

**PUBLIC ACCOUNTS COMMITTEE  
1958-59**

**EIGHTEENTH REPORT**

(SECOND LOK SABHA)

[Appropriation Accounts (including Proforma Commercial  
Accounts) (Civil), 1955-56 and Audit Report]

**VOL. I—REPORT**



**LOK SABHA SECRETARIAT**

**NEW DELHI**

*April, 1959*

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## CORRIGENDA

**Eighteenth Report of the Public Accounts Committee (1958-59) on the Appropriation Accounts (Civil), 1955-56 and Audit Report, 1957, Volume I—Report.**

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- Cover Page, line 7, after 'Report' add ', 1957'.
- Page (i), line 11, for '25' read '25-26'.
- Page (ii), line 4, for 'Ministry' read 'Ministries'.
- Page (v), line 10, for 'Repo' read 'Report'.  
line 28, for '28.7' read '28.71'.
- Page 1, line 9 from bottom, for 'saving' read 'savings'.
- Page 2, Col. 4 of the table, line 4, for '5, 18, 25' read '5, 18, 15'.
- Page 3, line 1, for 'Appropriation' read 'Appropriations'.
- Page 4, para 7, line 7, delete 'savings'.
- Page 13, line 11, for 'on' read 'an'.
- Page 16, para 25, line 1, for 'Head' read 'Heads'.
- Page 17, para 28, line 4, delete ' '.
- Page 18, line 21, add 'Appropriation Accounts (Civil), 1955-56,'  
before 'Vol. II'.
- Page 22, footnote, line 8, for 'it' read 'its'.
- Page 23, para 41, line 11, for 'statement' read 'statements'.
- Page 25, para 47, line 2, for 'n' read 'in'.
- Page 29, para 54, line 17, for 'aue' read 'due'.
- Page 37, line 10, for 'loans' read 'loan'.
- Page 41, para 84, line 5, for 'recepit' read 'receipt'.  
para 86, line 2, for 'decision' read 'decisions'.  
line 10, insert 'or' before 'Rs'.
- Page 42, para 88, line 11, insert 'were' after 'or'.
- Page 44, line 14 from bottom, for 'Nos.' read 'Note'.
- Page 46, line 4, for 'Rs. 1,696:86' read 'Rs. 1,696.86'.
- Page 48, footnote, for 'Vo ume' read 'Volume'.
- Page 49, para 106, line 6, for 'Ministry' read 'Ministry'.  
para 107, line 10, for 'was' read 'were'.
- Page 50, para 109, line 8, for ' ' read ' '.
- Page 52, line 1, for 'Diary' read 'Dairy'.
- Page 53, line 7, for 'passenger' read 'passenger'.  
line 19, for 'timer' read 'timber'.

- Page 54, line 22 from bottom, for 'deposits' read 'deposit'.
- Page 60, line 11 from bottom, for '.' read ','.
- Page 61, line 3, for 'contracts' read 'contractors'.
- Page 63, line 7, for '1955' read '1953'.
- Page 65, para 135, line 4, delete 'a'.
- Page 71, para 143, line 13, for 'Rs. 63:177' read 'Rs. 63,177'.
- Page 73, para 145, line 3, for '\$4:04' read '\$4.04'.  
line 20, for 'Rs. 8.38.913' read 'Rs. 8,38,913'.
- Page 74, line 8 from bottom, for 'plants' read 'plans'.
- Page 79, para 152, line 2, for 'Stores' read 'Store'.
- Page 80, para 153, line 9, delete ','.  
para 154, line 4, for 'Plan' read 'plant'.  
Table, Col. 3, line 1, for 'cpacity' read 'capacity'.
- Page 82, line 3, delete ','.  
para 157, line 11, for 'oft.' read 'cft'.
- Page 83, line 13, for 'own' read 'owe'.  
line 19 from bottom, insert 'Rs.' after 'about'.
- Page 84, line 14, for 'loos' read 'loose' and for 'ne' read 'he'.  
line 20, add para No. '159' before figures '9,83,675'.  
line 11 from bottom, for 'stores' read 'stones'.  
line 18 from bottom, for 'items' read 'times'.
- Page 89, para 167, line 7, for 'cerim' read 'cerium'.
- Page 100, para 179, line 5, delete 'of' after 'experiences'.
- Page 101, line 23, delete 'a' after 'by'.  
for 'Rs. 12:50' read 'Rs. 12.50'.  
line 2 from bottom, for 'Rs. 40.500' read 'Rs. 40,500'.
- Page 106, para 186, line 20, for 'an vious' read 'anxious'.
- Page 108, line 6 from bottom, for 'suggest' read 'suggested'.
- Page 114, line 19, for 'an' read 'as'.
- Page 116, line 5 from bottom, for 'measures' read 'measure'.
- Page 119, line 10, delete '.' after 'lakhs'.  
line 11 from bottom, for 'belong' read 'belonged'.
- Page 121, line 7, for 'stores' read 'stones'.
- Page 122, line 14, for 'soiling' read 'soling'.  
para 213, line 1, insert 'been' after 'have'.
- Page 124, line 5 from bottom, for 'Shri V. Venkataramanan' read  
'Shri S. Venkataramanan'.
- Page 127, para 221, line 9, for 'they' read 'the'.
- Page 129, line 4 from bottom, for 'the mas' read 'them as'.
- Page 133, line 24, for 'Corparative' read 'Comparative'.
- Page 134, para 239, line 4, for 'Port' read 'Ports'.
- Page 140, line 5 from bottom, for 'an' read 'any'.

- Page 142, line 1 from bottom, for 'has' read 'had'.
- Page 146, para 258, line 12, for 'excess' read 'excesses'.
- Page 151, para 268, line 2, for 'step' read 'steps'.
- Page 157, line 2, for 'contruction' read 'construction'.  
line 3, for 'has' read 'had'.  
para 283, line 1, for 'has' read 'had'.
- Page 158, para 284, line 12, for 'us' read 'use'.  
para 285, line 11, for 'pavment' read 'payment'.  
for 'an-ex-gratia' read 'an ex-gratia'.
- Page 162, line 10, for 'provision' read 'provisions'.
- Page 168, para 309, line 5, for 'esimate' read 'estimate'.
- Page 169, line 11 from bottom, for 'disciplinary' read 'disciplinary'.
- Page 179, line 9 from bottom, for 'ated' read 'stated'.
- Page 184, under '(Department of Economic Affairs)' read 'Shri A. K. Roy, Secretary, Departments of Economic Affairs & Revenue'.
- Page 187, line 2 from bottom, for 'the' after 'and' read 'rule'.
- Page 191, line 12 from bottom, delete '.'.
- Page 197, para 376, line 2, for 'Rs. 16.60' read 'Rs. 15.60'.  
line 13, for 'lakh' read 'lakhs'.
- Page 199, line 24, for '55' read '53'.
- Page 201, para 386, line 1, insert 'Rs.' after 'of'.  
last line, for '195-56' read '1955-56'.
- Page 202, para 390, line 2, insert 'to' before 'Rs.'.
- Page 207, line 9, for 'Pandit Jwala Prasad Joytishi' read 'Pandit Jwala Prasad Jyotishi'.
- Page 211, line 15 from bottom, for 'vaccaines' read 'vaccines'.
- Page 212, line 2, for 'Officers' read 'Officer'.
- Page 213, line 14, from bottom, for 'outstanding' read 'outstandings'.
- Page 215, for 'Shri N. Govinda Reddy' read 'Shri M. Govinda Reddy'.
- Page 218, S. No. 3, Col. 4, line 6, for 'afrmed' read 'framed'.  
line 7, for ',' read '.'
- Page 228, col. heading 2, for '3' read '2'.  
S. No. 31, col. 4, line 6, for 'gald' read 'glad'.
- Page 229, col. 1, for S. Nos. '33' read '32' and for '32' read '33'.  
col. 2 for '57' read '56' and for '56' read '57'.
- Page 231, S. No. 40, col. 4, line 1, for 'to' after 'Ministry' read 'of'.
- Page 237, S. No. 64, col. 4, line 1, for 'diesease' read 'disease'.
- Page 239, S. No. 73, col. 4, lines 2-3, for 'Depots' read 'Depot'.
- Page 244, S. No. 90, col. 4, line 6, for 'and' read 'an'.



Page 250, S. No. 108, col. 3, line 3, for 'Transport' read 'Communications & Civil Aviation'.

S. No. 109, col. 3, for 'Do.' read 'Ministry of Transport and Communications (Department of Transport)'.

Page 252, S. No. 115, col. 4, line 4 from bottom, for 'wn' read 'own'.

Page 253, S. No. 117, col. 4, line 2, for 'for' read 'far'.

Page 254, S. No. 118, col. 4, line 6, for 'Director' read 'Directors'.  
line 13, for 'shoud' read 'should'.

Page 255, S. No. 120, col. 3, for 'o' read 'Do'.

S. No. 122, col. 4, line 3, for 'acc pted' read 'accepted'.

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## PUBLIC ACCOUNTS COMMITTEE, 1958-59

### CHAIRMAN

\*Prof. N. G. Ranga

### MEMBERS

2. Dr. Ram Subhag Singh
3. Shri Arun Chandra Guha
4. Shri N. R. M. Swamy
5. Pandit Jwala Prasad Jyotishi
6. Shri Rameshwar Sahu
7. Shri T. Sanganna
8. Shri Upendranath Barman
9. Shri Prabhat Kar
10. †Shri Raghubar Dayal Misra
11. Shri H. C. Dasappa
12. Shri Khushwaqt Rai
13. Shri N. Siva Raj
14. Shri Aurobindo Ghosal
15. Shri Jaipal Singh
16. Rajkumari Amrit Kaur
17. Shri Amolakh Chand
18. Shri T. R. Deogirikar
19. Shri S. Venkataraman
20. Shri M. Govinda Reddy
21. Shri Rohit Manushankar Dave
22. Shri M. Basavapunnaiiah.

### SECRETARIAT

Shri S. L. Shakhder—*Joint Secretary.*

Shri V. Subramanian—*Deputy Secretary.*

Shri M. C. Chawla—*Under Secretary.*

Shri K. Ranganadham—*Under Secretary.*

\*Prof. N. G. Ranga was appointed as Chairman of the Committee on the 11th September, 1958 for the unexpired portion of the term of the Committee ending on the 30th April, 1959 *vice* Shri T. N. Singh resigned from Lok Sabha.

†Elected on the 23rd September, 1958 *vice* Shri T. N. Singh resigned from Lok Sabha.

## INTRODUCTION

I, the Chairman of the Public Accounts Committee having been authorized by the Committee to present the Report on their behalf, present this Eighteenth Report on the Appropriation Accounts (including Proforma Commercial Accounts) (Civil), 1955-56 and Audit Report, 1957.

2. These Appropriation Accounts (including Proforma Commercial Accounts) and Audit Report thereon were laid on the Table of the Lok Sabha on the 22nd April, 1958.

The Committee examined these Accounts and Audit Report thereon during their sittings held in January, and February, 1959.

3. The Committee appointed two Working Groups to consider the Notes/Memoranda furnished by the various Ministries pursuant to action taken by them on the outstanding recommendations of the Committee made in their Fifteenth, Sixteenth, Twenty-third Reports (First Lok Sabha), Seventh and Eighth Reports (Second Lok Sabha) and their observations as adopted by the Committee have been embodied at appropriate places in the body of this Report.

4. *Successive Public Accounts Committees have been commenting for the last 3-4 years that the standard of budgeting in respect of Grants (Civil) had recorded no improvement. A large number of excesses, savings, injudicious surrenders and non-utilisation of funds obtained from Parliament by means of Supplementary Grants continue to persist.*

*The year under report though being the last year of the First Five Year Plan does not show any better results as would be evidenced by the savings disclosed in 124 out of 132 grants amounting to Rs. 209 crores or 28.7% of the total grants of Rs. 727 crores. There were even cases in which Supplementary grants aggregating Rs. 11.96 crores obtained during the course of the year proved eventually to be unnecessary.*

*The Committee, therefore, observe that there is a large scope for improvement in budgetary standards. In their 8th Report (Second Lok Sabha) the Committee suggested a number of measures to improve the technique of budgetary control. The Committee note that as a result thereof, the Ministry of Finance have since issued instructions vide their Office Memorandum dated 18th August, 1958 (Appendix II, Volume II), which they trust, will go a long way in improving the budgetary standards in future years.*

5. During examination of these Accounts, the Committee came across instances where funds that had been placed at the disposal of the State Governments by the Centre, had not been utilised fully. *In order to obviate such a situation occurring in future, the Committee suggest that in future the States might be given 15 to 25% of their total requirement of funds as revolving credit. They should submit accounts as also the progress reports to the Central Government and ask for recoupment of funds. This the Committee feel, will facilitate more expeditious execution of works and better progress of the schemes.*

6. As usual, a brief record of the proceedings of each sitting of the Committee has been maintained and forms part of this Report.

7. The Committee considered and approved this Report at their Sitting held on the 24th April, 1959.

8. A statement showing the summary of the main conclusions| recommendations of the Committee has been appended to this Report (Appendix I). For convenience of reference, these have been printed in italics in the body of the Report.

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

NEW DELHI;  
*The 24th April, 1959.*  
*Vaisakha 4. 1881 (Saka).*

N. G. RANGA,  
*Chairman,*  
*Public Accounts Committee.*

## FINANCIAL RESULTS OF THE GOVERNMENT OF INDIA (CIVIL GRANTS), 1955-56.

During the year 1955-56, the Voted Grants for Civil expenditure stood at Rs. 726·81 crores (original Rs. 691·72 crores and supplementary Rs. 35·09 crores) and appropriation for charged expenditure stood at Rs. 2698·70 crores (original Rs. 2697·68 crores and supplementary Rs. 1·02 crores). The total expenditure against these grants and appropriations was Rs. 518·15 crores and Rs. 2382·52 crores respectively. Out of this expenditure, Rs. 392·58 crores were on Revenue Account, Rs. 210·67 crores on Capital Account and Rs. 2297·42 crores on disbursement of Loans and Advances. There was thus a saving of Rs. 524·84 crores over final grants and appropriations (Voted Grants Rs. 208·66 crores and Charged Appropriations Rs. 316·18 crores).

2. Such savings have become a regular feature and despite repeated observations of the Public Accounts Committee in their Reports, and assurances given by the Ministries, the position has not shown much improvement. The year under review was the last year of the First Five Year Plan, and with the momentum gathered during the earlier years of the Plan, it was but reasonable to expect better performance during that year. The position was, however, no better inasmuch as the accounts disclosed savings in 124 out of 132 grants amounting to about Rs. 209 crores or 28·71% of the total final grant of Rs. 727 crores.

3. The statement below showing the variations between the final grant and actual expenditure and the percentage of savings under Capital Heads of accounts will bear this out:

CENTRAL CIVIL	1952-53	1953-54	1954-55	1955-56
	In crores of rupees			
Final Grant . . . . .	329·73	269·65	445·23	358·01
Savings . . . . .	99·21	132·80	184·89	147·39
Percentage of Saving . . . . .	30·08	49·25	41·50	41·12

4. The percentage of savings and excesses as compared with the original and final grants or appropriations as modified by Supplementary Grants or Appropriations were as follows:

	1955-56	
	Savings (—) Original	or Excesses (+) Final
Voted . . . . .	(—)25·09	(—)28·71
Charged . . . . .	(—)11·69	(—)11·72

5. The following table shows at a glance the particulars of the original and final grants or appropriations and the expenditure actually incurred against them under the heads—

(i) Revenue  
(ii) Capital, and  
(iii) Loans and Advances

	Original Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure
	(In lakhs of rupees)		
Expenditure met from Revenue (Voted)	2,70,13	2,92,47	2,57,06
Expenditure met from Capital (Voted)	3,56,55	3,58,02	2,10,63
Disbursements of Loans and Advances (Voted)	65,04	76,32	50,46
TOTAL (Voted)	6,91,72	7,26,81	5,18,25
Expenditure met from Revenue (Charged)	1,40,07	1,41,05	1,35,52
Expenditure met from Capital (Charged)	12	16	4
Disbursements of Loans and Advances (Charged)	25,57,49	25,57,49	22,46,96
TOTAL (Charged)	26,97,68	26,98,70	23,82,52
Total Expenditure met from Revenue	4,10,20	4,33,52	3,92,58
Total Expenditure met from Capital	3,56,67	3,58,18	2,10,67
Disbursements of Loans and Advances	26,22,53	26,33,81	22,97,42
GRAND TOTAL (Charged and Voted)	33,89,40	34,25,51	29,00,67



**Excesses over Voted Grants/Charged Appropriation**

6. Despite the large savings over the total final grants as stated in paras 3 and 4 above, the actual expenditure during the year exceeded Voted Grants/Appropriations in 16 cases—8 Voted Grants and 8 Charged Appropriations. The Committee have already examined the reasons for the excesses with reference to the facts of each case and after examining the representatives of the Ministries concerned have submitted a separate Report viz., Tenth Report (Second Lok Sabha), recommending the regularisation of those excesses in accordance with the provisions of Article 115 of the Constitution.

## II

### BUDGETING AND CONTROL OVER EXPENDITURE

7. In the year under report, gross savings totalling Rs. 209.64 crores occurred in 124 out of 132 Grants as against 126 out of 135 Grants in the preceding year, the percentage of savings ranging from 4 to 100 per cent. Ten Grants alone were responsible for about 77% of the total savings of Rs. 209.64 crores. A general financial review of the past two years shows that the savings in the following grants savings have been persisting, which is indicative of laxity of control over expenditure:—

Grant	1953-54	1954-55	1955-56
	(In lakhs of rupees)		
Other Capital Outlay of the Ministry of Finance	224.04	1240.06	1703.69
Purchases of Food Grains	10002.50	10456.56	4269.31
Other Capital Outlay of the Ministry of Food and Agriculture	906.25	738.18	3323.23
Capital Outlay of the Ministry of Production Agriculture	179.22	865.27	362.52
Capital Outlay of the Ministry of Commerce and Industry	89.60	487.95	664.36
Loans and Advances by the Central Government	2.68	1525.70	778.28
Capital Outlay on buildings	644.12	1243.12	2586.47
	354.30	634.22	464.31

8. Similarly, there were savings of Rs. 316.26 crores in 21 out of 31 Charged Appropriations. The Appropriation "Repayment of Debt" accounted for Rs. 268.12 crores and "Loans and Advances by the Central Government" for Rs. 42.42 crores. These two grants were responsible for large savings in previous years also.

9. Supplementary Grants to the extent of Rs. 35.09 crores were obtained during the year, which worked out to 5.1 per cent of the original voted grants as against 42.14 per cent in 1954-55. Out of the total gross savings of Rs. 209.64 crores in the Voted Grants, a surrender of Rs. 180.67 crores was accepted by the Ministry of Finance. The latter included a sum of Rs. 3.56 lakhs surrendered from grants which resulted in excess. There were seven cases in which the Supplementary Grants aggregating Rs. 11.96 crores obtained during the course of the year proved to be eventually unnecessary.

The Committee also noticed that in the following three cases, the bulk of the Supplementary Grants/Appropriations remained unutilised:

S. No.	Grant	Amount of	Amount of
		Supplementary Grant	Savings
		Rs.	Rs.
1.	9-Aviation (Charged)	8,000	8,000
2.	55-Privy Purses and Allowances of Indian Rulers (Charged)	1,61,000	94,799
3.	82-Exploration of Oil and Natural Gas (Voted)	41,76,000	41,00,812

There were also several cases of re-appropriation and modifications under individual sub-heads which proved excessive or unnecessary.

There were cases too, in which surrenders were made in excess of total savings in Voted Grants/Charged Appropriations. In five cases funds were surrendered although there was excess over the final grant/appropriation.

As already explained in para 6 above, there were 8 cases of excesses over voted grants involving a total excess of Rs. 98.79 lakhs; whereas in the Charged section, the number was also 8 and the total amount involved was Rs. 7.36 lakhs.

11. The facts given above indicate beyond doubt that there is large scope for improvement in budgetary standard. Although the amount of Supplementary Grants taken during the year under report was less compared to that of the previous year, the saving over the final Grants in both the years was almost the same (Savings occurred in 124 out of 132 Grants). It is thus obvious that the original estimates for the year under report were very much in excess of the actual needs. From the evidence given by the representatives of the different Ministries, the Committee gathered the impression that in making provision for many of the schemes during this year Ministries were guided more by the unspent amount of allotment for a scheme under the Plan than their capacity to spend the amounts. The unrealistic estimates so framed will not only give a distorted picture but mislead the framing of financial policies. The Committee have commented on this aspect exhaustively in their Eighth Report (Second Lok Sabha) and have suggested a number of measures to improve the technique of estimating and financial control. As a result thereof the Ministry of Finance (Department of Expenditure) have issued instructions in their Office Memorandum No. F. 9(5)-E(Coord)/58

dated the 18th August, 1958 (Appendix II, Volume II) which, the Committee were assured, will go a long way in achieving the purpose in view. *The Committee would like to watch the result of these instructions in the budget estimates of the coming years. 1959-60 is the fourth year of the Second Plan. It is necessary to ensure that a similar situation does not develop in regard to the Second Plan also. The Committee would, therefore, urge upon the Ministry of Finance in particular to keep a watch and take appropriate action in time.*

### *Matching Grants to States*

12. On the subject of matching Grants to the States, the Public Accounts Committee (1957-58) in para 18 of their Eighth Report observed that in order to pinpoint the responsibility on the States for the efficient and economic execution of the Schemes in their sphere for which they were granted subsidy in the form of matching grants by the Centre, in the first year, the Central grants towards these schemes should be placed at the disposal of the State Governments in advance at the commencement of the financial year with the condition that they should be utilised only on those schemes accepted for assistance. In subsequent years, the grants to be made should be regulated with reference to the State's performance in the previous year in fulfilling its own part of the programme as contemplated while making the grant. *The Committee are glad to note that the Ministry of Finance have in consultation with the Planning Commission issued necessary instructions (Appendix III, Volume II) that for the remaining period of the Plan schemes formulated by the Centre should not ordinarily involve provision of matching grants from State revenues. This decision will not affect specific schemes in the Plan for which the Plan itself provided that part of the resources would be found by the States and only a part contributed by the Centre.*

*The Committee also learn that since May, 1958, a fixed portion of the Central assistance to the State Governments for Plan Schemes included in the Budget is being released every month as interest-free ways and means advances, which will be adjusted towards the close of the year against the amounts of loans and grants to which the State Governments might be entitled on the latest available figures of actuals and likely expenditure in the last quarter of the year.*

*The Committee would like to watch the working of the new procedure devised by the Ministry through future Audit Reports on Accounts (Civil).*

13. The Committee will now refer to some of the specific cases of over-budgeting and laxity of control over expenditure as disclosed in the Audit Report under examination.

†

(a) MINISTRY OF EXTERNAL AFFAIRS

**Appropriation Accounts (Civil), 1955-56, Vol. VI—Tribal Areas,  
Grant No. 21, Page 1, Note 1.**

Out of the final saving of Rs. 74,28,919 a sum of only Rs. 49,45,000 was surrendered.

Explaining the reasons for the large saving under the grant even after surrender, the representative of the Ministry informed the Committee in evidence that the Defence Ministry did not pass on, within the financial year, the debit against the Ministry of External Affairs in respect of work done by them in the Tribal Areas. Non-adjustment of this expenditure in the accounts of that year accounted for the saving. It was added that the Defence Ministry had since issued strict orders to avoid such lapses and similar situations would not recur.

The surrender of Rs. 49,45,000 was explained as being due to non-implementation of the works programme, non-materialisation of economic development schemes, non-utilisation of full provision for air dropping operations and difficulty in obtaining the personnel.

*External Affairs, Grant No. 22, Page 27, Note 1.*

The original grant of Rs. 6,77,45,000 was increased to Rs. 7,21,53,000 by supplementary grants of Rs. 20,60,000 and Rs. 23,48,000 voted by Parliament in September and December, 1955, respectively. Out of the final saving of Rs. 23,36,135, a sum of Rs. 18,500 only was surrendered.

(b) MINISTRY OF FOOD & AGRICULTURE

DEPARTMENT OF AGRICULTURE

**Appropriation Accounts (Civil), 1955-56, Vol. VII—Forest, Grant No.  
42, Page 10—**

The Committee noticed that out of a total provision of nearly Rs. 96 lakhs, there had been savings of more than Rs. 22 lakhs while only about Rs. 5.77 lakhs had been surrendered.

It was explained to the Committee that the savings were due to non-receipt of stores under the T.C.A. programme. *The Committee, however, notice from sub-heads C. 2—Grants for National Parks and C. 3—Grants to State Governments under this Grant that apart from non-receipt of the equipments for stores, provision had been made for schemes which were not quite mature. They, therefore, stress the need for providing funds for those schemes only which are quite mature and ready for execution during the budget year.*

*Cases of excessive provisions, (i) Page 64, Grant No. 44 (ii) Page 94,  
Grant No. 121 (iii) Page 96, Grant No. 122 and (iv) Page 106,  
Grant No. 123.*

The Committee noticed savings ranging from 40 per cent to 74 per cent of the total provision under these grants. In some cases, excess provisions detected much early in the year were also not surrendered.

In evidence, it was stated that there had been surrenders exceeding a crore of rupees under the Grow More Food Schemes because the States did not request for the reimbursement of the amounts spent out of food bonus earned by them. Further, equipments were not received in time.

*The Committee were not convinced by the Ministry's explanation. It is difficult to understand why the State Governments did not present their claims for reimbursement. The Committee feel that the Ministry at the Centre have also a responsibility to see that the reimbursements for which provision has been made are disbursed within the financial year.*

### (c) MINISTRY OF HOME AFFAIRS

#### Appropriation Accounts (Civil), 1955-56, Volume IX

##### *Defective Budgeting—Savings over Voted Grants and Charged Appropriations*

The Committee noticed large savings in Grant Nos. 53, 54, 56, 58 and 125; the percentage of savings ranged from 24 to 49. The Ministry, however, surrendered comparatively smaller amounts at the close of the financial year.

It was explained to the Committee that provision under Grant No. 53—Police had been made for grant of financial assistance to the State Governments of Rajasthan and U.P. but due to delay in the issue of final orders the amounts could not be paid to them during the financial year. *The Committee deplore such delays in the issue of orders, for these often result in non-implementation of various schemes in time. They stress the need for speedy action in such matters in future.*

In the case of Grant No. 125—Capital Outlay of the Ministry of Home Affairs, it was explained to the Committee that as in the case of other States, the Union Territories did not achieve their targets of developmental programmes owing to lack of requisite machinery and technical know-how. Other procedural defects were being remedied by delegating powers at appropriate levels. *The Committee called for a note from the Ministry setting forth the improvements effected in the execution of development programmes in the Union Territories. This note is still awaited.*

### (d) MINISTRY OF HEALTH

#### Appropriation Accounts (Civil), 1955-56, Vol. VIII—Grant No. 47— Medical Services

##### *Grants for Medical Purposes, sub-head C, page 6*

As against the original grant of Rs. 73,15,400 under this sub-head, the actual expenditure amounted to Rs. 49,23,165 only. Thus one-third of the original provision remained unutilised.

In evidence the Committee were informed by the representative of the Ministry that the money was to be spent by State Governments on approved schemes. Despite several reminders, very few schemes were received from them for approval. There was in fact no scheme sent up by State Governments for which funds were refused.

In reply to a question as to how provision was made in the budget for these schemes, the Committee were informed that on the basis of the recommendations of a Conference of Administrative Medical Officers from the States held in October every year, provision for various schemes was made. These schemes, however, had to be approved later on by the Finance Departments of the States, who did not accept some of the suggestions of their Medical Officers and these had, therefore, to undergo revision till the State budgets were finalised. As the Ministry at the Centre could not wait till then for framing their estimates, figures included by them in the budget were occasionally wide of the mark.

*The Committee are not at all happy over this procedure of making budget provisions in respect of such Grants for Medical purposes given to the States. They would invite attention of the Ministry to their earlier recommendations made in the Eighth Report (Second Lok Sabha) that provision should only be made for schemes which were ready for execution. The State Governments may be apprised of this position so that while recommending schemes for grants, they include only those whose blue-prints are ready.*

*All India Medical Institute, sub-head D. 6(1), page 6*

Against the provision of Rs. 42,68,000 during 1955-56 for Staff, Equipment and Furniture of the All India Medical Institute, there was an expenditure of only Rs. 85,487. The Committee desired to know the reasons for the non-utilisation of the funds. The note furnished to the Committee in this connection did not set forth information on the specific questions raised by them. *They would, therefore, like the Ministry to furnish to them detailed reasons for this huge shortfall in expenditure, duly vetted by Audit, before they next take up examination of the Accounts relating to this Ministry.*

#### **Grant No. 48—Public Health**

*Family Planning, sub-head E. 4(1), page 19*

Against the original Grant of Rs. 33,65,000 under this sub-head, actual expenditure was only Rs. 8,95,236. Thus 74 per cent of the provision remained unutilised.

The Committee were informed that the saving was due to lack of interest in the promotion of Family Planning Scheme on the part of certain State Governments. *In the light of Ministry's past experience, the Committee suggest that provision for grant of funds to the States in this case should be based on firm commitments made by the States concerned.*

#### **(e) MINISTRY OF INFORMATION AND BROADCASTING Appropriation Accounts (Civil), 1955-56, Vol. X—Capital Outlay on Broadcasting, Grant No. 126, Page 31**

The Committee noticed that out of a total provision of about Rs. 4 crores, a sum of Rs. 1.72 crores remained unutilised. Sub-heads A2, A5(1)(1) and A5(3)(1) disclosed over-budgeting.

## (f) IRRIGATION AND POWER

**Capital Outlay on Multipurpose River Schemes—Appropriation Accounts (Page 8, Grant No. 127) (Civil) 1955-56, Vol. XI.**

Out of the total provision of about Rs. 4.32 crores, a sum of about Rs. 1.45 crores remained unutilised.

The Committee were informed that the provision included for the Damodar Valley Corporation could not be utilised and adequate steps were being taken now to ensure proper budgeting.

## (g) LABOUR AND EMPLOYMENT

**Defective Budgeting—page 1—A.3, A.4 page 2—Cl: Page 3, D.4, page 7, A.3 (1) (7) etc.—Appropriation Accounts (Civil), 1955-56, Vol. XII**

In these cases, savings had been shown to have accrued *inter-alia* on account of non-receipt of debits, etc. In other grants also there were similar savings. *The Committee observed that such instances of savings indicated laxity of control over expenditure.*

## (h) MINISTRY OF SCIENTIFIC RESEARCH AND CULTURAL AFFAIRS

**Page 5 (Note 1), Appropriation Accounts (Civil), 1955-56—Ministry of Natural Resources and Scientific Research, Vol. XIV**

A sum of Rs. 19,23,158 under Grant No. 77—Survey of India remained unsurrendered. While explaining the reasons for not surrendering the saving, the representative of the Ministry stated that although the stores were received from the T.C.A., necessary adjustments thereof were not made in the accounts during the year. *The Committee note that the cost of materials was not adjusted for want of sanction. If so, the surplus funds should have been surrendered in time.*



### III

## IMPORTANT OBSERVATIONS ON INDIVIDUAL MINISTRIES

14. In the following paragraphs, the Committee shall refer to some of the important points that they considered in the course of examination of the Accounts relating to various Ministries.

### MINISTRY OF COMMERCE AND INDUSTRY

**Payment of Grants-in-aid in excess of requirements and non-utilisation of Matching Grants—Silk Industry, Para 22 of Audit Report, 1957 and Page 16, Note 9 of Appropriation Accounts (Civil), 1955-56, Vol. II.**

15. During the six years ending on 31st March, 1955 the Ministry sanctioned and paid to the Central Silk Board grants-in-aid amounting to Rs. 51,53,994 for the promotion of sericulture while the Board allotted and paid Rs. 36,90,061 to States as follows:—

Year	Amounts paid to the Board by Government	Amounts paid to State Govern- ments by the Board
1949-50	4,00,000	1,39,000
1950-51	4,00,000	1,19,000
1951-52	1,50,000	1,46,630
1952-53	4,28,500	2,70,390
1953-54	15,18,779	11,27,545
1954-55	22,56,715	18,87,446
	51,53,994	36,90,061

The actual expenditure incurred by the State Governments from these grants amounted to Rs. 938,768 upto 31st March, 1955. Out of the unspent balance of Rs. 27,51,293 as on 31st March, 1955, the State Governments were stated to have surrendered Rs. 20,65,458 during 1956-57.

Against Rs. 22,22,607 sanctioned in 1955-56 to the various State Governments as matching grants for implementation of various schemes, the actual amounts drawn and spent by them amounted to Rs. 55,061 only. It was stated in the note cited above that the implementation of the schemes had been delayed mainly due to lack of trained personnel and adequate financial resources and more time taken in completing the preliminary formalities.

16. In evidence, the Secretary to the Ministry of Commerce and Industry stated that the payment of grants-in-aid to the

Silk Board in excess of what it actually disbursed to the State Governments was mainly due to the defective procedure for the sanction and disbursement of these grants. As the State Governments were reluctant to finance these developmental schemes and raise debits therefor against the Central Government after incurring the expenditure, the grants-in-aid were hitherto sanctioned and disbursed in advance on the basis of schemes which were acceptable to the Board. In 1956 an improvement was effected in this procedure and it was decided to give in advance 25 to 50 per cent of the total cost of the scheme and the balance on receipt of progress reports of expenditure incurred by State Governments. This change, however, did not have the desired effect. The whole procedure was, therefore, revised in May, 1958. Under the new procedure, the State Governments were allowed to sanction continuation schemes; but new schemes were referred to the Board for technical approval. Funds within the quantum of Central Assistance were then released to the State Governments monthly in the shape of ways and means advances to be regularised towards the close of the year on the basis of expenditure.

17. On being asked about the checks exercised by the Government over the progress of various schemes run by the State Governments for which grants-in-aid were sanctioned year after year, it was stated that the Ministry of C & I and the Silk Board received periodical progress reports from the States. Although it was difficult to have a physical verification on the spot of the actual progress of the schemes which were dispersed over a large number of Centres, yet the Textile Commissioner, who was also the Chairman of the Silk Board, had opportunities to visit the projects where important schemes were in progress. *It is apparent from the facts placed before the Committee that many of the schemes for development of sericulture which had been approved by the Silk Board had either not been started or subsequently dropped by the State Governments with the result that the expenditure incurred on those items largely proved to be infructuous.* A large portion of the expenditure incurred by the State Governments pertained to administrative expenses on the development schemes which ultimately did not materialise. The Committee felt that large amounts were granted to the Silk Board without relevance to its spending capacity. The progress reports received by the Ministry at present did not enable the Ministry to regulate the grants properly. *In order to examine the matter from all these aspects the Committee desired to be furnished with details of the various schemes proposed by the State Governments and approved by the Board, funds sanctioned by Government for those schemes from time to time and the extent to which they were utilised. The information is still awaited.*

18. *The Committee were also doubtful whether the present arrangement of entrusting the work relating to the Silk Board to the Textile Commissioner, who was already saddled with other important responsibilities was conducive to satisfactory results. They would suggest that Government should consider the feasibility of having a separate chair-*

*man preferably a non-official for the Silk Board and also the Handloom Board.*

*In the Committee's opinion, Parliament is not fully informed of the working of these autonomous Boards. Since large sums of money are voted by Parliament for payment to these Boards as grants-in-aid it is only proper that Parliament and the Public Accounts Committee should be apprised of their activities. The Committee desire that the Annual Reports on the working of the autonomous Boards viz., Silk Board, etc. should be placed before Parliament. They also recommend that the C. & A. G. who is responsible for their audit should in addition to the normal expenditure audit, undertake an achievement audit of these organisations indicating inter alia their original targets and achievements.*

As regards the new procedure for sanction and disbursement of grants-in-aid introduced with effect from May, 1958, the C. & A. G. felt that there might be delays in getting monthly reimbursements by the States, of the expenditure already incurred by them, which would affect their ways and means position adversely. He suggested that Government might consider the feasibility of giving small revolving credits to the States for financing these schemes. The Committee desire that the suggestion of the C. & A. G. should be examined.

*Irregularities noticed in the Accounts of Subsidy on Production and sale of Khadi—Para 24 of Audit Report, 1957*

19. On the recommendation of an Advisory Board (the Khadi Board) set up by the Government of India for the development of certain industries, Government sanctioned during 1953-54 a subsidy of one anna per rupee on production/sale of a certain type of cloth subject to a maximum of Rs. 2,000 per institution provided the production/sale during the period from July, 1953 to December, 1953 exceeded the production/sale during the corresponding period of the previous year by more than 10 per cent. The scheme was continued during 1954-55 with the modification that 6 pies per rupee were payable as ordinary subsidy on the actual production/sale without any condition and 6 pies per rupee as additional subsidy subject to a maximum of Rs. 1,000 per institution if the increase in production/sale exceeded that of the previous year by more than 10 per cent. The total payments made on this account during 1953-54 and 1954-55 were Rs. 1,81,116 and Rs. 11,63,902, respectively.

The Audit Report disclosed the following irregularities in the accounts maintained by the Khadi Board:

- “(i) The subsidies were disbursed by the Board on the basis of figures of production/sale furnished by the institutions without any independent verification prior to payment even though the rules provided for obtaining and

checking the audited accounts of the institutions. The figures furnished by the institutions revealed several discrepancies in that (a) the quantum of production/sale shown for certain months when claiming ordinary subsidy varied considerably in several cases from the quantum of production/sale shown for the same months when claiming the additional subsidy and (b) the figures of annual production/sale furnished in support of the claim for additional subsidy were often different from the total of the figures of production/sale for the twelve months already sent, while claiming the ordinary subsidy. Several institutions furnished revised statements altering the figures originally given without assigning any reason. As the Board had paid subsidies without reconciling the discrepancies there were excess payments to several institutions.

- (ii) The subsidies have been paid in a number of cases notwithstanding the non-fulfilment of the prescribed condition that the production/sale during a particular period should exceed that of the corresponding period in the previous year by more than 10 per cent.
- (iii) In a number of cases payments were not made exactly in accordance with the terms of the sanction. There were cases in which (a) the institutions did not exist during 1953 and the Board had treated the figures of production/sale during 1954 as a cent. per cent. increase; (b) there was production/sale during the entire year 1954 but only for a few months during 1953, the figures of which had been compared with those of the full year 1954; and (c) there was production/sale for a few months only both during 1953 and 1954, and the figures for the few months of 1954 were compared with those of the corresponding months for 1953."

20. During evidence the Committee were informed that the assets and liabilities of the Khadi Board had since been taken over by the Khadi Commission, a statutory body; and internal audit parties were going into the whole matter and their report was expected to be received by the end of March, 1959. It appeared from the interim reports of the audit parties that the overpayments made to the various institutions would not be so large as had been indicated earlier.

*The Committee deprecate the inordinate delay in finalising this matter.* The total amount of grants given by Government to the Khadi Board and Commission between 1954-55 and 1956-57 was of the order of Rs. 15 crores in addition to the loans of about Rs. 8 crores. In respect of some of the loans given by the Board/Commission, no acceptance or acknowledgement had been received from the

loanees. In the opinion of the Committee, although the Khadi Board was initially responsible for this impasse, the Ministry of C. & I. cannot be absolved of their share of the responsibility for not having actively pursued the Khadi Board, especially when the magnitude of the amount involved was sizeable.

The Committee need hardly stress the seriousness of the irregularities reported by Audit. They suggest that Government should arrange to take suitable action against the officials responsible for the irregularities. In order to obviate the recurrence of such cases in future, Government should consider the desirability of issuing clear and strict instructions to the Khadi Commission for strictly complying with the rules and regulations in connection with the administration of public funds.

*Expenditure on Exhibition of Indian Goods Abroad—Para 25 of  
Audit Report, 1957*

21. For promotion of foreign trade, Government took part since 1950 in nearly 100 International exhibitions and fairs and incurred an expenditure of over Rs. 1.25 crores. As a result of scrutiny in local and central audit of the accounts of these exhibitions and fairs including contracts for the construction of the Indian pavillions, certain major defects of financial procedure and instances disclosing lack of planning and co-ordination in the execution of these projects were reported to Government from time to time.

In extenuation, the representative of the Ministry of Commerce and Industry stated in evidence that the Exhibition Directorate's work was of a new kind which had been organised in foreign countries at short notice. The Government provided the institutional framework for the work. The real exhibitors and participants were the traders in the country, and it was difficult to foresee the response of the trade to a particular exhibition.

22. The Committee noticed that in certain cases action to despatch exhibits was delayed long after the decision to participate in the fair had been taken. The representative of the Ministry informed the Committee that although an annual programme for participation in various fairs and exhibitions was drawn in advance the trade was informed about three to four months in advance in each case. It was felt that it was not desirable to give notice to the trade earlier than 3 to 4 months because the requisite tempo could not be built up in that case.

The Committee are not satisfied with the explanation given by the Ministry. They do not understand why Government could not inform the traders well in advance so that last minute rush of work which necessarily involved avoidable expenditure on account of air-

*lifting of exhibits etc. could be avoided. They, therefore, suggest that Government should review the whole procedure in the light of the experience gained so far in order to ensure better results.*

*As regards the expenditure of Rs. 1.24 crores incurred by the Government, the Committee desired to be informed of the net loss sustained by them and whether it would be possible to recoup the same in future years. The information is still awaited.*

*Hindustan Machine Tools (P) Ltd.—Para 23 of Audit Report, 1957*

23. The para cited above refers to the following irregularities etc. noticed in the working of the Interim agreement entered into with the Swiss firm (M/S Oerlikons) by Government in 1949 for setting up the Hindustan Machine Tools Factory.

*(i) Purchase of Raw Materials and Accessories from foreign firm at High Cost/Rate*

24. The Hindustan Machine Tools Company placed orders on the foreign firm for certain stores which included steel worth Rs. 2.64 lakhs. The prices charged by the firm for the steel were higher by Rs. 87,772 than those quoted by another firm. Supplies of the stores in question could not be arranged from indigenous sources due to delay on the part of the foreign firm in forecasting requirements.

*(ii) Payment of Trade Commission to the Foreign Firm against the Provisions of Clause 8 of the Heads of Agreement.*

25. Under clause 8 of the interim 'Head of Agreement' the foreign firm was precluded from charging any fees for the purchases made by them from abroad on behalf of the Company. They however, claimed that for purchasing at the lowest cost for the company they were entitled to retain any share of trade commission, as was given to a local representative by the manufacturers according to the customs of the trade. Government allowed the foreign firm to retain such commission subject to the condition that the element of commission included in the price was not higher than the normal rate of agent's commission and that purchases would be made from sources where prices were the lowest. For this purpose only a certificate from the foreign firm was accepted.

*(iii) Infructuous Expenditure on Highly Paid foreign staff recruited in advance of Requirements*

26. One technician was appointed as a painter-foreman on 1st July, 1954 on three months' training and thereafter sent to India designated as packing foreman on Rs. 1,888/-p.m. plus Rs. 490/-p.m.

as Overseas allowance. There was no need for such a foreman as the Company had not commenced production.

14 Technicians were entertained by the foreign firm for periods ranging from one month to more than two years and their services were terminated before they could be sent to India. The salary paid to them amounting to Rs. 1.93 lakhs was debited to the Company, though the latter derived no benefit from them.

In 40 cases there were considerable intervals (ranging from one month to seven months) in the date of commencement of the service of technicians and their departure to India. In seven cases the firm agreed to make a refund of Rs. 85,610/- while in the remaining 33 cases involving Rs. 1,44,773 no refund was offered.

*(iv) Irregular Debit of Rs. 4.07 lakhs to the Company on Account of Planning Expenses*

27. Expenses on salaries and allowances of staff employed on planning and inspection of machinery etc. to the extent of Rs. 4.07 lakhs were debited to the Company although there was no provision in the Agreement for the payment of such expenses by the Company.

Claims for the amounts referred to in items (iii) and (iv) above were not pressed because all outstanding disputes with the foreign firms were settled by the new agreement dated 1st March, 1957, under which the foreign firm was paid a sum of Rs. 12.5 lakhs as an overall settlement.

28. In evidence the representative of the Ministry stated that under the old agreement the foreign firm were the technical managers of the Company. Subsequently, several disputes arose over the interpretation of the various clauses of the agreement which hampered the progress of the establishment of the factory. Government, therefore thought it better to revise the agreement with the firm in 1957. With regard to the payment of Rs. 12.5 lakhs by way of an overall settlement to the firm it was explained that under the old agreement the firm would have got a sum of Rs. 2 crores in the form of royalty and a sum of Rs. 60 lakhs by way of free shares. The overall settlement should, therefore, be considered to be in the best interests of the company.

*The Committee regret to observe that Government had to pay heavily because of the defective clauses in the agreement. They take note of the plea that this was one of the few agreements which Government entered into shortly after Independence. They trust that Government will benefit by their experience in this deal and avoid such mistakes in future.*

*Losses, writes off etc.—Page 14, Note 5, Appropriation Accounts (Civil), 1955-56, Vol. II*

29. Two wagons containing 770 packages of tin plates were despatched from one depot to another in January and April, 1947 but as they did not reach the destination a report was made to the Railways in September, 1947, and a formal claim for Rs. 26,018 lodged in November, 1948. The claim was rejected by the Railways as the report was time barred. The loss was written off by Government in May, 1955. No disciplinary action was taken as the police investigation did not implicate any of the depot staff.

Explaining the reasons for the inordinate delay in preferring the claim against the Railways, the representative of the Ministry of Commerce and Industry stated that a satisfactory answer could not be found from the papers available. The question of taking disciplinary action in the matter had also not been considered, as it was not possible to fix the responsibility on any particular officer.

*The Committee are not satisfied with this explanation. In their opinion, it was a fit case to be investigated further and responsibility fixed.*

*Loss on guaranteed purchase of American Cotton—Page 21, Note 19, Vol. II*

30. In March, 1952 the Government of India announced their intention to guarantee the purchase of American and East African Cotton, at stated price. The guarantee was considered necessary as the prices of American Cotton, were falling at that time, and without this guarantee the Banks would have necessarily demanded larger margin for giving financial accommodation to the Indian Mills impairing the latter's capacity to purchase even their normal requirements of Indian cotton. Accordingly, Government had to buy in March, 1953, 1,845 bales of American Cotton at Rs. 19,26,450. A further expenditure of Rs. 18,526 was incurred on storage and other charges. In July, 1953 an offer for the cotton at Rs. 1,600 per candy was rejected by the Ministry in the expectation that the price would rise further. However, in December, 1953 the cotton was sold in one lot for Rs. 18,26,306 at Rs. 1,497 per candy. The loss of Rs. 1,18,670 was written off by Government in February, 1956 by debit to the "Fund for the benefit of cotton growers in India".

31. In evidence, the representative of the Ministry stated that the offer of Rs. 1,600 per candy in July, 1953 was considered low as compared to the prices prevailing at the time. The Textile Commissioner was asked in September 1953 to go ahead with the sale of the cotton by inviting limited tenders subject to the condition that a reserve price of Rs. 1,605 per candy be fixed. Tenders were accordingly invited but no offer was received this time. In the absence of any other offer, the entire stock was sold to the Kohinoor Mills, Bombay at Rs. 1,497 per candy.



*The Committee are not satisfied with the explanation given by the Ministry. If the avowed object of the purchase of the American Cotton by Government was to give temporary relief to the Mills, consideration of profit should not have weighed with Government in disposing it of. The Committee cannot therefore refrain from observing that the officer who dealt with this deal had resorted to a kind of speculation which had led to an increased loss to Government.*

#### *Mandi Salt Mines*

32. The Chairman and Members of the P.A.C. visited the Mandi Salt Mines in June, 1958. At the Maigal Salt Mines near Mandi, where salt was being manufactured by solar evaporation from perennial spring of brine, which were running at a loss, the Committee were informed that the concentration of Salt in the stream was comparatively low and the installation of machinery for the manufacture of Salt from it was not likely to be economic. *The Committee desire that in view of the demand for Salt in that region the question of economic utilisation of this source should be re-examined and a note discussing the commercial exploitation of Salt Sources in the Mandi region submitted to them.*

#### *Nahan Foundry*

33. During their visit to the Nahan Foundry in June, 1958 the Committee were informed that the output of Nahan Foundry was being increased substantially. As compared to the figure of 1,200 tons in 1957, the target for the year 1959 was 3,000 tons.

One of the difficulties experienced by the foundry was the shortage of working capital. The subscribed capital of the company was only Rs. 40 lakhs. It was admitted in evidence that the company was over-capitalised but it was considered that its working would improve with certain additions to the machinery etc. Large number of orders were now being received by the company and it was felt that with an increase in its size of production the company would show better results. Accordingly, the company had approached Government for an additional capital of Rs. 10 lakhs (already the Company had received a loan of Rs. 7½ lakhs from the Government and it was suggested by the Company that it should be converted into capital and the balance of Rs. 2½ lakhs handed over to them as working capital).

*The Committee suggest that the capital of the factory might be suitably reconstructed and written down in order that the factory might show better working results in future.*

#### *Sambhar Salt Works, Rajasthan*

34. The Committee paid an on-the spot study visit to Sambhar Salt Works in February, 1959. They were informed that at present only 60% of salt was being recovered from the available brine and the

remaining 40% was wasted with the mother liquor because recovery of this salt was not possible without isolating the other two chemicals present in the brine viz., sodium sulphate and sodium carbonate. A scheme for the installation of a Washery Plant estimated at Rs. 44 lakhs had been submitted to Government. It was hoped that if the Washery Plant were installed it would be possible to utilise the brine which was now being wasted and a saving of approximately Rs. 12 lakhs per year would accrue to the Company. One of the difficulties in the setting up of the washery and utilisation of bitterns was stated to be the terms of agreement with the Rajasthan Government. It was stated that in accordance with the agreement, the right of production of salt inherent in the lease of the salt sources held by the Central Government did not include the right to manufacture chemicals other than salt. Rajasthan Government had, therefore, objected to the recovery of sodium sulphate from the bitterns and their disposal by the Salt Works. A revision of the agreement with the Rajasthan Government was, therefore, necessary before the development schemes could be implemented.

*The Committee desire to be informed of the progress of the scheme for installation of the washery plant at Sambhar as well as the final outcome of the negotiations with the Rajasthan Government for the revision of the existing agreement.*

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## MINISTRY OF EDUCATION

### Payment of grants-in-aid in excess of requirements, Audit Report, 1957, page 33, para 26

35. The Ministry of Education sanctioned and paid grants-in-aid amounting to Rs. 6,15,000 (Rs. 4,20,000 in 1950—52, Rs. 1,20,000 in 1952-53 and Rs. 75,000 in 1953-54) to a University for post-graduate research teaching. The University incurred no expenditure during 1950-51 and spent Rs. 3,66,246 during 1951-52 to 1953-54. The unspent balance of Rs. 2,48,754 exceeded the requirements of the following two years by Rs. 33,658. In spite of this, a further grant of Rs. 2,93,000 was again made during the year 1955-56.

36. In evidence, the Secretary, Ministry of Education stated that the grant was sanctioned by the University Grants Commission to the University in January, 1956 for the purchase of apparatus and equipment from abroad. The equipment was actually received in the next year and about Rs. 4,50,000 were paid for the orders which had already been placed. When the Committee pointed out that no grant should be paid unless it was possible for the institution to spend it within the year, the representative of the Ministry stated that the general attitude of the University Grants Commission in such cases was that if the order was likely to be executed in the course of next year, the Commission need not ask for the refund of the grant. These excess grants, the Committee consider, infringe the provisions of

**Rule 207(2) of the General Financial Rules, Vol. I, which lays down that only so much of the Grant should be paid during any financial year as is likely to be expended during that year. But in this case, grants were continued to be paid without verifying whether the grants already paid had been fully utilised and unspent balances had been refunded.**

On a previous occasion, the Ministry had pointed out their difficulties in observing the financial rules and the Committee in para 42 of their Fifteenth Report (First Lok Sabha) had suggested that the question of payment of grants by the University Grants Commission to Universities in advance of their requirements should be reviewed by the Commission. To a question as to what action had been taken by the University Grants Commission in the matter, the representative of the Ministry of Education could not give a satisfactory reply. *The Committee desire that the attention of the University Grants Commission should again be drawn to this recommendation and they may be informed of the views of the University Grants Commission in the matter.*

**Audit Report on the Accounts of the Central Universities viz., Delhi, Aligarh, Banaras and Vishwa Bharati—Appropriation Accounts (Civil), 1955-56, Vol. V, Page 22, Note 4**

37. The accounts of the Universities of Delhi, Banaras and Aligarh and Vishwa Bharati are being locally audited by the Accountants-General, Central Revenues, Uttar Pradesh and West Bengal respectively.

38. In para 43 of their Fifteenth Report (First Lok Sabha), the Public Accounts Committee recommended to amend the Vishwa Bharati Act so as to bring it in line with other University Acts, so far as audit by the Comptroller and Auditor-General was concerned and also to make a statutory provision for submitting the Audit Reports on the accounts of all the Central Universities to Parliament. The Committee of 1957-58 were informed by the Ministry that the views of the Comptroller and Auditor-General had been noted and the same would be given effect to when the relevant University Acts were next amended.

39. The Committee also enquired as to when the necessary legislation for the presentation to Parliament of the Audit Reports on the Accounts of the four Central Universities would be introduced in Parliament. In this connection, the Ministry have stated that it is expected to introduce the proposed legislation further to amend the Banaras Hindu University Act during the course of the current year after the comments of the authorities concerned, namely the University Grants Commission, the U.P. Government and the University authorities on the recommendations contained in the report of the Banaras Hindu University Enquiry Committee are examined by the Ministry. In the meantime, it has been decided by the Ministry of Education, in

consultation with the Comptroller and Auditor General to place the Audit Reports on the accounts of all the Central Universities before Parliament in anticipation of making a statutory provision to that effect in the respective Acts of the Universities.

*The Committee trust that early steps would be taken by the Ministry to implement this assurance.*

### CENTRAL SOCIAL WELFARE BOARD\*

#### **Control over Releases of grants to Welfare Projects and State Advisory Boards, Audit Report, 1957, pages 68-69, para 57(3)**

40. Welfare Extension Projects are financed by the Central Social Welfare Board to the extent of 50 per cent of the expenditure and by the State Governments to the extent of 25 per cent subject to the limit of the budget approved by the Central Social Welfare Board and the balance of 25 per cent by local contributions raised from the people. The projects are executed largely by non-official local Committees under the control of the Central Social Welfare Board. The Projects are required to send in audited accounts by July of the succeeding year. The Advisory Boards are set up in each State by the State Government to assist and advise the Central Social Welfare Board and the expenditure is met in equal proportions by the State Governments and the Central Social Welfare Board. The Central Social Welfare Board, which shares the major portion of the finances of the Projects and the State Advisory Boards, can exercise financial control only through statements showing the approved budget, grants given by the Central Social Welfare Board and State Governments, actual expenditure of the projects and State Advisory Boards, local contributions and the cash balances relating to the Projects and State Advisory Boards. Without such periodical statements control can only be fragmentary and spasmodic. Necessary statistics to ensure that monies are released judiciously in accordance with the spending capacity of the Projects are not being maintained at present. The accounts received by the Central Social Welfare Board upto the end of December, 1956 reveal that

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\*The Central Social Welfare Board was constituted by Government of India, Ministry of Education, Resolution No. R. 2-6/53-D. 2 dated the 12th August, 1953. It consists of representatives of social welfare organisations. Members of Parliament and representatives of the Ministries of the Government of India actively concerned with the social welfare programme.

The functions of the Board are generally to assist in the improvement and development of social welfare activities.

The Govt. of India makes grants to the Board, from time to time, for carrying on its activities in terms of its rules and regulations and bye-laws approved by the Government of India.

The Board is neither treated as a Government Department nor has it been incorporated by or under any statute. According to Audit the Social Welfare Board has no juristic personality and it has to be treated as a departmental agency. It is understood that the question of the status of the Central Social Welfare Board is under the consideration of Government.

during the year 1954-55, the actual expenditure on 168 Projects whose accounts had been received amounted to Rs. 7,33,000. The Central Social Welfare Board's share of this expenditure should have been Rs. 3,72,000, but the funds released amounted to Rs. 7,56,000. Even after making allowance for the accounts of 18 projects which were still awaited in December, 1956, the release of funds appeared to be excessive. During 1955-56, the actual expenditure on 217 Projects whose accounts were available in December, 1956 was Rs. 31,82,000, the Central Social Welfare Board's share being Rs. 15,86,000. If due account had been taken of the carry-over of 1954-55 of these Projects the Central Social Welfare Board need have released only Rs. 12,36,000 as against the actual release of Rs. 21,84,000. The accounts of 76 Projects were awaited.

41. The Committee understand that out of 18 remaining Projects for which accounts were wanting, accounts for 17 projects have since been received. Funds amounting to Rs. 8,29,839 were released by the Board against its share of Rs. 4,28,124. It is obvious from this that contributions from the States and from the public were not promptly being realised.

Out of 76 projects for which the accounts were wanting, accounts for 71 projects have since been received.

In a \*note received from the Ministry of Education, it has been stated that the Central Social Welfare Board was now obtaining half-yearly and yearly statement of accounts before releasing further grants. The State Boards in their turn were also getting statements of accounts from the Projects Implementing Committees before releasing money. This measure has proved effective to some extent in avoiding excessive releases. In evidence, the Chairman, Social Welfare Board stated that the State Governments were not regular in giving their share of 25 per cent. and contribution from the public was also slow, especially in villages. As, however, the staff employed in the Projects had to be paid, the Board had to advance the necessary funds.

*The Committee suggest that the Board should in consultation with the Ministry of Finance and Audit evolve a suitable procedure whereby the grant of subsidies, their disbursement and accounting etc. could be simplified in order to ensure smooth working of the Board.*

**Deficiency in public contributions, Audit Report, 1957, pages 69-70, para 57(5)**

42. In 1954-55, out of an expenditure of Rs. 7.33 lakhs, the projects raised Rs. 1.88 lakhs from the public in cash and kind; this was 25 per cent of the total expenditure. In as many as 77 of the

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\*Not printed.

168 projects, however, for which audited accounts were available, there was no contribution from the public, as required in terms of the grant. During 1955-56, out of an expenditure of Rs. 31·82 lakhs, the matching contribution from the public in cash and kind was only Rs. 3·58 lakhs *i.e.*, 11·3 per cent. of the total expenditure, and no matching contribution was realised in 52 out of 217 projects for which accounts were available.

43. From a note\* received from the Ministry of Education, the Committee observe that instructions have since been issued to State Boards and Projects Implementing Committees of the different methods by which, through a proper approach to the local population, adequate public contributions could be raised.

*The importance of local contributions and the necessity of the Projects becoming increasingly self-sufficient have been repeatedly emphasised by the Central Social Welfare Board. The Committee feel that the basic principle of self-reliance which is regarded as essential to the success of the projects has been ignored in starting many of the projects. They suggest that before starting a project, public co-operation should be secured to a reasonable extent and continuous efforts should be made to keep up the tempo of their enthusiasm. As the ultimate aim is to hand over the welfare activities to the people themselves, the success of the Board's efforts would be very much dependent on the zeal engendered among the people and the contribution made by them.*

**Detective control over release of grants-in-aid to Voluntary Welfare Institutions and their Utilisation, Audit Report, 1957, pages 70—72, para 57(7) (vi)**

44. Large grants for the purchase of mobile vans were given but effective steps were not taken to ensure that the vans would be used for authorised purposes. In evidence, the Chairman, Central Social Welfare Board stated that all possible steps had been taken to ensure that the mobile vans were used for the purposes for which they were given. The Board had their own Inspectorate and there was a qualified Inspector and a Welfare Officer in each State whose duty was to see that the vans were used for the purpose for which they were given. With regard to the use of jeeps, the Chairman of the Board admitted that there was a lot of criticism but the Board was now tightening its control over the matter.

*The Committee feel that there is wasteful expenditure in the use of jeeps. They suggest that greater care and vigilance should be exercised in this direction.*

\*Not printed.

**Irregularities connected with publications, Audit Report, 1957, pages 72-73, para 57(8)**

45. The Central Social Welfare Board publishes a monthly journal entitled "Social Welfare" in English as also "Samaj Kalyan" its Hindi version, both of which are priced publications. The Chairman of the Board stated that till about two years back 5,000 copies of the Journal were printed per month and now 6,000 copies of the Journal were being printed. Out of these, 3,500 copies were sold to subscribers and about 1,000 copies were supplied free to Members of Parliament, etc. There was not much of other free distribution except by way of exchange.

In 1954-55, the total expenditure on these Journals was Rs. 71,658 and the total sale proceeds were Rs. 3,593. In the year 1955-56, the total expenditure was Rs. 1·93 lakhs and the realisation was Rs. 12,575. In the year 1956-57, the total expenditure was Rs. 1·69 lakhs, whereas the realisation was Rs. 23,438. Thus the Central Social Welfare Board had to subsidise these journals to the extent of Rs. 68,000 in 1954-55, Rs. 1·70 lakhs in 1955-56 and Rs. 1·43 lakhs in 1956-57.

46. In evidence, the representative of the Board informed the Committee that it was not a commercial publication. It was an educative and informative publication and it was necessary to incur some expenditure to propagate the idea underlying the organisation of social services on a national scale. In order to reduce cost to some extent, cheaper paper was now being used and attempts to secure advertisements were also being made.

*The Committee feel that the expenditure incurred in the printing of both these journals is on the high side. The feasibility of reducing the number of copies for free distribution to the minimum should be examined and efforts should also be made to raise more funds from advertisements.*

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**MINISTRY OF EXTERNAL AFFAIRS**

**Appropriation Accounts (Civil), 1955-56, Vol. VI**

*Statement showing grants and expenditure relating to each Embassy, High Commission and other Legations, Consulates, etc., for the year 1955-56, Grant No. 22—External Affairs, Pages 29—35.*

47. The Committee noticed that grants and expenditure relating to the Indian High Commission in London were not being shown in the statement referred to above; instead they were being shown separately under the sub-head 'Charges in England'.

*The Committee do not see why grants and expenditure relating to the Indian High Commission in London should not also be shown in the consolidated statement. They, therefore, desire that this matter should be considered in consultation with Audit and a consolidated*

picture of the amounts spent on Indian Embassies, High Commissions, etc., abroad be shown in the accounts at one place from the next year.

## MINISTRY OF FINANCE

### I. DEPARTMENT OF ECONOMIC AFFAIRS

#### Audit Report (Civil), 1957

#### Tripura State Bank Limited, para 20

#### *Loss in the working of the Bank, sub-para 2, pages 16-17*

48. The Tripura State Bank had been running at a loss since 1950 (the year in which it came under the control of the Central Government). The loss sustained by the Bank upto the end of December, 1956 amounted to Rs. 6,94,940. In October, 1952, the Board of Directors appointed a sub-Committee to review the financial position of the Bank and to suggest improvements. The sub-Committee, *inter alia*, recommended in February, 1953 (i) the closure of five unremunerative branches, and (ii) the curtailment of running expenses of the Agartala office to Rs. 1,300 a month, and (iii) the maintenance of a reserve in the shape of G.P. Notes of at least 50 per cent of the money realised from investments. These recommendations though generally accepted by the Board of Directors in February, 1953 could not be implemented forthwith, on account of the orders of the Labour Appellate Tribunal against the retrenchment of staff. The five unremunerative branches were closed down in February, 1955.

49. In evidence, it was urged that as there was no other bank in Tripura, banking facilities would not be available if this bank was closed. Further certain debts were outstanding against Pakistan and the bank was carrying on negotiations to recover the loans. It was added that early in January, 1959, Government had obtained a liquidation order for the Bank, with the State Bank of India as the Liquidator. *The Committee deprecate the inordinate delay on the part of Government in taking final decision about the closure of the Bank obtaining the liquidation order in spite of the heavy losses in its working year after year. The losses on the bank were rising steadily as the following figures of income and expenditure will show:—*

Year	Income	Expenditure
	Rs.	Rs.
1952	70,454	1,71,423
1953	37,533	1,05,466
1954	19,869	2,13,711
1955	18,104	1,06,035



The running expenses of the Agartala Office of the Bank, the Committee learnt, amounted to Rs. 1,700 per mensem instead of Rs. 1,300 per mensem as recommended by the sub-Committee referred to above. *The Committee regret to observe that had the recommendations of the sub-Committee appointed by the Board of Directors of the Bank to review its financial position and to suggest improvements been adopted earlier, much of the loss could have been avoided. It was observed that the working expenses on a branch could not be reduced by retrenchment as the Bank was not in a position to pay retrenchment benefits to the persons. The Committee are surprised at this statement. The bank was a liability from the beginning and its losses were steadily increasing. In these circumstances, it would have been prudent to have decided upon the closure in 1953 itself instead of postponing it till 1959. The anticipation of Government that something would turn up in the affairs of the Bank during these years did not apparently take note of the fact that the losses during the interregnum were ultimately to be borne by Government.*

50. The Committee understand that the paid-up capital of the Bank as on the 31st December, 1957 was Rs. 19,84,550 and the loss upto that date was Rs. 7,29,244; the loss during the year 1957 being Rs. 34,304 (excluding Rs. 1,73,908 on account of bad and doubtful debts not provided for). *The Committee are disturbed to note that the Bank had thus consumed about 37 per cent of its capital on that date.*

*Delay in liquidating liability, sub-para 3, page 17*

51. A sum of Rs. 25,000 was borrowed by the Bank in February, 1951 at 10 per cent per annum from a private party by mortgaging a plot of land with 8 structures thereon. The mortgagee was to receive the rent realised from these structures in lieu of interest. Upto the end of May, 1958, the Bank realised Rs. 19,305 as rent, while it paid only Rs. 1,000 to the mortgagee.

In extenuation, the Committee were informed that the whole amount realised by the Bank as the rent of the structures could not be paid to the mortgagee as the expenditure of the Bank was far in excess of its receipts and the rent realised was defrayed towards the payment of staff, etc. *The Committee cannot refrain from observing that the Bank could not have chosen to act in this unbusiness-like manner had the Ministry been more exacting in its standards. A private bank in similar circumstances would certainly have been proceeded against legally immediately.*

As regards the disposal of the land, it is understood that there was no response to the advertisement made in May, 1957. The mortgagee withdrew her offer of Rs. 39,450 made in March 1958 and obtained possession of the land through Court on 25th May, 1958.

*The Committee, however, understand that the bank hoped to realise about Rs. 52,000 from the sale of the plot and there would be no loss*

to the bank. They would like to be informed of the further developments in this regard.

*Unsatisfactory Progress in Realisation of Dues, Sub-para 4, Page 17*

52. According to Audit, the outstanding dues as on 31st December, 1956 and 1957 were Rs. 15.60 and Rs. 14.68 respectively, the details of which since 1951 are as follows:

(In lakhs of Rs.)

	31-12-56	31-12-57
Suits pending in the Court . . . . .	8.17	7.61
Decreed . . . . .	4.75	3.9
Bad and doubtful debts . . . . .	1.74	1.7
Cases not referred to Court . . . . .	0.94	1.34
	15.60	14.68

The amount of Rs. 1.74 lakhs shown above against bad or doubtful debts related to debts that had become time-barred as the suits were not filed in time due to lack of funds with the bank. Out of the amount of Rs. 4.75 lakhs decreed in favour of the Bank, only about 5 per cent had been realised.

*The Committee felt greatly concerned about the debts of Rs. 1.74 lakhs having become time-barred as also of non-realisation of most of the decretal amount. (A sum of Rs. 7,104.41 is stated to have been realised from January to 19th July, 1958). They were given to understand that a sum of about Rs. 11,332 only was required for filing suits in respect of the amount of Rs. 1.74 lakhs which became time-barred. It is strange that Government did not come forward to advance this amount.*

*Overdrawals and cash credits, sub-para 5, page 17*

53. Unsecured overdrawals and cash credits amounting to Rs. 57,570 and Rs. 31,736, respectively, had been allowed by the Branch Managers of the bank prior to the integration of the State in 1950, even though they had no power to do so. The claims for the amounts were stated to have become time-barred during the period from 1949 to 1952, as suits were not filed in time for want of funds. No action was taken against the Branch Managers for having exceeded their powers.

Explaining why action could not be taken against the Branch Managers, the representative of the Ministry stated that one of them had died, another had migrated to Pakistan in 1951 and in regard to the third, prosecution could not be launched as a specific case against him could not be made out.

From a note\* furnished to them, *the Committee observe that one of the bank managers who was responsible for the unauthorised overdrafts died in 1953. It is thus obvious that there was enough time for taking action against him. The same was true in the case of the other Manager who migrated to Pakistan in 1951. The Committee are unhappy to see that the Ministry of Finance should have hesitated in this manner to take firm action in regard to the bad-working and mismanagement of the Tripura Bank for such a long period (7 years).*

*Differing Rates of Interest on Loans issued by Government, Para 53, Pages 64-65*

54. A review undertaken by Audit of the rates of interest charged by Government on loans granted by them to various authorities and institutions disclosed that the rates ranged from nil to 5 per cent per annum. It was explained by the representative of the Ministry that pursuant to the recommendations of the Public Accounts Committee, the Government had decided that the interest to be charged on all loans in future should be at normal rates, to be determined in the light of market conditions, the period of loans, etc. and that if a concession was to be given, it should take the form of a direct subsidy.

*The Committee drew attention to the grant of interest free loans by Government to TISCO and IISCO while Hindustan Steel Ltd. was being charged 4½ per cent interest on loans advanced by Government, and observed that apart from looking invidious, such distinctions would affect the competitive position of the latter in the market. The Committee were glad to note that this matter was under the consideration of Government. They would like to be apprised of the result in due course.*

As regards the interest in respect of the projects under construction, the Committee were informed that interest during this period was added on to the capital advanced by Government. *In this connection, the Committee would like to invite the attention of the Ministry to the practice followed by the International Bank for Reconstruction and Development according to which a period of moratorium was allowed till the units went into production and desire that the feasibility of introducing a similar procedure may be examined and a report made to them.*

*Financial Review and Proforma Accounts of the India Security Press, Nasik—Sundry Debtors, Page 144, Note 4, Pages 145—155*

55. The sundry debtors of the Security Press as on 31st March, 1956 amounted to Rs. 15,24,360. This included an amount of Rs. 53,852 representing payments made to Pakistan Optees of the Press during 1947-48 for Pay and Allowance, pending their actual posting in Pakistan.

\*Not printed.

56. In evidence, it was stated by the representative of the Ministry that there was little hope of recovery from Pakistan in this case. *The Committee desired to be furnished with a statement showing country-wise and year-wise break-up of the dues outstanding against foreign countries, present position regarding their recovery and whether the India Security Press took deposits from foreign Governments. But they regret to observe that this information has so far not been supplied to them.*

*India Government Mint, Alipore—Review of Stores and Capital Outlay Position—Audit Comments, Pages 194-195.*

57. According to Audit the closing balances of consumable and capital outlay stores of the Mint as on 31st March, 1956 included Stores valuing at Rs. 2.35 lakhs and Rs. 3.50 lakhs, respectively, which had not been used for the last many years.

*The Committee appreciate the plea of the Ministry that these stores, consisting mostly of electrodes and other metallic items, if offered for sale in the market, would fetch a low price but would cost much more when required later. But they are strongly of opinion that purchases of such stores should always be well-planned and haphazard purchases should be avoided so that there should not be any need for disposal of unwanted stores at a subsequent date.*

*The Committee also desired to be furnished with a commodity-wise break-up of Rs. 72,000 which had been spent on the purchase of timber, electrical goods, G.I. Pipes, etc. This information is still awaited.*

## II. DEPARTMENT OF REVENUE

### Audit Report (Civil), 1957

*Erroneous drawal of commission by authorised agents for the sale of National Savings National Plan Certificates, Para 19, Pages 15-16.*

58. A test audit of commission payments made to authorised agents for the sale of National Savings National Plan certificates through seven post offices in the Delhi area, conducted during January—March, 1957 disclosed that commission amounting to about Rs. 10,411, though inadmissible, had been deliberately claimed by and paid to two such agents during the period of 18 months (April, 1955 to September, 1956) covered by the test audit. The irregularities were reported to Government in April and May, 1957. Out of the total amount of Rs. 10,411 a sum of Rs. 2,734.37 was stated to have been recovered from one of the agents. It was also stated that Government were taking legal action against the persons responsible for the irregular drawals. Departmental enquiry was also being conducted and steps were being taken to tighten up the procedure for the future.

In evidence, the Committee were informed that the cases were still pending in the courts and Government would be able to recover the balance of more than Rs. 7,600 from the two sureties (Rs. 5,000 each) of the agents after the decision of the Court. In the meantime, departmental enquiry was being conducted against the postal staff. *The Committee desire to be apprised of the findings of the court in this case as also whether the Government have been able to recover the balance of more than Rs. 7,600 from the sureties. Further the departmental enquiry against the postal staff involved in this case may be expedited and the result thereof intimated to the Committee.*

The Committee understand that the Ministry propose to introduce a new procedure to prevent the recurrence of such irregularities. Under the new procedure the task of paying the Agents will be taken over by the D.G., P. & T. and his subordinate staff. The Post Offices will maintain separate journals for sales through authorised Agents and copies of the journals will be sent to Audit Officer. Once the copies were sent to the Audit Officer, it would not be possible for the authorised agents to draw commission on direct sales. *The Committee would emphasise that the new procedure should be finalised without further delay so that cases of erroneous drawal of commission by authorised agents for the sale of National Savings/Plan Certificates may be stopped quickly. They are not sure whether the erroneous drawal of commission by two Agents in Delhi Area as disclosed in the Audit Para might not be symptomatic of a widespread disease. They would, therefore, urge Government to intensify the check of claims for commission under the existing procedure till it is replaced.*

*Audit of Income-tax receipts, Para. 52, Pages 63-64*

60. The Comptroller & Auditor General has observed that audit of receipts forms an important aspect of Parliamentary Control in the Commonwealth Countries and there were comprehensive statutory provisions on the subject there. In India the present position was that the audit of receipts could be undertaken by the Comptroller and Auditor General of India only at the request of Government. Two major sources of Central Revenues, viz., Income-tax and Central Excise had not been brought within the purview of audit. In May, 1956, Audit made proposals to Government for the introduction of a test audit of income tax receipts.

It was disclosed by the Secretary, Ministry of Finance that the above proposals had already been accepted by Government in principle and the only thing to be decided upon was whether a Presidential or a Governmental order should issue to implement it. *The Committee desire that early decision should be taken in the matter and a start made.*

## Outstanding Recommendations\*

### SEVENTH REPORT (SECOND LOK SABHA)

*Measures taken to check the evasion of income-tax, Para. 90.*

61. *The Committee note the measures taken by the Ministry as enumerated in their note (Appendix IV, Volume II) to improve the position and would like to watch their working through the subsequent Audit Reports.*

*Income-tax Cases, Para. 117.*

62. The realisation of the demands raised by the Income-tax Investigation Commission stood at Rs. 13.10 crores at the end of February, 1957. The Committee (1957-58) had asked the Ministry to intimate to them the progress made in the settlement of these outstanding cases by the middle of 1958-59. From a note† furnished to them, the Committee observe that as a result of the judgment of the Supreme Court in a case, the Department cannot proceed with the recovery of the amounts still outstanding and further, the original settlements will have to be regularised by resort to fresh proceedings under Section 34 of the Income-tax Act. *If so, the Committee desire that re-assessments should be made quickly and proceedings initiated under Section 34(1)(a) of the Income-tax Act.*

### III. DEPARTMENT OF EXPENDITURE

#### Audit Report (Civil), 1957

*Clearance of Outstanding Audit Objections, Para. 55, Page 66*

63. The total number of objections relating to the period upto 31st March, 1956 outstanding in the books of Audit Offices was 95,997, their money value being Rs. 57,76,90,086.

It was explained to the Committee that the Ministry had issued instructions to the Ministries for reviewing periodically all the audit objections pertaining to them. *The Committee deplore very much this state of affairs. They desire to be informed of the results of the instructions issued by the Ministry in reducing the number of audit objections. They understand that some of these date back to 1945-46 and their clearance appears to have been delayed without adequate reason or justification. They strongly feel that any further delay in their settlement is likely to lead to the continuance of such irregularities.*

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\*Appendix I, Volume II.

†Not printed.

## Outstanding Recommendations\*

### SEVENTH REPORT (SECOND LOK SABHA)

#### *Purchase of Chancery Building, Para 83.*

64. *The Committee feel that the Ministry's note (Appendix V, Volume II) confirmed the observations of the Public Accounts Committee (1956-57) as made in para. 61 of their Twenty-third Report that the Ministry of Finance accorded the sanction for Rs. 7½ lakhs for the purchase of the building in question without being in possession of relevant facts regarding title to property, etc. They are of opinion that Government were persuaded to buy a property, which was encumbered by a minor's claims and which also substantially differed from the description in the original sale offer in the matter of a vacant piece of land. They feel that the payment of such a high commission as Rs. 1,36,060 to the Bank, which acted as a middleman, was also unauthorised.*

#### *Control over grant-aided bodies, Para. 176.*

65. The Committee of 1957-58 had desired that the Ministry of Finance should take up the question of control over grant-aided bodies and furnish a note to enable them to consider the matter in further detail. The Committee understand that the Ministry of Finance have called for the views of the administrative Ministries on certain aspects of this problem. *The Committee desire the Ministry of Finance (Department of Expenditure) to expedite the final decision in the matter.*

## REHABILITATION FINANCE ADMINISTRATION

### **Para. 21 of Audit Report—General Review of the Working of the R.F.A.—Sub-para. (2).**

66. The accounts of the Rehabilitation Finance Administration for the year ended 31st December, 1957 showed a loss of Rs. 3·76 lakhs and the total loss suffered by the Administration from 1948 till 31st December, 1957 amounted to Rs. 168·26 lakhs.

The total debit balances against the loanees on account of principal and interest as on 31st December, 1957 were Rs. 834·55 lakhs and Rs. 131·98 lakhs respectively out of which the amounts of overdue instalments of principal and interest were Rs. 374·71 lakhs and Rs. 106·18 lakhs respectively.

From a note (Appendix VI, Volume II) furnished to them, the Committee learn that in the case of displaced persons from West Pakistan, according to an estimate framed by the Rehabilitation Finance Administration in 1955, a sum of Rs. 4·13 crores was expected to be realised from compensation claims of the loanees. A test

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\*Appendix I, Volume II.

check of actual realisations against the amount expected to be recovered was carried out by the Chief Administrator, R.F.A., at the instance of Audit in 20 per cent. (about Rs. 20 lakhs) of the amount already recovered and credited to the Administration by the A.G.C.R. It was stated that the progress of recovery was found to be not less than the estimated figure. A sum of Rs. 187·37 lakhs was realised up to 30th June, 1958.

In accordance with the recent decision of the Ministry of Rehabilitation, R.F.A. dues could also be adjusted out of the compensation claims of friends and relations of the borrowers. In several cases of borrowers R.F.A. realised the dues in cash also. The position regarding the recovery of loans in respect of this category of loanees (*i.e.* those holding compensation claims) was, therefore, stated to be satisfactory.

*The Committee would like to watch the progress made in the recovery of the balance of loans outstanding against the loanees from West Pakistan through subsequent Audit Reports.*

*Ineffective Guarantors—sub-para. (3).*

67. Under Section 13(6) of the R.F.A. Act, 1948 the Administration is authorised to take such security for any loan, as it may consider necessary in addition to the mortgage of assets created by the loan in terms of section 13(5) of the Act. Accordingly, loans are advanced mainly against personal security and the security of guarantors. But the credentials of the guarantors are stated to be seldom verified independently by the Administration, which usually accepts either the statement of the party about the guarantors' financial worth or the affidavit given by the guarantors themselves declaring their financial position. In many cases, the so called guarantors turned out to be 'nothing but mythical persons'.

68. In evidence, explaining the reasons why the guarantors were not able to fulfil their guarantees, the representative of the Administration stated that the Administration's main task was to rehabilitate the displaced persons and so it had to accept whatever guarantee and financial backing could be got from the guarantors. As the guarantors themselves were displaced persons in many cases, they were not able to fulfil their guarantees.

The Committee, however, understood that the amount outstanding in cases where the guarantors turned out to be 'mythical persons' was Rs. 39,114 upto 31st December, 1957. Recovery against the principal borrowers in these cases was being pursued through the Collector of the District concerned.

*While the Committee recognise that the primary object of the Administration is to assist in the rehabilitation of displaced persons without sufficient means to furnish adequate security, they see no reason why the credentials of the guarantors could not be verified independ-*



ently by the Administration in order to ensure the physical existence of the guarantors and to assess the real value of the guarantee offered. The Committee would stress that the responsibility for the non-verification of the guarantees and of the properties mortgaged should be fixed and action taken against the R.F.A. officials responsible for such lapses on their part.

*Untraceable loanees and guarantors—Sub-para. (4).*

69. Out of about 12,000 loanees about 100, against whom a sum of over Rs. 7 lakhs was outstanding on account of principal and interest, are stated to be untraceable. In a number of cases their guarantors were also untraceable.

70. In evidence, the representative of the Administration stated that these loanees and guarantors were mainly displaced persons from East Pakistan who had not settled at one place. The Administration had to depend on the report of its field staff. The local people also did not co-operate with the field staff in giving correct information regarding the whereabouts of such loanees and guarantors. It was, therefore, difficult to trace them. However, the number of both loanees and guarantors who were untraceable had come down to 85 on 31st December, 1957.

71. The Committee in para. 125 of their Seventh Report had desired to be informed of the various steps so far taken by the Administration in either tracing the loanees or their guarantors. In a note submitted to them (Appendix VII, Volume II) the Administration has stated the various steps which are generally taken by the R.F.A. in tracing out the untraceable loanees and/or guarantors. As a result of efforts made by the Administration out of 142 cases in the Eastern Region where loanees and or guarantors were untraceable as on 31st December, 1956, in 57 cases borrowers and/or guarantors were located upto 31st December, 1957. But the amounts realised from them during the year ended 31st December, 1957 were Rs. 2,496 and Rs. 8,374 only on account of principal and interest respectively. The amount outstanding against 85 loanees and/or guarantors, etc. who were still untraceable was Rs. 7.09 lakhs on 31st December, 1957.

The above figures disclose a very unsatisfactory picture in so far as the recovery of these loans is concerned. The Committee have already referred to this in para. 126 of the Seventh Report (Second Lok Sabha). They would reiterate here that unless action is taken to devise suitable measures to effect the recoveries, there is risk of their becoming irrecoverable.

*Loans advanced in spite of adverse reports by the local authorities/ State Government or Field Staff—sub-para. (5).*

72. In order to ascertain the financial position, business experience, reputation and eligibility of the applicants for loans, the Administration

causes investigation to be made through its officers on spot or through the local authorities. In some cases the Administration sanctioned loans in excess of amounts recommended by the field staff or contrary to the advice or recommendations of local authorities. In a few such cases, the loanees and guarantors were reported to be untraceable. The Administration also did not record the reasons for disregarding the recommendations of the men on the spot or the local authorities in cases where the Administration for good reasons felt it necessary to disregard such recommendations.

73. In evidence, the representative of the Administration stated that the ultimate decision to sanction the loan in each case was taken by the Administration itself after taking into consideration the statement and other supporting documents submitted by the applicant himself and the reports of the Deputy Commissioner and/or the local authority and the field staff. It was, however, admitted that in some cases where the loans were sanctioned against the advice of local authorities or field staff, the Administration sustained losses. The Committee learn that in cases where the recommendations of the Branch of the R.F.A. or State Governments have been disregarded, reasons for doing so are now being recorded.

*The Committee desire that the cases in which loans were sanctioned by the Administration in disregard of the advice given by local authorities or their own field staff and which consequently landed the Administration into financial losses should be investigated and responsibility fixed.*

*Omission to incorporate important terms and conditions in the letters of sanction of loans—Sub-para. (6).*

74. In a number of cases, the terms and conditions under which loans were sanctioned by the Administration had not been incorporated in the letters of sanction and therefore, certain essential securities such as mortgage of property, parties' own investment, etc. had not been demanded before disbursement of the loan amounts. A few examples pointed out by Audit are given below:

Serial No.	Loan Account No.	Date of the Advance	Sanctioned Amount (Rs.)	Conditions
1	95	18-1-1949	8,000	1. The party shall invest Rs. 4,000.
2	10,806	27-1-1954	10,000	2. Mortgage of immovable properties which were worth about Rs. 12,000.
3	10,743	29-1-1954	7,000	3. Mortgage of immovable properties in the Indian Union which were worth about Rs. 7,600.
4	12,306	2-12-1954	7,002	4. The party shall invest Rs. 3,000.

75. In evidence, it was stated by the representative of the Administration that these cases came to notice for the first time only when Audit pointed them out. As the officer responsible in the Administration for the omissions in these cases had since died, no action could be taken in the matter.

The Committee learn that the terms and conditions including one regarding parties' own investment on which loans are sanctioned are now being properly included in the letters of sanctions issued to the applicants. Internal Audit has now been arranged to check up all the loans deeds to find out cases in which the prescribed conditions had not been fulfilled. *They would like to be apprised of the result of the investigation made by the Internal Audit and the measures devised by the Administration to tone up its internal working.*

*Irregularities in the Administration of loans and recovery proceedings sub-para (8)*

76. The Committee also considered some of the cases described in Appendix X of the Audit Report (reproduced as Appendix VIII, Volume II) which were illustrative of the irregularities that had occurred in the grant of loans and recovery proceedings. All these instances indicate that the officers responsible for the sanction of loans did not conduct proper verification of the guarantees and of properties mortgaged against loans before payment. Disregard of these elementary safeguards exposed the Administration to serious financial losses. Expeditious action to recall the loans and to intimate the Collector the recoveries due was also not taken even when the loan was not utilised by the loanee for the purpose for which it was intended or the instalments due remained unpaid. Cases of default referred to the Collector were stayed again and again and efforts made by the Administration to compromise with the loanees proved ineffective. In a number of cases, the loanees were found to have frittered away their assets before the process of recovery through the Collector could be started. *The Committee could not get any satisfactory answer for not taking action promptly. They called for further information in respect of some of these cases which is still awaited. They desire that this information be furnished without further delay. They are concerned at the unbusiness-like manner in which the Administration is conducting its affairs and would suggest that Government should look into this before it becomes too late.*

*The Committee are surprised as to why the officers representing the Central Government on the Board of the Administration did not bring these irregularities to the notice of Government. It was their duty to report to Government where they had any doubts about the propriety of any transaction, so that Government could take timely action to set things right. A few more cases have come to the notice of the Committee where Government representatives on such*

*Boards failed to warn Government in time regarding the unwise activities or investments etc. of such Boards. They trust that Government will impress upon their nominees on autonomous bodies this important aspect of their duties.*

*Under-charge of rent from officers of R.F.A.—Sub-para (9)*

77. The Rehabilitation Finance Administration charged from its officers the rent for hostel accommodation allotted by the Estate Officer at the rate of 10 per cent of their emoluments instead of at the full standard rate under rules framed by Government which were also adopted by the Administration. This resulted in an under-charge of Rs. 4.325 upto 31st December, 1954, the date on which the mistake was rectified.

The representative of the Ministry stated in evidence that there was a mistake in this case inasmuch as the orders issued by the Central Government in this behalf were not quite clear. But it had now been set right. However, it was not possible to recover the amount undercharged from the officers concerned as the concession was given according to the orders of the Government.

*The Committee trust that Government would issue standing instructions regarding the recovery of rent from the employees of all State Undertakings, autonomous bodies, etc. who are allotted Government residences, if not already done.*

### Outstanding Recommendations\*

#### SEVENTH REPORT (SECOND LOK SABHA)

#### *Provision for Bad and Doubtful Debts*

78. In para 128 of their Seventh Report, the Committee expressed their concern over the mounting rise in the bad and doubtful debts of the R.F.A. The Administration was stated to be devising in consultation with the Comptroller and Auditor-General a suitable formula for calculation of bad and doubtful debts.

From a note (Appendix IX, Volume II) furnished to the Committee, they learn that for assessing the quantum of bad and doubtful debts for which provision was required to be made in R.F.A.'s annual accounts, instructions had been issued by the Ministry of Finance to R.F.A. under Section 19 of the R.F.A. Act, 1948 in consultation with Audit that each loan account should be scrutinized and debts classified on the basis of security in each case. Accordingly, each advance has been\*\* scrutinised and classified under various

\*Appendix I, Volume II.

\*\*PP. 6-7, R. F. A. Ninth Annual Report.

heads so as to show amounts (i) secured fully or in part by tangible security, (ii) secured fully or in part by the guarantee of third parties and loanees' business assets and (iii) secured fully or in part by loanees' business assets only. The amounts not so covered are classified as bad and doubtful debts. The R.F.A. had also finalised the methods for valuation of securities and other details for implementing this in consultation with Audit.

The Committee note that at the close of the year 1956, bad and doubtful debts were to the tune of Rs. 88·88 lakhs, whereas the figures of such debts rose to Rs. 92·26 lakhs at the end of the year 1957, according to the new classification. On the other hand, the loans outstanding decreased from Rs. 10·33 crores in 1956 to Rs. 9·67 crores in 1957. Thus the percentage of bad and doubtful debts has increased from 8·6 in 1956 to 9·6 in 1957.

*The Committee view with much concern the rising trend of bad and doubtful debts in the Administration. They would reiterate their earlier recommendation that the R.F.A. should give its most serious consideration to this aspect and take suitable measures by reviewing the loan accounts periodically in the light of the information furnished by their field staff.*

## INDUSTRIAL FINANCE CORPORATION

### Outstanding Recommendations\*

#### I. FIFTEENTH REPORT (1954-55)

##### *Rules under Section 42 of the I.F.C. Act 1948*

79. The Committee in para 103 of their Fifteenth Report (First Lok Sabha) recommended that Government should take early action to frame Rules under Section 42 of the I.F.C. Act and lay them on the Table of the House. The Committee were informed that the Rules under Section 42 of the Act, called "The I.F.C. Rules, 1957" had already been framed. It was, however, contended that under the I.F.C. Act, the Rules were not required to be laid before Parliament. On the attention of the representative of the Ministry being drawn to an assurance given in Lok Sabha by the then Minister of Revenue and Defence Expenditure on the 28th July, 1955 regarding these rules being laid on the Table of the House, the representative of the Ministry agreed to lay such rules on the Table of Lok Sabha. These rules were accordingly laid on the Table of Lok Sabha on the 5th March, 1959 (The rules had already been laid in Rajya Sabha in pursuance of a similar assurance).

*The Committee are of opinion that all rules and regulations framed under any enactment should be laid before both the Houses of Parliament.*

\*Appendix I, Volume II.

## II. SEVENTH REPORT (SECOND LOK SABHA)

### *Informing Parliament about guarantee given by Government which involved a contingent liability on the Consolidated Fund of India.*

80. The Committee in para 133 of their Seventh Report (Second Lok Sabha) observed that unlike U.K. the Parliament in India was not informed about the nature and the amount of guarantee given by Government which involved a contingent liability on the Consolidated Fund of India.

81. In evidence, it was stated that the Budget Division of the Ministry of Finance (Department of Economic Affairs) had taken up this matter with Audit regarding the form in which this information should be reported to Parliament. *The Committee would, in the meantime, urge the Government to expedite their decision in the matter.*

### *Payment of terminal leave salary to the Managing Director—paras 134-135*

82. The Public Accounts Committee (1957-58) had desired that the question as to whether the sanction of the Central Government was necessary to the payment of the terminal leave salary for six months to the former Managing Director of the I.F.C. under the terms of his appointment in accordance with the provision of the I.F.C. Act, 1948 be referred to the Attorney General for his opinion and advice.

According to the opinion (Appendix X, Volume II) of the learned Counsel, the amount of Rs. 21,000 being the equivalent of 6 months salary which was paid to the Managing Director in substance as cash compensation for leave not enjoyed by him was neither a salary nor an allowance within the meaning of section 9(d) of the Act [as it then stood before its repeal by the Industrial and States Financial Corporations (Amendment) Act, 1955] and the payment of that would not, therefore, require the approval of the Central Government under that sub-section.

83. In evidence, the Committee were informed that according to the revised draft service regulations of the I.F.C., such cases would not arise in future.

*The Committee would suggest that Government should issue suitable instructions in this behalf to other public undertakings—State Corporations etc. also so as to bring the service rules/regulations, etc. in conformity with those applicable to persons in Government Service.*

*Review of loan accounts—para 139*

84. In para 139 of their Seventh Report the Committee had suggested that with a view to bridging the gulf between the amount of loans sanctioned and the loans actually availed of, Government should examine the various stages laid down by the Corporation right from the stage of receipt of applications till the actual payment of the loan and see what improvements could be effected.

*The Committee understand that this matter is still under consideration of the Ministry of Finance in consultation with the Corporation. They would emphasise the need for an early examination of this case.*

*Infructuous expenditure in the launching of the project for the building of the Corporation Offices*

85. In para 143 of their Seventh Report (1957-58) the Committee desired that Government should investigate the matter with a view to fixing responsibility for the launching of the project for the building of the Corporation Offices which had resulted in an infructuous expenditure of Rs. 2 lakhs and report to them the steps taken to effect recovery thereof.

86. In evidence, the Chairman, I.F.C. stated that the Board of Directors of the I.F.C. was responsible for both the decision for launching the project and later on abandoning it. The decisions of the Board of Directors including representatives of the Ministry on the Board were unanimous in this regard. It was urged that when the first decision to construct the building was taken on 8-10-1949, it was estimated to cost about Rs. 36 lakhs. But owing to subsequent additions and alterations suggested therein, the cost was expected to go up. The lowest tender received for the construction of the building was Rs. 64 lakhs. The Corporation decided to abandon the Project as the cost was too high.

*From a note\* furnished it is obvious to the Committee that the Corporation could have easily avoided all this labour and the infructuous expenditure of Rs. 2 lakhs with a little foresight.*

*The Committee regret to note that in spite of their recommendation in para 143 of their Seventh Report (Second Lok Sabha) they have not yet been informed of the result of the investigation into this matter with a view to fixing the responsibility for the loss and the steps taken to effect recovery thereof. They would stress that this matter should be attended to urgently.*

*Sodepur Glass Works case—para 148*

87. In para 148 of their Seventh Report (Second Lok Sabha), the Committee desired to be informed of the final outcome of the

\*Not printed.

action taken against the guarantors for making good the loss of about Rs. 50 lakhs sustained by the Corporation in their deal with the Sodepur Glass Works which had been written off. The Committee understand that the Corporation, having failed to come to a satisfactory out-of-court settlement with the guarantors, have filed a suit against the guarantors and the Company in the Calcutta High Court on 19-9-1958.

*The Committee should be informed of the final outcome of the Corporation's action against the guarantors, etc.*

## MINISTRY OF FOOD & AGRICULTURE

### I. DEPARTMENT OF AGRICULTURE

#### Audit Report (Civil), 1957

##### *Payment of grants-in-aid in excess of requirements—Para 30, Page 35*

88. According to Audit, Rs. 21,20,300 were paid to the Indian Council of Agricultural Research for various research schemes which terminated between 1946 and 1950. The Council remitted Rs. 16,39,226 to the various agencies for conducting research on approved schemes. Statements of expenditure, incurred by them were still wanting in many cases. Out of the balance of Rs. 4,81,074, a sum of Rs. 4,37,362 had since been refunded and the balance either utilised or retained for settlement of old debits. After the termination of the schemes, the research agencies had, however, not asked for additional funds. As regards the grants drawn during 1952 to 1955, either unspent balances had been refunded or awaiting refund pending receipt of audit certificates.

89. In evidence, the Committee were informed that grants were paid to the State Governments for various schemes, the accounts of which could not be received unless the schemes terminated. But in the present case, Rs. 4,37,362 had already been refunded to Government. From a statement\* furnished to them, the Committee notice that this amount was refunded on various dates between the 26th July to 18th October, 1957. *The Committee observe that the provisions of Rule 207(2) of General Financial Rules, Vol. 1, according to which only so much amount of grants should be drawn as was required during a year, were not followed. Further grants were continued to be paid without verifying whether the grants already paid had been fully utilised.*

As regards non-submission of accounts of various schemes by the State Governments, the representative of the Ministry observed that in case the accounts were not received within a year after the end of

\*Not printed.



the financial year, further grants would be stopped. In reply to a question, the Committee were informed that it was not, however, being adopted in actual practice.

From a note\* furnished to them, the Committee note that the audit of the accounts of the schemes under the control of various State Governments was not taken up by the State Accountants General concerned immediately after the close of the financial year. In a number of cases, they were unable to submit the audit certificates by December (as scheduled) as the State Governments were unable to supply them information in regard to the apportionment of expenditure between them and the I.C.A.R. according to the conditions governing the Council's grants. While it would be desirable to attach certain conditions to the sanction in order to ensure the timely submission of accounts and audit certificates thereon, the Ministry felt that one year was too short and it should be two years instead. In other words, this would mean that in respect of schemes in operation during the year 1959-60, audited accounts should be available by the year 1961-62.

*While the Committee are inclined to agree in principle to this suggestion of the Ministry, they desire that it should be examined in consultation with the Comptroller and Auditor General. In the meantime, they desire that the Ministry should impress on all concerned the necessity of finalising the accounts quickly and submitting the same to the I.C.A.R. for scrutiny.*

90. With regard to short payments against the sanctioned grants during the years 1952 to 1955 as mentioned above, the Committee were informed that they were due to late starting of the schemes. *The Committee, however, feel that such an explanation could be valid for the first year and not for subsequent years.*

*The Committee are glad to learn that the suggestion made by them to place at the disposal of the I.C.A.R. a lump-sum as grant-in-aid which will be used as a permanent revolving fund instead of annual grants-in-aid by Government, has been accepted by the government. Apart from eliminating the question of surrender of unspent balances, it will ensure continuity and better utilisation of available funds. The Committee, therefore, desire that the initial constitution of this scheme should be worked out in consultation with the Ministry of Finance and Audit. With the establishment of a permanent Fund, the I.C.A.R. will not be required to issue yearly sanctions for purposes of drawal of grants-in-aid before the close of the financial year.*

91. *Another suggestion which the Committee commended to the Ministry was the desirability of placing at the disposal of the State*

\*Not printed.

*Governments in the first instance, 25% of the amount sanctioned by the Government of India for various Schemes and releasing the balance of the amount subsequently when it was proved to the satisfaction of I.C.A.R. and other such bodies that the grantee had actually the capacity to spend on the schemes concerned. The Committee are glad to learn that the Ministry are inclined to accept it. They desire that early action should be taken to translate this into action.*

*The Committee hope that these changes should go a long way in resolving the present difficulties facing the I.C.A.R. on account of the non-utilisation of funds by the State Governments or their non-surrender within the prescribed time limit.*

### **Appropriation Accounts (Civil), 1955-56, Volume VII**

*C.T.O.—Government Capital Accounts, Note 9, Page 108, Grant No. 123*

92. Audit has reported that total withdrawals from the Treasury upto the 31st March, 1956 taken into *proforma* account exceeds the accounts figures by Rs. 50.12 lakhs and the cash remittances into the Treasury, credit book adjustments, etc. included in the *Proforma* Accounts upto that date are less by Rs. 8.97 lakhs as compared with the accounts figures. The difference of Rs. 59.09 lakhs remains to be reconciled.

The Committee note that the unreconciled figures had been reduced to Rs. 2,46,000 at the end of 1956. While they would like to know the latest position in this regard, they are of opinion that if figures are not reconciled regularly, losses and shortages will go undetected for a long time until it becomes too late to take action. *They, therefore, stress the need for timely reconciliation of figures.*

*Transfer to the Fund for the benefit of Cotton Growers, Nos. 8, page 43, Grant No. 43*

93. It was explained to the Committee that the object of the Fund was to bring the largest possible acreage under the improved varieties of cotton. The fund was administered by the Ministry of Commerce and Industry.

The Committee desired the Ministry to examine in consultation with the Ministry of Commerce and Industry and furnish a note regarding the feasibility of administering the Fund by the Ministry of Food and Agriculture and continuation of the same with larger grants year by year to increase the production of long staple cotton in the country.

From a note\* furnished to them the Committee observe that the present utilisation of the Fund was by and large confined only to the

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\*Not printed.

development of medium and long staple cotton cultivation which was the primary concern of the Ministry of Food and Agriculture. The Fund was, however, also meant for utilisation for price support, in case prices of indigenous cotton went below the floor prices, which concerned the Ministry of Commerce and Industry.

*The Committee are glad to learn that the Ministry of Commerce and Industry, who were consulted in the matter have agreed to transfer the Fund to the Ministry of Food & Agriculture on the understanding that in case price support became necessary in future, the demand for finances for that purpose would be met from this Fund. The Ministry of Food & Agriculture have also no objection to the Fund being transferred to its control. The Committee, therefore, trust that on this basis the Ministries will go ahead with the implementation of this suggestion.*

### **Outstanding Recommendations\***

#### **SEVENTH REPORT (SECOND LOK SABHA)**

*Wasteful expenditure on air freight, Paras 150-152*

94. *The Committee desire that the Ministry of Finance should make specific provisions in the existing rules on the subject in respect of air-lifting of stores in emergencies and a serious view should be taken of cases in which officers violated these provisions.*

*Unnecessary purchase of machinery, Paras 162-163.*

95. *The Committee would like to be informed whether the target date viz. 31.12.1958 prescribed for the disposal of the entire lot of stores in the Central Tractor Organisation so far declared surplus had been adhered to.*

*Disposal of non-tractor parts as are not required for use in the C.T.O.,  
Para 164*

96. *The Committee desire that while assessing the profit or loss in the disposal of non-tractor parts as were not required for use in the C.T.O.; Government should also take into account the element of interest on the capital spent in purchasing them.*

## **II. DEPARTMENT OF FOOD**

### **Audit Report (Civil), 1957**

*Loss of Government dues owing to failure to pursue claims, Para 32(a), Pages 35-37*

97. *During 1947 nine ships were chartered from a shipping company for the carriage of foodgrains from a foreign country to India.*

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\*Appendix I, Volume II.

The responsibility for the final settlement of dollar claims arising out of these shipments devolved upon the India Supply Mission. For the first time, in October, 1948 the Embassy in that country informed the Mission that an amount equivalent to Rs. 1,696:86 was due from the company on account of damage to grain in one of these shipments. No action appeared to have been taken by the Mission for the recovery of that amount at that stage. In April, 1959 the Embassy informed the Mission, that the total amount due from the Company on account of damage and short delivery of grain in India in December, 1947 was Rs. 1,12,428.47. By that time, however, the claim had already become time-barred. On that claim being presented to the company in November, 1950 by the Mission the former, however, gave an assurance that an immediate investigation would be made.

The shipping company was reorganised in 1952. At the time of the reorganisation proceedings an order was passed by a court of that country on the 23rd February, 1952 requiring every creditor of the company including the Mission to appear in court on the 18th April, 1952 and show cause in support of claims. A copy of the court notice was sent to the address of the Mission and the notice was also published in the Legal Bulletin. But no action was taken by the Mission to present its claim in the court on the appointed date. In March, 1953 the shipping company brought the delay in settlement of some of its own claims against Government to the notice of the Ambassador. A review conducted by the Mission at that stage revealed that, after adjustment of the Company's claims, an amount equivalent to Rs. 1,62,341 (inclusive of the amount mentioned above) was due to Government from the company. The legal adviser, however, pointed out in October, 1953 that all claims against the company had become time-barred owing to the failure of the Mission to prove its claims during the reorganisation proceedings.

98. In evidence, the representative of the Ministry of Works, Housing & Supply admitted the failure of the Supply Mission in not taking timely action. The person who was responsible for this was a local recruit and had since resigned his job. *The Committee considered this explanation as unsatisfactory. They desired that the Secretary, Ministry of Works, Housing and Supply should look into the case himself by calling for the relevant papers from the Mission and furnish a comprehensive note to the Committee. The Committee understand that the Ministry have called for the original papers from the Mission. They would like to have the note early.*

*The Committee learn that according to a recent legal opinion, the claims could still be pursued with the firm and accordingly the Mission was holding further discussions with the firm and had asked for 6 months' time to finalise the same. The Committee would like to be informed of the outcome of these discussions.*

*Loss of Rs. 86,762 owing to the failure to pursue claims, Para 32(b), Page 37*

99. Similarly, in seven other cases claims on account of despatch/demurrage money and other miscellaneous dues were not properly pursued with the result they became time-barred and had to be abandoned, the total loss involved being Rs. 86,762/-.

*The Committee feel that failure to pursue claims is a chronic disease with the Mission. They are amazed at the explanation of the Ministry that these were old cases relating to 1947-48. The Committee regard it as highly unsatisfactory that the officers responsible in the Mission should have acted in this light-hearted manner without realising the financial implications thereof. Considering the number of cases, and their quick succession, the Committee are led to the impression that lack of control from the Ministry had led the Mission to act as it chose. The Committee, therefore, desire that the Ministry should review the working of this Mission in this background and take all steps necessary to ensure that it acts in a business-like manner in purchases abroad.*

*In this connection, the Committee had desired to be furnished with a note indicating when and in what manner the Ministry had expressed their dissatisfaction against the officers concerned in the Mission. The Committee understand that the Ministry have called for the original papers from the Mission. They, therefore, defer consideration of this case till they receive the note.*

*Failure to pursue a claim for Rs. 23,809.50 Para 32(c), Page 37*

100. An amount equivalent to Rs. 34,208.80 accrued to Government on account of despatch money earned at the port of discharge in connection with the transportation of cargo of foodgrains from a foreign country to India in a vessel chartered in London in April, 1947. The discharge of cargo in India was completed by the end of July, 1947. The Legal Adviser of the Mission recommended acceptance of a compromise offer of Rs. 23,809.50 from a vessel's agents on account of despatch money made in September, 1950. No action was, however, taken by the Mission till May, 1954 to accept the compromise offer. By that time the claim became time-barred and the agents repudiated their liability in the case.

*It was explained to the Committee that the Minister in the Mission thought that nobody else beyond one foreign recruit (who had since resigned from service) could be held responsible for the lapse. The Committee, however, desired to be furnished with a note stating the Ministry's findings after the study of the case at their end and the disciplinary action taken or proposed to be taken against the officials at fault. In this case too, the Committee understand, the Ministry have called for the original papers for a fresh appreciation of the position to determine whether any other officer could be held responsible in any*

*manner, and if so, whether suitable action should be taken against him. The Committee have agreed to the request of the Ministry for a period of 3 months to submit a final note, duly vetted by Audit.*

### **Appropriation Accounts (Civil), 1955-56, Vol. VII**

*Trading loss on sale of rice, Note 5, Page 82, Grant No. 45*

101. Early in 1955, Government had a stock of about 15 lakh tons of rice. In view of the fall in the open market-prices of rice, these stocks had to be disposed of at prices lower than the economic cost resulting in loss, estimated early in 1955 to be of the order of Rs. 45 crores.

The losses written off in 1956-57 and in the following years are as below:—

1956-57	Rs. 3 crores.
1957-58 (Revised Estimates)	Rs. 3 crores.
1958-59 (Budget)	Rs. 3 crores.

102. In evidence, it was stated that the Central Government had decided to take over the stocks of rice as a result of decontrol of rice all over the country. Government had to bear the loss as the prices went down.

*The Committee, however, did not feel satisfied with the explanations given by the Ministry. They wanted to have a detailed note indicating whether the entire loss was unavoidable and Government could not have delayed the disposal of the stock when the market was falling. This note is still awaited.*

*Outstanding Advances, Audit comments, Page 98 Note 2, Grant No. 122*

103. *The Committee note that detailed accounts of foodgrains amounting to Rs. 10.16 crores purchased are still awaited by the Pay and Accounts Officer. They would like the submission of accounts to be expedited.*

### **Outstanding Recommendations\***

#### **FIFTEENTH REPORT (FIRST LOK SABHA)**

*Loss on the purchase of condensed milk, para. 49*

104. *The Committee desire the Ministry to inform them of the latest position in regard to final action taken in the matter.*

\*Appendix I, Volume II.

## MINISTRY OF HEALTH

### Appropriation Accounts (Civil), 1955-56, Volume VIII, Grant No. 124—Capital Outlay of the Ministry of Health

*National Water Supply and Sanitation Programme, sub-head B. 1(2), Page 32, Note 7, Page 33*

105. According to Audit, in the First Five Year Plan, a sum of Rs. 18 crores (12 crores for loans and 6 crores for grants to State Governments) was allocated for the National Water Supply and Sanitation Schemes. Rs. 4.5 crores were provided during 1955-56 in the absence of any concrete data, merely because it represented the unspent balance of the allocation for the First Plan period. Out of the provision of Rs. 4.5 crores, a sum of Rs. 1,89,49,167 only was utilised. *The Committee deplore the routine manner in which provision was made in the budget in this case.*

#### Grant No. 48—Public Health—Central Research Institute, Kasauli

*Financial results of the manufacture of vaccines, sera etc., Page 23*

106. According to Audit, a sum of Rs. 5,40,936 was outstanding for recovery on the 31st March, 1956 and some of these outstandings related to the year 1953-54. These outstandings were reported to be over 50 per cent of the sales.

In evidence, the Committee were given to understand that all the debtors were State Government Departments. The Ministry had sent them repeated reminders but without any effect.

*The Committee would suggest that Government may consider the possibility of setting off these dues against the grants due to the States concerned for subsequent years.*

#### Audit comments (ii) page 25, and para 79 of the 16th Report

107. According to Audit, the vaccines and sera had been valued on an *ad hoc* basis at the Central Research Institute, Kasauli. The actual costs were not being worked out with the result it was not possible to compare whether the *ad hoc* value had any relation to actual costs.

In para. 79 of their Sixteenth Report, the Public Accounts Committee (1955-56) had desired that Government should prepare manufacturing trading and profit and loss accounts and balance sheet for the manufacturing side of this Institute, so that reliable and correct data was made available to ensure that the sale prices of vaccines, sera etc. were fixed correctly.

In evidence, the Committee were informed that the preparation of the manufacturing trading and profit and loss accounts and Balance Sheet of the Institute was in hand and as soon as the Assistant Accounts Officer, who had since joined the Institute, submitted his report, the Committee would be apprised of the progress made in the matter. *The Committee were given to understand that the principle of cost accounting would be applied to all the biological products manufactured at the Institute.*

*Financial Review of the working of the Medical Stores Depots and Factories in India, pages—47-58*

108. According to Audit, on the 31st March, 1957 the total outstandings against Government and non-Govt. Institutions for the supplies made by the various Medical Store Depots rose to Rs. 24,17,057 and some of these related to the years 1949-50 to 1953-54. This figure further rose to Rs. 28 lakhs on the 31st March, 1958.

*The Committee understand that Government proposed to appoint an Expert Committee to go into the question of closure of the Medical Store Depots. The Committee should be informed of the outcome of the Report of the Expert Committee, in due course, and also of the progress made in liquidating the heavy outstandings.*

*Eviction of a tenant from the premises of the Medical Stores Depot, Bombay—para. 181 of the Seventh Report*

109. The Public Accounts Committee (1957-58) had desired to be informed of the progress made in the eviction of a Bombay firm who had been occupying a portion of the Medical Stores Depot, Bombay in an unauthorised manner from 1951 onwards as also the rent and damages recovered from them for the period of such occupation.

The Committee understand that this case had since been entrusted to the Government Solicitors in Bombay who had filed two suits in the City Civil Court, Bombay—one for the recovery of rent and tax amounting to Rs. 16,273.46 for the period from 7-10-54 to 31-1-59 and the other for the recovery of rent and *halalkhore* tax for the period 1-10-51 to 6-10-54 amounting to Rs. 13,610.88.

*The Committee would like to defer further consideration of this case till they are informed of the outcome of these two suits.*

## MINISTRY OF HOME AFFAIRS

### Appropriation Accounts (Civil) 1955-56 Vol. IX

*Marine Department, Andamans—Stores, Page 23, Note 5, Grant No. 56—Andaman and Nicobar Islands*

110. Physical verification of stores in the Department had not been completed. The closing balance had been increasing from year to



year which showed that the purchases of stores were not properly planned. Further stores valued at Rs. 45,000 which had been declared surplus, were still awaiting disposal.

It was explained to the Committee that a reserve limit of stock at Rs. 12 lakhs had been prescribed in January, 1958; but taking into consideration the value of stores issued annually (Rs. 9 lakhs), the reserve stock limit was reduced to Rs. 10 lakhs. Instructions had been issued to the Administration to restrict the stock to this limit and the surplus stores were being disposed of.

*In this connection, the Committee would recall their observations contained in para. 187 of their Seventh Report (Second Lok Sabha). They desire to reiterate that the stores should be limited to the prescribed limits and surplus disposed of quickly. They would also urge the need for the setting up of a better machinery for regular stock verification and disposal of surplus stores.*

*Forest Department, Andamans, page 57, Grant No. 56—Andaman and Nicobar Islands*

111. In order to improve the exports from Andamans and to eliminate wastage of timber (which was at present 30 per cent of the produce) Government, it is reported, had set up a seasoning and treatment plant there.

From a note\* furnished to them, the Committee observe that there is little demand for seasoned timber in the local market at present. Under the circumstances, the Committee are at a loss to understand the justification for constructing the seasoning kiln. They would like to know the expenditure involved in its construction.

As regards royalty due from local contractors, the Committee understand that an amount of Rs. 2,86,043·88 is outstanding against a company at present. This, however, does not include royalty on hard/ornamental woods exported as the same has not yet been finalised. *The Committee would stress the need for finalising the amounts of royalty due from the Company on these woods at an early date and also realising the arrears due from other contractors.*

*The Committee would also invite attention to para 186 of their Seventh Report (Second Lok Sabha) in which they had suggested that the proforma accounts of the Forest Department should be recast in consultation with Audit after taking into account the sale proceeds of the stock of timber since disposed of. But they regret to observe that the Ministry have not reported to them any developments in this connection.*

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\*Not printed.

*Government Dairy Farm, Andamans, Note 6, Pages 24 & 53-55*

112. Physical verification of stock was not conducted during the year under report and the balance sheet as on 31st March, 1956 was not prepared. A loss of Rs. 23,057 was disclosed in the working of the farm for the year 1955-56.

In evidence, the Committee were informed that the verification of stock had since been carried out and no discrepancy had been noticed. The balance sheet had also been prepared and furnished to Audit.

From a note\* furnished to the Committee, they observe that the establishment charges pertaining to the Government Dairy Farm for the years 1953-54 to 1957-58 as compared with the value of milk and milk products during these years were as follows:

Year	Establishment charges	Value of milk and milk products
1953-54	19,660	14,119
1954-55	19,880	19,791
1955-56	15,861	38,532
1956-57	17,166	36,557
1957-58	22,479	26,269

The increase in establishment charges during 1957-58 to the extent of Rs. 5,313/- as compared with the previous year was reported to be due to increase in the wages of labourers from Rs. 17/- to Rs. 30/- per month. On the other hand the value of milk and milk products produced during the year 1957-58 has registered a decrease of Rs. 10,288/- as compared with the year 1956-57 due to drought from January to middle of May, 1958. The disposal of debilitated and uneconomical animals, was completed upto the end of 1958 and a scheme for supply of water had since been started in November, 1958 and it was expected to be completed in 1960-61. The Committee consider that necessary steps should be taken to make the farm self-supporting.

*Shipping Department, Andamans, Pages, 24, and 71-77, Note 8*

113. The financial results of the running of "S. S. Maharaja" disclosed that excepting the year 1952-53, when there was profit, the shipping department was all along running at a loss mainly due to a marked fall in the income from freight on exports.

In evidence, the Committee were informed that while income from freight on exports had decreased there was a corresponding increase in

\*Not printed.

the passenger traffic. A Committee was appointed to go into the general working of the Shipping Department and its report was now under consideration by Government.

*The Committee desire to be furnished with a copy of this report and would like to know the action taken by Government on the recommendations contained therein. In their opinion, the increase in the passenger traffic may not be of permanent nature and it is, therefore, necessary for the Ministry to explore avenues of increasing the goods traffic.*

One of the reasons for the fall in goods traffic was stated to be the fall in the export of timber from Andamans since 1953-54. The Committee desired to know the steps taken by Government to improve the situation. From a note\* furnished to the Committee, they observe that the fall in export of timber was due to a slump in timber market in the Indian mainland, but conditions had improved since July, 1956. Recently the Forest Department had undertaken to meet the requirements of timber of the Indian Railways and Defence Organisation. *The Committee trust that Government will take all further steps necessary to push up the sale of timber.*

*Scheme for the supply of Consumer and other Stores in Andamans, Sub-head D. I. page 190 Grant No. 125—Capital Outlay of the Ministry of Home Affairs*

114. The profit and loss accounts of this scheme for the year 1955-56 revealed a net loss of Rs. 42,023. This was due to loss in the Trading account plus less revenue in respect of departmental charges owing to the low turn-over of business during the year while there could not be proportionate reduction in the overhead charges.

From a note\* furnished to the Committee at their instance, it is seen that during the years 1956-57 and 1957-58, the turn-over of business had registered an increase of 19.6 per cent and of 48.2 per cent, respectively compared to the year 1955-56. During the year 1956-57, the scheme resulted in a net profit of Rs. 32,323 as against a loss of Rs. 42,023 during the year 1955-56.

*The Committee understand that the main object of the scheme is to supply foodgrains to consumers at 'no profit and no loss basis'. They, therefore, trust that the Administration will not lose sight of this in its anxiety to cut down losses.*

## MINISTRY OF INFORMATION AND BROADCASTING

### Audit Report (Civil), 1957

*Contract without agreement, Para 33, pages 37-38*

115. The sole agency for procuring advertisements for 1954-55. for the Radio Journals 'Vani' and 'Vanoli' was entrusted to a firm,

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\*Not printed.

subject to a minimum guarantee of annual advertisement revenue of Rs. 60,000. No written agreement was executed and the stipulated security of Rs. 6,000 was not furnished by the firm. The firm did not remit the advertisement charges collected by it to Government for a long period and Rs. 14,165 were still (March, 1957) due from it. The minimum advertisement revenue of Rs. 60,000 guaranteed by it for the year 1954-55 was also not made good as the revenue actually collected by it was Rs. 18,510 only. But the agency was allowed to continue till March, 1955.

From a note (Appendix XI) furnished to them, the Committee found that the Ministry took a long time in finalising the draft agreement as they had to examine the consequences of the conversion of the firm into a limited company a few days before the agency agreement was to take effect. Even so, *the Committee could not appreciate why the firm was allowed to take up the work without the formal agreement. The representative of the Ministry stated in extenuation that the work was allowed to be taken up by the firm from the date fixed, as the Station Director was of opinion that the firm would fulfil the terms of the contract and any delay in allowing it to take up the work would have interrupted the issue of the journals.*

*The Committee are not satisfied with the explanation. While the delay in finalising the draft agreement was in itself regrettable, they feel that the authorities erred in allowing the firm to take up the work from 1st April, 1954 without signing the agreement or tendering the stipulated security deposits. According to the note (Appendix XI, volume II) furnished by the Ministry, the Director of Advertising and Visual Publicity who was consulted, observed that to his knowledge the firm in question was not in existence till 1950 and that he had no data regarding its standing or financial resources. In the face of this opinion, the Committee are surprised why the Ministry did not proceed with caution in this matter. The plea that had the work not been allowed to be taken up by the firm on the date already fixed, there would have been an interruption in the issue of journals (presumably because of the common ownership and management of this firm and the press where the journal 'Vanoli' was being printed) was untenable. In fact the issue of the journal was not interrupted when this press was subsequently sealed in pursuance of a court decree and stopped functioning.*

116. In reply to a question regarding the recovery of outstanding of Rs. 14,164/8/-, the representative of the Ministry stated that the firm had gone into liquidation and that no information was available regarding its assets. The matter was, however, being pursued in consultation with the Law Ministry. *The Committee would like to be informed of further developments in this regard.*

*Judging from the facts placed before them, the impression created on the Committee was that Government had gone out of their way in*

giving the contract to this firm. They, therefore, recommend that Government should institute a detailed enquiry into this case with a view to fixing responsibility.

### **Appropriation Accounts (Civil), 1955-56, Volume X**

*Losses, writes off, etc. Page 2, Note 3, Grant No. 62, Ministry of Information and Broadcasting*

117. Two clerks were promoted as Assistants in anticipation of the approval of the Ministry of Home Affairs which, however, did not approve of it. The clerks were reverted to their substantive appointments and the amount of Rs. 2,648 overpaid to them was written off by Government as the clerks drew the money in good faith, having performed the duties of the post.

It was explained to the Committee that the clerks were initially promoted for three months in short-term vacancies subject to the concurrence of the Home Ministry, as eligible and competent candidates were not available immediately. They, however, continued to work in those places and discharged their higher responsibilities for which they were paid the higher pay due. Consequently, there was really no loss of public funds as such.

*The Committee understand from Audit that these clerks worked as Assistants for about 22 months. If so, the Committee feel that the proper course for the Ministry was to have sought the concurrence of the Ministry of Home Affairs in time. They trust that the prescribed procedure will not be violated in such cases in future.*

*Physical verification of consumable stores at A.I.R. Stations, Hyderabad and Aurangabad, Note 5, page 11, Grant No. 63—Broadcasting*

118. No physical verification was conducted in respect of the consumable stores at All India Radio Stations, Hyderabad and Aurangabad. In respect of Aurangabad Station physical verification of assets also had not been conducted since 1952.

*The Committee were informed that physical verification had since been done. They, however, desired to be furnished with a note stating whether any irregularity had been detected and brought to the notice of Government at these stations. This note is still awaited.*

### **All India Radio**

*Financial Review by the Director General, page 12*

119. The Committee noticed that losses on the working of the A.I.R. (excluding Radio Publications) had increased from Rs. 99,21,659 in 1954-55 to Rs. 1,29,02,430 in 1955-56. It was urged by the representative of the Ministry that the accounts of A.I.R.

should be viewed after taking into consideration expenditure on developmental, external and plan publicity services (which according to the witness's own rough estimate, might be of the order of Rs. 20 lakhs per annum).

*The Committee would like to recall in this connection the observations made in para 193 of their Seventh Report (Second Lok Sabha). Even after allowing for this expenditure on external services the overall loss incurred on the working of A.I.R. is on the high side. In fact, it is continuously increasing. They, therefore, desire that the Ministry should explore all possibilities with a view to reducing the losses and report to the Committee the result of their efforts.*

As regards the suggestion of the Committee for grading the licence fee according to the number of valves in radio sets, *the Committee note that it was considered simpler to relate the gradation to the price of a set and not to the number of valves in it. They desire that early steps should be taken to implement this.*

#### *Radio Publications, Page 16*

120. The Committee regret to notice that the loss on the Radio publications had increased from Rs. 2,61,537 in 1954-55 to Rs. 3,51,339 in 1955-56. *They were given to understand that the Ministry were considering the question of discontinuing some of the journals. The Committee would like to be informed of the outcome of this proposal and the extent to which it had resulted in the reduction of loss on radio publications.*

#### **Outstanding Recommendations\***

*Anti-piracy campaign, Para 92 of the Sixteenth Report (First Lok Sabha)*

121. The Public Accounts Committee (1955-56) in para 92 of their Sixteenth Report had desired to know the final outcome of the proposal to provide a 'home service' to radio holders through the agency of the postmen and also how effective it had proved in checking unlicensed possession of radio sets.

It was explained to the Committee that the P. & T. Department was not willing to entrust these responsibilities to postmen who had also felt that it was not a part of their regular duties and that they should not be given this work.

*The Committee trust that the A.I.R. will think of other methods to control this problem. One method would be to warn the defaulters that if they did not make payment within a period of three months, they would be liable to pay an amount of penalty in addition to the licence fee due from them.*

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\*Appendix I, Volume II.

## MINISTRY OF IRRIGATION AND POWER

### **Serious omissions in cash accounts of an Office-Audit Report, 1957, page 38, para 34**

122. Departmental investigations into the cash accounts of an office held during 1954 to 1956 revealed that a number of transactions, both receipts and expenditure, aggregating Rs. 5,458 of which Rs. 158 represented non-Government dues received officially, had not been correctly brought to account during the period 1948 to 1954 and valid vouchers were not forthcoming for the expenditure. Local inspection, conducted by Audit subsequently, also confirmed these results except that a sum of Rs. 141 could not be verified for want of particulars. The cashier was suspended in May, 1954 and dismissed from Government service in March, 1956 and debarred from future employment under Government. He was also tried in a court of law. The responsibility of the supervising officers could not be assessed as the matter was *sub judice* and all relevant papers were with the court.

Explaining the reasons for not initiating departmental proceedings earlier in this case, the Secretary, Ministry of Irrigation and Power informed the Committee that as the records (which were in the custody of the court) mostly comprised of accounts books, it was difficult to make duplicate copies thereof. The judgment in this case was delivered on the 9th December, 1958 and the Ministry had already taken steps for obtaining the release of documents from the Court. A Special Officer had also been appointed to enquire into the case and to fix responsibility of the supervisory officers.

To avoid such situations in future and also to eliminate delay in instituting disciplinary action against delinquent officers, the Committee would invite attention to para 30 of their Fifth Report (1950-51) wherein they had suggested that whenever original documents were required to be filed in court, the Department concerned should invariably keep photostat copies of such documents as have got an important bearing on the disposal of the case involving disciplinary action against the officers. *They desire that the disciplinary action in this case against the supervisory officers concerned should be expedited.*

The Committee fail to understand how in this case the fraud of Rs. 5,458 which extended over a period of six years came to light only in 1954. In their opinion, these irregularities could have been detected earlier if the checks prescribed in the Central Treasury Rules and the C.P.W.A. Code had been carried out regularly by the officers in charge. *The Committee desire that necessary instructions may be issued to all concerned impressing upon them the need for conducting the prescribed checks regularly.*

### **Low utilisation of the earth moving machinery on the Hirakud Dam Project, Audit Report, 1957, pages 38—40, para 35.**

123. On the Hirakud Dam Project, machinery for earth-moving operations was procured at a cost of approximately Rs. 3.14 crores.

The purchases, made in the years 1949—1953, were arranged mostly by the Director General, Supplies and Disposals, on the basis of specifications supplied by the Project Authorities. A planned policy in indenting the machinery with particular reference to their effectiveness on the Project and ready and continuous availability of spare parts for the types in question, did not, however, appear to have been worked out. Also, the examination of the usefulness and condition of these diverse types of machines was not comprehensive. As a result, 102 machines purchased from the Disposals Organisation valued at Rs. 2,63,960 could not be put to use at all. These 'Disposals' machines were received in an unserviceable condition and some of them were uneconomical to operate even after repairs. At the same time, there were excesses and unwanted or unusable spare parts. While some machines lay idle for long periods due to non-availability of spares, other spares valued at Rs. 11 lakhs were declared as surplus to requirements. The Project Authorities reported in September, 1957 that Rs. 5.68 lakhs worth of spares and about Rs. 112.5 lakhs of machinery had been disposed of to other parties. A list of 10,000 items which were absolute surplus was also stated to have been forwarded to the Central Water and Power Commission and the Ministry of Irrigation and Power and further lists of 25,000 items of spare parts which were partly or fully surplus to the requirements of this Project were stated to be under preparation.

Explaining the reasons why different types of machinery for identical or similar operations were purchased, the Secretary, Ministry of Irrigation and Power, stated in evidence that, immediately after the War, there was acute shortage of machinery and Government had to accept whatever they could get hold of. It was realised only after some years how uneconomical it was to purchase a wide assortment of equipments for doing the same job. A Committee was, therefore, appointed in 1953 to standardise the equipment to be used for work in river valley projects. At present, purchases are confined to such equipments only.

As regards the disposal of surplus machinery, the Committee were informed that at the meeting of the Co-ordination Board of Ministers, it was decided that the surplus equipment should be utilised, as far as possible, on the river valley projects. There should not be any delay in the transfer of equipment from one project to another; if there was any difference of opinion regarding the price, the machinery should first be transferred and the Central Water and Power Commission should settle the price in consultation with the parties concerned. Accordingly out of the machinery worth Rs. 3.14 crores with the Hirakud Project authorities, equipment worth Rs. 2 crores had already been disposed of. A special officer was being sent to the Hirakud Dam Project to find out as to whether there was any equipment on the Project which was surplus to its needs.



*The Committee understand, however, that out of the machinery worth Rs. 3·14 crores procured for earth-moving operations at the Hirakud Dam Project, machinery to the extent of Rs. 2·80 crores was imported from abroad. Apparently due attention was not bestowed at the time of importing from abroad different types of machines for doing identical or similar operations.*

### **Outstanding Recommendations\***

#### **SEVENTH REPORT (SECOND LOK SABHA)**

##### *Para 16(d)—Non-arrival of equipment under the Colombo Plan*

124. From the note (Appendix XII, Volume II) furnished to them by the Ministry, the Committee observe that the surrender of funds was made on the advice of the Ministry of Finance. That Ministry had also provided under another grant, for the same equipment to be received under the Colombo Plan and proposed to provide by reappropriation from savings likely to be realised in the same grant for the cost of equipment expected to be received under T.C.A. programme.

*The Committee are surprised to note that funds were provided for twice (on the same count) under two different grants. This indicates lack of co-ordination between the Ministries and perfunctory scrutiny of the budget proposals in the Ministry of Finance.*

### **MINISTRY OF LABOUR AND EMPLOYMENT**

#### **Heavy Expenditure on rental—Para 36 of Audit Report**

125. During the War buildings at a total cost of Rs. 1,44,910 were constructed by the Defence Department on about 43 bighas of land requisitioned under the Defence of India Rules at an annual rent of Rs. 33,282. The premises including the land were placed at the disposal of the Labour Department in July, 1946 for the training of ex-servicemen. The rent for the requisitioned land was paid by the Defence Department upto 31st July, 1950 on which date the scheme came to an end. Thereafter, the buildings were retained by the Ministry of Labour and Employment to carry out their scheme of technical and vocational training to adult civilians, and that Ministry continued to pay the rent to the land owners. Over a lakh of rupees was also spent by that Ministry on the construction of permanent structures on the land to meet the requirements of the Industrial Training Institute at Calcutta. According to Audit, the expenditure on rent of land amounted to Rs. 2,08,012 for the period from August, 1950 to October, 1956 but no consideration was given to the question of permanent acquisition of the land, the cost of which according to the assessment by the Collector was Rs. 6,45,660.

\*Appendix I, Vol. II.

The representative of the Ministry informed the Committee in evidence that the Institute was being run by the West Bengal Government and the expenses thereof were being shared by the Centre and the State Government in the ratio of 60:40. It had also been decided to acquire the land at an estimated cost of Rs. 17 lakhs. A question arose in this connection whether it would be economical to retain the land on the present rental basis of Rs. 33,282, instead of acquiring it at such a high cost the interest charges on which would work out to more than Rs. 50,000 per annum. The Committee desired that this matter should be investigated further and suggested to one of their Members to look into this matter. As a result of his discussions with the officers of the West Bengal Government, it came to light that on the 25th May, 1956 a portion of the land was surrendered by the Ministry of Defence which had the legal effect of terminating the earlier requisition orders. Although a requisition was made immediately, it was treated as a fresh requisition under the law governing such requisitions and the rent was, therefore, enhanced to Rs. 51,000 in accordance with the then prevailing rates. *The Committee consider it unfortunate that these legal implications were not appreciated by the Ministries concerned.*

126. *It is needless to emphasise that the Ministries should invariably place before the Committee complete information available with them including the latest developments in respect of every case that is under examination of the Committee in order to enable them to come to correct conclusions.*

*The Committee would also add in this connection that whenever an Audit para affecting any action on the part of a State Government came up before them, the Ministry concerned should invariably contact the State Government concerned and obtain the latest information and their views in the matter.*

It was urged before the Committee that it would be difficult to get alternative sites in that area for this Institute: further, even if it was to be shifted to another site, it would be difficult because of the capital expenditure incurred by Government on the present site. *The Committee trust that Government in consultation with the West Bengal Government will decide the question of acquiring this land to their best advantage.*

## MINISTRY OF LAW

### Outstanding Recommendations\*

#### SEVENTH REPORT (SECOND LOK SABHA)

#### *Safeguarding Clauses in Contracts, Para 263*

127. The Public Accounts Committee (1957-58) in para 263 of their Seventh Report had desired that the Ministry of Law should

\*Appendix I, Volume II.

*inter alia* look into the American Legislation for safeguarding the interests of the Public Exchequer when excessive or unconscionable payments had been made to private contractors as a result of ignorance, oversight, ineptitude, incompetence or corruption on the part of the agents of Government and examine the feasibility of enacting similar legislation in India. They also desired the Ministry to examine the scope of revision of the contract forms to enable Government to review the concluded contracts and effect recovery of demonstrably excessive payments to the contractors.

From a note (Appendix XIII, Volume II) as well as evidence tendered before them, the Committee were given to understand that one of the features of the American legislation was that the Comptroller General of the United States or any of his duly authorised representatives had statutory access to and the right to examine any directly pertinent records of the contractor and his sub-contractors. But the duties and powers of the Comptroller & Auditor General of India were as specified in Article 149 of the Constitution and Parliament was competent to prescribe by law his duties and powers in relation to, apart from the accounts of the Union and of the States, the accounts of "any other authority or body" as might be prescribed by that law. It was doubtful whether a private contractor who entered into contract with Government could be covered by the expression "any other authority or body" and a law be enacted to enable the Comptroller & Auditor General of India to have access to and examine the records of such an individual.

*The Committee feel that on this point the Ministry of Law would be well-advised to take the opinion and advice of the Attorney General.*

128. Another point urged by the Secretary, Ministry of Law was that if a law was made for renegotiation of contracts, the contractors might either refuse to deal with Government or take care to inflate their rates and costs to a large extent and manipulate their accounts with a view to ensuring that they did not lose high profits even if action was taken under such law. Reputable firms might regard the powers as introducing an element of uncertainty in their calculations. It was, therefore, necessary to consider the repercussions of such law on the ability of Government to obtain necessary supplies and services.

The representative of the Ministry of Works, Housing and Supply was also of opinion that with the enactment of legislation on American lines, a large number of contractors might not come forward to take up Government work.

*The Committee, however, do not share the above misgivings. Such a legislation in America has certainly not led to the disappearance of good contractors there. The Committee desire to point out in this connection that the suggestion to promote such a legislation is not*

*intended to put any curbs on the legitimate profits of the contractors dealing with Government but to safeguard the financial interests of Government so that their funds are not defrauded either through the dishonesty of corrupt officers or undesirable contractors.*

The Committee would next refer to the question of revision of the Standard Contract Forms. From a note (Appendix XIV, Volume II) furnished to them by the Ministry of Works, Housing & Supply, they understand that the penalty and arbitration clauses in the Standard Contract forms in use in the Supply Department have already been reviewed in the light of recommendations of the Stores Purchase Committee and the arbitration clause has been revised. *The general conditions of these contracts are, however, under revision in consultation with the Ministry of Law and the revised conditions are expected to be finalised after some time. The Committee should be informed of the progress made in the matter.*

#### *Blacklisting of Contractors*

129. Regarding the blacklisting of contractors who had committed various irregularities, the Committee were informed by the Secretary, Ministry of Works, Housing and Supply that Government had drawn up an elaborate code for dealing with them and to ensure co-ordination with the States, they had been asked to adopt the same so as to blacklist such of the contractors as had been blacklisted by the Central Government and to keep the latter in turn informed of the contractors blacklisted by them. To a specific question whether in pursuance of this policy enunciated by the Central Government, action had been taken to blacklist a particular contracting firm, which had already been recommended for blacklisting by a State P.A.C. the witness promised to check up the matter. *The Committee would like to have this information without further delay.*

*The Committee consider it necessary that there should be uniformity of action and practice with regard to putting contractors on the blacklist. They trust that Government will take necessary action to carry it out.*

#### MINISTRY OF REHABILITATION

##### **Irregular maintenance of cash and other accounts—Audit Report, 1957, Pages 41-42, para 37**

130. It is disclosed in the para referred to above that the procedure prescribed for maintenance of cash and other important records was not being observed in an organisation set up to register and verify claims of displaced persons in respect of properties left in Pakistan. The cash book for the period 12th April, 1953 to 28th June, 1953, which formed the subject of an earlier inspection, had been reported lost. In a large number of cases, payees' receipts in support of payments made and charged in the cash book were not produced for

audit. At the time of special audit in December, 1954, 181 *kuicha* vouchers aggregating Rs. 9,541 representing irregular payments of advances, etc. made in 1951-53 to various officials were found with the cashier. Some of the vouchers bore pay orders of the disbursing officer. The payments represented by these vouchers had not been entered in the cash book. The closing balance at the end of June, 1955 in hand amounted to Rs. 44811, although the organisation was sanctioned only Rs. 1000 to be kept as permanent advance for contingent purposes. The organisation was merged with another organisation on 1st May, 1954 when the closing cash balances in the cash books of both the organisations were taken into a new cash book. The analysis of closing balances was not prepared in the new cash book also, uptill 31st December, 1954. Payments continued to be made out of this balance till 15th February, 1956 when the remaining sum of Rs. 485 for which an analysis could not be prepared was refunded to Government.

In evidence, the Secretary, Ministry of Rehabilitation attributed these lapses to the lack of training of the staff who handled the work. The accounts had since been straightened out as best as they could be and amalgamated with those of the Settlement Commissioner but no case of loss or mis-appropriation or embezzlement of amounts had been discovered. The cash book was missing but all the audit objections had been met. The Comptroller and Auditor General, however, pointed out that the objections raised in respect of certain items could not be settled as the cash book was missing. No responsibility could be fixed on the cashier and he was under suspension for the last four years pending investigation of the case by the Special Police Establishment. The Committee were also given to understand that the Officer who was incharge of the cash had subsequently been promoted in the Ministry and later on transferred to another Department.

*The Committee are amazed that various irregularities were allowed to be committed without check from the Officer-in-charge for a considerable period. The cash book is an important account record, the up-keep and scrutiny of which is an essential part of the duties of the Officer-in-charge. The Committee feel that the loss of the cash book is a serious matter and efforts should be made afresh to fix responsibility for the loss. They would like to be informed of the action taken in the matter in due course.*

**Irregular advance for purchase of Motor Car, Audit Report, 1957, pages 42-43 para 38**

131. An officer drew an advance of Rs. 10,000 for the purchase of a motor car on the 9th November, 1955. He did not buy the car but retained the advance with him for nearly ten months which was irregular. The rules in this regard required that the sanctioning authority should ensure that the car was purchased within a month

of the drawal of the advance and should submit promptly to the Accounts Officer a mortgage bond from the officer hypothecating the car to Government, failing which the advance drawn was to be refunded to Government forthwith.

In evidence, it was urged in extenuation that the failure of the officer to refund the amount when he could not purchase the car was due to his unfortunate domestic worries. The Secretary censured the officer and asked him to refund the money, when this irregularity was brought to notice by the Chief Pay & Accounts Officer on the 13th August, 1956. The officer refunded Rs. 8,831 to the Treasury on the 28th August, 1956 and the balance of Rs. 1,169 had previously been refunded in monthly instalments through his salary bills. As there was no possibility of further promotion to the officer (as he was to retire shortly) no entry about this fact had been kept in his confidential report. It was also stated that the Ministry of Finance had since issued instructions for the strict observance of the rules in future.

*The Committee consider that such disregard of rules on the part of a senior officer who should set an example of conduct for others called for more severe action.*

## MINISTRY OF SCIENTIFIC RESEARCH AND CULTURAL AFFAIRS

### **\*Outstanding Recommendations**

#### SEVENTH REPORT (SECOND LOK SABHA)

#### *Survey of India, Para 49*

132. The subsidiary accounts of the Survey of India appended to the Appropriation Accounts, 1953-54 revealed accumulation of surplus stores in the Photo Litho Section, which in the opinion of the Committee could have been avoided by restricting the purchases according to needs.

From a note\*\* furnished by the Ministry the Committee, however, note that the ceiling limits for stocking stores in the Photo Litho Sections have not been fixed. *The Committee desire that this matter should be expedited.*

#### *National Research Development Corporation, Para 51*

133. The Committee note that the question regarding the continued existence of the National Research Development Corporation as a separate Corporation for developing the processes and inventions and in assessing their commercial potentialities, in the light of the observations made by the Public Accounts Committee, was under the

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\*Appendix I, Volume II.

\*\*Not printed.

consideration of the Government. *They, however, desire that a decision in the matter should be expedited and the same communicated to them.*

*Creation of Council of Scientific and Industrial Research into a statutory body, Paras 52—54*

134. In para 52 of their Seventh Report (Second Lok Sabha), the Public Accounts Committee recommended that the Government should embody the functions of the Council of Scientific and Industrial Research in a statute. The matter was examined in detail by the Governing Body of the Council of Scientific and Industrial Research at their meeting held on the 22nd March, 1958. The Governing Body felt that placing the Council on a statutory basis might give it a rigidity which would not be desirable; and it passed the following resolution:—

“The Governing Body considered the recommendation of the Public Accounts Committee. While the Governing Body was in general agreement with the object of the recommendation of the Public Accounts Committee, and was also in agreement that all the information that was desired to be placed before the Public Accounts Committee and the Parliament should be made available to Parliament; yet to make the Council of Scientific and Industrial Research into a statutory body might at this stage impede its flexible development”.

The Ministries of Scientific Research and Finance have agreed with the above view.

*The Committee are not satisfied with the reasons advanced by the Ministry. A number of autonomous bodies have been set up by Government in the recent past whose functions have been embodied in the Acts passed by Parliament. The contention that being a statutory body, the flexible development of the CS. & I.R. would be impeded, is, in the opinion of the Committee, hardly convincing. They would, therefore, like to re-iterate their earlier recommendation made in this behalf.*

## MINISTRY OF STEEL, MINES AND FUEL

### (Department of Iron and Steel)

#### *Payment to the Resident Engineer—Para 39(1) Audit Report, 1957*

135. A German Combine was appointed under an agreement as (a) Consultants, and (b) Engineers-in-charge at site. The agreement stipulated separate fees for these duties. As Consultants, the Combine was a responsible for “the design, arrangements and procurement of the production departments and of ancillary plant, machinery

and equipment thereof" for which a fixed fee of Rs. 284.58 lakhs was provided. As engineers-in-charge at site it was responsible "for carrying into effect the layout of the works, installation and erection of the production departments" etc. through a Resident Engineer. For this work the Combine was to be reimbursed the actual expenditure subject to a ceiling of Rs. 70 lakhs.

The Combine appointed a Resident Engineer and 5 assistants in January, 1955, but the actual construction work started only from the 15th November, 1955. Audit suggested that the expenditure incurred by the Hindustan Steel Ltd. on the Resident Engineer and his assistants from January to 15th November, 1955, amounting to Rs. 2,43,854 should be debited to the fixed fee payable to the Combine for its work as Consultants instead of showing it as part of the reimbursible actual expenditure subject to a ceiling of Rs. 70 lakhs.

In evidence, the representative of the Ministry of Steel, Mines and Fuel (Department of Iron and Steel) informed the Committee that the matter was taken up with the Combine, which, however, took a firm stand that the expenditure should be debited to the fee of Rs. 70 lakhs as in its opinion the work performed by the Resident Engineer and his staff was preparatory work in connection with the actual construction work and was a part of its function as Engineer-in-charge at site. The Combine pointed out in this connection that the Managing Director of Hindustan Steel Ltd., had himself requested the German firm in November, 1954 for the establishment of an office in India for providing technical assistance, such as, designing and drawing of plans etc. On the other hand, Government felt that the work of the Resident Engineer and his assistants and the type of technical assistance asked for by the Managing Director of the company came within the purview of the functions of the Combine as 'consultants' as the German officers were mostly engaged in operations connected with the arrival and clearance of materials at Calcutta and it was, therefore, only proper that the expenditure incurred on their stay should be debited to the fee of the combine as 'consultants'.

*The Committee hope that an early settlement will be reached in the matter through negotiation. They would like to be informed of the result in due course.*

*Loss through premature borrowings—para 39(2), Audit Report, 1957*

136. The Hindustan Steel Ltd. borrowed funds from time to time from the Government of India at 4½% per annum in order to finance the project. The borrowings were, however, not related to the needs of the Company as large sums of money were drawn from the Government and either retained in the current account with no interest or deposited with bankers at lower rates of interest. During the period 16th January, 1956 to the 30th September, 1956 the Company



incurred a loss of about Rs. 3,75,000 on account of difference in the rate of interest paid and earned by them on the amounts borrowed in advance and in excess of requirements.

In evidence, the Committee were informed that under the agreement with the German firm as it then stood, the amount of money which Government could subscribe as share capital to the Company was limited by the amount which the German firm was to subscribe. The Company was, therefore, forced to resort to loans from the Government. With the increase and change in the capital structure of the Company (under which the German firm had now no interest in the capital of the Company) this difficulty no longer existed. As regards the accumulation of unspent balances, it was stated that the money was borrowed in instalments from Government on the basis of estimates of expenditure, which however, did not actually materialise. So the unspent balance had to be deposited with the banks instead of being kept idle.

*The Committee were not satisfied with this explanation. While they appreciate that the estimates of expenditure might go wrong occasionally, the steadily rising balance in this case indicated that the estimates were not prepared or checked carefully taking into account the balance in the current account with banks. The Committee desired to be furnished with further details as to the dates on which the amounts were drawn, the actual requirements of the Company and the balances in the current account with the bank on those dates. The information is still awaited.*

*The Committee consider that the Ministry also cannot escape responsibility for this avoidable loss as apparently the loan applications from the Company were dealt with in a routine manner without verifying whether the requirements were justified with reference to the funds already advanced and the expenditure incurred therefrom. The Committee understand that the Company has now drawn nearly the whole of its share capital of Rs. 300 crores and that it has to draw money from Government in future, only in the shape of loans. The Committee trust that to avoid such situations in future, Government will exercise greater scrutiny over the loan applications.*

#### *On the spot-study visit to the Steel projects. Pilferage of Stores*

137. The Chairman, Public Accounts Committee undertook a study visit to the three Steel Plants (Bhilai, Rourkela and Durgapur) in November, 1958. At Bhilai and Rourkela he noticed huge quantities of stores lying in the open and exposed to pilferage etc. Thefts of valuable material were also reported to have taken place despite the measures taken by the local authorities. There had also been cases of thefts of stores while in transit by rail from the port to the project sites. The Chairman, therefore, suggested to the local authorities to undertake at the earliest the construction of perimeter walls around the

area where stores were lying. He suggested that the project authorities should also post their own staff to look after their consignments while in transit instead of leaving it completely to the Railway Watch and Ward staff.

During the course of evidence, the Committee were informed that the construction of walls was under progress in all the projects and the watch and ward staff had also been strengthened. *The Committee regret that these precautions were not taken up sufficiently early.*

*The Committee desire that all the project authorities should undertake an early stock verification of stores in their custody and ensure their proper accounting. They would also like to be informed of improvements effected in the storage of material in the three projects and also measures adopted by the Company to ensure safety of stores during transit.*

#### *Training of Indian Engineers*

138. During his visit to the projects the Chairman enquired whether sufficient number of Indian engineers had been appointed and associated with the foreigners with a view to their taking over the work from the latter at the appropriate time. He got the impression that at Durgapur, Indian engineers were not being freely associated with British experts.

The representative of the Ministry informed the Committee that Indian engineers were freely associated with the working of the three plants and no difficulty was being experienced in this regard. The real handicap was the shortage of competent technical graduates in the country.

*The Committee are not satisfied with this explanation. They trust that Government would take all possible steps to train properly sufficient number of Indian personnel so that they could take over the technical control as early as possible and the change-over is smooth. In this connection they would also refer to the recommendation of the Estimates Committee contained in para 271 of their Thirty-third Report (Second Lok Sabha).*

#### (DEPARTMENT OF MINES AND FUEL)

*Working of State Collieries—pages 49-51 and 63-65, Appropriation Accounts (Civil), 1955-56, Vol. XVI*

139. Out of the eleven State collieries the working of seven collieries (Argada, Bhurkunda, Deulbera, Kurhurbaree, Serampore, Sawang and Talcher) resulted in loss to Govt. both in 1954-55 and 1955-56. Specially the collieries at Kurhurbaree and Serampore were continuously showing losses for a number of years. It was stated that these two collieries commenced operation in 1870 and owing

to extraction of coal during these years, the available reserve had diminished. Since the mines had to be worked at greater depths, the cost of raising the coal increased year by year.

In evidence, the representative of the Ministry of Steel, Mines and Fuel (Department of Mines and Fuel) informed the Committee that there was little likelihood of these collieries showing any profit. But for the superior quality of coal produced, these mines would have been abandoned long time ago. A technical committee was appointed by Government in October, 1955, to make an assessment of the working of these mines and to recommend measures for improvement in their working.

140. At the instance of the Committee, Government furnished a note\* setting forth the recommendations of the technical committee and the action taken by Government thereon. *The Committee are glad to note that it has been possible to reduce the losses in these collieries as a result of implementation of the recommendations of the Technical Committee. They would, however, impress on Government to continue their efforts to bring down the losses to the minimum possible and also examine at the appropriate time the desirability of closing down the mines instead of incurring perpetual losses.*

141. *The Committee understand that in the process of mining coal and when coal is hewn or transported, much of the coal is reduced to tiny bits and dust which are mostly allowed to go waste. The Committee learn that in most of the Western countries especially in France this waste material is briquetted & utilised for various purposes. At the instance of the Committee the Ministry of Steel, Mines and Fuel submitted a note\* indicating the quantum of briquettes manufactured by some Western countries. As regards the quantity of coal wasted in India which could be briquetted, Government have *inter alia* stated as follows:*

*“Approximately 25 to 30 per cent of the coal can be considered as slack coal, out of which some portion is utilised as indicated above, in stationary boilers for generation of steam and for the purpose of brick burning. Only 2½ to 5 per cent of the total production that results in coal dust and slack is probably not utilised. It would be extremely difficult to collect this coal dust and slack for the purpose of briquetting.”*

*The Committee are of opinion that in the context of the considerable advance made by other countries in the utilisation of these products which otherwise go to waste, the difficulties apprehended in the collection of dust and slack coal may not be insurmountable. The Committee understand that the Forest Research Institute has also conducted some experiments in this connection for finding out an efficient*

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\*Not printed.

*and economical binder. They, therefore, desire that this question should be investigated further by the Ministry, if necessary in consultation with the Forest Research Institute, and the commercial possibility of briquettes of coal waste should be examined.*

## MINISTRY OF TRANSPORT & COMMUNICATIONS

### **Non-recovery of insurance value of aircraft loaned to a flying club— para 40 of Audit Report.**

142. As a part of subsidy, the Government loaned to a flying club six aircraft, all of which, however, crashed within a period of 4 years. The flying club was required under an agreement to insure the aircraft loaned to them against all ground risks and flying risks, or in lieu, maintain an adequate accident reserve fund to which credits were to be made in respect of each flying hour done by an aircraft so that in the event of any accident, the Government could recover the insurance money or an appropriate amount from that fund.

Of the six aircraft, the book value of which was Rs. 61,000 only three with a book value of Rs. 12,000 were insured. The Insurance Company paid a sum of Rs. 7,832 in respect of these 3 aircraft after making allowance for the estimated value of the salvage (Rs. 4,168) which the club had accepted for use as spare for other aircraft. The remaining three aircraft were not insured, nor did the flying club, on account of its weak financial position, maintain the accident reserve fund at a level which would have enabled it to meet the cost of these aircraft.

As the financial position of the club was not such as to enable it to pay their insurance value to Government, the Government finally accorded sanction to the write-off of Rs. 48,055 after taking into account the amount recovered from the sale of the three engines and the salvage.

The Committee were informed that the club created an Accident Reserve Fund which had a balance of Rs. 30,640 on the 31st March, 1949. As the general financial condition of the club deteriorated, it withdrew certain amounts from the Fund to meet urgent normal expenditure, with the result that the Fund stood at Rs. 16,716 on the 31st March, 1950.

In evidence, the representative of the Ministry stated that the money was withdrawn from the Accident Reserve Fund by the club with Government's permission to enable it to pay the wages of its employees. He, however, could not give convincing answer as to why at that stage (when the balance in the Reserve Fund was being depleted) Government did not insist on the insurance of the aircraft. He added that the Ministry were now very strict in these matters.

*The Committee are of the view that while permitting the club to withdraw the money from the Accident Reserve Fund, Government should have insisted on the other 3 aircraft also being insured. They trust that in future the rules in this behalf would be strictly enforced.*

**AIR INDIA INTERNATIONAL CORPORATION**

*Bad and doubtful debts—para 42(2) (b) of Audit Report and Fifth Annual Report of the Corporation—page 23*

143. According to the Fifth Annual Report of the Air India International for the year 1957-58 the total outstanding Book-debts as on 31st March, 1958 amounted to Rs. 2.08 crores. Out of the total Book-debts, debts amounting to Rs. 1.97 lakhs were considered doubtful.

In evidence, the Committee were informed that the arrears were large because of the increase in the business of the Corporation. There was a time-lag of 2-3 months in the collection of dues for a month and a large part of the outstanding book debts at the end of the year had been recovered in the following two or three months. Out of Rs. 1.97 lakhs considered bad and doubtful debts, Rs. 1.34 lakhs were accounted for by defaults of three booking agents and the balance of Rs. 63,177 represented amounts due from individual passengers and other sundry debtors. Legal action was being taken against the booking agents. In reply to a question, the Committee were informed that the agents were approved by the International Air Transport Association after going into their credentials etc. The agents had to settle their accounts generally within 45 days. Any default on the part of the agents had to be brought to the notice of the I.A.T.A. by all Airlines. It was added that, however stringent the I.A.T.A. was while granting the initial approval, it was difficult in practice to ensure continued credit-worthiness of an agent and all air-lines had of necessity accented it as a business risk and attempted to mitigate it as best as possible.

The Committee would like to point out that apart from the defaults by the booking agents, there had been more than proportionate increase in the doubtful debts even from individual passengers and other sundry debtors. Thus, while the outstanding sundry debtors increased from Rs. 121.07 lakhs in 1954-55 to Rs. 207.89 lakhs in 1957-58—an increase of 71% only—the amount of bad and doubtful debts (excluding amounts defaulted by booking agents) increased by 19 times from Rs. 3,200\* to Rs. 63,177. *The Committee view with great*

	Rs.
*Total Doubtful Debts	75,258
Amount defaulted by booking agents	12,058
	<hr/>
Balance	3,200
	<hr/>

*concern this increasing trend in doubtful debts of the Corporation. They would urge that the Corporation should give its most serious consideration to this aspect and devise suitable remedial measures to improve the situation.*

*Regulations for officers and employees of the Corporation not prescribed—Para 42(4) of the Audit Report.*

144. Rules and regulations in respect of the terms and conditions of service of officers and employees of the Corporation which should have been made by the Central Government and the Corporation respectively and notified in the Gazette as provided in Sections 44 and 45 of the Air Corporations Act, 1953 have yet to be framed. In the absence of such rules and regulations, the rules and regulations prevailing in the Air India International Limited before its nationalisation have been continued by the Corporation. In some instances the Corporation also allowed certain concessions in regard to Travelling Allowance, Daily Allowance and Leave Salary, etc. to its employees even outside the scope of the existing rules.

In evidence, the representative of Corporation stated that in the Corporation's view the existing rules permitted such increase and since Audit had raised an objection, the case had been submitted to Government for *ex-post facto* sanction. In the revised draft rules necessary provisions had been made.

Explaining the delay in framing the new rules and regulations, it was stated that on nationalisation the employees of the Air India International Corporation continued to be governed by the Rules and Regulations prevailing in the predecessor Company under Section 20(1) of the Air Corporations Act until the terms and conditions were duly altered and before drafting new regulations, the Corporation first desired to study the working of the service conditions brought into effect from 1st January, 1955 for I.A.C. employees with a view to laying down similar conditions. The framing of the regulations was postponed thereafter due among other things, to the expansion programme of the Corporation (1955), absence of a recognised union of employees with whom proposals could be discussed, etc. The draft Service Regulations were later drawn up and first brought before the Board in October, 1957 and were submitted to Government in June, 1958. Since there were certain variations in these regulations as compared with those of the other Corporation (I.A.C.) the former was asked to review the draft regulations in the light of the comments of Government which were communicated to them in December, 1958. Interim comments of the Management of the Corporation were received by the Ministry in the second week of January, 1959 which were under examination of the Government.

*The Committee regret to note that although more than 5 years have passed since the establishment of the Corporation, the regula-*

*tions have not yet been finalised. They desire that the Corporation should investigate into the cases where concessions in T.A., D.A., leave salary, etc., were allowed to the employees outside the scope of the 'old' rules and fix responsibility for these irregular payments.*

*Avoidable loss of Rs. 4 lakhs—para 42(5) of Audit Report.*

145. In December, 1951 the Air India International Ltd. placed an order for the purchase of two Super Constellations, spare engines and spare parts at an approximate cost of \$4.04 millions. In view of very uncertain sterling/dollar exchange situation then prevailing the Company decided in June, 1952 to cover the outstanding dollar liability by entering into forward dollar contracts for approximately \$ 4 millions with the then Imperial Bank of India so that the Company's liability to pay the purchase price would be governed by the then current exchange rate. (The procedure in force regarding forward dollar contracts in 1952 was that in the first instance such contracts had to be entered into for a period of 3 months and they could thereafter be renewed each month or terminated.)

The aforesaid contracts were kept alive upto February, 1953 when they came up for review. In view of the impending nationalisation, the Company sought the instructions of Government before committing itself to any further expenditure on keeping these contracts alive. It was brought to the notice of Government that the dollar/rupee exchange position had improved. It was also stated that in case the contracts were cancelled forthwith the Company would have to pay Rs. 8,38,913 whereas if they were renewed upto June, 1954 when the deliveries were expected to be completed, the cost would be between Rs. 12 and 12.5 lakhs. Government agreed to the Company's suggestion that the contracts should be kept alive. Neither the Company nor Government made any attempt later to review the necessity for the continuance of these contracts either before or after nationalisation even though the exchange position had considerably improved and the fear of devaluation had receded.

In evidence, the representative of the Corporation while admitting the failure to review the contracts stated that since Government's sanction to continue this insurance had been obtained only a few months ago, and out of Rs. 11 lakhs to be paid in all as insurance premium, Rs. 8 lakhs had already been paid it was considered worthwhile to continue the insurance till the whole period was over.

*As the contracts could be renewed each month or terminated, the Committee feel that had the necessity for their continuance been reviewed from time to time particularly when the exchange position had considerably improved the loss of nearly Rs. 4 lakhs suffered in this case could have been avoided. This is clearly borne out by the fact that in April, 1953 (just 2 months after the earlier decision to keep going the old forward dollar contracts) Government approved*

*the suggestion from the Company not to enter into similar contracts for new purchases as the dollar/sterling position had improved considerably since June, 1952.*

### **Eastern Shipping Corporation Limited**

#### **Audit Report, 1957**

*Delay in the execution of the contracts for new vessels—para 41.*

146. An order for a vessel for the Andamans run was placed by the Eastern Shipping Corporation with the Hindustan Shipyard in June 1954, at a provisional price of Rs. 100 lacs against which a sum of Rs. 40 lacs was advanced during the period June, 1954 to November, 1954 on the understanding that the vessel would be delivered to the Corporation by April or May, 1956. The actual delivery was made on 4th December, 1957 *i.e.*, about 1½ years after the promised date of delivery. The Corporation thus suffered a loss of earnings for a period of 1½ years apart from the interest on Rs. 40 lakhs for that period which comes to approximately Rs. 2,40,000 at the rate of 4 per cent. To cover this loss an agreement was reached that the Corporation would not be required to make any further instalment payment against two other ships on order until the delivery of the second ship. But the order for the second ship was cancelled in June 1957 by the Corporation on account of abnormal delay in the construction of the first.

In evidence, the representative of the Shipyard attributed the delay in the delivery of the ship to the lack of experience of the shipyard in building ships of the new type. The technical advisers of the Shipyard had under-estimated the period necessary for constructing the ship. The contract with the technical advisers had since been terminated in July, 1958 and the technical supervision and the direction of the shipyard had been taken over by Indian personnel. The shipyard had since entered into an agreement with a West German firm for supplying designs for ships.

*The Committee would like to point out that the delay in the construction of ships was not only due to under-estimation of time by the Technical Advisers but also due to defects in the plants and designs of the ships which could not be detected by the Shipyard before the work had made substantial progress. The Committee have dealt with the question of responsibility for defects in the plans and designs of the ships in para 150 of this Report.*

*The Committee trust that with the change in the technical supervision and direction, the Shipyard will reach better standards of efficiency.*



### Hindustan Shipyard Limited

#### Losses in the Shipyard—para 44 of Audit Report.

147. The Shipyard had been running at a loss which was made good by Government subsidies. The losses for the years 1952-53 to 1956-57 were as indicated below:

	Rs. lakhs	
1952-53	15.47	
1953-54	7.6	
1954-55	1.21	profit which was eventually converted into a loss of Rs. 20,000
1955-56	2.11	
1956-57	3.69	

These losses were in addition to Government subsidy of Rs. 2.52 crores paid up to 31st March, 1957 meant to cover the higher cost of construction in this Shipyard as compared to the cost in the U.K. to which the sale price was restricted.

The representative of the Ministry stated in evidence, that the Yard had since initiated steps to bring down the cost of construction but the increase in cost of materials more than offset the reduction in cost so effected. Wherever possible indigenous material was being used in place of costlier imported material. The Yard was at present analysing the cost of ships so far built with a view to determining job-wise cost. Construction of ships of different designs in the past stood in the way of arriving at standard costs for each job. The recent decision to manufacture only two types of ships in the Yard was expected to facilitate better cost control.

*The Committee understand from Audit that the performance of the Shipyard in this respect had so far been very disappointing. The Committee view with concern the continuous losses disclosed in the working of the Shipyard which is in the seventh year of its working. They consider that in order to check this trend early measures should be taken to reduce overheads and to step up production. With this end in view the Committee would invite attention to the recommendation in para 235 of their Seventh Report (Second Lok Sabha) for introducing effective methods of cost control by laying down norms for each item of work so that deviations in performance could be spotted immediately and remedial measures taken promptly. In order to assess the efficiency of the working of each section of the industry, it is necessary that an improved system of technical cost accounting should be evolved which would take into account the special needs and features of the ship-building industry. As accurate estimating is a necessary concomitant of effective cost control, the Committee recommend that the Shipyard should take early steps to establish an efficient estimating department manned by specially trained staff.*

*The Committee would like to be informed of the measures taken to reduce overhead charges and to augment production and the results achieved therefrom.*

#### *Unsatisfactory Method of Fixing Prices*

148. Under the tripartite agreement between the purchasers, Government and the Shipyard, the price of a ship had to be quoted at rates at which similar ships were available in the U.K. (such price being subject to suitable escalation). The difference between the U.K. price and the actual cost of construction of a ship in the Shipyard was regarded as the maximum subsidy payable by Government. The shipyard entered into an agreement with a firm of Naval Architects in the U.K. to quote the U.K. (Parity) price on a fee of £500 per estimate, but it transpired that the U.K. parity price so obtained was not generally acceptable to the buyers who finally negotiated the price actually much below the U.K. prices. This in turn had the effect of increasing the subsidy payable to the Yard by Government.

In evidence, the representative of the Shipyard stated that there was always a difference over the parity price as obtained by the Yard from its consultants in the U.K. and that which the indentors were able to get from their own consultants. The final price had, therefore, to be settled by negotiation. If so, the Committee doubt the wisdom of paying £500 to the consultants for each estimate.

The Committee understand that the Government had been considering for some time whether the price of the ships built in the Shipyard should be fixed on the basis of a percentage of the total cost or on some other basis but it had not been possible so far to evolve a more satisfactory arrangement than that obtaining at present. It had, however, been contended that the problem has become somewhat less important since the prices of the nine Lubecker vessels under construction in the Shipyard at present, have already been settled on the basis of the price paid to the German Yard. Further, it is considered advisable to study the actual cost data of some of these ships in relation to the prices fixed before the existing procedure is revised.

*The Committee are concerned about the size of the subsidies paid by Government (which on average comes to about 24 per cent of the cost). They desire that serious attention should be paid to bring down the cost of construction and thus reduce the subsidy gradually.*

#### *Surplus Stores.*

149. The Shipyard had in stock certain stores valued at about Rs. 20 lakhs which had not been moved for several years and some of them were lying since 1946-47.

It was stated in evidence that the stores were acquired before Government took over the Yard. A part of the stores was obsolete and no purchaser could be found for it; a small portion had also been sold.

The Yard was contacting possible users, e.g., the Naval dockyards, the Air Force etc. The possibility of using some of the stores in the Yard with slight modifications was also under examination.

*The Committee would urge that unwanted stores should be cleared quickly in order to reduce storage and maintenance charges.*

### **Outstanding Recommendations\***

#### *Defective Construction of certain Ships—para 233 of 7th Report (Second Lok Sabha).*

150. The Committee in para 233 of their Seventh Report (Second Lok Sabha) desired to know the outcome of the Committee of Experts appointed by the Directors of the Shipyard to enquire into the question of defective construction of certain ships at the yard and the action taken or proposed to be taken by the Ministry against the persons responsible for the defective construction as also the precautionary measures to be taken for the future.

From a \*\*note submitted by the Ministry the Committee observe that Government have accepted the recommendations of the Enquiry Committee who have in addition to suggesting measures for technical improvement, stressed the need for maintaining careful statistics of construction, greater coordination between the Calculating Office, the Drawing Office, the Controller of Stores and the Chief Shipyard Manager and a long term plan for training Indian personnel for the Design and Calculations Offices.

The Committee trust that effective measures will be taken by Government and the Shipyard to implement these recommendations at an early date.

The Committee also note that the Board of Directors of the Shipyard agreed with the Enquiry Committee's finding that the responsibility for the defects in the vessel "Andamans" must be shared by A.C.L. as, in addition to their overall responsibilities as Technical consultants it was their nominee who was ultimately responsible both for the design (in so far as it related to the stability calculation) and construction of the ship, and have taken up the question with the firm. The agreement with them had been terminated in July 1958 and payments due to them have been withheld pending settlement of the case.

*The Committee would like that the matter should be finalised quickly and the result intimated to them.*

\*Appendix I, Volume II.

\*\*Not printed.

*The Committee would also await the result of the investigation by the Enquiry Committee to the defects noticed in the Central Excise Launch (V.C. 123) and Calcutta Port Commissioners' Survey Vessel (V.C. 125).*

## MINISTRY OF WORKS, HOUSING AND SUPPLY

### Arrears of Rent—Page 51 of Audit Report, 1957

151. The total arrears of rent of Government property in an Estate Office, which stood at Rs. 18·1 lakhs on the 1st March, 1954, went up to 27·37 lakhs by the end of March, 1956 and their break-up is given below:—

Recoverable from	(In thousands of rupees)		Total
	Arrears for the period upto 31-3-54	Arrears for the period from April, 1954 to March, 1956	
1. Government servants	3,71	11,01	14,72
2. Debits for bulk accommodation placed at the disposal of other Govts./Depts.	10	4,01	4,11
3. Other rent paying and Commercial Departments	18	2,73	2,91
4. Embassies and Foreign Legations	86	30	1,16
5. Private persons and Organisations	59	27	86
6. Members of Parliament		92	92
7. Unauthorised occupants of Govt. residences		2,69	2,69
TOTAL	5,44	21,93	27,37

As a result of special measures taken by Government to reduce the arrears, the total outstandings on the 1st June, 1957 came down to Rs. 16·35 lakhs.

In evidence, the representative of the Ministry of Works, Housing and Supply stated that the increase in the arrears of rent was to a certain extent due to an increase in the number of allotment units from 15,000 on 31st March, 1954 to 22,000 on 31st March, 1956. The corresponding assessed rent had also risen from Rs. 70 lakhs in 1950-51 to Rs. 100 lakhs in 1955-56. The bulk of the arrears pertained to the premises occupied by Government servants. Under the existing procedure, deductions on account of house rent were made from the salary bills of Government servants. Although the rents

had been collected, in most of the cases, from the persons concerned, necessary adjustments had not been made in the accounts of the Estate Office due to non-receipt of the requisite information from the Offices which had made the deductions from the salaries of officers concerned in time. As a result of special efforts made by the Estate Office, the arrears of rent were stated to have been reduced to Rs. 10.55 lakhs in December, 1958.

*While the Committee appreciate that certain time-lag is inevitable between the actual recovery of current rents and their adjustment in the accounts they do not see why heavy amounts relating to earlier years should still be outstanding. They regret to observe that despite their recommendation in para 33 of their Fifteenth Report viz., that special measures should be devised to liquidate these heavy outstanding, the position is still disquieting. The Estate Officer should gear up his machinery and expedite the clearance of the old outstanding. The Committee should be informed of the steps taken in the matter by the time they take up examination of the Accounts for the next year.*

#### **Professional Inspection of Stores - Para 46 of Audit Report, 1957**

152. A firm which had acted for a number of years as Analytical Consultants to the India Stores Department, London applied on 11th April, 1951 for an increase of about 25 per cent in their fees. In order to examine the reasonableness of this request, quotations were obtained from other suitable firms. The lowest offer then received was, overall, about 23 per cent lower than the revised scale of fees sought by the firm acting as Consultants. As at that time, the I.S.D. contemplated taking up the analysis work in its own laboratory, that Department decided not to change the Consultants and on the 15th October, 1951, the increased fees applied for by the firm were approved as from 1st April, 1951. It was pointed out by Audit in July, 1953 and again in July, 1954 that the continued employment of the firm had involved Government in extra expenditure since 1st April, 1951; but it was only in April, 1955 that fresh tenders were invited and after due verification, the firm which had submitted the lowest quotation in 1951, was eventually appointed as Analytical Consultants on the 12th March, 1956. It has been pointed out by Audit that the delay of four years in deciding to appoint the new firm as Analytical Consultants had involved the Government in avoidable expenditure of about Rs. 22,000.

In evidence, the Secretary, Ministry of W. H. & S. stated that due to certain difficulties viz., non-availability of suitable land etc., it was not possible for the I.S.D. to set up its own laboratory. He also contended that the period for which this loss had been computed should be not from 1st April, 1952 to 31st March, 1956 but from the date the I.S.D. took the decision not to establish the laboratory i.e., from July, 1954 to March, 1956. *The Committee were not satisfied with*

*the explanation. They could not see why it took four years for the I.S.D. to decide about setting its own laboratory. In reply to a question whether the decision to set up this laboratory was approved by Government, the reply was in the negative. It is thus obvious that there was no justification for having continued the firm of Consultants for a period of four years from 1st April, 1952 on payment of enhanced fees. The responsibility for this lay squarely on the D.G., I.S.D. It is regrettable that the D.G., I.S.D. continued in his own way till 1956 despite repeated audit objections in 1953 & 1954. The Committee would like the matter to be investigated further and a report furnished to them.*

### Hindustan Housing Factory Ltd.

#### Para 48 of Audit Report, 1957

153. The working of the Factory as a departmental undertaking by the W. H. & S. Ministry was criticised by the Committee in paras 100-102 of their 16th Report (First Lok Sabha). It was constituted into a limited Company from 1st April 1953. The working of the Company from 1st April, 1953, in collaboration with a private firm was also unsatisfactory resulting in a loss of Rs. 14,70,876, till 15th August, 1955. Because of this heavy loss and the inability of the private firm to provide further working capital, the agreement with the private firm was terminated and Government took over the factory with effect from 15th August, 1955. According to the Termination Agreement with the private firm, Government's share of the loss was fixed at Rs. 5 lakhs and the balance of Rs. 9,70,876 was to be borne by private firm.

The following reasons accounted for the heavy losses during the partnership:—

#### (i) Meagre Production in the Foam Concrete Department.

154. Under clause 7 of the 1952 Agreement the Company was to give preference to the production and manufacture of foam concrete slabs. An expenditure of Rs. 45,000 was incurred for repairs, additions and alterations to the foam concrete Plant. A foreign engineer was appointed as head of this department on a salary of Rs. 2,750 p.m. The value of foam concrete produced (as against installed capacity of Rs. 15 lakhs per annum) was as follows:—

Year	Value of material produced	Capacity of plant utilisation
	Rs. (in lakhs)	
1955-56	2.3	15.3%
1956-57	3.74	25%
1957-58	1.66	11%

In accordance with the recommendations of an Expert Committee, which was appointed by Government to go into the working of the Factory, Government had written down the value of the foam concrete machinery by 80 per cent in order to enable the Company to sell the foam concrete products at a reasonable rate. After this, the factory was able to push up the sale of the foam concrete products a little. But the company was again at a handicap as the product was new to the country and the refrigeration industries were not quite used to it. Therefore, even after writing down the capital, the Foam Concrete Department was running at a loss. In construction work, where it could be utilised for partition walls etc., there was a danger of its cracking due to the large variation of temperature in India. It was for this reason that even the C.P.W.D. were rather reluctant to use this material. *The Committee regret to observe that these discoveries are rather belated. They trust that both the Ministry and the Company would explore the possibilities of overcoming the difficulties, technical and psychological alike, and take steps to work the factory to its full capacity.*

*At present the lease-money paid by the Company to Government on the assets leased to it covered, only depreciation on the plant and machinery and did not take into account interest charges on the capital invested. Such a practice, the Committee wish to point out, is opposed to recognised commercial principles. It amounted to a grant of a subsidy to the Company. Therefore, the profit of Rs. 38,971.57 for the year ended on 31st July, 1957 as calculated by the Company was not really so. The Committee would suggest that in evaluating out the financial results of the working of the Company, the interest charges should also be taken into account so that the results reveal the correct state of affairs.*

(ii) *Heavy establishment charges during Company management.*

155. The total value of production from 1-4-53 to 15-8-55 was about Rs. 37 lakhs, whereas the establishment charges including travelling allowances etc. for the period amounted to Rs. 13 lakhs. The establishment charges were reduced after the Company was brought under Government management. In 1955-56 when the production of the factory was of the order of Rs. 30.14 lakhs, the establishment charges were Rs. 2.7 lakhs. Thereafter, during the years 1956-57 and 1957-58 the establishment charges of the factory were Rs. 2.84 and 3.38 lakhs, when the production was of the order Rs. 38.23 lakhs and Rs. 40.11 lakhs respectively.

It was stated that in terms of the partnership agreement, the staff was required to be recruited on the advice of the technical partnership (the private firm) which accounted for the increase in the establishment charges.

*The Committee would like to point out that with the production of the Factory falling far short of expectations, the establishment charges, should be reviewed and effective steps taken to bring them down to a level correlated with the business of the factory.*

*(iii) Lack of control regarding purchases and Defective Store Account.*

156. For purchasing stores, no tenders were invited by the Company and Audit could not, therefore, verify whether the purchases were made in the most economical manner. It was reported that in some cases, purchases were made from a firm in which the outgoing partner (private firm) was interested and the purchases were approved by the Board of Directors without assigning any reasons for not calling for tenders. No physical verification of stock was ever carried out. It was explained that the Managing Director of the Company did not follow the rules and made purchases of stores without the approval of the Board of Directors. These transactions did not come to the notice of the representatives of the Government on the Board of Directors at that time.

*(iv) Loss on a sub-Contract worth Rs. 5 lakhs given to a former petty employee*

157. The Company entered into a contract on the 8th May, 1954 for Rs. 5.10 lakhs with the C.P.W.D. by negotiation for the supply of finished doors and windows for certain Government quarters under construction by the C.P.W.D. Without informing the Board of Directors, the management entered into a sub-contract with a mistry, an ex-employee of the factory. By entering into this sub-contract, the Company was to get a commission of about Rs. 71,600 at 14½ per cent on the total value of the work done by the mistry. In addition, a further profit on timber issued to the sub-contractor at the rate of Rs. 5-8-0 per cft. against the cost price of Rs. 3-4-0 per cft. was expected. Although according to the sub-contract, the cost of the work to the Company would have worked out to Rs. 4.38 lakhs, the expenditure incurred by the company in financing the sub-contractor was Rs. 4.95 lakhs. The sub-contractor failed to complete the work and it had to be finished by the company at a further cost of about Rs. 64,100. The total expenditure to the Company thus amounted to Rs. 5.59 lakhs. The loss of Rs. 74,182 on this contract was charged to the working capital supplied by the outgoing partner and the commission of about Rs. 71,600 plus the profit expected on issue of timber was remitted.

In this case too, it was explained that the sub-contract with the mistry was entered into by the outgoing partner on his own. When this matter came to the notice of the Board of Directors in 1955, they disowned the transaction and the loss was charged to the working capital invested by the firm. The Committee enquired why the Government Directors in the Board of Directors failed to check such irre-



gularities being committed by the managing partner. In extenuation, it was urged by the Secretary, Ministry of Works, Housing and Supply that these transactions never came to the notice of the Government Directors. *The Committee regret to state that this statement was not borne out by facts as set forth in sub-para (iii) of para 48 of the Audit Report wherein it had been clearly stated that the purchase of stores was approved by the Board of Directors (in which Government had representation). It is, therefore, apparent that the Government representatives on the Board of Directors of the Company did not fulfil their part in safeguarding the interest of Government which is regrettable.*

*The Committee understand that the private firm of partners still own some amount to Government. At the same time there are also certain counter-claims preferred by the firm. The Committee desire that all claims by Government and counter-claims by the private firm should be subjected to scrutiny by Audit before final settlement is made.*

*The chequered career of the undertaking which had caused considerable loss to the Government at every stage since its inception is a sad commentary on the manner in which the whole project had been planned and executed. The Committee trust that Government will benefit by their experience in this case.*

#### ASHOKA HOTELS LTD.

#### Para 49 of Audit Report, 1957

(i) *Excess payment of about 3,30,500 due to failure to take measurement of excavation work*

158. The contractor preferred a claim for excavation of 41,47,557 c.ft. of soft and decomposed rock and 8,83,318 c.ft. of hard rock at Rs. 100 and Rs. 150 per thousand c.ft. respectively and was paid on the recommendation of the Architect. No pit or stack measurements of the excavations were taken during September and December, 1955 by the clerks of works but reliance was placed only on the record of the lorry loads of excavated material kept by the contractor as lifted by him for claiming lead.

The quantities of excavation work estimated by the Architect in September, 1956 on the basis of actual drawings and plan worked out to 11,33,789 c.ft. of soft or decomposed rock and 6,18,376 c.ft. of hard rock. On the basis of these quantities, the contractor was over-paid to the extent of Rs. 3,30,542.

The Committee were informed that the Chief Technical Examiner of the Ministry was asked to verify the correctness of the quantities of hard and soft rocks excavated for the construction of the Ashoka Hotels building with reference to contour plans prepared by the

Architect and the Land and Development Office. But as the levels taken in the contour plans of the Land and Development Office and of the Architect were between 50 and 100 feet intervals, they could not be taken as the correct basis for arriving at the exact quantities of rock cuttings, specially because the nature of the adjoining rock formation which was in continuation of the same rock on which the Ashoka Hotels was built, was very undulating and levels changed very frequently. For the same reason the Survey of India Plan could not also be adopted as the levels therein were taken at 100 feet intervals.

The wide disparity between the quantities as estimated by the Architect in September, 1956 and the quantities actually paid for could not therefore be investigated by the C.T.E. in the absence of any reliable contour plans. However, on the basis of actual experiments carried out to determine the void content of loos soft rock, he recommended a deduction of 30 per cent for voids from the quantity of soft rock and on that basis a recovery of Rs. 1,13,140 is proposed to be made from the final bill of the contractor. The contractor has agreed to this deduction.

*(ii) Payment at a high rate for work of refilling of plinth basement etc.*

9,83,675 c.ft. of decomposed rock was utilised by the contractor at the site of works for refilling plinths of certain buildings. The contractor was paid Rs. 12-6-0 per 100 c.ft. for this refilling work against Rs. 9-4-0 per thousand c.ft. in the Schedule of Rates. The rate of Rs. 9-4-0 per thousand c.ft. included an element of cost of earth, the balance being the cost of labour employed for transportation and refilling. Even though the decomposed rock with which the refilling work was done was available at site, the rate for refilling works out to 13 or 14 items, more than the scheduled rate. Besides the cost of decomposed rock utilised in refilling was not recovered from the contractor. According to Audit, the excess payment to the contractor on this account was about Rs. 1,09,140.

In evidence, the representative of the Ministry stated that the rate of Rs. 9-4-0 per thousand c.ft. referred to in the Audit Report referred to earth filling in the basements. The nature of filling in the present case was different. It consisted of stores in the form of soling as was done normally in road work with hand ramming. The rate of Rs. 12-6-0 per 100 c.ft. was fixed after taking into consideration the availability of the material locally, the cost of transportation from about half a mile and the labour charges.

The Committee, however, understand that the Planning Circle to whom the matter was referred first stated that there was an excess payment of Rs. 43,824 for this item of work.

In extenuation, it was urged by the representative of the Ashoka Hotels that the original estimate framed by the architect for the building indicated only lumpsum figures for filling in foundations, and

the then management did not imagine that the P.W.D. and the Government Rules would have to be followed by the Architect employed in this work.

*The Committee find it difficult to accept this as a valid plea. As payments made should always be on the basis of actual work executed, in any system of accounts worth the name, due attention should have been paid to this fundamental requirement. The Committee, therefore, feel that there was hardly any justification for making payments without measurements and allowing higher special rates for work. In their opinion, the matter calls for further investigation.*

(iii) *Uneconomic expenditure of Rs. 3,14,192 on account of payment of uniform lead of half a mile for the excavated material*

160. According to Audit, the contractor had been paid a sum of Rs. 3,14,192 for transporting the entire excavated material of 59,14,193 c.ft. at Rs. 5-5-0 per 100 c.ft. on the basis of a uniform lead of half a mile. The whole of the excavated material could not be carried and dumped beyond half a mile when about 27 lakhs c.ft. was later used on the site of work in filling, soling, pitching etc. In view of this and as no chain-wise record of this transport was maintained by the clerks of works a uniform lead for the entire quantity was hardly justified.

It was explained by the representative of the Asoka Hotels Ltd. in evidence that according to the Architect, the terrain of the ground was such that the excavated material could not be dumped anywhere on the site and the programme of working was so laid down that stacking of the excavated material on the work site was not possible. The entire material should, therefore, have been taken away, for which the rate of Rs. 5-5-0 was allowed. In the rate of Rs. 12-6-0 the amount of Rs. 5-5-0 was again included for bringing back some portion of the material and using it in the basement filling.

The Committee further understand that the Chief Technical Examiner of the Ministry was asked to check whether the lead of half a mile was correct. The C.T.E. stated that it was difficult for him to say what the actual lead involved should have been as there was nothing available at the site on which a check could be based except the plan prepared by the Architect in which the average lead was worked out as 23 chains. He was, however, of the opinion that considering the huge volume of rock excavation and the urgency with which all works had to be started simultaneously, the lead of 23 chains could not be considered excessive and cartage upto 26 chains were to be paid for as lead according to the rate per chain which was Rs. 9-3-0 per hundred c.ft. and so the contractor was entitled to a further payment of Rs. 41,016 on this account.

*From the evidence placed before them, the Committee find that no measurements were actually taken in this case during the execution of the work and payments were made on the basis of certificates given by the Architect. It was urged that the work had to be completed within a specified period for providing accommodation to the delegates for an international conference and so the Management had to race against time. Even so, the Committee cannot refrain from observing that the procedure followed in making payments to the contractor was questionable.*

#### *General Working of the Ashoka Hotels Ltd.*

161. The Committee enquired about the present working of the Hotel and its future prospects. They were informed that there was considerable expansion in its business during the year ending 30th September, 1958. Its earnings both on account of 'boarding and lodging' and 'food and beverages' had increased as compared to the previous year. Comparing the financial results of the working of the Hotel for the last two years the loss sustained by the Hotel during the year October, 1957 to September, 1958 amounted to Rs. 15.77 lakhs as compared to Rs. 37.66 lakhs sustained by it during the previous year. As against this loss, depreciation and interest accounted for Rs. 23.33 lakhs. *While the Committee do not wish to be pessimistic about this venture, they would like to caution the Ministry that unless proper care is taken to improve the financial working of the Hotel and to reduce its high establishment cost it might be difficult to make it a successful commercial venture. They trust that both the Ministry and the Management of the Hotel will address themselves to this earnestly.*

#### *Statement of cases in which the lowest tenders were not accepted by the India Supply Mission, Washington*

162. In pursuance of a Resolution adopted by the Legislative Assembly on the 23rd September, 1951, half-yearly statements of cases in which lowest tenders were not accepted by the India Store Department, London, have been laid on the Table of the House from time to time. Another organisation viz. India Supply Mission, Washington has been functioning since, 1942 and its functions are similar to that of the I.S.D., London. But no such statements in respect of that organisation are submitted to Parliament. *The Committee felt that on the analogy of the procedure adopted in respect of transactions of I.S.D., London it is desirable that similar half-yearly statements of cases in which lowest tenders were not accepted by the I.S.M., Washington should be submitted to Parliament. They trust that the Secretary, Ministry of Works, Housing and Supply will take early action to implement this suggestion.*

## Outstanding Recommendations\*

### SEVENTH REPORT (SECOND LOK SABHA)

*Loss on a contract—Para 253 of the Seventh Report (Second Lok Sabha).*

163. In para 253, the Committee commented on the loss of Rs. 13,946 on account of non-fulfilment of a contract by an unregistered firm. The Committee were then informed that a security deposit of Rs. 5,170 had been obtained from the firm in the form of a cheque, which was subsequently dishonoured by its bankers. The dealing Assistant, who was responsible for the acceptance of security deposit in the form of cheque, had been given a warning and transferred to Rourkela. The Committee desired to be informed whether the case had been intimated to the present employer of the Assistant concerned.

From a note (Appendix XV, Volume II) furnished by the Ministry of Works, Housing and Supply, the Committee observe that the Assistant concerned had been sent on deputation to a higher post on 6th August, 1955 despite the fact that the irregularity committed by him in the case under reference had been brought to the notice of the Ministry on 12th July, 1955. *The Committee are surprised to learn this. They also understand that no note of the administration of warning to the official had been kept in his character roll. The Committee do not consider warning as an adequate punishment in this case.*

*Road Roller Bulk Procurement scheme—Para 260 of Seventh Report of P.A.C. (Second Lok Sabha)*

164. The Committee of 1952-53 had commented upon the irregularities in the working of this scheme in paras 61—63 of their Seventh Report. Subsequently in 1956 the Committee desired (cf. para 122 of Sixteenth Report) that early action should be taken by Government to fix the final price of road rollers and the difference in cost recovered from the various indentors. *The Committee regret to observe that the case has been considerably delayed. They trust that this matter will be finalised before they next examine the Accounts relating to the Ministry of W.H.&S.*

### DEPARTMENT OF ATOMIC ENERGY

#### Indian Rare Earths (P) Limited

*Excessive expenditure on construction of officers' Quarters—para 50(2) of Audit Report.*

165. The actual cost of construction of three Senior Officers' Bungalows at Alwaye, as booked upto 31st March, 1957, was

\*Appendix, I Vol. II

Rs. 1,01,300 per bungalow excluding the cost of water and electric installation as against Rs. 63,000 per bungalow quoted in the lowest tender. The increase in cost was mainly due to the inclusion of new items and change in specifications. According to Audit, although the rent charged from the occupants at the rate of 10% of their emoluments amounted approximately to Rs. 1,500 to Rs. 1,800 per annum the standard rent of each bungalow amounted to about Rs. 6,000 per annum as a result of the higher cost of construction.

The representative of the Ministry stated in evidence that the increase in cost was due to changes from the tile to R.C.C. roofing and laterite masonry of plinth to rubble masonry and the provision of an extra room. The change in masonry was made due to wet conditions of ground which laterite could not stand and the addition of the room, as a form of amenity to the officers in consideration of the under developed nature of the surrounding country. To a question as to how the Accounts Department of the Company agreed to the extra expenditure without looking into its effect on the rent of the bungalows, there was no convincing reply.

*The Committee are not satisfied with the reasons given. In the present case, the changes had the effect of increasing the cost to nearly double the original estimate. Such large scale revisions in the plan and specifications of a work, apart from leading to considerable extra expenditure, defeat the purpose of obtaining tenders. Nor were the changes necessitated on grounds which the authorities were not aware of initially. The Committee consider that such action on the part of the Company by providing an amenity in the shape of extra accommodation without additional cost was tantamount to subsidising the officers indirectly. They would urge that the rent charged in this case should not be treated as a precedent for determining house rent when accommodation is provided in excess of the scale. They cannot also help feeling that the Accounts Department of the Company also failed in its duty to scrutinise the effect of the increase in cost on the standard rent. They trust that suitable remedial steps will be taken to tighten the scrutiny by that Department.*

*Supply of defective plant and machinery by a firm—para 50(3) of the Audit Report.*

166. Some defects were noticed in a number of plant and machinery components of the chloride furnace purchased in France according to designs and specifications furnished by the Consultants and inspected by them. As it was desired that the plant should go into operation according to schedule, the defects were set right by the Company itself at a cost of about Rs. 3,86,763. To safeguard the interests of the company, the payment of Rs. 2 lakhs due to the Consultants had been withheld.

In evidence it was stated by the representative of the Department that as soon as the final audit of the Company's accounts with the French Firm was carried out, the Company proposed to discuss the issue with the French Firm and settle it. The matter was being taken up with the Comptroller and Auditor General's representative in the Indian High Commission in U.K. *The Committee would like to be informed of the settlement reached in this case.*

*Large accumulation of stock—para 50(4) of the Audit Report.*

167. There were large accumulated stocks of Rare Earths Chloride, Cerium Hydroxide, Rare Earths Carbonate and Trisodium Phosphate with the Company as on the 31st March, 1956 valued at about Rs. 42 lakhs.

The Committee were informed in the course of evidence that the Company aimed to provide sufficient quantities of thorium, uranium and cerium hydroxide to the plant at Trombay irrespective of under-disposal of other ancillary products. He further stated that as the factory was not at present producing Chlorides, Carbonates or Hydroxides, the stocks were not being increased. The factory was now producing thorium plus trisodium phosphate which was readily saleable.

*The Committee hope that with the stoppage of production of some of the chemicals, attention is being paid continuously to the optimum utilisation of the plant.*

*Losses written off—Import of drums—Para 50(5) (i).*

168. 1989 drums were imported for storage of chemicals in 1951 from a foreign country for Rs. 79,952 but only 647 were used till April, 1953. The remaining 1342 drums costing Rs. 54,076 got corroded and their value was written off.

The representative of the Department stated in extenuation that all the drums would have been consumed within ten months had the plant reached its rated capacity as envisaged. It was further stated that all precautionary measures against corrosion were taken including coating the drums with bitumen paint. Attempts were made to sell the drums but being of special type not used by others, they could not be disposed of.

*The Committee suggest that in future a proper assessment of requirements should be made before placing orders for such stores which are likely to be damaged, if not used within a short period.*

*Loss of Rs. 6,500 in the purchase of Hydrochloric acid—para 50(5) (ii).*

169. Hydrochloric Acid received by the Company in a trailer tank from a supplying firm was not actually weighed but the volume in

litres was converted into tons by measuring the height of the acid in the tank. In this calculation, a height of 48 inches in the tank was assumed to contain 1957 litres whereas actually the same height contained 1973 litres. The first physical verification of the stock of acid done after about four years revealed a shortage of .31.3 tons which was written off without investigation. The verification done in the following year again disclosed a shortage of 13.4 tons which was attributed in part to short receipt from the firm (6.3 tons) who, however, accepted the claim only for half the loss.

It was stated in evidence that measurement of liquids in tanks was usually done by measuring the height, and the same procedure was followed in this case; the formula adopted was, however, wrong.

*The Committee desire that in order to avoid such lapses, necessary instructions should be issued by the Company. In their opinion, had stock-taking been done regularly, not only the error could have been detected much earlier, but the responsibility for short supply could have been fastened on the supplier. They would, therefore, urge that regular stock-taking should be conducted so that deficiencies in stock would be divulged at the earliest possible opportunity to enable the authorities to take timely action.*

*Loss of Rs. 68,663 due to faulty estimate of actual requirements of certain chemicals—para 50(5)*

*(iii) of the Audit Report.*

170. The actual quantity of caustic soda and hydrochloric acid purchased by the Company from a firm during five years was 5.767 tons as against the minimum limit of 15,000 tons which the Company were to purchase in accordance with the terms of their agreement with the supplying firm entered into in September, 1951. A compensation of Rs. 1,83,100 was claimed by the firm on account of the loss suffered by them for non-fulfilment of the contract. The claim was settled for Rs. 68,663.

It was stated in evidence that as against the higher estimated requirement, the off-take of the acid was cut down since the rated capacity of the plant was not achieved due to defects which developed in the Chloride furnace.

*The Committee recommend that while entering into long term agreements with firms for supply of materials etc. fluctuations in requirements should be taken into account and suitable provisions made in the agreement to safeguard the interests of the Company in this respect.*

NEW DELHI;  
The 24th April, 1959  
Vaisakha 4, 1881 (Saka)

N. G. RANGA,  
Chairman,  
Public Accounts Committee.



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## PART II

Proceedings of the Sittings of the Public Accounts Committee held on 19th to 24th and 27th to 31st January, 19th and 27th February, and 24th April, 1959.

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PROCEEDINGS OF THE THIRTY-THIRD SITTING OF THE  
PUBLIC ACCOUNTS COMMITTEE HELD ON MONDAY, THE  
19th JANUARY, 1959

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The Committee sat from 10.00 to 13.00 hours.

PRESENT

Prof. N. G. Ranga—*Chairman*

MEMBERS

2. Dr. Ram Subhag Singh
3. Shri Arun Chandra Guha
4. Shri N. R. M. Swamy
5. Pandit Jwala Prasad Jyotishi
6. Shri Rameshwar Sahu
7. Shri Upendranath Barman
8. Shri Prabhat Kar
9. Shri Raghubar Dayal Misra
10. Shri H. C. Dasappa
11. Shri Khushwaqt Rai
12. Shri Aurobindo Ghosal
13. Shri Jaipal Singh
14. Rajkumari Amrit Kaur
15. Shri Amolakh Chand
16. Shri T. R. Deogirikar
17. Shri S. Venkataraman
18. Shri M. Govinda Reddy
19. Shri Rohit Manushankar Dave
20. Shri M. Basavapunnaiah

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

Shri A. Kalyanaraman, *Deputy Comptroller and Auditor General of India.*

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

Shri P. V. R. Rao, *Director of Audit, Food, Rehabilitation, Supply, Commerce, Steel and Mines.*

Shri P. K. Sen, *Director of Commercial Audit.*

#### SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

Shri M. C. Chawla, *Under Secretary.*

#### WITNESSES

##### *Ministry of Commerce and Industry*

Shri S. Ranganathan, *Secretary.*

Shri L. K. Jha, *Additional Secretary.*

Shri K. B. Lal, *Joint Secretary.*

Shri N. Subrahmanyam, *Joint Secretary.*

Shri C. S. Ramachandran, *Joint Secretary.*

Shri B. B. Saxena, *Joint Secretary.*

Shri K. V. Venkatachalam, *Joint Secretary.*

Shri K. T. Satarwala, *Joint Secretary.*

Shri Nagendra Bahadur, *Joint Secretary.*

Shri D. Sandilya, *Joint Secretary.*

Dr. A. Nagaraja Rao, *Joint Secretary.*

Shri M. K. Mathulla, *Managing Director,*

*Hindustan Machine Tools (P) Lt., Bangalore.—*

*Ministry of Finance (Department of Expenditure)*

Shri K. L. Ghei, *Financial Adviser.*

#### MINISTRY OF COMMERCE AND INDUSTRY

##### **Audit Report (Civil), 1957**

##### *Payment of grants-in-aid in excess of requirements—Para 22*

172. According to the Audit Report, during the six years ending on 31st March, 1955, the Ministry sanctioned and paid to the Central Silk Board grants-in-aid amounting to Rs. 51,53,994 for the promo-

tion of sericulture while the Board allotted and paid Rs. 36,90,061 to States as follows:—

Year	Amounts paid to the Board by Government	Amounts paid to State Governments by the Board
	Rs.	Rs.
1949-50	4,00,000	1,39,000
1950-51	4,00,000	1,19,000
1951-52	1,50,000	1,46,680
1952-53	4,28,500	2,70,390
1953-54	15,18,779	11,27,545
1954-55	22,56,715	18,87,446
	<u>51,53,994</u>	<u>36,90,061</u>

The actual expenditure incurred by the State Governments from these grants amounted to Rs. 9,38,768 upto 31st March, 1955. Out of the unspent balance of Rs. 27,51,293 as on 31st March, 1955, the State Governments were stated to have surrendered Rs. 20,65,458 during 1956-57. The Government's grant to the Board as well as the Board's allotment to the State Governments were thus in excess of what was actually required.

The Committee wanted to know the reasons for the non-utilisation of these grants. The witness stated that till recently, funds were disbursed in advance on the basis of schemes which were acceptable to the Board and each scheme required the sanction of the Government of India. But since May, 1958 funds to be paid for the whole year are decided in advance and the States are allowed to sanction continuation schemes without reference to the Government of India. But new schemes were submitted to the Board and technically approved by it. He expressed the hope that the introduction of the revised procedure of making monthly payments to the States would avoid payments of grants-in-aid in excess of requirements.

The Committee enquired about the checks, if any, exercised by the Government over the progress of various schemes run by the State Governments for which grants-in-aid were being sanctioned year after year. The witness stated that the Silk Board and the Ministry got periodical progress reports, while it was not easy to have a physical verification of the actual progress on the spot account of the dispersal of the schemes over a large number of centres, the

witness continued, the Textile Commissioner, who was also the Chairman of the Silk Board had, however, opportunities twice a year to visit the more important schemes that were in progress. The Committee desired the Ministry to examine the possibility of having non-official Chairmen for both the Silk Board and the Handloom Board.

After some discussion the Committee desired to be furnished with a note setting forth information on the following points:—

- (a) Unspent balances with the State Governments year by year that had not been surrendered regarding all the Boards or Commissions.
- (b) The schemes sanctioned during the last six years by the Silk Board, Khadi Board, Handicrafts Board and Handloom Board.
- (c) How many of those schemes had been completed? How many were yet to be completed?
- (d) What is the incidence of administrative charges of the Silk Board to the grants made to it?
- (e) The amounts spent by the States on administration out of grants-in-aid made to them by the Silk Board.
- (f) Schemes which had been abandoned and expenditure incurred thereon.

The Comptroller and Auditor General pointed out that under the revised procedure of grants-in-aid there might be delays in getting monthly reimbursement by the States. He suggested that Government might consider the feasibility of giving small revolving credit to the States.

The Committee next desired that copies of Annual Reports of the autonomous Boards might be furnished to them. They also desired that the Comptroller and Auditor General might include a note on these Annual Reports and the points arising therefrom in the next Audit Report in addition to the Audit objections included in the Appropriation Accounts or the existing Audit Reports thereon. The Committee also considered the appointment of a sub-Committee of their own to go into the working of those Boards in detail.

### **Appropriation Accounts (Civil), 1955-56—Vol. II**

*Page 16, Note 9, sub-head A. 1(4)-Silk Industry*

173. Against Rs. 22,22,607 sanctioned in 1955-56 to the various State Governments as matching grants for implementation of schemes, the actual amount drawn and spent by them amounted to Rs. 55,061 only. The Committee drew attention to the statement made in the above note that the implementation of the schemes had been delayed mainly due to lack of trained personnel and adequate financial

resources and more time taken in completing the preliminary formalities, and desired to be furnished with a note setting forth information on the following points:

- (a) Particulars of the Central schemes for the training of personnel, the amounts sanctioned and spent on them (during the last 3 years).
- (b) The number of persons that had to be trained and that were actually trained.
- (c) The desirability of charging agency commission by the Silk Board on raw silk import to augment its resources.

### **Audit Report (Civil), 1957**

#### *Irregularities noticed in the Accounts of Subsidy on Production and Sale of Khadi—Para 24*

174. On the recommendation of an Advisory Board set up by the Government of India for the development of certain industries, Government sanctioned during 1953-54 a subsidy of one anna per rupee on production/sale subject to a maximum of Rs. 2,000 per institution provided the production/sale during the period from July, 1953 to December, 1953 exceeded the production/sale during the corresponding period of the previous year by more than 10 per cent. The scheme was continued during 1954-55 with the modification that 6 pies per rupee was payable as ordinary subsidy on the actual production/sale without any limit or condition, and 6 pies per rupee as additional subsidy subject to a maximum of Rs. 1,000 per institution if the increase in production/sale exceeded by more than 10 per cent that of the previous year. The total payments made on this account during 1953-54 and 1954-55 were Rs. 1,18,116 and Rs. 11,63,902 respectively.

The Audit Report disclosed the following irregularities in the accounts maintained by the Board:

- (i) *Disbursement of subsidies without any independent verification of figures of production/sale.*
- (ii) *Payment of subsidies in a number of cases without fulfilment of prescribed condition of production/sale.*
- (iii) *Payments in contravention of the terms of sanction.*

175. The Committee wanted to know the reasons for the overpayment of subsidy during 1953-54 and 1954-55 and not recovering the same from the institutions concerned. The witness stated that internal audit parties of the Khadi Commission were going into the whole matter.

The Committee pointed out that the Khadi Board, over which the Ministry had more direct control than they had over the Khadi

Commission, disbursed subsidies without any verification of figures of production/sale furnished by the institutions concerned. They wanted to know the reason for this and also the steps taken to recover the overpayments.

The witness, however, hesitated to express any opinion in the matter and stated that the Khadi Commission who were looking into it as successor of the Khadi Board would be in a position to give to the Committee more correct factual information by the end of March, 1959.

When asked whether any explanation was taken from the officers of the Khadi Board, the witness stated that Office Secretary of the Khadi Board had since died. The Ministry, therefore, could not make any direct enquiries from the Khadi Board's officials; they had to do so through the successor Commission.

After some discussion, the Committee desired to be furnished with a detailed note for their information.

#### *Expenditure on Exhibitions of Indian Goods Abroad—Para 25*

176. Since 1950, the Ministry took part in nearly 100 exhibitions and fairs and incurred an expenditure of over Rs. 1.25 crores. Audit reported lack of planning and co-ordination and other instances where tenders were not invited; works were started by contractors before execution of written agreements or contracts; prior sanction of Government was not obtained; detailed estimates were not drawn before awarding contracts, thus entailing *ad hoc* lump-sum payment; papers leading to award of contracts were not forthcoming; *ex gratia* payments had to be made to contractors.

The Committee wanted to know the reasons for the lack of planning and co-ordination between the different sections of the same Ministry as also between the different Ministries handling the Exhibition work. The witness stated that the Exhibition Directorate's work was a kind of a new service which had been organised in foreign countries at a very short notice. The Government of India only provided the institutional framework for the service. The real exhibitors and participants were the traders in the country. It was impossible to know in advance the response of the trade to a particular exhibition.

As regards air-lifting of exhibits in the two cases reported in the Audit Report, he stated that the exhibits were originally intended to be sent by the surface route and were loaded in the ships. But the ship developed engine trouble in one case and in another there was trouble with the port, and the exhibits had, therefore, to be air-lifted.

As regards co-ordination, he admitted, there was scope for improvement. In the case under reference there were two sets of

exhibits—one of the decorative type, selected by the Ministry of Commerce and Industry and the other of handicrafts drawn from different parts of the country, selected by the Handicrafts Board, which was then under the late Ministry of Production.

The Committee noticed that in certain cases action to despatch exhibits was delayed long after the decision to participate in the fair had been taken. They were informed that normally exhibitors were given 3 to 4 months' notice of an exhibition although sometimes the promoters of an exhibition gave Government 2 or 3 years' notice. When asked whether it was not possible to give more than four months' notice to the trade the witness replied in the negative. He added that that was not desirable also because the requisite tempo could not be built up earlier than that period.

To a question whether it would not be advisable to inform the trade earlier to avoid rushing through at the last moment, the witness stated that it would not always be possible to avoid last minute rush of work, air-lifts etc.

The Committee then desired to be furnished with a note giving information on the following points:—

- (i) When was the decision to participate in the Industries Fair from 3rd May to 14th May, 1954 taken? When did its implementation commence?
- (ii) What has been the actual loss in organising exhibitions and fairs costing about Rs. 1.25 crores?
- (iii) Have the accounts of the fair referred to in sub-para (d) of the Audit Report been finalised and private accounts settled? What is the liability that Government had to share in this case?

Next, the Committee enquired about the impression that Indian exhibits created in foreign countries. The witness stated that he thought India would recoup the losses in the organisations in a few years, for the exhibits had been well received and the number of trade enquiries had increased.

#### *Hindustan Machine Tools (P) Ltd.—Para 23*

177. The Committee wanted to know the reasons for not referring the disputes between Government and the Foreign Firm (M/s Oerlikons) over the interpretation of the various clauses of the agreement to arbitration as provided in clause 13 of the Heads of Agreement. The witness stated that that would have held up the progress because of the Factory's dependence on the foreign collaborators. The Management, therefore, considered it advisable to settle all disputes with the foreign collaborators *viz.*, M/s. Oerlikons by entering into a revised agreement with that firm.



On the point of production of lathes by the Hindustan Machine Tools vis-a-vis the private sector, the representative of the Ministry stated that at present the Hindustan Machine Tools were having a diversified programme of production and were contemplating to manufacture cheaper kinds of lathes.

When asked about the stock position in the Hindustan Machine Tools, the Committee were informed that the present stock position was roughly equal to half a month's production. But the order book for the coming year was causing some anxiety.

When questioned whether the demand of lathes in this country was taken into consideration at the time when the Agreement with the foreign firm was under negotiation the witness stated that looking at the stock position, it was obvious that planning and production had been quite satisfactory.

*Infructuous expenditure on Highly-paid Foreign Staff recruited in Advance of Requirements—Sub-para 6*

178. In this case, one technician was appointed as a painter foreman on 1st July, 1954 on 3 months' training on Rs. 1,888 p.m. plus Rs. 490 p.m. as overseas allowance and was sent out to India in that capacity, although there was no need for such an appointment. This technician was, therefore, described as a packing foreman even though there was no need for such a foreman in 1954, as the factory had not started production.

When asked about the justification of an appointment of a painter described as a packing foreman, the witness stated that the aim of the Company was to train people in the painting job. To a question he replied that the technician actually imparted training here to about 30 to 40 persons in the art of painting. Further, this technician was incharge of training both in painting and packing work. In extenuation, it was urged that in the earlier stages the company had to depend on their technical advisers (viz. Oerlikons) in such appointments.

*Payments for technicians without benefits of their services*

179. The Committee were informed that the 14 technicians who were entertained by the foreign firm at a cost of Rs. 1.93 lakhs and given training in the foreign country were found to be unsuitable to take the jobs at the Hindustan Machine Tools and that it was one of the unfortunate experiences of Government had with the Oerlikons.

*Irregular debit of Rs. 4.07 lakhs to the Company on account of Planning expenses—Sub-para 7*

180. Expenses on salaries and allowances of staff employed on planning and inspection of machinery etc. to the extent of Rs. 4.07 lakhs were debited to the Company during the period 1st March, 1953 to 30th September, 1954 although there was no provision in the 'Heads of Agreement' for the payment of such expenses by the Company.

According to the Audit Report, the claim for a refund of this amount and the infructuous expenditure cited in the above two paragraphs was not pressed because all outstanding disputes with the foreign firm were settled by the new agreement under which the foreign firm was paid a sum Rs. 12.5 lakhs as an overall settlement after taking into consideration the claims of the Hindustan Machine Tools and the counter-claims of the foreign firm.

The Committee wanted to know the circumstances under which the Ministry paid Rs. 12.5 lakhs to the foreign firm as an overall settlement.

The Managing Director, Hindustan Machine Tools (P) Limited stated that under the old agreement the Oerlikons were the technical managers of the factory. But in 1956, there arose a large number of disputes over the interpretation of various clauses of the agreement. Harmonious working in the factory became difficult and the progress of the Project slowed down. Moreover, Government felt that in case of continuation of the old agreement, the firm would have to be paid a sum of Rs. 2 crores in the form of royalty and Rs. 60 lakhs as free shares for their services during the period of 20 years, as laid down in the agreement. Government also felt that arbitration for settlement with the firm might prove a costly and long drawn affair. Under the circumstances, Government thought it prudent to arrive at an overall settlement by paying a sum of Rs. 12.50 lakhs to the firm, for having assisted Government in establishing the factory, setting up production and training the staff therein.

Asked whether Government were still paying any royalty to the foreign firm, the Managing Director stated that under the new agreement only in respect of H.22 lathes, royalty was paid to the firm instead of on the entire output of the factory as envisaged under the terms of the old agreement. In reply to a question whether Government had taken care not to repeat the old defects in the new agreements, which they were entering into with other firms for the establishment of various factories in the country, the Managing Director stated that thanks to the competition prevailing among the foreign collaborators, Government were in an advantageous position now.

When asked whether the H.M.T. had ever thought of having their own foundry for castings, the representative of the Ministry stated that Government had given thought to the matter but the problem of finding foreign exchange to the extent of Rs. 30 lakhs had held up progress in that direction. He, however, hoped that the problem would be solved by allocating one of the aid funds for the purpose.

To a question, whether the cost of the machines produced in the H. M. T. compared favourably with that of similar foreign machines, the Managing Director, H.M.T. replied that the landed cost of Oerlikons lathe in India was Rs. 40,500 including 10 per cent duty, while the H.M.T. started selling high precision lathe at Rs. 39,000. In the

second year the price came down to Rs. 36,000, and in the last year that had come down further to Rs. 29,500 only. The *ex-factory* price in Europe of that type of lathe was, however, Rs. 32,740.

Next, the Committee wanted to know whether the factory had got sufficient training facilities for the personnel employed by the H.M.T. The Managing Director stated that the factory had trained the personnel necessary for 3 shifts and the training centre had been placed at the disposal of Government of India for the benefit of other industries in the country. Government had also appointed a Committee to look into that matter. To a question, the representatives of the Ministry replied that the training facilities in the centre were open both to private and public sectors in the country. But the number of people desirous of getting the high level of training and pay for the same as well, was not large.

181. The Committee then adjourned till 10.00 hours on Tuesday, the 20th January, 1959.

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PROCEEDINGS OF THE THIRTY-FOURTH SITTING OF THE  
PUBLIC ACCOUNTS COMMITTEE HELD ON TUESDAY,  
THE 20th JANUARY, 1959

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182. The Committee sat from 10.00 to 13.20 hours.

PRESENT

Prof. N. G. Ranga—*Chairman*

MEMBERS

2. Dr. Ram Subhag Singh
3. Shri Arun Chandra Guha
4. Shri N. R. M. Swamy
5. Pandit Jwala Prasad Jyotishi
6. Shri Rameshwar Sahu
7. Shri Upendranath Barman
8. Shri H. C. Dasappa
9. Shri Aurobindo Ghosal
10. Shri Jaipal Singh
11. Rajkumari Amrit Kaur
12. Shri Amolakh Chand
13. Shri T. R. Deogirikar
14. Shri S. Venkataraman
15. Shri M. Govinda Reddy
16. Shri Rohit Manushankar Dave
17. Shri M. Basavapunnaiyah

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

Shri A. Kalyanaraman, *Deputy Comptroller & Auditor-General of India.*

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

Shri P. V. R. Rao, *Director of Audit, F.R.S.C.S. & M.*

Shri P. K. Sen, *Director of Commercial Audit.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri M. C. Chawla—*Under Secretary.*

## WITNESSES

*Ministry of Commerce & Industry*

Shri S. Ranganathan, *Secretary*  
 Shri L. K. Jha, *Additional Secretary*  
 Shri N. Subrahmanyam, *Joint Secretary*  
 Shri C. S. Ramachandran, *Joint Secretary*  
 Shri Nagendra Bahadur, *Joint Secretary*  
 Shri B. B. Saxena, *Joint Secretary*  
 Shri K. T. Satarwala, *Joint Secretary*  
 Shri K. V. Venkatachalam, *Joint Secretary*  
 Shri K. L. Ghei, *Financial Adviser*  
 Shri R. N. Vasudeva, *Salt Commissioner.*

*Ministry of Home Affairs*

Shri B. N. Jha, *Secretary*  
 Shri V. Vishwanathan, *Special Secretary*  
 Shri Hari Sharma, *Additional Secretary*  
 Shri N. Sehgal, *Joint Secretary*  
 Shri R. S. Bahl, *Deputy Financial Adviser.*

*Ministry of Food and Agriculture*

Shri G. G. Tekle, *Inspector General of Forests.*

## MINISTRY OF COMMERCE &amp; INDUSTRY

## Appropriation Accounts (Civil), 1955-56, Vols. II and XVI

## 183. Defective Budgeting—Excesses and Savings over Voted Grants.

S. No.	Grant No.	Final Grant	Actual Expenditure	Excess(+) Savings(—)
1.	1-Ministry of Commerce and Industry. (i) Sub- Head A. 3	7,32,500	7,82,424	+ 49,924
	(ii) Sub-Head A-4	3,67,200	3,86,500	+ 19,300
2.	2-Industries	17,62,72,000	16,88,91,621	—73,80,379
3.	4-Miscellaneous Deptts. and Expenditure under the Ministry of Commerce and Industry	69,66,000	60,63,060	—9,02,940
4.	86-Salt (Voted)	1,34,91,000	1,28,35,811	—6,55,189
5.	131-Capital Outlay of Ministry of Production	9,73,66,000	6,11,13,323	—3,62,52,677

Under Grant No. 1 (Sl. No. 1), the explanation given for the excess expenditure was "omission to provide funds". With regard to the savings, the Committee pointed out that in all the cases referred to above, Government had obtained Supplementary Grants which ultimately proved unnecessary either wholly or in part. In particular the Committee desired to know the reasons for obtaining a Supplementary Grant of Rs. 5,00,000 under Grant No. 4 (Sl. No. 3 above) in the month of December, 1955 when it should have been evident to the Ministry that there was going to be a large saving under the total Grant. The representative of the Ministry stated that at the time of obtaining the Supplementary Grant, the saving under the Grant was not anticipated. The Comptroller & Auditor-General informed that pursuant to the recommendations of the P.A.C. contained in their 8th Report (Second Lok Sabha), Government of India had issued an order in August, 1958 regarding Budgeting and Financial Control by which only those schemes which had received administrative approval should be provided for in the budget estimates. The results of this order, he thought, would be evident from the Audit Reports commencing from the year 1959-60. The representative of the Ministry also expressed the hope that under the new scheme of delegation of additional powers to Ministries which provided for the appointment of Financial Advisers under the control of the administrative Ministries, the position would improve.

*Grant No. 2—Losses, writes-off etc., Page 14, Note 5, Vol. II*

184. Two wagons containing 770 packages of tin plates were despatched from one depot to another in January and April 1947 but as they did not reach the destination, a report was made to the Railways in September, 1947, and a formal claim for Rs. 26,018 lodged in November, 1948. The claim was rejected by the Railways as the report was time-barred. The loss was written off by Government in May, 1955. No disciplinary action was taken as the police investigation did not implicate any of the depot staff.

Explaining the reasons for the inordinate delay in preferring the claim against the Railways, the representative of the Ministry stated that a satisfactory answer could not be found from the papers available. The question of taking disciplinary action in the matter had also not been considered, as it was not possible to fix the responsibility on any particular officer. He, however, assured the Committee that the Ministry would evolve a procedure in consultation with the Ministry of Railways to prevent the recurrence of such lapses in future.

*Losses, writes-off etc., Page 6, Note 7, Vol. XVI*

185. Under Grant No. 86—Salt, a sum of Rs. 2,07,079 was written off by the competent authority. Among others, there were two cases of losses owing to the value of salt being found short due to exposure to rains etc., which amounted to Rs. 1,94,730. In explanation:

the representative of the Ministry stated that covered accommodation had not been provided for the storage of salt as it was considered that the interest on the Capital cost and annual maintenance charges involved therein would be more than the annual losses caused by rain or storm. The losses were abnormally high during this year due to unseasonal rains.

The representative of the Ministry of Commerce and Industry, however, undertook to furnish to the Committee a note indicating the position of stock on the various dates (during the year under report), when rains occurred and how at the end of the year, the losses were totalled up.

*Loss on guaranteed purchase of American Cotton, Page 21, Note 19, Vol. II*

186. In March, 1952, the Government of India announced their intention to guarantee the purchase of American and East African Cotton at stated prices. The guarantee was considered necessary as the prices of American Cotton were falling at that time, and without this guarantee the Banks would have necessarily demanded larger margin for giving financial accommodation to the Indian Mills impairing the latter's capacity to purchase their normal requirements of Indian Cotton. Accordingly, Government had to buy in March, 1953, 1,845 bales of American Cotton at Rs. 19,26,450. A further expenditure of Rs. 18,526 was incurred on storage and other charges. In July, 1953 an offer for the cotton at Rs. 1,600 per candy was rejected by the Ministry in the expectation that the price would rise further. In December, 1953 the cotton was sold in one lot for Rs. 18,26,306 at Rs. 1,497 per candy. The loss of Rs. 1,18,670 was written off by Government in February, 1956 by debit to the "Fund for the benefit of cotton growers in India." In reply to a question as to why the Government did not accept the offer of Rs. 1,600 per candy in July, 1953, the representative of the Ministry stated that the offer was considered low as compared to the prices prevailing at the time and the Government were anxious to avoid any loss to Government. The Textile Commissioner was asked in September, 1953 to go ahead with the sale of the cotton by inviting limited tenders subject to the condition that a reserve price of Rs. 1,605 per candy being fixed. Tenders were accordingly invited but no offer was received this time. In the absence of any other offer, the entire stock was sold to the Kohinoor Mills, Bombay at Rs. 1,497 per candy. The Committee were not convinced of the above explanation and desired that the conduct of the officer in charge of this deal should be looked into.

As regards debiting loss to "Fund for the benefit of cotton growers in India" it was stated that the credit facility for the purchase of American Cotton had been given to enable the mill owners to purchase Indian cotton. The loss had, therefore, correctly been debited to the Fund with the concurrence of the Audit Authorities.

*Periodical Stock verification of Salt at Kharaghoda—Note (i) Page 37, Vol. XVI*

187. With reference to the note (i) appearing under the statement of stores for the year ending 31st March, 1956, that "periodical verification of stock of Salt at Kharaghoda does not take place" it was explained by the representative of the Ministry that stock verification was undertaken at the beginning and end of every season. No verification was conducted during the season.

The clearance of stocks for the years 1952 and 1953 disclosed losses of stores of Rs. 2,16,910 Bengal Maunds. The Committee observed that these losses were comparatively higher than those in the previous years. The representative of the Ministry promised to furnish the details of these losses for the information of the Committee.

*Financial Review of the working of Government Salt Sources Rajasthan and Mandi (Page 9, Vol. XVI)*

188. The working results for the year 1955-56 of all the four Salt sources (*viz.* Sambhar, Didwana, Pachbadra and Mandi) disclosed a net loss of Rs. 2,53,712 as compared to a net profit of Rs. 7,85,211 during 1954-55. The representative of the Ministry stated that the losses were mainly due to decrease in the production of salt resulting from the seasonal rainfall being less than that in the previous year.

With regard to the question of a revision of the selling rates of Salt produced in the Rajasthan Salt Sources referred to in the last para at page 9 of the Appropriation Accounts (Vol. XVI), the Committee were informed that the major factor which influenced the price was the royalty being paid to the Rajasthan Government, which amounted to about 50 per cent of the cost of production. The question of revising this royalty was under consideration.

*Pritchard Salt Works and Main Salt Stores, Kharaghoda—Buildings Account—Note 9, page 6, Vol. XVI*

189. The building accounts disclosed that the value of chowkeys in Agars amounting to Rs. 18,394, reported to have been washed away during the rains of 1927, had not been written off this account, and the cost of new chowkeys worth Rs. 46,845 built in 1927-28 had not yet been brought in to the building account. The Committee were informed that the losses had since been written off and the assets registers were being written up to show the value of chowkeys built in 1927-28. The Committee, however, did not get a satisfactory answer for Government taking 30 years to settle such a non-controversial matter.



### *Mandi Salt Mines*

190. During their visit to the Mandi Salt Mines in June 1958, the Public Accounts Committee had been informed that for the scientific exploitation of the mines at Drang a scheme for sinking of two shafts had been taken in hand in November, 1957. The contract for the work had been placed with an Indian firm; but the work had to be stopped owing to certain disputes with the contractor. The representative of the Ministry informed the Committee that the contractor was not working according to schedule and action was being taken against him. Efforts were also being made to find another party to undertake the job but only foreign firms were willing to come forward and that too at very high costs.

As regards Maigal Salt Mines near Mandi where Salt was being manufactured by solar evaporation from perennial spring of brine which were running at a loss, the Committee were informed that the concentration of Salt in the stream was comparatively low and the installation of machinery for the manufacture of Salt from it was not likely to be economic. The matter was, however, still under examination. The Secretary, Commerce and Industry Ministry undertook to furnish the Committee a note discussing the commercial exploitation of Salt Sources in the Mandi region.

### *Nahan Foundry*

191. The Committee were informed that the output of Nahan Foundry was being increased substantially. As compared to the figure of 1,200 tons in 1957, the target for the year 1959 was 3,000 tons. The bulk of production of the foundry had been sugarcane crushers which were sold to the Khadi Board. Considerable difficulties had been experienced in the past in the recovery of dues from the Khadi Board which had an adverse effect on the ways and means position of the company.

Another difficulty experienced by the foundry was shortage of working capital. Although the company was already over-capitalised, it was considered that its working would improve with certain additions to the machinery etc. Earlier the company had received a loan of Rs. 7½ lakhs from the Government and it was not proposed to convert this loan into capital and obtain sanction for an additional capital of Rs. 2 to 3 lakhs. Large number of orders were now being received by the Company and it was felt that with an increase in its size of production the company would show better results. The Committee suggest that the capital of the factory might be reconstructed and written down in order that it might show better results in future. The representative of the Ministry agreed to consider the suggestion.

During their visit to the Foundry in June, 1958, the Committee had gathered the impression that the post of the Secretary to the

Board of Directors was superfluous as the officer appeared to be attending the Board meetings only. In extenuation the representative of the Ministry stated that the Secretary to the Board of Directors was also the Secretary of the Company and besides attending meetings was looking after the day-to-day working of the Company.

## MINISTRY OF HOME AFFAIRS

### Appropriation Accounts (Civil), 1955-56, Vol. IX

#### *Defective Budgeting—Savings over Voted Grants*

192. The Committee drew attention to the following instances of over-budgeting:

S. No.	Grant No.	Final Grant	Actual Expenditure	Excess(+) Savings(—)	Percentage
1.	53—Police	2,16,67,000	1,64,60,500	—52,06,500	24
2.	54—Census	20,00,000	10,29,654	—9,70,346	49
3.	56—Andaman & Nicobar Islands	2,00,32,000	1,76,10,440	—24,21,560	12
4.	58—Manipur	93,34,000	64,99,090	—28,34,910	30
5.	125—Capital Outlay of the Ministry of Home Affairs	2,79,74,000	2,02,04,867	—77,69,133	28

It was also observed that though there were large savings in the above cases, the Ministry surrendered only small amounts at the close of the year—

With regard to the first item *viz.* Grant No. 53—Police, the representative of the Ministry explained that provision had been made for grant of financial assistance to the State Governments of Rajasthan and U.P.; but due to delay in the issue of final orders the amounts could not be paid to them during the financial year. In the second case, it was stated that provision had been made for making elaborate arrangements for a study of population data; but the work could not be undertaken and a sum of Rs. 8.42 lakhs was actually surrendered.

In the fourth case the resultant saving was more than Rs. 28 lakhs but only Rs. 5.37 lakhs were actually surrendered. It was stated that the shortfall in expenditure had occurred over a large number of small items like Jail, Workshops, Capitation Fee etc. In the last case (Capital Outlay of the Ministry of Home Affairs) it was stated that as was the case in other States, the Union Territories did not achieve their targets of developmental programmes owing to lack of requisite machinery and technical know-how. The position had since improved. Machinery and technical know-how were now available and other procedural defects were being remedied by delegating powers at appropriate levels. The representative of the Ministry also stated that the accounts of the Ministry in subsequent

years had shown an improvement in the matter of budgeting and financial control over expenditure and he assured the Committee that better results would follow.

*Marine Department, Andamans—Stores [page 23, Note 5, Appropriation Accounts (Civil), Vol. IX]*

193. The Appropriation Accounts disclosed that physical verification of stores had not been completed at the time of Audit. The closing balance had been increasing from year to year which showed that the purchases of stores were not properly planned. Further, stores valued at Rs. 45,000 which had been declared surplus were still awaiting disposal. The representative of the Ministry stated that a reserve limit of stock at Rs. 12 lakhs had been prescribed in January, 1958; but taking into consideration the value of stores issued annually (Rs. 9 lakhs), the reserve-stock limit was reduced to Rs. 10 lakhs. Instructions had been issued to the Administration to restrict the stock to this limit. He added that the surplus stores were being disposed of.

*Losses in the working of Marine Department (page 43, Vol. IX)*

194. The working of the Dockyard A.C. Power House, Motor transport, Afloat and stores for the period 1955-56 resulted in a net loss of Rs. 2,78,827 as against Rs. 3,00,973 during the year 1954-55. It was stated that the centage charges (percentage of labour charges in relation to entire expenditure) had been raised by 100 per cent in 1954, bringing them to 20 per cent for Government work and 30 per cent for private work. It was not considered desirable to raise these charges further lest they should adversely affect the volume of work handled by the Dockyard. The question of reducing overhead expenditure had also been considered and expenditure on allocated labour was reduced from Rs. 85,000 in 1954-55 to Rs. 70,000 in 1955-56.

*Forest Department, Andamans (page 57, Vol. IX)*

195. With reference to the representation from a licensee that the rates of royalty charged from him were on the high side, the Committee were informed that the royalty on timber charged from the local people was at a concessional rate and was different from that levied on timber exported to the mainland. On a suggestion whether the rates of royalty could not be revised in order to improve the position of exports from Andamans and thereby eliminating the wastage of timber which was at present 30 per cent of the produce, the Committee were informed that a seasoning and treatment plant had been set up in the Island which would minimise the wastages.

On the question of Sundry Debtors, the Committee were informed that the actual outstanding amounts had since been recovered. The

minimum limit of royalty on shortfalls had since been revised and recovery was being effected.

Referring to the decline in the export of logs from Andamans to Foreign Countries, the representative of the Ministry stated that with the development of Tea Industry in the country more of this wood was needed in India and exports to foreign countries had more or less to be stopped.

*Government Dairy Farm, Andamans (pages 24 and 53—55, Vol. IX)*

196. In Note 6, page 24 of the Appropriation Accounts (Vol. IX) it was stated that physical verification of stock was not conducted during the year under review and the balance sheet as on 31st March, 1956 had not been prepared. The Committee were informed that verification of stock had been carried out and no discrepancy was noticed. The balance sheet had also been prepared and furnished to Audit.

The Committee desired to know the latest position about the working of the Farm, specially whether all the debilitated and uneconomical animals of the old stock had been disposed of and whether the water supply had since been improved. The representative of the Ministry promised to furnish the requisite information to the Committee.

*Shipping Department, Andamans (pages 24 and 71 to 77 of Vol. IX)*

197. The financial results of the running of "S. S. Maharaja" disclosed that excepting the year 1952-53, when there was profit the shipping department was all along running at a loss mainly due to the marked fall in the income from freight on exports. The Committee desired to be furnished with a detailed note setting forth the reasons for continued losses in the Shipping Department. The representative of the Ministry promised to furnish the information. He also stated that while the income from freight on exports had decreased there was a corresponding increase in the passenger traffic. A Committee was appointed to go into the question of the general working of the Shipping Department and its Report was now under the examination of the Government.

*Nicobar Trade*

198. The Committee also emphasised the desirability of exploiting more avenues of trade in the Nicobar Island and ending the monopoly of the existing firm.

199. The Committee then adjourned till 10.00 hours on the 21st January, 1959.

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PROCEEDINGS OF THE THIRTY-FIFTH SITTING OF THE  
PUBLIC ACCOUNTS COMMITTEE HELD ON WEDNES-  
DAY, THE 21ST JANUARY, 1959.

200. The Committee sat from 10.00 to 13.00 hours.

PRESENT

Prof. N. G. Ranga—*Chairman.*

MEMBERS

2. Dr. Ram Subhag Singh
3. Shri Arun Chandra Guha
4. Shri N. R. M. Swamy
5. Pandit Jwala Prasad Jyotishi
6. Shri Upendranath Barman
7. Shri Prabhat Kar
8. Shri Raghubar Dayal Misra
9. Shri H. C. Dasappa
10. Shri Jaipal Singh
11. Rajkumari Amrit Kaur
12. Shri Amolakh Chand
13. Shri T. R. Deogirikar
14. Shri S. Venkataraman
15. Shri M. Govinda Reddy
16. Shri Rohit Manushankar Dave
17. Shri M. Basavapunnaiiah.

Shri A. K. Chanda—*Comptroller & Auditor General of India.*

Shri A. Kalyanaraman—*Deputy Comptroller & Auditor General of India.*

Shri S. Venkataramanan—*Accountant General, Central Revenues.*

Shri P. V. R. Rao—*Director of Audit, Food, Rehabilitation, Supply, Commerce, Steel and Mines.*

Shri P. K. Sen—*Director of Commercial Audit.*

## SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri M. C. Chawla—*Under Secretary.*

## WITNESSES

*Ministry of Works, Housing and Supply*

Shri M. R. Sachdev—*Secretary.*

Shri K. S. Krishnaswamy—*Joint Secretary.*

Shri R. F. Isar—*Joint Secretary.*

Shri V. N. Rajan—*Director General, Supplies & Disposals.*

Shri J. M. Rijhwani—*Chief Engineer, C.P.W.D.*

Shri S. C. Dewan—*Addl. Chief Engineer, C.P.W.D.*

Shri C. A. Subrahmanyam—*Chief Controller of Printing and Stationery.*

Shri C. Balasubramaniam—*Estate Officer.*

Shri P. N. Krishnaswamy—*Chief Pay and Accounts Officer.*

Shri R. P. Mhatre—*General Manager, Hindustan Housing Factory (P) Ltd.*

Shri S. Ratnam—*Officer on Special Duty, Ministry of Commerce and Industry & Director, Ashoka Hotels (P) Ltd.*

*Ministry of Finance*

Shri A. C. Bose—*Joint Secretary.*

Shri S. Vohra—*Financial Adviser.*

**Arrears of Rent, Audit Report, 1957—Vol. I Page 51, para 45,**

201. This para disclosed that the total arrears of rent of Government property in an Estate Office, which stood at Rs. 18·1 lakhs on the 1st March, 1954, went upto 27·37 lakhs by the end of March, 1956. As a result of the special measures taken by Government to tackle the problem and to reduce the arrears, the total outstanding on the 1st June, 1957 came down to Rs. 16·35 lakhs.

Explaining the reasons for the increase in arrears of rent, the Secretary, Ministry of W.H. & S. stated that the number of allotment units which was 15,000 on the 31st March, 1951 increased to 22,000 on the 31st March, 1956 thus resulting in increase of assessed rent from Rs. 70 lakhs in 1950-51 to Rs. 100 lakhs in 1955-56. He added that the bulk of these arrears was outstanding against the Government servants. In the case of quarters allotted to the Government Servants and M.Ps., although deductions of rent were being made from their salary bills, yet it involved some time-lag between the time of actual recovery and its adjustment in the books of the Estate Office. It was on account of this that these accounts were

being shown in arrears. As a result of the special measures taken by the Ministry, it had been possible to recover about Rs. 8-9 lakhs of the outstanding dues.

In reply to a question, it was stated that the C.P.W.D. were maintaining Capital and Revenue Accounts of all the residential buildings constructed by Government.

The Committee desired to be furnished with the following information:

- (i) A statement showing the Capital invested by the Government of India on the construction of residential buildings in Delhi and New Delhi and the rent realised in respect of the same as on 31st March, 1958.
- (ii) A statement showing the number of Government buildings which have been allotted to the various officers, etc., free of rent and the book rent thereof under F.R. 45-A.
- (iii) A statement showing the latest position regarding arrears of rent outstanding from Government servants, Embassies, unauthorised occupants of Government residences, etc., as on 31st March, 1958 and steps taken to recover the arrears of rent from them.

**Professional Inspection of Stores, Audit Report, 1957, pages 51-52, para 46.**

202. In this case, a firm, which had acted for a number of years as Analytical Consultants to the India Store Department. London, applied on the 11th April, 1951 for an increase of about 25 per cent in their fees. In order to examine whether this request was justified, it was decided to obtain quotations from other suitable firms. The lowest offer then received was, overall, about 23 per cent lower than the revised scale of fees sought by the firm acting as Consultants. As at that time, the India Store Department contemplated taking up the analysis work in its own laboratory, that Department decided not to change the Analytical Consultants and on the 15th October, 1951, the increased fees applied for by the firm were approved as from 1st April, 1951. It was pointed out by Audit in July, 1953 and again in July, 1954 that the continued employment of this firm had involved Government in extra expenditure since 1st April, 1951; but it was only in April, 1955 that fresh tenders were invited and after due verification, etc., the firm, which had submitted the lowest quotation in 1951, was eventually appointed as Analytical Consultants on the 12th March, 1956. The delay of over four years in deciding to appoint the new firm as Analytical Consultants had involved Government in avoidable expenditure of about Rs. 22,000.

The Secretary, Ministry of W.H.&S. stated that there were several difficulties on account of which the I.S.D., London could not set up the laboratory and it was ultimately decided that as the firm had been rendering good service the existing arrangements need not be changed. In reply to a question as to why tenders were invited when the firm was rendering good service, he stated that formal tenders were not invited but certain enquiries were made, as a result of which it was found that the existing firm was equally good.

The Committee desired to be furnished with a detailed note stating the circumstances under which it was decided by the I.S.D., London not to change the Analytical Consultants after a decision was taken to set up its own laboratory and the officers responsible for the delay of nearly four years in coming to a decision in this case.

**Avoidable extra expenditure owing to the failure to take timely action in concluding contracts—Audit Report, 1957, page 52, para 47.**

203. An Overseas Mission received tenders for certain equipment on the 28th March, 1956. As there were some deviations from the specifications in the only acceptable quotation, it was referred by the Mission to the indenter for technical review, and approval under two communications dated the 27th April, 1956 and 2nd May, 1956 which were received by the indenter on the 21st May, 1956. The prices indicated in the quotation were open only upto the 30th May, 1956. This fact was not communicated by the Purchase Mission to the indenter. The indenter's approval was communicated on the 7th July, 1956. Meanwhile, the price had gone up and eventually the equipment had to be purchased at a higher price, resulting in an avoidable extra expenditure of about Rs. 26,563.

In another case, the same Mission referred the lowest quotation received for a drilling machine to the indenter on the 10th November, 1956 and requested him to intimate acceptance thereof by the 10th December, 1956 as the offer was open only upto the 21st December. The indenter's acceptance was, however, received on the 9th January, 1957. The lowest tenderer was not agreeable to supply the equipment at the rate quoted by him earlier. The equipment was subsequently purchased at a higher price and this resulted in an extra expenditure of about Rs. 1,757.

The Secretary, Ministry of W.H.&S. stated that in the first case the fact about the date on which the quotation was to expire had not been mentioned in the letter which was sent to the indenter but it was there in the offer. He added that instructions had since been issued to the Purchase Officers that they should draw attention to this in the covering letter.

With regard to the other case, he stated that the Director of Indian Research Institute, Pilani who was the indenter in this case



had intimated to them that the matter was a complicated one and it took them quite a long time to decide the matter. The Committee could not get any reply as to why the Purchase Officer followed different procedures in these two cases.

### **Hindustan Housing Factory (P) Ltd.**

#### **Hindustan Housing Factory—Audit Report, 1957, pages 52-55, para 48**

204. The Profit and Loss Account of the Hindustan Housing Factory (P) Ltd., for the year ending 31st July, 1956 showed a loss of Rs. 53,685 while that for the year ending 31st July, 1957 showed a profit of Rs. 38,972. The Secretary, Ministry of W.H.&S. stated that the balance of Rs. 29,182 due from the firm had since been adjusted.

#### *(i) Meagre Production in the Foam Concrete Department—Audit Report, 1957 page 53, para 48 (i)*

205. According to Audit, the Government had since implemented with effect from 1st August, 1956 the recommendation of the Expert Committee to write down on an *ad hoc* basis the value of the foam concrete machinery by 80 per cent in order to enable the company to sell the foam concrete panels at a reasonable rate.

The General Manager, Hindustan Housing Factory stated that the cost of the foam concrete machinery installed at the Factory was Rs. 24.3 lakhs. Against its installed capacity of Rs. 15 lakhs per annum, the factory produced foam concrete valuing Rs. 2.3 lakhs in 1955-56, Rs. 3.74 lakhs in 1956-57 and Rs. 1.66 lakhs in 1957-58. During the current year, sales to the extent of Rs. 1.9 lakhs had already been made and the Factory contemplated to produce material worth Rs. 4 lakhs.

In reply to a question as to why the cost of the machinery was reduced by 80 per cent, the Secretary, Ministry of W.H.&S. stated that the Expert Committee which examined this question was of the view that if the machinery was sold in the market, they could not get more than 20 per cent of the original price and it would not be correct to burden the new company with machinery worth Rs. 24 lakhs for which there was no market. It was, therefore, decided to reduce the cost of the machinery to 20 per cent.

The Committee then enquired from the Chief Engineer, C.P.W.D. about his experience of the use of the foam concrete material produced by the factory. The Chief Engineer stated that they had already made use of this material as an experimental measures in the multi-storied buildings and the All-India Institute of Medical Sciences. One factor which affected the use of this material, he said, was its high cost as compared with the cost of bricks which was normally used for partition walls. He further stated that the C.P.W.D. was

rather cautious in the use of this material as there was a risk of the material cracking due to the large variations in temperature in India. The material could be used in buildings which were going to be air-conditioned or in cold storages but he added that it depended on the advice given by the air-conditioning-experts.

To a question as to how the cost of the foam concrete material compared with the landed cost of similar imported stuff, the General Manager, Hindustan Housing Factory stated that for insulation purposes the use of this material was economical as compared to other imported materials like cork available in the market. If this material was used in cold storage plants, etc. the saving would be to the extent of 35 per cent. As for using this material in place of bricks for partition walls, he stated that it would not be economical to use this material in view of the low cost of bricks in the northern region especially in Delhi, but it would prove economical in the case of multi-storeyed buildings where advantage could be taken of the lightness of this material to economise in the concrete frame structure.

(ii) *Heavy Establishment Charges—Audit Report, 1957, pages 53-54, para 48 (ii)*

206. In 1955-56, when the production of the factory was of the order of Rs. 30·14 lakhs, the establishment charges were Rs. 2·7 lakhs; in 1956-57, when the production was of the order of Rs. 38·23 lakhs, the establishment charges were Rs. 2·84 lakhs and in 1957-58, when the production was of Rs. 40·11 lakhs, the establishment charges went upto Rs. 3·38 lakhs.

The Committee desired to know as to why the establishment charges in 1957-58 had gone up when the production showed a decreasing trend. The Secretary, Ministry of W.H.&S. stated that it represented mostly increase in the wages of the workers. The Committee were not, however, convinced with this explanation and desired to be furnished with a note stating the production figures, variable and invariable over-heads, etc. of the factory during the last three years.

(iii) *Lack of control regarding purchases and Defective Store Account—Audit Report, 1957—page 54, para 48 (iii)*

207. For purchasing stores no tenders were invited; in the absence of which it could not be verified if the purchases were made in the most economical manner. In some cases purchases were made from a certain firm in which the Directors representing the out-going partners of this Company were interested and the purchases were approved by the Board of Directors without assigning any reasons for not calling for tenders. No physical verification of stocks was ever carried out. Practically no job accounts or departmental accounts were kept to show the actual receipt from the main stores and their ultimate consumption in different items of work.

The Secretary, Ministry of Works, Housing and Supply stated that the then Managing Director of the Company did not follow the rules and he was making purchases without the approval of the Board of Directors. These transactions did not come to the notice of the Government Directors on the Board at that time.

In reply to a question, the General Manager of the Factory stated that the physical verification of stock was being carried out every year since the factory had been taken over by the Government.

(iv) *Loss on a sub-contract worth Rs. 5 lakhs given to a former petty employee—Audit Report, 1957—pages 54-55, para 48 (iv)*

208. The Company entered into a contract on the 8th May, 1954 for Rs. 5·10 lakhs with the C.P.W.D. by negotiation for the supply of finished doors and windows for certain Government quarters under construction by the C.P.W.D. Without informing the Board of Directors, the management entered into a sub-contract with a mistry, an ex-employee of the factory. By entering into this sub-contract, the Company was to get a commission of about Rs. 71,600 at 14½ per cent on the total value of the work done by the mistry. In addition a further profit on timber issued to the sub-contractor at the rate of Rs. 5-8-0 per cft. against the cost price of Rs. 3-4-0 per cft. was expected. Although according to the sub-contract, the cost of the work to the Company would have worked out to Rs. 4·38 lakhs, the expenditure incurred by the company in financing the sub-contractor was Rs. 4·95 lakhs. The sub-contractor failed to complete the work and it had to be finished by the company at a further cost of about Rs. 64,100. The total expenditure to the Company thus amounted to Rs. 5·59 lakhs. The loss of Rs. 74,182 on this contract was charged to the working capital supplied by the out-going partner and the commission of about Rs. 71,600 plus the profit expected on issue of timber was remitted.

In explanation, the Secretary, Ministry of W.H.&S. stated that this arrangement was entered into by the out-going partner on his own. When this matter came to the notice of the Board of Directors in 1955, they disowned the transaction and the loss was charged to the working capital invested by M's. BSW Ltd. The Committee desired that the final settlement made with this firm (M/S BSW Ltd.) should be looked into by Audit.

#### **Ashoka Hotels Limited**

**Audit Report, 1957, pages 55-57, para 49.**

*Ad-hoc Advances to the contractor.*

209. *Ad-hoc* advances amounting to Rs. 70 lakhs were made to a contractor during November, 1955 and December, 1956 without any correlation to the actual work done. The measurements of the works

were the responsibility of the clerks of works, engaged by the company in consultation with the Architect, but in terms of the agreement with the Architect, the responsibility for checking them at site devolved on him. The clerks did not record the measurements nor did the Architect exercise any check at site as required before recommending payments to the contractor. According to Audit, certain staff had now been taken from the C.P.W.D. on deputation for measuring such works as were susceptible of measurement to finalise the contractor's claims. Out of the items of work of the total value of about Rs. 120 lakhs, measurements of items valuing about Rs. 110 lakhs were recorded by the Architect or the C.P.W.D. staff after the advance payments to the contractor were made and for the remaining items valuing Rs. 10 lakhs relating to excavation, R.C.C. footings, fillings, etc., it had not been possible to record any direct measurements for the reason that the items of work were covered up.

To a question as to whether the *ad hoc* payments were according to the work done or whether it involved any unauthorised financial aid to the contractor, the representative of the Ashoka Hotels Ltd. stated that in the absence of records, enquiries had to be made of the Architect to ascertain the estimated value of the building at each stage when an advance was recommended by him. The contractor had measured the work for inclusion in the bills for interim payments and there was no reason to believe that the contractor's measurements were inaccurate. As a result of the check now conducted by the management of all measurements they were satisfied that the contractor had never attempted at any time to overstate the value of work done. This had been corroborated by the Architect also.

Elucidating the matter further he stated that only less than 75 per cent of the estimated value of the work had been paid to the contractor and there was thus ample margin for covering any risk.

On being asked as to how the management satisfied themselves that the work was done according to the working drawings, the representative of the Ashoka Hotels stated that the Architect, who belong to a very reputed firm of specialists, applied the requisite checks on the basis of the quantities worked out from his drawing as also by a visual examination at the appropriate stage of construction. As for work on the foundation, the R.C.C. specialist had assured the management that he did not allow any slack work on the part of the contractor.

To a question as to whether any decision had been taken in regard to the payment of full fee to the Architect, the representative stated that the Architect had put in a claim of Rs. 5.5 lakhs for the value of the work done but as a result of discussion with him, he had accepted Rs. 3 lakhs which had already been paid to him.

*Excess payment of about Rs. 3,30,500 due to failure to take measurement of excavation work* ..

210. The Contractor preferred a claim for excavation of 41,47,557 c.ft. of soft and decomposed rock and 8,83,318 c.ft. of hard rock at Rs. 100 and Rs. 150 per thousand c.ft. respectively and was paid on the recommendation of the Architect. No pit or stack measurements of the excavations were taken during September and December, 1955 by the clerks of works but reliance was placed only on the record of the lorry loads of excavated material kept by the contractor as lifted by him for claiming lead.

The quantities of excavation work estimated by the Architect in September, 1956 on the basis of actual drawings and plans worked out to 11,33,789 c.ft. of soft or decomposed rock and 6,18,376 c.ft. of hard rock. On the basis of these quantities, the contractor was over-paid Rs. 3,30,542.

Explaining the position in this regard, the representative of the Ashoka Hotels Ltd. stated that in excavation works, the C.P.W.D. measures the pits exactly. In this particular case, however, the Architect did not provide for such a measurement being taken as the building had to be constructed quickly. Instead, he allowed the excavated material to be accounted for as so many lorry loads on which a check was kept. The contractor was actually paid in terms of cubic feet on the lorry load volumes. 65 per cent of the measurements were made in stacks and pits and only the rest was made on lorry loads. He further stated that the Chief Technical Examiner of the Ministry had investigated into the wide disparity between the quantities as estimated by the Architect and the quantities actually paid for. On the basis of actual experiments carried out by the Chief Technical Examiner, he recommended a deduction of 30 per cent for void content from the quantity of soft rock. The contractor had agreed to the reduction of 30 per cent for voids as recommended by the Chief Technical Examiner and on that basis a recovery of only Rs. 1,13,140 was due from him which would be made from his final bill.

*Payment at a high rate for work of refilling of plinth basement etc.*

211. 9,83,675 c.ft. of decomposed rock was utilised by the contractor at the site of work for refilling plinth of some of the buildings of the Hotel. The contractor had charged Rs. 12-6-0 per 100 c.ft. for this refilling work against Rs. 9-4-0 per thousand c.ft. in the schedule of rates. The rate of Rs. 9-4-0 per thousand c.ft. included an element of cost of earth, the balance being the cost of labour employed for transportation and refilling. Even though the decomposed rock with which the refilling work was done was available at site, the rate for refilling worked out to 13 to 14 times more than the scheduled

rate. Besides, the cost of decomposed rock utilised in refilling had not been recovered from the contractor. The excess payment to the contractor on this account was about Rs. 1,09,140.

The Director of the Ashoka Hotel stated that the rate of Rs. 9-4-0 per thousand c.ft. referred to in the Audit para related to earth filling in the basement. The nature of work done in the Ashoka Hotel was filling the plinth with stones in the form of soling as it was done normally in road work, with handramming. The material was available locally and it was transported to half a mile lead and laid in 6 inches layer in the basement as in the case of road work. The labour content of this work as given in the C.P.W.D. Schedule was Rs. 9-8-0 per 100 c.ft. and the difference between the rate of Rs. 12-6-0 per 100 c.ft. and Rs. 9-8-0 given in the schedule was accounted for by the lead of half a mile for which the stones had to be conveyed before they were packed in the basement. He admitted that in addition, a sum of Rs. 5-5-0 per 100 c.ft. was paid earlier for taking this excavated material outside. He added that the rate for refilling of a similar nature of work paid by an Embassy in the same locality was Rs. 17-1-0 and it was on an open tender basis.

When his attention was drawn to the fact that the rate for refilling of excavated earth in foundation, plinth, etc., in six inches layers including ramming and watering was Rs. 9-4-0 per thousand c.ft. in the C.P.W.D. Schedule (Delhi Rates), the representative of the Hotel stated that if it was a question of refilling of excavated material as it was done in any building in Vinay Nagar, Rs. 9-4-0 would have been paid to the contractor but in the Ashoka Hotels the refilling was done with stones and the stones had to be packed in layers from the point of view of the technical requirements. The refilling of excavated earth as such was every infinitesimal portion, he added. Elucidating the point, he further stated that the normal practice in Delhi to fill the plinth of the multi-storeyed buildings with Jamuna sand, the rate for which was Rs. 23 per 100 c.ft.; whereas by using the stones at the site a lesser rate of Rs. 12-6-0 per 100 c.ft. was possible.

On his attention being drawn to the fact that in this case they were not using the Jamuna sand for the purpose, the representative of the Ashoka Hotel stated that here the material was locally available; so it was a question of only the labour rate plus the lead and lift to be given. This had been analysed by the architect.

In reply to a question, he stated that the original estimate as framed by the architect for this building mentioned lumpsum figures for filling in foundations. He admitted that there had been a basic mistake in the sense that the then management of the company did not imagine that the C.P.W.D. and the Government rules would have to be followed by the architect employed on this work. The Committee was not satisfied with the explanations given by the Ministry and so desired further study of this matter.

*\*Uneconomic expenditure of Rs. 3,14,192 on account of payment of uniform lead of half a mile for the excavated material*

212. In this case, the contractor had been paid a sum of Rs. 3,14,192 for transporting the entire excavated material of 59,14,193 c.ft. at Rs. 5-5-0 per 100 c.ft. on the basis of a uniform lead of half a mile.

According to Audit, the whole of the excavated material of 59,14,193 c.ft. could not be carried and dumped beyond half a mile when about 27 lakhs c.ft. was later used on the site of work in filling, soling, pitching, etc. In view of this and as no chain-wise record of this transport was maintained by the clerks of works, a uniform lead for the entire quantity was hardly justified.

The Committee desired to know whether the 27 lakhs c.ft. of excavated material which was later used on the site of filling, soling, etc., was actually transported to a distance of half a mile and later brought from there or it was already available on the spot. The representative of the Ashoka Hotels Ltd. stated that according to the Architect, the terrain of the ground was such that the excavated material could not be dumped anywhere on the site and the tempo of the working had to be regulated in such a manner that stacking side by side was not possible, and hence the entire material was taken away, for which the rate of Rs. 5-5-0 was allowed. In the rate of Rs. 12-6-0 the amount of Rs. 5-5-0 was again included for bringing back some portion of the material and using it in the basement filling.

When asked whether the Ministry were justified in accepting the certificate of the Architect, it was stated that under the terms of the agreement, payments had to be made to the contractor once the Architect had certified to that effect. When asked further whether the Ministry were satisfied with the conduct of the Architect, the Secretary stated that as a result of investigations conducted by the Government technical experts after the Government took over the hotel from the previous management, every payment certified by the Architect was found to be correct. It was, however, pointed out by Audit that it would be difficult to give such certificate covering intermediate stages in the work after the work had been completed.

*Sale of excavated hard stone to the contractor at a lower rate.*

213. In this case, the entire hard stone claimed to have excavated by the contractor was purchased by him for soling, pitching and other work at site at Rs. 8 per 100 c.ft. according to the C.P.W.D. Schedule of Rates, 1950. This rate is payable at the quarries by stack measurements reduced by 1/7 on account of looseness of stack and does not include the cost of transport over an average lead of

\*This was also discussed on the 22nd January, 1959.

three miles payable by the contractor. On that basis, the contractor should have been charged for a quantity of 15,14,260 c.ft. instead of 8,78,797 c.ft. actually charged. According to Audit, the amount less recovered on this account worked out to Rs. 50,840.

The representative of the Ashoka Hotel stated that the Architect allowed the reduction of  $\frac{1}{4}$  on account of looseness of stacks and not  $\frac{1}{7}$  as pointed out by Audit and that was the standard practice which was even followed by the C.P.W.D. Thus the quantity that had been sold was exactly 8,78,797 c.ft. On being pointed out that the C.P.W.D. specifications allowed only for a deduction of  $\frac{1}{7}$ th for looseness of stack, he stated that both the practices were prevalent. Clarifying the point further, he stated that the sale at Rs. 8 per 100 c.ft. was for deduction of 50 per cent voids. If voids were deducted as  $\frac{1}{7}$ th as pointed out by Audit, the sale price would have been correspondingly less than Rs. 8 per 100 c.ft. The financial effect, he affirmed, thus remained unchanged.

214. The Committee then adjourned till 10 hours on Thursday, the 22nd January, 1959.

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PROCEEDINGS OF THE THIRTY-SIXTH SITTING OF THE  
PUBLIC ACCOUNTS COMMITTEE HELD ON THURSDAY,  
THE 22ND JANUARY, 1959.

215. The Committee sat from 10-00 to 13-05 hours.

PRESENT

Prof. N. G. Ranga—*Chairman.*

MEMBERS

2. Dr. Ram Subhag Singh
3. Shri Arun Chandra Guha
4. Shri N. R. M. Swamy
5. Pandit Jwala Prasad Jyotishi
6. Shri Upendranath Barman
7. Shri Prabhat Kar
8. Shri Raghubar Dayal Misra
9. Shri H. C. Dasappa
10. Shri Aurobindo Ghosal
11. Shri Jaipal Singh
12. Shri Amolakh Chand
13. Shri S. Venkataraman
14. Shri M. Govinda Reddy
15. Shri Rohit Manushankar Dave
16. Shri M. Basavapunnaiah.

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

Shri A. Kalyanaraman—*Deputy Comptroller and Auditor-General of India.*

Shri V. Venkataramanan—*Accountant General, Central Revenues.*

Shri P. V. R. Rao—*Director of Audit, Food, Rehabilitation, Supply, Commerce, Steel and Mines.*

Shri P. K. Sen—*Director of Commercial Audit.*

## SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri M. C. Chawla—*Under Secretary.*

## WITNESSES

*Ministry of Works, Housing and Supply*

Shri M. R. Sachdev—*Secretary.*

Shri K. S. Krishnaswamy—*Joint Secretary.*

Shri R. F. Isar—*Joint Secretary.*

Shri V. N. Rajan—*Director General, Supplies & Disposals.*

Shri S. Vohra—*Financial Adviser.*

Shri J. M. Rijhwani—*Chief Engineer, C.P.W.D.*

Shri R. P. Mhatre—*General Manager, Hindustan Housing Factory (P) Ltd.*

Shri F. N. Nallaseth—*General Manager, Ashoka Hotels (P) Ltd.*

Shri S. Ratnam—*O.S.D., Ministry of Commerce & Industry, and Director, Ashoka Hotels (P) Ltd.*

*Ministry of Law (Department of Legal Affairs).*

Shri K. Y. Bhandarkar—*Secretary.*

*Department of Atomic Energy*

Shri P. N. Thapar—*Member for Finance & Administration, Atomic Energy Commission & Ex-Officio Secretary.*

Shri G. Rajagopala Menon—*Chief Administrative Officer.*

Shri H. N. Sethna—*Works Manager, Indian Rare Earths (P) Ltd.*

## MINISTRY OF WORKS, HOUSING AND SUPPLY

**Ashoka Hotels (P) Ltd.***General Working of the Hotel*

216. The Committee desired to know the present position regarding the working of this Hotel, and its future prospects. They were told by the representatives of the Hotel that there was considerable expansion in its business during the year ending 30th September, 1958. Its earnings during that year on account of 'boarding and lodging' and 'food and beverages' amounted to Rs. 35,51,258 and Rs. 10,64,789 respectively as compared to Rs. 12,35,785 and Rs. 4,80,091 during the previous year. There was a similar increase on the expenditure

side also; the major items accounting for this increase being 'salaries and wages of the staff', 'electricity and water charges' and 'advertisements and publicity'.

Comparing the financial results of the working of the Hotel for the last two years, the Secretary, Ministry of Works, Housing and Supply who is also the Chairman, Board of Directors stated that the loss sustained by the Hotel during the year October, 1957 to September, 1958 amounted to Rs. 15.77 lakhs as compared to Rs. 37.76 lakhs sustained by it during the previous year. As against this loss, depreciation and interest accounted for Rs. 23.33 lakhs. He further stated that according to enquiries made by them, a Hotel of the magnitude of the Ashoka Hotel took about two to three years before it started making profits. In the present case also, judged from the trend of its working during the past three months (in which it had earned a profit of Rs. 1½ lakhs after making an allowance for depreciation and interest charges), the future prospects appeared to be bright.

When asked what measures they proposed to take to further improve the financial working of the Hotel, the witness stated that they would continuously watch the occupancy and see that the staff was suitably reduced and the stores purchased according to requirements.

#### *Expenditure on Advertisements and Publicity*

217. The Committee were told that the Hotel had incurred an expenditure of Rs. 2,78,000 on advertisements and publicity in 1957-58 as compared to Rs. 55,000 in 1956-57.

In justification, the witness stated that as the Hotel was a new one and as about 70 to 80% of the Hotel's clientele consisted of foreigners, they had to publicize in foreign countries. He further felt that they could justifiably incur an expenditure of Rs. 3 lakhs per annum in the early stages of the working of the Hotel.

Regarding advertisements in local papers, he stated that all big Hotels had to publicize in these papers on special occasions such as New Year Eve, Christmas, etc.

#### *Tariff Rates of the Hotel*

218. The Committee then took up the question of tariff rates. The Chairman, Board of Directors stated that they had fixed these rates after verifying the rates charged by other Hotels and that these rates compared favourably with those prevailing in the foreign countries. He further stated that with the coming into being of this Hotel, there had been a general lowering down of tariff rates in the Hotels in India in the private sector.

#### *Purchases for the Kitchen*

219. The Committee were informed that these purchases were made mostly by rate contracts which were fixed half-yearly or yearly by the Board of Directors.

When asked whether the management was satisfied that the Hotel paid the same rates for these purchases as other hotels, the witness stated that they were paying a little higher in case of meat, etc. as they insisted on a certain standard of quality. When further asked whether it was a fact that the rates paid by the Hotel for the purchase of eggs were considerably higher than those paid by other hotels in the city, the witness could not give a satisfactory reply.

*Foreign Employees of the Hotel*

220. The Chairman, Board of Directors stated that the Swiss Manager—who had served in the Indian Hotels for a very long time—was the only foreign employee of the Hotel at present.

*Representation of non-officials in the Board of Directors.*

221. The Committee learnt that there were four non-official Directors as compared to seven Government Directors.

As the value of shares held by Government came to Rs. 84 lakhs out of a total of Rs. 1 crore, besides a loan of Rs. 1.85 crores that had been advanced by the Government to the Hotel, the Committee enquired about the witnesses' reaction to increasing the Government's representation in the Board of Directors. The Chairman of the Board stated that the presence of four non-officials did not stand in their way of the Government having their complete say in the affairs of the Hotel.

*Auditors' Report on the Accounts of the Hotel for the year ended 30th September, 1957—Refund of Rs. 7,500 to the Company—Para IV*

222. Regarding the refund of Rs. 7,500 to the Company referred to in the said para, the Committee were told that, in accordance with the suggestion of Audit, legal opinion in the matter had been obtained, and communicated to Audit.

*Record of the Provisions, etc., received by the Kitchen Department from the Stores Department—Para V*

223. According to this para, the kitchen department did not appear to be maintaining any record of the provisions, etc. received from the stores department and the consumption thereof, and so the stores consumed in the kitchen department could not be properly checked.

The Committee were informed that these records were now being maintained.

*Profit and Loss Account of the Hotel for the year ended 30th September, 1957*

224. During the year under review, a sum of Rs. 1,79,904 incurred on the purchase of linen and blankets was written off.

Explaining the position, the representative of the Hotel stated that though the entire stock purchased during the year was written off, it was not consumed within that year and was expected to serve for a period of about four or five years.

*Large Savings—Tendency to provide for Building Works in anticipation of administrative approval*

[APPROPRIATION ACCOUNTS (CIVIL), 1955-56—VOL. XIX GRANT Nos. 100 (p. 9), 103 (p. 65), 137 (p. 74) AND 138 (p. 121)]  
[AUDIT REPORT (CIVIL), 1957 VOLUME I, PARA 51 (IV), PAGE 63]

The Committee took note of large savings in the following cases.

Grant No.	Total Provision	Savings	Percentage of Savings over total provision
100—Supplies	2,80,05,000	51,62,143	18
103—Miscellaneous Departments and Expenditure under the Ministry of Works, Housing and Supply	70,92,000	25,51,644	36
137—Capital Outlay on Buildings	8,96,02,000	4,64,30,735	52
138—Other Capital Outlay of the Ministry of Works, Housing & Supply	5,07,25,000	2,83,66,595	56

In this connection, the Committee referred to the tendency in the Ministry of Works, Housing and Supply to provide for Building Works in anticipation of administrative approval, resulting in large savings.

The Committee desired to know what steps had been taken by the Ministry to improve the position in this respect. The representative of the Ministry stated that last year in consultation with other Ministries, a Works Board had been set up in the Ministry of Works, Housing and Supply presided over by a Joint Secretary which determined the priority of administratively—approved works brought before the Board. He added that the issue of administrative sanctions had been centralised in the Ministry of Works, Housing and Supply. To a question whether in future only those schemes would be provided for in the budget which would reasonably be expected to be carried out by the Ministry during the year, the Secretary of the Ministry replied in the affirmative.

*Organisations for watching the working of C.P.W.D.*

APPROPRIATION ACCOUNTS (CIVIL), 1955-56—VOL. XIX, PAGE 4,  
NOTE 3—SAVING DUE TO NON-SETTING UP OF THE CHIEF TECHNICAL  
EXAMINER'S ORGANISATION

226. The Committee desired to know whether any special steps had been or were proposed to be taken to increase the efficiency of the C.P.W.D. with a view to avoiding wasteful expenditure. The Secretary of the Ministry enumerated the following measures taken in this connection:

- (1) Pursuant to the recommendation of the P.A.C. contained in para 61 of their 16th Report (First Lok Sabha),

the Ministry had last year set up an organisation under the Chief Technical Examiner who worked directly under the Ministry and was independent of the C.P.W.D. He made detailed checks on the works under execution, and submitted his reports to the Ministry from time to time.

*The Committee desired to be furnished with a note on the working of the Organisation since its constitution and its achievements—both technical and in terms of money value.*

- (2) About two years back the Ministry had set up a Vigilance Organisation under the charge of a Deputy Secretary who dealt with all cases of corruption and irregularities concerning the C.P.W.D. This Organisation, according to the representative of the Ministry, had dealt with about 300 cases during the previous year.

*The Committee desired to know as to what had been the outcome of these 300 cases; Of these, how many had since been decided, and with what results.*

- (3) In addition to the two organisations mentioned above, there was a Vigilance Wing in the C.P.W.D. itself under the charge of a Superintending Engineer. Further, there was an overall control exercised by the Home Ministry. That Ministry watched the progress of disposal of cases in the Ministry of Works, Housing and Supply and if that Ministry thought that necessary action had not been taken in a certain case, they called for an explanation from the Works, Housing and Supply Ministry.

#### *Recruitment and Promotions in the C.P.W.D.*

227. The Committee then took up the question of recruitment and promotions in the C.P.W.D. Regarding the filling up of the posts of Executive Engineers, the Committee were told that the U.P.S.C. had laid down certain ratios for direct recruitment to these posts. In several cases, however, as a result of the Ministry's discussions with the U.P.S.C. certain posts which were normally filled by direct class I recruits had been earmarked for being filled up departmentally from the rank of Assistant Engineers.

Dealing with the question of promotion of Engineering graduates *vis-a-vis* diploma-holders, the Chief Engineer, C.P.W.D. stated that promotions to officiating higher posts were made from amongst the permanent Section Officers (who were normally diploma-holders) and temporary Section Officers (who were normally degree-holders) on a 50:50 basis. The condition of eligibility for promotion in the former case was eight years' service, and in the latter case three years. Of the latter category in case of such of the mas were initially Diploma-holders and had later obtained A.M.I.E. degree while in service, the period of their service put in before graduation was reckoned to the extent of half for purposes of eligibility for promotion.

*Statements of cases in which the lowest tenders were not accepted by the India Supply Mission, Washington.*

228. In pursuance of a Resolution adopted by the Legislative Assembly on the 23rd September, 1921, statements of cases in which the lowest tenders were not accepted by the India Store Department, London, have been laid on the Table of the House from time to time. Similar statements in respect of the India Supply Mission, Washington were, however, not being laid on the Table of the House.

The Committee were not convinced with the argument of the Secretary, Ministry of Works, Housing and Supply for not laying such statements in respect of India Supply Mission, Washington, and desired that henceforth they should also be laid on the Table of the House. On the Committee pressing the point further, the Secretary of the Ministry agreed to comply with the Committee's suggestion in this behalf.

*Loss by Theft of one G.M.C. Truck (Rs. 7,453), Appropriation Accounts (Civil), 1955-56—Vol. XIX, Page 10, Note 4 (i).*

229. The representative of the Ministry explained the circumstances in which the theft in question had taken place. According to him, an investigation carried out by a Departmental Committee showed that it was a pure and simple case of theft and nothing further could be done in the matter.

The Committee were further told that in order to obviate the recurrence of such cases, the driver would be given a token-cum-identity card which he could hand over to the officer at the gate before he took out the truck.

*Unsatisfactory Account of Stores—Appropriation Accounts (Civil), 1955-56, Vol. XIX, p. 11, Note 4.*

230. Large quantities of signal stores with an estimated value of Rs. 15 crores were taken over by the Government of India from the American Army authorities in May, 1946 on a 'said-to-contain' basis. The stores were with the Army authorities till April, 1948, when they were taken over by the Disposals Directorate. Physical verification of stores was then taken up and completed in August, 1950. The balances found as a result of this verification were entered into registers which had not been generally authenticated by the supervising officer.

In August, 1950, an Inspection Team from the Army was posted to the Depot with a view to ensure better utilisation of technical stores by the Ministry of Defence, other Ministries of the Central Government, State Governments, etc. The team handled the stores in such a way that the stores lost their identity in many cases due to cannibolisation, replacement of parts in major components and adoption of fresh nomenclature. As the reconciliation of the results contained in the Inspection Team's reports with the previous registers and records would have involved expenditure, without commensurate results, it was decided to treat reports of the Inspection Team as basic documents for

future accounting. On the closure of the Depot in March, 1956, gross deficits and surpluses amounting to Rs. 5,40,060 and Rs. 7,26,497 respectively disclosed by the accounts were regularised.

Explaining the matter, the Director General, Supplies and Disposals stated that because of a large number of items of stores carrying different and unfamiliar nomenclatures, the physical verification completed in 1950 disclosed a number of mistakes. In reply to a question, he stated that almost the whole of this material had been made use of except a small portion which had to be reduced to scrap.

*Government of India Press, Simla—Appropriation Accounts (Civil), 1955-56—Vol. XIX, Page 44, Note 1.*

231. The rates at which the depreciation has been calculated were introduced in April, 1937 when the machinery was not being worked on double shift.

As double shifts were in force from April, 1941, the Committee desired to know why the rates of depreciation had not been suitably revised. The Secretary, Ministry of Works, Housing and Supply accepted the suggestion that the rate of depreciation should be related to the number of shifts.

*Government of India Press, New Delhi—Appropriation Accounts (Civil), 1955-56—Vol. XIX, Page 44, Note 2.*

232. Recoveries to the extent of Rs. 49,928 on account of cost of work done as far back as the years 1946-47, 1949-50, etc. were still due from some parties. In addition, a sum of Rs. 10,364 pertaining to the years 1950-52 which was outstanding against the Supervisor, Essential Supply Scheme, Ministry of Home Affairs had been written off as the Scheme had been wound up.

Explaining the position, the representative of the Ministry stated that they tried to recover the amount in respect of Essential Supply Scheme from the Ministry of Home Affairs who were of the view that as the accounts of the scheme had been closed, they were not in a position to accept any debit. To a question as to why there had been a delay in raising the debit against the said Scheme, no reply was forthcoming.

*The Committee then desired to be furnished with a note stating the present position of the outstanding recoveries of Rs. 49,928, and the steps taken to realise them.*

*Income and Expenditure Accounts of the Government Test House, Alipore—Appropriation Accounts (Civil) 1955-56, Vol. XIX, pp. 12-13.*

233. The Committee desired to know the reasons for increase in losses sustained by the Test House from year to year.

According to the representative of the Ministry, the Test House was not in the nature of a paying organisation.



The Committee then referred to other points (Annexure) arising from the Appropriation Accounts (Civil), 1955-56, pertaining to the Ministry of Works, Housing and Supply and desired to be furnished with further information thereon as they could not cover them for want of time.

## MINISTRY OF LAW

### Outstanding Recommendations\*

#### SEVENTH REPORT (SECOND LOK SABHA)

#### *Safe-guarding clauses in contracts and conflicting legal opinions, Paras 263 and 265—*

234. The Committee considered a note (Appendix XIII, Volume II) furnished by the Ministry of Law pursuant to their recommendations contained in paras 263 and 265 of their Seventh Report (Second Lok Sabha) and enquired from the representative of that Ministry about the feasibility of issuing instructions to Law Officers to the effect that previous decisions on a subject should be gone into before a particular issue was dealt with. The representative of the Ministry of Law promised to issue such instructions.

The Committee then took up the question of enacting legislation on the lines of American Legislation to reopen cases where unconscionable payments had been made to contractors. The Committee in this connection referred to para 24 of the Ministry's note wherein the Ministry had observed that the words "any other authority or body" in Article 149 of the Constitution could not be interpreted to include a private contractor who enters into contract with Government. The Committee were not sure whether the view of the Ministry of Law was correct. They desired the Ministry to consult the Attorney General on this point. They further desired that after the opinion of the Attorney General had been obtained the question might be examined as a matter of policy.

The Committee then asked the representative of the Ministry of Works, Housing and Supply whether he shared the apprehension of the Ministry of Law that in case of enactment of legislation on the lines of American Legislation, good contractors would not be coming forth. He opined that a large number of contractors might not come forward.

Referring to paras 29 and 30 of the Ministry's note, the Committee wanted to know as to how the interests of Government could be adequately safeguarded when, as had been noticed by the Committee, in most cases the penalty clause could not be enforced. The representative of the Ministry of Law stated that in case overpayments were made through negligence, fraud, etc., they could be recovered under the existing law. The representative of the Ministry of Works, Housing and Supply was not sure of the legal position. He, however, stated that if a contractor had more than one contract, in

\*Appendix I, Volume II.

case of overpayment in one contract, the Ministry could hold up payments in the other contract.

*The Committee desired to be furnished with a statement showing the number of cases in which overpayments were made to contractors during the last three years; the total amount involved; the amount recovered; and the amount still outstanding.*

*Blacklisting of Contractors*

235. The Secretary, Ministry of Works, Housing and Supply informed the Committee that the Central Government had drawn up an elaborate code to deal with various types of irregularities committed by contractors. He further stated that in order to ensure coordination between the Centre and the States, they had asked the State Governments to adopt the code drawn up at the Centre, to blacklist such of the contractors as had been blacklisted by the Central Government, and similarly, to communicate to the Central Government the names of the contractors whom they had placed in the blacklist.

When asked whether in pursuance of the policy stated above, they had taken action against a particular contracting firm which had been blacklisted by a State Government, the witness promised to check up the matter.

DEPARTMENT OF ATOMIC ENERGY

Indian Rare Earths (Private) Limited  
AUDIT REPORT (CIVIL), 1957—VOL. 1, PARA 50

*Comparative Statement of tenders not prepared correctly—Sub-para (1), Page 58.*

236. Five tenders were received for the construction of the factory building at Alwaye. One of these did not quote any rate for certain items of work. While compiling the comparative statement of tenders, the amount for these items was omitted from the total amount of this tender. Consequently the comparative statement showed that this tender was the lowest tender by about Rs. 1,290 as compared with the second lowest tender. The ultimate loss on the basis of actual quantities of work executed amounted to about Rs. 2 lakhs.

In reply to a question, the representative of the Department admitted that they had made a mistake in assessing the relative value of tenders. He, however, added that the Company had persuaded the contractor to reduce his bills to the extent of about Rs. 2 lakhs. Thus, according to him, the payment made to the contractor was almost the same as would have been paid to the lowest tenderer.

*Excessive expenditure on construction of Officers' Quarters—sub-para (2), page 58.*

237. The actual cost of construction of three officers' bungalows at Alwaye, as booked up to 31st March, 1957 was Rs. 1,01,300 per bungalow excluding the cost of water and electric installation as

compared to Rs. 63,000 per bungalow quoted in the lowest tender. The increase in cost was, *inter alia*, due to the inclusion of new items and deviations from original specifications. According to Audit, the standard rent of each bungalow amounted to about Rs. 6,000 per annum, although the rent charged from the occupants at the rate of 10 per cent of their emoluments amounted to approximately Rs. 1,500 to 1,800.

The explanation of the representative of the Department for increase in cost was that due to the wet nature of the ground, and the laterite masonry on the plinth, had to be changed to rubble masonry. Further, as a form of amenity to the officers working on the site because of the undeveloped nature of the surrounding country, it was decided by the Board of Directors to provide one extra room in addition to the originally planned rooms.

When asked whether the factors of humidity and the undeveloped nature of the surrounding country could not have been foreseen before the preparation of the original specifications, the representative of the Department admitted that there were certain omissions in what had happened.

To the question as to how the Accounts Department of the Company agreed to extra expenditure without looking into its effect on the rent of the bungalows, there was no convincing reply.

*Supply of defective plant and machinery by a firm—Sub-para (3)—pages 58-59.*

238. Referring to the last sentence of the Audit sub-para, the Committee wanted to know whether the Indian Rare Earths had started negotiations for the recovery of Rs. 3,86,763 incurred by them on the repairs of defective components and, if so, what had been the outcome thereof. The representative of the Department stated that as soon as the final audit of the Company's accounts with the French Firm had been carried out, they proposed to approach the French Firm to send their representatives to India to discuss and settle this issue.

*Large accumulation of stock—Sub-para (4), page 59*

239. There were large accumulated stocks of Rare Earths Chloride, Cerium Hydroxide, Rare Earths Carbonate and Trisodium Phosphate with the Company as on 31st March, 1956. At the average sale price *ex-European Port* (which was considerably less than the Factory's actual cost of production), they were valued at about Rs. 42 lakhs. According to Audit, there was no market for the Company's main product, Rare Earths Chloride in India and the sales abroad were poor. The stock was piling from year to year and created a problem of storage.

The Committee desired to know why large quantities of the above-mentioned elements were produced and piled up, year after year, when there was no reasonable prospect of their being disposed of even at cost price. The explanation of the representative of the Department was that the Company aimed to provide sufficient quantities of thorium, uranium and cerium hydroxide to the plant at Trombay irrespective of under-disposal of other ancillary products.

Regarding the present position of the stocks, he stated that these were not being increased as the Factory was, at present, not producing Chlorides, Carbonates or Hydroxides.

### *Losses Written Off*

#### IMPORT OF DRUMS—SUB-PARA (5) (I), pp. 59-60

240. 1989 drums were imported for storage of chemicals in 1951 from a foreign country for Rs. 79,952 but only 647 were used till April, 1953. The remaining 1,342 drums costing Rs. 54,076 got corroded and were written off.

In extenuation, the representative of the Department stated that all the drums would have been used within 10 months, had the plant reached its rated capacity. When asked why the order for these drums was placed in 1951, when the plant was actually opened in December, 1952, he stated that it took about six months to have the drums fabricated and brought from Europe.

Regarding the steps taken by the Company to prevent corrosion, the Committee were told that all precautions were taken including coating these drums with bitumen.

#### *Loss of Rs. 6500 in the purchase of Hydrochloric Acid—Sub-para (5) (ii), page 60.*

241. In this case, Hydrochloric Acid received from a firm in the trailer tank was not actually weighed, but the volume in litres was converted into tons by measuring the height of the acid in the tank, taking the height of 48 inches to contain 1,975 litres whereas actually the same height contained 1,973 litres.

The Committee desired to know the basis for the Company's assumption that 48 inches of height contained 1,975 litres. The representative of the Department stated that liquids contained in tanks were measured by means of a dip-stick, and the same method was followed in this case. He, however, added that in future the acid would be weighed. Earlier, he stated that the mistake could not be detected as the stock-taking was postponed. The Member for Finance and Administration, A.E. Commission, however, assured the Committee that in future stock-taking would be conducted regularly.

*Loss of Rs. 68,663 due to faulty estimate of actual requirements of certain chemicals—Sub-para (5) (iii), page 60.*

242. The actual quantity of caustic soda and hydrochloric acid purchased by the Company from a firm during five years was 5,767 tons as against the minimum limit of 15,000 tons which the Company were to purchase in accordance with the terms of their agreement with the supplying firm entered into in September, 1951.

To a question why the actual requirements of these chemicals were much less than the Company's estimates, the representative of the Department stated that due to certain defects in the chloride furnace, the rated capacity of the plant could not be achieved which, in its turn, resulted in the Factory having to cut down its off-take of hydrochloric acid.

243. The Committee then adjourned till 10.00 hours on Friday, the 23rd January, 1959.

## ANNEXURE

(Referred to in Para 233 of the Minutes)

(1) *Unfiltered Water Supply Scheme at New Delhi—Arrears of recoverable dues—Vol. XIX, page 23—Note 13.*

(i) What steps have been taken to realise the outstandings?

(ii) What is the present position in regard to these arrears?

(2) *Shortage of stores, etc.—Vol. XIX, page 10, Note 4 (ii)*

(i) What are the reasons for the deficiency of stores in the Disposal Retail Shop and Depot?

(ii) What action has been taken against the officers concerned?

(3) *Refund to a firm being the cost of 47,841 tin-plates and sheets short delivered against a sale order—Vol. XIX, page 10, Note 4 (iv).*

What were the circumstances under which shortage of 47,841 tin-plates and sheets occurred?

(4) *Loss of Rent—Irrecoverable rent of Government accommodation amounting to Rs. 71,724 written off—Vol. XIX, page 21, Note 7.*

A statement giving the break-up of the irrecoverable rent of Government accommodation amounting to Rs. 71,724 which has been written off.

(5) *Government of India Publications Branch, Delhi—Recovery of Outstandings—Vol. XIX, page 59, para 2.*

A note stating the present position of outstanding dues amounting to Rs. 67,278 and the steps taken to realise them.

PROCEEDINGS OF THE THIRTY-SEVENTH SITTING OF THE  
PUBLIC ACCOUNTS COMMITTEE HELD ON FRIDAY,  
THE 23RD JANUARY, 1959.

244. The Committee sat from 10.00 to 13.40 hours.

PRESENT

Prof. N. G. Ranga—*Chairman.*

MEMBERS

2. Shri Arun Chandra Guha
3. Shri N. R. M. Swamy
4. Pandit Jwala Prasad Jyotishi
5. Shri Upendranath Barman
6. Shri Prabhat Kar
7. Shri Raghubar Dayal Misra
8. Shri H. C. Dasappa
9. Shri Aurobindo Ghosal
10. Shri Jaipal Singh
11. Rajkumari Amrit Kaur
12. Shri Amolakh Chand
13. Shri S. Venkataraman
14. Shri M. Govinda Reddy
15. Shri Rohit Manushankar Dave
16. Shri M. Basavapunnaiiah.

Shri A. Kalyanaraman, *Deputy Comptroller and Auditor General of India.*

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary*

Shri M. C. Chawla, *Under Secretary.*

WITNESSES

*Ministry of Irrigation and Power*

Shri T. Sivasankar, *Secretary*

Shri S. Vohra, *Financial Adviser and Joint Secretary*

Dr. K. L. Rao, *Member, Central Water and Power Commission.*

*Ministry of Education*

Shri K. G. Saiyidain, *Secretary*

Shri Prem Narain, *Deputy Financial Adviser.*

Dr. R. K. Bhan, *Deputy Educational Adviser.*

*Central Social Welfare Board*

Shrimati Durgabai Deshmukh, *Chairman.*

*Ministry of Finance*

Shri A. C. Bose, *Joint Secretary.*

*Ministry of Scientific Research and Cultural Affairs*

Prof. M. S. Thacker, *Secretary*

Shri A. K. Ghosh, *Joint Secretary.*

Shri G. K. Chandiramani, *Joint Educational Adviser*  
(*Technical*)

Shri A. M. D. Rozario, *Joint Educational Adviser*  
(*Cultural*)

Shri P. M. Sundaram, *Secretary, C.S.I.R.*

Shri A. V. Venkateswaran, *Financial Adviser.*

#### MINISTRY OF IRRIGATION AND POWER

*Serious omissions in Cash accounts of an Office, Audit Report, 1957, page 38, para 34—*

245. Departmental investigation into the Cash accounts of an office held during 1954 to 1956 revealed that a number of transactions, both receipts and expenditure, aggregating Rs. 5,458 of which Rs. 158 represented non-Government dues received officially, had not been correctly brought to account during the period 1948 to 1954 and valid vouchers were not forthcoming for the expenditure. Local inspection, conducted by Audit subsequently, also confirmed these results except that a sum of Rs. 141 could not be verified for want of particulars. The cashier was suspended in May, 1954 and dismissed from Government service in March, 1956 and debarred from future employment under Government. He was tried in a court of law. The responsibility of the supervising officers could not be assessed as the matter was *sub-judice* and all relevant papers were with the Court.

Explaining the reasons for not initiating departmental proceedings in this case, the Secretary, Ministry of Irrigation and Power stated that as the records mostly comprised accounts books it was difficult to make duplicate copies thereof. The judgement in this case was delivered on the 9th December, 1958 and the C.W.P.C. had already asked the Court for the release of the documents. The Ministry of Irrigation and Power had also appointed a special officer to enquire into the case and to fix responsibility of the supervisory officers.

The Committee desired to be furnished with a note stating the steps taken to check the recurrence of such irregularities in future.



*Low Utilisation of the earth-moving machinery on a multi-purpose river valley project—Audit Report, 1957, pages 38—40, para 35.*

246. On the Hirakud Dam Project, machinery for earth moving operations was procured at a cost of approximately Rs. 3.14 crores. The purchases made in the years 1949-53, were arranged mostly by the Director General, Supplies and Disposals, on the basis of specifications supplied by the Project authorities. A planned policy in indenting for the machinery with particular reference to their effectiveness on the Project and ready and continuous availability of spare parts for the types in question did not appear to have been worked out. Also, the examination of the usefulness and condition of these diverse types of machines was not comprehensive. In the result, 102 machines valued at Rs. 2,63,960 purchased from the Disposals Organisation could not be put into use at all.

Operation records maintained in connection with the actual utilisation of those machines which were serviceable were found to be in an incomplete state.

There were excesses and unwanted or unusable spare parts. While some machines lay idle for long periods due to non-availability of spares, other spares valued at about Rs. 11 lakhs were declared as surplus to requirements.

The Secretary, Ministry of Irrigation and Power stated that immediately after the War, there was very great shortage of machinery and they had to make do with anything they could get hold of. Later, it was discovered that it was certainly not economical in making purchases of a wide assortment of equipments for doing the same job and a Committee was appointed in 1953-54 to standardise the construction equipment to be used at the river valley projects.

The machinery worth Rs. 7.8 lakhs was purchased from the Disposals Organisation for use on the Hirakud Dam Project at 20% of the book value of the equipment and machinery worth Rs. 2.80 crores was imported from abroad.

To a question as to what steps had been taken for the disposal of surplus machinery, it was stated that at the meeting of the Co-ordination Board of Ministers, at which Ministers of most of the States were present, it was decided that the surplus equipment should be utilised, as far as possible, on river valley projects. There should not be any delay in the transfer of equipment from one project to another and if there was any dispute regarding the price, the machinery should be transferred and the C.W.P.C. should settle the price in consultation with parties concerned. He further stated that out of the machinery worth Rs. 3.14 crores with the Hirakud Project authorities, equipment worth Rs. 2 crores had already been sold out. He added that a special officer was being sent to the Hirakud Dam to find out whether there was an equipment on the project which was surplus to its needs.

In reply to a question, he stated that more care was now being exercised in indenting the spare parts in view of the foreign exchange position.

To a question as to why the operational records in connection with the actual utilisation of the machines at the Hirakud Dam Project were not complete, he stated that certain records were not readily traceable on account of several re-organisations of the Construction Division and sub-Divisions and transfer of machinery from place to place in view of the exigencies of work.

*Capital Outlay on Multipurpose River Schemes—Appropriation Accounts (Page 8, Grant No. 127) (Civil) 1955-56, Vol. XI.*

247. Out of the total provision of about Rs. 4.32 crores, a sum of about Rs. 1.45 crores remained unutilised.

The Committee desired to know as to why there was over-budgeting in this case. The Secretary, Ministry of Irrigation and Power stated that the provision included for the Damodar Valley Corporation could not be utilised. He admitted that it was a case of lax budgeting and that adequate steps were being taken to ensure proper budgeting.

248. *Absorption of Staff.*—To a question as to whether any scheme had been prepared to transfer the surplus staff from one project to another, the Secretary, Ministry of Irrigation and Power stated that Employment Exchanges in all the major river valley projects had been set up for this purpose. There was a special officer in the Ministry of Labour who was attached to the Ministry of Irrigation and Power for co-ordinating the requirements of the personnel not only in the public sector but also in the private sector. There was thus no difficulty in finding employment for skilled and experienced personnel but it was difficult to absorb clerical staff.

249. *Control Boards.*—To a question as to what control was being exercised by the Central Government over the major river valley projects, the Secretary, Ministry of Irrigation and Power stated that Control Boards had been constituted on which the Centre was represented by a representative each of the Ministries of Irrigation and Power and Finance.

The representatives of the Central Government were on the Boards to see that the money advanced was utilised for the purposes for which it was intended and that the execution of the Project was efficient and economical.

#### MINISTRY OF EDUCATION

*Payment of grants-in-aid in excess of requirements—Audit Report, 1957—page 33, para 26*

250. The Audit para disclosed a case in which the Ministry sanctioned and paid grants-in-aid amounting to Rs. 6,15,000 (Rs. 4,20,000 in 1950—52, Rs. 1,20,000 in 1952-53 and Rs. 75,000 in 1953-54) to a University for post-graduate research teaching. The University incurred no expenditure during 1950-51 and spent Rs. 3,66,246 during 1951-52 to 1953-54. The unspent balance of Rs. 2,48,754 exceeded the requirements of the following two years by Rs. 33,658. In spite of this, a further grant of Rs. 2,93,000 was made during 1955-56.

The Secretary, Ministry of Education stated that the last grant was made by the University Grants Commission to the Delhi University in January, 1956 and this was sanctioned for procuring certain apparatus and equipment from foreign countries. The equipment was actually received in the next year and Rs. 4,50,000 were paid for the orders which had already been placed. On being pointed out by the Committee that no grant should be paid unless it was possible for the institution to spend it within the year, he stated that the general attitude of the University Grants Commission in such cases was that if the order was likely to be executed in the course of next year, the Commission need not ask for the refund of the grant. He added that the grants by Government to the University Grants Commission were made on the basis of the Five Year Plan and the Commission sanctioned grants to the different Universities. Unspent balances either of the university or the Commission were not refunded to Government. They remained with the University Grants Commission for being allotted in future years.

*Savings on Voted Grants, Audit Report, 1957—Vol. I pages 6—8, para 7 and pages 22 and 26 of Vol. V*

251. There were large savings under Grants Nos. 19 and 20 which indicated unsatisfactory standards of budgeting. The Committee desired to know the reasons for large savings and the steps taken to improve the budgeting.

The Secretary, Ministry of Education stated that the savings had been largely due to the fact that the State Governments were not able to utilise the grants which were being provided for the various schemes in the budget. The Ministry have now devised a new procedure in consultation with the Planning Commission and the Ministry of Finance that with effect from the current year (1958-59), the grants would be given to the State Governments in advance every month. The ceiling of the grants for each State would be fixed.

*Audit Report on the Accounts of the Central Universities, viz., Delhi, Aligarh, Banaras and Vishwa-Bharati, Appropriation Accounts (Civil), 1955-56—Vol. V, page 22, Note 4.*

252. The Committee desired to know as to when the necessary legislation for the presentation to Parliament of the Audit Reports on the Accounts of the 4 Central Universities viz., Delhi, Aligarh, Banaras and Vishwa-Bharati would be introduced. The Secretary of the Ministry stated that suitable provision would be incorporated when the amendment to the relevant Acts was taken up.

#### **Central Social Welfare Board**

[AUDIT REPORT, 1957, PAGES 66—73, PARA 57]

*Overlapping between the Social Welfare Programmes of Welfare Extension Projects and Community Development Blocks—*

253. With a view to avoiding overlapping between the Social Welfare Programmes of the Welfare Extension Projects and Community Development Blocks, it has been suggested by Audit that their

financial and administrative control might be amalgamated and Government had stated in June, 1957 that with effect from 1st April, 1957, the Board and the Ministry of Community Development had started coordinating their activities. The Committee desired to know the results of this step.

The Chairman of the Social Welfare Board stated that during the First Five Year Plan period, there was no duplication. Every project of the Board in the rural areas was started outside a Community Development Block or a National Extension Block. In the Second Five Year Plan period, since the whole country was going to be covered by the Community Development and the National Extension Blocks, there was likely to be duplication and it was decided in consultation with the Community Project Administration that all projects of the Board should be in the Community Development Blocks. In the Blocks, where the projects of the Board were functioning, the Community Development Project Administration was transferring their budget provision to the Central Welfare Board. For every block, a sum of Rs. 40,000 was provided for in the budget of the Community Development Administration, it was added. This arrangement had been working for the last 1½ years.

*Control over release of grants to Welfare Projects and State Advisory Boards—*

254. This Audit para revealed that necessary statistics to ensure that monies were released by the Central Social Welfare Board judiciously in accordance with the spending capacity of the Welfare Projects were not being maintained. The Government stated in June, 1957 that instructions were being issued to the Board to maintain proper and detailed accounts.

The Committee desired to know whether any steps had been taken to avoid release of excess funds. The Chairman of the Board stated that the budget of a Welfare Project was made of three parts. The share of the Central Social Welfare Board was 50 per cent; 25 per cent was the contribution from the State Government and the remaining 25 per cent represented voluntary contribution from the people. The State Governments were not regular in giving their share of 25 per cent matching contribution and contribution from the public was slow, especially in villages. As, however, the staff in the projects had to be paid, the Central Board had to advance the necessary funds.

When asked as to why the State Governments were taking a long time to release the grants, the witness stated that there was duplication and lack of co-ordination in the State Government Departments.

In reply to a question, the witness stated that the Central Social Welfare Board was also giving direct grants to certain voluntary organisations.

As regards the suggestion that all these Boards should be directly under the Education Department, the Secretary, Ministry of Education stated that his apprehension was that such a proposal could create more conflicts rather than solve the problems.

The Boards would not have a direct relationship with the Centre but there would be yet another intermediary agency through which they would have to carry their activities *vis-a-vis* the Central Board.

*Defective control over release of grants to voluntary Welfare Institutions and their utilisation.*

255. In the Audit Report, several instances have been quoted where there had been defective control over release of grants-in-aid to voluntary welfare institutions. In some cases grants were released even though the grants for previous years were not utilised at all or there were substantial unspent balances. Additional instalments were released in some cases although previous instalments had not been spent. Grants were also released without obtaining the audited accounts for the grants given in the previous years.

Large grants for the purchase of mobile vans were given but effective steps were not taken to ensure that vans were and would continue to be used for authorised purposes.

The Committee desired to know as to why the grants were given by the C.S.W.B. to institutions working for the welfare of scheduled castes, scheduled tribes and other backward classes even though the welfare of these classes did not come within their purview. The Chairman of the Board stated that a separate provision in the Budget existed for the Scheduled Castes and Scheduled Tribes which was being controlled by the Ministry of Home Affairs. The Ministry of Home Affairs had, however, requested them that they might consider the applications which were addressed to them by the various Harijan Welfare and Tribal Institutions and forward to them with their recommendations. The witness added that if a Harijan institution was also open to non-Harijans, the Board could give grant to that institution to the extent it was not covered by the other grant.

To a question, witness replied that effective steps had been taken to ensure that the mobile vans were used for the purpose for which they were given. They had their own Inspectorate and there was a qualified Inspector and a Welfare Officer in each State whose duty was to see that the vans were used for the purpose for which they were given.

With regard to the use of jeeps, it was stated that there was a lot of criticism but the C.S.W.B. were now exercising stricter control over the matter.

*Irregularities connected with publications—*

256. The C.S.W.B. published a monthly journal entitled "Social Welfare" in English as also "Samaj Kalyan" its Hindi version, both of which are priced publications. The distribution of these journals has been entrusted to the Publications Division of the Ministry of Information and Broadcasting which charged 15 per cent departmental charges on the published price of the printed copies of each issue to cover

postage and other direct and incidental charges by the Division on the despatch of the Journals. The Board had also some staff to look after the distribution and sale of the journals and for keeping their accounts.

The Chairman of the Board stated that till about two years ago, 5,000 copies of the Journals were printed and now 6,000 copies of the Journals were printed. 3,500 copies were sold out and 1,000 copies were supplied free to Members of Parliament etc. There was not much of other free distribution except by way of exchange. When it was pointed out that the revenue was far behind the total expenditure on these journals, the witness stated that these were not commercial publications. These were educative and informative publications and it was necessary to incur some expenditure.

To a question as to whether the staff, which was working in the Publications Division to look after the distribution and sale of the Journals, had been withdrawn, the Secretary of the Ministry stated that the matter was discussed with the Ministry of Information and Broadcasting and it has been decided to continue the staff and the existing arrangements.

The Committee suggested that the Audit, the Ministry and Board might consult together and devise some procedure whereby the granting of subsidies, their disbursement, and accounting, etc., might be arranged more satisfactorily in harmony with the nature of the work of the Board.

At the end, the Committee desired to be furnished with information on certain points relating to the Central Social Welfare Board which they could not cover for want of time.

#### MINISTRY OF SCIENTIFIC RESEARCH & CULTURAL AFFAIRS

*Payments of grants-in-aid in excess of requirements—Audit Report, 1957—page 33, para 26.*

257. The Ministry sanctioned and paid grants-in-aid of Rs. 25,000 and Rs. 81,000 to an institution during 1953-54 and 1954-55 respectively, while the institution incurred no expenditure in the first year and spent only Rs. 67,067 during 1954-55.

The representative of the Ministry stated that so far as the grant for Rs. 25,000 was concerned, the first meeting of the General Council of the Sahitya Akadami was held on the 12th and 13th March, 1954 and the grant was sanctioned and paid to the Akadami in March, 1954 to meet the T.A. & D.A. of the members and expenditure on other miscellaneous items. The payments could not be made to the members during the year because the bills were not received from them. With regard to the other case, he stated that in August, 1954, the Akadami asked for a sum of Rs. 1.62 lakhs but in view of the spending capacity of the Akadami, a sum of Rs. 81,000 only was sanctioned. The Akadami did not have building accommodation and could not expand its library and other activities. He,

however, admitted that the Akadami did not surrender the grant due to an oversight and that instructions had since been issued to surrender the surplus in case the funds could not be utilised fully.

*Irregularities in Store Accounts—Audit Report, 1957—Pages 33-34, para 27—*

258. The audit of the accounts of a Technology Institute up to 31st March, 1957 revealed the following irregularities:—

- (i) Priced Ledger of Stores, which had not been maintained, was under process of compilation. The store transactions during the year 1955-56 had to be completed.
- (ii) Stores worth several lakhs of rupees purchased in 1950 to 1953 were still lying in stock unused.
- (iii) A physical verification on the basis of bin cards during 1954-55 disclosed numerous cases of shortages, the value of which was about Rs. 81,000. It was stated that there were excesses also in respect of certain items and that the adjustment of 'excess and shortages' would be made on the completion of the Priced Store Ledger.

About 30 per cent of the items of stores were subjected to physical verification during 1955-56 and 1956-57, which disclosed both shortages and excesses.

The Secretary of the Ministry stated that Priced Stores Ledger had since been completed, except in regard to a small adjustment of Rs. 3,000 which remained to be made.

*Irregular expenditure on unnecessary insurance of stores, page 22, (Note 5), Appropriation Accounts (Civil), 1955-56—Vol. V—*

259. An institution took an insurance policy to cover the risk of stores in transit consigned to it by the suppliers. As it contravened the financial rules, audit raised objection to this irregularity in successive inspection reports since 1951-52, but the insurance was continued for a long period from 1st September, 1951 to 15th January, 1955 on payment of Rs. 68,842 as premia without the sanction of the competent authority. The purchase of the policy and its continuance till 15th January, 1955 resulted in an irregular expenditure of Rs. 49,100. Government accorded *ex-post-facto* sanction to the payment of the premia in September, 1955.

The representative of the Ministry stated that at that time, the institute proceeded to insure these stores and took a policy which covered a period of time. These were rare scientific instruments and were being received at different times. The Ministry were, therefore, advised to insure these costly and delicate stores, so as to cover any risk in transit. He added that the practice was stopped after the specific orders issued by the Government.

*Page 5 (Note 1), Appropriation Accounts (Civil) 1955-56, Ministry of Natural Resources and Scientific Research, Vol. XIV—*

260. A sum of Rs. 19,23,158 under Grant No. 77 remained unsurrendered.

To a question as to why the saving could not be surrendered, the representative of the Ministry stated that the stores were received under the T.C.A. programme and they were expecting that the book debits might be raised for the supply of stores which did not materialise.

Intervening, the Deputy C. & A.G. stated that in this particular case the cost of materials was not adjusted for want of sanction and urged that the surplus funds should have been surrendered in time.

*Savings on Voted Grants—Appropriation Accounts (Civil), 1955-56, Ministry of Natural Resources and Scientific Research, Vol. XIV (Pages 12, 15 and 29).*

261. There were savings to the extent of 64 per cent, 27 per cent and 62 per cent under Grants Nos. 78, 80 and 130 respectively. The Committee desired to know the steps taken to improve the budgetary control. The representative of the Ministry stated that a large portion of the savings was due to the practice then obtaining in the Council of Scientific and Industrial Research to carry over large sums every year. He further stated that this practice had since been stopped.

262. The Committee then adjourned till 10.00 hours on Saturday, the 24th January, 1959.

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**PROCEEDINGS OF THE THIRTY-EIGHTH SITTING OF THE  
PUBLIC ACCOUNTS COMMITTEE HELD ON SATURDAY, THE  
24TH JANUARY, 1959**

263. The Committee sat from 10.00 hours to 13.15 hours.

**PRESENT**

Prof. N. G. Ranga—*Chairman.*

**MEMBERS**

2. Shri Arun Chandra Guha
3. Shri N. R. M. Swamy
4. Pandit Jwala Prasad Jyotishi
5. Shri Upendranath Barman
6. Shri Prabhat Kar
7. Shri Raghubar Dayal Misra
8. Shri H. C. Dasappa
9. Shri Khushwaqt Rai
10. Shri Aurobindo Ghosal
11. Shri Jaipal Singh
12. Rajkumari Amrit Kaur
13. Shri Amolakh Chand
14. Shri S. Venkataraman
15. Shri M. Govinda Reddy
16. Shri Rohit Manushankar Dave
17. Shri M. Basavapunnaiiah

Shri A. Kalyanaraman—*Deputy Comptroller & Auditor General  
of India.*

Shri S. Venkataramanan—*A.G.C.R.*

Shri P. V. R. Rao—*Director of Audit, F.R.S.C.S. & M.*

Shri P. K. Sen—*Director of Commercial Audit.*

**SECRETARIAT**

Shri V. Subramanian—*Deputy Secretary.*

Shri M. C. Chawla—*Under Secretary.*

**WITNESSES**

*Ministry of Steel, Mines & Fuel*

*(Department of Iron & Steel)*

Shri S. Bhoothalingam—*Secretary.*

**Shri A. S. Bam**—*Iron & Steel Controller.*  
**Shri G. Pande**—*Chairman, Hindustan Steel (P) Ltd.*  
**Shri N. C. Deb**—*Additional Secretary.*

*(Department of Mines & Fuel)*

**Shri S. S. Khera**—*Secretary.*  
**Shri N. S. Mani**—*Joint Secretary.*  
**Shri N. N. Kashyap**—*Joint Secretary.*  
**Shri K. K. Sahni**—*Joint Secretary.*  
**Shri A. V. Venkateswaran**—*Financial Adviser.*

*Ministry of Finance*

**Shri N. N. Wanchoo**—*Secretary.*

*Ministry of Labour & Employment*

**Shri P. M. Menon**—*Secretary.*

**Shri S. Abdul Qadir**—*Joint Secretary and Director General of Resettlement and Employment.*

**Appropriation Accounts (Civil), 1955-56 and Audit Report, 1957**

**MINISTRY OF STEEL, MINES AND FUEL**

**1. DEPARTMENT OF IRON AND STEEL**

*Payment to the Resident Engineer—Para. 39(1), page 43, Audit Report, 1957, Vol. I*

264. A German Combine was appointed under an agreement as (a) Consultants, and (b) Engineers-in-charge at site. The agreement stipulated separate fees for these duties. As Consultants, the Combine was to receive a fixed fee of Rs. 284.58 lakhs and for its work as Engineers-in-charge at site, it was provided that it would be re-imbursed the actual expenditure subject to a ceiling of Rs. 70 lakhs. The Combine appointed a Resident Engineer and 5 assistants in January, 1955, but the actual construction work was started only from the 15th November, 1955. Audit suggested that the expenditure incurred by the Hindustan Steel Limited on the Resident Engineer and his staff from January, 1955 to 15th November, 1955, amounting to Rs. 2,43,854 should be debited to the fixed fee payable to the Combine for its work as, Consultants instead of showing it against the ceiling of Rs. 70 lakhs.

The representative of the Ministry of Steel, Mines and Fuel (Department of Iron and Steel) stated that the matter had been taken up with the German Combine which claimed that under the provisions of the agreement the expenditure should be debited to its fee of Rs. 70 lakhs as in its opinion the work performed by the Resident Engineer and his staff was a part of its function as Engineer-in-charge at site and not as Consultants. In fact, the Managing Director of the Company had himself wanted this office to be maintained in Calcutta for doing the preparatory work in connection with the construction of the plant. Although the Government of India were still pressing for their point of view that the expenditure should be debited to the fixed fee the Combine

was very firm and was even prepared to go in for arbitration. The matter had, however, not been finalised.

*Löss through premature borrowings—para. 39(2), page 44, Audit Report, 1957, Vol. I*

265. The Hindustan Steel (Private) Limited borrowed funds from time to time from the Government of India at 4½% per annum in order to finance their project. The borrowings were, however, not related to the needs of the Company, as large sums of money were drawn from the Government and either retained in the current account or deposited with bankers at lower rates of interest. During the period 16th January, 1956 to the 30th September, 1956, the Company incurred a loss of about Rs. 3,75,000 on account of difference in the rate of interest paid and earned by them on these amounts.

The Committee were informed that by virtue of an agreement with the German firm, the amount of money which could be given as share capital to the Company was limited by the amount which the German Firm was to subscribe. Therefore, the Company were forced to meet their requirements through borrowings from the Government. The Committee wanted to know the circumstances under which heavy sums were borrowed from Government regardless of actual requirements. They also desired to be furnished with further details as to the dates on which the amounts were drawn, the actual requirements of the Company and the balances standing to their credit on those dates. The representative of the Ministry promised to furnish the requisite information.

The Committee were further informed that since the German firm had now no interest in the capital of the Company, it had been decided to raise the share capital to Rs. 300 crores. Further loans from Government had been stopped and funds were being obtained by the issue of shares. On a suggestion that the outstanding balance of the loan might be converted into share capital to save interest charges thereon, it was stated that the matter was already under consideration. It was added that the Company would reach the limit of Rs. 300 crores of share capital during the current financial year and might even have to go in for further loans. It would, therefore, not make any material difference to convert the existing amount of loan into share-capital.

*Points arising from the visit of Chairman, Public Accounts Committee to the Steel Projects during November, 1958*

(i) *Pilferage of stores lying in the open at Project sites*

266. During his visit to the Bhilai and Rourkela Steel Plants, the Chairman, P.A.C. saw huge quantities of stores lying in the open and exposed to pilferage etc. Certain thefts of valuable stores were also reported to have taken place despite the measures taken by the local authorities. He had, therefore, suggested to the local authorities to undertake at the earliest the construction of perimeter walls around the areas where stores were lying. The representative of the Ministry of

Steel, Mines and Fuel (Department of Iron and Steel) informed the Committee that the construction of perimeter walls was under progress on all the project sites and the Watch and Ward Staff had also been strengthened. The present position was considered to be satisfactory, but the Corporation authorities were asked to keep a close watch on the position.

(ii) *Change in the method of processing*

267. The Committee desired to know the savings that would result from the change from the Duplex process to the Desiliconising open-hearth method at Durgapur. The representative of the Ministry gave a brief idea of the working of the two methods of processing and explained that while the Duplex process was good for making sheets etc. the open hearth method was better suited for making heavy plates. He, however, promised to furnish a detailed note giving the technicalities and economics of the two systems.

(iii) *Training of Cost Accountants*

268. On a question whether the Hindustan Steel (P) Ltd. were taking step to introduce cost accounting system in the Steel Projects, the Committee were informed that services of certain officers had been obtained on loan from the Indian Audit Department and they were being trained in cost accounting. A school had also been set up for training of cost accountants to meet the special requirements of the Steel Projects.

(iv) *Training of Indian Engineers*

269. The Committee desired to know the steps taken by the Hindustan Steel (P) Limited to train Indian Engineers and other technical staff with a view to facilitating their taking over from the foreign engineers as the Committee felt that this was important specially at Durgapur, where being a package deal Indian engineers were not associated with the British technicians. The Committee were informed that Indian technicians were freely associated in the working of the three plants and no difficulty was experienced in this regard. After a six week's orientation course at Jamshedpur the trainees were assigned to the particular departments viz. rolling mills, electrical department, melting shop etc. and thereafter sent to the various countries for further training. There was however a shortage of technical graduates of right type in the country and that was why despite their holding recruitment almost every month, they were not able to fill up the vacancies. The Committee desired to be furnished with the details regarding the method of recruitment; whether the posts were advertised all over India, the number of applications received and candidates selected etc. for the past two years.

(v) *Supply of lime stone to Durgapur Project*

270. While the plants at Bhilai and Rourkela had made their own arrangements for the supply of lime-stone, the Durgapur Project had

given a contract to a private company (Bird and Co. Ltd.) for the supply of this material. Explaining the reasons for this, the representative of the Ministry informed the Committee that lime stone deposits could not be found near Durgapur. Prospecting was still going on and, as an interim arrangement, a contract had been given to the firm for a period of three years for the supply of this material from their own quarry.

*Iron and Steel Equalisation Fund—Grant of Special advances to TISCO and IISCO—para 222 of Seventh Report of P.A.C. (Second Lok Sabha)*

271. Government had sanctioned special interest free advances to the TISCO and IISCO out of Iron and Steel Equalisation Fund to enable the Companies to finance their expansion schemes. The matter was examined by the Public Accounts Committee and commented upon in para. 225 of their 16th Report and para 222 of 7th Report (Second Lok Sabha). Explaining the latest position about these loans, the Committee were informed that under the terms of agreement with the two Companies, the matter had been referred to the Tariff Commission asking that body to recommend whether any interest should be charged and if so at what rate.

#### *Location of Headquarters of Hindustan Steel (P) Limited*

272. On a suggestion from the Committee that the Headquarters of the Company might be shifted from Delhi to Rourkela in order to have closer contact with the Steel Projects, it was stated by the representative of the Ministry that it had been decided to shift the headquarters somewhere nearer the plants as soon as the major Governmental problems were solved.

## II. DEPARTMENT OF MINES & FUEL

*Working of State Collieries—pages 49—51 and 63—65 Appropriation Accounts (Civil) 1955-56 Vol. XVI*

273. Out of the eleven State Collieries the working of seven collieries (Argada, Bhurkunda, Deulbera, Kurhurbaree, Serampore, Sawang and Talcher) resulted in loss to Government both in 1954-55 and 1955-56. Specially the collieries at Kurhurbaree and Serampore were continuously showing losses for a number of years. It was stated that these two collieries commenced operation in 1870 and owing to extraction of coal during these years, the available reserves had diminished. Since the mines had to be worked at comparatively great depths, the cost of raising the coal increased year by year. But for the superior quality of coal produced, these mines would have been abandoned long time ago. A technical Committee had been appointed by Government to go into the economics of raising coal in these mines and their recommendations were under implementation. The Committee desired to know the recommendations of the Technical Committee and action taken by Government thereon. As the representative of the Ministry was not in possession of this information, he undertook to submit a note to the Committee. A suggestion was made that

keeping in view the shortage of metallurgical coal, the feasibility of briquetting coal dust in India as was being done in France should be examined. The representative of the Ministry stated that briquetting was generally resorted to in the case of coal of lower grades and also lignite. The scheme had been included in the case of lignite in the Neyveli Project. He agreed to consider the suggestion with regard to coal, also. In order to conserve the resources of metallurgical coal as much as possible, a system of pegging the limit of annual output had been introduced. Washeries were also being established with a view to utilising coal of lower grade. One Washery at Kargali was already under operation and another was being installed in the near future. The Hindustan Steel (Private) Limited were also establishing their own Washeries to meet their special requirements.

*Statement of Balances Outstanding under Suspense—Page 58, Appropriation Accounts Vol. XVI*

274. The statement disclosed large amounts (Rs. 2,98 lakhs under Misc. advances and Rs. 1,31 lakhs under purchases) outstanding under "Suspense" as on 31st March, 1955. The Committee desired to know the details of these outstanding balances and the reasons for their being kept under "Suspense".

*Savings over voted Grants and Charged Appropriations—Grant No. 82-A—Page 25, Appropriation Accounts Vol. XIV*

275. Originally no provision was made in the Budget Estimates, but a supplementary Grant of Rs. 41,76,000 was obtained in December, 1955 in respect of Grant No. 82-A—Exploration of Oil and Natural Gas. The actual expenditure incurred upto the close of the financial year was Rs. 75,188 only. The Committee were informed that upto about the middle of 1955, the exploration of oil was in the private sector when Government decided to take up this work as a part of geological survey. Since the necessary equipment and manpower could not be made available, the amount sanctioned under this Grant was not utilised and a sum of Rs. 32,75,200 was surrendered to Government. The representative of the Ministry further stated that Government were now keeping their exploration programmes and progress of expenditure under constant review.

### MINISTRY OF LABOUR AND EMPLOYMENT

*Heavy Expenditure on rental—para. 36, page 40, Audit Report, 1957*

276. During the War, buildings at a total cost of Rs. 1,44,910 were constructed by the Defence Department on about 43 bighas of land requisitioned under the Defence of India Rules at an annual rent of Rs. 33,282. The premises were placed at the disposal of the Labour Department in July, 1946 for the training of ex-servicemen, which scheme came to an end in July, 1950. The rent for the requisitioned land was paid by the Defence Department upto 31st July, 1950. Thereafter, the buildings were retained by the Ministry of Labour and Employment to carry out their scheme of technical and vocational training to adult civilians, and that Ministry continued to pay the rent.

to the land owners. Over a lakh of rupees was also spent by Government on the construction of permanent structures on the land to meet the requirements of the Industrial Training Institute at Calcutta. But no consideration was given to the question of the permanent acquisition of the land, the cost of which according to the assessment by the Collector was Rs. 6,45,660. The expenditure on rent of land amounted to Rs. 2,08,012 for the period from August, 1950 to October, 1956.

The representative of the Ministry informed the Committee that the Institute was now being run by the West Bengal Government and the expenses thereof were being shared by the Centre and State Government in the ratio of Rs. 60 : 40 respectively. It had also been decided to acquire the land at an estimated cost of Rs. 17 lakhs. A question was raised whether it would be an economic proposition to acquire the land at such a high cost as the interest charges on this amount (17 lakhs) would work out to about Rs. 50,000 per annum and it would be cheaper to retain the land on a rental basis paying Rs. 33,000 per year. It was also suggested that instead of purchasing the same land Government should find an alternative site for the Institute at a lower cost. The representative of the Ministry agreed to reconsider the whole matter in consultation with the West Bengal Government. The matter was again considered on the 19th February, 1959.

*Defective Budgeting—page 1—A.3, A.4, page 2-C1: Page 3, D-4, page 7, A-3(1)(7) etc.—Appropriation Accounts (Civil), 1955-56  
Vol. XII*

277. In these cases, savings had been shown to have accrued *inter-alia* on account of non-receipt of debits etc. In other grants also there were similar savings. The Committee observed that such instances of savings indicated laxity of control over expenditure. The representative of the Ministry admitted that such cases should not have occurred and that no steps should be spared to see that the adjustment of debits for services rendered or stores supplied was made within the same year.

#### *Training Schemes*

278. The Committee desired to know the extent of co-ordination which was being maintained by the Ministry of Labour and Employment with other Ministries in the matter of running the various technical training schemes. They were informed that this co-ordination was achieved through the National Council on which all the Ministries and Departments running such institutions were represented. The Ministry of Labour and Employment were concerned with the craftsman training scheme which provided for certain basic elementary training only. A Committee had, however, been appointed to go into the question of introducing schemes for higher technical training and their Report would be submitted to Government in the near future.

The Committee were also informed, in answer to their enquiry, that the advisability of instituting a Diploma Course and practice of issuing proficiency certificates was being actively considered.

279. The Committee then adjourned till 10.00 hours on Tuesday, the 27th January, 1959.

PROCEEDINGS OF THE THIRTY-NINTH SITTING OF THE  
PUBLIC ACCOUNTS COMMITTEE HELD ON TUESDAY, THE  
27TH JANUARY, 1959

280. The Committee sat from 10.00 to 12.20 hours.

PRESENT

Prof N. G. Ranga—*Chairman.*

MEMBERS

2. Dr. Ram Subhag Singh
3. Shri Arun Chandra Guha
4. Shri N. R. M. Swamy
5. Pandit Jwala Prasad Jyotishi
6. Shri Rameshwar Sahu
7. Shri Prabhat Kar
8. Shri H. C. Dasappa
9. Shri Khushwaqt Rai
10. Shri Aurobindo Ghosal
11. Shri Jaipal Singh
12. Rajkumari Amrit Kaur
13. Shri S. Venkataraman
14. Shri M. Govinda Reddy
15. Shri M. Basavapunnaiah

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

Shri A. Kalyanaraman—*Deputy Comptroller & Auditor General of India.*

Shri S. Venkataramanan—*Accountant General, Central Revenues.*

Shri P. V. R. Rao—*Director of Audit, Food, Rehabilitation, Supply, Commerce, Steel and Mines.*

Shri P. K. Sen—*Director of Commercial Audit.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri M. C. Chawla—*Under Secretary.*



## WITNESSES

*Ministry of Transport and Communications  
(Department of Transport—Transport Wing)*

Shri R. L. Gupta—*Secretary.*  
 Shri Nakul Sen—*Joint Secretary.*  
 Shri H. P. Sinha—*Joint Secretary & C.E. (Roads).*  
 Shri S. N. Chib—*D.G. & Ex-Officio Joint Secretary.*  
 Shri S. S. Shiralkar—*Financial Adviser.*

*(Department of Communications & Civil Aviation)*

Shri M. M. Philip—*Secretary.*  
 Shri D. C. Das—*Joint Secretary.*  
 Shri K. M. Raha—*Director-General of Civil Aviation.*  
 Shri S. Basu—*Director General of Observatories.*  
 Shri B. R. Patel—*General Manager, Air India International Corporation.*  
 Shri N. J. Pavri—*Financial Controller, Air India International Corporation.*  
 Shri P. J. Rodgers—*Director General, Overseas Communications Service.*  
 Shri N. Sen Gupta—*Deputy Financial Adviser, Branch Secretariat, Calcutta.*

*Ministry of Rehabilitation*

Shri Dharma Vira—*Secretary.*  
 Shri P. N. Krishnaswamy—*Chief Pay and Accounts Officer.*

**MINISTRY OF TRANSPORT & COMMUNICATIONS**

*(Department of Transport)*

**Audit Report (Civil) 1957, Vol. I**

*Eastern Shipping Corporation (P) Limited—Para. 41(1)  
Delay in the execution of contracts for new vessels*

281. Due to delay of more than a year in the delivery of a ship by the Hindustan Shipyard to the Eastern Shipping Corporation (P) Ltd. the latter suffered a loss of earnings apart from the interest on Rs. 40 lakhs advanced to the Shipyard towards the cost of the ship.

The representative of the Ministry of Transport and Communications attributed the delay to the inexperience of the yard in building ships of the new type. He added that the technical advisers of the yard had underestimated the period necessary for constructing the ship. The contract with the technical advisers had since been terminated and the Shipyard was now being run entirely by Indian officers assisted by one German Technician.

*Hindustan Shipyard (P) Ltd.—Para. 44 of Audit Report and Page 27 of the 5th Annual Report of the Shipyard, 1956-57*

282. The Audit para. disclosed that the Shipyard was continuously running at a loss despite the subsidy given by Government.

Explaining the reasons for the continuous loss, the representative of the Ministry stated that being a new venture, losses were inevitable in

the earlier years. The yard was trying its best to bring down the cost of construction and has succeeded to some extent. But the increase in the cost of materials has more than off-set the reduction. As regards the subsidy paid by Government, he observed that it represented the difference between the price of the ship as quoted by the yard and the U.K. parity price of a similar ship.

The Committee desired to know whether the cost of materials could be brought down by switching over to indigenous materials instead of importing them. The Secretary, Ministry of Transport observed that, wherever possible, local material was being used in the place of imported material. For instance, local teak was being used now and not Burma teak in the construction of ships. As regards the Oregon pine which was imported from Canada, he added that substitutes for Oregon pines were being explored. It might take a long time as the substitutes recommended so far were not found suitable.

In reply to a question whether the shipyard was working to full capacity, the Secretary of the Ministry stated that yard could do a little more than what it had done at present but because of the difficult foreign exchange position the yard had to be content with the present load now.

The Committee desired to have further information on the following:

- (i) The break-up of the cost of a ship in terms of labour-charges, materials, over-heads, etc.
- (ii) The incidence of imported timber and indigenous timber that go into the building of a ship.
- (iii) The demands made by the Ministry for foreign exchange for development of the Shipyard and the quota allotted.

The Committee then took up the question of job costing. The Managing Director of the Shipyard stated that progress in this respect was rather slow. The yard was at present analysing the actual costs of ships built so far and splitting them job-wise. In extenuation he added that the variety of designs adopted in the past in building ships had also rendered the job difficult. Now that the yard had standardised two types, it would facilitate the estimating of job cost with greater precision and watch the performance against those norms.

#### *Unsatisfactory Method of fixing prices—para 44*

283. It has been pointed out in the Audit Report that the present arrangement for fixing price of a ship built in the yard was unsatisfactory and the question of fixing prices on a more rational basis was engaging the attention of Government.

In evidence the Secretary, Ministry of Transport observed that under the existing formula, the price payable by the indentors for the ship was the U.K. parity price. There was always a difference over the parity price as obtained by the yard from its consultants in the U.K. and that which the indentors were able to get from their own

consultants. The final price had, therefore, to be fixed by negotiation.

*Surplus Stores—para 44*

284. According to the Audit para, the Company had in stock stores worth about Rs. 20 lacs which had not been moved for several years and some of them were lying since 1946-47.

It was stated in evidence that the stores were acquired during the time Messrs. Scindias were running the yard before Government took over the Yard. A part of the stores was obsolete and no purchasers could be found for it; a small portion had also been sold. In reply to a question why the help of D.G.S. & D. could not be sought in disposing of them, the Ministry's representative stated that the yard itself desired to dispose them. The yard was contacting other possible users like the Naval dockyards or the Air Force to see whether they might be able to use those items. The possibility of using some of the stores with slight modifications was also under examination. It was added that the stores were such as might not deteriorate and their value also would not go down, though their disposal would release accommodation for other stores. As regards disposal of scrap, it was stated that the system of categorisation of the items of scrap was well-organised.

**EASTERN SHIPPING CORPORATION**

*Ex-gratia payment to stevedoring Contractor at Calcutta—Para 41(2)*

285. The Audit para relates to a case where the Corporation had agreed in its Board Meeting held in December 1955 to make an *ex-gratia* payment of Rs. 62,958 to a stevedoring Contractor at Calcutta in settlement of his claim for actual amount of cash loss suffered by him as a result of go slow tactics on the part of labour.

The Ministry's representative stated in reply to a question that although the Corporation was not legally bound to pay in this case, when the labour adopted 'go slow' methods and the stevedores complained to the Shipping Companies that the rates which they had quoted would not be paying, an oral undertaking was given to them by the shipping companies that payment of an *ex-gratia* amount would, if necessary, be considered. The Corporation as one of the shipping companies also paid this amount.

**MINISTRY OF TRANSPORT & COMMUNICATIONS**

*(Department of Communications)*

**Audit Report (Civil) 1957, Vol. I**

*Non-recovery of insurance value of aircraft loaned to a flying club—  
para 40*

286. Six aircrafts were loaned by Government, as a part of subsidy, to a flying club, all of which crashed within a period of four years. Of them, only three aircrafts were insured by the flying club as required under the agreement. Because of its weak financial position the flying

club did not maintain accident reserve fund at a level to meet the costs of the three aircraft, not insured.

In reply to a question as to why money was being withdrawn by the club from the accident reserve fund for any other purposes the D.G.C.A. stated that it was done with Government's permission to enable the club to pay the wages of its employees. The Committee desired to know why the D.G.C.A. did not insist on the insurance of the aircrafts when the balance in the reserve fund was being depleted. There was no convincing answer to this. The D.G.C.A., however, added that the Department was now very strict in these matters.

#### AIR INDIA INTERNATIONAL CORPORATION

*Outstanding Book-debts of Rs. 2.08 crores—para 42(2) (b) of Audit Report and page 23 of the 5th Annual Report of the Corporation, 1957-58*

287. Explaining the reasons for the outstanding book debts of Rs. 2.08 crores shown in their Fifth Annual Report, the General Manager of the Air-India International Corporation stated that the arrears were large because of the increase in business. There was a time lag of 2-3 months in collection of dues for a month and therefore a large part of the outstanding at the end of the year had since been recovered in the following two or three months. Asked about the reasons for the increase in the bad and doubtful debts from Rs. 89,000 to Rs. 1,97,000 it was stated that it was due to default on the part of two or three booking agents during the last two years. One of them was in Bangkok and the others in India. Suits were pending against the agents in India.

In reply to a question as to how agents were appointed, the representative of the A.I.I. observed that the agents were approved by the International Air Transport Association after going into their credentials. The agents had to submit accounts within 45 days and any default on their part was brought to the notice of International Air Transport Association. No security deposits were taken from the agents.

#### *Capital Expenditure—para 42(3)*

288. Final agreement regarding division of assets worth Rs. 20 lakhs between the two Air Corporations had not yet been reached. The General Manager, Air India International Corporation stated that the division had been completed since.

#### *Rules and Regulations for officers and Employees of the Corporation not prescribed—para 42(4)*

289. Regulations in respect of the terms and conditions of service of officers and employees of the Corporation required to be made by the Central Government and the Corporation respectively and notified in the official Gazette as provided for in Sections 44 and 45 of the Air Corporations Act, 1953 have not so far been framed. In the

absence of such rules and regulations, the existing regulations, prior to nationalisation were to continue. It has been pointed out by Audit that certain concessions allowed to the employees were even outside their scope. In evidence the General Manager of Air India International explained that in the Corporation's view the existing rules permitted such increase and since the Audit had raised an objection the case had been submitted to Govt. for *post facto* sanction. In the new revised draft rules necessary provisions had been made.

Asked about the delay in framing the new rules, it was explained by the Secretary of the Ministry that the Indian Airlines Corporation faced some difficulties in framing rules and the Air India International wanted to watch the functioning of their old rules. The Indian Airlines Corporation's rules were recast in the light of the National Tribunals Award. The Secretary added that the old regulations be deemed to be in force till the new ones were framed and were being followed in pursuance of Section 20(1) of the Air Corporations Act, 1953. It was pointed out by the Committee that Section 20(1) did not appear to confer the right to continue old regulations in respect of the terms and conditions of service of the staff.

The Committee were informed that the question of amalgamation of the two Air Corporations had been considered and dropped due to certain practical difficulties.

*Avoidable loss of Rs. 4 lakhs—para 42(5)*

290. The Air India International Limited placed an order in December, 1951 for the purchase of 2 Super-Constellations, spare engines and spare parts at an approximate cost of \$ 4.04 millions. In view of the uncertain sterling/dollar exchange situation a forward dollar contract was entered into by the Company. Such contracts had to be entered into for three months and thereafter could be renewed each month or terminated. The contracts were kept alive for a very long period even after the dollar/rupee exchange position had improved. Neither the Company nor Government reviewed the position either immediately before or after nationalisation. The General Manager, A.I.I. while admitting that no review was made stated that in retrospect now it appeared to him that the continuance of the contract was worthwhile.

*Moratorium—Para 12 of the 5th Annual Report of A.I.I. Corporation, 1957-58*

291. According to para 12 of the 5th Annual Report, the five year Moratorium on the payment of interest on Government investment in the Corporation expired on 31.7.58 and the case was under review by Government. The Comptroller and Auditor General informed the Committee that the question of extension of the Moratorium period was discussed at a meeting which took place in August, 1958 between the Ministries of Finance and Communications. The Secretary of the Ministry stated that the matter was still pending.

## MINISTRY OF REHABILITATION

### Audit Report (Civil), 1957, Vol. I

#### *Irregular maintenance of cash and other accounts—para 37(a) of Audit Report—Cash Book*

292. The procedure prescribed for maintenance of cash and other important records was not being observed in an organisation set up to register and verify claims of displaced persons in respect of properties left in Pakistan. The cash book which formed the subject of an earlier inspection had been reported as lost. The Secretary, Ministry of Rehabilitation attributed the above lapses to the untrained staff who handled the work. He added that the accounts had since been straightened out as best as they could be and amalgamated with those of the Settlement Commissioner. No case of loss or misappropriation or embezzlement of amounts had been discovered except bad maintenance of accounts. The Committee enquired how it could be ensured when the cash book in question was missing, the Secretary replied that the cash book was lost after audit objection had been met. The Comptroller and Auditor General pointed out that the objection raised in respect of certain items in the cash books could not yet be settled as the cash book was missing. It was also brought to the notice of the Committee by the Comptroller and Auditor General that the officer who was in charge of the cash had been promoted and later on transferred to another Department. The Committee desired that efforts should be made afresh to fix responsibility for the loss of the cash book in consultation with the Ministry of Home Affairs and they should be informed of the action taken.

No responsibility could be fixed on the cashier as he was half-lunatic and was under suspension for four years pending investigation of the case by the Special Police Establishment.

293. *Other records—para 37 (b)*: The accounts of service and ordinary postage stamps valued at Rs. 21,500 and Rs. 224 were not produced for audit and the accounts thereof could not also be reconstructed. The register containing the account of diet money deposited by displaced persons in respect of witnesses was stated to have been lost.

The representative of the Ministry stated that accounts for Rs. 20,000 worth of stamps were maintained in various Claims Offices where these had been distributed and that accounts were not found in the main office for Rs. 1,500 worth of stamps only.

#### *Irregular Advance for purchase of Motor Car—para 38*

294. An Officer drew an advance of Rs. 10,000 for the purchase of a motor car on 9.11.1955. He did not buy the car but retained the advance with him for nearly ten months which was irregular. At the instance of the Committee the officer involved in this case who was present at the sitting withdrew when this para was taken up for consideration.

When asked for an explanation about this irregularity, the Secretary of the Ministry stated that the officer was severely censured and was asked to deposit the money. He was a senior officer and would be retiring shortly. As there was no possibility of further promotion to him, no entry about the censure had been made in his confidential report. In extenuation, he stated that the failure of the officer to refund the amount when he could not purchase the car was due to his unfortunate domestic worries. In reply to a question why the Ministry did not pursue the case vigorously in spite of repeated reminders from the Accounts Officer and why the provision of Rule 259 of G.F.R. were not enforced, the representative of the Ministry stated that he took up the case with the Ministry of Finance and the latter had issued instructions for strict compliance of this rule.

### **Appropriation Accounts (Civil), 1955-56 Vol. XVII**

#### *Compensation to Displaced Persons—Page 13 Note 3*

295. Giving the latest position regarding the claims cases still pending, the Secretary, Ministry of Rehabilitation stated that out of 4,60,000 odd cases of claims about 3,70,000 had been settled and about 70 to 80 thousand cases were pending. It was hoped to finish the pending cases by 1959. Cases were being settled at the rate of 14,000 cases per month.

296. The Committee then adjourned till 10.00 hours on Wednesday, the 28th January, 1959.

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PROCEEDINGS OF THE FORTIETH SITTING OF THE PUBLIC  
ACCOUNTS COMMITTEE HELD ON WEDNESDAY, THE  
28TH JANUARY, 1959.

297. The Committee sat from 10·00 to 13·05 hours.

PRESENT

Prof. N. G. Ranga—*Chairman*

MEMBERS

2. Dr. Ram Subhag Singh
3. Shri Arun Chandra Guha
4. Shri N. R. M. Swamy
5. Pandit Jwala Prasad Jyotishi
6. Shri Rameshwar Sahu
7. Shri Prabhat Kar
8. Shri Raghubar Dayal Misra
9. Shri H. C. Dasappa
10. Shri N. Siva Raj
11. Shri Aurobindo Ghosal
12. Shri Jaipal Singh
13. Rajkumari Amrit Kaur
14. Shri T. R. Deogirikar
15. Shri S. Venkataraman
16. Shri M. Govinda Reddy
17. Shri Rohit Manushankar Dave
18. Shri M. Basavapunnaiiah.

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

Shri A. Kalyanaraman, *Deputy Comptroller & Auditor  
General*

Shri S. Venkataramanan, *Accountant General, Central  
Revenues*

Shri P. V. R. Rao, *Director of Audit, F.R.S.C.S. & M.*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

Shri M. C. Chawla, *Under Secretary.*

*Ministry of Food & Agriculture (Department of  
Agriculture).*

Shri K. R. Damle, *Secretary.*

Dr. M. S. Randhawa, *Additional Secretary.*



Shri M. Lal, *Joint Secretary.*  
 Shri Krishan Chand, *Joint Secretary.*  
 Shri S. Mullick, *Joint Secretary.*

*Department of Food*

Shri B. B. Ghosh, *Secretary.*  
*Ministry of Works Housing & Supply*

Shri M. R. Sachdev, *Secretary.*  
*Ministry of External Affairs*

Shri B. N. Chakravarty, *Special Secretary.*

Shri P. Ratnam, *Joint Secretary.*

*Ministry of Finance (Department of Expenditure)*

Shri K. L. Ghei, *Joint Secretary,*

Shri M. S. Bhatnagar, *Joint Secretary.*

**MINISTRY OF FOOD & AGRICULTURE**

*(Department of Agriculture)*

**Audit Report (Civil), 1957**

*Payment of grants-in-aid in excess of requirements, Para 30, page 35. 298.*—According to Audit, Rs. 21,20,300 were paid to the Indian Council of Agricultural Research for various research schemes which terminated between 1946 and 1950. The Council remitted Rs. 16,39,226 to the various agencies for conducting research on approved scheme. Statements of expenditure, incurred by them were still wanting in many cases. Out of the balance of Rs. 4,81,074, a sum of Rs. 4,37,362 had since been refunded and the balance either utilised or retained for settlement of old debits. After the termination of the schemes, research agencies had, however, not asked for additional funds.

The Committee wanted to know why the I.C.A.R. did not refund the balance of Rs. 4,81,074 for many years. The witness stated that grants were paid to the State Governments for various schemes, the accounts of which could not be received unless the schemes terminated. But in the present case, Rs. 4,37,362 had already been refunded to Government. The Committee desired to be informed of the date of the refund of that amount, the number of schemes financed by grants-in-aid from the Centre which were in operation, the schemes terminated half-way and the amounts spent thereon during the last five years.

Asked about the steps taken by the Ministry to get audited statements of the completed schemes regularly from State Governments, the witness stated that reminders were being sent practically every month to get the accounts. The Committee desired to be furnished with a note setting forth further information on certain points arising from this case.

Asked about the remedy for the non-submission of accounts by the State Governments, the witness suggested that in case the accounts were not received within a year after the end of the financial years, further grants should stop. To a question whether that was followed in actual practice, the reply was in the negative. The Committee desired to be furnished with a note discussing the feasibility of implementing this suggestion in consultation with Audit.

The Committee, next, enquired about the checks exercised by the Ministry on the progress and execution of the schemes. They were informed that progress reports were received from the State Governments and examined by the Advisory Board. The Agricultural Commissioner and the Director of the I.A.R.I. were the co-ordinating authorities at the Centre and they went round every year for inspection on the spot.

The Committee also drew attention of the Ministry to Rule 207(2) of General Financial Rules, Volume I, which made it obligatory on the Ministry to draw only so much amount of grants as was required during a year. They desired to be furnished with a note indicating whether accounts of the schemes regarding crop cutting experiments on wheat/paddy and the Institute of Fruit Technology had been closed and whether the Ministry were satisfied that those schemes had been completed satisfactorily and the results achieved had been commensurate with the expenditure incurred thereon.

The Committee then took up the case mentioned in the third sub-para of para 30 of the Audit Report in which the I.C.A.R. had been paid Rs. 2,11,056, Rs. 3,57,729 and Rs. 8,29,487 during the years 1952 to 1955 for conducting research on certain other schemes, while the agencies carrying out research were paid by the Institution Rs. 41,348, Rs. 2,43,511 and Rs. 3,61,909 only during those years.

The Committee were informed that short payment was due to late starting of the schemes. On being pointed out that such an explanation could be valid for the first year and not for subsequent years, the witness stated that the States were finding it increasingly difficult to procure matching grants and that was the reason why the States are reluctant to take up even the schemes which the Council had sanctioned. Asked whether there were some schemes which had been initiated in time but had to be slowed down due to the inability of the States to find matching grants, the witness replied in the affirmative. The Committee desired to be furnished with details of such schemes. They also desired to be furnished with a note in consultation with Audit and Finance discussing (a) the establishment of a permanent fund running over a number of years under the control of the I.C.A.R. for making grants-in-aids to the States for various Schemes and (b) the desirability of placing at the disposal of the State Governments in the first instance, 25% of the amount sanctioned by the Government of India for various Schemes and releasing the balance of the amount subsequently when it was proved to the satisfaction of I.C.A.R. and other such bodies that the grantee had actually the capacity to spend on the schemes concerned.

### Appropriation Accounts (Civil), 1955-56, Vol. VII

Page 10, Grant No. 42—*Forest*. 299. The Committee noticed that out of a total provision of nearly Rs. 96 lakhs, there had been savings of more than Rs. 22 lakhs while only about Rs. 5.77 lakhs had been surrendered. The witness stated that the savings were due to non-receipt of stores from the T.C.A. funds which resulted in the money which would have ordinarily been spent on this account remaining unspent. Referring to sub-heads C. 2—Grants for National Parks and C. 3—Grants to State Governments under this Grant, the Committee pointed out that it was not a question of equipment or stores alone. In a way, the schemes for which funds had been provided were not quite mature, and obviously savings were due to over-budgeting.

(i) Page 64, Grant No. 44; (ii) Page 94, Grant No. 121; (iii) Page 96, Grant No. 122 and (iv) Page 106, Grant No. 123—

300. The Committee noticed savings ranging from 40 per cent to 74 per cent of the total provision under these Grants. In some cases, excess provisions detected much early in the year were also not surrendered. Asked the reasons for savings, the witness stated that there had been surrenders exceeding a crore of rupees under the Grow More Food Schemes because the States did not request for the reimbursement of the amounts spent by them out of food bonus which was earned by the States and equipments were not received in time.

The Committee observed that there had been bad budgeting in these cases and funds should have been provided in the light of past performances. The witness expressed the hope that with the revised procedure of paying to States in advance, there would not be any such defect in future.

Grant No. 123—Page 108—Note 7, Group Head B. 6—*Import of Sugar*. 301. According to Audit, the financial review and the proforma accounts of the scheme 'Import of Sugar' for 1955-56 could not be finalised due to delay in reconciliation of figures.

The Committee were informed by the Comptroller and Auditor General that reconciliation of the figures had been done since then.

302. Page 108, Note 9—*C.T.O.—Government capital accounts*.—Audit reported that total withdrawals from the Treasury upto the 31st March, 1956 taken into proforma account exceeded the accounts figures by Rs. 50.12 lakhs and the cash remittances into the treasury, credit book adjustments, etc. included in the Proforma Accounts upto that date were less by Rs. 8.97 lakhs as compared with the accounts figures. The difference of Rs. 59.09 lakhs remained to be reconciled.

The Committee were informed that the un-reconciled figure had been reduced to Rs. 2,46,000 at the end of 1956.

(ii) *Hours lost due to breakdown*. 303. Explaining the reasons for increase in the break-down of tractors, the witness stated that the useful

life of the tractors was about 10,000 hours. But it had been increased to 12,500 hours to conserve foreign exchange. In reply to a question, he stated that they had a satisfactory arrangement of carrying out repairs etc. in the workshops.

*Grant No. 43, Page 43, Note 7—Transfer to a fund of the proceeds on the sales of sugar stocks seized on decontrol.* 304.—The Committee noticed that as against the opening balance of Rs. 35,49,075 in the Fund on 1st April, 1955, Rs. 6,847 only were distributed to States, etc. during the year 1955-56.

Asked how the Ministry proposed to utilise the fund, the witness stated that the fund was intended for the development of sugarcane. Elucidating the point further, the witness stated that the Central Govt. gave grants to the States for this purpose on the basis of certain fixed pattern of assistance such as amount of fertilisers used, the plant protection measures taken; the improved seed sown etc.

*Note 9—Store Accounts of I.A.R.I.* 305.—The Committee were informed that the stores accounts of the Institute for 1955-56 had since been compiled.

*Note 8—Transfer to the Fund for the benefit of Cotton Growers.* 306.—The Committee enquired how the fund was being used. The witness stated that the object of the Fund was to bring the largest possible acreage under the improved varieties of cotton. The fund was administered by the Ministry of Commerce and Industry. The Committee desired the Ministry to examine in consultation with the Ministry of Commerce & Industry and furnish a note regarding the feasibility of administering the Fund by the Ministry of Food & Agriculture and continuation of the same with larger grants year by year to increase the production of long staple cotton in the country.

*Grant No. 123—Other Capital Outlay of the Ministry of Food and Agriculture—Page 134. Reserve Pool of Fertilizers. Note (vii)—Sundry Debtors—Rs. 4.89.86,087:*

307. The Committee were informed by the witness that the entire amount had been adjusted since then.

#### DEPARTMENT OF FOOD

#### Audit Report (Civil), 1957

#### *Purchase of Australian Sorghum—Para 29, pages 34-35*

308. In 1953, Government entered into contracts with three firms for the supply of Sorghum from Australia. The supplies were received in four vessels. The grains contained in two of these vessels had been supplied partly by each of the three firms, while the grains contained in the other two vessels had been supplied exclusively by one firm. Thus the grains received in the first two vessels lost their identity as regards the supplier. The consumption of grains having proved harmful, an inquiry was instituted. It revealed the admixture of *dhatara* seeds, in

the hand-picking of which an expenditure of about Rs. 1,80,200 was incurred.

The Committee wanted to know how shipments of the three firms were allowed to get mixed up. The witness stated that for each ship, Government had to take a certain quantity from different sellers. Neither the inspection in Australia nor in India revealed any admixture of *dhatara* seeds. There was thus no necessity for keeping supplies from different firms separately. When asked as to who paid for the inspection in Australia, the witness replied that the inspection agency was appointed by Government and the sellers only paid for the same.

To a question whether admixture of *dhatara* seeds was accidental or deliberate, the witness stated that Government did not think it was deliberate.

The Committee desired to be furnished with a \*Note (a) discussing the desirability of maintaining the identity of foodgrains supplied by different suppliers and loaded in the same ship and (b) the steps taken or proposed to be taken to prevent the recurrence of such cases in future.

*Infructuous expenditure on fees paid to lawyers—Para 31—Pages 35-36.*

309. A vessel carrying wheat cargo purchased by an overseas supply Mission for \$ 8,54,784 on which a freight of \$ 235,200 had been paid, sank as a result of fire. With a view to safeguarding their interests, the Mission entrusted the case to a firm of attorneys with the approval of the Ministry without obtaining firm estimate of their fees. Govt. had to incur an avoidable expenditure of \$23,293.65 after taking into account refunds made by the firm.

When asked the reasons for not fixing the fees of lawyers beforehand, the representative of the Ministry of Works, Housing and Supply quoted from a letter from the U.S. Department of Commerce, which stated that the practice in the U.S.A. was to fix the amount of the fee after the services were rendered as the fees agreed upon and fixed in advance proved many times to be too short or too high.

The Committee drew attention of the witness to the note recorded by the then Indian Ambassador that there had been delay and negligence in considering that matter for which responsibility had to be fixed. The witness stated that an approach was made to the U.S. Government at diplomatic level to get the case settled out of court, but to no effect. As regards disciplinary action after obtaining the explanations, the Ambassador himself looked into the matter and was satisfied that the case did not warrant any disciplinary action which was, therefore, treated as closed.

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\*A note had been received on 4-5-59 after the Committee (1958-59) had approved their Report.

*Loss of Government dues owing to failure to pursue claims—Para 32(a) pages 36-37:*

310. According to Audit, during 1947 nine ships were chartered from a shipping company for the carriage of foodgrains from a foreign country to India. The responsibility for the final settlement of dollar claims arising out of these shipments devolved upon an overseas Mission. For the first time, in October, 1948 the Embassy in that Country informed the Mission that an amount equivalent to Rs. 1,696.86 was due from the company on account of damage to grain in one of these shipments. No action appeared to have been taken by the Mission for the recovery of that amount at that stage. In April, 1950 the Embassy informed the Mission that the total amount due from the Company on account of damage and short delivery of grain in India in December, 1947 was Rs. 1,12,428.47. By that time, however, the claim had already become time-barred. On that claim being presented to the company in November, 1950 by the Mission, the former, however, gave an assurance that an immediate investigation would be made.

The shipping company was reorganised in 1952. But no action was taken by the Mission to present its claim in the court as required on the appointed date. In March, 1953 the shipping company brought the delay in settlement of some of its own claims against Government to the notice of the Ambassador. A review conducted by the Mission at that stage revealed that, after adjustment of the company's claims, an amount equivalent to Rs. 1,62,341 (inclusive of the amount mentioned above) was due to Government from the company. But by that time all claims against the company had become time-barred owing to the failure of the Mission to prove its claims during the re-organisation proceedings. When asked about the reasons in allowing claims to become time-barred, the representative of the Ministry of Works, Housing and Supply stated that he had no defence to offer in this case except to consider what disciplinary action could be taken against those who were responsible. The Mission, he added had reported in this case that the person who was responsible for not having properly followed up this was a local recruit and had since resigned his job. Continuing, he stated that the Mission was having further discussions with the firm. It wanted six months' time to which the Ministry had agreed.

At the instance of the Committee, the Secretary, Ministry of Works, Housing and Supply undertook to look into the case further and furnish a note stating disciplinary action proposed to be taken against the officers responsible for the failure to pursue claims after examination of relevant papers by the Ministry themselves.

*Loss of Rs. 86,762—Owing to the failure to pursue claims—Para 32(b), page 37.*

311. Similarly, in seven other cases claims on account of despatch/demurrage money and other miscellaneous dues were not properly pursued with the result that they became time-barred and had to be abandoned, the total loss involved being Rs. 86,762.

The Committee felt that the failure to pursue claims was a chronic feature of the Mission. The witness stated that those were old cases

relating to 1947-48. The Committee desired to be furnished with a note indicating when and in what manner the Ministry had expressed their dissatisfaction against the officers concerned in the Mission.

*Failure to pursue a claim for Rs. 23,809.50 Para 32(c), page 37.*

312. An amount equivalent to Rs. 34,208.80 accrued to Government on account of despatch money earned at the port of discharge in connection with the transportation of cargo of foodgrains from a foreign country to India in a vessel chartered in London in April, 1947. The discharge of cargo in India was completed by the end of July, 1947. The legal adviser of the Mission recommended acceptance of a compromise offer of Rs. 23,809.50 from a vessel's agents on account of despatch money made in September, 1950. No action was, however, taken by the Mission till May, 1954 to accept the compromise offer. By that time the claim became time-barred and the agents repudiated their liability in the case.

The witness stated that the Ministry were not satisfied with the action that had been taken and they wrote to the Minister in the Mission about it. But his recommendation was that nobody else beyond one foreign recruit could be held responsible.

The Committee desired to be furnished with a note stating the Ministry's findings as a result of the study of the case at their end and the disciplinary action taken or proposed to be taken against the officials at fault.

### **Appropriation Accounts (Civil), 1955-56, Vol. VII**

*Grant No. 45—Miscellaneous Deptts. and other expenditure under the Ministry of Food and Agriculture*

*Page 82, Note 5—Trading loss on sale of rice*

313. Early in 1955, Government had a stock of about 15 lakh tons of rice. In view of the fall in the open market-prices of rice, these stocks had to be disposed of at prices lower than the economic cost resulting in loss, estimated early in 1955 to be of the order of Rs. 45 crores.

The Committee wanted to know how the loss occurred. The witness stated that the Central Government had decided to take over the stocks of rice as a result of decontrol all over the country and had to bear the loss as the prices went down. In reply to a question, he stated that actually in 1955-56, they entered the market only to support the prices. Actually, they purchased very little. It was only recently that they had started buying on a large scale. When asked further about the amount of ultimate loss, the witness stated that it was 34 to 35 crores of rupees. The Committee desired to be furnished with a note giving some further information in this case.

*Grant No. 122—Purchases of Foodgrains, Page 97, Note 3, Losses, Write off, etc. Item (x)—Ex-gratia and compensation payments (2 cases)—Rs. 2,00,090.*

314. The Committee wanted to know to whom and under what circumstances those payments were made. The witness stated that the main item was of Rs. 2 lakhs which had to be paid to a party with which the West Bengal Government had entered into a contract for the purchase of rice. As the price of rice was falling, more loss was anticipated. Hence the matter was settled by paying an *ex-gratia* payment of Rs. 2,00,000.

*Item (vii)—Loss of Rs. 19,73,383 on account of the disposal of foodgrains by State Governments on behalf of Central Government (2 cases).*

315. The Committee were informed that in this case also rice stocks were taken over by the Government of India from the Madras Government, who were acting as an agent of the former. In reply to a question it was stated that the loss of Rs. 19,73,383 might be in addition to the loss of Rs. 35 crores already suffered by Government.

*Page 98, Audit Comments, Note 2—Outstanding Advances*

316. When asked about the explanations for outstanding advances, the witness stated that actually after the advances were made to States, adjustments had been going on. It was a laborious process and he was paying personal attention to resolve the same. The Committee felt that it should not have taken four years to carry out adjustments. They desired to be furnished with a note stating the amounts still remaining unadjusted, the names of States, amounts outstanding against them and reasons for the same.

## MINISTRY OF EXTERNAL AFFAIRS

### Audit Report (Civil), 1957

*Assignment of work to a private firm without inviting competitive tenders—para 28, page 34.*

317. During the period May, 1952 to March, 1957 a firm was paid Rs. 6,26,332 for the work of mimeo-graphing and mailing of publicity releases of the Information Services of an Overseas Mission entrusted to them by the latter without inviting tenders. The Mission had *inter alia* stated that independent enquiries made from time to time as a measure of precaution, to ensure that its rates were competitive, showed them to be cheaper than those of other similar agencies. No records of such enquiries were, however, furnished to Audit.

The Committee wanted facts and figures about the independent enquiries made by the Mission. The witness stated that according to the statement of the officer concerned most of the American firms did not think it worthwhile to do clerical work unless the contract was really big. Normally enquiries were made on telephone. Elucidating the point further, he stated that such a practice had been in vogue since the establishment of the Mission in 1942, but competitive tenders were now being invited as a result of audit objections.



Since the Committee could not cover all the points arising from the Accounts etc. for want of time, they decided to forward these points to the Ministry for furnishing written replies thereto.

### Appropriation Accounts (Civil), 1955-56, Vol. VI

#### *Grant No. 21—Tribal Areas*

318. *Page 1, Note 1*—Out of the final saving of Rs. 74,28,919, a sum of Rs. 49,45,000 was surrendered. The Committee wanted to know the reasons for not spending the money. The witness stated that the expenditure had actually been incurred. But unfortunately the Defence Ministry failed to raise the debit against the Ministry of External Affairs within the financial year, with the result that the expenditure could not be adjusted in the accounts. The Defence Ministry had since issued strict orders that debits must be raised within the year and such a situation would not recur.

Explaining the reasons for the surrender of Rs. 49,45,000, the witness stated that it was due to non-implementation of the works programme, non-materialisation of economic development schemes, non-utilisation of full provision for air dropping operations, etc. He added that one of the chief reasons for the non-implementation of the works programme was difficulties in obtaining the personnel. The Committee desired the Ministries of External Affairs and Finance to examine the feasibility of giving attractive salaries and allowances to the staff required for development work in tribal areas.

319. *Grant No. 22, Page 27, Note 1*.—The original grant of Rs. 6,77,45,000 was increased to Rs. 7,21,53,000 by supplementary grants of Rs. 20,60,000 and Rs. 23,48,000 voted by Parliament in September and December, 1955, respectively. Out of the final saving of Rs. 23,36,135, a sum of Rs. 18,500 only was surrendered.

*Page 28, Note 7—Waiver of recovery of an outfit allowance of Rs. 1,250.*

320. An officer was granted an outfit allowance of Rs. 1,250 on his transfer abroad but was recalled within four months. The recovery of the allowance was waived by Government.

Explaining the reasons for waiving the recovery, the witness stated that there were serious allegations against the officer concerned and he had to be recalled. As there were difficulties in getting the necessary evidence to establish the allegations, the Ministry got rid of him and decided to waive the recovery.

*Page 28, Note 8—Waiver of recovery of an outfit allowance of Rs. 1,700.*

321. The recovery of an outfit allowance of Rs. 1,700 drawn by an officer under orders of transfer abroad, which were subsequently cancelled, was waived by Government as the amount had already been utilised by him.

The Committee were informed that due to economy drive, that official could not be sent abroad. But the Ministry had decided to adjust his outfit allowance against his dues for the next posting.

*Note 9—Waiver of the recovery of Rs. 1,143, as overtime allowance to a chauffeur.*

322. Government waived the recovery of a sum of Rs. 1,143 paid as overtime allowance to a chauffeur of a Mission abroad without proper sanction to avoid hardship to him.

The Committee were informed that the matter had been regularised since then.

*Note 11—Waiver of recovery of Rs. 19,306-7-0 overdrawn by an officer on re-employment*

323. A sum of Rs. 19,306/7/- was overdrawn by an officer upto 12th May, 1952 as his pay on re-employment under Government was not correctly fixed as required under rules.

The witness stated that the officer concerned was a Minister in an Indian State. At that time, the States had not merged with India and any pension that he drew from the State could not be taken into consideration even if he had mentioned it. Recovery had been made from 13-5-52, the date on which the overpayment was reported to Government.

*Grant No. 23—State of Pondicherry, Page 59, Note 6—Misclassification of expenditure, etc.*

324. The Committee wanted to know whether matters had been set right since. The witness stated that after the appointment of a Financial Secretary, the position was quite in order.

*Grant No. 22—External Affairs, Pages 29—35—Statement showing grants and expenditure relating to each Embassy, High Commission and other Legations, Consulates, etc. for the year 1955-56.*

325. On being pointed out by the Committee that grants and expenditure relating to the High Commission for India, London were not being shown under the statement, the representative of the Ministry of External Affairs stated that they were being shown separately under sub-head charges in England. The Committee felt that grants and expenditure relating to the High Commission for India, London might also be shown in the Statement. They also desired that this should be considered in consultation with Audit and a consolidated picture of the amounts that were being spent in Indian Embassies, High Commissions, etc., abroad should be shown in the Accounts from the next year.

### Outstanding Recommendations

#### SEVENTH REPORT (SECOND LOK SABHA)

##### *Paras 67—69—Administration of the scheme of Assistance*

326. In their note (Appendix XVI, Volume II) the Ministry had indicated two alternatives to the solution of the problem for consideration of the Committee *viz.*

- (i) The whole amount outstanding on account of such advances might be written off completely. If the present rate of recoveries/writes off was maintained, it would take the Government of India several centuries to collect those outstanding amounts. If efforts to recover those amounts continue as at present, it would be distinctly to the disadvantage of the Government in the long run.
- (ii) To write off individual amounts in bad cases on the basis of recommendations from Heads of Indian Missions abroad and the Chief Secretaries to State Governments and as reviewed by a team of two officers of the Ministry—one representing the Finance Branch and the other representing the Administration. The object of that team should be to weed out all bad cases and to bring forth a clearer picture of the amounts that could be recovered. Special efforts should then be directed to concentrate on expediting recoveries in those residual cases. It was anticipated that the expenditure on the travelling allowance of those two officers would be Rs. 7,000|-.

The Committee, however, felt that since it was an administrative matter, it was for the Ministry themselves to take a decision thereon in consultation with Audit, if necessary.

327. The Committee then adjourned till 10.00 hours on Thursday, the 29th January, 1959.

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**PROCEEDINGS OF THE FORTY-FIRST SITTING OF THE  
PUBLIC ACCOUNTS COMMITTEE HELD ON THURSDAY,  
THE 29TH JANUARY, 1959.**

328. The Committee sat from 10.00 to 13.00 hours.

**PRESENT**

Prof. N. G. Ranga—*Chairman*

**MEMBERS**

2. Dr. Ram Subhag Singh
3. Shri Arun Chandra Guha
4. Shri N. R. M. Swamy
5. Pandit Jwala Prasad Jyotishi
6. Shri Rameshwar Sahu
7. Shri Prabhat Kar
8. Shri Raghubar Dayal Misra
9. Shri H. C. Dasappa
10. Shri Aurobindo Ghosal
11. Shri Jaipal Singh
12. Rajkumari Amrit Kaur
13. Shri T. R. Deogirikar
14. Shri S. Venkataraman
15. Shri M. Govinda Reddy
16. Shri Rohit Manushankar Dave
17. Shri M. Basavapunnaiyah.

Shri A. K. Chanda—*Comptroller & Auditor General of India.*

Shri A. Kalyanaraman—*Deputy Comptroller & Auditor General.*

Shri S. Venkataramanan—*Accountant General, Central Revenues.*

Shri P. K. Sen—*Director of Commercial Audit.*

**SECRETARIAT**

Shri V. Subramanian—*Deputy Secretary.*

Shri M. C. Chawla—*Under Secretary.*

**WITNESSES**

*Ministry of Information and Broadcasting*

Shri R. K. Ramadhyani—*Secretary.*

Shri J. C. Mathur—*Director General, All India Radio.*  
*Ministry of Finance (Department of Expenditure)*

Shri S. S. Shiralkar—*Joint Secretary.*  
*Ministry of Finance (Department of Economic Affairs)*

Shri M. V. Rangachari—*Special Secretary.*

Shri A. Bakshi—*Joint Secretary.*

*Industrial Finance Corporation*

Shri K. R. K. Menon—*Chairman.*

Shri H. V. Venkatasubbiah—*General Manager.*

## MINISTRY OF INFORMATION & BROADCASTING

### Audit Report (Civil), 1957

*Contract without agreement—Para 33, Pages 37-38*

329. The sole agency for procuring advertisements for 1954-55 for the Radio Journals 'Vani' and 'Vanoli' was entrusted to a firm, subject to a minimum guarantee of annual advertisement revenue of Rs. 60,000. No written agreement was executed and the stipulated security of Rs. 6,000 was not furnished by the firm. The firm did not remit the advertisement charges collected by it to Government for a long period and Rs. 14,165 were still (March, 1957) due from it. The minimum advertisement revenue of Rs. 60,000 guaranteed by it for the year 1954-55 was also not made good as the revenue actually collected by it was Rs. 18,510 only. But the agency was allowed to continue till March, 1955.

The Committee wanted to know the reasons for not entering into a written agreement with the firm. The witness stated that the terms of agreement were generally covered by a letter, which had been received from the firm. But the Ministry took some time to draw up the formal agreement, which was sent to the Station Director, Madras in July, 1954 to be entered into with the firm, but the firm, however, delayed its signing. When asked why the work was allowed to be taken up before the agreement was executed, the witness stated that had it not been done, there would have been interruption in the issue of journals.

Explaining the extenuating circumstances which compelled the Station Director, Madras to allow the firm to take up that work without security deposits, the witness stated that the Station Director was under the *bonafide* impression that the firm would fulfil the terms of the contract.

In reply to a question, he stated that the Station Director recommended another firm for this work. But the Ministry in consultation with the Ministry of Finance did not accept that recommendation. When asked whether the Ministry had made enquiries regarding the antecedents of the highest tenderer, the witness stated that the performance of the contract by the firm in question

was not in doubt as it had a press and the undertaking was not financially very heavy. Since the witness was not in possession of the full facts of the case, he undertook to furnish the Committee with a detailed note (Appendix XI, Volume II) touching upon the various aspects of this case.

**Appropriation Accounts (Civil), 1955-56, Vol. X**

*Grant No. 62—Ministry of Information & Broadcasting, Page 2,  
Note 3—Losses, writes off, etc.*

330. Audit reported that two clerks were promoted as Assistants in anticipation of the approval of the Ministry of Home Affairs which, however, did not approve of it. The clerks were reverted to their substantive appointments and the amount of Rs. 2,648 overpaid to them was written off by Government as the clerks drew the money in good faith, having performed the duties of the post.

The Committee wanted to know the reasons for promoting the clerks and not making recovery after their reversion. The witness stated that those clerks were initially promoted for three months subject to the concurrence of the Home Ministry because probably eligible and competent candidates were not available immediately. The payment was made for the work done. Consequently, there was really no loss of public funds.

The Committee understood from Audit that those clerks worked as Assistants for about 22 months. The Committee could not appreciate the plea of short term appointments advanced by the Ministry. They pointed out that the Ministry should not have promoted the clerks without obtaining the sanction from the Ministry of Home Affairs.

*Grant No. 63—Broadcasting, Page 10, Note 1*

331. Out of the final saving of Rs. 36,43,246 a sum of Rs. 12,85,000 only was surrendered.

The witness stated that in many cases expenditure could not be incurred partly on account of non-receipt of debits, numerous delays in payments, non-arrival of equipments, etc. and unfortunately those difficulties could not be anticipated.

*Page 9, sub-head M—Grants-in-aid to State Governments for  
Community listening scheme*

332. The Committee noticed a saving of Rs. 10,31,207 under this sub-head which was not surrendered in time.

When asked for an explanation for this saving, the witness stated that it was again largely due to the non-receipt of debits. To a question whether the whole amount was spent during the next year, the witness replied in the affirmative.

*Page 11, Note 5—All India Radio, Withdrawal Account—  
Rs. 2,55,84,518*

333. The Committee were informed by the C. & A.G. that the accounts had since been verified with the figures given in the 'schedules of withdrawals' and 'details of other adjustments' furnished by the Accountant General concerned.

334. *Furniture and Musical Instruments.*—The Committee were informed by the C. & A.G. that the Ministry had agreed to show such articles in the accounts as assets.

335. *Physical verification.*—The Committee were informed that physical verification had since been done. The Committee, however, desired to be furnished with a note stating whether any irregularity had been brought to notice at A.I.R. Stations, Hyderabad and Aurangabad.

336. *Radio Station, Lucknow.*—Audit reported that the value of stores worth Rs. 14,829 received from other stations was credited to repairs and maintenance account instead of to Government capital account.

The Committee were informed by the witness that there had been an error in accounting. The C. & A.G. intervened to say that the required adjustments had since been made.

*Page 12, Financial Review by the D.G., A.I.R.*

337. The Committee noticed that losses on the working of the A.I.R. (excluding Radio Publications) had increased from Rs. 99,21,659 in 1954-55 to Rs. 1,29,02,430 in 1955-56.

The witness reiterated his statement made last year that the accounts of A.I.R. should be viewed after taking into consideration expenditure on developmental, external and plan publicity services.

The Committee drew attention of the Ministry to the recommendations made by them in para 193 of their 7th Report and wanted to know improvements effected since then to counteract the losses. The witness stated that so far as the licence fee was concerned, it was already reported to be on the high side. If that was graded on the basis of valves, it would have to be more than Rs. 15 for certain sets and less for certain other sets. It might also result in loss of revenue. Further, valves inside a set could not be checked up readily. Besides, a set with the lesser number of valves might even have a higher price. It was, therefore, considered simpler to relate the gradation to the price of a set and not to the number of valves in it.

The Ministry had, however, come to the conclusion that owners of sets costing Rs. 100 or less should be required to pay Rs. 6 as licence fee. That was expected to provide an incentive to the manufacturers and to the people to obtain the less expensive sets. But while the producers had brought down the price of cheaper sets from Rs. 200 to Rs. 185, they had not been able to reduce it further. The Ministry had, therefore, considered the possibility of bringing about a considerable expansion in radio listening through the introduction of a 'wire

diffusion scheme'. On his attention being drawn to the recommendation made by the Committee earlier for providing a 'home service' to radio holders through the agency of the postmen who would supply the licence forms for renewal and get the licences issued to them from the nearest post office (para 196 of the 7th Report, Vol. I), the witness stated that the P. & T. Department was not willing to entrust these responsibilities to the postmen who had felt that it was not one of their regular duties and that they should not be given this work.

Next, the Committee suggested that the Ministry should inform the defaulters in payment of the licence fee that if they did not make payment within a period of three months, they would be liable to pay an amount of penalty in addition to the licence fee due from them.

*Page 13—Statement of income and expenditure*

338. The Committee felt that with the increase in the indigenous production of radio sets, customs revenue would go down. The witness stated that it might have to be substituted by the levy of a countervailing excise duty on all radio sets manufactured in the country.

The Committee, next, drew attention of the Ministry to the increase in expenditure on A.I.R. from Rs. 2,63,52,395 in 1954-55 to Rs. 3,03,64,169 in 1955-56 (page 12 of Appropriation Accounts, Vol. X).

The witness stated that the expenditure on AIR reflected to a considerable extent the number of programmes and the increase in radio stations. They felt that the Ministry should check the rising trend in expenditure.

*Page 16, Radio Publications*

339. The Committee noticed that the loss on the Radio publications had increased from Rs. 2,61,537 in 1954-55 to Rs. 3,51,339 in 1955-56. They referred to the recommendation made in para 194 of their 7th Report to mitigate loss on the Radio publications.

The witness stated that in case of *Awaz* and *Sarang*, cost of publication had been reduced to improve circulation. They had thought of discontinuing some of the journals and getting certain *Weeklies* and *Fortnightlies* in various languages to carry those programmes, and had received favourable replies from a number of them.

Next, the Committee enquired whether the numerous letters received by the A.I.R. were placed before the Advisory Committees. The witness stated that the listening trends as reflected in those letters were discussed at the meetings of the Programme Advisory Committees. The Committee desired to be furnished with copies of the summary of the proceedings of the Programme Advisory Committees (one from the north and the other from the south). They also desired to have a note stating the steps taken by the A.I.R. to control the transmission of programmes by the private bodies and organisations and the preventive measures proposed to be taken to monitor transmission of such programmes.



*Grant No. 63, Page 17—Betar Jagat*

340. The Committee noticed that the circulation of *Betar Jagat* had increased from 28,082 in March, 1955 to 32,286 in March, 1956. But still there had been a loss of Rs. 26,505 on its working during 1955-56. When asked about the reasons for the loss, the witness stated that the cost of printing, paper etc., was increasing. In addition, a sum of Rs. 20,000 was charged on account of departmental charges in this case, while it was not being done in the case of other journals. He further stated that the programme of the Gauhati Station, which was hitherto being included in *Betar Jagat*, though its circulation in Assam was not much due to a small number of listeners there, entailed considerable expenditure on paper, etc. It was, therefore, proposed to have a separate journal for Assam, which in effect would improve the working results of *Betar Jagat*, inasmuch as the cost of printing would be decreased considerably.

*Page 31, Grant No. 126—Capital Outlay on Broadcasting*

341. The Committee noticed that out of a total provision of about Rs. 4 crores, a sum of Rs. 1.72 crores remained unutilised. Sub-heads A2, A5(1)(1) and A5(3)(1) were instances of over-budgeting. They desired that the Ministry should avoid such over-budgeting.

## MINISTRY OF FINANCE

(DEPARTMENT OF ECONOMIC AFFAIRS)

**Industrial Finance Corporation**

*Statement showing action taken or proposed to be taken on the outstanding recommendations of the Committee.*

## FIFTEENTH REPORT (FIRST LOK SABHA)

*Para 103—Non-use of Government's Rule-making power under Section 42 of the I.F.C. Act, 1948.*

342. The Committee were informed that the Rules had already been placed on the Table of the Rajya Sabha and would shortly be placed on the Table of the Lok Sabha as well. The Committee suggested that all the rules framed under various enactments should be placed on the Tables of both the Houses of Parliament notwithstanding the absence of any express provision in the Act for the same. The witness agreed to this suggestion.

## SEVENTH REPORT (SECOND LOK SABHA)

*Para 133—Informing Parliament about a guarantee given by Government which involved a contingent liability on the Consolidated Fund of India.*

343. The Committee drew attention to the recent suggestion on this point made in the Audit Report (Civil), 1958, the representative of the Ministry of Finance stated that the matter was still under consideration and as soon as a decision was reached, they would be informed of that. When asked about the views of the Ministry in the matter, he stated

that he did not see any objection to such a report being made available to Parliament. But the method of reporting was still under consideration. The Committee desired the Ministry to expedite their decision in the matter.

*Paras 134 and 135—Payment of terminal leave salary to the Managing Director.*

344. The Public Accounts Committee (1957-58) had desired that the question as to whether the sanction of the Central Government was necessary to the payment of the terminal leave salary to the former Managing Director of the I.F.C. under the terms of his appointment in accordance with the provisions of the I.F.C. Act, 1948 be referred to the Attorney General for his opinion and advice.

According to the opinion (Appendix X, Volume II) of the learned Counsel, the Committee noticed that, the amount of Rs. 21,000 being the equivalent of 6 months' salary which was paid to the Managing Director in substance as cash compensation for leave not enjoyed by him was neither a salary nor an allowance within the meaning of section 9(d) of the Act and the payment of that would not, therefore, require the approval of the Central Government under that sub-section.

The Committee pointed out that had the Officer concerned been in the regular service of Government of India, the latter would not have allowed such an *ex-gratia* payment to him. They, therefore, desired the Government to examine the possibility of suitably amending the service rules/regulations of the various autonomous Corporations so as to be in conformity with those applicable in Government service.

The Chairman, I.F.C. stated that their revised service regulations were quite clear and it would not henceforth be necessary to allow *ex-gratia* payments. The Committee desired the Ministry of Finance to give similar advice to all other Corporations that were functioning in the country so that there should not be any such lacuna in their rules.

*Para 137—Grant of excessive pay to Corporation's employees posted to the loanee companies.*

345. The Chairman, I.F.C. informed the Committee that ceilings had been prescribed in respect of pay granted to Corporation's employees posted to the loanee companies which, however, were yet to be approved by Government.

*Para 139—Review of procedure of sanctioning loans.*

346. When asked about the latest position in this regard, the Chairman, I.F.C. stated that information collected from the Corporation was under consideration of the Ministry. The representative of the Ministry of Finance stated that the matter was still under examination. The Committee expressed concern over the delay involved in the implementation of their earlier recommendations. The

witness stated that the information was received by the Ministry only recently and final action would be expedited.

*Para 141—Reference of cases to the Ministry of Commerce and Industry*

347. The Corporation had noted for compliance the recommendation of the Committee that the Corporation should not disregard the advice given by the Ministry of Commerce & Industry in the matter of grant of loans to new Industries since that Ministry is charged with the public responsibility for promoting the industrial development of India. When asked whether the Corporation would act on the suggestions of the Ministry of Commerce and Industry in the matter of grant of loans to new Industries, the Chairman, I.F.C. stated that the Corporation would do so most certainly. He, however, added that there had been no case during the last three years where the Corporation had deviated from the advice of that Ministry.

*Para 142—Percentage of establishment charges of the I.F.C.*

348. The Committee were informed by the Deputy Comptroller and Auditor General that the note submitted by the I.F.C. in that case was still being checked in D.C.A's. office. The Committee desired to be apprised of the final outcome of the case. When asked about the steps taken by the Corporation to bring down the high percentage of establishment charges, the Chairman, I.F.C. stated that during the last two years, certain sanctioned posts, both in the officers and clerical cadres, had not been filled up which resulted in savings of Rs. 1.08 and Rs. 1.47 lakhs in 1956-57 and 1957-58, respectively. To a question whether those savings were in addition to the earlier ones, he replied in the affirmative. Continuing, he stated that the Corporation had introduced the procedure of recovering from the applicant and loanee concerns practically the entire amount of expenditure incurred on the Corporation's legal section. The actual amounts recovered were Rs. 49,000 and Rs. 1,25,000 in 1956-57 and 1957-58, respectively. Further, the Corporation had also temporarily downgraded and rationalised the pay scales of certain posts. Leave vacancies of short duration were not also being filled up save in exceptional cases. Concluding, he stated that those and some other measures had brought down the percentage of expenditure from 17 in 1955-56 to 6.4 in 1957-58. But some of the above mentioned measures could only be of temporary duration as with the fast increasing volume of work, many of the suspended posts might have to be filled up at no distant date. In this context, the representative of the I.F.C. informed the Committee about the most significant advance in the activities of the Corporation viz increase in the disbursement of loans from Rs. 1.64 crores in 1954-55 to Rs. 9.78 crores in 1956-57.

The Committee, however, desired that the Corporation should be cautious in filling up the vacant posts. The Committee desired to be furnished with a note stating the amounts of loans sanctioned and disbursed by the I.F.C. each year during the last 10 years, the

percentage that the loans actually disbursed bore to the loans sanctioned during each such year, etc.

*Para 143—Infructuous expenditure in the launching of the project for the building of the Corporation offices.*

349. When asked who was responsible for acquiring the site, engaging the architect but later on abandoning the project for the building of Corporation offices which had resulted in an infructuous expenditure of Rs. 2 lakhs, the Chairman, I.F.C. stated that the responsibility for the decisions was that of the Board of Directors. When asked whether there was any note of approval or dissent by Government representatives on the Board of Directors, he stated that the decisions were unanimous.

*Para 144—Payment of fees amounting to Rs. 2,000 to an Advocate for drafting a reply to Chapter VII of the I.F.C. Enquiry Committee Report.*

350. The Public Accounts Committee (1957-58) had suggested that the Corporation should obtain the legal opinion from its Legal Adviser with a view to reinforcing recovery of the irregular charge incurred by that officer.

In his opinion (Appendix XVII, Volume II) the Legal Adviser had stated that the responsibility for engaging the lawyer and payment of his fees devolved solely on the Board of Directors of the Corporation and not on the former Managing Director and the latter, by no stretch of imagination, could be made personally liable to pay that amount to the Corporation.

When asked whether such a payment to the lawyer by the Corporation for drafting a reply to the report of I.F.C. Enquiry Committee was justified, the Chairman I.F.C. replied in the affirmative as the Corporation had no standing counsel of their own and want of legal precision in the document could be taken advantage of by the party against whom a case had been filed. To a question whether the reference to the lawyer was made by the Board or by the Managing Director of the Corporation in the first instance, he replied that the records of the proceedings showed that there was a discussion on that subject and the Managing Director noted that he had been authorised by the Board to engage the Counsel although it had not recorded so. But as that irregularity was pointed out afterwards, he promptly went back to the Board and got that confirmed.

*Para 148—Sodepur Glass Works case*

351. The Committee wanted to know the outcome of the action taken by the I.F.C. against the guarantor in the deal with the Sodepur Glass Works, which had resulted in a loss of about Rs. 50 lakhs, and which had since been written off. The Committee were informed that the case had not so far come up for a hearing in the Court.

352. The Committee then adjourned till 15.00 hours on Friday, the 30th January, 1959.

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PROCEEDINGS OF THE FORTY-SECOND SITTING OF THE  
PUBLIC ACCOUNTS COMMITTEE HELD ON FRIDAY,  
THE 30TH JANUARY, 1959.

353. The Committee sat from 15.00 hours to 17.15 hours.

PRESENT

Prof. N. G. Ranga—*Chairman.*

MEMBERS

2. Shri Arun Chandra Guha
3. Shri N. R. M. Swamy
4. Pandit Jwala Prasad Jyotishi
5. Shri Prabhat Kar
6. Shri Raghubar Dayal Misra
7. Shri H. C. Dasappa
8. Shri Khushwaqt Rai
9. Shri Aurobindo Ghosal
10. Shri Jaipal Singh
11. Shri T. R. Deogirikar
12. Shri S. Venakataraman
13. Shri M. Govinda Reddy
14. Shri Rohit Manushankar Dave
15. Shri M. Basavapunnaiah.

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

Shri A. Kalyanaraman, *Deputy Comptroller and Auditor-General of India.*

Shri S. Venkataramanan, *Accountant-General, Central Revenues.*

Shri P. K. Sen, *Director of Commercial Audit.*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

Shri M. C. Chawla, *Under Secretary.*

WITNESSES

*Ministry of Finance*

*(Department of Economic Affairs)*

Shri M. V. Rangachari, *Special Secretary.*

Shri A. Baksi, *Joint Secretary.*

Shri Shiv Naubh Singh, *Additional Budget Officer.*

(Department of Revenue)

Shri E. S. Krishnamoorthy, *Additional Secretary and Ex-Officio Chairman, C.B.R.*

Shri V. V. Chari, *Joint Secretary and Ex-Officio Member, C.B.R.*

Shri K. S. Sundara Rajan, *Joint Secretary and Ex-Officio Member, C.B.R.*

Shri B. B. Barman, *Joint Secretary and Ex-Officio Member, C.B.R.*

Shri D. P. Anand, *Joint Secretary and Ex-Officio Member, C.B.R.*

(Department of Expenditure)

Shri N. N. Wanchoo, *Secretary.*

Shri M. S. Bhatnagar, *Joint Secretary.*

Shri K. L. Ghei, *Joint Secretary.*

*Rehabilitation Finance Administration*

Shri R. N. Hazari, *Chief Administrator.*

REHABILITATION FINANCE ADMINISTRATION

*Para 21 of Audit Report (Civil), 1957—General Financial Review of the working of the R. F. A.—Sub-para (2) of Audit Report.*

354. At the outset, giving the latest position regarding the working of the Rehabilitation Finance Administration, the Comptroller and Auditor General informed the Committee that the working of the Administration resulted in a loss of Rs. 2,56,596 in the year 1956 and Rs. 3,76,344 in 1957.

The total debit balances against the loanees on account of principal and interest as on 31st December, 1957 were Rs. 834.55 lakhs and Rs. 131.98 lakhs respectively, out of which the amounts of overdue instalments of principal and interest were Rs. 374.71 lakhs and Rs. 106.18 lakhs respectively. A sum of Rs. 143 lakhs had been adjusted out of the compensation claims of the refugees upto December, 1957. A further sum of Rs. 270 lakhs was expected to be adjusted out of the compensation pool.

The Committee wanted to know the reasons for the large amounts of overdue instalments both on account of principal and interest. Explaining the position in this regard, the representative of the Administration stated that the overdues consisted of (i) instalments which had not been paid on the due dates in loan accounts other than recalled loans, and (ii) the total amount outstanding including overdue

instalments of loans recalled under Section 14 of the Rehabilitation Finance Administration Act. The recalled loans alone were about Rs. 3 crores. He further stated that a total sum of Rs. 5 crores was expected to be realised through compensation claims of displaced persons from West Pakistan. In fact, he added, that, a sum of Rs. 2½ crores had already been recovered.

In reply to a question as to whether the Administration was pursuing to recover the bad and doubtful debts for which a provision of about Rs. 92 lakhs had been made upto 31st December, 1957, the representative of the Administration stated that steps were being taken to recover those debts. He pointed out, however, that the estimates of bad and doubtful debts varied with the changing financial position of the business of the loanees and the guarantors from year to year.

The Committee desired to be furnished with a note regarding bad and doubtful debts of R. F. A. stating *inter alia* the provision made for such debts since 1948 (year-wise), how much amount had been written off as bad debts during these years and the overall percentage of loans recovered in such cases.

*Amount due to Government—Sub-para 2(g) of Audit Report*

355. A sum of Rs. 10·23 crores had been borrowed by the Administration from Government upto 31st December, 1957 out of which a sum of Rs. 1·76 crores had been repaid towards principal. The recovery of interest amounting to Rs. 1·67 crores stood deferred.

When asked as to why the Rehabilitation Finance Administration could not repay the principal and interest due to the Central Government out of the recoveries made, the representative of the Administration stated that according to the present arrangements, the Administration had to pay a sum of Rs. 6·73 crores into the "pool" of the Ministry of Rehabilitation. After the finalisation of the compensation claims, the repayment to the Ministry of Rehabilitation would be settled.

*Ineffective guarantors—Sub-para (3)*

356. Under Section 13(6) of the R. F. A. Act, the Administration is authorised to take such security for any loan, as it may consider necessary in addition to the mortgage of assets created by the loan in terms of section 13(5) of the Act. Accordingly, loans are advanced mainly against personal security and the security of guarantors. But the credentials of the guarantors are seldom verified independently by the Administration, who usually accept either the statement of the party about the guarantors' financial worth or the affidavit given by the guarantors themselves declaring their financial position. It had been stated that in many cases the so called guarantors turned out to be 'nothing but mythical persons'.

Explaining the reasons why the guarantors were not able to fulfil their guarantees, the representative of the Administration stated that the Administration's main task was to rehabilitate the displaced persons

and so it had to accept whatever guarantee and financial backing could be got from them. As the guarantors themselves were displaced persons, in many cases, they were not able to fulfil their guarantees. He also stated that the R. F. A. was checking the financial position of the guarantors and has already completed this work in respect of 20% of the guarantors. But as there were about 30,000 guarantors spread all over the country, the Administration had decided to complete this work during the course of the next five years.

*Untraceable loanees and guarantors—Sub-para 4*

357. According to the Audit para, out of about 12,000 loanees about a hundred, against whom a sum of Rs. 7 lakhs was outstanding on account of principal and interest, were stated to be untraceable. In a number of cases their guarantors were also untraceable.

The representative of the Administration stated that these loanees and guarantors were mainly displaced persons from East Pakistan who had not settled down at one place. The Administration had to depend on the report of its field staff. The local people also did not co-operate with the field staff in giving correct information regarding such loanees and guarantors. It was, therefore, difficult to trace them. He, however, added that the number of both loanees and guarantors who were untraceable had come down to 85.

*Loans advanced in spite of adverse reports by the local authorities/ State Government or Field staff—Sub-para 5*

358. It has been reported in this para that in some cases loans were sanctioned in excess of the amounts recommended by the field staff or contrary to the advice or recommendations of the local authorities. In a few of these cases the loanees and the guarantors were reported to be untraceable.

The representative of the Administration stated that in a number of cases referred to the State Governments or district officers for recommendation, the State Governments either did not submit any report or submitted it very late. As the Administration could not keep such cases pending indefinitely, it had to take a decision.

To a question why in many cases the loans were sanctioned against the advice tendered by the local authorities, even when such advice was received, the representative of the Administration replied that the ultimate decision was taken by the Administration itself after taking into consideration the reports of field staff or the Deputy Commissioner and the statement and other supporting documents which were submitted by the applicant himself.

The Committee desired to be furnished with a note giving the following information:

- (i) Procedure followed for sanctioning the loans and the prescribed in that behalf.



- (ii) Types of cases in which the Administration could sanction loans against the advice from the local authorities and the Field Staff and whether any monetary limit was laid down in respect thereof.
- (iii) Total number of cases in which the loans were sanctioned by the Administration against the advice from the local authorities and/or the field staff and how many out of such cases proved to be doubtful.

*Omission to incorporate important terms and conditions in the letters of sanction of loans—Sub-para 6.*

359. In a number of cases the terms and conditions under which loans were sanctioned by the Administration had not been incorporated in the letters of sanction and, therefore, certain essential securities such as mortgage of property, parties' own investment etc. had not been demanded before disbursement of the loan amounts. In a few such cases pointed out by Audit it had been stated that as the person responsible for the omissions had since died, no action could be taken in the matter.

The Committee wanted to know why no action could be taken by the Administration against the person responsible in the matter even though such cases occurred between 1949-54 and the same person was responsible in all these cases. The representative of the Administration stated that these cases were brought to notice for the first time only when Audit pointed them out. An internal Audit had been arranged to check up all the loan deeds to find out cases in which the prescribed conditions had not been fulfilled, but no further case has come to light so far.

*Irregular and ineffective arrangements with the loanees—Sub-para 7*

360. According to this Audit para when three to five instalments of principal and interest had not been paid by the loanees, the Chief Administrator, without reference to the R. F. A., entered into arrangements with them requiring small monthly payments of the order of Rs. 20 to Rs. 125 per month. It had been stated that the arrangements were such as would extend the period of repayment considerably beyond the statutory limit of 15 years. Even the small monthly instalments required under such arrangements had not been received in most of the cases.

The Committee were informed that such arrangements with the loanees were resorted to only as a temporary measure for a specific period in each case not exceeding one year and that the period of repayment of loan would not extend beyond the statutory limit of 15 years. When asked whether the Chief Administrator had any authority to enter into such arrangements, the Committee were informed that under the rules, such powers had now been delegated to the Chief Administrator.

*Irregularities in the Administration of loans and recovery proceedings—  
Sub-para 8.*

361. The Committee then considered a few specific cases mentioned in Appendix X to the Audit Report.

*Loan Account No. 21/7463*

362. In this case a loan of Rs. 25,000 was sanctioned in 1948 for starting a printing press. There was default in the payment of instalments. The loanee was reported to have spent a large part of the loan on his election to the State Legislature. After the loanee became a Minister, he requested that the loan be transferred in the name of his son, who neither mortgaged the property, nor paid regularly the instalments due. A reference to the Collector for recovery of the entire loan was made on 15th May, 1956.

Giving the latest position regarding the recovery of the loan, the representative of the Administration stated that a sum of Rs. 18,700 had been realised so far and the balance to be recovered was Rs. 16,200. As against this balance, the Administration had machinery valued at Rs. 20,000 mortgaged to it. Monthly instalments at the rate of Rs. 200 were being repaid by the loanee. The representative of the Administration could not however, give any satisfactory reply as to why the entire loan was not recalled when the loan was not utilised for the purpose for which it was intended as required under Section 14 of the R. F. A. Act and why the loan was transferred in the name of the son of the ex-loanee.

When asked why the Government's representatives on the Rehabilitation Finance Administration did not bring such matters to the notice of the Government, the representative of the Ministry stated that the officers appointed to the Administration by the Government have no power to veto and matters were decided by a majority of votes. The Committee, however, felt that in such cases where they had doubts about propriety of any transaction, the Government representatives should report such matters to government.

In reply to a question why no reference was made to the Collector for recovery of the loan till 15th May, 1956 when the Chief Administrator ordered recall of the loan on 24-2-1956, the representative of the Administration stated that some information had to be collected before notices to the loanees and guarantors could be issued.

*Loan Account No. 256 (Pages 321-322)*

363. In this case, the Administration advanced a loan of Rs. 15,000 on the 8th April, 1949 for the manufacture of agricultural implements. The loanee did not keep regular accounts and did not produce them for inspection by the officers of the Administration. He also defaulted the repayments of instalments. The reference to the Collector for the recall of loan was stayed again and again and efforts made by the Administration to compromise with the loanee proved ineffective.

The representative of the Administration stated that the main consideration, which influenced the Administration, was that the loan should be recovered in the best possible manner. He further stated that the whole amount due in this case would be recovered.

*Loan Account No. 999*

364. On the basis of the report of the investigating Assistant Inspector dated 28-1-1949 to the effect that the applicant's life policies for Rs. 15,000 were alive and his title to shops and stocks was good and free, the Administration sanctioned a loan of Rs. 15,000 in February 1949. It, however, came to notice that all the life policies had lapsed and the goods in the shop to be hypothecated to the Administration had been previously hypothecated to a Bank since 1938 and 1947 and were taken over by the Court Receiver, appointed at the instance of the Bank which had obtained a consent decree. A reference for the recall of the loan was made to the Collector on 20-3-1951. There was no indication on the file of any further action after 10-11-51.

Giving out the latest position regarding the recovery of the loan, the representative of the Administration stated that an amount of Rs. 11,600 had already been recovered and the outstanding amount, including interest, was Rs. 9,600 only. When asked why no action was taken in this case after 10-11-1951, it was stated that the case was pending with the Collector. The Committee were, however, informed by the C. & A. G. that the case had been pending with Collector since March, 1953.

*Loan Account No. 86 (Page 323-324)*

365. In this case a loan of Rs. 50,000 was sanctioned on 4-1-49 to a Private Limited Company for setting up an Oil and Rice Mill. One of the conditions mentioned in the letter of sanction was that the loanees would give an irrevocable authority to the Administration to collect its dues from the commission due to the two guarantors from the Controller of Food Accounts, East Punjab, as well as their security deposits amounting to Rs. 1,90,000 and Rs. 50,000 respectively for acting as clearing agents for food grains in the United Punjab. But no such authority had been obtained by the Administration. There was default in the payment of instalments due. A sum of Rs. 37,505 as principal and Rs. 7,378 as interest was outstanding on 30-6-1958.

Explaining the latest position in this case, the representative of the Administration stated that the Administration had since obtained a letter of authority from the guarantors to collect the commission and security deposit due to them from the Controller of Food Accounts, East Punjab. The Comptroller and Auditor General, however, intervened to say that the Bombay Government had got a very large claim against the guarantors and as Government claims had priority over other claims, there was very little possibility of the Administration getting any amount from the guarantors. The Committee were, however, informed by the representative of the Administration that they had also got a compensation claim of about Rs. 12,000 and a life policy of

about Rs. 10,000. The loanee had also agreed to settle the loan by submission of a third party claim.

*Undercharge of rent from officers of R.F.A. Sub-Para (9)*

366. The Rehabilitation Finance Administration charged from its officers the rent for hostel accommodation allotted by the Estate Officer at the rate of 10% of their emoluments. The Administration having adopted the Government rules for recovery of rent from its officers was entitled to charge standard rent for such accommodation from its employees. The irregularity resulted in an under charge of Rs. 4,325 upto 31st December, 1954 the date on which the irregularity ceased.

The representative of the Ministry explained that there was a mistake in this case in that the orders issued by the Central Government in this behalf were not quite clear. However, it had now been set right. The Committee were also informed that it was not possible to recover the amount undercharged from the officers concerned as the concession was given according to the orders of the Government.

*General comments on procedure, Sub-para 10.*

367. It had been suggested by Audit that in order to simplify the procedure for dealing with the loan applications and their rejection, etc. the following formalities could be satisfied prior to the sanctioning of the loan:—

- (i) The basic conditions which an applicant for a loan has to fulfil could be printed below the loan application itself to reduce the number of applications and the time lag between the sanction and disbursement of the loan.
- (ii) The applicant could be asked to give the name of the guarantor along with the application for loan.

The representative of the Administration stated that the applications for loans were now open only to a limited category of displaced persons. As the new applications were only a few it was not considered necessary to revise the application forms at this stage. As regards the suggestion to give the name of guarantors along with the application, the representative of the Administration, stated that the Administration could not implement the suggestion made by Audit. He stated that there were several practical difficulties in following the practice of a bank regarding the production of guarantees, etc. beforehand in the case of loans to displaced persons.

The Committee were, however, informed that as suggested by Audit, the procedure for dealing with the loan applications had been simplified and suitable powers had been delegated to various officers.

*Administrative and Accounting Manuals Sub-para 11.*

368. It had been stated in the Audit para that the Administration had not compiled its Administrative and Accounting Manuals prescribing the duties and responsibilities of each officer, allocation of duties

between the Head Office, Branch Offices and Zonal office, the accounting procedure and forms and delegation of authorities of Officers to maintain, check and sign different books, accounts vouchers and documents, etc.

The Committee were informed that the manual had been compiled and was being vetted by Audit.

### MINISTRY OF FINANCE

369. The Committee then took up the consideration of the Accounts relating to the Ministry of Finance.

*Payment of fraudulent claim of income-tax refund Para 18—Page 15 of Audit Report.*

370. Two income-tax refund bills of Rs. 4,227 and Rs. 4,685 were alleged to have been fraudulently encashed at the Imperial (now State) Bank of India, Patna, by an unknown person on the 25th August, 1951 by getting the form of income-tax refund bills printed and by forging the signature of the authority competent to sanction the refund. The matter was reported by the Income-tax Department to the police on the 27th September, 1951. The police authorities closed their investigation on the 24th November, 1954 as they could find no clue to the case. The Government also decided in December, 1954 not to pursue the matter further with the Bank. The loss was written off by the Government in April, 1957.

When asked why no action was taken against the Bank, the representative of the Ministry stated that Government felt that the Bank had committed a *bonafide* mistake. He further stated that precautionary measures had been taken and the refund vouchers as well as the advice memos were now printed at the India Security Press and were also machine numbered. The Committee were also informed by the Comptroller and Auditor General of India that the two employees of the Bank, who were suspected in the matter, were arrested by the police who after investigation into the cases, came to the conclusion that prosecution would not succeed.

*Erroneous drawal of Commission by authorised agents for the sale of National Savings/National Plan certificates—Para 19 pages 15-16 of Audit Report*

371. A test audit of commission payments made to authorised agents for the sale of National Savings/National Plan Certificates through seven post offices in the Delhi area, conducted during January-March, 1957, disclosed that commission though inadmissible amounting to about Rs. 10,411 had been deliberately claimed by and paid to two such agents during the period of 18 months (April 1955 to September, 1956) covered by the test audit. The irregularities were reported to Government in April and May, 1957. Out of the total amount of Rs. 10,411 a sum of Rs. 2,734.37 was stated to have been recovered from one of the agents. It was also stated that Government were taking legal

action against the persons responsible for the irregular drawals. Departmental enquiry was also being conducted and steps were being taken to tighten up the procedure for the future.

When asked as to what was the result of the legal action taken against the persons concerned, the representative of the Ministry stated that the cases were still pending in the courts.

In reply to a further question as to how such unauthorised payments could be made and whether any lacuna in the present system facilitated such an irregularity, the representative of the Ministry stated that according to the present system while the applications for investment were recorded with the post offices, the commission bills were paid at the treasuries on counter-foils which indicated the number and date of the certificates sold through the agent. As the treasury officers were not in a position to check these counterfoils from the application forms which were in the post offices, it had been possible for the authorised agents to draw commission even on the direct sale of the certificates by post offices by collusion with the postal staff. The Committee were further informed that it had since been decided that the work of payment of commission to the authorised agents would be taken over by the D. G. P. & T. and the procedure in this regard was being finalised by the D. G., P. & T. in consultation with Audit and the Ministry of Finance. It was also stated that post offices would have separate Journals for sales through authorised agents and copies of these journals would be sent to the audit officer. Once the copies were sent to the audit officer, it would not be possible for the authorised agents to draw commission on direct sales. He added that the new procedure would be introduced as early as possible.

As regards the recovery of the balance of more than Rs. 7,600 from the agents, the Committee were informed by the representative of the Ministry that Government would be able to recover the amount from the two sureties (of Rs. 5,000 each) after the case was decided by the Court. The Committee were further informed that a departmental enquiry was being conducted against the postal staff also.

372. The Committee then adjourned till 10.00 hours on Saturday, the 31st January, 1959.

PROCEEDINGS OF THE FORTY-THIRD SITTING OF THE  
PUBLIC ACCOUNTS COMMITTEE HELD ON SATURDAY,  
THE 31ST JANUARY, 1959

373. The Committee sat from 10·00 to 12·10 hours.

PRESENT

\*Shri Jaipal Singh—*Chairman*

MEMBERS

2. Shri A. C. Guha
3. Shri N. R. M. Swamy
4. Pandit Jwala Prasad Jyotishi
5. Shri Raghubar Dayal Misra
6. Shri H. C. Dasappa
7. Shri Khushwaqt Rai
8. Shri Aurobindo Ghosal
9. Rajkumari Amrit Kaur
10. Shri Amolakh Chand
11. Shri T. R. Deogirikar
12. Shri S. Venkataraman
13. Shri M. Govinda Reddy
14. Shri Rohit Manushankar Dave
15. Shri M. Basavapunnaiiah

Shri A. K. Chanda, *Comptroller & Auditor General of India.*  
Shri A. Kalyanaraman, *Deputy Comptroller & Auditor  
General of India.*

Shri S. Venkataramanan, *Accountant General, Central  
Revenues.*

Shri P. K. Sen, *Director of Commercial Audit.*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

Shri M. C. Chawla, *Under Secretary.*

WITNESSES

*Ministry of Finance*

*(Department of Expenditure)*

Shri N. N. Wanchoo, *Secretary.*

Shri M. S. Bhatnagar, *Joint Secretary.*

Shri K. L. Ghei, *Joint Secretary.*

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\*In The absence of Prof. N. G. Ranga, Chairman, Public Accounts Committee, the Committee chose Shri Jaipal Singh to act as Chairman for the sitting.

*(Department of Revenue)*

Shri A. K. Roy, *Secretary, Department of Revenue and Economic Affairs.*

Shri E. S. Krishnamoorthy, *Additional Secretary and Ex-officio Chairman, C. B. R.*

*(Department of Economic Affairs)*

Shri M. V. Rangachari, *Special Secretary.*

Shri A. Baksi, *Joint Secretary.*

*Ministry of Works, Housing and Supply*

Shri K. S. Krishnaswamy, *Joint Secretary.*

*Ministry of Irrigation and Power*

Shri R. R. Bahl, *Joint Secretary.*

*Ministry of Railways (Railway Board)*

Shri C. T. Venugopal, *Director, Finance, Railway Board.*

## MINISTRY OF FINANCE

Audit Report (Civil), 1957—para 20

## TRIPURA STATE BANK LTD.

*Loss in the working of the Bank—Sub-para (2) pages 16-17*

374. This sub-para disclosed that the Tripura State Bank had been running at a loss since 1950 (the year in which it came under the control of the Central Government). The loss sustained by the Bank upto the end of December, 1956 amounted to Rs. 6,94,940. In October, 1952, the Board of Directors appointed a sub-Committee to review the financial position of the Bank and to suggest improvements. The sub-Committee, *inter alia*, recommended in February, 1953 (i) the closure of five unremunerative branches, (ii) the curtailment of running expenses of the Agartala office to Rs. 1,300 a month, and (iii) the maintenance of a reserve in the shape of G.P. Notes of at least 50% of the money realised from investments. These recommendations though generally accepted by the Board of Directors in February, 1953 could not be implemented forthwith, on account of the orders of the Labour Appellate Tribunal against the retrenchment of staff. The five unremunerative branches were closed down in February, 1955.

In his evidence, the Secretary, Departments of Economic Affairs and Revenue stated that since the taking over of this Bank by the Government in 1950 their efforts had all along been to get this Bank amalgamated with some other Bank or to close it down. As to the latest position, he stated that early in January, 1959, they had obtained a liquidation order, with the State Bank of India as the liquidator.

When asked as to why it took the Government seven years to take the final decision when losses incurred by the Bank were increasing



right from the year 1950, the witness mentioned two considerations that weighed with the Government in this regard. Firstly, there was no other Bank offering banking facilities in Tripura, and secondly, they hoped to make recoveries of the outstanding debts from Pakistan regarding which negotiations were going on.

Intervening, the Comptroller and Auditor General furnished to the Committee the following figures about the Income and Receipt of the Bank during the years 1952 to 1954—

Year	Income Rs.	Expenditure Rs.
1952	70,454	1,71,423
1953	37,533	over 1,05,466
1954	19,869	2,13,711
1955	18,104	1,06,035

The figure of expenditure for 1954, it was pointed out, was staggering. When asked to explain the reasons for the loss, the witness stated that it was mainly due to the remission of loans amounting to Rs. 1,29,000 written off as being incapable of realisation.

In extenuation, he urged that although efforts were being made to get the bank amalgamated with some other bank to the extent possible, but no Bank agreed to do so. Ultimately a decision was taken to go to the Court for liquidation. He, however, admitted that the Bank should have been liquidated earlier than it was decided upon to do.

Earlier, regarding the running expenses of the Agartala Office he stated that these amounted to Rs. 1,700 per mensem, instead of Rs. 1,300 per mensem, as recommended by the sub-Committee. According to him, these could not be curtailed as the Bank was not in a position to pay compensation to some members of the staff which would have been payable to them under the Bank Award in case of their retrenchment.

*Delay in liquidating liability—Sub-para (2), page 17*

375. In this case, a sum of Rs. 25,000 was borrowed by the Bank in February, 1951 at 10% per annum from a private party by mortgaging a plot of land with 8 structures thereon. The mortgagee was to receive the rent realised from these structures in lieu of interest. Up to the end of August, 1957, the Bank realised Rs. 16,539 as rent out of which a sum of Rs. 1,000 only was paid to the mortgagee.

The Committee desired to know why a sum of Rs. 1,000 had been paid to the mortgagee when in terms of the Bank's agreement with him, he should have been paid the whole amount of Rs. 16,539 realised by the Bank as the rent of the structures. The witness stated that the expenditure of the Bank being far in excess of its receipts, the amount of rent realised was defrayed towards meeting the pay of the staff, etc.

As regards the disposal of the land it is understood that there was no response to the advertisement made in May 1957. The mortgagee

withdrew her offer of Rs. 39,450 made in March 1958 and obtained possession of land through Court on 25-5-1958.

The representative of the Ministry, however, stated that they hoped to realise about Rs. 52,000 from the sale of the plot and there would be no loss to the Bank.

Earlier, when the Committee enquired as to why the loan had been taken from a private individual at such a high rate of interest of 10%, no convincing reply was forthcoming.

*Unsatisfactory Progress in Realisation of Dues—Sub-para (4), Page 17*

376. According to the Audit Report, the amount of outstanding dues on 31st December, 1956, was about Rs. 16.60 lakhs. The details of the dues outstanding since 1951 are as follows:—

	(In L.khs of Rs.)
Suits pending in the Court	8.17
Decreed	4.75
Bad and Doubtful Debts	1.74
Cases not referred to Court	0.94
	15.60

The amount of Rs. 1.74 lakhs shown above against bad or doubtful debts related to debts that had become time-barred as the suits were not filed in time due to lack of funds with the Bank. Out of the amount of Rs. 4.75 lakh decreed in favour of the Bank, only about 5% had been realised.

The Committee took a serious view of the debts amounting to Rs. 1.74 lakhs having become time-barred as also of non-realisation of most of the decretal amount. The explanations given by the Secretary, Departments of Economic Affairs and Revenue that the Bank did not have, nor could it obtain from outside, the requisite funds for the filing of suits or the execution of decrees did not satisfy them. The Committee enquired why, in such a case, Government did not render necessary financial assistance to the Bank for enabling it at least to get the decrees kept alive. To this, the witness could not give any satisfactory reply. He, however, admitted that it had been an unfortunate thing entirely.

In reply to some other questions arising from this case the witness promised to furnish written information to the Committee.

*Overdrawals and cash credits—sub-para (5), page 17*

377. According to this sub-para, unsecured overdrawals and cash credits amounting to Rs. 57,570 and Rs. 31,736, respectively, had been allowed by the Bank Managers prior to the integration of the State in 1950, even though they had no power to do so. The claims for the amounts were stated to have become time-barred during the period from 1949 to 1952, as suits were not filed in time for want of funds. No action was taken against the Bank Managers for their unauthorised actions.

The Committee desired to know why no action was taken against the Bank Managers for their unauthorised actions. The witness stated that one of them had died, another had migrated to Pakistan in 1951 and in regard to the third, the prosecution could not be launched as they had not been able to make out a specific case against him.

On being pointed out by the Committee that the Bank Manager, who left for Pakistan, was in India for about one year after the Bank came under the control of the Government and so action could have been taken against him during that period, the witness stated that at that time all these details were not known to them.

The Committee then desired to be furnished with further information on the following points.—

- (i) when did the death of one of the Bank Managers, responsible for unauthorised actions, take place?
- (ii) (a) What was the number of claims that became time-barred during each of the years 1949 to 1952? How much amount was involved?
- (b) How much amount was written-off during each of the years 1949 to 1952?

*Loans to State Employees—sub-para (8) pages 17-18*

378. Prior to the integration of the State in 1950, loans to the extent of Rs. 32,189 were advanced to State employees including military personnel, belonging to the Assam Rifles. Out of this amount Rs. 11,373 had been realised and a sum of Rs. 14,867 had become time-barred.

In reply to a question, the witness stated that the results of the Bank's pursuits for the recovery of these dues had not been encouraging. A further sum of Rs. 680 was recovered during the previous year.

When further asked whether any amount which was time-barred had been realised amicably, the witness stated that he did not think so.

*Loss due to remission of interest—sub para (9) page 18*

279. The total amount of interest on the overdrawing of Rs. 1,35,855 allowed to the Agartala State Guaranteed Electricity Supply Co., from 1948 to December, 1953 came to Rs. 91,138 upto 31st March, 1954. In December, 1953, the Company approached the Bank for remission of the whole of interest. A joint *ad hoc* sub-Committee was accordingly appointed. At the meeting of the sub-Committee held on 4th January, 1954, the representatives of the Company were not agreeable to pay more than Rs. 8,500 on account of interest. Later, by resolutions passed by the Board of Directors and the shareholders, the liabilities of the Company were fully discharged on receipt of the amount of the principal *plus* Rs. 8,500 as interest. The remission made on account of interest came to Rs. 82,638.

Explaining the reasons for the remission of interest charges, the witness stated that the Tripura Administration decided that if the Electricity Co. had to pay this interest, the financial position of the Electricity Supply Company would have been seriously weakened without making the corresponding position of the Tripura State Bank significantly better. He further stated that as the Company and the Bank were both State Undertakings, from the Governmental point of view, it did not make much difference.

*Audit of Income-tax Receipts—para 52, pp. 63-64*

380. According to this para, audit of receipts forms an important aspect of Parliamentary Control in the Commonwealth countries and there are comprehensive statutory provisions on the subject there. In India, the present position is that the audit of receipts can be undertaken by the Comptroller and Auditor General only at the request of Government and two major sources of Central Revenues, viz., Income-Tax and Central Excise have not until now been brought within the purview of audit. In May, 1956 audit made proposals to Government for the introduction of a test audit of income-tax receipts.

The Committee were informed by the Secretary, Departments of Revenue and Economic Affairs that the above proposals had already been accepted by the Government in principle, and the only thing to be decided upon now was whether a Presidential or a Governmental order should issue to implement it.

*Differing Rates of Interest on Loans issued by Government—para 55, pp. 64-65*

381. A review undertaken by Audit disclosed that interest at differing rates had been charged on loans granted by Government to various authorities and institutions. These ranged from interest free to 5% per annum.

The Committee were informed by the representative of the Ministry of Finance that pursuant to the recommendations of the Public Accounts Committee, the Government of India had taken a decision that the interest to be charged on all loans in future should be at normal rates, to be determined in the light of market conditions, the period of loans, etc. and that if a concession was to be given, it should take the form of a direct subsidy.

The Committee then took up the question of loans granted to various Steel Companies both in the private and Public sectors at different rates. The Committee enquired whether the grant of interest-free loans to the TISCO and IISCO as compared to 4½% rate of interest chargeable from the Hindustan Steel (P.) Ltd. would not adversely affect the competitive position of the Steel Company in the public sector. The representative of the Ministry stated that there had been a change in Government policy since the time the loans were granted to the companies in the private sector. He, however, promised to furnish a note on the subject.

Referring to the case of D.V.C. the Committee were informed by the Special Secretary, Department of Economic Affairs that according to the normal practice followed by the Ministry, the interest in respect of projects under construction was added on to the capital during such period. The Comptroller and Auditor General referred to the practice followed by the World Bank in this regard according to which a period of moratorium was allowed till the production unit went into operation. During this period, interest liabilities were not attracted. He enquired from the representative of the Ministry about the feasibility of the adoption of a similar procedure by the Central Government. The representative of the Ministry was of the view that the adoption of this practice would involve a complete change in the existing arrangements.

*Contributions to International Organisations—Para 54, page 65*

382. The Committee desired to know whether India's contributions to these organisations could be reduced on the ground that India was an under-developed country and further whether such contributions could be made in the Indian currency. They were told, in this connection, by the representative of the Ministry of Finance that the contributions of all the countries (including India) were based on certain formulae accepted by the member-countries, and they were to be made in the currency of the country in which the Headquarters of the U.N. were located.

The Committee then discussed in passing the question of India's representation on the Secretariats of these Organisations and wanted to know the present position. The representative of the Ministry stated that India was not adequately represented on those Secretariats. He, however, added that the Government of India constantly endeavoured for increased representation of Indians.

*Clearance of Outstanding Audit Objections—Para 55, page 66*

383. The total number of objections relating to the period upto 31st March, 1956 outstanding in the books of Audit Offices was 95,997, their money value being Rs. 57,76,90,086. According to Audit some of these dated back to 1945-46 and their clearance appeared to have been delayed without adequate reasons or justification. Audit felt that further delay in their settlement was likely to lead to the continuance of irregularities.

The Committee desired to be apprised of the steps taken by the Government to clear these objections. The representative of the Ministry of Finance (Department of Expenditure) informed the Committee that they had issued instructions to the effect that the Ministries should periodically review all the audit objections (including outstanding ones) which pertained to them. On being pointed out by the Comptroller and Auditor General that in spite of these instructions, the position had not appreciably improved, the witness stated that all they could do was to press the Ministries to take up the matter at the highest level.

*Budgeting and Control over Expenditure—Cases of Over-budgeting, Appropriation Accounts (Civil), 1955-56 Vol. I—pages 2, 6, 9, 105, 241, 260 etc.*

384. During the year under review, out of a total of 132 Voted Grants, there were savings in 124 Grants, amounting to about Rs. 209 crores. Similarly, out of a total of 31 Charged Appropriations there were savings in 21 Appropriations amounting to about Rs. 316 crores. Further, as in previous years, there were large savings in a number of Grants relating to the Ministry of Finance. The representative of the Ministry explained the reasons for the savings.

The Committee desired to know what measures had been or were proposed to be taken by the Ministry to improve the position. The representative of the Ministry referred to certain instructions issued by the Ministry during August last which would go a long way in improving the position.

Earlier, as an instance of loose budgeting the Committee referred to Grant No. 120 (page 260), in case of which the Ministry had come up to Parliament for a Supplementary Grant of Rs. 11 crores in December, 1955 although there was found to be a saving of over Rs. 25 crores in this Grant at the close of the financial year. In this case also, the representative of the Ministry admitted that the position was indefensible.

*Failure to cover an excess under a sub-head by Re-appropriation-Grant No. 37—sub-head (C. 2—page 214)*

385. In this case, there was an excess of Rs. 27.74 lakhs under sub-head C. 2 while there was a saving of Rs. 1.13 crores under the Grant as a whole.

When asked why the excess under the said sub-head was not covered by re-appropriation, the representative of the Ministry admitted that it was a mistake.

*Non-surrender of saving in time—Grant No. 33—Currency—sub-head A-1(4)—Page 162*

386. Under this sub-Head, there was a saving of 11,70,786 due to less receipt of currency paper. The saving was, however, not surrendered in time.

When asked as to why the saving was not surrendered in time to avoid lapse of funds, the representative of the Ministry stated that in the case of purchase of stores for security printing, occasionally there was an unforeseeable time-lag between the purchase of stores and making of payments as the payments were made by the Indian High Commissioner in London.

*Losses, Remissions of Revenue, etc.—Grant No. 26—Customs—Page 106, Note 6*

387. Remissions of customs revenue and abandonment of claims to revenue sanctioned during the year 195-56 in exercise of discretionary

powers (vested otherwise than by law or rule having the force of law) varied considerably from State to State.

Explaining the reasons for these variations, the Secretary, Departments of Economic Affairs and Revenue stated that the amount of revenue remissions generally corresponded with the amount of revenue collections in a State.

*Receipts and Expenditure of the Customs Department during 1955-56*  
*Grant No. 26—Page 106, Note 7*

388. According to this Note, while there was an increase in the Expenditure of the Customs Department from Rs. 2,86·34 lakhs in 1954-55 to Rs. 3,02·51 lakhs in 1955-56, there was a decrease in the receipts of the Department from Rs. 1,84,86 lakhs in 1954-55 to Rs. 1,67,16 lakhs in 1955-56.

The explanation of the representative of the Ministry was that whereas receipts depended upon tariff rates, the expenditure depended upon the quantum of work done in the Department. Alluding to the present case, he stated, that while the fall in customs receipts was due to a decrease in the imports of sugar and petroleum, etc., there had been an increase in the quantum of work handled in the Department.

*Opium Factory, Ghazipur-Store Account—Grant No. 29—page 134*

389. The Committee desired to know as to why it was not possible to arrange for the verification of the important stores of the Factory by an agency independent of the authority responsible for the administration of stores. The Secretary, Departments of Economic Affairs and Revenue stated that as the Government had a monopoly in opium trade, they could not get an independent authority for the verification of stores.

*Financial Review and Proforma Accounts of the India Security Press, Nasik—Sundry Debtors (page 144—Note 4 and pages 145 to 155)*

390. The sundry debtors of the Press as on 31st March, 1956 amounted Rs. 15,24,360. This included an amount of Rs. 93,852 representing payments made to Pakistan Optees of the Press during 1947-48 for pay and allowance pending their actual posting in Pakistan.

In reply to a question, the representative of the Ministry stated that there was little hope of recovery from Pakistan in this case.

In reply to another question, he stated that of the sundry debts mentioned in the Note, about Rs. 10 lakhs were due from Government Departments and Rs. 4½ lakhs were due from the foreign Government Departments.

The Committee then desired to be furnished with the following information:—

- (i) A statement showing country-wise and year-wise break-up of the dues outstanding against foreign countries.
- (ii) What is the present position regarding the recovery of these outstandings?
- (iii) Does the India Security Press take deposits from foreign Governments?

*India Government Mint—Hyderabad—Financial Review on the Stores Accounts, page 185—Audit comments, para 4*

391. The Committee referred to para 4 of Audit comments on the Financial Review and enquired whether the maximum and minimum limits of stores had since been fixed. The representative of the Ministry replied in the affirmative.

*India Government Mint, Alipore—Review of Stores and Capital Outlay Position—Audit Comments, pages 194-95*

392. According to Audit comments, the closing balances of Consumable and Capital Outlay Stores of the Mint as on 31st March, 1956 included Stores valuing Rs. 2.35 lakhs and Rs. 3.50 lakhs respectively which had not been used for the last many years.

In extenuation, the representative of the Ministry stated that these stores, which consisted mostly of electrodes and other metallic items if offered for sale in the market would fetch a low price; on the other hand, they would cost much more when required later.

Referring to sub-para 3 on page 195, the Committee desired to know as to why timber, electrical goods, G.I. Pipes etc. worth Rs. 72,000 were purchased during the year when there were sufficient stocks of these articles already with the Mint and the value of the quantity utilised by them came to Rs. 8,000 only. The representative of the Ministry explained the purchase of G.I. pipes and firebricks with the expectation of the Mint getting larger quantities of water from the Calcutta Corporation which, however, did not materialise.

The Committee desired to be furnished with a commodity-wise break-up of Rs. 72,000 spent on the purchase of these articles.

The Committee then took up the next sub-para according to which "Several items of stores were borne in stores ledgers at no value". They desired to know the reasons therefor. The representative of the Ministry stated that it was a mistake which had, however, since been rectified.

*Repayment of Debt—Proforma Account of the Dollar Loan drawn from the International Bank for Reconstruction and Development for Railway Projects—Audit Certificate, page 273*

393. According to this Audit Certificate, the books, accounts and records maintained to identify the goods purchased with the proceeds



of the loan were not properly maintained. The explanation of the Ministry of Railways, as incorporated in the Audit Certificate was that in the case of the purchase of spares, the India Supply Mission had not furnished them with all the invoices.

The Committee were informed by the representative of the Ministry of Railways that almost all the invoices had since been furnished by the India Supply Mission, Washington.

Before the Committee adjourned, they desired to be furnished with further information on certain points arising out of the Appropriation Accounts, 1955-56 pertaining to the Ministry of Finance.

394. The Committee then adjourned *sine die*.

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PROCEEDINGS OF THE FORTY-FOURTH SITTING OF THE  
PUBLIC ACCOUNTS COMMITTEE HELD ON THURSDAY  
THE 19TH FEBRUARY, 1959

395. The Committee sat from 15.30 to 16.00 hours.

PRESENT

Prof. N. G. Ranga—*Chairman.*

MEMBERS

2. Shri Arun Chandra Guha
3. Shri N. R. M. Swamy
4. Shri Upendranath Barman
5. Shri Jaipal Singh
6. Rajkumari Amrit Kaur
7. Shri Amolakh Chand
8. Shri S. Venkataraman
9. Shri M. Govinda Reddy
10. Shri Rohit Manushankar Dave.

Shri A. Kalyanaraman, *Deputy Comptroller and Auditor General of India.*

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

Shri M. C. Chawla, *Under Secretary.*

*Location of Industrial Training Institute, Tollygunj Calcutta, referred to in para 36 of Audit Report (Civil), 1957*

396. At their sitting held on the 24th January 1959, the Public Accounts Committee discussed with the representatives of the Ministry of Labour and Employment the heavy rental incurred by the Government in respect of land requisitioned for the Industrial Training Institute at Calcutta. The Committee were informed that the land was then being acquired by Government at an estimated cost of Rs. 17 lakhs. A question was, therefore, raised whether it would be an economic proposition to acquire the land at such a high cost as the interest charges on the amount (Rs. 17 lakhs) would work out to more than Rs. 50,000 per annum and it would be cheaper to retain the land on the present rental basis of Rs. 33,000 per year. It was also

suggested that Government should also be on the look out for an alternative site at a lower cost. The representatives of the Ministry agreed to reconsider the whole matter in consultation with the West Bengal Government.

Shri A. C. Guha, a Member of the Committee who was deputed by the Committee to look into this matter during his visit to Calcutta had circulated a note to the Committee stating the results of his on-the-spot study and the discussions held by him with the officers of the West Bengal Government. In his note, Shri Guha had mentioned that certain facts were brought to his notice at Calcutta which were not placed before the Public Accounts Committee by the representatives of the Ministry of Labour and Employment *viz.*, the rent of the land had since been increased from Rs. 33,000 to Rs. 51,000 per year in accordance with a decree passed by the Collector. Earlier on the 25th May, 1956 Government had surrendered a portion of the land which had the legal effect of terminating the old requisition orders and a fresh requisition was made with effect from 26th May, 1956 that is, on the same day or the next day after surrendering it. The annual rent was, therefore, revised in accordance with the then prevailing rates. The owner of the land has protested that the revised rent was on the lower side.

It was also stated in the note that the compensation for acquisition of land assessed by the Land Acquisition Collector at Rs. 14,49,000 was quite reasonable keeping in view the existing market rate for purchase of land in that area.

The Committee considered the whole matter and came to the conclusion that as the basis for their earlier suggestion has turned out to be incorrect in the light of facts disclosed since, they should not press their suggestion. It should be left to Central Government to decide the case in consultation with the West Bengal Government.

The Committee also felt that it might be impressed on the Ministries that whenever any audit para affecting any action on the part of State Government came up before the Public Accounts Committee, the Ministry concerned should invariably contact the State Government and obtain the latest information and their views in the matter.

397. The Committee then adjourned *sine die*.

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PROCEEDINGS OF THE FORTY-FIFTH SITTING OF THE  
PUBLIC ACCOUNTS COMMITTEE HELD ON FRIDAY, THE  
27TH FEBRUARY, 1959

398. The Committee sat from 16.00 to 17.10 hours.

PRESENT

Prof. N. G. Ranga—*Chairman*

MEMBERS

2. Shri N. R. M. Swamy
3. Pandit Jwala Prasad Joytishi
4. Shri Rameshwar Sahu
5. Shri Raghubar Dayal Misra
6. Shri H. C. Dasappa
7. Shri Khushwaqt Rai
8. Shri Aurobindo Ghosal
9. Shri Jaipal Singh
10. Shri Amolakh Chand
11. Shri T. R. Deogirikar
12. Shri M. Govinda Reddy
13. Shri Rohit Manushankar Dave.

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

Shri A. Kalyanaraman, *Deputy Comptroller and Auditor General.*

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

Shri P. K. Sen, *Director of Commercial Audit.*

SECRETARIAT

Shri M. C. Chawla, *Under Secretary.*

WITNESSES

*Ministry of Health*

Shri V. K. B. Pillai, *Secretary.*

Lt. Col. Jaswant Singh, *Director-General, Health Services.*  
*Ministry of Finance (Department of Expenditure)*

Shri S. S. Shiralkar, *Joint Secretary.*

## MINISTRY OF HEALTH

### Appropriation Accounts (Civil), 1955-56, Vol. VIII

#### GRANT NO. 47—MEDICAL SERVICES

#### *Grants for Medical Purposes, sub-head C. page 6*

399. As against the original grant of Rs. 73,15,400 in this sub-head, the actual expenditure amounted to Rs. 49,23,165 only. Thus one-third of the original provision remained unutilised.

The Committee wanted to know the reasons for the continuous defective budgeting inspite of their repeated recommendations on the Accounts of earlier years relating to the Ministry of Health.

In evidence, the witness stated that the money was to be spent on the recommendations of the State Governments who were requested to send details of schemes for Grants. In spite of several reminders, very few schemes were received from the States. Grants were sanctioned for these schemes and there was no scheme of any of the State Governments, for which funds were refused. When asked whether the States were required to make available matching grants for financing of the schemes, the witness replied in the negative. The Committee wanted to know the States which did not avail themselves of the Grants from the Centre.

The Committee then enquired about the basis on which budget provision was made by the Central Government for Grants to States in the absence of any proposals from them. The witness stated that there was a Conference of Administrative Medical Officers from the States in October every year and on the basis of their recommendations, provision for various schemes was made. These schemes, however, had to be approved later on by the Finance Departments of the States, who, however, did not accept some of the suggestions of their Medical Officers.

Elucidating, he stated that the difficulty was that budget proposals were to be sent to the Finance Ministry in the month of October. Similarly, the State Governments had to send proposals to their Finance Departments. These were scrutinised and till the passing of the budget by the State Legislatures final position was not known.

The Committee were not happy over this procedure of making budget provisions. They drew attention of the Ministry to their earlier recommendations made in the Eighth Report (Second Lok Sabha) to the effect that provision should only be made for schemes which were ripe for execution and that token grants should be asked for in the first instance. They were of the opinion that from their experience with the State Governments, Ministry should be in a position to judge the spending capacity of the former and provide funds accordingly. They desired that the Ministry should avoid allowing central funds being locked up unnecessarily.

The Committee, next, enquired about the checks which Government exercised to satisfy themselves that funds were spent by the States for the intended purpose. They were informed by the witness that the Ministry got quarterly statements from the States, who also furnished in the month of February, statements setting forth the details of expenditure incurred by them.

When asked whether it would not be a better arrangement to send someone round the States to see how the schemes were being executed and expenditure incurred thereon, the witness stated that the Ministry were doing so now and a team of officers had gone round the various States. But unfortunately most of the State Governments were not ready with complete facts and figures. To a question, he replied that Ministry's technical officers also went round to each State and scrutinised the progress of the Schemes. The Committee suggested that these officers should also help State Governments to prepare their schemes well in advance.

Intervening, the Comptroller and Auditor General of India suggested that in future the States might be given 15 to 25% of their total requirement of funds as revolving credit. They should submit accounts as also the progress reports and ask for recoupment of funds. That would not only avoid locking up of funds but the Ministry would also get a clear idea of the progress of the schemes. The witness stated that the Ministry would prefer this procedure. But they were not advancing any money themselves; for the money was advanced as directed by the Planning Commission and the Ministry of Finance.

Next, the Committee wanted to know the progress made in the setting up of a Medical College at Ranchi. The witness stated that the progress of the work had been extremely slow. The residential buildings were being completed. But the construction of pre-clinical block and the hospital had not yet begun. The Ministry had been assured by the Bihar Government that the whole project would be put through before the end of the Second Plan. Elucidating the point, he stated that the construction of the hospital was the concern of the Bihar Government and Central subsidy was confined only to the College portion, which would be completed before the end of the Second Plan.

*Non-Drawal of Stipends and Travelling Allowances amounting to Rs. 43,636*

400. The Committee wanted to know the reasons for which stipends were not availed of by the parties concerned. The witness stated that the stipends were not drawn by the parties concerned during the financial year 1955-56. Consequently sanctions lapsed. To a question he replied that these were drawn subsequently with the sanction of the Ministry. The Committee desired to be furnished with a note setting forth the names of States concerned, dates when applications for stipends were received and sanctioned by the Ministry.

*All India Medical Institute, sub-head D. 6(1), page 6*

401. Against the provision of Rs. 42,68,000 for Staff, Equipment and Furniture of the All India Medical Institute there was an expenditure of only Rs. 85,487.

The Committee wanted to know the reasons for the non-utilisation of funds under this sub-head. The witness made over a copy of the Ministry's note to the Committee.

The Committee enquired about the fees agreed to be paid to the Architect of the building. The witness stated that about Rs. 12 to 13 lakhs had to be paid to the Architect. Explaining the background he stated that the Architect was appointed after an advertisement had been published in the press inviting applications for the job and Government agreed to pay 5 per cent of the total cost as his fee as against the prevailing rate of 10 per cent in Bombay.

Asked whether Government were satisfied with the arrangements made in regard to the construction of buildings, the witness replied in the affirmative. To another question, he replied that several buildings had been constructed and the services of the Architect had been dispensed with after payment of 5 per cent of the cost of work accomplished.

When asked whether it was a fact that the Institute was sending its senior officers who had attained the age of 45 or more abroad for study, the witness replied in the affirmative. He, however, pleaded that as the Institute was an autonomous body, their recommendations were accepted *in toto*. He also agreed that Government had a right to issue directions to the Institute. The Committee desired that officers who had attained the age of 50 or more should be sent for further training abroad only in rare cases.

## GRANT NO. 48—PUBLIC HEALTH

*Family Planning, subhead E. 4(1), page 19*

402. Against the original Grant of Rs. 33,65,000 under this sub-head actual expenditure was only Rs. 8,95,236. Thus 74 per cent of the provision remained unutilised.

The Committee wanted to know the reasons for this saving. The witness stated that the family planning programme had to be executed through the State Governments who were asked to send their schemes. But Bombay State Government were not interested in the family planning at that stage. U.P. and Bihar did not exhibit the requisite interest. When asked whether the Ministry now expected to make headway towards the family planning, the reply was in the affirmative.

**GRANT NO. 124, CAPITAL OUTLAY OF THE MINISTRY OF HEALTH**  
*National Water Supply and Sanitation Programme, sub-head B. 1(2),*  
*page 32, Note 7, page 33*

403. According to Audit, in the First Plan, a sum of Rs. 18 crores (12 crores for loans and 6 crores for grants to State Governments) was allocated for the National Water Supply and Sanitation Schemes. Rs. 4·5 crores were provided during 1955-56 in the absence of any concrete data, merely because it was the unspent balance of the allocation of the Plan period. Out of the provision of Rs. 4·5 crores, a sum of Rs. 1,89,49,167 only was utilised.

The Committee wanted to know how the Ministry expected the States to spend Rs. 4·5 crores during a single year in view of their past performances. The witness stated that five Chief Ministers of States met the Health Minister and the Planning Commission and assured them that their States would be able to spend the amounts.

Explaining the circumstances for non-utilisation of money, the witness stated that the State Governments were under the impression that the Centre provided 50 per cent subsidy for supply of water in villages from various sources. But the Planning Commission made it clear that 50 per cent of the funds were meant as subsidy for pipe water supply only in villages and the balance was loan to the States.

The Committee desired that in the light of such experiences the Ministry, while making budget provisions, should be careful in future and not provide funds which could not be utilised during the year.

**GRANT NO. 48—PUBLIC HEALTH**

*Central Research Institute, Kasauli—Financial results of the manufacture of vaccines, sera etc., page 23*

404. According to Audit, a sum of Rs. 5,40,936 was outstanding recovery on the 31st March, 1956 and some of these outstandings related to the year 1953-54. These outstandings were reported to be over 50 per cent of the sales.

The Committee wanted to know the reasons for the Ministry's inability to recover these outstandings. The witness stated that all the debtors were Government Departments. The Ministry had sent them reminders but without any effect.

The Committee desired to be furnished with a note in consultation with Audit regarding the desirability of adjusting the outstandings against the various States from the grants-in-aid made to them.

*Audit Comments (ii) page 25, and para 79 of the 16th Report*

405. According to Audit the vaccines and sera had been valued on an *ad hoc* basis which had no bearing on the actual costs which



were not being worked out. In their note (Appendix XXXI), the Ministry had stated that the Assistant Accounts Officers had joined the Institute on 21st July, 1958 and the preparation of the Manufacturing, Trading and Profit and Loss Account and Balance Sheet of the Institute would now be taken up.

When asked whether accounts had been prepared in the manner suggested by the Committee, the witness stated that the work was in hand and as soon as the Assistant Accounts Officer submitted his report, that would be passed on to the Committee. The Committee asked the Ministry to expedite that Report.

GRANT No. 124—CAPITAL OUTLAY OF THE MINISTRY OF HEALTH

*Loss on Multi-Vitamin Tablets, Note 6, page 33*

406. According to Audit, a sum of Rs. 1,46,276 representing loss in the disposal of Medical Stores was written off by the competent authority in August, 1955. The loss occurred because multi-vitamin tablets (about 80 lakhs) had become sub-standard owing to their long storage since 1950-52, as a result of over-provisioning and had to be sold at half cost. The officer concerned was censured on the advice of the U.P.S.C.

In reply to a question, the witness stated that the Officer concerned had been transferred to another place. The Comptroller & Auditor General pointed out that the selling of time-barred multi-vitamin tablets at half cost was not desirable; instead these should have been destroyed. The witness stated that these tablets had been re-tested before sale and although time-expired, their potency had only been reduced to half, and could be used as food supplement. To a question whether the consumers were aware of the fact that the potency of the tablets had been reduced by 50 per cent, the witness replied in the affirmative. In reply to another question, the Committee were informed that the tablets were purchased by the Madras Government.

The Committee felt that the Ministry should see that they were not faced with a similar situation in future when the tablets got time-expired and resulted in a loss.

*Cinchona Cultivation, Note 8, page 33 and para 183 of the Seventh Report*

407. According to Audit, the Department could not prepare the *proforma* accounts and the financial review of the working of the scheme in the absence of any authoritative and reliable basis for estimating the raw material, namely, bark on the standing trees. Correct valuation of the assets not being possible, no effective comparison with the expenditure incurred could be made to assess the amount of profit or loss. In their note (Appendix XXX), the Ministry had stated that they reiterated in March, 1956 the need for gradually curtailing the cinchona plantations and for regulating the manufacture of quinine with reference to the prevalent market conditions. The Government

of Madras had already initiated necessary action in that direction and had stopped further cinchona plantations. Harvesting of the plants in West Bengal had finished and the Cinchona Bark obtained was being processed into quinine salts. Harvesting of the plants in Madras was still in progress and it would take another 2 or 3 years to complete the conversion of the bark into quinine salts. It would financially be unsound at that stage to wind up the scheme which had to be continued until all the plants in Madras had been harvested and processed for obtaining quinine salts. It was expected that the entire work of the extraction of bark on Government of India account would be completed and the Russian method scheme completely closed down within the next 2 or 3 years. The Government had about 1,57,790 lbs. of the stock of quinine salts in Central Reserve on 31st March 1958.

The Committee wanted to know the latest position in the matter. The witness stated that it had already been decided at the Health Ministers' Conference that only about 20 thousands lbs. of quinine salts should suffice for emergency purposes. But there was no market for disposing of the surpluses and it had been decided to distribute the stocks free of cost to the consumers through the State Governments.

The Committee desired the Ministry to ensure that stocks of quinine were properly utilised by the consumers when distributed free of cost to them.

*Financial Review on the working of the Medical Stores Depots and Factories in India, pages 47-48*

408. According to Audit, at the end of 31st March, 1957, the total outstandings against Government and non-Government Institutions rose to Rs. 24,17,057 and some of these related to the years 1949-50 to 1953-54.

The Committee wanted to know the reasons for heavy outstandings against Government institutions and the steps the Ministry had taken to effect recoveries. The witness stated that administrative officers had been reminded and contacted very frequently and as a result thereof, the outstanding had come down to about Rs. 3 lakhs from Rs. 14 lakhs.

The Comptroller and Auditor General of India intervened to say that the position of outstandings had not improved and instead there had been deterioration. The outstandings on 31-3-1956 stood at Rs. 14,29,000 and on 31-3-1958 at Rs. 28 lakhs.

When asked whether the Government could refuse further purchases to the defaulting parties, the witness stated that under the agreement they would have to give two years' notice to the parties concerned. When asked whether the Government had thought of discontinuance of Medical Stores Depots, the witness stated that Government proposed to appoint an Expert Committee to go into that question. He added that in times of emergency these Depots were life-saving agencies and could not be organised overnight.

The Committee felt that that was all the more reason that these Depots be kept properly and steps taken to recover all the outstandings.

*Project for the Control of Filaria, Note 11, sub-head A. 4(2)(1)*  
Page 34

409. The Committee wanted to know the progress made in the Filaria control programme. The witness stated that the programme was started in the last year of the First Plan and was expected to continue during the Second and perhaps in the Third and Fourth Plans. In a couple of years, survey and demonstration control units were set up in 11 out of 12 affected States. Out of about 78 units planned, nearly 50 were started during the first three years of the programme.

*Project for the Control of Malaria, Note 10, sub-head A. 4(1)(1)*  
Pages 33-34

410. When asked about the progress made in the eradication of Malaria, the witness stated that in a population of 200 millions, where the programme had been functioning since 1953, the spleen index and the incidence of the disease was lower than those areas which had previously been regarded as healthy. When asked whether Government had any machinery to check up the progress made in the work, he stated that assessment teams were functioning in 6 different zones, and Government were perfectly satisfied with the progress made so far. To a question whether Government were satisfied that materials like D.D.T. given to the States were being utilised properly, the witness replied in the affirmative.

*Para 181 of the Seventh Report—Eviction of a tenant*

411. In their note\*, the Ministry had stated that a summary suit to evict the firm from the depot premises leased to them had been filed, but no date had yet been fixed for hearing of the case. As regards recovery of arrears of rent, action was being taken by the Central Government Solicitor at Bombay.

The Committee wanted to know whether it would be incorrect to accept payment of rent of Rs. 43,000 under protest and deposit the same in the Court. The witness stated that rent had not been accepted on legal advice because once the rent was accepted, the firm would become a recognised tenant. To a question, he replied that the firm had accepted its liability to pay the rent in writing and it had also some assets.

412. The Committee then adjourned *sine die*.

PROCEEDINGS OF THE FIFTY-FIRST SITTING OF THE  
PUBLIC ACCOUNTS COMMITTEE HELD ON FRIDAY  
THE 24TH APRIL, 1959

413. The Committee sat from 15·00 to 15·35 hours.

PRESENT

Prof. N. G. Ranga—*Chairman.*

MEMBERS

2. Shri N. R. M. Swamy
3. Pandit Jwala Prasad Jyotishi
4. Shri T. Sanganna
5. Shri Upendranath Barman
6. Shri Prabhat Kar
7. Shri H. C. Dasappa
8. Shri Jaipal Singh
9. Rajkumari Amrit Kaur
10. Shri Amolakh Chand
11. Shri S. Venkataraman
12. Shri N. Govinda Reddy
13. Shri Rohit Manushankar Dave.

Shri A. Kalyanaraman, *Deputy Comptroller and Auditor  
General of India.*

Shri S. Venkataramanan, *Accountant General, Central  
Revenues.*

Shri P. K. Sen, *Director of Commercial Audit.*

Shri P. V. R. Rao, *Director of Audit, Food, Rehabilitation,  
Supply, Commerce, Steel and Mines.*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

Shri M. C. Chawla, *Under Secretary.*

Shri K. Ranganadham, *Under Secretary.*

414. The Committee considered and approved the draft Eighteenth Report on the Appropriation Accounts (including Proforma Commercial Accounts) (Civil), 1955-56, and Audit Report, 1957 subject to certain minor modifications here and there.

415. The Committee authorised Rajkumari Amrit Kaur to present this Report to the Rajya Sabha.

416. The Committee then adjourned till 15.00 hours on Wednesday, the 29th April, 1959.

## APPENDIX I

### *Summary of the Conclusions; Recommendations of the Eighteenth Report of the Public Accounts Committee on the Appropriation Accounts (Civil), 1955-56 and Audit Report, 1957*

Sl. No.	Para No.	Ministry or Department concerned	Conclusions/Recommendations
1	2	3	4
1	4 (Introd.)	All Ministries	<p>Successive Public Accounts Committees have been commenting for the last 3-4 years that the standard of budgeting in respect of Grants (Civil) had recorded no improvement. A large number of excesses, savings, injudicious surrenders and non-utilisation of funds obtained from Parliament by means of Supplementary Grants continue to persist.</p> <p>The year under report, though being the last year of the First Five Year Plan, does not show any better results as would be evidenced by the savings disclosed in 124 out of 132 Grants amounting to Rs. 209 crores or 28.17% of the total grants of Rs. 727 crores. There were seven cases in which supplementary grants aggregating Rs. 11.39 crores obtained during the course of the year proved eventually to be unnecessary.</p> <p>The Committee, however, trust that the instructions issued by the Ministry of Finance <i>vide</i> their O.M. dated 18th August, 1958 will go a long way in improving the budgetary standards in future years.</p>

1	2	3	4
2	5 (Introd.)	All Ministries	During examination of these Accounts, the Committee came across instances where funds that had been placed at the disposal of the State Governments by the Centre, had not been utilised fully. In order to obviate such a situation occurring in future, the Committee suggest that in future the States might be given 15 to 25% of their total requirement of funds as revolving credit. They should submit accounts as also the progress reports to the Central Government and ask for recoupment of funds. This, the Committee feel, will facilitate more expeditious execution of works and better progress of the schemes.
3	11	Do.	From the evidence given by the representatives of the different Ministries the Committee gathered the impression that in making provision for many of the schemes during this year, Ministries were guided more by the unspent amount of allotment for a scheme under the Plan than their capacity to spend the amounts. The unrealistic estimates so affirmed will not only give a distorted picture but mislead the framing of financial policies, 1959-60 is the fourth year of the Second Plan. It is necessary to ensure that a similar situation does not develop in regard to the Second Plan also. The Committee would, therefore, urge upon the Ministry of Finance in particular to keep a watch and take appropriate action in time.
4	12	Do.	The Committee are glad to note that the Ministry of Finance have in consultation with the Planning Commission issued necessary instructions that for the remaining period of the Plan, schemes formulated by the Centre should not ordinarily involve provision of matching grants from State revenues. This decision will not affect specific schemes in the Plan for which the Plan itself provided that part of the resources would be found by the States and only a part contributed by the Centre.

The Committee also learn that since May, 1958, a fixed portion of the Central Assistance to the State Governments for Plan Schemes included in the Budget is being released every month as interest-free ways and means advances, which will be adjusted towards the close of the year against the amounts of loans and grants to which the State Governments might be entitled on the latest available figures of actuals and likely expenditure in the last quarter of the year.

The Committee would like to watch the working of the new procedure devised by the Ministry through future Audit Reports on Accounts (Civil).

5            12(b)    Food & Agriculture  
                 Finance

The Committee notice from sub-heads C.2.—Grants for National Parks and C.3.—Grants to State Governments under Grant No. 92 that apart from non-receipt of the equipments for stores, provision had been made for schemes which were not quite mature. They, therefore, stress the need for providing funds for those schemes only which are quite mature and ready for execution during the budget year.

The Committee were not convinced by the Ministry's explanation that the States did not request for the reimbursement of the amounts spent out of food bonus earned by them and the equipments were not received in time resulting in surrenders of funds. It is difficult to understand why State Governments did not present their claims for reimbursement. The Committee feel that the Ministry at the Centre have also a responsibility to see that the reimbursements for which provision has been made are disbursed within the financial year.



6	12(c)	<u>Home Affairs</u> Finance	The Committee deplore delays in the issue of orders, for these often result in non-implementation of various schemes in time. They stress the need for speedy action in such matters in future.
7	12(d)	<u>Health</u> Finance	<p>The Committee are not at all happy over the procedure of making budget provisions on the basis of the recommendations of a Conference of Administrative Medical Officers from the States. They would invite attention of the Ministry to their earlier recommendations made in the Eighth Report (Second Lok Sabha) that provision should only be made for schemes which were ready for execution. The State Governments may be apprised of this position so that while recommending schemes for grants, they include only those schemes whose blue-prints are ready.</p> <p>The Committee desire the Ministry to furnish to them detailed reasons, for huge shortfall in expenditure of the All India Medical Institute duly vetted by Audit, before they next take up examination of the Accounts relating to the Ministry of Health.</p> <p>The Committee suggest that the Ministry, in the light of their past experience, should make provision for grant of funds to the States for family planning schemes on the basis of firm commitments made by the States concerned.</p>
8	12(g)	<u>Labour &amp; Employment</u> Finance	The Committee observed that instances of savings ] cited in this para indicated laxity of control over expenditure.
9	12(h)	<u>Scientific Research &amp; Cultural Affairs</u> Finance	The Committee note that in the particular case commented in this para, the cost of materials was not adjusted for want of sanction. If so, they feel that the surplus funds should have been surrendered in time.

Commerce & Industry . It is apparent from the facts placed before the Committee that many of the schemes for development of sericulture which had been approved by the Silk Board had either not been started or subsequently dropped by the State Governments with the result expenditure incurred on those items largely proved to be infructuous. A large portion of the expenditure incurred by the State Governments pertained to administrative expenses on the development schemes which ultimately did not materialise. The Committee felt that large amounts were granted to the Silk Board without relevance to its spending capacity. The progress reports received by the Ministry at present did not enable the Ministry to regulate the grants properly. In order to examine the matter from all these aspects, the Committee desired to be furnished with details of the various schemes proposed by the State Governments and approved by the Board, funds sanctioned by Government for those schemes from time to time and the extent to which they were utilised. The information is still awaited.

Do.

The Committee were also doubtful whether the present arrangement of entrusting the work relating to the Silk Board to the Textile Commissioner, who was already saddled with other important responsibilities was conducive to satisfactory results. They would suggest that Government should consider the feasibility of having a separate chairman preferably a non-official for the Silk Board and also the Handloom Board.

In the Committee's opinion, Parliament is not fully informed of the working of these autonomous Boards. Since large sums of money are voted by Parliament for payment to these Boards as

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grants-in-aid it is only proper that Parliament and the Public Accounts Committee should be apprised of their activities. The Committee desire that the Annual Reports on the working of the autonomous Boards, *viz.*, Silk Board, etc. should be placed before Parliament. They also recommend that the Comptroller & Auditor General of India who is responsible for their audit should in addition to the normal expenditure audit, undertake an achievement audit of these organisations indicating *inter alia* their original targets and achievements.

18 Commerce & Industry

The Committee desire the Ministry to consider the feasibility of giving small/revolving credits to the States for financing various schemes.

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Do.

The Committee deprecate the inordinate delay in finalising the matters connected with accounts of subsidy on production and sale of khadi. The total amount of grants given by Government to the Khadi Board and Commission between 1954-55 and 1956-57 was of the order of Rs. 15 crores in addition to the loans of about Rs. 8 crores. In respect of some of the loans given by the Board/Commission, no acceptance or acknowledgement had been received from the loanees. In the opinion of the Committee, although the Khadi Board was initially responsible for this impasse, the Ministry of Commerce & Industry cannot be absolved of their share of the responsibility for not having actively pursued the Khadi Board, especially when the magnitude of the amount involved was sizeable.

The Committee need hardly stress the seriousness of the irregularities reported by Audit. They suggest that Government should arrange to take suitable action against the officials responsible for these irregularities. In order to obviate the recurrence of such cases in future, Government should consider the desirability of issuing clear and strict instructions to the Khadi Commission for strictly complying with the rules and regulations in connection with the administration of public funds.

13            22            Commerce & Industry

The Committee are not satisfied with the explanation of the Ministry that it was not desirable to give notice to the trade for participation in various fairs and exhibitions earlier than 3 to 4 months because the requisite tempo could not be built up in that case. They do not understand why Government could not inform the traders well in advance so that last minute rush of work which necessarily involved avoidable expenditure on account of air-lifting of exhibits etc. could be avoided. They, therefore, suggest that Government should review the whole procedure in the light of the experience gained so far in order to ensure better results.

As regards the expenditure of Rs. 1.25 crores incurred by the Government, the Committee desired to be informed of the net loss sustained by them and whether it would be possible to recoup the same in future years. The information is still awaited.

14            28            Do.

The Committee regret to observe that Government had to pay heavily because of the defective clauses of the old agreement with the Swiss firm. They take note of the plea that this was one of the few agreements which Government entered into shortly after Independence. They trust that Government will benefit by their experience in this deal and avoid such mistakes in future.

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15	29	Steel, Mines and Fuel (Deptt. of I. & S.)	The Committee are not satisfied with the explanation that it was not possible to fix the responsibility for the loss on any particular officer. In their opinion, it was a fit case to be investigated further and responsibility fixed.
16	31	Commerce and Industry	The Committee are not satisfied with the explanation given by the Ministry about the loss on guaranteed purchase of American cotton. If the avowed object of the purchase of the American cotton by Government was to give temporary relief to the Mills, consideration of profit should not have weighed with Government in disposing it of. The Committee cannot, therefore, refrain from observing that the officer who dealt with this deal had resorted to a kind of speculation which had led to an increased loss to Government.
17	32	Do.	The Committee desire that in view of the demand for salt in the Mandi region the question of economic utilisation of perennial spring of brine at Maigal should be re-examined and a note discussing the commercial exploitation of Salt sources in the Mandi region submitted to them.
18	33	Do.	The Committee suggest that the capital of the Nahan Foundry might be suitably reconstructed and written down in order that the foundry might show better working results in future.
19	34	Do.	The Committee desire to be informed of the progress of the scheme for installation of the washery plant at Sambhar as well as the final outcome of the negotiations with the Rajasthan Government for the revision of the existing agreement.

20	36	Education	The Committee desire that the attention of the University Grants Commission should again be drawn to their recommendations made in para 42 of their Fifteenth Report (First Lok Sabha) and they informed of the views of the University Grants Commission in the matter.
21	39	Do.	The Committee trust that early steps would be taken by the Ministry to introduce legislation for the presentation to Parliament of the Audit Reports on the accounts of the four Central Universities.
22	41	Do.	The Committee suggest that the Central Social Welfare Board should in consultation with the Ministry of Finance and Audit evolve a suitable procedure whereby the grant of subsidies, their disbursement and accounting etc. could be simplified in order to ensure smooth working of the Board.
23	43	Do.	The importance of local contributions and the necessity of the Projects becoming increasingly self-sufficient have been repeatedly emphasised by the Central Social Welfare Board. The Committee feel that the basic principle of self-reliance which is regarded as essential to the success of the projects has been ignored in starting many of the Projects. They suggest that before starting a project, public co-operation should be secured to a reasonable extent and continuous efforts should be made to keep up the tempo of their enthusiasm. As the ultimate aim is to hand over the welfare activities to the people themselves, the success of the Board's efforts would be very much dependent on the zeal engendered among the people and the contributions made by them.
24	44	Do.	The Committee feel that there is wasteful expenditure in the use of jeeps. They suggest that greater care and vigilance should be exercised in this direction.

1	2	3	4
25	46	Education	The Committee feel that the expenditure incurred in the printing of monthly journals "Social Welfare" and "Samaj Kalyan" is on the high side. The feasibility of reducing the number of copies for free distribution to the minimum should be examined and efforts should also be made to raise more funds from advertisements.
26	47	<u>External Affairs</u> C. & A. G.	The Committee do not see why grants and expenditure relating to the Indian High Commission in London should not also be shown in the consolidated statement. They, therefore, desire that this matter should be considered in consultation with Audit and a consolidated picture of the amounts spent on Indian Embassies, High Commissions, etc. abroad be shown in the Accounts at one place from the next year.
27	49	Finance (Department of Economic Affairs)	<p>The Committee deprecate the inordinate delay on the part of Government in taking final decision about the closure of the Tripura State Bank in spite of the heavy losses in its working year after year, which were rising steadily.</p> <p>The Committee learnt that the running expenses of the Agartala Branch of the Bank amounted to Rs. 1,700 per mensem instead of Rs. 1,300 per mensem as recommended by the sub-Committee appointed by the Board of Directors of the Bank. They regret to observe that had the recommendations of this sub-Committee been adopted earlier much of the loss could have been avoided. It was observed that the working expenses on the Branch could not be reduced by retrenchment as the Bank was not in a position to pay retrenchment benefits to the persons. The Committee are surprised at this statement. The Bank was a liability from</p>

the beginning and its losses were steadily increasing. In these circumstances, it would have been prudent to have decided upon the closure in 1953 itself instead of postponing it till 1959. The anticipation of Government that something would turn-up in the affairs of the Bank during these years did not apparently take note of the fact that the losses during the interregnum were ultimately to be borne by Government.

The Committee understand that the paid-up capital of the Bank as on 31st December, 1957 was Rs. 19,84,550 and the loss upto that day was Rs. 7,29,244 ; the loss during the year 1957 being Rs. 34,304 (excluding Rs. 1,73,908 on account of bad and doubtful debts not provided for). The Committee are disturbed to note that the Bank had thus consumed about 37% of its capital on that date.

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Finance (Department of  
Economic Affairs)

The Committee cannot refrain from observing that the Bank could not have chosen to act in an unbusiness-like manner in defraying the rent realised towards the payment of staff had the Ministry been more exacting in its standards. A private bank in similar circumstances would certainly have been proceeded against legally immediately.

The Committee understand that the Bank hoped to realise about Rs. 52,000 from the sale of the plot and there would be no loss to the Bank. They would like to be informed of the further developments in this regard.

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Do.

The Committee felt greatly concerned about the debts of Rs. 1.74 lakhs having become time-barred as also of non-realisation of most of the decretal amount (A sum of Rs. 7,104.41 is stated to have been realised from January to 19th July, 1958). They were given to understand that a sum of about Rs. 11,332 only was required for

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filing suits in respect of the amount of Rs. 1·74 lakhs which became time-barred. It is strange that Government did not come forward to advance this amount.

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Finance (Department of  
Economic Affairs)

The Committee observe that one of the Bank Managers who was responsible for the unauthorised overdrafts died in 1953. It is thus obvious that there was enough time for taking action against him. The same was true in the case of the other Manager who migrated to Pakistan in 1951. They are unhappy to see that the Ministry of Finance should have hesitated in this manner to take firm action in regard to the bad working and mis-management of the Tripura Bank for such a long period (7 years).

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The Committee drew attention to the grant of interest-free loans by Government to TISCO and IISCO while Hindustan Steel Limited was being charged 4½ per cent interest on loans advanced by Government, and observed that apart from looking invidious, such distinctions would affect the competitive position of the latter in the market. The Committee were glad to note that this matter was under the consideration of Government. They would like to be apprised of the result in due course.

The Committee would like to invite the attention of the Ministry to the practice followed by the International Bank for Reconstruction & Development according to which a period of moratorium was allowed till the units went into production and desire that the feasibility of introducing a similar procedure may be examined and a report made to them.

- 33      57      Finance (Department of Economic Affairs)      The Committee regret to observe that a statement showing country-wise and year-wise break-up of the dues outstanding against foreign countries, present position regarding their recovery and whether the India Security Press took deposits from foreign Governments has so far not been supplied to them.
- 32      56      Do."      The Committee appreciate the plea of the Ministry that stores, consisting mostly of electrodes and other metallic items, if offered for sale in the market, would fetch a low price but would cost much more when required later. But they are strongly of opinion that purchases of such stores should always be well-planned and haphazard purchases should be avoided so that there should not be any need for disposal of unwanted stores at a subsequent date.
- Do      The Committee also desired to be furnished with a commodity-wise break-up of Rs. 72,000 which had been spent on the purchase of timber, electrical goods, G. I. Pipes, etc. This information is still awaited.
- 34      59      Finance (Department of Revenue)      The Committee desire to be apprised of the findings of the Court in connection with the erroneous drawal of commission by authorised agents as also whether the Government have been able to recover the balance of more than Rs. 7,600 from the sureties. Further, departmental enquiry against the postal staff involved in this case may be expedited and the result thereof intimated to the Committee.
- The Committee would also emphasise that the new procedure to prevent the recurrence of such irregularities in future should be finalised without further delay so that cases of erroneous drawal of commission by authorised agents for the sale of National Savings/

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			Plan Certificates may be stopped quickly. They are not sure whether the erroneous drawal of commission by two agents in Delhi Area as disclosed in the Audit Para might not be symptomatic of a wide-spread disease. They would, therefore, urge Government to intensify the check of claims for commission under the existing procedure till it is replaced.
35	60	<u>Finance</u> Department of Revenue	The Committee desire that early decision should be taken to issue a Presidential or Governmental order and a start made in the matter of audit of income-tax receipts.
36	61	Do.	The Committee note the measures taken by the Ministry to check the evasion of income-tax and would like to watch their working through the subsequent Audit Reports.
37	62	Do.	The Committee desire that reassessments of income-tax cases should be done quickly and proceedings initiated under Section 34(1)(a) of the Income-tax Act.
38	63	<u>Finance</u> Department of Expenditure	The Committee deplore very much the state of clearance of outstanding audit objections. They desire to be informed of the results of the instructions issued by the Ministry in reducing the number of audit objections. They understand that some of these date back to 1945-46 and their clearance appears to have been delayed without adequate reason or justification. They strongly feel that any further delay in their settlement is likely to lead to the continuance of such irregularities.
39	64	Do.	The Committee feel that the Ministry's note confirmed the observations of the Public Accounts Committee (1956-57) as made in para 61 of their Twenty-third Report that the Ministry of Finance accorded the sanction for Rs. 7½ lakhs for the purchase of building in question

without being in possession of relevant facts regarding title to property, etc. They are of opinion that Government were persuaded to buy a property, which was encumbered by a minor's claims and which also substantially differed from the description in the original sale offer in the matter of a vacant piece of land. They feel that the payment of such a high commission as Rs. 1,36,060 to the Bank, which acted as a middleman, was also unauthorised.

40	65	<u>Finance</u> <u>Department of Expenditure</u>	The Committee desire the Ministry to Finance to expedite the final decision in the matter of control over grant-aided bodies.
41	66	<u>Finance</u> <u>Rehabilitation Administration.</u>	The Committee would like to watch the progress made in the recovery of the balance of loans outstanding against the loanees from West Pakistan through subsequent Audit Reports.
42	67	Do.	While the Committee recognise that the primary object of the Administration is to assist in the rehabilitation of displaced persons without sufficient means to furnish adequate security, they see no reason why the credentials of the guarantors could not be verified independently by the Administration in order to ensure the physical existence of the guarantors and to assess the real value of the guarantee offered. The Committee would stress that the responsibility for the non-verification of the guarantees and of the properties mortgaged should be fixed and action taken against the R.F.A. officials responsible for such lapses on their part.
43	71	Do.	The Committee would reiterate their recommendation in para 126 of Seventh Report (2nd Lok Sabha) that unless action is taken to devise suitable measures to effect the recoveries of outstanding loans, there is risk of their becoming irrecoverable.

The Committee desire that the cases in which loans were sanctioned by the Administration in disregard of the advice given by local authorities or their own field staff and which consequently landed the Administration into financial losses should be investigated and responsibility fixed.

The Committee would like to be apprised of the result of the investigation made by the Internal Audit arranged to check up all the loan deeds to find out cases in which the prescribed conditions for sanctioning of the loans had not been fulfilled and the measures devised by the Administration to tone up its internal working.

The Committee are concerned at the unbusiness-like manner in which the Administration is conducting its affairs and would suggest that Government should look into this before it becomes too late. They desire that the information called for by them in respect of some of the cases of irregularities in the Administration of loans and recovery proceedings should be furnished to them without any further delay.

(ii) The Committee are surprised why the officers representing the Central Government on the Board of the Administration did not bring these irregularities to the notice of Government. It was their duty to report to Government where they had any doubts about the propriety of any transaction, so that Government could take timely action to set things right. A few more cases have come to the notice of the Committee where Government representatives on such Boards failed to warn Government in time regarding the unwise activities or investments etc. of such Boards. So they trust that Government will impress upon their nominees on autonomous bodies this important aspect of their duties.

Finance

Rehabilitation Finance  
Administration

44 73

45 75 Do.

46 76 Do.

Do.

All Ministries

47	77	Finance <u>Rehabilitation Finance Administration</u>	The Committee trust that Government would issue standing instructions regarding the recovery of rent from the employees of all State Undertakings, autonomous bodies, etc. who are allotted Government residences, if not already done.
48	78	Do	The Committee view with much concern the rising trend of bad and doubtful debts in the Administration. They would reiterate their earlier recommendation that the R.F.A. should give its most serious consideration to this aspect and take suitable measures by reviewing the loan accounts periodically in the light of the information furnished by their field staff.
49	79	Finance/Industrial Finance <u>Corporation</u> All Ministries	The Committee are of opinion that all rules and regulations framed under any enactment should be laid before both the Houses of Parliament.
50	81	Finance/Industrial Finance <u>Corporation</u>	The Committee would urge the Government to expedite their decision regarding informing Parliament about guarantee given by Government which involved a contingent liability on the Consolidated Fund of India.
51	83	Finance/Industrial Finance <u>Corporation</u> All Ministries	The Committee would suggest that Government should issue suitable instructions to all public undertakings/State Corporations, etc. so as to bring their service rules/regulations, etc. in conformity with those applicable to persons in Government service.
52	84	Finance/Industrial Finance <u>Corporation</u>	The Committee would emphasise the need for an early examination of the various stages laid down by the Corporation right from the stage of receipt of application till the actual payment of the loan and see what improvements can be effected.
53	86	Finance/Industrial Finance <u>Corporation</u>	It is obvious to the Committee that the Corporation could have easily avoided with a little foresight all the labour and the infructuous expenditure of Rs. 2 lakhs on the launching of the Project for the building of the Corporation Offices.

(ii) The Committee regret to note that in spite of their recommendation in para 143 of their Seventh Report (Second Lok Sabha) they have not yet been informed of the result of the investigation into this matter with a view to fixing the responsibility for the loss and the steps taken to effect recovery thereof. They would stress that this matter should be attended to urgently.

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Finance/I.F.C.

The Committee should be informed of the final outcome of the Corporation's action against the guarantors, etc. in the Sodepur Glass Works case.

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Food &amp; Agriculture (Department of Agriculture)

The Committee observe that the provisions of Rule 207(2) of General Financial Rules, Volume I, according to which only so much amount of grants should be drawn as was required during the year, were not followed. Further, grants were continued to be paid without verifying whether the grants already paid had been fully utilised.

While the Committee are inclined to agree in principle to the suggestion of the Ministry that it would be desirable to attach certain conditions to the sanction of grants to States in order to ensure timely submission of accounts and audit certificates thereon and for that purpose a period of one year was too short, they desire that it should be examined in consultation with the Comptroller & Auditor General. In the meantime, they desire that the Ministry should impress on all concerned the necessity of finalising the accounts quickly and submitting the same to the I.C.A.R. for scrutiny.

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Do.

The Committee feel that the explanation of the Ministry that short payments against the sanctioned grants during the years 1952 to 1955 were due to late starting of the schemes could be valid for the first year and not for subsequent years.

They are glad to learn that the suggestion made by them to place at the disposal of the I.C.A.R. a lump sum as grant-in-aid which will be used as a permanent revolving fund instead of annual grants-in-aid by Government, has been accepted by the Government. Apart from eliminating the question of surrender of unspent balances, it will ensure continuity and better utilisation of available funds. The Committee, therefore, desire that the initial constitution of this scheme should be worked out in consultation with the Ministry of Finance and Audit. With the establishment of a permanent Fund, the I.C.A.R. will not be required to issue yearly sanctions for purposes of drawal of grants-in-aid before the close of the financial year.

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Food & Agriculture (Department of Agriculture)

Another suggestion which the Committee commended to the Ministry was the desirability of placing at the disposal of the State Governments in the first instance, 25% of the amount sanctioned by the Government of India for various Schemes and releasing the balance of the amount subsequently when it was proved to the satisfaction of I.C.A.R. and other such bodies that the grantee had actually the capacity to spend on the schemes concerned. The Committee are glad to learn that the Ministry are inclined to accept it. They desire that early action should be taken to translate this into action.

The Committee hope that these changes should go a long way in resolving the present difficulties facing the I.C.A.R. on account of the non-utilisation of funds by the State Governments or their non-surrender within the prescribed time limit.



- 58      92      Food & Agriculture (Department of Agriculture)      The Committee note that the unreconciled figures had been reduced to Rs. 2,46,000 at the end of 1956. While they would like to know the latest position in this regard, they are of opinion that if figures are not reconciled regularly, losses and shortages will go undetected for a long time until it becomes too late to take action. They, therefore, stress the need for timely reconciliation of figures.
- 59      93      Do.      The Committee are glad to learn that the Ministry of Commerce & Industry, who were consulted in the matter, have agreed to transfer the Fund for the benefit of Cotton Growers to the Ministry of Food & Agriculture on the understanding that in case price support became necessary in future, the demand for finances for that purpose would be met from this Fund. The Ministry of Food & Agriculture have also no objection to the Fund being transferred to its control. The Committee, therefore, trust that on this basis the Ministries will go ahead with the implementation of this suggestion.
- 60      94      Finance      The Committee desire that the Ministry of Finance should make specific provisions in the existing rules on the subject in respect of air-lifting of stores in emergencies and a serious view should be taken of cases in which officers violated these provisions.
- 61      95      Food & Agriculture (Department of Agriculture)      The Committee would like to be informed whether the target date, *vis.*, 31st December, 1958 prescribed for the disposal of the entire lots of stores in the C.T.O. so far declared surplus had been adhered to.

62 96 Do. . . . The Committee desire that while assessing the profit or loss in the disposals of non-tractor parts as were not required for use in the C.T.O., Government should also take into account the element of interest on the capital spent in purchasing them.

63 98 W. H. & S . . . The Committee considered the explanation of the Ministry that the person who was responsible for failure to pursue claims was a local recruit and had since resigned his job as unsatisfactory. They desired that the Secretary, Ministry of W. H. & S. should look into the case himself by calling for the relevant papers from the Mission and furnish a comprehensive note to the Committee.

The Committee also learn that according to a recent legal opinion, the claims could still be pursued with the firm and accordingly the Mission was holding further discussions with the firm and had asked for 6 months' time to finalise the same. The Committee would like to be informed of the outcome of these discussions.

64 99 Do. . . . The Committee feel that failure to pursue claims is a chronic disease with the Mission. They are amazed at the explanation of the Ministry that these were old cases relating to 1947-48. The Committee regard it as highly unsatisfactory that the officers responsible in the Mission should have acted in this light-hearted manner without realising the financial implications thereof. Considering the number of cases, and their quick succession, the Committee are led to the impression that lack of control from the Ministry had led the Mission to act as it chose. The Committee, therefore, desire that the Ministry should review the working of this Mission in this background and take all steps necessary to ensure that it acts in a business-like manner in purchases abroad.

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The Committee had desired to be furnished with a note indicating when and in what manner the Ministry had expressed their dissatisfaction against the officers concerned in the Mission. They understand that the Ministry have called for the original papers from the Mission. They, therefore, defer consideration of this case till they receive the note.

- 65      100      W. H. & S . . . . . The Committee understand that the Ministry have called for the original papers for a fresh appreciation of the position to determine whether any other officer could be held responsible in any manner, and if so, whether suitable action should be taken against him. The Committee have agreed to the request of the Ministry for a period of 3 months to submit a final note, duly vetted by Audit.
- 66      102      Food . . . . . The Committee did not feel satisfied with the explanation about the trading loss on sale of rice. They wanted to have a detailed note indicating whether the entire loss was unavoidable and Government could not have delayed the disposal of the stock when the market was falling. This note is still awaited.
- 67      103      D o. . . . . The Committee note that detailed accounts of foodgrains amounting to Rs. 10.16 crores purchased are still awaited by Audit. They should like the submission of the accounts to be expedited.
- 68      104      Do . . . . . The Committee desire the Ministry to inform them of the latest position in regard to final action taken in the matter of loss on the purchase of condensed milk.

69	105	Health	The Committee deplore the routine manner in which provision was made in the budget in connection with the National Water Supply and Sanitation Programme.
70	106	Do.	The Committee would suggest that Government may consider the possibility of setting off outstandings against the grants due to the States concerned for subsequent years.
71	107	Do.	The Committee were given to understand that the principle of cost accounting would be applied to all the biological products manufactured at the Institute, and they would be apprised of the progress made in the matter.
72	108	Do.	The Committee understand that Government proposed to appoint an Expert Committee to go into the question of closure of the Medical Store Depots. They should be informed of the outcome of the Report of the Expert Committee, in due course, and also of the progress made in liquidating the heavy outstandings.
73	109	Do.	The Committee would defer further consideration of the case regarding the eviction of a tenant from the premises of the Medical Stores Depots, Bombay till they are informed of the outcome of the two suits which had been filed in the court.
74	110	Home Affairs	The Committee would recall their observations contained in para 187 of their Seventh Report (Second Lok Sabha). They desire to reiterate that the stores should be limited to the prescribed limits and surplus disposed of quickly. They would also urge the need for the setting up of a better machinery for regular stock verification and disposal of surplus stores.

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75	111	Home Affairs	<p>The Committee would stress the need for finalising the amounts of royalty due from the Company on woods at an early date and also realising the arrears due from other contractors.</p> <p>They would also invite attention to para 186 of their Seventh Report (Second Lok Sabha) in which they had suggested that the <i>proforma</i> Accounts of the Forest Department should be recast in consultation with Audit after taking into account the sale proceeds of the stock of timber since disposed of. But they regret to observe that the Ministry have not reported to them any developments in this connection.</p>
76	112	Do.	<p>The Committee consider that necessary steps should be taken to make Government Dairy Farm, Andamans self-supporting.</p>
77	113	Do.	<p>The Committee desire to be furnished with a copy of the report of a Committee which had been appointed to go into the Shipping Department, Andamans and would like to know the action taken by Government on the recommendations contained therein. In their opinion, the increase in the passenger traffic may not be of a permanent nature and it is, therefore, necessary for the Ministry to explore avenues of increasing the goods traffic. They also trust that Government will take all steps necessary to push up the sale of timber.</p>
78	114	Do	<p>The Committee understand that the main object of the scheme for the supply of consumer and other stores in Andamans is to supply food-grains to consumers at 'no profit and no loss basis'. They, therefore, trust that the Administration will not lose sight of this in its anxiety to cut down losses.</p>

The Committee could not appreciate why the firm was allowed to take up the work without the formal agreement. They are not satisfied with the explanation of the Ministry that the work was allowed to be taken up by the firm from the date fixed as the Station Director was of opinion that the firm would fulfil the terms of the contract and any delay in allowing it to take up the work would have interrupted the issue of the journals. They feel that while the delay in finalising the draft agreement was in itself regrettable, they are of opinion that the authorities erred in allowing the firm to take up the work from 1-4-54 without signing the agreement or tendering the stipulated security deposit.

The Committee are surprised why the Ministry did not proceed with caution in this matter. The plea that had the work not been allowed to be taken up by the firm on the date already fixed, there would have been an interruption in the issue of journals (presumably because of the common ownership and management of this firm and the press where the journal 'Vanoli' was being printed) was untenable. In fact the issue of the journal was not interrupted when this press was subsequently sealed in pursuance of a court decree and stopped functioning.

The Committee would like to be informed of further developments in regard to the recovery of outstanding of Rs. 14,164/8/-.

Judging from the facts placed before them, the impression created on the Committee was that Government had gone out of their way in giving the contract to this firm. They, therefore, recommend that Government should institute a detailed enquiry into this case with a view to fixing responsibility.

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81	117	Information & Broadcasting	The Committee understand from Audit that the clerks worked as Assistants for about 22 months. If so, the Committee feel that the proper course for the Ministry was to have sought the concurrence of the Ministry of Home Affairs in time. They trust that the prescribed procedure will not be violated in such cases in future.
82	118	Do.	The Committee desired to be furnished with a note stating whether any irregularity had been detected and brought to the notice of Government as a result of physical verification of consumable stores at A.I.R. Stations, Hyderabad and Aurangabad. This note is still awaited.
83	119	Do.	The Committee would like to recall their observations made in para 193 of their Seventh Report (Second Lok Sabha) that even after allowing for expenditure on external services, the overall loss incurred on the working of A.I.R. is on the high side. In fact, it is continuously increasing. They, therefore, desire that the Ministry should explore all possibilities with a view to reducing the losses and report to the Committee the result of their efforts.
			They also desire that early steps should be taken to grade the radio licence fee according to the price of a set.
84	120	Do.	The Committee would like to be informed of the outcome of the proposal to discontinue some of the journals and the extent to which it had resulted in the reduction of loss on radio publications.
85	121	Do.	The Committee note that the P. & T. Department was not willing to entrust responsibilities to provide a 'home service' to radio holders

to postmen who had also felt that it was not a part of their regular duties. They trust that the A.I.R. will think of other methods in connection with the anti-piracy campaign. One method would be to warn the defaulters that if they did not make payment within a period of three months, they would be liable to pay an amount of penalty in addition to the licence fee due from them.

86	122	Irrigation and Power	: (i) The Committee desire that the disciplinary action against the supervisory officers concerned should be expedited.
		Do. ----- All Ministries	(ii) The Committee also desire that necessary instructions may be issued to all concerned impressing upon them the need for conducting the checks prescribed in the Central Treasury Rules and the C.P.W.A. Code regularly.
87	123	Irrigation and Power	The Committee understand that out of the machinery worth Rs. 3.14 crores procured for earth-moving operations at the Hirakud Dam Project, machinery to the extent of Rs. 2.80 crores was imported. Apparently due attention was not bestowed at the time of importing from abroad different types of machines for doing identical operations.
88	124	Do. ----- Finance	The Committee are surprised to note that funds were provided for twice (on the same count) under two different grants. This indicates lack of co-ordination between the Ministries and perfunctory scrutiny of the budget proposals in the Ministry of Finance.
89	125	<u>Labour and Employment</u> Defence	The Committee consider it unfortunate that legal implications of surrender of a portion of land and its subsequent requisition were not appreciated by the Ministries concerned.

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90	126	<u>Labour and Employment</u> All Ministries	(i) The Ministries should invariably place before the Committee complete information available with them including the latest developments in respect of every case that is under examination of the Committee in order to enable them to come to correct conclusions.
		Do.	(ii) The Committee would also add in this connection that wherever and Audit para affecting any action on the part of a State Government came up before them, the Ministry concerned should invariably contact the State Government concerned and obtain the latest information and their views in the matter.
		Labour and Employment.	(iii) The Committee trust that Government in consultation with the West Bengal Government will decide the question of acquiring the land on which permanent structures have been constructed to meet the requirements of the Industrial Training Institute at Calcutta to their best advantage.
91	127	Law	The Committee feel that on the point whether a private contractor who entered into contract with Government could be covered by the expression "any other authority" occurring in Article 149 of the Constitution and a law enacted to enable the Comptroller and Auditor General of India to have access to and examine the records of an individual, the Ministry would be well advised to take the opinion and advice of the Attorney General.
92	128	Do.	The Committee do not share the misgivings of the Ministry that if a law was made for renegotiation of contracts, the contractors might either refuse to deal with Government or take care to inflate their rates and

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costs to a large extent and manipulate their accounts with a view to ensuring that they did not lose high profits even if action was taken under such law and that reputable firms might regard the powers as introducing an element of uncertainty in their calculations. Such a legislation in America has certainly not led to the disappearance of good contractors there. The Committee desire to point out in this connection that the suggestion to promote such a legislation is not intended to put any curbs on the legitimate profits of the contractors dealing with the Government but to safeguard the financial interests of Government so that their funds are not defrauded either through the dishonesty of corrupt officers or undesirable contractors.

		Law	The Committee understand that the general conditions of contracts are under revision in consultation with the Ministry of Law and the revised conditions are expected to be finalised after some time. The Committee should be informed of the progress made in the matter.
		W.H. & S.	
93	129	W.H. & S.	The Committee would like to know whether a particular firm recommended for being blacklisted by a State Public Accounts Committee has been blacklisted by the Central Government.
			The Committee consider it necessary that there should be uniformity of action and practice with regard to putting contractors on the blacklist. They trust that Government will take necessary action to carry it out.
94	130	Rehabilitation	The Committee feel that the loss of cash book is a serious matter and efforts should be made afresh to fix responsibility for the loss. They would like to be informed of the action taken in the matter in due course.
95	131	Do.	The Committee consider that such disregard of rules as is involved in drawal of advance of Rs. 10,000 for the purchase of a motor

car and retaining the same for nearly ten months by a senior officer, who should set an example of conduct for others, called for more severe action.

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| 96 | 132 | S.R. & C.A. | The ceiling limits for stocking stores in the Photo Litho Sections have not been fixed. The Committee desire that this matter should be expedited.   |
| 97 | 133 | Do.         | The Committee note that the question regarding the continued existence of the National Research Development Corporation as a separate Corporation for developing the processes and invention, and in assessing their commercial potentialities in the light of the observations of the Committee, was under the consideration of Government. They desire that a decision in the matter should be expedited and the same communicated to them.  |
| 98 | 134 | Do.         | The Committee are not satisfied with the reasons advanced by the Ministry for not placing the Council on a statutory basis. A number of autonomous bodies have been set up by Government in the recent past whose functions have been embodied in the Acts passed by Parliament. The contention that being a statutory body, the flexible development of the C.S. & I.R. would be impeded is, in the opinion of the Committee, hardly convincing. They would, therefore, like to reiterate their earlier recommendation made in this behalf. |

The Committee hope that an early settlement will be reached in the matter of payment to the Resident Engineer. They would like to be informed of the result in due course.

S.M. &amp; F.

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The Committee were not satisfied with the explanation of the Ministry about the accumulation of unspent balances. While they appreciate that the estimates of expenditure might go wrong occasionally, the steadily rising balance in this case indicated that the estimates were not prepared or checked carefully taking into account the balance in the current account with banks. They desired to be furnished with further details as to the dates on which the amounts were drawn, the actual requirements of the Company and the balances in the current account with the bank on those dates. The information is still awaited.

Do.

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The Committee consider that the Ministry also cannot escape responsibility for this avoidable loss as apparently the loan applications from the Company were dealt with in a routine manner without verifying whether the requirements were justified with reference to the funds already advanced and the expenditure incurred therefrom. They understand that the Company has now drawn nearly the whole of its share capital of Rs. 300 crores and that it has to draw money from Government in future, only in the shape of loans. The Committee trust that to avoid such situations in future, Government will exercise greater scrutiny over the loan applications.

The Committee regret that the construction of perimeter walls around the area where stores were lying and strengthening of the watch and ward staff had not been taken up sufficiently early to prevent pilferage of stores.

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The Committee desire that all the project authorities should undertake an early stock verification of stores in their custody and ensure their proper accounting. They would also like to be informed of improvements effected in the storage of material in the three projects and also measures adopted by the Hindustan Steel Limited to ensure safety of stores during transit.

**102****138****S.M. & F.**

The Committee are not satisfied with the explanation of Ministry that Indian Engineers were freely associated with the working of the three plants and real handicap was the shortage of competent technical graduates in the country, and trust that Government would take all possible steps to train properly sufficient number of Indian personnel so that they could take over the technical control as early as possible and the change-over is smooth. In this connection they would also refer to the recommendations of the Estimates Committee contained in para 271 of their Thirty-third Report (Second Lok Sabha).

**248****103****140****Do.**

The Committee are glad to note that it has been possible to reduce the losses in collieries as a result of implementation of the recommendations of the Technical Committee. They would, however, impress on Government to continue their efforts to bring down the losses to the minimum possible and also examine at the appropriate time the desirability of closing down the mines instead of incurring perpetual losses.

**104****141****Do.**

The Committee understand that in the process of mining coal and when coal is hewn or transported, much of the coal is reduced

to any bits and dust which are mostly allowed to go waste. They learn that in most of the Western countries especially in France this waste material is briquetted and utilised for various purposes. They are of opinion that in the context of the considerable advance made by other countries in the utilisation of these products which otherwise go to waste, the difficulties apprehended in the collection of dust and slack coal may not be insurmountable. They understand that the Forest Research Institute has also conducted some experiments in this connection for finding out an efficient and economical binder. They, therefore, desire that this question should be investigated further by the Ministry, if necessary, in consultation with the Forest Research Institute, and the commercial possibility of briquettes of coal waste should be examined.

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| 105 | 142 | Transport & Communications (Deptt. of Communications and Civil Aviation). | The Committee are of the view that while permitting the club to withdraw the money from the Accident Reserve Fund, Government should have insisted on the other 3 aircraft also being insured. They trust that in future the rules in this behalf would be strictly enforced.   |
| 106 | 143 | Do.   | The Committee view with great concern the increasing trend in doubtful debts of the Air India International Corporation. They would urge that the Corporation should give its most serious consideration to this aspect and devise suitable remedial measures to improve the situation.   |
| 107 | 144 | Do.   | The Committee regret to note that although more than 5 years have passed since the establishment of the A.I.I.C., the regulations in respect of the terms and conditions of service of officers and employees of the Corporation have not yet been finalised. They desire that the Corporation should investigate into the cases where concessions in |

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			T.A. , D.A., leave salary, etc., were allowed to the employees outside the scope of the 'old' rules and fix responsibility for these irregular payments.
108	145	Ministry of Transport & Communications (Department of Transport)	As the forward dollar contracts for the purchase of two Super-Constellations etc. could be renewed each month or terminated, the Committee feel that had the necessity for their continuance been reviewed from time to time particularly when the exchange position had considerably improved the loss of nearly Rs. 4 lakhs suffered in this case could have been avoided. This is clearly borne out by the fact that in April, 1953 (just 2 months after the earlier decision to keep going the old forward dollar contracts) Government approved the suggestion from the Company not to enter into similar contracts for new purchases as the dollar/sterling position had improved considerably since June, 1952.
109	146	Do.	The Committee would like to point out that the delay in the construction of ships in the Hindustan Shipyard was not only due to under-estimation of time by their technical Advisers but also due to defects in the plans and designs of the ships which could not be detected before the work had made substantial progress. The Committee trust that with the change in the technical supervision and direction, the Hindustan Shipyard will reach better standards of efficiency.
110	147	Do.	The Committee understand from Audit that the performance of the Shipyard in respect of cost control had so far been very disappointing. The Committee view with concern the continuous losses disclosed in the working of the Shipyard which is in the seventh year of its working

They consider that in order to check this trend early measures should be taken to reduce over-heads and to step up production. With this end in view the Committee would invite attention to the recommendation in para 235 of their Seventh Report (Second Lok Sabha) for introducing effective methods of cost control by laying down norms for each item of work so that deviations in performance could be spotted immediately and remedial measures taken promptly. In order to assess the efficiency of the working of each section of the industry, it is necessary that an improved system of technical cost accounting should be evolved which would take into account the special needs and features of the ship-building industry. As accurate estimating is a necessary concomitant of effective cost control, the Committee recommend that the Shipyard should take early steps to establish an efficient estimating department manned by specially-trained staff.

(ii) The Committee would like to be informed of the measures taken to reduce overhead charges and to augment production and the results achieved therefrom.

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111	148	Do.	The Committee are concerned at the size of the subsidies paid by Government to the Hindustan Shipyard (which on average comes to about 24% of the cost). They desire that serious attention should be paid to bring down the cost of construction and thus reduce the subsidy gradually.
112	149	Do.	The Committee would urge that unwanted stores should be cleared quickly by the Hindustan Shipyard in order to reduce storage and maintenance charges.

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113	150	Ministry of Transport & Communications (Department of Transport)	<p>(i) The Committee would like that the question of the responsibility of the Technical Consultants of the Hindustan Shipyard for the defects in the vessel 'Andamans' should be finalised quickly and the result intimated to them.</p> <p>(ii) The Committee would also await the result of the investigation by the Enquiry Committee to the defects noticed in the Central Excise Launch (V.C. 123) and Calcutta Port Commissioners' Survey Vessel (V.C. 125).</p>
114	151	W. H. & S.	<p>While the Committee appreciate that certain time-lag is inevitable between the actual recovery of current rents and their adjustment in the accounts they do not see why heavy amounts relating to earlier years should still be outstanding. They regret to observe that despite their recommendation in para 33 of their Fifteenth Report <i>viz.</i>, that special measures should be devised to liquidate these heavy outstandings, the position is still disquieting. The Estate Officer should gear up his machinery and expedite the clearance of the old outstandings. The Committee should be informed of the steps taken in the matter by the time they take up examination of the Accounts for the next year.</p>
115	152	Do.	<p>The Committee were not satisfied with the explanation of the Ministry for the non-setting up of laboratory by the I.S.D. They could not see why it took four years for the I.S.D. to decide about the setting of its own laboratory. It was also obvious that there was no justification for having continued the firm of Consultants for a period of four years from 1st April, 1952 on payment of enhanced fees,</p>

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the responsibility for which lay squarely on the D.G., I.S.D. It is regrettable that the D.G., I.S.D. continued in his own way till 1956 despite repeated audit objections in 1953 and 1954. The Committee would like the matter to be investigated further and a report furnished to them.

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Do.

The Committee regret to observe that various difficulties since then discovered by the Hindustan Housing Factory Limited are rather belated. They trust that both the Ministry and the Company would explore the possibilities of overcoming the difficulties, technical and psychological, and take steps to work the factory to its full capacity.

At present the lease-money paid by the Company to Government on the assets leased to it covered only depreciation on the plant and machinery and did not take into account interest charges on the capital invested. Such a practice, the Committee wish to point out, is opposed to recognised commercial principles. It amounted to a grant of a subsidy to the Company. Therefore, the profit of Rs. 38,971.57 for the year ended on 31st July, 1957 as calculated by the company was not really so. The Committee would suggest that in evaluating the financial results of the working of the Company, the interest charges should also be taken into account so that the results revealed the correct state of affairs.

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Do.

The Committee would like to point out that with the production of the Hindustan Housing Factory falling far short of expectations the establishment charges should be reviewed and effective steps taken to bring them down to a level correlated with the business of the factory.

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118	157	W.H. & S.	<p>The Committee regret to state that statement of the Ministry that the transactions referred to in this para never came to the notice of the Government Directors was not borne out by the facts as set forth in sub-para (iii) of para 48 of the Audit Report wherein it had been clearly stated that the purchase of stores was approved by the Board of Directors (in which Government had representation). It is therefore apparent that the Government representatives on the Board of Directors of the Company did not fulfil their part in safeguarding the interest of Government which is regrettable.</p> <p>The Committee understand that the private firm of partners still owe some amount to Government. At the same time there are also certain counter-claims preferred by the firm. The Committee desire that all claims by Government and counter-claims by the private firm should be subjected to scrutiny by Audit before final settlement is made.</p> <p>The chequered career of the undertaking which had caused considerable loss to the Government at every stage since its inception is a sad commentary on the manner in which the whole project had been planned and executed. The Committee trust that Government will benefit by their experience in this case.</p>
119	159	Do.	<p>The Committee find it difficult to accept the plea of the Ministry that the original estimate framed by the architect for the Ashoka Hotel building indicated only lump sum figures for filling in foundations and the then management did not imagine that the P.W.D. and the Government Rules would have to be followed by the Architect employed in this work. As payments made should always be on the basis of</p>

actual work executed, in any system of accounts worth the name, due attention should have been paid to this fundamental requirement. The Committee, therefore, feel that there was hardly any justification for making payments without measurements and allowing higher special rates for work. In their opinion, the matter calls for further investigation.

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| 120 | 160 | o.  | From the evidence placed before them, the Committee find that no measurements were actually taken during the execution of the work and payments were made on the basis of certificates given by the Architect. It was urged that the work had to be completed within a specified period for providing accommodation to the delegates for an international conference and so the management had to race against time. Even so, the Committee cannot refrain from observing that the procedure followed in making payments to the contractor was questionable. |
| 121 | 161 | Do. | While the Committee do not wish to be pessimistic about the venture, they would like to caution the Ministry that unless proper care is taken to improve the financial working of the Hotel and to reduce its high establishment cost it might be difficult to make it a successful commercial venture. They trust that both the Ministry and the management of the Ashoka Hotel will address themselves to this earnestly.  |
| 122 | 162 | Do. | The Committee felt that on the analogy of the procedure adopted in respect of transactions of I.S.D., London, it is desirable that similar half-yearly statements of cases in which lowest tenders were not accepted by the I.S.M., Washington should, be submitted to Parliament. They trust that the Secretary, Ministry of Works, Housing and Supply will take early action to implement this suggestion.   |
| 123 | 163 | Do. | The Committee are surprised to learn that despite the fact that the irregularity committed by him in the case under reference had been   |

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brought to the notice of the Ministry on 12th July, 1955, the Assistant concerned had been sent on deputation to a higher post on 6th August, 1955. They also understand that no note of the administration of warning to the official had been kept in his character roll. The Committee do not consider warning as an adequate punishment in this case.

124

164

W. H. & S.

The Committee regret to observe that the action to fix the final price of road rollers and to recover the difference in cost from the various indentors has been considerably delayed. They trust that this matter will be finalised before they next examine the Accounts relating to the Ministry.

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Department of Atomic  
Energy.

The Committee are not satisfied with the reasons given for the changes in specification. These had the effect of increasing the cost to nearly double the original estimate. Such large scale revisions in the plan and specifications of a work, apart from leading to considerable extra expenditure, defeat the purpose of obtaining tenders. Nor were the changes necessitated on grounds which the authorities were not aware of initially. The Committee consider that such action on the part of the Company by providing an amenity in the shape of extra accommodation without additional rent was tantamount to subsidising the officers indirectly. They would urge that the rent charged in this case should not be treated as a precedent for determining house rent when accommodation is provided in excess of the scale. They cannot also help feeling that the Accounts Department of the Company failed in its duty to scrutinise the effect of the increase in cost on the standard rent. They trust that suitable remedial steps will be taken to tighten the scrutiny by that Department.

126	166	Do.	The Committee would like to be informed of the settlement reached in the case relating to supply of defective plant and machinery by a firm.
127	167	Do.	The Committee hope that with the stoppage of production of some of the chemicals, attention is being paid continuously to the optimum utilisation of the plant at Trombay.
128	168	Department of Atomic Energy	The Committee suggest that in future a proper assessment of requirements should be made before placing orders for such stores which are likely to be damaged, if not used within a short period.
		All Ministries. Department of Atomic Energy	The Committee desire that in order to avoid lapses referred to in paragraph 505(xii) of Audit Report, necessary instructions should be issued by the Company. In their opinion, had stock-taking been done regularly, not only the error could have been detected much earlier, but the responsibility for short supply could have been fastened on the supplier. They would, therefore, urge that regular stock-taking should be conducted so that deficiencies in stock would be divulged at the earliest possible opportunity to enable the authorities to take timely action.
129	170	Do. All Ministries	The Committee recommend that while entering into long term agreements with firms for supply of materials etc. fluctuations in requirements should be taken into account and suitable provisions made in the agreement to safeguard the interests of the Company in this respect.

