometers performed by the Corporation. In addition one of the major contributory factors for the somewhat steep increase in expenditure in 1960-61 compared to earlier years has been the sizeable increase in the wage bill as a result of revision of pay scales and service conditions of the employees brought into force from 1-4-1960 on the basis of agreements entered into with the various staff unions which amounted to Rs. 43 lakhs. Increased provision on account of obsolescence reserve accounted for another Rs. 13 lakhs. The increase in non-operating expenditure to the extent of Rs. 19.75 lakhs is due entirely to the provision made against loss on sale of Heron aircraft and Heron & Viking spares.

The Operating expenditure in 1962-63 was Rs. 1664.70 lakhs and the corresponding figure in 1961-62 was Rs. 1445.14 lakhs. In order to afford an easy comparison, the figures for 1961-62 as appearing in the Profit and Loss Account of the printed Annual Report have been recast to the extent the grouping of items have been altered in 1962-63. The increase of Rs. 145.60 lakhs in 1961-62 over the preceding year and an increase of Rs. 219.56 lakhs in 1962-63 over 1961-62 was mainly under the following heads:

	Increase in 1961-62 over 1960-61.	Increase in 1962- 63 over 1961-62.
(In lakhs of rupees)		
1. Pay & Allowances including P.F. Contributions ..	81.74	42.98
2. Hire of Aircraft from Air-India ..	26.33	9.69
3. Depreciation ..	13.40	22.87
4. Obsolescence of Spares. ..	3.94 (Reduction)	29.22
5. Aircraft Fuel & Oil ..	8.62	40.09
6. Flight Equipment Materials and Outside Repairs ..	—	43.85
7. Insurance ..	17.60	5.24
8. Other Staff Costs and other expenses etc. ..	1.75	25.72
	145.60	219.56

In addition to the increase of Rs. 145.60 lakhs in 1961-62, a sum of Rs. 49.85 lakhs representing the arrears of salaries and allowances pertaining to 1960-61 was paid in 1961-62 and accordingly this amount was shown separately.

The increase of Rs. 81.74 lakhs in 1961-62 over that of 1960-61 under "Pay and Allowances" was mainly due to (i) full impact in 1961-62 was mainly due to (i) full impact in 1961-62 of wage award introduced in 1960-61 amounting to Rs. 50 lakhs and (ii) normal overtime and other expenses amounting to about Rs. 31 lakhs.

The increase of Rs. 43.85 lakhs in 1962-63 under the head "Flight equipment, material and outside repairs" over that of 1961-62 was mainly due to (i) higher provision for rotables amounting to about Rs. 25 lakhs and (ii) increase in work-load, increase in cost of spares and outside repairs etc. amounting to about Rs. 18 lakhs.

Increase of Rs. 25.72 lakhs in 1962-63 over that of 1961-62 under the head other staff costs and other expenses etc. is accounted for under a number of headings such as crew outstation allowances, uniform, travelling, training, landing and housing charges, booking agency commission, passenger amenities, printing and stationery etc.

The Non-operating expenditure in 1962-63 was Rs. 45.71 lakhs. In the preceding year it was Rs. 13.35 lakhs. The details are as follows:—

	1961-62	1962-63
	(In lakhs of Rupees)	
(i) Loss due to Devaluation of Pakistan currency	2.86	5.71
(ii) Additional provision for obsolescence of spares	10.49	—
(iii) Provision for Development Rebate Reserve	—	40.00
	<hr/>	<hr/>
	13.35	45.71
	<hr/>	<hr/>

Recommendation:

4. *The action taken on the Committee's (1961-62) recommendations regarding sale of aircraft has not yet been intimated. The Committee would like to be informed of the action taken in this regard at an early date.*

[S. No. 2, App. III, 7th Report (3rd Lok Saha)]

ACTION TAKEN

A reply to the Committee has since been furnished in this Ministry's O.M. No. 16-P(4)/62, dated the 16th March, 1963 to the Lok Sabha Sectt. It may be added for the information of the Committee that all the twelve Viking aircraft, together with their related spare engines, spares, equipment and tools have since been sold as scrap for a sum of Rs. 3 lakhs.

The loss on the sale of these aircraft together with spares etc., amounted to Rs. 43.09 lakhs. Most of the loss pertains to the difference between book-value and scrap-value of spares.

Recommendation:

5. *The Committee feel concerned to note such lapses on the part of a Commercial organisation. They trust that due care will be exercised in the disposal of the aircraft since they are practically new. Further in the context of the emergent situation the Committee hope that best possible use would be made of all the serviceable aircraft.*

[S. No. 3, App. III, 7th Report (3rd Lok Sabha)]

ACTION TAKEN

The feasibility of putting the seven grounded Herons to use again either by the Ministry of Defence or by the I.A.C. in the context of

the emergency was examined but it was found that the Herons were not suitable for use by the Indian Air Force while the IAC found that it would be uneconomical to fly them again. In the circumstances, efforts to dispose of the aircraft were continued and the Corporation have since been able to dispose of the entire fleet of seven Herons together with their related spares at a cost of Rs. 14.56 lakhs. The loss on the sale of Herons together with spares etc., is estimated at Rs. 16 lakhs.

Recommendation:

6. *The Committee suggest that the result of these Annual Reviews of the cost of operation should be published in the Annual Reports of the Ministry.*

[S. No. 4, App. III, 7th Report (3rd Lok Sabha)]

ACTION TAKEN

A review of the standard costs of operation for different types of aircraft in the fleet of the Corporation has been undertaken in consultation with the Ministry of Finance (Cost Accounts Branch). While the Cost Structure Committee had placed considerable emphasis on the need to achieve economy in the cost of operation of the Dakotas, it is noted that the fleet of the Corporation has undergone considerable change with the acquisition of additional Viscounts and a new type of medium-sized aircraft namely Fokker Friendships. With the Corporation's decision to acquire three Caravelle jet aircraft which will be put into operation during the winter of 1963-64, the size of Dakota operations is likely to dwindle further. At present the Corporation has an aircraft fleet of 38 Dakotas, 12 Viscounts, 10 Friendships and 3 Skymasters. Consequent on the introduction of 3 Caravelles in January, 1964, it is expected that 10 Dakotas would be rendered surplus.

The question of fixing standard costs of operation for the Fokker Friendship and the Caravelle is now under active consideration.

Recommendation:

7. *The Committee feel that the time taken by the Corporation in the disposal of the obsolete spare parts etc., has been rather excessive. They would now urge expedition in this work.*

While commenting on the unsatisfactory state of stores and equipment accounts, the PAC (1959-60) had urged upon the Corporation, to give serious attention to the work of reconstitution of accounts and regularisation of discrepancies. They regret to observe that the work is still incomplete.

[S. No. 5, App. III, 7th Report (3rd Lok Sabha)]

ACTION TAKEN

The Corporation have noted the observations of the Committee and are doing all that they can to make foreign parties interested in acquiring their spares in order to dispose of them at the best possible

price. In doing so, the Corporation, in the context of the critical supply position, has had to review constantly the feasibility of utilising these obsolete stores with necessary modification where possible. In this process, admittedly, there has been some delay which, however, the Corporation are trying to minimise as far as possible.

Constant and continuous efforts are made to improve the position in spite of there being a steady increase in the number of items held in the stores at various places. Based on experience gained, attempts are now being made to concentrate engineering work load pertaining to one type of aircraft at one place. This, it is hoped, will eliminate many of the accounting difficulties experienced in the past. Considerable progress has already been made in this regard.

[O.M. No. 4-CA (5) /63, dated 22nd October, 1963]

Recommendation:

8. *The Committee desired to be furnished with a note stating the installed capacity of the Shipyard and the extent to which it was being utilised.*

[S. No. 8(ii), App. III, 7th Report (3rd Lok Sabha)].

ACTION TAKEN

(i) *Installed capacity: 25—30,000 DWT per year, provided the ships it is required to build are of 10,000 DWT or above.*

NOTE:—The Shipyard have expressed the view that in the present circumstances and the State of development of the ship-building industry in the country, it is inadvisable to refer to the Shipyard's rated capacity, production, etc., either in terms of the number of ships built or DWT for the following reasons:—

- (a) The size and type of ships built (over which the Shipyard has no control as it is decided by the owner) has a vital bearing on the amount of tonnage produced. For example, if the Yard built dry cargo ships of 6,000 DWT during a particular year, its production in terms of dead-weight in that year would be much smaller than that in another year in which it might build say, tankers or ships of much larger size, say, of 12,000 DWT; in the case of tankers for the same tonnage the quantum of work involved would be much smaller owing to the outfit work being much less.
- (b) Although it is common practice everywhere to express shipping and construction of ships either in terms of DWT or GRT regardless of the types and sizes of ships included in such tonnage, the impact of the varying types and sizes on the total tonnage gets automatically counter-balanced and adjusted in the total output which is generally very large in the case of the advanced maritime countries. In countries like India where the output is very low the effect of the varying types on the annual output becomes very pronounced.

Another important factor which makes it difficult to measure the production of the Yard correctly during a particular year, is that apart from the vessels constructed and delivered during the year, a

lot of work done during the year is represented by the uncompleted ships which is shown in the Shipyard's account as "Works-in-progress".

(ii) *Present production capacity and proposals for full utilisation:*

On an average the present production of the Shipyard is about 20,000 DWT per year. The Shipyard have been trying to utilise their existing capacity to the maximum extent, and following are some of the steps taken or proposed to be taken for increasing the annual production of the Shipyard:—

(a) *Short-term measures*

- (1) Improving the efficiency and productivity of the Shipyard workers by training and job control.
- (2) Securing higher training for technical staff such as Shipbuilding Draughtmen, by arrangement with firms from which the Shipyard imports its ship-plans or other equipment, etc.
- (3) Constantly pressing its claims for adequate and timely release of foreign exchange for its important requirements.
- (4) An Advisory Committee on Ancillary Industries related to Shipbuilding and Ship-repairs known as the Ship Ancillary Industries Committee has been appointed to discuss and recommend the standardisation of shipbuilding material and equipment, and to recommend steps to encourage indigenous production thereof, and to examine the question of training of personnel to man such ancillary industries.
- (5) Persuading ship-owners to agree to place orders for one or two standard types of ships to be manufactured at the yard.

(b) *Long-term measures*

The Government have sanctioned the construction of drydock at Vishakhapatnam at an estimated cost of Rs. 269 lakhs. A proposal for the further extension of the fitting out jetty by another 300 feet at an estimated cost of Rs. 25 lakhs is at present under consideration.

[O.M. No. SY-5 (36) /61, dated 28-6-63].

Recommendation:

9. *The Committee feel that instead of blocking large sums of money in this manner the loans to the Fund should have been advanced on a realistic basis.*

[S. No. 44, App. III, 7th Report (3rd Lok Sabha)].

ACTION TAKEN

The Shipping Development Fund has been set up to provide a source of permanent rupee finance for acquisition of ships. It is

non-lapsable and is fed by the grant of yearly loans by the Govt. of India out of the provision for expansion of shipping made in the Five Year Plans. The provisions for grant of loans to the Fund are made in the Budget Estimates every year and irrespective of the fact whether sufficient loan applications have been received or not by the S.D.F. Committee the provision is transferred as loan to the Fund before the close of the financial year as otherwise it would lapse. Thus there need be no connection between the demand for loans from the shipping companies received by the Fund Committee and the Committee's requirements of funds from the Government of India since the very purpose of setting up of the Fund is to build it to a sizable total and to make it a revolving Fund. It may be that in certain years there will be smaller demands for loans and in certain other years there may be bigger demands for loans from the companies. It is felt that the working of the Fund will be hampered if loans are granted to it by the Government only on the basis of actual requirements as in certain years when there may be bigger demands for loans the provision in the Budget may not be enough to meet those demands. However, the overriding factor is that in accordance with the intention behind the parliamentary Enactment namely the M.S. Act 1958, the Plan provision made for expansion of shipping is to be transferred by yearly allotments to the Fund so that in years to come a large size non-lapsable revolving Fund for expansion of our fleet is built up.

The recommendation of the Public Accounts Committee would thus cut at the root of the creation of a non-lapsable fund.

Recommendation

10. *The Committee are surprised as to how interest at the concessional rate was charged from the Company when it failed to repay the instalment of loan on the due date. They would like to be informed of the progress made in the recovery of loans and interest charges at normal rate of 8 per cent.*

[S. No. 45, App. III, 7th Report (3rd Lok Sabha)]

ACTION TAKEN

Interest at 3 per cent per annum was charged initially on a provisional basis. However, the Shipping Development Fund Committee have already decided that the Company in question should pay interest at the stipulated rate of 8 per cent per annum for the periods of default. This decision has already been communicated to the Company. The company in question have since completed the payment of the outstanding instalments of principal. The Company were informed on the 30th March, 1962 that if they failed to pay the outstanding dues to the S.D.F. Committee on or before the 31-5-1962, they should pay interest from 1-7-61 at the rate of 8% per annum as stipulated in the loan agreement. The company were informed on the 5th April, 1963 of the Shipping Development Fund Committee's decision to charge interest for the periods of default at 8% p.a. In the same communication, the company were asked to pay the difference in interest between 3% p.a. and 8% p.a. for the periods of default amounting to Rs. 7,54,165·81 nP. as on the 31st December,

1962. On the 13th June, 1963, the company were asked to pay *inter alia* a sum of Rs. 90,601·40 representing the difference in interest between 3% p.a. and 8% p.a. for the balance of the period of default up to 3-4-1963.

Recommendation

11. *While the Committee do not wish to impose any curbs on the activities and operations of the Shipping Companies, they nevertheless feel that adequate safeguards should be provided to ensure that undue risks are not undertaken and the Companies do not embark upon new routes which may not be profitable. Since at the time of granting the loans the Shipping Development Fund Committee acts on certain assumptions about the routes on which the ships should operate, it is but appropriate that its prior approval should be obtained if any deviations are ever made in this regard. The Committee therefore, suggest that this aspect may be further examined.*

[S. No. 46, App. III, 7th Report (3rd Lok Sabha)].

ACTION TAKEN

The recommendation of the Public Accounts Committee is accepted in so far as liner ships which operate scheduled services on specific routes are concerned. It is, however, not possible to implement the recommendation in regard to tramp ships because there is no specific route for such ships and they follow the cargo wherever it is available. A suitable clause will be included in all future loan agreements relating to liner ships in implementation of the Public Accounts Committee's recommendation.

Recommendations

12. *The Committee are not satisfied with the explanation given in this case. In their opinion it should be made incumbent on borrowing Companies to furnish such detailed information of their working to the Government representative on their Board of Directors as would enable the Shipping Development Fund Committee to keep in watch over the financial position of the borrower and ensure fulfilment of the terms of the contract in the long run. If necessary the present agreement form may be suitably amended for the purpose.*

[S. No. 47, App. III, 7th Report (3rd Lok Sabha)].

ACTION TAKEN

The recommendation of the Public Accounts Committee has been accepted and a suitable clause will be included in all future loan agreements requiring borrower companies to furnish the requisite information to the Shipping Development Fund Committee or the Committee's nominee on the Board of Directors of the borrower Companies.

Recommendations

13. (i) *While the Committee do not question the competence of Government to issue such directions to the Shipping Development*

Fund Committee or to prescribe/alter Rules or terms and conditions for the grant of loans, they are not happy at the manner in which this application was dealt with on a special footing which is apt to create an impression that exceptional treatment was given to this particular firm. If any deviation from the existing rules is considered necessary, the same should be duly notified and made applicable to all similar cases.

(ii) *The Committee would like to be furnished with a note about the progress made in the implementation of the conditions of the agreement by both parties.*

[S. No. 48, App. III, 7th Report (3rd Lok Sabha)].

ACTION TAKEN

The Company's proposal contemplated rapid addition (i.e. by end of 1964) of substantial tonnage in the shape of bulk carriers and tramps in which particular category the Indian merchant fleet was woefully deficient. In spite of the fact that considerable bulk movements in the shape of ore exports and foodgrain imports were taking place none of the established Indian Shipping Companies came forward to acquire bulk carriers for carrying a portion of the trade despite repeated approaches made to them. The established shipping companies with whom Government had discussion on the subject wanted among other things, special freight rates for carriage of the cargo. Since apart from the loan no other commitments to Jayanti Shipping Company had to be made either by way of special freight rates or assurance of cargo, the company's proposal merited consideration particularly in view of the fact that the fleet of bulk carriers foreign exchange for the country whose principal item of export was iron ore. The deferred payments negotiated by the Company required only payment of about Rs. 6 crores during the Third Plan leaving the balance of the Plan provision for grant of loans for acquisition of ships in private and public sectors. *There is a provision of Rs. 51 crores for acquisition of tonnage and for investment in the public sector Shipping Corporation during the Third Plan period.* The payment terms negotiated by the Jayanti Shipping Company with the Mitsubishi Shipyard were the best available at that time as the first instalment in respect of each ship was due for payment only on delivery of the ship. In other words the Ship itself was in a position to commence earning when the first instalment was to be paid. This virtually meant acquisition of a ship on paying only ten per cent of its price, the remainder being paid as earned in seven years. The Jayanti Shipping Company has to pay 10 per cent of this amount plus interest at 5.5 per cent per annum spread over a period of seven years to the shipyards (which amounted to the company being required to raise resources for as much as 32 per cent of the total outlay). The Government, however, did not make any relaxation in regard to the quantum (90 per cent of the cost) or period of the loan. This was the first case of building new ships on deferred terms and hence the question of rate of interest over long periods adding on to the cost of the ship had not arisen.

In short, therefore, the case can be examined on a three fold basis:—

- (a) Normal terms adhered to in this case.
- (b) Terms made stiffer in this case than usual.
- (c) Terms relaxed in this case.

(a) *Normal terms adhered to in this case:*

- (i) The quantum of loan usually given is 90 per cent of the price of the ship and this has been strictly adhered to.
- (ii) The rate of interest charged by the Shipping Development Fund Committee is 3 per cent which has also been strictly adhered to.
- (iii) The period of amortisation for all shipping companies in respect of new ships has been the same as given to the Jayanti Shipping Company.

(b) *Terms made stiffer in this case than usual:*

- (i) The loan ship is to be taken delivery of by the S.D.F. Committee's nominee, which is not demanded in other cases.
- (ii) The payment of the instalment is to be made direct to the shipyard concerned on behalf of the company.
- (iii) The Company has to man all loan ships by Indian crew.
- (iv) The interest permitted on the outstanding amount of the price is restricted to 5½ per cent. whereas in other cases higher rates have been permitted.
- (v) No payment has been made to the Company during the construction of the vessels. The first instalment of the loan has been paid at the time of delivery of the ship. In the case of other shipping companies when new ships were built, payment of rupee loan has been made on the basis of a percentage of the price being paid on signing contract, a certain percentage of keeling, launching, and delivery. In some cases as high as 25 per cent of the price has been paid on signing the contract, keeling, launching and delivery.

(c) *Terms relaxed in this case:*

- (i) The usual security of 133 per cent is not available for a few years in this case. If any leniency has been shown here, there has been the added factor that Government has throughout contemplated that in the event of a default by the company and enforcement of the mortgage the loan ships would not be sold but would be taken over and run by Government since there has been a great deficiency in tramp vessels particularly the bulk carrier type.

- (ii) The issue of a bank guarantee is a novel feature in this case but this facility has now been extended to others such as the Government Shipping Corporation.
- (iii) The proportion of the paid-up capital to loan was relaxed to 1.4 as against 1.2 stipulated in another case. This concession has since been extended to all Indian shipping companies.
- (iv) *Prima facie* it also appears to be a matter of some concession that even though the company had entered into contracts for building only 8 of the 13 ships, the entire loan of Rs 20.25 crores was sanctioned before the Company had drawn up and submitted plans for their construction. This cannot, however, be regarded as a concession because the scheme submitted by the Jayanti Shipping Company for expansion of tonnage was a composite scheme envisaging the addition of about 2,75,000 DWT of shipping costing not more than Rs. 22.50 crores. Loans to the extent of Rs. 20.25 crores representing 90 per cent of the cost of the ships have been sanctioned, but no loan in respect of any ship is to be advanced unless it is actually delivered. The company had, as early as November, 1961 entered into two contracts with the Mitsubishi Shipyard, Japan for the construction of 8 bulk carriers costing about Rs. 17 crores. These contracts were approved by the Government of India in February, 1962. Four of these ships have already been delivered and are under operation. The fifth ship is expected to be delivered in November, 1963. As regards the balance of their programme, the company has in January, 1963 entered into a further contract with the Mitsubishi Shipyard, Japan for the construction of 3 ore-cum-oil carriers which will, in terms of tonnage, be more than the 5 remaining ships originally envisaged, without increasing the total price or the total loan in respect of all the ships. They have submitted the contracts for the approval of the Government of India and the matter is under consideration. Since the scheme has been submitted as a whole, the loan amount has necessarily to be fixed and sanctioned taking the entire cost of construction of all the ships into account.
- (v) Again, the stipulation made in the loan agreement by which the company has been left free without the prior approval of the S.D.F. Committee to raise loans from other sources upto to four times of their paid up capital on the security of other ships and assets acquired against their paid up capital may possibly be regarded as a sort of concession to the Company. It will be appreciated that the new ships ordered under the scheme for which loans have been granted have to be mortgaged to the S.D.F. Committee free from prior encumbrances as security for the loans advanced. The Company cannot encumber without the prior approval of the S.D.F.

Committee. The S.D.F. Committee has, however, nothing to do with the other ships and other assets owned by the Company as it will not be reasonable for any lender to lay claim on all the assets of the borrower. Even here, the company cannot obtain loans without any limit as the restriction that the total liabilities including the S.D.F. Committee loans should not exceed four times their paid-up capital will ensure that a healthy ratio is maintained between the liabilities and the paid-up capital of the company.

It has already been decided by Government that there would be no objection in principle to extending the same concessional terms to other Indian Shipping Companies provided the following conditions are satisfied:—

- (i) The proposal for expansion of tonnage should fill an existing gap or meet an emergency or fulfil pressing need or should help in the building of a balanced Indian marine fleet.
- (ii) The proposed acquisition should be confined to new ships only.
- (iii) The prices negotiated as well as the deferred payment terms settled must be such as would be of a distinct advantage from the overall foreign exchange angle whether it be in terms of savings or earnings.
- (iv) The ships to be acquired should be of such types as would enable Government themselves to take them over for operation at a reasonable profit if such a contingency becomes necessary.

The above decision was conveyed to the Chairman of the National Shipping Board as early as 10th May, 1962.

The progress made in the implementation of the terms of the loan agreement is indicated below:—

- (i) The Jayanti Shipping Company have as against the requirements of Rs. 1.5 crores of initial paid-up capital raised their paid-up to Rs. 2.83 crores.
- (ii) Arrangements have been made for the issue of the 8 State Bank Guarantees in favour of the Mitsubishi Shipyard for the 8 bulk carriers ordered by the Jayanti Shipping Company guaranteeing payment of 90 per cent of the final purchase price of the ships.
- (iii) A resident Indian citizen is already functioning as the Managing Director of the Company.
- (iv) The company have converted themselves into a public limited company on the 15th April, 1963.
- (v) The company have appointed the Government Director as the nominee of the S.D.F. Committee on their Board of Directors.

- (vi) The first four loan ships, Bharata Jayanti, Gotama Jayanti, Akbar Jayanti and Chandragupta Jayanti were delivered on 21-1-63, 10-4-63, 6-8-63 and 29-8-63 respectively to the nominees of the S.D.F. Committee and have been duly mortgaged to the Committee as security for the loan in respect of the ships. The first instalment of the loan of Rs. 21.4 lakhs approx. equivalent to 10 per cent. of the final price of each ship has also been paid direct to the Mitsubishi Shipyard on behalf of the Company.
- (vii) The ships Bharata Jayanti, Gotama Jayanti, Akbar Jayanti and Chandragupta Jayanti possess the highest Lloyds Classification and have been properly insured.
- (viii) The remaining four bulk carriers will be progressively delivered by the middle of 1964.
- (ix) The Company have, subject to Government approval, signed a further contract with Mitsubishi Shipyard, for the construction of three ore/oil carriers of about 15,000 G.R.T. each. With this they will be adding over 2 lakhs tons G.R.T. to Indian Shipping as against 185,000 G.R.T. envisaged in the agreement. The company have submitted the building contract to the Government of India for approval. The matter is still under the consideration of the Government.

Recommendation

14. *While the need for augmenting Indian Shipping is no doubt imperative the Committee feel that instead of advancing such large amounts (to the extent of 90 per cent. of the capital cost of the ships to be purchased and upto four times the amount of the share capital of Rs. 5 crores expected to be raised by the Company in future) to a private party, Government would be well advised in such cases either to undertake the work in the public sector or float a public company for the purpose reserving majority of share with them.*

[S. No. 49, App. III, 7th Report (3rd Lok Sabha).]

ACTION TAKEN .

The suggestion made is that the Government of India should have undertaken this work of expansion of tonnage by entrusting the work either to an existing company in the public sector or by floating a public company for the purpose, reserving majority of shares with them. As regards the first point, it may be stated that the existing public sector shipping corporation was not in a position to undertake this additional huge expansion of tonnage because the Corporation had already formulated their own plans for expansion of tonnage during the Third Plan involving an addition of as much as 1,70,000 G.R.T. Moreover, the Corporation's vessels are mainly employed in the conference trades and the first objective is to strengthen their existing position in these trades by adding liner ships. If the Corporation were to undertake this expansion, funds to the extent of entire cost of the ships namely Rs. 22.5 crores plus interest payment to the shipyard amounting to about Rs. 5 crores had to be found by the Government themselves.

As regards the second point it has to be pointed out that under the Industrial Policy Resolution of the Government of India dated the 30th April, 1956, 'Sea Transport' has been included in Schedule 'B', i.e., among industries which will be progressively State owned and in which the State will therefore generally take the initiative in establishing new undertakings *but in which private enterprise will also be expected to supplement the effort of the State.* *Prima facie*, therefore, the development of shipping in India is the responsibility of both the public and private sectors. The existing public sector shipping corporation, as already pointed out, has its own large plans for expansion of liner tonnage in the Third Plan and the Jayanti Shipping Company which had been formed mainly to cater for the expansion of tonnage in the tramp trades was permitted to assist the national economy in this regard consistent with Government's shipping policy. It has to be pointed out here that one of the important conditions for the grant of loan to the company was that they should convert themselves into a public limited company by certain period. The Company have actually become a public limited company with effect from the 15th April, 1963. It is, therefore, possible for the public to take shares in the company. Thus, the objective which the Public Accounts Committee had in view would appear to have been largely met already.

The preceding comments of the Ministry on the recommendations Nos. 44 to 49 of the Public Accounts Committee in their Seventh Report have been vetted by Audit.

[O.M. No. 1-B&P (7)/63, dated 1-2-64.]

EIGHTH REPORT (Third Lok Sabha)

Recommendation

15. *The Committee feel that the estimates could have been more realistic with proper assessment of traffic in case of Kandla Port and detailed survey of soil in the case of Vishakhapatnam Port.*

[S. NO. 5, App. IV, 8th Report (3rd Lok Sabha).]

ACTION TAKEN

The views of the Public Accounts Committee have been communicated to the Development Commissioner, Kandla Port and the Port Administrative Officer, Vishakhapatnam Port, for information and future guidance.

[O.M. No. 1-B&P (10)/63, dated 31-7-63]

APPENDIX XIX

MINISTRY OF WORKS, HOUSING AND REHABILITATION

(Department of Rehabilitation)

Statement showing action taken or proposed to be taken on the Recommendation of the Public Accounts Committee.

EIGHTH REPORT (Third Lok Sabha)

Recommendations

1. *The Committee feel concerned to note shortfall under an important scheme like the Dandakaranya Development Scheme. They suggest that the Ministry should take all possible steps to publicise the scheme in order to attract more displaced persons.*

[S. No. 4 of Appx. IV to 8th Report (1962-63)].

ACTION TAKEN

Noted. The movement of displaced persons from West Bengal to Dandakaranya is now satisfactory, and no special publicity measures are considered necessary for attracting the displaced persons to the Project area. Upto the end of March, 1963, 6626 families comprising 28918 displaced persons had been moved to Dandakaranya for settlement.

[O.M. No. 3(19)INK/62 dated 24-6-63].

Recommendations

2. *The Committee regret to note that failure to take timely action to assess the correct amount of compensation payable to the defaulting purchaser and the amount finally recoverable from him resulted in avoidable loss to Government. They would like to be informed of the action taken against the delinquent officials.*

[S. No. 122 of Appendix IV to 8th Report (1962-63)].

ACTION TAKEN

This property was auctioned on 10-10-1956 and the highest bid of Rs. 56,000 was accepted on 20-11-1956. The purchaser was a claimant and he had submitted his compensation application for certain claims, which had been verified jointly with his uncle and three brothers. The purchaser had offered his two brothers' claims for association in the purchase of the above property. The cases of these brothers were taken up for finalisation. Certain discrepancies were noticed in the compensation claim of one of the associates. The matter was taken up with the claimant in May, 1957 but due to the non-cooperative attitude of the claimant, the case had to be decided *ex-parte* in December, 1958. There were, however, some delays in the Department, but the case could not be finalised mainly on account of non-cooperative attitude of the claimant. After the associate's claim had been finalised the probable compensation due to the purchaser was worked out and in February, 1959 the purchaser was informed about the probable compensation due to him. He continued to dispute the correctness of the assessment made by the Department, till at last the department was forced to cancel the bid and forfeit the 10 per cent earnest money, in September, 1960.

The compensation of the claimants was correctly worked out under Rule 19 of the DPS (C&R) Rules, 1955 by the Processing Officer. It was only in appeal before the competent Judicial authority, after the bid had been cancelled and the earnest money had been forfeited, that the benefit of Rule 20 was given to them.

The property was re-auctioned on 19-2-1961 and the highest bid of the associate's brother of the purchaser for Rs. 28,000 was accepted against the reserve price of Rs. 40,000. Since the bid received was 70 per cent of the reserve price, the Regional Settlement Commissioner was competent to accept the bid. As, however, there was steep fall in the resale price from Rs. 56,000 to Rs. 28,000 and since the bidder at the time of the second auction happened to be the brother of the first defaulting purchaser and since there were only three bidders at the time of the auction, the case was re-examined and it was decided on 13-5-1963 to cancel the second sale. The competent judicial authority has set aside the second sale on 22-8-1963 and the Regional Settlement Commissioner has been asked to re-auction the property.

The Regional Settlement Commissioner who had accepted the highest bid on the second auction, has been asked on 19-7-1963 to explain the circumstances under which the highest bid of Rs. 28,000 was accepted without regard to the factors mentioned above.

[O.M. No. 55 (26) /A&IA/61, dated 28-10-1963].

Recommendations

3. *The Committee regret to note that the Valuation Organisation of the Ministry had failed to make a proper valuation of the properties, resulting in avoidable loss to Government on the disposal of the properties. While, in view of the circumstances explained by the Ministry, the Committee would not press for revaluation of all the remaining properties, they trust that, as promised by the Secretary of the Ministry, at least such properties as were to be transferred through allotment would be got revalued. They desire that suitable instructions in this regard should be issued to all concerned.*

[Sl. No. 123 Appx. IV to 8th Report (1962-63)].

ACTION TAKEN

Necessary instructions have been issued to the Regional Settlement Commissioners that in the case of undisposed of allottable properties in respect of which no commitment had so far been made and also in the case of properties which might be sold by negotiation, the valuation should be got re-checked by the Valuation Officer before any commitment for their transfer is made.....

[O.M. No. 14 (23) (1) A21A/63-Vol. III dated 31-5-63].

Recommendation

4. *The Committee are unhappy to note that the grants given by the Central Government to local bodies for essential specific works (like construction of roads in service lanes, provision of dustbins etc.) in Rehabilitation colonies could not be utilised for more than three years. It is apparent that after releasing the funds due attention was not paid by the Ministry to ensure that these were utilised*

within a reasonable period. The Committee trust that these works would now be completed expeditiously with a view to avoiding any further inconvenience to the inhabitants of these colonies.

[Sl. No. 124 of Appx. IV to 8th Report (1962-63)].

ACTION TAKEN

The Municipal Corporation of Delhi had completed all items of work by the 31st March, 1963, except a few minor items, expenditure on which is estimated at about Rs. 6,000 only.

[O.M. No. 4/1/63 BUD Dated 30-8-63].

APPENDIX XX

MINISTRY OF W. H. & R.

(Deptt. of W.&H).

Recommendation

1. (i) *The Committee regret to observe that, despite their observations/suggestions in the earlier years, Government have not been able to take suitable measures to improve the position regarding recovery of arrears of rent, even though more than nine years have elapsed since the matter was for the first time brought to their notice vide Audit Report, 1954.*

(ii) *The Committee learnt in evidence that a Committee was set up in September, 1961 to enquire into the working of the Directorate of Estates and examine the accumulation of large arrear of rent, but it did not function at all. They trust that the new committee which has since been set up to simplify the procedure for recovery of rent, will not meet the same fate. They would like to be informed of the recommendations of that Committee and the action taken thereon.*

[Sl. No. 95, Appx. IV of 8th Report (1962-63)].

ACTION TAKEN

1. In Audit para 39 (pages 55-56) from the Central Government Audit Report (Civil) 1962, it has been stated that a sum of Rs. 32·83 lakhs was outstanding for the period upto 31st March 1961 on 1st December, 1961. It was stated before the meeting of the Public Accounts Committee on 15th October, 1962 that a special squad has been organised in the Directorate of Estates and that the results of investigation by this squad is awaited. Out of this amount of Rs. 32·83 lakhs, a sum of Rs. 5·73 lakhs had been realised, Rs. 2·04 lakhs written off, upto 31st March, 1963, leaving a balance of Rs. 25·06 lakhs on that date. This arrear is only 1·56% of the total demand of Rs. 16·50 crores assessed from 1942-43 to 1960-61. The arrears mainly represent the unadjusted amounts pending intimation of credit vouchers from the paying departments concerned.

2. Regarding para (ii), it is stated that the Committee postponed its work indefinitely due to national emergency.

[No. 4/3/63-Acc. I].

Recommendation

2. *The Committee desired to be furnished with a note indicating—*

(i) *Works for which specific approval of Parliament had been obtained; and*

- (ii) works which were never mentioned in the estimates to Parliament.

They regret to observe that the information is still awaited.

[Serial No. 98(ii) of Appendix IV to 8th Report (Third Lok Sabha)].

ACTION TAKEN

LIST OF POINTS ARISING FROM PARA 48(a) OF AUDIT REPORT (CIVIL) 1962 ON WHICH PUBLIC ACCOUNTS COMMITTEE DESIRED TO BE FURNISHED WITH FURTHER INFORMATION.

Item III.—Expenditure incurred without specific budget provision/sanctioned estimates—page 61—Para 48(a).

A break up of the 135 works on which expenditure was incurred during the financial year (1960-61) without specific budget provision indicating:—

- (i) works in progress which had been included in the budget estimates presented to Parliament in earlier years;
- (ii) works which had never been sanctioned in the estimates presented to Parliament.

While furnishing the details of 135 items mentioned in para 48(a) of Audit Report (Civil) 1962, Audit stated that the total number of works actually 145 and not 135 Works [vide Director of Audit, Food, Rehabilitation, Supply, Commerce, Steel & Mines New Delhi D.O. letter No. Rep. II/2(59A) Part File 2127 dated the 22nd March 1963] but it is seen that there were two overlapping items and with the deletion of these items, the total came to 143 items only.

2. Two lists indicating the information at (i) and (ii)* are furnished in respect of 132 items of works. In list I, items of works in progress which had been included in the budget estimates presented to Parliament in the earlier years are given. The particular financial year in which provision was made in the budget is indicated citing reference to the page number of the printed book of Demands for Grants against the concerned item. Where the item forms part of a scheme/project or the provision appears with a different nomenclature, the name of the connected scheme/project or the nomenclature appearing in the printed book of Demands for Grants as the case may be is also indicated against the particular item of work. In List II** items of new works taken up for execution without specific budget provision are given.

3. Information in respect of remaining 11 items of works are being collected and will be furnished on receipt as a supplement.

*Not printed, consists of 103 items.

**Not printed, consists of 29 items.

Recommendation

3. The Committee regret that they could not be convinced by the explanation of the Ministry for the time taken by the C.P.W.D. in acceptance of cases reported by the Chief Technical Examiner. In order that the examination of works by the Chief Technical Examiner may have the desired objective, it is necessary that the objections raised by the Organisation are heeded to promptly by the Works Department. In their earlier Reports (para 82 and 212 of the 25th and 34th Reports respectively of 2nd Lok Sabha) the Committee had desired that instructions should be issued to the C. P. W. D. enjoining expeditious disposal of reports of the Chief Technical Examiner. The Committee regret to observe that the position indicated in the Audit Report is still far from satisfactory. They are also constrained to observe that the Ministry have not indicated to them the action taken or proposed to be taken on their recommendations which were made as early as March, 1961.

[S. No. 102, Appendix IV to 8th Report
1962-63 (3rd Lok Sabha)].

ACTION TAKEN

As a result of the recommendations contained in the 25th Report of the Public Accounts Committee (para 82) and in the 34th Report of the Public Accounts Committee (Para 212), action has already been taken by this Ministry to impress upon all concerned to expedite disposal of observations issued by the Chief Technical Examiner. Notes in this respect have already been submitted to Lok Sabha Secretariat vide Ministry's No. B-5 (13)/60 dated 3-2-1961 and 5(4)/61-BI dated 9th May, 1963.

2. At the instance of Chief Technical Examiner, instructions have been issued by the Chief Engineer, Central Public Works Department to all lower formations vide his memo. No. 6/51/162-W (CE) dated 27th December, 1962 to maintain Registers for watching progress on (i) disposal of observation Memos issued by the Chief Technical Examiner, (ii) recoveries of over-payments pointed out by Chief Technical Examiner Organisation. A copy of the instructions issued by the Chief Engineer is attached.

3. In reply to para 82 of the 25th Report of the Public Accounts Committee (2nd Lok Sabha) it had been stated by the Ministry that Chief Engineer was being requested to issue instructions to all formations that in case of observations made by the Chief Technical Examiner Organisation wherever the Executive Engineer concerned agrees with the Chief Technical Examiner on any or all of the issue raised, he should communicate his acceptance to the Chief Technical Examiner direct within 15 days in the case of minor objections and 30 days in the case of major objections. But in case of difference of opinion, he should himself refer the issues to the competent authority in the Department, obtain his orders and communicate the same to Chief Technical Examiner within one month from the date prescribed by the Chief Technical Examiner for submission of replies by the Executive Engineer.

4. From the experience gained, it has been found necessary to modify the procedure slightly as under:—

- (i) The Executive Engineer should send replies to the observation memos of Chief Technical Examiner within one month;
- (ii) If the reply of an Executive Engineer on any issue is not considered satisfactory by the Chief Technical Examiner or in the case of difference of opinion between the Chief Tech. Examiner and the Executive Engineer, the Chief Tech. Examiner should take up the matter with the Superintending Engineer. In case there is a disagreement between Chief Technical Examiner and Superintending Engineer, it should be for the Superintending Engineer to obtain the orders of the Additional Chief Engineer before sending a reply to the Chief Technical Examiner. The Superintending Engineer should send a reply to the reference from the Chief Technical Examiner within two months, including those where he has to obtain the orders of Additional Chief Engineer.

The procedure, outlined above, has been approved and necessary instructions are being issued to the Chief Engineer, Central Public Works Department for its implementation. This procedure, it is hoped, would help in the expeditious disposal of cases.

Recommendation:

4. *The Committee feel that this is a typical example of the casual manner in which the Reports of the C.T.E. are examined by the Works Department. They desire that this case should be investigated with a view to finding out the reasons for the unduly long time (2½ years) taken by the Department in accepting the irregularity. They would also like to be informed whether departmental action had since been initiated against the officer responsible for the losses.*

[S. No. 105 of Appendix IV of 8th Report (3rd Lok Sabha)].

ACTION TAKEN

1. A note explaining the case is attached. (Annexure).
2. Department action was initiated against the officers (in 5/61) immediately after the irregularities were accepted. But in the meantime, Special Police Establishment registered a Preliminary Enquiry. It was, therefore, decided to keep action on this case pending, till such time as the Special Police Establishment's report was received.

The Special Police Establishment's report has since been received and charge sheets against the Executive Engineer and other officers are being served.

Recommendation:

5. *The Committee feel that the action of the Assistant Engineer in allowing the contractor to do the work much in excess of the limit*

prescribed by the Works Advisory Board was not proper. They trust that suitable instructions will be issued to the effect that the officers in charge of works do not exceed their normal powers on the plea of urgency. Besides, the question of preparation of estimates also deserves to be examined further. As these estimates form the basis for determination of tenders, it is imperative that they are as precise as possible.

[Sl. No. 107, Appx. IV to 8th Report (1962-63)].

ACTION TAKEN

Necessary instructions in the matter have been issued by the Chief Engineer, Central P.W.D., under his Memo. No. CE/Con/334 dated the 27th June, 1963.

Recommendation

6. (i) The Committee feel that in a big construction project like the Vigyan Bhawan, which was considered to be a "Prestige Building", supervision should not have been left entirely in the hands of junior officials.

(ii) As regards recovery of the amounts due from the first contractor, the Committee were informed that a sum of Rs. 30,000 had already been recovered from him and the rest would be recovered only after the result of the arbitration was known. The Committee would like to be informed of the final settlement reached in this regard.

[Sl. No. 109 of Appx. IV to 8th Report (1962-63)].

ACTION TAKEN

The recommendation of the Committee has been noted for compliance.

The case is still under arbitration.

Recommendation

7. It was explained in evidence that the suppliers had a general tendency to make bulk supplies towards the close of the financial year before their contractual period expired and that this had resulted in the stock having exceeded the permissible limits for a temporary period in the Stationery Office, Calcutta. The Committee feel that this is not a healthy practice and should not have been allowed to persist. Besides creating other complications like storage problems etc. such bulk supplies towards the close of the contractual period would hardly permit effective and proper inspection of stores and there were possibilities of sub-standard material being accepted by the office in a hurry.

[Sl. No. 116, Appx. IV to 8th Report (1962-63)].

ACTION TAKEN

The observations of the Public Accounts Committee on the general tendency of the suppliers to make bulk supplies towards the close of the financial year to fulfil their contractual obligations relate primarily to the miscellaneous stationery stores for which the Stationery

Office enters into annual (Running Contracts) with the contractors. Under these contracts, it is obligatory for the Government of India Stationery Office to purchase at least 75 per cent of the quantities contracted for. Supply Orders are placed by the Stationery Office throughout the year on the basis of the demands received from the indentors. Under the existing procedure of staggered receipt of indents, they continue to be received generally upto the third quarter of a year. Accordingly orders for the bulk of the stores/supplies covering the residual quantities (i.e. 75 per cent of the quantities minus quantities already ordered for) are generally placed in the third quarter, and the bulk supplies are received from the contractors in the fourth quarter. *Prima facie*, the situation can be remedied by either of the following two steps:—

- (i) All the indentors of the Stationery Office should send their indents in the first quarter of the year or even before the beginning of the year; or
- (ii) Instead of entering into Running Contracts (annual) under which it is obligatory to place orders upto 75 per cent of the contracted quantities, the Stationery Office should enter into Rate Contracts under which it is not obligatory to purchase any specified quantity.

The proposal at (i) above is not feasible, as staggered indents are received with a view to facilitating proper scrutiny of the indents and supplies to be made to different indentors throughout the year. As regards (ii) above, the Departmental Committee headed by Shri P. C. Vaish, Controller of Railway Stores, Eastern Railway, Calcutta, which was appointed in 1955 to enquire into the reasons for excessive stocks of stationery stores in the Stationery Office, categorically recommended against conversion of Running Contracts into Rate Contracts for the following reasons as given in para 23 of their Report:—

- (i) Under a rate contract there is no obligation on the part of the Government to place orders for any specified quantity. Raw material is to be arranged by the firms for the production of finished goods. If rate contracts are placed, the firms cannot estimate their requirements of raw materials and cannot quote economic rates.
- (ii) Small indentors, whose number is much greater than the big indentors, require these items in small quantities. The firms will decline to accept such small orders as they will have to obtain payments of small amounts of bills from a large number of consignees and also the cost of packing and transportation of such small consignments will be disproportionately high.
- (iii) In the case of stationery manufactured through Government or private presses, materials are supplied from the Stationery Office stock and the contracts must be operated by the Stationery Office. Apart from the fact that the private presses will not undertake piecemeal orders without extra charge, it would be impracticable for the

Stationery Office to issue materials to the presses against individual and piecemeal orders. Maintenance of accounts and keeping effective check by the Stationery Office will also be difficult.

- (iv) A reserve stock will have to be maintained in the Stationery Office to meet emergent requirements due to breakdown of supply on account of strikes, etc.
- (v) Inspection of the quality of the Stores before supply by the contractors will be difficult and a large inspecting staff on a regional basis would be necessary to cope with the work, unless it is decided to do away with the inspection, in which case the Government will have to run the risk of accepting poor quality of stores.
- (vi) The number of bills will increase enormously and so will the correspondence and complaints for delay in payment in connection therewith.

Keeping in view what has been said by the Vaish Committee, it is apparently inadvisable to switch over to Rate Contracts. The matter is, however, being examined again and if the advantages of entering into Rate Contracts are found to outweigh the disadvantages, it may be possible to enter into Rate Contracts for some of the items.

2. So long as running contracts (annual) are concluded, rush of supplies from the contractors in the last quarter of the year is bound to continue. What is really required is that arrangements should exist for more effective inspection of supplies to guard against the possibility of sub-standard stores being accepted as apprehended by the Public Accounts Committee. The following steps have been taken (or are proposed to be taken) to enable the inspecting staff to devote more attention to testing actual supplies:—

- (i) A Departmental Committee set up in 1961 to examine the procedure of purchases made by the Stationery Office and to suggest ways and means of effecting improvements had made several recommendations in its Report submitted to Government in September, 1962. Most of the recommendations have been accepted and are in the process of implementation. One of the more important recommendations of the Committee is the introduction of the system of "inspection before despatch" in place of the existing procedure of inspection after despatch which is a lengthy procedure and entails considerable waste of the time of the Inspection Wing over correspondence with the consignee and the contractors. Under the revised procedure, Zonal Inspectorates will be set up at Bombay, Delhi and Madras and suppliers will not be able to despatch stores to the godowns of the Stationery Office unless these are inspected and passed.
- (ii) The Committee have also recommended the conclusion of biennial contracts instead of annual contracts. This will relieve the Inspection Wing of testing the samples submitted along with the annual tenders every year. As the

samples of annual tenders are tested during December to February, the Inspection Wing is unable to devote sufficient time to the actual supplies made during that period. Under the revised procedure the samples will have to be tested only once in two years for certain categories of stores for which biennial contracts have to be concluded. This will enable the inspecting staff to devote more time to the inspection of actual supplies to be made during the last quarter of the year.

- (iii) Tender samples are sent every year along with annual quotations. It has been decided that approved samples should be retained for 2-5 years depending upon the life of the store and the capacity of the indigenous industry to produce quality goods. This will further relieve the Inspection Wing from testing tender samples of many of the items every year.

Recommendation

8. In evidence, the Secretary of the Ministry of Works, Housing and Rehabilitation, admitted that the position was not satisfactory and that he would further look into the matter and ensure that the officials were held responsible for taking appropriate action in this regard. The Committee would like to be informed of the action taken.

[Serial No. 117 of Appendix IV to 8th Report (1962-63)].

ACTION TAKEN

Instructions issued vide Chief Engineer's (C.P.W.D.) Memorandum No. CE/Acctt/238 dated the 19th July, 1963.

Recommendation:

TWELFTH REPORT (Third Lok Sabha)

9. The Committee regret to observe that a decision on the suggestion that a single agency should be entrusted with work of construction of buildings and provision of ancillary services is yet to be reached even though two years have passed.

[Para 239 of 42nd Report (2nd LS) S. No. 141 of Appx. II to 12th Report (1962-63)].

ACTION TAKEN

It was agreed in October 1960 that the CPWD should initially provide all ancillary services in a Government colony at the cost of Government. The cost of such services, as were legitimately the responsibility of the local bodies, could then be debited to them as a loan. The terms and conditions were to be settled in consultation with the Ministry of Finance. The New Delhi Municipal Committee agreed to this but the Municipal Corporation of Delhi have contended that construction of buildings for some of the services e.g. Maternity and Child Welfare Centres etc. was not their responsibility. It is also their contention that, instead of loan, the cost should be treated as grant-in-aid. To overcome these difficulties, a suggestion that Government should take upon themselves the responsibility of providing at their own cost all civic amenities, etc., in Government colonies is under consideration.

ANNEXURE
MINISTRY OF W.H. & R.
(Deptt. of W. & H)
(See item 5 of statement)

Para 108 of the 8th Report of the Public Accounts Committee
(3rd Lok Sabha)

SUBJECT:—Lowering and widening of Delhi-Mathura Road (Phase I).

1. The above work was examined by C.T.E. Organisation and a detailed observation Memo. pointing out defects and irregularities was issued to the Executive Engineer with a copy to the Superintending Engineer in July, 1958. The preliminary investigations revealed an overpayment of Rs. 71,735/- including some irrecoverable loss to Government.

2. As reply to the Observation Memo. was not received in time, a D.O. reminder was issued on 22nd August, 1958 by Chief Technical Examiner to Superintending Engineer requesting him to expedite the Executive Engineer. In the meantime the Divisional Officer called for some documents on 14th August, 1958 from this Organisation to examine the case. The documents were sent on 26th August, 1958. As no reply was received a D.O. reminder from the Technical Examiner to the Executive Engineer with an endorsement to Superintending Engineer was issued on 17th November, 1958. The reply to the Observation Memo. was received on 6th December, 1958.

3. The case was further examined in the C.T.E. Organisation and for clarification of some points discussions were held with the Executive Engineer and Technical Examiner. As a result of these discussions a rejoinder was issued to the Executive Engineer on 17th March, 1959.

4. As no reply was received to the rejoinder, a reminder was issued on 6th April, 1959. Also in view of the disparity in earth work calculations of the Executive Engineer and C.T.E. Organisation, C.T.E. wrote a D.O. to Superintending Engineer on 8th May, 1959, requesting him to depute somebody for joint scrutiny of earth work calculations to expedite finalisation of the case. The case was discussed between the Technical Examiner and Executive Engineers on 9th June, 1959 and minutes of the meeting were sent to the Executive Engineer on 12th June, 1959. Case was discussed again on 30th June, 1959 by Technical Examiner with the Executive Engineer, the work was jointly inspected on 2nd July, 1959, and a detailed note was sent by Technical Examiner to the Executive Engineer on 8th July, 1959.

5. The Superintending Engineer was apprised of full history of the case on 31st July, 1959 with a request to get the case expedited. A meeting between the Technical Examiner and the Executive Engineer was held again on 1st September, 1959 to settle the outstanding issues and Minutes of the meeting were sent to Executive Engineer on 7th September, 1959. Another meeting was held on 9th September, 1959 and a note sent to Executive Engineer on 15th September, 1959.

6. In order to expedite the case Superintending Engineer was addressed by Technical Examiner demi-officially on 8th October, 1959 regarding the urgency of the case. As the case was taking long time, Additional Chief Engineer was brought into the picture by a D.O. letter dated 1st December, 1959 from C.T.E. Case was discussed again between Executive Engineer and Technical Examiner on 4th, 6th and 7th January, 1960 and the Executive Engineer was asked to furnish further information. A D.O. was written by Technical Examiner to Superintending Engineer on 17th February, 1960 regarding outstanding issues with a copy to Additional Chief Engineer. Another reminder from C.T.E. to Additional Chief Engineer was sent on 7th April, 1960. On 26th May, 1960 an interim reply was received from the Executive Engineer.

7. The case was discussed between C.T.E. and Superintending Engineer on 21st July, 1960 and work inspected on 23rd July, 1960. As the discussions were not conclusive, the comments of the C.T.E. were communicated to the Superintending Engineer on 1st August, 1960. A reminder was issued on 20th October, 1960. The case was discussed again by Technical Examiner and Superintending Engineer on 25th October, 1960 and the Executive Engineer was addressed on 29th October, 1960 with a request for early finalisation of the case.

8. A meeting was held again on 24th November, 1960 between C.T.E., Superintending Engineer, Executive Engineer, Technical Examiner and the minutes of the meeting communicated to the Superintending Engineer on 3rd December, 1960 for settling the issues.

9. The Executive Engineer ultimately accepted an overpayment of Rs. 38,399.91 in December, 1960 and a further overpayment of Rs. 11,438.03 in January, 1961. Intimation of these overpayment aggregating to Rs. 49,837.94 was given to Audit in February, 1961. Out of overpaid amount, an amount of Rs. 4,035 still remains to be recovered (November, 1963).

The irrecoverable loss of Rs. 45,013.18 in respect of earth work and soling mentioned in Sub-para (C) of Para 49 of Audit Report 1962 was intimated to Audit—after settlement of issues with the Department—in September, 1961, and examining the disciplinary aspect of the case.

10. It will be seen from above that the case was being actively pursued all along. It took long time to settle the case because of controversial and complicated nature of the issues involving lengthy earth-work calculations and reconstruction of evidence in the absence

of adequate data and because of transfer of the officers concerned. Disciplinary action has been initiated against defaulting officers including the Executive Engineer and disciplinary proceedings are in progress.

Recommendation:

10. (i) Non-maintenance of proper accounts and failure to revise the rates and recover the dues from private parties are in the opinion of the Committee serious lapses for which responsibility should be fixed.

(ii) The Committee would like to know when a decision is likely to be taken in the matter of revision of rates of unfiltered water.

[Para 241 of 42nd Report (Second Lok Sabha)
and Serial No. 107 of Appx. II to 12th Report
(Third Lok Sabha)].

ACTION TAKEN

The disciplinary aspect for non-maintenance of proper accounts and failure to recover the dues is being processed. Explanations of the officers concerned have been called for and the case will be examined further on receipt of their replies.

On account of the increased costs it has been decided to increase the rates of unfiltered water supply. The revised rates will be notified to consumers shortly.

APPENDIX XXI
MINISTRY OF DEFENCE

*Statement showing action taken or proposed to be taken on the re-
commendations of the Public Accounts Committee*
FOURTH REPORT (THIRD LOK SABHA)

Recommendation

1. The Committee are in general agreement with the policy of utilising the surplus capacity of Ordnance Factories in peace time for production of civil trade items in order to keep the skills and techniques alive, so long as by so doing the manufacture of Service stores which is the first and foremost duty of the Ordnance Factories does not in any way suffer. During their visits to some of the Ordnance Factories, the Study Groups of the Committee were deeply impressed with the enthusiasm and coordinated efforts of the officers and workers in increasing defence production and their sense of awareness of the need of the country in the present emergency. It was heartening that various trade unions had sunk their differences and were working unitedly to raise the defence production to the maximum. The Committee have no doubt that greater emphasis will continue to be laid on the development and production of new armaments and equipments.

[S. No. 1, Appendix II, 42nd Report (3 L.S.)].

ACTION TAKEN

The observations of the Committee have been noted.

[M. of D. O. M. No. 11(7)162/D (Budget) dt. 4-6-1963].

Recommendation:

2. The Committee are not happy over the practice of surrendering funds year after year on the last day of the financial year. They note that in pursuance of the recommendation contained in para 4 of their 35th Report (Second Lok Sabha), the Ministry of Finance (Department of Economic Affairs) have issued instructions to the administrative Ministries for exercising strict budgetary control and surrendering savings immediately they were foreseen. The Committee hope that with closed liaison between the indenting and supplying departments and the accounts offices, better results would be achieved in this respect in future.

[S. No. 5, Appendix II, 4th Report (3 LS)]

ACTION TAKEN

The observations of the Committee have been noted.

[M. of D. O.M. No. 11 (7) /62/ D (Budget) dt. 1-8-1963].

Recommendation:

3. While the Committee hope that under the revised procedure the outstanding relating to the current years would not accumulate, they are concerned over some old dues still outstanding since the year 1946. They desire that every effort should be made to recover them expeditiously. They would like to be furnished with a statement showing the break-up of the outstanding since 1946 and the progress made in the statement of old cases.

[S. No. 6, Appendix II, 4th Report (3 LS)]

ACTION TAKEN

The information is being compiled and will be furnished to the Committee shortly.

[M. of D. O.M. No. 11 (7) /62/D (Budget) dt. 16-2-63].

Recommendation:

4. The Committee feel concerned over the shortfall in the production of tractors and trucks. They also note that the foreign exchange content has not been reduced to the extent anticipated. They hope that all out efforts would be made to ensure that there is no further shortfall in production.

[S. No. 8, Appendix II, 4th Report (3 LS)]

ACTION TAKEN

Noted for guidance. Every endeavour is being made and will continue to be made to ensure that the target rate of production of tractors and trucks in Ordnance Factories with corresponding foreign exchange savings in the value of deletion items planned is maintained. The D.A.D.S. has seen.

[M. of D. O.M. No. 11 (7) /62/D (Budget) dt. 30-3-1963].

Recommendation:

5. The Committee recommend that the required analysis should be completed as early as possible. They would also suggest that in future the details of the facilities extended to such works might be shown separately in the proforma accounts of such works to facilitate the final costing for the purpose of comparison.

[S. No. 9, Appendix II to the Fourth Report (3rd Lok Sabha)]

ACTION TAKEN

Analysis in respect of one project has been completed. The C.G.D.A. has been requested to verify the position with regard to the accounts of the project.

2. It has not been possible to carry out the analysis in respect of the other projects owing to the conditions created by the present emergency and the heavy pressure of work. However, instructions have been issued that analysis of two more projects should be taken up. The result of the analysis in respect of the three projects will be intimated to the Public Accounts Committee.

3. The attention of the lower formations has been drawn to the recommendation of the Public Accounts Committee in regard to maintenance of proforma accounts of the facilities extended to such projects undertaken in future... (*vide* Army Headquarters' letter No. 81390/E2A dated the 17th January, 1963)

4. D.A.D.S. has seen.

[M. of D. O.M. No. 11(7)/62/D (Budget), dt. 18-11-63].

Recommendation:

6. *The Committee trust that all out efforts would be made to clear the outstanding Vouchers/Invoices/Inspection Notes expeditiously.*

[Serial No. 10 of Appendix II to the Fourth Report (3rd LS)]

ACTION TAKEN

Delay in the linking of voucher and invoices in respect of stores purchased from abroad is mainly due to the following reasons:

- (a) Delay in the receipt of packing accounts from the DGISD, London.
- (b) Diversion of consignments to units, etc. other than the original consignee, in order to meet urgent demands.
- (c) Discrepancies and incomplete details in packing accounts and invoices owing to short loading or damages to stores in transit.
- (d) Delays in the release of packing accounts by the Embarkation Headquarters, due to customs formalities, arranging rolling stock and despatch of stores.

The full amounts of the invoices are shown as outstanding, even in cases where a single item out of several items included in the invoices, was not received or remained unlinked.

2. The importance of expeditious clearance of outstanding invoices has been impressed upon all concerned from time to time. In order to ensure speedy linking of invoices with packing accounts, a revised procedure was introduced in November 1959, under which the DGISD, London has to forward both the copies of the packing accounts, with complete details by air, before the despatch of stores, and also the final priced invoices to all concerned, without delay. It has been arranged that the Local Audit Officers will link the invoices with the

Certified Receipt Vouchers wherever the relevant packing accounts are unduly delayed. A final linking with the packing accounts is effected immediately after their receipt.

Receipt of stores and the linking of the relevant invoices is a continuous process. Every effort is being made to clear the outstanding vouchers/Invoices/Inspection Notes expeditiously. Considerable progress has been made in clearing the back-log as is evident from the figures given below:—

ARMY

In so far as Army is concerned, the number of outstanding Certified Receipt Vouchers which could not be linked with Issue Vouchers/Packing Accounts/Inspection notes, has been reduced appreciably. Out of the outstanding invoices mentioned in the certificate of the Controller General of Defence Accounts on the Appropriation Accounts for 1960-61, only 4 invoices pertaining to 1958-59, in respect of stores worth Rs. 9.51 lakhs remained to be cleared, on 30-6-63.

NAVY

The comparative position of invoices remaining unlinked as on the 30th September, 1961 and the 30th June 1963, is given below:—

No of outstanding

Year	30-9-61	30-6-63	Value
1948-49 to 1956-57	10	1	Rs. 2
1957-58	13	3	Rs. 1,03,226
1958-59	19	6	Rs. 11,706
1959-60	150	80	Rs. 5,506,146
1960-61	266	52	Rs. 64,57,930
Total	458	143	Rs. 70,72,013

AIR FORCE

The position of linking of invoices on the Air Force side and the progress made in clearing the back-log is explained in detail in the Ministry's note dt. 23-9-63 submitted to the Committee vide O.M. No. 11(7)/62/D (Budget), dated the 25th September, 1963.

D.A.D.S. has seen.

[M. of D. U.O. No. F. 11(6)/63/D (Budget) dated, 30-12-63]

Recommendation:

7. While the Committee appreciate the Ministry's point of view they see little justification for retaining unwanted and obsolete surplus stores indefinitely which are not likely to be utilised in foreseeable

future. The Committee have already stressed the need to screen the old stock and dispose of obsolete and unwanted stores in para 55 of their sixth Report (Second Lok Sabha). The retention of such stores would not only result in blocking up of much needed storage accommodation in the depots but also involve unnecessary expenditure on their care and maintenance. As the years roll by the stores might become operationally unsuitable.

[S. No. 11, App. II, 4th Report (3LS).]

ACTION TAKEN

Government have reviewed the general question of disposal of surplus and obsolete Defence stores and have taken the following decisions in this regard:—

- (a) The items which had previously been examined by the Inter-Services Technical Training Team and recommended by them for disposal in 1959 should be reviewed by a Board with a view to determine whether any of these stores could be utilized by the Services in view of the present emergency or by an industry engaged in the production of stores for the Defence Services. If it is found that any of these items cannot be so utilised, they should be declared surplus and disposed of.
- (b) Pre-48 unserviceable vehicles and unserviceable components and salvage stores may be disposed of, irrespective of the book-value, by the Service authorities through the Directorate General of Supplies & Disposals in sizeable lots without reference to Government. Disposal of unserviceable post-48 vehicles will also be considered on merits.
- (c) Such quantities of perishable stores with a limited shelf-life as can be utilised within their shelf-life should be retained and the balance disposed of.
- (d) In case of obsolete stores where their value is less than Rs. 1 lakh Services Headquarters have been authorised to dispose of these stores without reference to Government after satisfying themselves that the stores or equipment cannot be utilised with or without modifications. However, where the value of these stores is more than Rs. 1 lakh, a survey will be made by technical teams to determine whether in view of the present emergency, any of these stores could be utilised with or without any modifications. The question of their disposal will be considered on the basis of the recommendations made by the teams.
- (e) As the Armed Forces are expanding and in the event of the actual out-break of hostilities the requirement of current and obsolescent stores would be much more than during the normal conditions, it is considered that current surplus stores should not, as a general policy, be disposed of to any extent. However, specific cases of

disposal of surplus stores falling under his category would be considered on merits, whenever put up by Services Headquarters.

2. D.A.D.S. has seen.

[M. of D. O.M. No. (11(7)/62/D (Budget) dated 30-3-63].

Recommendation:

8. The Committee are of the view that the prescribed time-limit for furnishing comments on draft Audit paras should be adhered to and suggest that lower formations might be asked to submit their explanation to the Ministry through proper channel as soon as they receive audit objections to enable the Ministry to communicate their replies to the audit paragraphs within the prescribed period.

[S. N. 12, App. II, 4th Report (3 LS)]

ACTION TAKEN

The views of the Committee have been noted. All efforts will be made to dispose of draft paras as expeditiously as possible and to communicate the comments of the Ministry to Audit within the prescribed period.

3. The Services Headquarters have been requested in Min. of Def. u.o. No. F. 11(3)/63/D (Budget), dated the 4th April, 1963, to issue suitable instructions to the lower formations, as desired by the Committee.

[M. of D. O.M. No. 11(7)/62/D (Budget) dated 8-4-63].

Recommendation:

9. The Committee have already in their previous Report (Paras 79-80 of 19th Report 1st Lok Sabha and 87 of 6th Report 2nd Lok Sabha) emphasised the importance of timely linking of invoices with Pacing Accounts to avoid losses due to shortages, pilferage or misappropriation. They are concerned to note that invoices pertaining to the years 1948-49 to 1956-57 are still outstanding after a lapse of several years. The Committee would urge on the Ministry to undertake a special drive to liquidate the old invoices by augmenting the staff if necessary. The Committee also recommend that the linking of invoices relating to the current years should not be allowed to accumulate, as the delay in this regard is likely to result in losses due to shortage, pilferage, etc. remaining undetected.

[S. No. 13, Appendix II, 4th Report 3LS).]

ACTION TAKEN

Ever since the arrears in linking of Packing Accounts and invoices were brought to the notice of Air Headquarters, special efforts have been made by them to clear the outstandings. The importance of expeditious clearance of outstanding invoices has been impressed on all concerned from time to time. Since November, 1959, when the procedure for linking of invoices was rationalised, considerable progress had been made in clearing the back-log.

2. Every effort has been made to liquidate all the unlinked invoices but the manning position of equipment assistants has been below the requirements. Further, a considerable number of new units are being raised in view of the emergency and manpower had to be found for these units as well. Consequently, progress in the linking of invoices has not been as good as desired. The number and value of the outstanding invoices for the old period i.e. upto 31st March, 1957 has, however, been reduced considerably. A statement showing the year-wise break-up of the outstanding invoices as on 30th June, 1963, with their value is attached herewith.

3. The permanent boards of officers functioning at all units to speed up the clearance of outstanding vouchers/invoices/packing accounts have been making all possible efforts to link invoices from 1st April, 1957 to 31st March, 1961.

4. Director of Audit, Defence Services, has seen.

[M. of D. U.O. No. F. 4(40)/62/D (Air-I) dated 23-9-1963].

Statement showing the year-wise break-up of the outstanding invoices from the year 1948-49 onwards and their monetary value as on 30th June, 1963.

Year to which the invoices pertain	No. of outstanding invoices on 30.6.1963	Amount	
		Rs.	nP.
1948-49	44	1,10,806	77
1949-50	55	2,42,411	96
1950-51	32	40,703	28
1951-52	35	99,141	88
1952-53	9	36,646	16
1953-54	19	3,17,650	62
1954-55	10	42,126	71
1955-56	2	89	94
1956-57	4	29,229	99
Total	210	9,18,847	31
1957-58	61	34,66,456	94
1958-59	343	1,34,93,494	86
1959-60	489	2,11,61,582	13
1960-61	512	88,37,565	10
1961-62	989	36,70,643	91
1962-63	975	41,51,130	38
Total	3369	5,47,80,913	32
Grand Total	3579	5,56,99,760	63

Recommendation:

10. The Committee are not convinced with the explanation for the delay in appointment of the Expert Committee and slow progress of its work. They hope that the work of the Expert Com-

mittee will be completed soon and action initiated on its recommendations with the object of streamlining the accounting system of the Military Farms without delay.

[S. No. 14, App. II 4th Report (3LS).]

ACTION TAKEN

The report of the Expert Accounting Committee has been received and is now under examination.

2. D.A.D.S. has seen.

[M. of D. O.M. No. 11(7)/62/D (Budget) dated 28-2-1963.]

Recommendation:

11. The Committee observe that as the sanction for the fire brigade staff contemplated that a trailer fire pump should be in position in the workshop and as there were already some arrangements for meeting emergencies, the employment of fire brigade staff without first procuring the trailer fire pump and in the absence of a fire supervisor lacked justification. They would like to point out in this connection that as late as February 1961, the Inspector of Fire Services on his visit to this Workshop had felt that in the absence of such a trailer fire pump the fire services personnel were not suitably employed. It was admitted during the course of evidence that employment of the staff was not strictly in accordance with the Government sanction which was on the express condition that there should be a trailer fire pump in position and formal sanction should have been obtained by the workshop for the revised arrangements. The Committee trust that such cases will not recur.

[S. No. 16, App. II, 4th Report (3 L.S.)]

ACTION TAKEN

The observations of the Committee have been noted.

This was an isolated case and it is unlikely that such cases will recur. A note has, however, been made by Army HQrs. that in future if it becomes necessary to make similar stipulations in the Peace Establishments of EME units, clear instructions will be issued to the Commandants/Officers Commanding units to avoid similar irregularity.

D.A.D.S. has seen.

[M. of D. O.M. No. 11(7)/62/D (Budget) dated 25-3-63].

Recommendation:

12. The Committee desire that the position regarding utilisation of the machines issued to units should be looked into and intimated to them.

[S. No. 17, App. II, 4th Report (3 L.S.)]

ACTION TAKEN

On 3rd November 1962, the D.A.D.S. had furnished particulars of 9 machines which, according to his information, had been transferred by the Central Ordnance Depot, Delhi Cantt., to certain units/formations but had not been put to use. The position in respect of these 9 machines is indicated in the *Enclosure* to this note.

2. The D.A.D.S. has suggested that the review should not be confined only to the 9 machines mentioned at the Committee's meeting but that the whole position should be reviewed which would be possible only if the utilization of a reasonable number of selected machines is checked. He has accordingly suggested that the utilization of all the machines sent to some other units/formations (to be selected in consultation with the audit) may be checked to see whether they are being utilized. Action is being taken as suggested by the D.A.D.S. and a further report to the PAC will be made as early as possible.

3. D.A.D.S. has seen.

[M. of D. O.M. No. 11 (7) /63/D (Budget) dt. 5-6-63].

Statement showing particulars of machines received recently by EME units

Enclosure.

Part No. Cat No.	DEME No.	Nomenclature	Date of Issue	Date of receipt in unit	Position as given by audit authorities	Present position
1	2	3	4	5	6	7
510 CENTRAL EME WORKSHOP, MEFRUT						
WX-0022	W-00587 W-00587 W-00588 W-00689 W-00690	Blower portable Electric 60 Cfm Light duty 240 VAC	21 Jun 62	24 Aug 62	Still lying in stock unused. Workshop authorities have stated that these machines will be brought into use in the near future.	All the five blowers have been distributed to different Workshop Group and are in use.
WX-0074	NYA	Lathe watchmaker's 4" dia Swing over head 6½" between centres hand operated.	Do.	Do.	As the accessory list has not been received from the consignor the inspection has not been completed and therefore the machine is lying unused.	On receipt of lathe in question COD concerned was asked to provide the list of accessories to carry out the checking and inspection of the machine. The list was received on 19 Oct. 62 and after this the machine has been inspected and put into operation.
WX-0335	NYA	Machine Screwing Pipe ¾" Motor Driven 400 140 VAC	Do.	Do	With Millwright section under inspection—Not put to use so far.	It required installation for which stores like cement, sand and electric wire were arranged. The machine was installed and is being utilized fully.
C.O.D., AGRA						
WX-0426		Plant Battery charging single circuit metal rectifier 230. 250 VAC	..	..	Lying in stock as repairable.	This plant was received by COD, Agra during 1955 in a serviceable condition and had been issued to a unit in the same

condition during April 1959. It is *not* now held by the Depot. It is understood that the plant which the DADS is referring, to was transferred by COD Delhi Cantt. to COD, Agra under Issue Voucher No. 4SD-WIII-3097-NOM dated the 9th November 1961. This plant had been returned to COD, Delhi Cantt by a Field Workshop Squadron on 19th July, 1961, and was transferred by that Depot to COD Agra as this item is on their (COD Agra) responsibility. It is still held by COD Agra as a stock item for eventual re-issue after repairs. The question of the utilization by the Depot does not arise.

173

215 INF. WORKSHOP COY., EME

WX-0914

Spark Plug Cleaner

This machine is not being used for want of blow gun, an important accessory of the machine. This has been issued in place of 'WX-0561 Spark Plug Cleaner and Tester 230 VAC,' authorised on the Unit's WET. There is no part as "blow gun" fitted in the machine. The unit being in the process of raising and not been committed to its formation for the work. After the completion of raising and commitment of the unit to its formation, the machine would be used.

Recommendation

13. *The Committee were concerned to note that due attention was not paid to the utilisation or disposal of surplus machines which had been lying idle since 1945. They understand from audit that even taking into consideration the machines which are likely to be utilised before 1965, 70 per cent of the machines will continue to be surplus. They would like to observe that undue delay in the disposal of surplus machines results in avoidable loss due to attendant risk of deterioration of the machines besides expenditure on their care and custody. They, therefore, desire that expeditious steps should be taken for the disposal of the machines not likely to be required for use within a reasonable period. The Committee also feel that the expenditure of about Rs. 21 lakhs incurred on the care and custody of these machines appears to be on the high side. They suggest that the position may be examined to see whether this expenditure can be brought down.*

[S. No. 18, App. II, 4th Report (3 L.S.)]

ACTION TAKEN

Government have since reviewed the policy regarding disposal of surplus defence stores and have taken certain decisions which have been indicated in the Ministry's reply to Recommendation S. No. 11 (Paragraph 9) of PAC's Fourth Report 1962-63 (3rd Lok Sabha). As a result of implementation of these decisions unserviceable and obsolete machines which cannot be utilized will now be disposed of.

2. As regards expenditure of Rs. 21,00,000, stated to have been incurred on the care and custody of the surplus machines, it may be observed that this expenditure on the pay and allowance of staff was not incurred exclusively for the custody/maintenance of surplus 12,235 machines, but covered custody/maintenance of stocks of the entire machinery/spares and the receipts/issues in the machinery sub-depots during the period from 1946-47 to 1960-61. Any attempt to split up the expenditure to arrive at the proportionate amount spent on the custody/maintenance of these surplus machines only will involve colossal work in examining the old records for 15 years and the result that may be achieved may not be commensurate with the labour and time that may be spent. However, in view of the revised disposal policy and/or gradual issue/utilisation of the surplus machines, the expenditure on their maintenance is expected to be reduced progressively.

3. D.A.D.S. has seen.

[M. of D. O.M. No. 11(7)/62/D (Budget) dated 5-6-63].

Recommendation

14. *The Committee had come across a similar case in the past where there had been delay of 12 years in deciding about the location of a depot and ammunition worth Rs. 45 lakhs had to be downgraded (paras 41-44 of the 35th Report of Public Accounts Committee 1960-61). They regret to note that this is another similar case where the*

authorities had taken more than 10 years to decide about the permanent location of the depot. The Committee also learnt from Audit that in 1959 some pre-fabricated sheds were available and these had been earmarked for this depot. It is surprising that even then no steps were taken to provide at least some temporary covered accommodation to meet the immediate requirements of the depot, as the provision of permanent accommodation would, in any case, have taken some time. The Committee trust that the construction of building for the Depot would now be expedited to avoid any further deterioration of the ammunition.

[S. No. 20, App. II, 4th Report (3 L.S.)]

ACTION TAKEN

The project for the provision of accommodation for the depot has been revised in accordance with the Emergency Works Procedure. Government sanction for the revised project at a cost of Rs. 77,58,700 as against the original estimated cost of Rs. 140.85 lakhs has been issued on 14th March 1963. Work on the project is expected to commence in September 1963 and be completed in November 1964.

2. D.A.D.S. has seen.

[M. of D O.M. No. 11 (7)/62/D (Budget) dated 22-6-63.]

Recommendation

15. The Committee had an occasion to comment on the utilisation of one of these cranes in para 18 of their 43rd Report (Second Lok Sabha) in which case the width of the road in the depot was inadequate for its use. The fact that a number of these cranes on receipt remained unutilised for several years would indicate that there was lack of foresight and proper planning in the purchase of these heavy cranes. The problems concomitant with the use of ten-ton cranes should have been foreseen at the time of their purchase. The Committee note that all the cranes have been issued to workshops/formations, and hope that they would be fully utilised in future.

ACTION TAKEN

The observations of the Committee have been noted.

2. D.A.D.S. has seen.

[M. of D. O.M. 11 (7)/62/D (Budget) dated 23-3-63].

Recommendations

16. The Committee were informed by Audit that provision reviews conducted during 1958—60 disclosed even larger surpluses as compared with the figures in earlier years. The reasons advanced by the Ministry for not reducing the demand for the item in question are, therefore, not very convincing. The Committee were informed that the stock position of this item was being reviewed again as the wireless sets of which this item is a component were likely to continue

in service. They would like to be informed of the outcome of this review and the progress of utilisation of the surpluses.

[Serial No. 22, App. II, 4th Report (3LS)]

ACTION TAKEN

As a result of the review conducted in April-May, 1963 and revision of Army's requirements, the value of the components likely to be rendered surplus has been reduced from Rs. 87,594 to Rs. 13,160.

2. D.A.D.S. has seen.

[U.O. No. 29(6)/62/SO3/D(O-I) dated 12-2-1964].

Recommendation:

17. (i) While the Committee share the anxiety of the Ministry to dispose of the vacant lands and buildings only as a last resort after exploring all avenues of utilising them by Defence Organisations/ other Ministries etc. they cannot overlook the fact that some of these buildings were lying unutilised since 1947. It is, therefore, apparent that due attention had not been paid to the utilisation/disposal of these buildings resulting in considerable expenditure on maintenance and watch and ward staff besides unnecessary looking up of funds. The Committee desire that this matter should now receive due attention and steps taken for utilisation/disposal of surplus buildings.

(ii) * * * *

[S. No. 23(I) App. II, 43rd Report (3 LS)].

ACTION TAKEN

A note relating to the project known as "No. 3 Sub-Depot, and CMH" is attached (Enclosure) which has been concurred in by the Ministry of Finance (Defence) and DADS. Similar notes in respect of projects mentioned in para 18 of the Audit Report Defence Services, 1962, will be submitted separately. A general note covering the entire range of surplus lands and buildings will also be submitted separately.

[M. of D. O.M. No. 11(7)/62/D(Budget) dated 22-6-1963].

Enclosure

Statement showing action taken or proposed to be taken on recommendations at Serial No. 23 of the Public Accounts Committee 1962-63 contained in the Fourth Report (Third Lok Sabha).

The following areas of requisitioned/hired lands at No. 3 Sub-Depot, and C.M.H. were available for disposal—

<i>No. 3 Sub Depot, Avadi</i>		<i>C.M.H. P...</i>
Requisitioned land	-- 320 acres	300 acres
Hired land	— 20 acres	4 74 acres
	<hr/> 340 acres	<hr/> 304 74 acres

There are no Defence Ministry assets on the above lands which are

awaiting disposal at present. After the Defence Ministry assets had been disposed of to the best advantage of the Government the land thereunder had to be de-requisitioned/de-hired. While de-requisitioning/de-hiring of land was in process, proposal of establishment of a Tank Factory gained momentum in October 1961. Land requirements of the factory showed that these included requisitioned lands on which certain military installations existed which were required to be shifted to vacant lands at No. 3 Sub-Depot and C.M.H. Accordingly, de-requisitioning/de-hiring of lands at these projects had to be suspended.

2. Firm requirements of land and buildings for the army including that for the Tank Project are not yet finalised. The question of change in the KLP location of Command Vehicle Depot for Southern Command with which the lands requirements were closely linked, has since been finalised. Firm requirements of land are now expected to be finalised without much delay.

Recommendation:

17. (ii) *The Committee feel that the expenditure incurred on the watch and ward is excessive. They were informed that the number of watchmen appointed was according to the scale laid down by the Government. The Committee suggest that the prescribed scale should be carefully examined to see what economies are possible.*

[S. No. 23 (II) of Appendix II, 4th Report (3rd L.S.)].

ACTION TAKEN

It may be stated that no scales of watch and ward staff have been laid down. Only chowkidars are employed for this purpose. The number employed depends on the merits of each case, such as the number of buildings, the extent and compactness of the area to be looked-after, the location of the camp, etc., and is decided by the local executive authorities. It is not possible to prescribe the scales as the requirements will have to be judged by the executive authorities on the spot.

2. However, instructions have been issued to Chief Engineers stressing the necessity for periodical review of the strength of the chowkidars employed on care of vacant lands/buildings awaiting disposal with a view to achieving the greatest economy possible in this respect.

3. Director of Audit, Defence Services, has seen.

[M. of D. O.M. No. 11 (7) /62/D (Budget) dated 23-5-63].

Recommendation:

18. (i) *The Committee feel that any additions or alterations in the list of civil trade items which the Director General, Ordnance Factories, is authorised to manufacture for stock purpose, should have prior approval of Government.*

(ii) The Committee would like to reiterate the recommendations made in para 50 of their Forty-third Report (Second Lok Sabha) that (i) the Defence production should not in any way suffer because of the civil trade orders; and (ii) the costing of articles produced for civil trade should be done strictly in accordance with sound commercial principles. They suggest that before taking up production of civil trade items a proper survey of the prices and marketability should also invariably be made.

[S. No. 29 Appendix II, to Fourth Report (3rd L.S.)].

ACTION TAKEN

(i) This is being done.

(ii) Civil trade activities in the Ordnance Factories are undertaken in normal times in order to utilise spare capacities available with them after meeting the requirements of the Services. Care is always taken to ensure that such activities do not interfere in any manner with production for the Services. Production against civil trade orders, for which commitments have already been made by the factories, is suspended on receipt of Services order so as not to affect priority requirements of the Services. This situation has arisen now and all civil trade activities remain suspended wherever they interfere with Services Production.

2. The cost of articles produced in Ordnance Factories are compiled on the basis of conventional commercial principles. In offering quotations for civil trade also the ordinary commercial practices are adopted. These quotations are related to what the market can bear and in many cases it is possible to realise the full cost for or higher than the full cost of production. Powers have, however, been delegated to the General Managers of the Factories & D.G.O.F. to quote below the estimated full cost of production subject to a minimum. Within this minimum and the full cost of production, the actual price to be charged is determined by the appropriate authority in each individual case after taking into account the market conditions and the prices and the state of work load on the factory concerned at the time of acceptance of the order. Director General, Ordnance Factories can also quote below the minimum estimated cost with the prior sanction of the Government. The suggestion of the Committee that before undertaking production of civil trade items a proper survey of prices and marketability should invariably be made is also being followed.

3. D.A.D.S. has seen.

[M. of D. O.M. No. 11(7)/62/D (Budget) dated 8-4-64].

Recommendation:

19. The Committee note with regret the failure on the part of the Ordnance Depot to suspend the order in 1957, even when they were

informed about the surplus holdings as revealed by the provision review. The Committee suggest that the question may be properly investigated, responsibility fixed and remedial measures taken to avoid a recurrence. The Committee would like to know the total expenditure rendered infructuous as also the value of components utilised elsewhere.

[S. No. 33 of Appendix II, 4th Report (3rd L.S.)].

ACTION TAKEN

Necessary instructions have been issued by MGO Branch on 7-1-63 to investigate the matter and to fix responsibility for not suspending the supply order in 1957 with a view to take appropriate action and to avoid recurrence.

2. The total expenditure rendered infructuous as a result of the cancellation of the order was Rs. 1,16,439. The value of the surplus components since utilised is Rs. 31,197, thus bringing down the financial loss to Rs. 85,242. Efforts are being continued to utilise the remaining components.

3. D.A.D.S. has seen.

[M. of D. O.M. No. 11(7) 62/D (Budget) dated 3-7-63].

Recommendation:

20. The case referred to in para 34 of the Report is indicative of lack of proper planning. Before procuring the stores the capacity of the Naval Dockyard for special refit work should have been taken into consideration. The Committee hope that these stores would be fully utilised in the next 2 to 3 years.

[S. No. 37 of Appendix II, 4th Report (3rd L.S.)].

ACTION TAKEN

The observations of the Committee have been communicated to the authorities concerned for their information and guidance and they have noted them.

D.A.D.S. has seen.

[M. of D.O.M. No. 11(7)/62/D (Budget) dated 28-2-1963].

Recommendation:

21. The Committee deprecate the inordinate delay of over ten years in the revision of Regulations for the Indian Navy, which has resulted in the sanction of the staff for this purpose being extended from time to time. The Committee hope that this work would now be completed without further delay.

[S. No. 38 of Appendix II, 4th Report (3rd L.S.)].

ACTION TAKEN

The observations of the D.A.C. have been noted. Sanction for the staff was not extended beyond the 31st December, 1962. Every effort is being made to complete the work expeditiously.

2. D.A.D.S. has seen.

Recommendation

22. *The Committee regret that large discrepancies amounting to lakhs of rupees in the accounts of aircraft spares have remained unreconciled for the last 13 years. The situation had warranted immediate effective action after the discrepancies were detected. The Committee are unable to understand why the representatives of Hindustan Aircraft Ltd. which is a Government agency, were not fully associated with the court of enquiry appointed by the Air Headquarters in 1956. Such a joint enquiry would have been helpful in settling the discrepancies. The Committee suggest that the whole matter (including the dispute over the pricing of stores supplied to Hindustan Aircraft (Ltd.) should be brought to an early settlement, and they should be informed of the results in due course.*

[S. No. 39 of Appendix II, 4th Report (3rd L.S.)].

ACTION TAKEN

The question of referring the case for decision by arbitration or otherwise is under active consideration of Government. The P.A.C. will be informed in due course of further developments in the matter.

2. As a remedial measure, fresh instructions on the accounting procedure of Air Force equipment were issued in 1959.

3. In January, 1960, Government established an I.A.F. Storage Depot at Hindustan Aircraft Limited which will take over all the I.A.F. stores at present in the custody of H.A.L.; several items comprising such stores have already been taken over by the Depot.

4. Director of Audit, Defence Services has seen.

[M. of D. O.M. No. 11 (7) /62/D (Budget) dated 16-5-63].

Recommendation:

23. *The Committee consider that irregularities in this case appear to be serious. They would like to know the final outcome of the investigations and the action taken against the persons concerned.*

[S. No. 42 of Appendix II, 4th Report (3rd L.S.)].

ACTION TAKEN

On examination of the findings of the Court of Inquiry, it was revealed that the Court had not called one important witness whose evidence was material for reaching a satisfactory conclusion. Instructions are being issued that a Court of Inquiry may be assembled again to record the evidence of the individual concerned and make a fresh assessment in this case. A report will be submitted to the PAC when the case is finalised.

[M. of D. O.M. 11 (7) /62 D (Budget) dated 11-4-63].

Recommendation:

24. *The Committee desire that vigorous efforts should be made to finalise the old cases of losses and result intimated to them in the course.*

[S. No. 43, Appendix II of Fourth Report (Third Lok Sabha), 1962-63]

ACTION TAKEN

Recommendations of the Public Accounts Committee have been noted for necessary action.

2. It may be mentioned that out of a total of Rs. 4.05 crores outstanding on 1st April 1961, losses totalling up to Rs. 1.01 crores have already been finalised upto 30th April 1963. Remaining cases are under active consideration in consultation with all concerned.

3. With a view to early clearance of old outstanding cases of losses it has been decided to set up an *ad hoc* Committee at Government level to examine and finalise all pending cases of losses upto end of 31st March, 1961. Government orders constituting the *ad-hoc* committee are under issue.

4. Instructions have been issued by Army Headquarters to Lower Formations from time to time stressing the necessity for prompt investigation and finalisation of cases of irregularities. This aspect has again been brought out in E-in-C's letter No. 43344/E2A, dated 29th June, 1962.

5. DADS has seen.

[M. of D. O.M. No. 11(7)/62/D (Budget), dated 12th November, 1963]

Recommendation:

25. *The Committee suggest that the reasons for delay in resale of goods in these cases should be investigated and necessary instructions issued to ensure that resale of goods after default of the initial bidders is expedited.*

[S. No. 44 of Appendix II, 4th Report (3rd Lok Sabha)]

ACTION TAKEN

The reasons for the delay in re-auction have already been investigated before according sanction for the write off of the losses.

As regards instructions for the prompt resale of goods after default by initial bidders, detailed instructions were issued on 13th August, 1958, stipulating that the interval between the date of expiry of the delivery period and the date of re-auction should not exceed 10 weeks and that the resale should be effected, as far as possible, in the minimum time. These instructions have been reiterated to all concerned on 5th November, 1962. In view of this, such delays are not likely to arise in future.

DADS has seen.

[M. of D. O.M. No. 11(7)/62/D (Budget), dated 11th April, 1963]

Recommendation:

26. *The Committee would reiterate the recommendation made in para 10 of their 43rd Report (Second Lok Sabha) that a decision on this question of the future set up of the Canteen Stores Department, which has been pending for several years, should be taken early.*

[S. No. 45 of Appendix II, 4th Report (3rd Lok Sabha)]

ACTION TAKEN

In pursuance of the recommendation made by the P.A.C. in paragraph 83 of their 17th Report, Government have been exploring various possible methods of implementing it. In this connection a high level meeting was held in January, 1962 with the Comptroller and Auditor General who suggested the following two alternative courses of action:—

- (a) The business of the Canteen Stores Department (India) could be transferred to a Statutory Corporation created under a special Act of Parliament, which Act would provide for all the concessions enjoyed at present by the CSD (I). In that case the business of the CSD (I) would be governed by the provisions of this statute and the accounts and estimates would be excluded from the Public Account of India and the Consolidated Fund of India.

OR

- (b) A Canteen Stores Fund may be created within the Public Account of India, with the approval of Parliament signified by a token vote. An appropriate omnibus entry for receipts and expenditure may be provided for in the Consolidated Fund Account of India.

2. The tentative view of the Defence Ministry was that the second alternative would be acceptable. The budgetary aspects of the second alternative are under examination of this Ministry in consultation with the Ministry of Finance (Defence & Deptt. of Economic Affairs). The latter has suggested a revised budgetary procedure which is under consideration. Every effort is being made to finalise the matter.

3. DADS has seen.

[M. of D. O.M. No. 11(7)/62/D (Budget), dated 23rd March, 1963]

Recommendation:

27. *The Committee would like to know the final decision taken in regard to the future set up of the Soldiers', Sailors' and Airmen's Board, which may be expedited.*

ACTION TAKEN

So far only three State Governments, namely Rajasthan, Assam and West Bengal and one Local Administration, namely Himachal Pradesh have agreed to make the Boards permanent departments of Government and, among them, the Government of Assam and the Himachal Pradesh Administration have issued the necessary orders. Replies from the remaining State Governments and Administrations are still awaited .

Director of Audit, Defence Services has seen.

[M. of D. O.M. No. 11(7)/62/D (Budget), dated 8th April, 1963].

ELEVENTH REPORT (Third Lok Sabha)

Recommendation:

28. The Committee feel that on the basis of the revised scale for 'A' vehicles given by the Director of Electrical and Mechanical Engineering and the Director of Ordnance Services' own experience about the utilisation of 'B' vehicles spares, it should have been possible in this case to furnish a list of doubtful items to the firm at the time of signing the contract. Such an action could have largely avoided gross over-provisioning (45 per cent of the value i.e., \$5,73,000) that actually occurred in this case.

[S. No. 12 of the 11th Report (3rd Lok Sabha). Appendix III to Part I]

ACTION TAKEN

The mere receipt of a partial scale is not sufficient to enable the DOS to pick up items which can be deleted or reduced from the indent. To assess the revised requirements in accordance with the new scale, it is necessary to carry out a complete review of the entire range of the concerned equipment. For example if a scale is received in respect of an item applicable to a particular equipment of a particular mark, then while assessing the requirements for that item it would be necessary to review the requirements also for other marks of the same equipment in case the item is applicable to those marks. In the present deal the Director of Ordnance Services could not have prepared a list of doubtful items merely from the revised scale on the basis of past experience. To find out such items it would have been necessary for him to undertake not only a review of the holdings in the Depots but also to take into account the stock position with the EME Workshops as also the total liabilities. Along with this he would have had also to consider the various items which were inter-changeable with each of the items as issues-in-lieu. Furthermore, as pointed out by the Director of Electrical & Mechanical Engineering in his evidence before the Special Committee, it would not have been correct for the Director of Ordnance Services to have reduced the requirements on the basis of only the utilisation as far as overhaul requirement was concerned. Maintenance requirements have also to be taken into account in assessing the total requirements of a part.

In view of all these considerations, it would not have been possible for the Director of Ordnance Services to have prepared a list of doubtful items as envisaged by the Committee. However, the only items which were then considered doubtful from the point of view of procurement from the firm were those in respect of which indigenous sources of procurement were being tapped. A list of such items was duly furnished to the India Supply Mission, Washington.

The DADS has seen.

[M. of D. U.O. No. 29(7)/63/D (OI), dated 9th March, 1964].

Recommendation:

29. The Committee feel gravely concerned at the lack of technical information with the Master General of Ordnance Organisation in not establishing the inter-Changeability of 'Rzeppa Joints' and

'Bendix Joints'. The Committee hope that this failure would be suitably taken notice of and necessary action taken to strengthen the arrangements for such technical information, as suggested by the Special Committee. The Committee are glad to be informed by Audit that the Ministry have issued instructions that prior concurrence of the indenter should be obtained before supply of 'in lieu' items.

[S. No. 15 of Appendix III, of 11th Report (3rd L.S.)].

ACTION TAKEN

It will be recalled that while dealing with the acceptance of 'Rzeppa Joints' in lieu of 'Bendix Joints', the Committee of Secretaries had drawn attention to two points—

- (a) whether the provision in the contract regarding the supply of in lieu parts was proper; and
- (b) whether it was not possible for the technical authorities to anticipate that Bendix Joints which they were ordering were substitutable by Rzeppa Joints of which they had a stock.

2. In regard to (a), the Committee felt that considering the past difficulties in securing these (MT) spares, the provision for supplying interchangeable parts in lieu appeared to be reasonable. In the note containing Government's comments on the recommendations/observations made in the Report under reference, it had been stated that it had been decided to ask the Ministry of WH&S to delete the relevant provision in the contracts in future and make it obligatory on the part of the suppliers to obtain the indentors prior approval before supplying in lieu items. Instructions were issued on the 27th January 1962 that the procuring agencies abroad should insert a clause in the contracts relating to the procurement of Defence stores, including those for the Navy and the Air Force, making it obligatory on the part of the supplier to obtain the indenter's prior concurrence before acceptance of any 'in lieu' or 'substitute' stores except that no back reference to the indenter need be made in cases where an old Part No. has been superseded and the contractor proposes to supply the superseding part number and such superseding part is other-wise capable of fitment on the relevant equipment without any modifications or change of attaching parts/fixtures. The observance of these instructions should eliminate any repetition of the supply of substitute stores of which the indenter may have surplus stocks.

3. In regard to (b) above, the Committee had suggested that arrangements in regard to the collection of such technical information should be strengthened. The position in this regard is that responsibility for establishing issues in lieu is primarily that of the Ordnance Depots and Technical Development Cells attached to the Depots. Due to the very large and fast influx of items during the last war, establishment of commonalities by the authorities holding sealed particulars could not be attended to fully but the work has

lately been done by the Ordnance Depots with the assistance of Technical Development Cells. In fact, the Army Headquarters had been seized of the matter even before the Special Committee's recommendations, and detailed instructions have been issued from time to time by the Director of Ordnance Services to the Commandants of the Ordnance Depots emphasising the necessity of establishing as many items as possible which could be issued in lieu of other items and could be made available to meet the demands. The instructions cover the problem from all possible angles. It has been reported to this Ministry that during the period of 2 years ending 31st October, 1961 commonalities were established and issued in lieu made in about 4,000 items.

The above is reported for the information of the Public Accounts Committee.

The DADS has seen.

[M. of D. O.M. No. 11(2)/60/D Budget, dated 29th July, 1963]

Recommendation:

30. *The Committee consider it unfortunate that the suggestion to obtain prices through the India Supply Mission, Washington made earlier by both the Financial Advisers, Defence Services and Ministry of Works, Housing and Supply was not implemented.*

[S. No. 19, Appendix III, 11th Report (Part I) 1962-63, Third Lok Sabha]

ACTION TAKEN

We furnish prices the ISM would have invited tenders, the response to which, according to past experience, had been poor. It had not been possible for them previously to get quotations for a large number of items and consequently indents had remained pending for long periods. In view of this, it was not considered advisable to follow the normal procedure of asking the ISM to obtain and furnish prices of the various items.

2. DADS has seen.

[U.O. No. 29(14/63-D(O-v), dated 18th September, 1963].

Recommendation:

31. *The Committee are not convinced of the validity of the arguments advanced for the non-acceptance of the proposal of the Depot authorities in 1950. The fact that in 1961 pre-fabricated shedding could be actually constructed at a cost of Rs. 5.6 lakhs only for 60 per cent of the holdings of the depot, reinforces the observation of the Committee of 1960-61 that the non-acceptance of the proposal in 1950 was a grave error. The Committee are also surprised how the total cost of the project (providing Nissen huts) was estimated at Rs. 34 lakhs by the Board in September 1951 as*

against the original estimate of Rs. 6.85 lakhs for providing Nissen huts. This clearly exhibits a lack of proper scrutiny, supervision and judgment on the part of the authorities concerned.

[S. No. 21 of Appendix III, 11th Report (3rd Lok Sabha)]

ACTION TAKEN

The observations of the Committee have been noted. However, in regard to the difference in estimated costs of the project, it may be clarified that the original estimate of Rs. 6.85 lakhs for the erection of 274 Nissen huts was only a preliminary assessment of the cost of the Huts. This did not include provision for any ancillaries. The estimate for Rs. 34 lakhs catered for 351 Nissen-huts (Rs. 8.68 lakhs), ancillaries (Rs. 8.72 lakhs), technical facilities (Rs. 3.18 lakhs), security measures (Rs. 7.07 lakhs), land acquisition (Rs. 3.84 lakhs) and contingencies etc. (Rs. 2.31 lakhs). This explains the reason for the difference in the estimates.

[M. of D. O.M. No. 11(2)/60/D (Budget), dated 31st August 1963]

Recommendation:

32. *The latest position regarding the review of pension regulations and the measures taken to remove delay in pension payments may be furnished to the committee.*

[S. No. 28, Appendix to eleventh report (1962-63), Part III]

ACTION TAKEN

Latest position regarding the review of Pension Regulations

The general review of Pension Regulations for the Defence Services that had been in progress, with the aim of making the Regulations upto date, was completed in 1961 and the revised Pension Regulations for Army and Air Force were published on the 4th April 1961. However, Pension Regulations for the Navy have not been published so far. This is for the reason that the Naval Regulations, unlike to Regulations for Army and Air Force, are required to be statutory regulations made under the Navy Act, 1957. To suit legal forms and requirements, the phraseology of the Regulations has been under examination in consultation with the Ministry of Law. The Navy (Pensions) Regulations, 1963, are expected to be published shortly.

Apart from the work of re-editing, all orders of a permanent nature issued upto the 31st August 1960, have been incorporated in the revised Pension Regulations. This has facilitated ease of reference and application of rules in individual cases by various authorities, thereby accelerating speed of disposal of pension cases.

Latest position regarding the proposed measures mentioned in para 3 under column 5 against S. No. 28 of Appendix to the Eleventh Report of P.A.C. (1962-63)—Part III.

<i>Proposed measures mentioned in para 3 <i>ibid.</i></i>	<i>Latest position</i>
3(b) It has been decided to revise the existing rules relating to submission of claims to retiring/ service pension or gratuity, and disability pension in cases of T.B. patients, so as to permit the pensionary awards being sanctioned by the competent authority upto two months before the date from which the sanction is to take effect. (This applies to personnel below officer rank).	The proposal to empower sanctioning authorities to issue sanctions to pensions two months before the date from which the orders are to take effect, has been accepted and the decision in this regard incorporated in the revised Pension Regulations (This decision applies to all officers and personnel of the Defence Services).
3(c) Proposal for delegating powers of decision to lower authorities in respect of certain types of pension cases are under consideration.	The proposals for delegation of powers on various matters to the Chiefs of Staff and to other authorities have been finalised and orders issued in this respect on the 4th July 1960.
3(d) With a view to minimising the delays which occur in the verification, through the local civil authorities, of particulars of claimants to family pension, a proposal to utilise the services of members of the Army Recruiting Organisation for the purpose is under consideration.	The work relating to investigation and verification of family pension claims in respect of JCOs/ORs/NCs(E), and corresponding ranks of the Navy and Air Force, was transferred from D.S.S.&A. Boards to the Recruiting Organisation with effect from the 1st April, 1960. However, on account of the heavy recruitment programme during present Emergency the Recruiting Organisation found it difficult to cope up with the work relating to investigation of family pension claims. The work has, therefore, been transferred back to the D.S.S. & A. Boards as a temporary measure for the duration of the present Emergency from November, 1962
<i>General Remarks</i>	
*Apart from the above a number of proposals aimed at further speeding up disposal of and curtailing avoidable delays in finalisation of pension cases are under consideration of Government.	

2. Director of Audit, Defence Services, has seen.

[M. of D. U.O. No. F. 26(1)/63/D (Pensions/Services), dated 31st August, 1963]

