

**PUBLIC ACCOUNTS COMMITTEE
(1967-68)**

TWENTY-FIRST REPORT

(FOURTH LOK SABHA)

[Appropriation Accounts (Civil) 1965-66 and Audit Report (Civil) 1967 relating to the Department of Atomic Energy, Ministries of External Affairs; Food, Agriculture, Community Development and Co-operation (Department of Community Development and Cooperation); Health & Family Planning; and Works, Housing & Supply (Department of Supply)]



PARLIAMENT OF INDIA
(Lok Sabha)
Committee on Public Accounts
No. 29113 (1)
Date 19-3-68

**LOK SABHA SECRETARIAT
NEW DELHI**

February, 1968/Phalguna, 1889 (Saka)

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(1967-68) PRESENTED TO LOK SABHA ON 18.3.1968)**

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Re:d</u>
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80		31	Irrigulari- ties	Irregularities
83	5.163	2	suit is.	suit No.
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117	Col.1	against	line 16 insert "17"	

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

(1)

PUBLIC ACCOUNTS COMMITTEE

(1967-68)

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SECRETARIAT

Shri Avtar Singh Rikhy—*Deputy Secretary.*

Shri R. M. Bhargava—*Under Secretary.*

*Declared elected on 30th November, 1967 *vice* Shri Mohammed Yunus Saleem ceased to be a Member of the Committee on his appointment as Deputy Minister.

INTRODUCTION

I, the Chairman of the Public Accounts Committee, do present on their behalf this Twenty-first Report (Fourth Lok Sabha) on Appropriation Accounts (Civil), 1965 and Audit Report (Civil), 1967 relating to the Department of Atomic Energy; Ministries of External Affairs; Food, Agriculture, Community Development and Co-operation (Department of Community Development and Co-operation); Health and Family Planning; Works, Housing and Supply (Department of Supply).

2. The Appropriation Accounts (Civil), 1965-66 together with the Audit Report (Civil), 1967, was laid on the Table of the House on 7th April, 1967.

3. The Committee examined these at their sittings held on 20th, 21st, 24th and 25th October, 1967. The Committee considered and finalised this Report at their sitting held on 29th February, 1968. Minutes of the sittings of the Committee from Part II* of the Report.

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

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

6. They would also like to express their thanks to the officers of the Department of Atomic Energy, Ministries of External Affairs; Food, Agriculture, Community Development & Co-operation (Department of Community Development & Co-operation); Health & Family Planning, Works, Housing & Supply (Department of Supply). for the co-operation extended by them in giving information to the Committee.

NEW DELHI;
March 11, 1968.

Phalgun 21, 1889 (Saka).

M. R. MASANI,
Chairman,
Public Accounts Committee.

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

I

APPROPRIATION ACCOUNTS (CIVIL), 1965-66

DEPARTMENT OF ATOMIC ENERGY

**Grant No. 147—Capital Outlay of the Department of Atomic Energy—
pages 203—205.**

1.1. The Committee pointed out that, according to Audit, the Grant has been recording large savings during the three years ending 1965-66 as shown below:—

(In lakhs of rupees)

	Original provision	Saving
1963-64	1646·40	1166·15
1964-65	1981·70	454·42
1965-66	3300·00	132·91

1.2. The Secretary, Department of Atomic Energy and Chairman, Atomic Energy Commission stated, during evidence, that there were three types of Atomic Projects. Citing cases, the witness added that in the case of Tarapore Atomic Power Project, Government's approval was obtained in 1962 while technical co-operation agreement was signed in August, 1963. In regard to Rajasthan Atomic Power Project, the agreement with the Canadian Consultants was signed in December, 1963, and March 1964, and the financial arrangements with them could be made only in April, 1964. Once the capital, both rupee finance and the foreign exchange component, was approved there was no difficulty. The witness added that "some of the main difficulties in these big power projects are that there is also the political problem of safeguards, and negotiations connected with those safeguards. When major projects such as this are undertaken, the foreign governments have their own policies in regard to the terms under which they should help." The witness further stated that once these agreements had been signed then there was no difficulty of drawing on foreign exchange.

1.3. In respect of the Kalpakkam Atomic Power Station (Madras), as the loan for this involved unacceptable obligations, it became necessary to review the position with particular reference to foreign exchange requirements.

1.4. In respect of the other ancillary projects where the foreign exchange component was of the order of Rs. 3 to 10 crores, out of a

capital expenditure of about Rs. 5 to 15 crores, due to the overall difficult foreign exchange position of the Government, there was delay in obtaining approval. In other cases, to cut down on free foreign exchange allocations they had to be linked to known credits from various foreign Governments resulting in negotiations and safeguards and consequent delay.

1.5. The witness stated that though, by and large, in respect of their essential schemes they had no difficulty in the allocation of funds, he would like streamlining of the procedure of allocation of funds consistent with the priority of the project.

1.6. The Department of Atomic Energy have furnished the following note on the streamlining of procedure for the allocation of foreign exchange for its major projects.

1.7. "Foreign exchange allocations to the various Ministries etc. are made by the Department of Economic Affairs every half-year (i.e. for the periods April—September and October—March) and allocation orders are issued some time after the commencement of the half-year concerned. In the absence of any indication in advance regarding the quantum of allocation likely to be available for the relevant half-yearly period or of the sources of foreign credits, against which allocations would be made, project authorities have been finding it difficult to plan their import schedule and consequently to adhere to the target dates for placing of orders on the foreign suppliers for items to be imported. Such uncertainty has to some extent contributed to the non-realisation of the target dates for the completion of the projects and to their inability to make full utilisation of funds voted by Parliament."

1.8. "To remove these difficulties, the Department of Economic Affairs has, at the instance of the Department of Atomic Energy, agreed to a special arrangement under which the foreign exchange requirements of major projects, (e.g. the Madras Atomic Power Project, the Atomic Fuel Plants and the Heavy Water Plant) over a period of three half-years, will be allocated to the Department, indicating the sources and amount of credits and free foreign exchange which could be utilised. It is hoped that it will now be possible for the Department of Atomic Energy to proceed with the execution of its major projects expeditiously and complete them on schedule."

1.9. "The Department of Atomic Energy is also initiating action to obtain bulk clearances from the Directorate General of Technical Development in respect of imports required for its important projects."

1.10. "The Department of Atomic Energy will also make the best use of the organisation recently set up in the Cabinet Secretariat under the guidance of a full time Joint Secretary, to effect co-ordination between various Governmental Agencies on problems that might impede the progress of major projects."

1.11. The Committee are glad to note that the Department of Economic Affairs have, at the instance of the Department of Atomic Energy, agreed to make special arrangements under which the foreign exchange requirements of major projects over a period of three and half-years will be allocated to the Department, indicating the source and amount of free foreign exchange which could be utilised. To overcome administrative delays at Governmental level, the Committee have no doubt that the Department of Atomic Energy will make the best use of the organisation recently set up in the Cabinet Secretariat to effect co-ordination between the various Government agencies.

1.12. The Committee hope that, with the procedure for the allocation of foreign exchange having been streamlined and with the required co-ordination amongst the different Ministries, the Department of Atomic Energy will be able to proceed with the execution of its major projects expeditiously and to complete them on schedule.

1.13. In regard to the general aspect of budgeting, the witness admitted that to avoid excesses under the grants a certain amount of over-budgeting could not be helped. This and the reasons already advanced were responsible for the savings.

1.14. The Committee pointed out that in view of the financial stringency obtaining in the country, care had not been taken to ensure that the money asked for was not only necessary but also that it could be used. The witness stated that the reason for the savings in the previous years was delay in the completion of various formalities for power projects. The present trend was more realistic and savings under capital outlay had come down from 70 per cent in 1963-64 and about 25 per cent in 1964-65 to 4 per cent in 1965-66. He further explained that as a result of a huge spill-over from the Third Five Year Plan, which was now linked to the Fourth Five Year Plan, many important schemes were pending for want of funds. In regard to the direct relation of the projects to the economic development of the country, he stated that the bulk of the expenditure was related to power projects, production of nuclear fuels, electronic instruments and equipment which formed part of an industrial complex. Bringing down the import content of power stations from 60 per cent to 20 per cent would result in gain to the Indian economy

through major projects for building new equipment. The cost of electricity produced in Atomic Power Project was expected to be between 3·5 to 4 paise per k.w. in mid-70's. This apart from helping industrialization would also help promote Agriculture by making available electricity for tubewells.

1.15. The Committee note that the percentage of savings in capital outlay has progressively come down from 70 in 1963-64 and about 25 in 1964-65 to 4 in 1965-66. The Committee feel that the budget estimates require to be prepared still more realistically. The Committee suggest that, in cases where due to delay in availability of foreign exchange or otherwise, the execution of a project is doubtful in any one year, only a token grant may be taken for it. Further, in other cases where amounts voted by Parliament are not likely to be spent, surrenders should be made in time. Such a step would help Government in assessing the ways and means position.

1.16. As the taxation policy of Government largely depends on the budget provisions of the various Departments, the Committee suggest that each Department should exercise closer and stricter control over the technique of budgeting so as to exclude such projects from the budgetary provisions as are not likely to be taken up for execution during the year.

II

MINISTRY OF HOME AFFAIRS

Avoidable extra-expenditure incurred in renting a house—para 32, pages 47-48.

2.1. The residence of the Indian Commissioner at Mauritius, rented at Rs. 450 per mensem, being damaged in February, 1960 by a cyclone, the Ministry authorised the Commissioner telegraphically in March, 1960 to hire a concrete house within the ceiling rental of Rs. 1,000 p.m. with the instruction that efforts should be made to rent the house at as low a rent as possible. A local firm having in the meantime offered to construct a house at a cost of Rs. 80,000 for renting to the Commissioner at Rs. 800 per mensem, the Commissioner informally approved the plans of the proposed building, after showing them to the Ministry. The Commissioner was transferred in June, 1960 and his successor, who assumed charge in June, 1961, after inspecting the building under construction informed the Ministry that the building would not be suitable for residential and representational purposes without certain additions and alterations and advised the Ministry strongly in favour of retaining the existing rented house, which had by then been suitably repaired by the landlord. The Ministry, however, decided not to break off the tacit understanding with the firm. The firm after carrying out some of the suggested additions and alterations, demanded a rent of Rs. 1,500 per mensem on the ground that the cost of the building had increased to Rs. 1.50 lakhs. As the estimated cost of the building seemed to be on the high side, the Commissioner referred the matter to the Local Town Council for their assessment. The Council estimated the cost of the land at Rs. 6,000 and that of the building, when completed, at Rs. 33,000 only, if the house were occupied by the owner and stated that the valuation would differ if the house stood rented. The firm having exaggerated the value of the house, it was decided not to have it on rent. The Ministry of Law when consulted in the matter advised that there was no legal obligation on the part of the Government to occupy the house. In the meantime the firm approached the former Commissioner, then posted as Ambassador in Kabul, who without any permission or authority communicated in February, 1962 a written commitment to the firm to rent the house when constructed. The Ministry of Law, when consulted again, opined that the commitment of the former Commissioner did not materially alter the legal position and advised

that the position under the local laws should also be ascertained. Even before receipt of the opinion of the local lawyer, the Ministry decided to take over the house in view of the moral obligation involved as a result of the definite undertaking given by the ex-Commissioner. The local lawyer, whose opinion was received subsequently, also stated that the two parties were not bound by any legally valid lease; he, however, added that in the circumstances, the Government might be liable for damages if the negotiations were terminated at that stage, without giving the firm an opportunity to render the house suitable for occupation. The Commissioner moved to the new residence, which had since been completed in all respects, on 1st October, 1963, for which rent was fixed at Rs. 1,000 per mensem, and executed the lease deed for a period of 10 years.

2.2. In view of the facts that the house already under occupation of the Commissioner at a rental of Rs. 5,400 per annum, was suitable both from the point of view of safety and representational facilities and the Commissioner was also strongly in favour of its continued retention, the renting of the new building at Rs. 12,000 per annum with effect from 1st October, 1963 involved an avoidable extra expenditure of Rs. 6,600 per annum.

2.3. The Committee were informed during evidence that the house which was taken on rent by the earlier Commissioner was unsatisfactory due to certain reasons. Therefore, he had suggested for a change of the house. When he left in 1958, the second Commissioner, who took over, also found the accommodation to be unsatisfactory and unsafe. He, too, therefore, proposed that the house in occupation be changed. He had also asked for a higher ceiling of rent because the rent of Rs. 450 per month which was being paid for that house was considered inadequate. In February, 1959, the Commissioner was asked to take another house on rent not exceeding Rs. 650 per month. The Commissioner then approached the landlord of the old house who was prepared to build a concrete house for the Commission, provided the rent of the house was fixed at Rs. 750 per month. Since the ceiling of rent had been fixed at Rs. 650 per month, the Commissioner could not ask the landlord to go ahead with the building of the house.

2.4. The cyclone which came in February, 1960, seriously damaged the house and Government furniture and the Commissioner too had a providential escape. It was after the damage caused by the cyclone that the Commissioner sent a telegram to the Government asking that the rent of Rs. 1,000 per month be sanctioned for a new house because it was difficult to find a house after the cyclone had damaged a large number of the houses. The Government sanctioned Rs. 1,000

per month on the understanding that efforts would be made to rent a house with as low a rent as possible but not more than Rs. 1,000 in any case. It was at this time that a local business man came forward and offered to build a house at a cost of Rs. 80,000 for giving on rent to the Commissioner at Rs. 800 per month. Government sanctioned a rent of Rs. 800 per month after the Commissioner had discussed the matter with the local business man. The Commissioner selected the site of the building in consultation with the respective landlord. Plans which were prepared were modified by the Commissioner. The valuation of the building was originally Rs. 1 lakh but later on was said to be Rs. 80,000 and the land was worth Rs. 30,000. The then Commissioner was of the opinion that for a house worth Rs. 80,000, the rent should be Rs. 800 per month. The Commissioner recommended this rent to Government which sanctioned the rent of Rs. 800 per month. The Government's view was that since it had not been possible to rent a house for Rs. 650 per month and there was a firm demand for Rs. 750 from other landlords, and this house being now, specially built for the Commissioner and other things being satisfactory, a rent of Rs. 800 per month appeared reasonable.

2.5. Before the Commissioner left Mauritius, he laid the foundation stone of the new house which was to be built. The witness further stated that "there was no formal contract to rent this house", and there was "no legal or conclusive commitment as it were or a binding commitment." But the understanding was that the rent would be Rs. 800 per month for a period of ten years with a break clause of 5 years.

2.6. When the new (third) Commissioner took over, he visited the premises and wrote very strongly against this house. He suggested to the local contractor that certain modifications should be made. These modifications which were in addition to what the previous Commissioner and the landlord had agreed upon, involved additional expenditure. The matter was referred to the Ministry of External Affairs which appreciated the fact that the house which had been considered good enough or large enough by the second Commissioner, was in fact inadequate. But before any approval could be given, the third Commissioner asked the landlord to go ahead with these modifications. The modifications suggested by the Commissioner were within the sanctioned scale of accommodation intended for heads of missions. So the Government could not object to those modifications. When substantial part of the modifications had been carried out, the landlord demanded a rent of Rs. 1,500 because of those modifications. The third Commissioner still proposed

to the Government that the rent should be Rs. 800 per month. He was reluctant about this offer because the construction of the additions were taking a long time and the Government was not committed to renting the house unless all that the Government required had been done. So the third Commissioner proposed purchasing of another house.

2.7. By May, 1962, the landlord had carried out all the changes in the new house and demanded not only Rs. 1,000 to Rs. Rs. 1,500 p.m. but Rs. 2,000 p.m. as rent. The Government asked the Commissioner to move into the new house and to assess the additional rent that might have to be paid beyond Rs. 800. He recommended that the rent be raised from Rs. 800 to Rs. 1,000 per month. This was agreed to and the Commissioner moved into the house on 1st October, 1963.

2.8. The Committee were further informed that the rent of Rs. 1,000 per month was reasonable as the rents during the intervening period of 3 years, when negotiations were going on, had gone up elsewhere also.

2.9. With regard to the negotiations carried out by the two Commissioners, the witness stated that "while they were, on the whole, done in consultation with the Government and with the approval of the Government, there were, apparently, exchanges between the landlord, and the two Commissioners which did make some commitments. They were not, as I said, legal or binding commitments. But if you examine them carefully and specially, as I have described to you, the degree to which the Commissioner....., went in the shaping in the construction and the laying of the foundation stone of the house, obviously, the Government was being committed, and it was committed, and the Government realised that it had, at least, a moral commitment, if not a strict legal commitment."

2.10. The Committee enquired about the propriety of the second Commissioner, to commit in February, 1962, to rent the house, under construction in Mauritius, when he was posted at Kabul as Ambassador. The witness stated that "it was wrong and improper on the part of the ex-Commissioner to be negotiating the lease of a house which was the affair of his successor." He added that the ex-Commissioner "should not have written that letter without the prior approval of the Government. Indeed, he should not have corresponded at all and merely forwarded that letter to the Government."

2.11. As regards the action taken against the second Commissioner, the witness stated "We wrote to him and also impressed upon him not to do so in future."

2.12. The Committee desired to know the procedure adopted for taking a house on rent by the Commissioners in foreign countries. The witness stated that when a house was rented, full details were asked about the area, number of rooms and if the houses were furnished the details of the furnishing etc., were also called for and approved by the Ministry. But in this case, the witness stated, where the construction of a house was involved, the second Commissioner, sent to the Ministry the details, which were sent back to him saying: "Here is a private person building a house and Government is not concerned with these plans." So, the witness added: "the Government neither approved nor disapproved the plans but sent them back." But the second Commissioner liked the plans and asked the landlord to go ahead with the construction.

2.13. Asked when Government took that attitude, did it not "clearly indicate that the Government were not prepared to commit themselves", the witness stated: "That would not be quite accurate. I would say that Government did not wish to get involved in the details of the construction. But it did approve generally of what was proposed to be constructed."

2.14. In reply to a question the witness stated that the second Commissioner had inspected the house at the time when it was incomplete. But the landlord set out high hopes and the third Commissioner promptly proceeded to tell him what modifications should be made. When the Committee pointed out that the third Commissioner requested the landlord to make additions and alterations without verifying the formal sanctions of the Ministry of External Affairs, the witness stated, "that would be correct. But let it be added that so far as the third Commissioner is concerned, in subsequent correspondence, he mentioned that he had now final commitment. It was merely suggestion to the landlord and the landlord picked up these suggestions and had them executed."

2.15. Clarifying further about the commitment of the Government in regard to taking the house on rent under construction, the witness stated that the Government had agreed to take the house on Rs. 800 per month as rent on the terms and specifications mentioned by the second Commissioner. The Government's commitment was there subject to the completion of the house and completion of the interior decoration of the house which was to be undertaken under the supervision of the Commissioner. When the interior decoration was to be supervised by the Commissioner, and he having

gone through all the earlier stages of selection of site telling the landlord what to construct, the Government commitment was there. The Commitment might not be in the strict legal sense but circumstantial evidence would indicate that the commitment was there. The witness further stated that the second Commissioner "exceeded the brief" in writing the letter to the landlord.

2.16. In reply to the question as to whether the third Commissioner had occupied the newly constructed house without ascertaining its rent from the landlord, the witness stated that the third Commissioner wrote on 19th July, 1963 and asked that a rent of Rs. 1,000 per month be accepted. That house was occupied on 1st October, 1963 when Government had agreed to pay the rent of Rs. 1,000 per month and the same was accepted by the landlord.

2.17. The Committee desired to know the cost of the newly constructed house which had been purchased by Government. The witness stated that according to the devalued rate, its cost was Rs. 4,80,705. Clarifying further, the witness stated that the old house which was regarded as unsafe by three successive Commissioners had to be given up. After that the house of the local landlord which was rented in October, 1963 was in occupation for four years. Though the third Commissioner proposed for its purchase for Rs. 1-1/2 to 1-3/4 lakhs but the Government did not regard it is a good proposition. The witness further added that now Mauritius was becoming independent. The Government in anticipation of its expanding activities would appoint a High Commissioner there. So on the basis of the proposal from the former Commissioner, the Government had decided to purchase the house at the price of Rs. 4,80,705 whose original price was Rs. 3-1/2 lakhs.

2.18. The Committee desired to know the policy of the Government regarding the purchase of building for the use of its representative in various countries. The witness stated: "Various considerations go into it. First is that if a rented house is a reasonably economic proposition, we carry on. If, on the other hand, it is not an economic proposition, it is better to purchase the house. In purchasing the house an important consideration is: What is the element of foreign exchange involved. We are short of foreign exchange and we cannot, therefore, embark upon purchase of buildings in foreign countries unless we can produce that much of foreign exchange. The Government have a phased programme for purchase of property for our missions abroad."

2.19. The witness further stated that in this case the purchase of the house was made possible by the fact that the foreign exchange commitment was relatively small and an insurance company promised the money.

220. Details of houses rented and purchased for the Indian mission at Mauritius, furnished by the Ministry at the instance of the Committee are at Appendix I.

221. The Committee are unable to appreciate how a former Commissioner in Mauritius, while posted later in Kabul, could communicate a written commitment to the firm in Mauritius to rent the house without the approval of Government. The Committee feel that it was improper on the part of the former Commissioner to be negotiating a lease of a house which was the affair of his successor. The Committee note that this view has been impressed upon the officer concerned. The Committee desire that the Ministry of External Affairs should issue clear instructions to the Heads of Missions abroad so that cases of this type do not recur.

Alleged embezzlement—Para 33, pages 48-49.

222. During Local Audit of the accounts of Regional Passport and Emigration Office, Madras in December, 1965, it was noticed that certain sums of money reported to have been either remitted into the Reserve Bank or refunded to the parties concerned had not been actually remitted or refunded. A special audit of the accounts relating to the period from April, 1959 to December, 1965 conducted at the instance of the department in February—March, 1966, indicated irregularities, involving a sum of Rs. 73,741, as detailed below:—

	Rs.
Security deposits refunded subsequent to the date of entry in the cash book after delays ranging up to four years	37,595
Security deposits shown as refunded through money order but not so refunded	32,071
Amount reported as remitted into the bank but not actually so remitted	3,375
Double payment in refund of security deposit	700

223. The irregularities were rendered possible by the failure to observe prescribed rules/checks about handling of cash, maintenance of cash book, reconciliation of the remittances to the bank as recorded in the cash book with the records of the Pay and Accounts Officer etc.

224. The case is under investigation by the Special Police Establishment since January, 1966.

225. The Committee desired to know the progress of investigation made by the Special Police Establishment in the embezzlement that took place in the Regional Passport and Emigration Office, Madras. Giving the facts of the case, the representative of the Ministry of External Affairs, stated that the offices of the Protector of Immigrants and of the Passport Officer were amalgamated in April, 1959. The Regional Passport Officer at Madras had under him two wings—one relating to the passport work headed by the Assistant Passport Officer and the other relating to the immigration headed by the Protector of Immigrants. Under the Protector of Immigrants, the next principal officer was the Cashier, "a very ingenious, clever and evil man." The Cashier started his operations in 1959. Security deposits which amounted to one and a half times the fare of an immigrant to a country abroad and which was made as a deposit by the employer, was returnable when the skilled workmen had come back. These deposits had to be refunded subsequently. The cashier started by seeing that deposits already made were not credited into the Reserve Bank and when the deposits were refunded the concerned persons did not get them but they all went into the pocket of the cashier. The witness agreed with the audit that this kind of operation which began in April, 1959 and was discovered in December, 1965 "was due to lack of proper supervision, negligence in following the prescribed procedure." The witness added that not only the Protector of Immigrants failed to discover as to what was going on throughout this period but the Audit also failed in this matter. The Audit carried out five audit inspections from 1960 to 1964 but on no occasion these malpractices were discovered. The witness further informed the Committee that the moment embezzlement was discovered, through the audit inspection of December, 1965, the Ministry of External Affairs took prompt action in the matter. The Cashier was suspended and the case was handed over to the Central Bureau of Investigation. The investigation started immediately. In October, 1966, the prosecution started and the judgement was delivered by the Special Judge in April, 1967 as a result of which the Cashier was sentenced to five years imprisonment and a fine of Rs. 6,000. The Cashier filed an appeal in the Madras High Court, which was still pending there. In the meantime, the Special Police Establishment had recommended that action should be taken against the two Protectors of Immigrants. It was found that one of the Protectors of Immigrants had since died. The Ministry intended to proceed against the other Protector of Immigrants in the form of a departmental enquiry after the conclusion of the Legal proceedings. The matter had been referred to the Central Bureau of Investigation and on the basis of their advice the Ministry would proceed against the Officer concerned.

2.26. The Ministry in their note stated that "With a view to eliminating chances of fraud the accounting arrangements in the Offices of the Regional Passport and Emigration Officers were tightened up and a system of checks and counter checks by the Heads of Offices have been introduced. The form of the Cash Book was also reviewed. The need for the Heads of Offices ensuring proper account of all financial transactions was also reiterated." The Ministry have also stated that instructions under their letter No. V-IV/754/66 dt. 21-11-66 (Appendix II) had been issued and that their adequacy was being examined.

2.27. The Committee desired to know the views of the representative of the Special Police Establishment in this matter. The representative of the Special Police Establishment stated: "The investigation had shown that large amounts of money had been misappropriated, but we took up a few instances which were clearly foolproof and it was on the basis of 25 instances that we eventually went to the court and it was found it was . . . (the Cashier) who was responsible for the defalcation. Therefore, it was decided, after taking the opinion of the law officers, to prosecute . . . (the Cashier) and to go for departmental action against the two Protectors . . ."

2.28. In response to a question, the representative of the Special Police Establishment stated that the evidence that could be obtained was only against the cashier. The various complaints which had been received about non-refund of money were suppressed by the cashier, and later on were found from the almirah which was in his possession. Secondly, during investigation, it was also found that the key of the cash-box remained with the cashier and he was solely incharge of the cash. The Protector of immigrants went on signing the cash book by having trust on the cashier.

2.29. In reply to a question, the representative of the Special Police Establishment stated that there was not sufficient proof to prove that the two Immigrant Officers had any intention of misappropriation.

2.30. Asked if the investigations by the Special Police Establishment indicated the possibility or the intension of misappropriation by the two Immigrant Officers the representative of the Central Bureau of Investigation stated: "There was no sufficient proof coming up."

2.31. The Committee regret to note that the various financial irregularities involving a sum of Rs. 73,741 were committed by the

cashier in the office of the Regional Passport Officer, Madras, since April, 1959, and these came to light only in December, 1965, i.e., after a lapse of six years.

2.32. The Committee note that the cashier concerned has already been convicted by the lower court for a term of five years imprisonment and a fine of Rs. 6,000 and that he has filed an appeal in the Madras High Court. Since the appeal is still pending, the Committee would not like to comment in detail on this particular case. The Committee have no doubt that Government will take suitable action against all those who are held responsible for the embezzlement and the failure to detect malpractices in time. The Committee should be informed in due course of the action taken against them.

2.33. The Committee note that instructions to avoid a recurrence of such cases of fraud in security deposit fees were issued by the Ministry of External Affairs in November, 1966, and that the adequacy of these instructions is being examined again by Government. The Committee suggest that the procedure of accepting deposits and their remittance to Government account or refund to the person concerned should be fully gone into by Government in consultation with Audit and detailed instructions issued to avoid the recurrence of such cases.

III
**MINISTRY OF FOOD, AGRICULTURE, COMMUNITY
DEVELOPMENT AND CO-OPERATION**

(DEPARTMENT OF COMMUNITY DEVELOPMENT AND CO-OPERATION)

Assistance to co-operative societies in Delhi—Para 117, Pages 150-151.

3.1. Financial assistance was given by Government to co-operative societies in Delhi through participation in their share capital and by way of loans, subsidies and grants-in-aid. The number of societies assisted and the amounts paid to them were as indicated below:—

Nature of assistance	No. of Societies	Period	Amount (in lakhs of rupees)
Loans	346	1948—1966	36.63
Contribution to share capital	160	1957—1966	13.14
Managerial subsidies	1,049	1954—1966	11.97

3.2. A test check of the records maintained by the Registrar, Co-operative Societies, Delhi, conducted in August, 1966 brought out the following points:—

3.3. (a) Loans were granted to co-operative societies for various purposes such as rehabilitation of displaced persons from West Pakistan; purchase of milch cattle; establishment of rural craft industries; construction of godowns etc. In 129 cases, recoveries of loans were in arrears, the total amounts overdue for recovery as principal and interest on 30th June, 1966 being Rs. 4.79 lakhs and Rs. 0.98 lakh respectively. 88 societies, (from whom recoveries of principal and interest amounting to Rs. 3.75 lakhs and Rs. 0.92 lakh respectively were overdue, had gone into liquidation during the period March 1950 to March, 1966. The liquidation proceedings had not been finalised in any of the cases upto December, 1966.

3.4. The whereabouts of the members of 2 defaulting societies from whom loans and interest amounting to Rs. 0.14 lakh and Rs. 0.03 lakh respectively were recoverable were reported to be untraceable.

The Committee desired to know:

- (a) the method followed for selecting the organisations for giving financial assistance;
- (b) the total number of Co-operative Societies in the Union Territory of Delhi; and
- (c) the progress made in regard to recovery of loans since January 1967.

3.5. The Chief Secretary, Delhi Administration, stated in evidence that the criteria for financial assistance were:—

- (a) viability of the Society;
- (b) managerial capability;
- (c) reputation of the members of the Society;
- (d) record of performance; and
- (e) reasonable expectation of proper functioning of the Society.

3.6. As regards loans for rehabilitation of displaced persons, the witness stated that these were sanctioned at a time when there was a great influx of refugees, who were in urgent need of financial aid for rehabilitation and that under the circumstances, no detailed scrutiny was done. The witness informed the Committee that prior to 1960 the work relating to grant and recovery of loans was being dealt with by the Ministry of Rehabilitation and only in 1960, this work was transferred to the Department of Co-operation.

3.7. In regard to the recovery of rehabilitation loans, the witness stated that the policy of the Rehabilitation Ministry changed from time to time. He added: "First for three years no recovery should be made, they said. We followed that order. Then orders came that these will be adjusted against the claims of these displaced persons. Then, later on, instructions came that you cannot recover these dues from the claims of displaced persons. It was only in 1959 that final clarification came. We started recoveries out of Rs. 16 lakhs. The amount which remains to be recovered is Rs. 3.83 lakhs. We have recovered Rs. 13 lakhs."

3.8. In reply to a question, the Secretary, Department of Agriculture, Community Development & Co-operation, stated that the recoveries had been made mostly from the individuals and some amount from the Societies.

3.9. The Committee pointed out that the Societies must have had some share capital as also assets and that the Registrar of Co-operative Societies might have laid down certain rules for granting loans. The Additional Secretary (Co-operation) stated that though the loans were given on the basis of some share capital the loans disbursed were more than the share capital and therefore that did not serve much purpose for recovery when the Society ran into difficulties. He elaborated that the criteria were also different when dealing with displaced persons who were starting new economic activities.

3.10. The Chief Secretary, Delhi Administration, stated that all dues had been recovered from on 23 out of the 88 Societies, under liquidation. Liquidation proceedings in respect of the remaining 65 Societies were in progress.

3.11. The witness further stated that the two Societies, the members of which were not traceable, were a Co-operative Thrift & Credit Society and a box-manufacturing Society. The former had been traced and some amount had been recovered, but the latter was yet to be traced. The witness stated that the amount involved in regard to the second society was about Rs. 6790. In reply to a question, the witness stated that the details of these persons were not also available with the Ministry of Rehabilitation.

3.12. The Committee pointed out that the claims being negotiable instruments, the Department of Co-operation could have found out from the Ministry of Rehabilitation regarding any pending claims of these individuals and that attachment orders could have been sent to the Ministry of Rehabilitation. The Additional Secretary agreed to consider this aspect.

3.13. The Secretary stated that the period 1948—55 was "of distress and considering the background, that out of 171 co-operative societies only one had still not been traced, cannot be considered a bad record. I would say it is a fairly good record. Some groups of people are at one place at a certain time. If they change there is no method of knowing and if they disappear it becomes difficult."

3.14. In a note furnished to the Committee, the Ministry of Food, Agriculture, Community Development and Co-operation (Depart-

ment of Community Development & Co-operation) have informed that out of 129 Societies from whom recoveries of loans were in arrears, the number of Societies from whom Government loans were outstanding as on 31st August, 1967 was 25, excluding the 88 Societies under liquidation.

3.15. The Ministry have further stated that the following steps have been taken to effect recoveries.

- (a) all cases of defaults had been referred to the Collector for recovery of the dues as arrears of land revenue;
- (b) the co-operative department had also deployed a team of recovery staff for expediting recoveries, and progress was watched through regular departmental meetings; and
- (c) 19 out of the 25 defaulting societies had been taken under liquidation and liquidation proceedings were in progress, and every effort was being made both by the liquidators and the department to ensure maximum recovery.

3.16. The Committee note that out of 129 societies which have defaulted in the payment of loans, as many as 107 have gone into liquidation. The Committee desire that Government should take suitable measures to ensure recovery of loans to the maximum extent possible already given to these Societies under liquidation. The Committee also suggest that Government should investigate in detail the reasons due to which Societies to whom Rs. 10,000 or more were advanced as loans, went into liquidation. Apart from taking suitable measures in the light of this analysis to effect recovery from other Cooperative Societies, the Committee would like Government to review the criteria for advancing loans to Cooperative Societies so as to avoid recurrence of such cases.

3.17. As regards the recovery of loans given to Societies for the rehabilitation of displaced persons, the Committee suggest that the Department of Cooperation should intimate the details of recovery from members of these Cooperative Societies to the Chief Settlement Commissioner so that these could be adjusted, if admissible, against the compensation claims, if any, of these displaced persons.

Contributions to share capital—Sub-para (7).

3.18. Out of the 160 societies in whose share capital Government had participated, 38 societies having Government investment of Ra. 4.66 lakhs had declared dividends and deposited a sum of Rs. 0.66 lakh as Government's share into treasury upto 31st March, 1966. The

remaining 122 societies in which Government's share capital investment amounted to Rs. 8.48 lakhs had not declared any dividend. 6 societies having Government investment of Rs. 5.02 lakhs, were running at a loss, the accumulated loss upto June, 1966 (in one case upto June 1965) being Rs. 0.71 lakh.

3.19. The Additional Secretary (Co-operation) informed the Committee that the total number of Co-operative Societies who were given share capital was 160. He further stated that—

- (a) two societies had gone into liquidation;
- (b) four were running at a loss;
- (c) 52 though not showing any marked profit were breaking even; and
- (d) 102 were having marginal profits.

3.20. He further stated that out of the share capital of about Rs. 4.66 lakhs, 52 Societies, which were showing some profit, paid to the Government a dividend of Rs. 0.73 lakh.

3.21. Asked why all these Societies were not showing profit, the witness stated that normally a Co-operative Society could declare dividend only after about 3 or 4 years of its existence. In the beginning it had to be built up and the share capital was given simply because they could not get capital otherwise. It was disclosed that nearly 140 Societies were small rural credit societies and co-operative consumer stores which could not be expected to declare dividends within a short time.

3.22. The Chief Secretary, Delhi Administration, stated that there was a special cell in the office of the Registrar of Co-operative Societies to keep the accounts of dividends. Information was also to be furnished from time to time on a proforma prescribed by the Accountant General Central Revenues. The witness added: "We keep a watch on the declaration of the dividends. When we find that some societies are not doing so, then we have a careful look into their working, and during inspection also when the field staff go, they look into the working of these societies."

3.23. In reply to a question, the witness stated that an amount of Rs. 4.75 lakhs out of Rs. 5.02 lakhs invested by Government in 6 Societies which were running at a loss was Government contribution to the share capital of one Society. He added that during the last 3 years the turn-over of this Society was of the order of Rs. 2 crores which was considered fairly satisfactory.

3.24. In their note to the Committee, the Ministry have given the following reasons for losses in respect of the six societies in which Government investment was Rs. 5.02 lakhs—

- (a) high expenditure on salaries and wages of the establishment;
- (b) unsatisfactory management;
- (c) the practice of lending interest-free advances to some members with borrowed money on which the Society had to pay interest; and
- (d) an accidental fire in a Society when some produce and machinery were burnt down.

3.25. In regard to eliminating losses, the Ministry have stated that the following measures were taken—

- (a) in one case, where the Government investment was Rs. 4.75 lakhs, the elected management was superseded and replaced by a nominated committee of management and steps to streamline the establishment and to weed out unprofitable lines of business were taken;
- (b) in 2 cases, statutory enquiry was ordered and the Societies were brought under liquidation in 1966 and June 1967;
- (c) in one case, after working out details of losses during the tenure of the previous management, arbitration proceedings would be initiated for recovery of dues;
- (d) in one case, as a result of steps to minimise expenditure on establishment the Society was making profits; and
- (e) in the sixth case, the management was satisfactory and the Society was expected to recoup the losses.

3.26 The Ministry have further stated that in view of these measures, and the fact that in these cases Government's share money was substantially less than the assets of the Societies and the presence of Government nominees on the managing committees of the Societies, Government investment in these Societies was safe.

3.27. The Committee find from the analysis of losses furnished by Government that, in most of the cases; it is due to high expenditure on staff and unsatisfactory management. The Committee suggest that Government should keep a close watch on the working of Societies in which Government have made substantial investments so

as to ensure that these are managed properly and that losses are eliminated.

3.28. The Committee are not able to appreciate how a Society in which Government have invested Rs. 4.75 lakhs and which has a turnover of Rs. 2 crores could suffer losses. The Committee would like Government to ensure prudent management of the Society to safeguard public funds invested in it.

Recovery of audit fees: sub-para (c)

3.29. In more than 1200 cases audit fee (amounting to Rs. 1.86 lakhs) recoverable by the Registrar of Cooperative Societies in respect of the period from 1958-59 onwards was outstanding as on 31st March, 1966. 69 cases had, however, been referred to the Collector for effecting recoveries as arrears of land revenue.

3.30. The Additional Secretary (Co-operation) informed the Committee that the procedure was that after completion of the audit, the Registrar of Co-operative Societies made claims for audit fees and in case of delay in payment, he would correspond with the Societies. He added that the cases of default were rare and coercive action was not normally required.

3.31. In regard to progress of recovery, the witness stated that the arrears of Rs. 1.86 lakhs related to the period 1961-62 to 1965-66. The arrears had been brought down to Rs. 80,000.

3.32. The Committee are glad to note that a sum of Rs. 1,06,000 out of Rs. 1,86,000 on account of arrears of Audit fees has been recovered. The Committee recommend that arrears for the remaining amounts should also be recovered early and that action be taken to ensure that recovery of Audit fees for the current period is not allowed to go into arrears. The Committee would like to watch the effect of the measures taken by Government through future Audit Reports.

Unsatisfactory implementation of research projects—Para 112, Pages 142-143.

3.33. In November, 1963 erstwhile Ministry of Community Development and Cooperation agreed to give financial assistance to the All India Panchayat Parishad (a registered body) for carrying out research project on (i) "A depth study of Panchayati Raj in Madras State" and (ii) "Concurrent field studies in Panchayati Raj". The estimated cost of these projects was Rs. 0.54 lakh (revised to Rs. 0.61 lakh in September, 1965) and Rs. 2.70 lakhs respectively. In

addition, the Ministry agreed to give grants for meeting the cost of a nucleus staff at the headquarters of the Parishad.

3.34. The table below shows the grants released from time to time and the progress of the studies *vis-a-vis* the time schedule approved for completion of the work:

Name of the project and amount sanctioned	Approved time schedule Year and work to be completed	Grant released (in lakhs of rupees)	Remarks
1	2	3	4
(i) Madras study (Rs. 0.61 lakh)	1964-65 (upto December, 1964) Entire work	0.61* (up to March 1966)	The object of the study is to make a comprehensive examination of all the aspects of the working of Panchayati Raj in Madras State. Two volumes of the report (containing findings of the Parishad) were submitted to the Ministry in June, 1966 and the remaining two in December, 1966. The report is yet to be made final by the Parishad after clearing it with the National Institute of Community Development according to the sanction of the grant (January, 1967).
(ii) Concurrent field studies. (Rs. 2.70 lakhs)	1963-64 ‘Repeat’ study in one State.* 1964-65 ‘Original’ studies in four States	0.35* 0.72*	Under this project the working of Panchayati Raj in each State is to be taken up for study in a phased manner so that this would develop ultimately into a regular

*In addition to the amount of Rs. 0.61 lakh, a sum of Rs. 0.17 lakh was spent by the Parishad on the Madras study by unauthorised diversion of funds provided for the concurrent studies; the Ministry have stated that the Parishad has been asked to make good this amount from its own funds (January, 1967).

1	2	3	4
	and 'repeat' study in one State.		periodic examination of the Panchayati Raj System in diff- erent States.
	1965-66	0.55*	Against 12 reports of studies due by March 1966, only 3 final and 3 preliminary reports have been submitted upto January, 1967.
	'Original' studies in four States and 'repeat' studies in two States. 1966-67		
	'Original' studies in four States and 'repeat' studies in two States.		

3.35. The above details show that the progress of the projects has been slow.

3.36. On a review of the working of the projects in February—March 1966, when the Parishad came up for further grants, the Ministry observed that no meaningful correlation could be drawn between the expenditure incurred and the proportionate output measured in terms of studies completed and that not only was the progress extremely tardy but the material brought out was also of poor quality and hardly deserved the appellation of a research study. The expenditure was even held to be infructuous.

3.37. The Ministry have stated that the last instalment (Rs. 35,000) of the grant was released when personal assurances of accelerated progress were held out by the authorities of the Parishad; that, however, when it became clear that significant improvement in progress was unlikely to materialise, the Ministry decided not to give further grants; and that the Ministry is continuing to press the Parishad to deliver the remaining reports also (January, 1967).

*In addition to the amount of Rs. 0.61 lakh, a sum of Rs. 0.17 lakh was spent by the Parishad on the Madras study by unauthorised diversion of funds provided for the concurrent studies; the Ministry have stated that the Parishad has been asked to make good this amount from its own funds (January, 1967).

3.38. The Additional Secretary (Community Development) stated that the scheme of depth study of Panchayati Raj was sanctioned in December, 1963. The salient features of the scheme were that—

- (a) it was a three year scheme;
- (b) a block grant would be released in phases;
- (c) yearly advances would be released subject to annual review of performance; and
- (d) during the three years, the depth study was to be completed in addition to 18 other concurrent field studies from year to year.

3.39. He further amplified that the depth study was intended to examine—

- (a) the powers and position of Panchayati Raj institutions in the overall democratic set-up in the State;
- (b) the impact of Panchayati Raj on the existing socio-cultural pattern;
- (c) the impact of Panchayati Raj on social mobility judged from the point of view of leadership, decision-making economic opportunities etc;
- (d) the extent of community participation in planning and decision-making; and
- (e) the actual working of Panchayati Raj institutions in relation to the basic ideals of Panchayati Raj.

3.40. Similarly the objectives of the concurrent field studies were also defined. Data on the basis of interviews with persons and institutions was tabulated and certain statistical information was drawn up which was later interpreted in the report. The witness added that the Parishad was to carry out this study under the guidance of the National Institute of Community Development who had the requisite technical staff.

3.41. In regard to the delay in the submission of the studies, the witness stated "All India Panchayat Parishad had some initial difficulty in recruiting staff and putting them in position... The agreed studies had to be made by eminent people and even eminent people who agreed to serve in those study groups were not always available....".

3.42. In reply to a question, he stated that the grants after 1965 were stopped because the Parishad was taking longer time; than they had promised in the beginning, in May, 1965 a small instalment of Rs. 20,100. and in October, 1965 the final instalment of

Rs. 35,000 were given. The witness added that amounts released upto 1965 were roughly in the same proportion as the original amounts agreed upon.

3.43. The witness further stated that "..... the latest position was that the Parishad had submitted the depth Study in full and 7 concurrent studies, in manuscript form. In relation to the funds released, the Parishad should have given 8 or 9 published studies or 12 studies in manuscript form.

3.44. The Secretary stated that the Parishad was going to pass on 5 more concurrent studies shortly in manuscript. The question of printing the reports had to be decided by the Department as the Parishad had no money to do it.

3.45. Asked whether the expenditure on the scheme was held infructuous or partially infructuous, the Additional Secretary said, "I do not know how you can consider it fully fructified till you have got all the commensurate out-turn of work. At that stage that was the position. So far as they are capable of doing it, they have to give us the full value."

3.46. A note received from the Ministry of Food, Agriculture, Community Development & Co-operation (Department of Community Development) on the facts regarding the study programme of the All India Panchayat Parishad states *inter-alia* as under:

"Madras Study: The due date for completion was December, 1964. Actually, the first two volumes of the report were received in June and August, 1966, and the remaining two volumes in December, 1966. Intimation, however has since been received from the National Institute of Community Development that they had cleared the study on 18th October, 1967."

"Concurrent studies: In all, seven concurrent Study Reports have so far been received as under:—

- | | |
|-------------------|---------|
| 1. Rajasthan | 16-8-66 |
| 2. Punjab | 16-8-66 |
| 3. Andhra Pradesh | 5-9-66 |
| 4. West Bengal | 29-5-67 |
| 5. Orissa | 22-6-67 |
| 6. Mysore | 17-7-67 |
| 7. Gujarat | |

Draft received on 4-7-66.
The AIPP intimated on 22-8-67 that it may be treated as final.

For the concurrent studies, a total grant of Rs. 1.62 lakhs has been released to the All India Panchayat Parishad. The actual outturn, however, has been far from proportionate."

3.47. As regards the expenditure on the Headquarters staff for which the Parishad made a claim for a separate grant, the Ministry's note states:

"On a careful examination of the matter, it is seen clearly that the Headquarters staff had always been treated, by the Ministry as well as by the Parishad, as part of the over-all staff complement of the project for the studies and that the requirements of this part of the staff had been fully taken into account by the Ministry while releasing the instalments of grants. If the AIPP had overspent on this account, it was because, for a long period, the staff remained idle without adequate outturn of work. It was even after taking into account the legitimate share of expenditure on the Headquarters staff that the AIPP was still due to deliver 8 to 9 studies published, or at least, the reports of 11 studies in manuscript, for the grants already released."

"In brief, the Ministry was continually pressing the Parishad to push up the progress of work and the AIPP kept promising to do so. When it became clear that significant improvement in progress was unlikely to materialise within reasonable time, the Ministry decided not to give further grants."

3.48. The Ministry's note further states:

" . . . It was again pointed out to the AIPP that, even if the delay in carrying out the studies and the unevenness of quality of the reports were ignored, the Ministry would have to insist that, for the sum of Rs. 1.62 lakhs already released, the AIPP would have to complete and publish eight to nine concurrent studies. Alternatively, eleven to twelve manuscript reports would have to be furnished by the AIPP. It was suggested, in the circumstances, that the AIPP may furnish at least four more reports, even in manuscript form, in addition to the seven reports already finalised. The whole position could be reviewed and the future line of action determined, after the AIPP had delivered the number of studies commensurate with the funds already released."

3.49. Referring to the financial irregularities in this case, the Ministry's note states as under:—

“The initial estimated cost of the Madras Project was Rs. 54,000. Later, the Ministry agreed to raise this to Rs. 61,000. Actually, the AIPP has spent Rs. 78,000, diverting Rs. 17,000 from the grants given by the Ministry for the concurrent studies. The Ministry objected to this unauthorised diversion. It was pointed out that the excess expenditure was mainly attributable to the delay in completing the project and as such the additional expenditure of Rs. 17,000 should be met by the Parishad out of its own funds.”

“Certain other irregularities such as excess payment of T.A. to the Director, fixation of higher pay than the minimum in certain cases of staff, purchase of Hindi typewriter even though there was no Hindi Typist, etc. were noticed and pointed out to the AIPP.”

“Action by the AIPP to have these irregularities regularised has since been taken or is being taken.”

3.50. The Committee regret to note that there has been abnormal delay in the completion of studies undertaken by the All India Panchayat Parishad. The results of the Madras study were cleared by the National Institute of Community Development on 18th October, 1967, whereas the due date for the completion of this study was December, 1964. As regards the concurrent studies against 12 original studies and six repeat studies which were to be completed by March, 1967, only 7 study reports have been received by Government upto July, 1967.

3.51. It is also observed that a sum of Rs. 17,000 was diverted by the Parishad to the “Madras study project” from the project on concurrent studies. There were some other financial irregularities. The Committee note that some action has been initiated to get these financial irregularities regularised. They hope that Government will now be able to get the results of the studies entrusted to the All India Panchayat Parishad without further delay. The Committee would also like to be assured that the results of these studies would be put to the use for which they were intended. While the Committee appreciate that difficulties might have been experienced in the recruitment of the right type of staff for undertaking such a research assignment, they feel that such difficulties should have been given proper consideration before entrusting this project to the Parishad. The Committee suggest that before giving grants to non-official organisations, Government should ensure that such organisations have

the capability and financial soundness to execute the various projects entrusted to them. In particular, it must be ensured that the organisations have competent staff to undertake the research projects. In this connection, the Committee would reiterate their observation contained in para 1.109 of their 14th Report (4th Lok Sabha).

3.52. The Committee also suggest that Government should not release a grant or its instalment to a non-official organisation without making sure that the progress made is commensurate with the grant and that the quality of work is upto the requisite standard. The Committee would like to be informed of the remedial measures taken to avoid the recurrence of such cases.

Infructuous Expenditure—Appendix A, Page 180.

3.53. Under a scheme approved in January, 1960 for production of certain literature for use of workers in the Community Development Blocks, grants amounting to about Rs 60,000 were paid by the Ministry to four Social Education Organisers Training Centres at Sriniketan, Udaipur, Gargoti and Gandhigram during the period from 1960-61 to 1963-64. Initially approved for a period of one year only (i.e. upto February, 1961), the scheme was extended from year to year upto 1963-64. A review of the work conducted by the Ministry at the end of 1963-64 showed that the journals issued as "complimentary copies, which were apparently not read, represented a large number" and that the material was only a "third rate imitation of what was being produced at higher levels". It was, therefore, held that the publications were hardly of any use to the community development workers or country-folk. The scheme was discontinued from 1964-65.

3.54. The Ministry have stated that the scheme was itself in the nature of a pilot effort and that no doubt the progress had not measured upto expectations.

3.55. The Additional Secretary, Department of Co-operation stated during evidence that the project was a pilot experiment, and that when the scheme was sanctioned, the Department decided to review it after a year of its working. He added that they carried out the reviews at fairly high level meetings. On the basis of these reviews the Department tried to improve the working of the scheme. The witness stated that finally after the third review, although there were recommendations that certain other measures could be taken, the scheme was given up.

3.56. In regard to the inferior quality of the literature the witness stated that one of the ingredients of the scheme was to make available in the local languages to the field staff certain worth-while material published in more authoritative media, which to an extent was re-rendering of what appeared in more sophisticated journals. He submitted that because this had to be done by junior persons, it could not necessarily be a reflection on the performance.

3.57. The Committee are unable to appreciate an expenditure of Rs. 60,000 incurred by the Department of Community Development during the years 1960-61 to 1963-64 for giving grants to four training centres for bringing out journals, which according to the Ministry's own assessment, contained material which was only "a third-rate imitation of what was being produced at higher levels."

The Committee also note that the Journals issued "as complimentary copies which were apparently not read represented a large number."

The Committee consider that had the Department of Community Development carried out a critical assessment of the Journal at the end of 1960-61 instead of 1963-64, it should have been possible to save expenditure on grants for at least three years.

3.58. In reply to another question, the Additional Secretary stated that the two journals brought out by the Ministry were 'Kuru-kshetra' and 'Panchayati Raj'.

3.59. The Committee desired the following information to be furnished in respect of each of the publications:—

- (a) the number of copies printed;
- (b) the number of complimentary copies;
- (c) the number of copies sold;
- (d) the number of unsold copies; and
- (e) the cost of production.

3.60. The Ministry have furnished the required information for the year 1966-67 which is reproduced below :—

Name of the publication	Print order (Annual)	No. of complimentary copies	No. of copies sold	No. of undisposed copies	Amounts realised, by sale (Rs.)	Gross* cost of production (Rs.)	Amount** realised by way of advts. (Rs.)	Net cost of production (Rs.)	Profit/Loss (Rs.)
Kurukshetra (English)	1,47,232	1,25,002	20,236	1,994	8,185	86,093	4,600	81,493	(—)73,308
Kurukshetra (Hindi)	66,884	53,770	11,392	1,722	2,848	42,840	153	42,687	(—)39,839
Panchayati Raj (English)	1,19,711	1,05,282	13,661	768	2,049	39,052	12,910	36,142	(—)34,093

There is no Hindi version of Panchayati Raj

The note further states :

“(a) The break-down of advertisement revenue from Govt. and Private Undertakings separately is not readily available.

(b) It may be mentioned that in regard to general purpose and publicity journals brought out by Government, the financial investment and return as in the case of commercial publications cannot be the final yard-stick-as to the need and usefulness. They are bound to be expensive and the extent of paid circulation cannot be the only criterion for maintaining the publications. In the case of the above journals, the normally accepted standard of having a minimum paid circulation of atleast 1000 copies is fulfilled.”

*Includes (i) payment to contributors (ii) Direct editorial charges; and (iii) paper and printing charges.

**No amount has been shown as realised from Government, Public Undertakings and Private Bodies.

3.61. The percentages of complimentary, sold and unsold copies to the total print order is indicated in the table below:—

Name of Publication	Complimentary	Sold	Unsold
Kurukshetra (English)	85	13·6	1·4
Kurukshetra (Hindi)	80·6	16·4	3
Panchayati Raj (English)	87·5	11·7	0·8

3.62. The Committee also note from the information supplied by the Ministry that out of 1,47,232 copies of the Journal "Kurukshetra" (English) as many as 1,25,002 (85 per cent) are issued on a complimentary basis. Similarly, for the Journal, "Kurukshetra" (Hindi), out of 66,884 copies printed annually, 53,770 (80.6 per cent) are issued on a complimentary basis. In the case of the Journal "Panchayati Raj" (English), out of 1,19,711 copies, 1,05,282 (87.5 per cent) are issued on a complimentary basis. It is, therefore, no wonder that Government are incurring an annual loss of Rs. 1,47,240 on the publication of these journals. The Committee suggest that the question of discontinuing these journals or at least reducing drastically the size and number of copies of these journals may be examined without delay in consultation with the Ministry of Finance.

3.63. The Committee suggest that a similar review of all other publications brought out by the Ministry may be undertaken so as to effect maximum economy consistent with requirements.

IV

MINISTRY OF HEALTH AND FAMILY PLANNING

Default in repayment of loans—Para 118—Page 151:

4.1. In paragraph 23 of the Audit Report (Civil), 1966, mention was made of the recoveries of loans and interest outstanding against various parties including the Delhi Joint Water and Sewage Board.

4.2. During the period May, 1926 to March, 1966, 67 loans aggregating Rs. 2,232.59 lakhs were sanctioned to the erstwhile Delhi Joint Water and Sewage Board/Delhi Municipal Corporation for implementation of certain water supply and sewage schemes. The loans were repayable in equated annual instalments together with interest at rates varying from 3½ to 6 per cent. per annum. In case of 15 loans, the sanctions also provided that penal interest at the rate of 2½ to 3½ per cent. per annum would be recoverable in the event of non-repayment of the instalments of loans and non-payment of interest on the due dates.

4.3. From June, 1964 onwards, the Corporation failed to make regular repayments of the instalments of loans and interest due thereon on the due dates. The instalments overdue for recovery on 31 March, 1966, of principal and interest amounted to Rs. 53.58 lakhs and Rs. 97.95 lakhs respectively. The amount of Rs. 97.95 lakhs includes Rs. 0.87 lakh recoverable as penal interest.

4.4. The Committee were informed in evidence that the Delhi Joint Water and Sewage Board ceased to exist in 1958 after which its assets and liabilities were taken over by the Delhi Municipal Corporation. The terms and conditions of the grant of loans to the Corporation and the Water and Sewage Board were almost the same except that the rate of interest had varied from time to time from 2½ per cent to 6 per cent. The latest rate is 6 per cent. In 1961, the system of penal rate of interest was introduced.

4.5. As regards the policy adopted in giving loans to the Municipal Corporation, the Secretary, Ministry of Health stated that it was thought that the water and sewage branch of the Corporation should become self-supporting in course of time so that whatever investment was made and whatever recurring expenditure was incurred, should be reimbursed for the realisation of water and

sewage taxes. Loans continued to be granted to the Corporation due to the pressing demand that facilities should be provided to the citizens of Delhi although the finances of the Municipal Corporation were in a bad way. The witness further stated that "Because there was no rigid system of separate maintenance of funds of this water and sewage part as well as general funds of the Corporation till some time ago, what used to happen was that all the realisations from water taxes and sewage taxes used to go to the general pool of funds of the Corporation and used to be utilised by them for so many other things while the loans were being given to the Corporation for the purpose of water and sewage works."

4.6. The Committee inquired whether the loan granted to the Corporation covered the entire expenditure on a particular scheme or the Corporation was also to contribute some amount towards the entire expenditure. The witness stated that there was no such condition involved. The projects were prepared, then the estimates were got ready and the loans were granted to the Corporation in instalments depending upon the progress of the work and need for funds. As regards the procedure adopted in estimating the essential character and extent of a loan, the witness stated that an instalment of the loan was sanctioned after a detailed discussion and examination of the projects and full consultation with the experts in the Ministry of Finance.

4.7. In reply to a question whether any scrutiny was carried out whether the loan was actually needed and how the loan was being utilised, the witness replied: "Yes, Sir, certainly." The Committee desired to know as to how such a huge amount of Rs 53.58 lakhs as principal and Rs. 97.95 lakhs as interest (including Rs 0.87 lakh recoverable as penal interest) was outstanding since June, 1964. Explaining the position, the witness stated that as a result of meeting with the Secretaries of the Government concerned held in March, 1967, it was decided that there should be separate accounts for the water and sewage part of the work. Later on, in May, 1967, the Lt. Governor of Delhi issued instructions to the Corporation Commissioner to credit all the realisation from water and sewage taxes in a separate fund and to maintain all the accounts of the loans and utilisation of the loans and also to treat repayment of loans as a priority charge on the realisations. The witness further stated that prior to March, 1967, the position was that the grant of loans could not be refused on grounds of pressing needs of the citizens of Delhi though there was no repayment of loans already granted. The Committee therefore, pointed out that it meant that upto March, 1967, the practice of the Corporation was to take loans and put them

in its general funds and sometimes the scheme for which the loan was asked for, was itself ignored. The witness stated "Not quite so, Sir. Actually, the Lt. Governor's instructions to the Corporation Commissioner also included one item that all the details of loans taken and the manner of the utilisation should also be reported to the Lt. Governor. Part of it has been done, some part has not been done. But loans were utilised for the purpose for which they were sanctioned. The difficulty was that the realisations were credited to the general funds of the Corporation. When the pressure was put on the Corporation to make the repayment, their difficulties were manifold. They brought in other issues e.g. dues from New Delhi Municipal Committee, their poor state of finances for which a separate Commission has been appointed by the Government to go into the details. Shri Morarka is the Chairman of that Commission and he is going to study the financial affairs of the Corporation to find out how best it can be managed. But the additional safeguard has been adopted since March this year to maintain separate accounts of the Water and Sewage Board."

4.8. The witness further stated that the Corporation authorities had assured the Lt. Governor about the repayment of loans on a priority basis.

4.9. As regards the steps taken to recover the amount of total loan due from the Corporation, the witness stated that apart from writing letters, the Delhi Administration was also requested to persuade the Corporation to make repayment of loan. Then the matter of repayment of loans was also taken to the Committee of Secretaries under the Chairmanship of the Cabinet Secretary.

4.10. As regards the progress made in recovering the amount due from the Corporation since March, 1967, the witness stated "I understand that the realisations since then, of course they have not been much—were some thing of the order of Rs. 17 lakhs or so. They have been separately credited in the account of the water and sewage undertaking.

4.11. In reply to a question as to what was the amount due from the Corporation by the end of the March, 1967, the witness stated that the amount due had risen to Rs. 286 lakhs as on 31st March, 1967.

4.12. On being asked whether Government had assessed the maximum population that the Delhi Territory could afford from the point of view of water facilities and hygienic conditions, the witness stated. "To the extent, were are concerned.....we-

have now some realistic ideas of the rate of growth of population in Delhi both on account of the so-called baby boom and influx from other areas. . . . we hope water schemes with which we are concerned would take care of the future needs of the city”.

4.13. Coming to the question of sewage discharge contaminating the supply of drinking water, the witness stated that drains carrying sewage had been sealed and steps had been taken to prevent such things happening.

4.14. In a note furnished to the Committee, the Ministry of Health and Family Planning have *inter-alia* given the following position of the outstanding loans as on 31st March, 1967:—

“Loans aggregating Rs. 2,502.59 lakhs were sanctioned to the erstwhile Delhi Joint Water and Sewage Board/Delhi Water Supply and Sewage Disposal Undertaking (Municipal Corporation of Delhi) during the period from May 1926 to March 1967, for the implementation of the water supply and sewage disposal schemes. Out of this, the closing balance as on 31-3-1967 (or the unutilised balance as on 1-4-1967) was Rs. 328.19 lakhs as per expenditure booked in the accounts of the Delhi Municipal Corporation for the period from 1961-62 to 1966-67. This amount of Rs. 328.19 lakhs cannot be treated as wholly unutilised for the following reasons:—

- (a) An amount of Rs. 79 lakhs is kept in ‘suspense account’ for purchase of pipes, machinery and tools etc.
- (b) adjustment accounts were to be received from the C.P.W.D. for certain amounts kept under suspense heard ‘deposits’.

A total loan of Rs. 270 lakhs was given to the Delhi Water Supply and Sewage Disposal Undertaking during the year 1966-67. Out of this loan, a sum of Rs. 225.43 lakhs was spent by the Undertaking during 1966-67 leaving a balance of Rs. 44.57 lakhs on 1-4-1967.”

4.15. The Committee regret to note that an amount of Rs. 151.53 lakhs (Rs. 53.58 lakhs principal; and Rs. 97.95 lakhs as interest) was over-due for recovery from the Delhi Municipal Corporation on account of the loans given by the Central Government for implementation of certain water supply and sewage schemes. It is also strange to note that even when the loans were sanctioned for a specific purpose, the realisations of water and sewage taxes were credited to the

general funds of the Corporation instead of being placed in a separate account for the repayment of the loan. The Committee feel that repayment of the instalments of the loans and interest should have been the first charge on the realisations from water and sewage taxes.

4.16. The Committee note that the Lt. Governor, Delhi has written to the Delhi Municipal Corporation in May, 1967 that:

- “(a) The accounts of the Water Supply and Sewage Disposal Undertaking should be maintained separately. In particular, steps should be taken to credit immediately the receipts that are received by the General Wing on account of water tax and scavenging tax;
- (b) Full accounts of the loans and grants released by the Government of India should be rendered; and
- (c) The repayment of loans and interest charges advanced by the Government of India should be the first charge on the revenues of the Undertaking and steps should be taken to pay these up.”

4.17. The Committee hope that, with the implementation of the above instructions, it would be possible for Government to get back instalments of loans and interest due from the Municipal Corporation. The Committee need hardly stress that, when loans are granted for specific purposes, their repayment on due dates should be insisted upon and defaults in repayments should be viewed seriously. The Committee would also like to be informed of the recoveries of the over-due instalments in this case.

4.18. The Committee understand that a Commission is at present looking into the unsatisfactory state of finances of the Delhi Municipal Corporation. The Committee have no doubt that, based on the findings of this Commission, Government will take adequate measures to put the state of finances of the Delhi Municipal Corporation on a sound footing.



MINISTRY OF WORKS, HOUSING & SUPPLY

(DEPARTMENT OF SUPPLY).

Irregularities in the disposal of surplus stores—Para 80, page 105-106.

5.1. In July, 1964, the Naval Headquarters declared certain marine engines and spares of a book value of Rs. 15.80 lakhs surplus to requirements and reported them to the Director General, Supplies and Disposals, for disposal. Tenders for the sale and removal of these stores were, however, invited by the Director General, after about a year in July, 1965. As a result, eleven tenders were received and opened in August, 1965—the highest bid for one of the lots with a book value of Rs. 6.80 lakhs was from firm 'A' which had offered Rs. 3 lakhs for the lot. After the opening of the tenders, four late tenders were also received by the Director General, Supplies and Disposals in September, 1965, offering higher prices ranging upto Rs. 5 lakhs and all of them complaining against the incorrect description mentioned in the tender; they alleged that the spares were actually for diesel engines and not petrol engines as mentioned in the tender enquiry. A field officer of the Director General, Supplies and Disposals was, thereupon, deputed to inspect the surplus stores jointly with the stock-holder. According to their report dated 22nd September, 1965, the marine engines were petrol units. As regards spares, out of 880 spares in the lot, only 49 could be decyphered, of which 47 were identified as diesel engine spares and the remaining 2 as petrol engine spares; in respect of the others, in the absence of the relevant catalogues, they found it difficult to comment on the applicability or interchangeability of the spares. Despite this, this sale letter was issued in favour of firm 'A' on 12th October, 1965; and, finally, on the firm depositing the full value of the stores, a sale release order was issued on 27th October, 1965. In the meantime, a communication was received from Naval Headquarters, Bombay on 23rd October, 1965 stating that the catalogue of engines and spares had since been made available by one of the complainant firms and that 90 per cent of the spares pertained to diesel engines and not to petrol engines.

5.2. It would, thus appear that the failure initially to specify the description of stores correctly and later to examine the complaints

in this regard properly has resulted in a loss of Rs. 2 lakhs to Government.

5.3. After the conclusion of the sale, the Army Headquarters requested the Director General, Supplies and Disposals, on 24th December, 1965 that 27 of the items of a book value of Rs. 46,705 covered in the sale might be withdrawn as they were urgently required. An attempt was, thereupon, made with the firm in this respect, but the firm did not agree.

5.4. The Committee desired to know the reasons for accepting the low offer that was received within the stipulated time without investigating into the complaints of the four late tenderers in regard to the incorrect description of the stores that was mentioned in the tender enquiry and offering a higher price. The Secretary, Ministry of Works, Housing & Supply (Department of Supply) stated that the surplus report received from the Naval Headquarters did not give a correct description of the stores which were to be disposed of by the Directorate General of Supplies and Disposals. The heading in the surplus report did not refer to petrol engines but merely stated marine engines. Grey Marine Petrol Engines was mentioned as the first item and below that a list of stores was also indicated. Further, the Chief Liaison Officer of the Ministry of Defence who was posted with the Directorate General of Supplies and Disposals was asked to get in touch with the stock-holder to find out whether the spares were for petrol or for diesel engines. "He has recorded on the 18th September, 1965 after getting into touch with the stock-holder that these engines were purchased from the Royal Navy as petrol engines and the spares were also purchased as if for petrol engines." In view of this, the Officer who dealt with this case thought that the spares were also for petrol engines. "But I do admit that while putting out the advertisement, it should have been mentioned as indicated in the surplus report that the list was for grey marine engines." The witness stated that "when a reference was made to the Naval Headquarters in the Defence Ministry, they admitted that there was lapse so far as the description of stores was concerned." It was confirmed by the Naval Headquarters on the 20th September, 1965 that the engines were petrol engines.

5.5. Explaining further, the witness stated that the stores were in the depot at Bombay. The tenderers who had quoted higher rates upto Rs. 5 lakhs, were actually in Bombay and "they had plenty of opportunity to inspect the stores" because one month's time was given for opening the tender. "They did not inspect the stores before, but after the opening of the tender they did so." The witness

stated "how they want and inspected the stores after the opening of the tender is also a mystery." In order to maintain the sanctity of the tender, these late offers were not considered. If tenders were scrapped and fresh tenders were issued, there was always a danger of a formation of a ring by these very parties who would subsequently quote a lower price. The Director General, Supplies and Disposals had himself dealt with this case and had recorded a note in which he had dealt with all these points very carefully.

5.6. Extracts from the note recorded by the Director General, Supplies and Disposals are reproduced below:—

"Naval Headquarters sent this office a surplus report No. EG/0868 dated 8-7-1964 requesting disposal action in respect of Grey Marine Engine and Spares. The engine was further described as a petrol driven engine in the Schedule attached to the surplus report and the spares were indicated as spares for the engine in question. A tender notice was accordingly issued in which the stores were defined as a petrol driven marine engine and spares."

"The tender opening date was 24-8-1965. A number of tenders were received, including a late tender dated 9-9-65 from Shri....., in which he alleged that the engine was a diesel driven engine and spares for the engine. He stated that owing to the mis-description he had been prejudiced in making a tender."

"The matter was examined over a long period. The Defence Services Liaison Officer contacted Naval Headquarters and reported that the engine was a petrol driven engine and its spares."

"It was held that—

- (i) there had been no mis-description of the stores;
- (ii) there had been nothing to prevent Shri..... from submitting a tender in time on the basis of visual inspection of the stores;
- (iii) the stores were in any case open to inspection and could have been seen by him, as they perhaps were;
- (iv) in accordance with regular practice and instructions Shri.....'s tender could not be entertained as it was beyond time and not backed by the usual earnest and deposit money."

"Shri.....'s tender was accordingly rejected and the stores were sold to the higher eligible bidder. These proceedings were finalised on 12-10-65. A letter was also sent to Shri..... in which his objections were rejected."

"Shrisent this Directorate General a telegram dated October 22 in which he repeated the contention he had made from time to time. In addition he stated that—

"SPDC Naval Stores could not specify the exactness of diesel or petrol. However now they have been able to get catalogues and they are writing directly confirmation of diesel spares."

"Subsequent to this an express letter was received from the Commodore Superintendent, Naval Dockyard, Bombay, stating that the catalogue of the engine and spares had since become available and that 90% of the spares for Grey Marine Engines pertained to Grey Marine Diesel Engines and not to Petrol Engines and suggested amendment of the tender in this respect."

"When Shri.....'s telegram dated October 22, was received no credence was given to his claim of having been told the description of the stores in the catalogue by the Commodore Superintendent's office. On receipt of the Commodore Superintendent's letter dated October 23, 1965, it became evident that Shri..... must have been informed of the catalogue description by the office of the Commodore Superintendent."

"There was no ambiguity about the description of the stores given in the surplus report received from Naval Headquarters. It will also be recalled that the Defence Services Liaison Officer made enquiries in Naval Headquarters after the objections were received and it was confirmed that the stores were a petrol driven marine engine and spares. Further, when our Field Officer visited the stock-holders premises he was told that no catalogue existed. His report to this effect is dated 22-9-65. This report stands countersigned by Lt.....SPDC, Kurala. When the Stockholder (Naval Hd. Qrs.) had distinctly told us the nature of the stores, and this information had been subsequently confirmed on at least two separate occasions, it is surprising that the objector should have been able to quote the

office of the Commodore Superintendent against both the stock-holder and the DGS&D."

"At the same time, the manner in which he gained access to information available in the office of the Commodore Superintendent is, to say the least, incorrect. If the catalogues of the stores had become available in Commodore Superintendent's office even though the sale had been completed, the fact should have been confidentially reported to Naval Headquarters and ultimately to the DGS&D and not made available to the objector."

"In view of the seriousness of the matter, the Deptt. of Supply may consider bringing it to the Defence Ministry's notice."

5.7. In reply to a question, the representative of the Ministry of Defence stated that the stock holders did not have at that time a proper catalogues to show whether the spares were for petrol engines or for diesel engines. The spares were of a mixed lot. The petrol engines and spare were inherited from the Royal Indian Navy in 1947-48 and were lying since then. At the time when the stores were being transferred from Man-Khurd to Kurla, the documents were misplaced and were traced only after every thing was completed. Since the stores were mixed, it was not specifically mentioned that the spares were either for petrol or for diesel.

5.8. The Committee pointed out that the marine engines and spares were declared surplus in July, 1964 by the Naval Headquarters and tenders for the sale and removal of these stores were invited by the Director General, Supplies and Disposals after about a year in July, 1965. The Secretary, Department of Supply stated that the spares were lying at Kurla while the engines were at Mankhurd. The Inspector had to go to these places to inspect the stores which took time. The Naval Headquarters were asked to transfer these engines to Kurla so that the spares might be kept with each category of engines to enable the purchasers to know what they were buying.

5.9. In reply to a question, the witness stated that in regard to the disposal of stores, the Directorate General of Supplies and Disposals were guided by the Department which declared the stores as surplus. "It is for authorities who declare stores surplus to make sure that the right description is given...". "Whatever precaution is to be taken is at the reporting end", and it was not possible for the Directorate General of Supplies and Disposals to prepare a detailed list. "Whenever there is any discrepancy in the book value of stores, if necessary, a back reference is also made to the indenters to find

out what exactly position is." In the present case, the lapse was on the part of the Naval Headquarters who did not give the correct description of the stores. "There is no lapse on our part."

5.10. In reply to a question, the witness stated that "after the sale was completed, the Naval Headquarters sent a report saying that after they obtained the catalogue, they went into it and identified all the spares and found that 90% of the spares was for diesel engines." The Committee were also informed that the report of Naval Headquarters was received after the sale was completed.

5.11. The Committee pointed out that after the conclusion of the sale, the Army Headquarters desired withdrawal of 27 items of the book value of Rs. 46,705 and wanted to know whether the needs of the various sister services were ascertained before reporting the surplus stores to the Directorate General of Supplies and Disposals. The representative of the Ministry of Defence stated that before the engineering stores were declared surplus, a technical team made a visual inspection of all the stores that were being declared surplus. The Army Headquarters was also represented on the team. This team with a member of the Engineer-in-Chief's Branch had inspected the stores in October, 1963 and at that time there was no report that these items were required by the Army. On being asked how the requirements of the Army were met, when the firm refused the withdrawal of certain items, the witness stated that the Army Headquarters were able to retrieve some spares from the fixed stock of Sherman Tanks and no extra expenditure was incurred.

5.12. In reply to a question, the Director General, Supplies and Disposals stated that for disposal of stores, the plans were drawn up, auction dates were fixed, advertisements were given and then only stores were sold. The volume of surplus stores for disposals had increased considerably and having regard to the increase in the volume of stores, the number of auctioneers had been increased and the organisation was being enlarged for that purpose.

5.13. It is unfortunate that Government had to incur a loss of Rs. 2 lakhs in the disposal of certain marine engines and spares owing to the wrong description of stores in the tender enquiry. Another disturbing aspect in this case is that Naval Headquarters did not have a proper catalogue to show whether the spares were for petrol engines or for diesel engines. The Committee find from the note recorded by the Director General, Supplies and Disposals, that the Defence Services Liaison Officer who made enquiries after the objections were received confirmed that the stores and spares were for a petrol driven marine engine. Further, when the Field Officer

of the Directorate General, Supplies and Disposals, visited the stock holders' premises, he was informed that no catalogue existed.

5.14. The Committee, therefore, find it strange that within a few days of the finalisation of sale proceedings the Naval authorities found the catalogue giving an exact description of the engine and spares. The Committee would like the Ministry of Defence to thoroughly investigate the matter and fix responsibility for not furnishing the exact details of surplus stores in the first instance and for not locating and making available the catalogue, despite specific enquiries of the Directorate General of Supplies and Disposals, till after the sale proceedings were finalised.

5.15. The Committee feel that effective measures should be taken to ensure that the State is not put to any loss due to inexact or wrong specification, type or description of the surplus stores by Government departments concerned. The Committee would like to be informed of the remedial measures taken to avoid a recurrence of such cases.

5.16. The Committee are also not happy to note that the Directorate General, Supplies and Disposals, took about a year to invite tenders for the sale and removal of stores declared surplus by Naval Headquarters. They hope that the Directorate General, Supplies and Disposals, will take immediate steps to dispose of stores entrusted to them without the kind of delay that happened in the present case.

Purchase of Gunny Bags—para 82, pages 107-108.

5.17. Against a limited tender enquiry for the supply of "Liverpool Twill Bags" issued by the Directorate of Supplies and Disposals, Calcutta on 12th September, 1960, the lowest offer was from firm 'A' at Rs. 155.24 per 100 pieces for 3 lakh pieces, and at Rs. 154.24 per 100 pieces for another 3 lakh pieces, valid for acceptance upto 3 p.m. of 19th September, 1960 (as against 5 p.m. mentioned in the tender enquiry). Telephonic acceptance of this offer was communicated to the firm the same day at 2-45 p.m., followed by a formal acceptance of tender posted at 8-30 p.m. under a certificate of posting.

5.18. The firm did not deliver the first instalment of 3 lakh pieces due by 31st October, 1960 (the second instalment being due by 30th November, 1960); and, on being contacted, they denied the receipt of the acceptance of tender. A copy of the acceptance of tender was, therefore, sent to the firm on 15th November, 1960 on the basis of a

legal advice obtained on 11th November, 1960 from the Central Government solicitor at Calcutta, and on the same date, the delivery period in respect of first instalment was also extended upto 19th November, 1960. Despite this, the firm made no supplies at all. Consequently, both the instalments due under the contract were cancelled on 30th November, 1960 and 16th December, 1960 respectively at the firm's risk and expense, and the stores re-purchased at an extra expenditure of Rs. 2.62 lakhs which was later recovered from the outstanding bills of the firm against other contracts. The refund of this was later authorised in November, 1962 on a representation made by the firm, as according to a legal opinion obtained from the Ministry of Law on 27th December, 1961, the telephonic acceptance of the firm's offer was communicated by a Junior Field Officer who was not authorised to do so, and the formal acceptance was issued after the expiry of the time upto which the offer was valid; it was, therefore, considered that there was no concluded contract.

5.19. No responsibility has been fixed for the extra expenditure of Rs. 2.62 lakhs.

5.20. Explaining the arrangements that existed in Calcutta for the communication of acceptance of tender and the normal trade practices regarding jute purchase, the Director General of Supplies and Disposals informed the Committee that most of the commercial jute purchases were done over the telephone which was a well accepted practice in the jute market. In view of the fact that a large number of tenders were opened and analysed every day, it was not possible for the Calcutta Office to issue the formal A/Ts within the time fixed for the purpose against daily purchases. So the practice always had been to communicate the acceptance over the telephone followed by a formal A/T through the Post. In accordance with this practice, the Junior Field Officer had communicated acceptance at 2.45 P.M. and later in the day a formal A/T was issued. This very firm had accepted the A/Ts. issued in this way in the past. The matter was examined and it was found that there was no real lapse in this case in regard to the communication of the acceptance of tender.

5.21. When asked whether the name of the person to whom acceptance was communicated was noted, the witness stated that instructions had now been issued to the effect that the name of person to whom acceptance is communicated over the telephone should be entered.

5.22. In reply to a question, the witness stated that it was decided with the approval of the Government not to blacklist the firm.

In the past, the firm had supplied special gunny bags and the performance had been satisfactory. Since the firm was one of the main suppliers of special gunny bags and this was the only occasion on which the firm had defaulted, it was felt that the firm should not be blacklisted.

5.23. In reply to another question, the witness stated that now a change had been made in the procedure. The revised tender invitation stipulated that the acceptance would be communicated over the telephone and a representative of the firm should call at the Office of the Directorate General of Supplies and Disposals at 6 P.M. to receive personally the acceptance of the tender. The Secretary, Department of Supply added that if a tenderer failed to turn up by 6 P.M., the acceptance was conveyed by posting the acceptance letter by 6 P.M.

5.24. The Committee asked if the revised instructions would also cover the point made by the Ministry of Law that a person authorised to enter into contract would only communicate the acceptance on telephone to the parties. The DGS&D stated "Now it has been provided that the Deputy Director himself will communicate it. I may add that in view of the legal position about the acceptance of the tender in writing within the time to be fixed we have extended the time to 6 P.M."

5.25. The Committee desired to know whether any representation was made by the firm on receipt of risk purchase notice and if so, whether the Ministry of Law were consulted before the risk purchase was made. The Director General, Supplies and Disposals stated that the risk purchase notice was issued to the firm on the 15th November, 1960 and the firm had represented on the 19th November, 1960. The firm stated that they did not receive the telephone communication nor the acceptance of tender that was sent by post against postal certificate and, therefore, there was no concluded contract.

5.26. In reply to a question, the witness stated that the firm was contacted over the telephone when they had failed to deliver the goods by the 30th October, 1960. The Government Solicitor at Calcutta was consulted. The Solicitor had presumed that as stipulated in the form of tender, the formal acceptance of the tender had been issued by 3 P.M. and there had been a default on the part of the firm and a risk purchase was called for. Thereafter a risk purchase notice was issued on 15th November, 1960. Later, on a representation by the firm to the Minister, the matter was examined by the Ministry of Law and it was found that the formal acceptance of the tender

was despatched by 8 P.M. while the firm in their tender had stipulated acceptance by 3 P.M. Therefore, it was held that there had been no concluded contract.

5.27. The Joint Secretary, Ministry of Law explained that the contracts with the Government should be in writing and should be accepted on behalf of the President by an officer authorised in that behalf. Unless these requirements were complied with, there was no concluded contract in law. In law, there was no such thing as telephonic acceptance in regard to Government contracts. Since these requirements were not complied with in this case, there was no concluded contract. Further, in this case, it had been found that the acceptance was communicated in writing after the time fixed for acceptance was over. The witness stated "According to the Law of contract, when the acceptance is posted after the time fixed for acceptance has come to an end, there is no acceptance at all and, so, there is no contract."

5.28. The Secretary, Department of Supply agreed with the Joint Secretary, Ministry of Law in regard to the legal position of the contract. He, however, added that most of the jute purchases business was transacted over the telephone. This practice was followed for many years and there was no case in which the tenderer had backed out and this was the first case. After this case, instructions had been issued to ensure that such instances did not happen.

5.29. In reply to a question, the Director General, Supplies and Disposal stated that it was not possible to communicate the acceptance before 3 P.M. by posting a letter because the officer received a lot of offers by 11.30 A.M. These offers had to be read, tabulated, analysed and considered jointly in consultation with Finance. After the decision was taken, the acceptance of the tender had to be typed and then despatched.

5.30. The Committee regret to note that Government had to incur an extra expenditure of Rs. 2.62 lakhs in this case because of the failure of the Purchase Organisation to follow the correct procedure in regard to the communication of the acceptance of the offer by the competent authority and to issue formal acceptance of the tender in writing before the expiry of the time up to which the firm's offer was valid. The Committee feel that the work relating to the communication of the acceptance of the firm's offer should not have been entrusted to a Junior Field Officer who was not authorised to undertake it.

5.31. The Committee suggest that the Department may examine in consultation with the Ministry of Law whether the revised instructions issued by them and the present procedure are satisfac-

to be and whether they provide a legally acceptable basis for entering into contracts for the supply of stores

Purchase of Vests—para 83, pages 108-109.

5.32. For purchasing 'Vests String Knitted', indented for by the Defence Services in November, 1962, limited tender enquiries were issued to 46 firms by the Director of Supplies, Bombay in December, 1962. In response, four tenders were received and opened on 8th January, 1963. Three of the tenderers quoted Rs. 7.50 each while the fourth, an unregistered firm 'A', quoted Rs. 7.75 each for the smaller size and Rs. 8.25 each for the larger size. As the three firms were reported to be newcomers, a decision was taken by the Department of Supply on 19th February, 1963 to place, in the first instance, an order for 59,000 numbers on firm 'A' retaining the right & place an order for another 1.10 lakh numbers. However, through an oversight, an order for a total quantity of 1.69 lakh numbers (to be delivered by August, 1963) was placed by the Director General of Supplies and Disposals, New Delhi, on 20th February, 1963 reserving the right to order a further quantity of 1.10 lakh numbers within a period of 3 months (later increased to 6 months) from the date of the order.

5.33. A trial order for 5,904 numbers was later placed in April, 1963 on one of the three lower tenderers also, on receipt of a favourable capacity report.

5.34. An advertised tender enquiry to cover the balance quantity on indent was issued by Director of Supplies and Disposals, Bombay in May, 1963, as a result of which 23 offers ranging from Rs. 5.22 to Rs. 9.75 each for the larger size, and from Rs. 4.98 to Rs. 8.75 each for the smaller size, were received. On this basis, orders for a total quantity of 3.90 lakh numbers were placed on eleven firms in August, 1963 and October, 1963 at the rates shown below, providing for delivery up to April, 1964:

	Quantity (In numbers)	Rate Rs)
Large size	30,000	5.25
	12,500	5.30
	30,000	6.11
	1,63,159	6.15
Small size	12,500	5.00
	20,000	5.05
	17,500	5.31
	1,04,773	5.35

5.35. Firm 'A' failed to adhere to the stipulated delivery period; of the total contracted quantity of 1.69 lakh numbers, they could deliver only 0.42 lakh numbers by the stipulated date (August, 1963) Extensions of delivery period for the balance quantity were granted by Director General, Supplies and Disposals, as follows:—

Date of extension	Extended date	Quantity supplied during the extended period (In lakh numbers)	Rate paid
28th October, 1953	31st January, 1954	1.20	6 per cent less than the contract prices.
7th April, 1964	30th April, 1964	0.07	Rs. 5.25 (Large size) Rs. 5.05 (Small size)

5.36. In the face of cheaper offers having been received by the Department, acceptance of the quantity of 1.20 lakh numbers which the firm failed to deliver by the time originally stipulated (August, 1963), at a nominal reduction of 6 per cent in the contract prices, lacks justification. This has resulted in an extra expenditure of Rs. 2.08 lakhs computed on the basis of Rs. 6.15 each for the larger size and of Rs. 5.35 for the smaller size.

5.37. The Director General, Supplies and Disposals informed the Committee that although the tender enquiry was issued to as many as 46 firms, only 4 firms had responded because of the special condition of manufacture and also because of the fact that this particular store had not been developed in the country. These String Vests which were made on special looms were completely a new item which had not been used before by the Defence Forces.

5.38. In reply to a question, the D.G.S.&D. stated "it is correct that the officer who decided this purchase case said, rather he implied in his order, that an order should be placed for 59,000 vests and the option for 1,10,000 should be retained. There was some misunderstanding regarding interpretation by the officers who translated this order into A/Ts. They issued order straightway for 1,69,000 numbers."

5.39. In reply to a question, the witness stated that there was a departmental enquiry and it was felt that it was a mistake and the

punishment to the officer would not be justified. Further, there was a vigilance enquiry. "So far as actual supplies are concerned, in 1965, the Department of Supply went into this aspect and came to the conclusion that actually the placement of the order for 1,69,000 even though it was done under some mis-apprehension, had resulted in benefit to the Government."

5.40. The Secretary, Department of Supply informed the Committee that instructions had been issued recently to the officers to issue orders in clear, unambiguous and precise terms.

5.41. At the instance of the Committee, a copy of the instructions issued by the Ministry of Home Affairs in September, 1967 and by the Department of Supply in January, 1967, regarding the need to draft the orders and letters to be issued by Government in clear and unambiguous terms, has been furnished. (Appendix III).

5.42. The Committee expect that officers would record their orders in clear and unambiguous terms. They hope that, with the issue of instructions by the Ministry of Home Affairs, such cases will not recur.

5.43. The Committee pointed out that the order was placed on an unregistered firm and enquired why the offers of other three firms were rejected. The witness stated that the firm had developed the capacity to manufacture vests though it was an unregistered firm. The Defence Inspectorate who was concerned with the development of capacity for these vests had helped the firm to develop the manufacture. In reply to a question, the witness stated that a sample order was placed on one of the three firms and the capacities of the other firms were ordered to be investigated. Before the matter could be taken up again, the tenders for the balance quantity had been issued and the tenders were opened in May, 1963. So, it was decided to place orders on the basis of the tenders that were being opened in May, 1963. On being asked about the total capacity of the 11 firms on whom orders were placed for 3.90 lakhs numbers as a result of this tender enquiry (May, 1963), the witness stated that it was found that the capacity of these 11 firms was not adequate. Even after placing the order on these 11 firms, the department had to depend on the other firm.

5.44. The Committee desired to know the basis for the apprehension of the Department that the supplies would be inordinately delayed resulting in hardship to Armed Forces, if the order on the firm had been cancelled in respect of the quantity in default and orders placed on other firms at cheaper rates. The witness stated that the purchase officer had considered the capacity of the new firms at that time. It was felt that the firms had to prove the

capacity by their actual performance. The actual performance of these firms was not known at that stage. On being pointed out that the indenter wanted only protracted deliveries, the witness stated that the indenter wanted deliveries spread over a period and the deliveries were phased every quarter. The bulk of the supplies was required by September, 1963.

5.45. On being asked how the reduction of 6 per cent in price was arrived at, the witness stated that the reduction was obtained in October, 1963. There was no obligation on the part of the firm to reduce the price. The firm could have insisted on its full price. But after persuasion, the firm had reduced the price by 6 per cent. In reply to a question, the witness stated that the firm was defaulting in the deliveries, but the position in regard to the supply would not have been improved, if the Acceptance of Tender had been cancelled on this firm.

5.46. On being asked whether any liquidated damages had been recovered from the firm on account of delayed supplies, the witness stated that the matter was still under consideration and it was expected that the matter would be finalised shortly.

5.47. The Committee regret to note that the firm on whom an order for 1.69 lakhs of vests was placed supplied only 0.42 lakh vests by the stipulated date. Although the Purchase Organisation had on hand much cheaper offers on the date of default, the Directorate General, Supplies and Disposals, granted an extension of the delivery period to the defaulting firm with a nominal reduction of 6 per cent in the price and this ultimately resulted in extra expenditure of Rs. 2.08 lakhs.

5.48. The Committee feel that cheaper offers having been received by the Department in May, 1963, efforts should have been made to persuade the firm in question to reduce their rates and in any case acceptance of a quantity of 1,20,000 vests after the original stipulated date at a nominal reduction of 6 per cent in the contract price lacked justification.

5.49. The Committee hope that the question of the recovery of liquidated damages from the firm on account of delayed supplies, which is still stated to be under consideration, will be finalised without further delay.

Purchase of Felt Brown—Para 84, Pages 100—111

5.50. On the basis of limited tender enquiries, the Director General, Supplies and Disposals, New Delhi placed three acceptances of tender of a total value of Rs. 8.36 lakhs for the purchase of felt brown 48" x 1/2" on a firm at Agra, to meet certain demands of the Defence Services, during April to June, 1963. The firm,

however, delayed delivery of stores for long periods as detailed below:—

Date of order (Quantity in metres)	Rate per metre f.o.r Agra (Rs.)	Stipulated date of supply	Dates on which acceptable stores tendered for inspection		Remarks	
			Period	Qty. (in metres)		
1	2	3	4	5	6	
15th April, 1963 10,650	37.44	June to November, 1963 (in 5 equal monthly instalments).	Upto 31st October, 1963 December, 1963 and January, 1964. November, 1964 and February, 1965. Total	3,149 2,284 5,247 10,680	Extensions of delivery period were given to the firm on five occasions, upto 28th February, 1963, in December, 1963, March 1964, July, 1964, November, 1964 and January, 1965.	
6th June, 1963 5,000	35.00	2,500 metres from October, 1963 to March, 1964 and another 2,500 metres from April, 1964 to September, 1964.	June, 1964. April, 1965. Total	2,550 2,453 5,003		Extension of delivery period upto 15th April, 1965 was given on 15th March, 1965.
6th June, 1963 7,500	35.00	October to December, 1963.	February, 1964. June, 1964. March, 1965. Total	526 5,091 1,624 7,241			Extensions of delivery period upto 25th March, 1965 were given on five occasions in March, 1964, May, 1964, September, 1964, November, 1964, and February, 1965. The balance quantity of 259 metres was cancelled in July, 1965 without any liability on the firm.

5.51. Owing to delay in the supply of stores, standby tender enquiries were issued by the Director General on 31st March, 1964 against the third contract and on 28th July, 1964 against the first contract; the lowest offers received in these cases on 1st May, 1964 and 15th September, 1964 were at Rs. 32.12 per metre and Rs. 32.62 per metre respectively. No action was, however, taken to cancel the quantities which were in default at the time of opening the tenders on 1st May, 1964, viz., 5,217 metres and 2,453 metres in the case of the first and second orders respectively. In respect of the third order, the quantity in default at that time, which was supplied by the firm subsequently, was 6,715 metres, of which a quantity of 1,624 metres only delivered in March, 1965 was accepted at Rs. 32.12 per metre.

5.52. Failure to avail of the cheaper rates available at the time of default, in this manner, has resulted in an extra expenditure of Rs. 46,800.

5.53. The Committee desired to know whether the capacity of the firm to undertake the supplies was verified before entering into the contracts. The representative of the Directorate General of Supplies and Disposals informed the Committee that the capacity of the firm had already been verified. Even before these orders were placed, the firm had executed a few orders in the past for the same stores.

5.54. The main causes for the delay in supplying stores in this particular case were on account of non-availability of dyes due to shortage and the bulk rejection of stores that were produced by the firm perhaps due to the use of unsatisfactory dyes.

5.55. Explaining further, the witness stated that in these cases there were different specifications for stores and for packing. In the first Acceptance of Tender (A.T.), the specifications for stores and packing were as per Defence specifications. In the Second and Third A/T's., the specifications for stores were as per Indian Standard while for packing, these were as per Defence specifications.

5.56. The first standby tender was issued against the third A.T. In this case, the delivery period was from October to December, 1963 which was extended upto 30th April, 1964. On 1st May, 1964, orders were passed extending the delivery period upto 30th June, 1964 because it was felt that department had not fully complied with the tender conditions of the firm. The advantage of the standby tender that was received on 1st May, 1964 could not be taken because of the extension of the delivery date. The firm had supplied

5,670 meters by 30th June, 1964 and had also offered the balance of 1,883 meters for inspection.

5.57. The Second standby tender was issued against the first A.T., in which there was a little deviation, could have been used to a certain extent but it could not be done because of the expiry of the extended delivery date in September, 1964 and the Inspector's writing to the firm on 10th October, 1964 that 3,600 meters which had been offered before the expiry of the delivery date had been rejected and the same could be considered for acceptance, if price reduction of 8 per cent was agreed to. This kept the contract alive and had constituted a sort of a commitment on the part of the purchaser to accept the stores. Therefore, the Department had to extend the delivery period in the A.T. upto 30th November, 1964. The firm supplied 9080 meters by that date leaving a balance of little over 1500 meters.

5.58. In the second case, the delivery period for the first 2500 meters was from October, 1963 to March, 1964 and for the next 2500 meters, the delivery period was from April to September, 1964. The firm had supplied the second 2500 meters in July, 1964 and the delay was only in respect of the first 2500 meters which should have been supplied by March, 1964. The risk purchase could only be made after the expiry of the final date (September, 1964) because of the deviation in the stand by tender. On the 5th October, 1964, the Inspector had allowed to the firm (Inspector had a right to extend the delivery period upto 21 days which was called the grace period) a grace period of 21 days from the end of September, to 21st October, 1964. The firm had offered 1000 meters by 30th September, 1964 and another 1415 meters for inspection during the grace period. These stores were rejected on the 24th October and 24th November, 1964 and the firm was advised to retender after the defects were removed. This, in fact, had kept the Acceptance of Tender alive.

5.59. The Committee drew the attention of the witness to the Table on page 110 of the Audit Report (Civil) 1967 and pointed out that 7700 meters were supplied against the first two Acceptance of Tenders after June, 1964 and enquired whether the firm was persuaded to accept the lower rate in regard to this quantity. The witness stated that the firm was not persuaded to accept the lower rate because the supplies were made within the extended delivery period. Asked about the reason for a tender enquiry when the contract was kept alive, the witness stated that a standby tender was invited because if there was a default, the Department could enforce the standby tenders, if they were cheaper. If the Department had to wait for the default of the contractor, it might take

months to call tenders afresh. Further after the expiry of the delivery period, the Inspector was not supposed to inspect or correspond with the firm except during the grace period.

5.60. Asked why the specifications were not identical in the risk purchase tenders and whether the departmental instructions did not provide that the specifications in the risk purchase enquiry should be identical with the original contracts, the witness stated that in the case of defence stores, the Sealed-pattern holding authority was the final authority to indicate the specifications on the basis of which tenders were issued from time to time. In one of the standby tenders, they had changed the specifications.

5.61. The Committee were informed that action was being taken against the officer who had issued the other standby tender and had inadvertently left out certain things from the Defence Specifications. In reply to a question, the Director General, Supplies and Disposals stated that three officers were concerned in this case. The explanations of the two officers were called for on 20th February, 1967. The explanation of the third officer was called for in October, 1967 when the need for it became evident.

5.62. In reply to a question the witness stated that the stores were inspected by the Defence Inspectors. The action of the Inspectorate in corresponding with the firm, informing them of the rejection of the stores and advising them to put up the stores after rectification had kept the contract alive. When once the contract was kept alive it could not be cancelled.

5.63. Explaining further, the witness stated that the contracts of the D.G.S. & D. were placed according to the General Conditions of the contract in which there was a special clause in regard to delay. If there was delay in the supply of stores, the department reserved the right either to cancel the contract at the risk and cost of the firm or to extend the delivery date depending on the circumstances of the case. The Secretary, Department of Supply added, "But the main point is that as it was kept alive by the action of the Defence Inspector, we had no option but to give extension to the party. If he had not acted in that way, we could have certainly taken advantage of it and determined the Contract."

5.64. On its being pointed out that the Defence Inspector might not have extended the time, if he had been informed of the lower price received in the standby tender enquiry, the Director General, Supplies and Disposals stated "There is in fact a procedural gap here. We do not normally do it . . ."

5.65. The Committee note that the Department of Supply are taking action against the officers who had inadvertently left out certain details from the Defence specifications while calling for the standby tender. The Committee would like to be informed of the action taken in this case as also the measures taken to avoid such lapses in future.

5.66. The Committee note that the Director General, Supplies and Disposals, could not take advantage of the lower rate because the Defence Inspector had kept the contract alive by his action. The Committee understand from Audit that this was an operational/urgent indent and according to the provisions of para 228 of the Director General, Supplies & Disposals' Manual, the inspectors are not permitted to allow the normal grace period of 21 days in such contracts. The Committee, therefore, fail to understand why the Defence Inspector kept the contract alive and how the Director General, Supplies and Disposals permitted the extension of the contract when it was an operational/urgent indent. The Committee would, therefore, like the Department to investigate the matter further with a view to fix responsibility for these lapses.

5.67. The Committee desire that procedural lacuna in not communicating the rates received in standby tenders to the Inspectors should be removed so that cases of this type involving extra expenditure in the purchase of stores do not recur.

Non-Recovery of dues—Para 85—page 111.

5.68. The whereabouts of an unregistered firm 'A' (a Small Scale Unit) which owed a sum of nearly Rs. 1 lakh on account of damages for the failure to deliver the goods against four contracts for the supply of timber of the value of Rs. 4.33 lakhs, placed on them during

January, 1964 to October, 1964, are reported to be not traceable. The details of the cases are given below:—

Date of contract	Description of stores	Quantity (in cft.)	Rate in Rs. per cft.	Value of the contract (in lakhs of rupees)	Original date of delivery	Extended date of delivery	Quantity supplied	Date of cancellation of the outstanding quantity	Extra cost/damages recoverable from the firm (Rs.)	REMARKS
1	2	3	4	5	6	7	8	9	10	11
1. 2 Jan., 1964	Babul planks	2,325	9.53	0.23	30 April, 1964	30 April, 1965	Nil	18 May, 1965	12,062	A demand notice issued on 20 October, 1965 was returned undelivered by the postal authorities.
2. 10 Jan., 1964	Haldu boards/planks	40,605	8.75	3.55	30 September, 1964 (delivery to commence after one month of the receipt of the order, at 5000/6000, cft. per month)	31 May, 1965	886	1 June, 1965	84,000	The risk purchase tenders opened on 30 July, 1965 involved a recovery of Rs. 84,000 from the firm but they were scrapped on the ground that it might not be possible to recover such a huge amount from the firm. On the basis of a legal advice, repurchase

was eventually made in Nov., 1965 from the Himachal Pradesh Administration at Rs. 7.40 per cft., of a cheaper variety, viz. firm timber with the indenter's concurrence. The amount shown as recoverable represents general damages based on the market rate at the time of default.

3.	7 Feb., 1964	Sissoo planks	2,010	22.00	0.45	15 June, 1964	..	Nil	17 July, 1964	Nil
4.	26 Oct. 1964	Sissoo planks	450	22.00	0.10	30 April, 1965	..	Nil	16 June, 1965	2700

The indenter made alternative arrangements at higher rates for a quantity of 660 cft., the repurchase of the balance quantity did not involve any extra cost.

This was a repurchase contract for a part of the quantity of the contract dated 7 February 1964 mentioned at (3) above.

5.69. The following further points were noticed:—

- (i) According to the Departmental records (November, 1963), the firm had "no capacity" for supplies. However, at the time of taking a purchase decision in respect of the contract dated 10 January, 1964, the firm's capacity was reported to be satisfactory by the Defence Inspectorate, but the report of the Defence Inspectorate itself is not on record. A competency certificate later furnished by the National Small Industries Corporation on 13 February, 1964 for exempting the firm from the deposit of security, showed that they had a capacity of 4,000 cft. per month only, whereas three orders involving a total quantity of 44,940 cft. had already been placed on the firm—one of them stipulating deliveries to be completed at the rate of 5,000/6,000 cft. per month.
- (ii) It was stated on 11 August, 1965 that it might not be possible to recover huge extra expenditure of Rs. 84,000 on the risk purchase against the order of 10 January, 1964 cancelled on 1 June, 1965, owing to the unsatisfactory financial position of the firm. The basis for this statement is not on record.
- (iii) It was observed by the Ministry of Finance on 6 November, 1965 that it was "worthwhile to investigate how so many contracts came to be placed" on the firm, if their financial position was "so bad". No investigation has been made so far (January, 1967).

5.70. Explaining the position in regard to four contracts that were placed on an unregistered firm, the representative of the Directorate General of Supplies and Disposals stated that the firm was an unregistered firm when the order was placed. Since the indent was a Defence requirement, the Department had asked for a capacity report and a satisfactory report was received from the Defence Inspectorate.

5.71. The witness added, "There is no doubt that a copy of that report is not on that file. It was misplaced; it was on another file. We have got a copy of the capacity report now."

5.72. The Committee were informed that in order to place an order on an unregistered firm, there were three requisites, namely, a bank report in regard to the financial dealings, income-tax clearance certificate and a capacity certificate in the case of large scale industries and a capacity and a competency certificate in the case

of small scale industries. All these conditions were taken into account before the first order for a quantity of about 2,000 cft. was placed on the firm which was within its capacity.

5.73. The second order was against a definite demand. Even though the quotation of this firm was lowest, yet the firm was given only about 50 per cent of the quantity and the other 50 per cent was given on a higher price.

5.74. The quotation of this firm was the lowest in regard to the third order also which was for a quantity of about 2,000 cft.

5.75. In reply to a question, the witness stated that three orders for a total quantity of about 50,000 cft. was placed on the firm within a span of 45 days to be supplied over a period of 8 months, which meant supply of 5,000 cft. per month, which was beyond their capacity. The capacity of the firm was 2 to 3 thousand cft. per month. But the firm was in a developing stage to be able to supply that quantity and the Department would have got the advantage of lower price. The witness added, "The unfortunate part of it is that the three orders came to be placed exclusively on them within a short period, which, perhaps should not have been done on unregistered firm whose performance was not fully established." Asked if placing of order for 40,605 cft. of Haldu board planks was justified in view of the capacity of two to three thousand cft., a representative of Directorate General of Supplies and Disposals said, "I agree that such a big order ought not to have been placed."

5.76. The witness added that the demand was cancelled against the first Acceptance of Tender. In regard to the Second Acceptance of Tender, acceptable alternative species was purchased at a cheaper price. In regard to the third Acceptance of Tender, there was a loss of Rs. 2,700. The Department was pursuing the matter to recover the amount.

5.77. The Committee desired to be furnished with:—

- (i) A copy of the report of the Defence Inspectorate in regard to the capacity of the firm, and
- (ii) a detailed note showing how the loss of Rs. 2,700 had been calculated against the defaulting firm and why Audit was not informed of the correct position promptly.

5.78. The notes received from the Department of Supply are at Appendix IV.

5.79. The Department of Supply have stated *inter alia* in the note that "According to the Audit para, the following amount is to be recovered from M/s....., Delhi:—

1. STIM-2/8233-M/I/705 dated 2-1-1964, Rs. 12,062.36 towards risk purchase loss.
2. STIM-2/28055-P/I/710 dated 10-1-1964, Rs. 84,000 towards general damages.
3. STIM-2/28096-P/I/817 dated 16-10-1964, Rs. 2,700 towards risk purchase loss."

5.80. "As regards the first Acceptance of Tender, this was cancelled on 18th May, 1965 at the risk and expense of the firm and risk purchase Acceptance of Tender was issued on 4th October, 1965. A demand notice for Rs. 12,062.36, being the extra expenditure incurred in the risk purchase, was issued to the firm on 20th October, 1965. But no recovery could be effected as the whereabouts of the firm were not known and efforts made to trace them were not successful. However, in April, 1967, the Indentor cancelled his demand. So the question of risk purchase recovery does not arise in this case. At best only general damages could be claimed from the firm on the basis of the difference between the contract rate and the market rate ruling on the date of breach of contract. It has not been possible to establish the market rate on the date of breach as there has been no response from trade and forest Department to our enquiry. As such even general damages cannot be claimed from the firm."

5.81. "As regards the second Acceptance of Tender, risk purchase was arranged for an alternative acceptable species of Chir 1st class at a lower rate. The rate being lower, the question of recovery of risk purchase loss does not arise. At best only general damages on the basis of market rate ruling on the date of breach viz., 31st May, 1965 could be claimed. As already explained above, it has not been possible to establish the market rate ruling on the date of breach. The amount calculated by Audit viz., Rs. 84,000 is apparently based on tenders opened on 30th July, 1965, but the date of breach in this case being 31st May, 1965, the sum of Rs. 84,000 calculated by Audit is apparently not correct."

5.82. "The position regarding the 3rd Acceptance of Tender is that as stated by Audit, a sum of Rs. 2,700 is to be recovered from the firm towards risk purchase expenses."

5.83. "From the position explained above, it will be seen that only a sum of Rs. 2700 is due for recovery from the firm. The position regarding the second Acceptance of Tender was intimated to Audit in the comments on the draft para. As regards the first Acceptance

of Tender, since the Indentor cancelled his demand after the comments on the draft para were furnished and the para had also been included in the Audit Report and Audit had also seen the file on 1st June, 1967 after the Indentor had cancelled his demand, it was not considered necessary to send a separate intimation."

5.84. The Committee understand from Audit that the files relating to this case were reviewed by them in 1966. "Besides, there is no communication on record to indicate that Audit was informed of the cancellation of the demand by the Indentor." Further, "in respect of the contract dated 2nd January, 1964, the breach occurred on 30th April, 1965 and the repurchase was made shortly thereafter after invitation of tenders. On this basis, the extra cost worked out to Rs. 12,062. Similarly, in the case of contract dated 10th January, 1964, the breach occurred on 31st May, 1965. On the basis of the lowest acceptable rates obtained in tenders opened on 30th July, 1965, for stores of the same specie, an amount of Rs. 84,000 was worked out as recoverable from the firm. As repurchase tenders in both these cases were invited shortly after the dates of breach, the lowest acceptable rates obtained in respect of both did represent the market prices at which stores of the same specifications could be purchased at the time of default. In the circumstances, the Committee feel that the figures of the amount due from the firm have been correctly mentioned in the Audit Report. Cancellation of the demand by the indentor in April, 1967 (nearly two years after the repurchase) in the case of the contract dated 2nd January, 1964 does not alter these figures which represent 'general damages'."

5.85. The Committee regret to note that, as against the capacity of two to three thousand cft. of timber per month, orders were placed on the firm for about 45,000 cft. of timber to be supplied over a period of eight months. The Committee are unable to understand how orders were placed on this unregistered firm much beyond its capacity.

5.86. The Committee pointed out that the Ministry of Finance had observed on 6th November, 1965, that it was "Worthwhile to investigate how so many contracts came to be placed" on this firm and asked whether any enquiry was conducted. The representative of Directorate General of Supplies and Disposals, stated, "We have asked for their explanation and taken remedial measures. We said under no circumstances, order of substantial nature should be placed on unregistered firms. In future this would be avoided." The Director General, Supplies and Disposals informed the Committee that the officer whose explanation was being called for was in Calcutta and in order to furnish the explanation he had asked for certain files which had to be sent from New Delhi.

5.87. The Committee desired to be furnished with a note showing as to when action was initiated against the officer found at fault and why it had taken several months to finalise the proceedings.

5.88. The note has since been furnished. The Department of Supply have stated in the note that "Explanation of the officer concerned, who is an Assistant Director at Calcutta, was called for in respect of the first three contracts on 4th March, 1967."

5.89. "... Reply from the concerned Director of Supplies was received on 19th September, 1967." It could not be examined as the relevant purchase files were not released. In his reply, the Director also stated that in case of Small Scale Industries Units, it was not necessary to call for Banker's Report. A reference was made to Co-ordination Directorate on this point who have stated on 24th November, 1967 that prior to issue of Office Order No. 111 dated 5th October, 1967, there was no set procedure or uniformity on the question of calling Banker's Report in case of Small Scale Industries Units. The explanation of the Director is now being examined in the light of the clarification given by Co-ordination Directorate."

5.90. The Committee understand from Audit that in the absence of specific orders rules to the contrary, the provisions of para 27(7) of the Manual of Office Procedure for Supplies, Inspection and Disposals (which in turn is based on the provisions of the General Financial Rules), stood to operate in all cases. According to this para, the financial status of the tendering individuals and firms must be taken into consideration in addition to all other relevant factors, in selecting the tenders to be accepted. Besides, in this case a reference to the firm's Bankers was made on 22nd November, 1963 enquiring about the value of contracts which the firm were capable of executing, but in reply the Bank merely stated on 26th November, 1963 that their dealings were "quite fair", without replying to the specific enquiry made by the Director General, Supplies and Disposals.

5.91. The Committee regret to note that, although the Ministry of Finance had observed on 6th November, 1965, that it "was worthwhile to investigate how so many contracts came to be placed" on the firm if their financial position was "so bad," the Department called for the explanation of the officers only in March, 1967. The Committee hope that the Department will take immediate steps to finalise the case.

5.92. The Committee fail to understand how a vague certificate from the firm's bankers, such as that their dealings are "quite fair," was considered as a satisfactory evidence of their capacity to execute

contracts of this magnitude when the bankers failed to answer a specific query by the DGS&D in this regard. They hope that Government will review the question of taking adequate safeguards so that orders of a substantial nature are not placed on an unregistered firm even though it may be in the small scale industry sector.

*Extra expenditure due to failure to observe prescribed procedure—
Para 86—Pages 112-113.*

5.93. Instructions were issued by the Director General, Supplies and Disposals in August, 1963, to the effect that all tender enquiries for stores of a repetitive nature (for which no rate/running contract is contemplated) should contain a clause reserving the right to place order on the successful tenderers for additional quantity upto 25 per cent of the quantity offered by them at the quoted rates and specifying the time up to which orders for the additional quantity can be placed.

5.94. On the basis of a limited tender enquiry, the Director General placed in June, 1965, 8 acceptances of tender for the purchase of 3.33 lakh barrack blankets on various firms, at a total cost of Rs. 82.85 lakhs. Both, the tender enquiry as well as the eight acceptances of tender merely reserved the right to order additional quantities without specifying the period upto which the right could be exercised.

5.95. Of the eight firms which were later (October and December, 1965) called upon to supply an additional quantity of 88,000 blankets, only two firms completed the supplies of a further quantity of 26,000 blankets at the original rate (Rs. 24.90 per blanket). On the refusal of the firms in the other six cases, the balance 62,000 blankets had to be purchased at higher rates as shown below:—

No. of orders	Additional quantity of blankets involved	Rate per blanket in the original acceptance of tender	Manner of purchase of the additional quantity	Rate at which eventually purchased	Extra expenditure
	(Rs.)			(Rs.)	(In lakhs of rupees)
2	30,000	24.90	By negotiations from the same firms which supplied originally. Covered in a subsequent lot purchased in November, 1965 from the Khadi and Village Industries Commission.	26.82	0.58
2	18,000	24.90		28.00	0.56
1	6,000	24.35		28.00	0.22
1	8,000	24.90		From the same firm at a price to be determined on the firm producing evidence of increased cost.		Not yet assessed

5.96. Thus, the loss to Government as a result of the failure to follow the instructions of August, 1963 works out to Rs. 1.36 lakhs in five contracts alone.

5.97. The representative of the Directorate General of Supplies and Disposals informed the Committee that the order for the supply of additional quantity upto 25% could be placed within the validity period. The validity period had expired on 17th July, 1965 and there was no lapse on that account. On being asked whether the clause regarding the supply of additional quantities upto 25% and the time upto which order could be placed was included in the tender and the Acceptance of Tender, the witness stated that the date was not specified in the tender and the Acceptance of Tender, and added, "It should have been mentioned. Thus is only an omission." If the time limit was specified, it would have been upto the validity period. In reply to a question, the witness stated that the validity period had expired by the time when the subsequent orders for the supply of additional quantities of 25% were placed. Therefore, there would not have been any contractual liability, even if the omission was corrected in the original tender.

5.98. The Committee expect that apart from removing the technical omission to mention the time limit up to which orders for an additional quantity could be placed, the arrangements in the office of the Directorate General of Supplies and Disposals should be such that all additional requirements of stores of a repetitive nature are duly taken into account well in time before the expiry of the current contract so as to avail of the provision to place additional orders to the extent of 25 per cent where beneficial to Government. The Committee would like Government to issue comprehensive instructions in the matter and ensure that they are complied with by all concerned in order to safeguard fully Government's interests.

Extra expenditure due to delays—Para 87, pages 113-115.

5.99. In the three cases mentioned below, delay in taking purchase decisions, etc. resulted in a total extra expenditure of about Rs. 1.43 lakhs:—

Nature of stores.	Extra expenditure	Remarks
Date of order	Rs.	
(1)	(2)	(3)
(i) Boxes 'H-60' with six fittings. 7 September, 1966.	1,13,000	The Defence indent was marked urgent. The lowest offer received in April, 1966 as a result of a limited tender enquiry issued in March, 1966, was from firm 'A' at Rs. 88.95 per unit, valid for acceptance upto 30 July, 1966. As this rate was

higher than the indenter's estimate, *viz.*, Rs. 74 per unit and it was considered desirable to have more than one source in the interest of quick supply of stores owing to the quantity being large, a decision was taken on 17 June, 1966 (after nearly 2½ months of the opening of tenders) to conduct negotiations with various tendering firms, including firm 'A'. Accordingly, negotiations were held with various firms on 28 June, 1966 (firm 'A' could not participate owing to their managing partner having gone out of station). However, even during negotiations, the lowest rate offered was Rs. 99.99 per unit from firm 'B' whose offer was valid up to 7 July, 1966; the firms participating in the negotiations regretted their inability to offer any further reduction on the ground that there had been an increase in the price of raw materials, etc. owing to devaluation of Indian currency. No purchase decision was, however, taken at that stage. Firm 'A' who were invited for negotiations to be held on 7 July, 1966, appeared on that day but withdrew their offer on similar grounds. The purchase was later (September, 1966) made at Rs. 98.99 per unit from the next higher tender, firm 'B'.

The extra expenditure of Rs. 1.13 lakhs could have been avoided if an order has been placed on firm 'A' immediately on conclusion of the negotiations with the firms on 28 June, 1966. The necessity of negotiations with firm 'A' who could not participate in the negotiations held on 28th June, 1966 is not clear as:—

- (i) there had been an increase in the price of imported raw material owing to devaluation which came into force after the receipt of offers from the various firms; and
- (ii) the lowest quotation even after negotiations with the firms on 28 June, 1966 (Rs. 98.99 per unit) was much higher than the rate of firm 'A' Rs. 88.95.

(ii) Tarpaulins
28 May, 1966.

14,300

In response to a limited tender enquiry issued on 29 December, 1965, the lowest offer received (28 January, 1966) was from firm 'C' which had quoted Rs. 256 per unit. As this rate was higher than the indenter's estimate (Rs. 200 per unit) a reference was made to him on 2 February, 1966 for confirming the availability of extra funds. The indenter communicated the confirmation in a letter dated 8 March, 1966 which was received by the Director General, Supplies and Disposals on 23 March, 1966; and later followed it up by a telegram on 25 March, 1966 which was received by the Director General on 26 March, 1966. No purchase decision was, however, taken before 28 March, 1966 upto which the offer of the lowest and the next higher tendering firms were valid, with the result that firm 'C' and the two next higher tenders withdrew their offer. The offers had, therefore, to be placed on the fifth higher firm 'D' on 28 May, 1966 at a higher rate of Rs. 290 per unit resulting in extra expenditure.

1	2	3
(iii) Pilot heavy media separator plant 18 June, 1966	15,517	<p>On the advice of the Director General, Technical Development, a single tender enquiry was issued on the firm in 21 June, 1965, in response to which the firm submitted their tender on 29 June, 1965; this offer was valid for acceptance for 30 days. The firm's tender was referred to the indenter (the Indian Bureau of Mines) on 27 July, 1965, for his remarks which were communicated by him on 1 October, 1965 after a lapse of nearly two months; in this communication, he desired confirmation regarding one year's guarantee for the plant from the firm. The firm furnished this confirmation on 30 October, 1965, stating that the electrical components were not covered by the warranty as their manufacturers did not generally give the same; this was communicated to the indenter on 16 November, 1965. On 21 December, 1965, after a lapse of more than one month, the indenter desired guarantee of one year to be obtained from the firm for the electrical components also, but the firm on 28 January, 1966, on a reference being made to them on 21 January, 1966, reiterated the position and stated that they were not in a position to offer any more guarantee than what they receive from reputed manufacturers. The indenter's final clearance was received on 21 February, 1966 whereupon an advance order was placed on the firm on 22 March, 1966. In the mean time, the firm came up (5 March, 1966) with a claim for an increase in the prices in respect of certain items which later had to be accepted, on the basis of which a firm order was placed on the firm on 18 June, 1966.</p>

5.100. The Committee desired to know why in the case brought out in Sub-para (i), the decision to conduct negotiations with the tenderer firms was taken after nearly 2½ months of the opening of tenders. The Director General, Supplies and Disposals, stated that in this case, the Minister himself used to pass orders before approving the negotiations. The initial delay of 2½ months was due to the fact that the Ministry were reluctant to agree to negotiations unless full justification had been furnished for negotiations. At that time, devaluation had not taken place and it was a very good case for negotiations. If the devaluation had not taken place, the Department would have got a substantial reduction. Further, the Department wanted to place orders with more than one firm. In reply to a question, the witness stated that the Department had to negotiate with the firms which were considered likely to have the capacity because the item was completely a new store which had not been developed and there was no proved capacity. In reply to another question, the witness stated that normally negotiations were not resorted to save in exceptional cases where there were circumstances to justify negotiations. In the present case, when the proposal were to the Ministry, it was found that all the facts had not been properly bro-

ght out. There was a back reference to the Directorate General of Supplies and Disposals which had resulted in the delay of 2½ months. On being pointed out that there was a firm which had offered the lower quotations and the Department did not accept the offer, the witness stated that the tendered rates were from Rs. 88.95 to Rs. 105 per unit which were more than the indenter's estimate of Rs. 74 per unit. So, it was necessary to bring down the quotations and also to narrow the difference between the various prices quoted by the tenderers. The witness added that the indenter's estimate was given by the Director General of Ordnance Factories, which was a production organisation capable of preparing the estimates of cost.

5.101. On being pointed out that when the firms were called for negotiation it was apparent that the firms would not reduce the price due to devaluation, the witness stated that the Department had every reason to expect that the lowest tenderer would reduce the price because two out of three tenderers had actually reduced the prices after devaluation. "It would have been imprudent to have taken advantage of the offer without negotiation."

5.102. Explaining further, the witness stated that the tender had not attracted competitive quotations because the item was a new store and the intention was to conduct negotiation with all the firms on one date. All the firms were called negotiations. Firm 'A' did not come for negotiation on that day, but had asked for an opportunity at a later date and they were given an opportunity on 7th July, 1966. There was no apprehension that the officer who was in charge of this case wanted to show favour to firm 'B' instead of firm 'A'. The Director General, Supplies and Disposals added, "In fact, I conducted the negotiations. I was presiding."

5.103. Asked whether the firm 'A' was bound to accept the order, if it was placed on it after negotiations with other two firms were over. The witness stated that the firm would have been bound to accept the order placed within the validity period, if the firm had not withdrawn the offer. Every firm had a right to withdraw an offer any time before the validity expired. The department could not anticipate that the firm would withdraw the offer. The date that was fixed for negotiation in July, 1966 was within the validity period. It was actually found that the price of imported components had gone up. The Firm 'A' which had come for negotiation on 7th July, 1966 had reduced their offers for two or three items. In reply to a question, the witness stated that the firm had withdrawn the offer because of their inability to maintain the quoted price after devaluation. On being pointed out that the indenter's estimate was based

on pre-devaluation price and the department could have taken advantage of the position, the witness stated that the imported component was a very small item and there was no reason to suppose that its cost was so prohibitive that the firm would not reduce the price. The imported component was a piece of laminated sheet that was used in the seal of the box. The Directorate was not really aware before the negotiations took place that the box contained components that would have to be imported after the orders had been placed.

5.104. In regard to the case brought out in Sub-para (ii), the Director General, Supplies and Disposals stated that there was delay and suitable departmental action had been taken against the officers who were responsible for the delay.

5.105. As regard the case brought out in Sub-para (iii), the Director General, Supplies and Disposals stated that a good deal of internal consultation took place with the Ministry of Finance during the period between the indenter's clearance and the issue of Acceptance of Tender. Further, the pilot heavy media Separator was a new store which had never been produced indigenously. The Department was trying for the first time to achieve import substitution with the object of saving foreign exchange by placing the order within the country. The consultation and correspondence between the firm, the Director General, Supplies and Disposals, the indenter and the ultimate consignee took time which was unavoidable.

5.106. From the note (Appendix V) furnished at the instance of the Committee, it is seen that the box (item No. (i) in Audit para) comprised 10 fitments viz., 6 Nos. laminated sheets with paper base, 3 Nos. laminates sheets with fibre base and 1 No. of sheet. The 9 fitments (laminated sheets with fibres and paper base) though manufactured within the country involved imported raw material. The imported raw material required for the manufacture of furnished fitments not likely to exceed 5%.

5.107. The Committee regret to observe the inordinate delay of nearly three months in processing an urgent tender referred to in sub-para of para 5.99 of this Report. The Committee consider that if negotiations with the firm have been held and finalised without delay. Government would have been able to purchase stores at the lowest price offered and avoided extra expenditure of Rs. 1.13 lakhs. Government should impress on all concerned the need for finalising tenders expeditiously in order to secure maximum benefit to Government.

*According to Audit, this estimate is based on information informally obtained from firm 'B' and is not based on any authentic record.

Purchase of steel Post Box cabinets—Para 88, pages 115-116.

5.108. In April, 1965, the Director General, Supplies and Disposals issued an advertised tender enquiry for the purchase of 688 Steel Box Cabinets indented for in February, 1965 by the Indian Posts and Telegraphs Department. Eleven tenders with offers ranging from Rs. 500 to Rs. 1,500 per cabinet (as against Rs. 820 estimated by the indenter) were received and opened in June, 1965, one of which from firm 'A' (a small scale unit) at Rs. 825 per cabinet was considered as the lowest acceptable. The National Small Industries Corporation, on a reference being made to them in June, 1965, furnished a competency certificate in favour of this firm, stating that the regular production capacity of the firm for this item was 100 numbers per month.

5.109. No purchase decision was taken and on 5 August, 1965, the Inspectorate was requested to report on the capacity of this firm. The Inspectorate, however, did not recommend this firm on the ground that they had no pickling arrangements and mentioned the capacity of the firm as 2 numbers per month; the details of the pickling arrangements obtaining in the factory were, however, subsequently furnished by the firm on 9 September, 1965. On receipt of a reference from the Director General, Supplies and Disposals on 3 September, 1965, the Corporation confirmed (22 September, 1965) the capacity of the firm as 100 numbers per month reported by them earlier. The firm's offer was, however, ignored and an order for the purchase of 170 cabinets (covering another demand for 22 cabinets which was received in the meantime from another indenter) was placed in January, 1966 on another firm 'B' at Rs. 1,375 per cabinet, involving an extra expenditure of Rs. 3.91 lakhs as compared to the price offered by firm 'A'.

5.110. It has been stated by the Director General, Supplies and Disposals (November, 1966) that there is neither any evidence that the Corporation's letter dated 22 September, 1965, which was received on 23 September, 1965, was brought on noting sheet at any time or shown to any Purchase Officer, nor is there any mention of this letter or its contents in any subsequent noting. If the position of clarification by the Corporation of the firm's capacity was, thus, unknown to the Director General, Supplies and Disposals at that time, finalisation of the purchase decision in January, 1966 without even ascertaining the position in this respect lacks justification.

5.111. The Secretary, Department of Supply explaining the case stated that it was usual for the purchase organisation to call for a capacity report from their own Inspectorate even when there was a

capacity report available from the National Small Industries Corporation. The Competency Certificate from the National Small Industries Corporation was accepted as a matter of convenience. If there was any doubt the officer could call for a capacity report, since the Directorate General of Supplies and Disposals were responsible for the execution of the contract and timely supplies, they had to make sure whether the firm had the capacity to deliver the goods or not. The witness stated that so far as this particular case was concerned, the Department would not accept that there was any loss to the Government because the firm whose quotation was Rs. 825 for steel post box were asked for certain clarifications. At the same time, the National Small Industries Corporation was asked to furnish a competency certificate. In the Competency certificate that was received on the 16th July, 1965, they had stated that the firm could supply at the rate of 100 boxes per month. They had also indicated that the firm had with them orders for 45 tool box cabinets and two dining tables. The witness stated that these orders were not placed by the Directorate General, Supplies and Disposals. So, the officer had felt that it would be better to call for a capacity report from his own Inspectorate after visiting the factory. The Inspectorate had stated in their report that the firm was capable of delivering two boxes per month and the firm was also not equipped to manufacture this particular store.

5.112. In reply to a question, the witness stated that the certificate of the National Small Industries Corporation that the firm had a capacity of 100 boxes per month was not correct. The Inspectorate who were asked again to go into this question had reported that what they had stated earlier was quite correct. A joint inspection was also conducted with the help of the Directorate General of Technical Development. The report of the joint inspection had also stated that the firm was not fit for placing an order of this type.

5.113. On being asked whether the matter was referred to the Corporation for taking action against the officials of National Small Industries Corporation who had issued an incorrect certificate, the witness stated that copies of all the reports had been sent to the National Small Industries Corporation but they had not given any explanation.

5.114. In reply to a question, the witness stated that in order to have foreign exchange, the Directorate General, Posts and Telegraphs had sent reversed specifications and an order had been placed at Rs. 811 per box. There was no question of risk purchase because of the change in the specifications. In the revised specifications steel doors were provided instead of brass doors.

5.115. From the facts placed before them, the Committee observe that the National Small Industries Corporation issued a competency certificate in favour of the firm without regard to their actual production capacity. When a subsequent reference was received from the Directorate General, Supplies and Disposals, on 3rd September, 1965, the National Small Industries Corporation should have gone into the question of the actual production capacity of the firm instead of merely confirming their earlier report that the firm had the necessary capacity to undertake the order. As the joint inspection conducted with the help of the Directorate General of Technical Development has established the fact that the firm does not have the capacity to execute the order, the Committee suggest that the Department should take up with the Ministry of Industrial Development and Company Affairs the question of the issue of an incorrect competency certificate in favour of the firm by the National Small Industries Corporation, so that suitable measures are taken to avoid such cases in future.

Purchase of leather buffalo curried—Para 90, pages 116-117.

5.116. In May, 1963, the Director General, Supplies and Disposals placed an order on a firm for the purchase of 1.77 lakh Kgs. of leather at Rs. 5.62 per Kg. involving a total cost of Rs. 9.95 lakhs.

5.117. Of the contracted quantity, 1.31 lakh Kgs. were cancelled in April and June, 1964 without financial repercussions in view of the reduction in the demand of the indenter. Of the balance 0.46 lakh Kgs. the firm could deliver only 1,821 Kgs. by the stipulated date, viz., September, 1964 and failed to supply the balance. No action was taken at this stage to cancel the contract despite the indenter's demand to expedite the supplies, until 6 February, 1965 when the firm approached the Director General with a request to extend the delivery period by six months. At this stage, the Ministry of Law expressed the view (April, 1965) that as no action had been taken after the expiry of the stipulated delivery period on 30 September, 1964, it was necessary to allow an extension of four months to the firm. The delivery period for the balance quantity was then extended in August, 1965 upto 9 October, 1965.

5.118. The firm could supply only a quantity of 3,294 Kgs. even during the extended period. The outstanding quantity of 0.41 lakh Kgs. was cancelled in November, 1965 at the risk and expense of the firm, but later (September, 1966) this cancellation was also treated as without financial repercussions. Owing to the delay, the indenter, in the meantime, made alternative arrangements for a quantity of 31,400 Kgs. during May—August, 1965 at Rs. 8.50 per Kg. involving an extra expenditure of Rs. 0.90 lakh.

5.119. Government have stated (January, 1967) that the question of claiming general damages from the firm was examined, but that no index of the market prices prevailing on or about 9 October, 1965 was available. Further, that the question of recovering from the firm the extra expenditure incurred by the indenter in making alternative arrangements did not arise, as proper risk purchase procedure had not been followed. The extra expenditure has thus mainly resulted from the failure of the Director General, Supplies and Disposals to take proper action after the expiry of the original delivery period stipulated in the contract.

5.120. The representative of the Directorate General of Supplies and Disposals stated that an order for a total quantity of 1,77,000 Kgs. of leather was placed in May, 1963, with the stipulation that the delivery should be completed by September, 1964. On the 30th March, 1964, the indenter had asked the Directorate General of Supplies and Disposals to reduce the demand by 20,000 Kgs. without any financial repercussions. Again on the 18th May, 1964, the indenter had asked the Directorate General of Supplies and Disposals to reduce the demand which gave the impression that the indenter did not require the stores and wanted the Directorate General, Supplies and Disposals to cancel the contract as early as possible without any financial repercussion. So, by 18th May, 1964, a further quantity of 1,10,840 Kgs. was cancelled leaving a balance of about 46,000 Kgs. After the delivery period had expired the indenter had asked the Directorate General of Supplies and Disposals in December to expedite the supplies. The advice of the Ministry of Law which was sought at the time when the Department wanted to cancel the contract stated that "We could not do it, we have got to extend." In the meantime, the firm had also asked for extension. As the indenter had also agreed to the extension being granted on the advice of the Ministry of Law, a further extension was granted to the firm.

5.121. Asked why the cancellation of the contract that was done in November, 1965, was treated as without financial repercussions, the witness stated that in November, 1965, the order was cancelled without financial repercussions because in the case of risk purchase, the tender must be invited strictly under the same terms and conditions and an opportunity to enforce risk purchase must be given to the firm which was the defaulter. Since the order was on an agreed price it could not be enforced. The order had to be cancelled without risk and cost. The general damages also could not be claimed because the price on the date of breach was not available which was a pre-requisite condition for claiming general damages.

5.122. In reply to a question, the witness stated that there were conflicting instructions from the indenter. So, a letter was sent on 6th July, 1964 to the indenter asking for clarification. The indenter had replied in December, 1964 asking the Directorate General of Supplies and Disposals to expedite the supplies. In reply to another question, the witness stated that this loss had to be incurred because the indenter was not firm about the supplies.

5.123. The examination of the case shows that the indenter had radically reduced the requirement from 1.77 lakh Kgms. in May, 1963, to only 6.46 lakh Kgms. in June, 1964, and that proper action was not taken by the Directorate General of Supplies and Disposals to safeguard Government's interest as soon as the original delivery period stipulated in the contract had expired. Another reason for not being able to claim general damages was the lack of information about the ruling market price at the time of the expiry of the specified delivery period. The Committee consider that indenting organisations should take every care to ensure that indents are placed on the Purchase Organisation on a realistic basis to obviate variations later. The Directorate General of Supplies and Disposals, on the other hand, should ensure that supplies are arranged in time and that, in the event of failure of the contractor to supply the goods by the prescribed date, appropriate action is taken to safeguard Government's right to enforce risk purchase on the defaulting contractor in case of repurchase of the goods at a higher price from another supplier.

Purchase of tin dubbin protective—Para 91, pages 117-118.

5.124. The Manual of Office Procedure for Supplies, Inspection and Disposals provides that on a contracting firm's failure to deliver the goods answering the specifications given in the contract, breach is absolute and that the contract should not be kept open by entering into correspondence with the contractor after the breach has occurred as Government would lose the right to recover the extra expenditure incurred in re-purchase of store consequent upon subsequent cancellation of the contract. In respect of an order for the purchase of "tin dubbin protective" valued at Rs. 47,800, placed by the Director of Supplies and Disposals, Calcutta in July, 1963, failure to observe these provisions and the delay in the cancellation of the contract resulted in an extra expenditure of Rs. 24,000.

5.125 The order provided for delivery of stores to be completed by November, 1963. On the firm's failure to adhere to this, a *suo moto* extension of 45 days was granted by the Directorate in Decem-

ber, 1963. This was followed by correspondence with the firm leading to the cancellation of the order only in May, 1965, and re-purchase of the quantity from another firm at a cost of Rs. 71,580 involving an extra expenditure of Rs. 24,000. The extra expenditure could not be recovered as the re-purchase had not been made within the prescribed period of six months from the date of default.

5.126. The question of claiming "general damages" from the defaulting firm is stated to be under the Government's consideration (October, 1966).

5.127. In a note (Appendix VI) furnished at the instance of the Committee, the Department of Supply have stated as follows:—

5.128. "In this case, extension for 45 days in the form of a notice was given on 21-12-1963 as it was considered prudent to give further opportunity to the firm to complete supplies by granting extension as otherwise cancellation of the contract and repurchase of the stores by inviting fresh tenders would have naturally resulted in considerable delay in getting the supplies. Moreover, at this stage, there was no reason to conclude that the firm were incapable of producing the stores as in their letter dated 3-12-1963 they had not only advised that they were preparing fresh dies; the dies already prepared according to the specified drawings having been found to be not in order, but also assured that once the dies were accurately made, they would be in a position to supply at least 20,000 Nos. of tins per day. Yet another important consideration that weighed with the Department not to cancel the contract was the limited source of supply as in the tenders opened on 30-5-1963, as a result of which the order was placed on M/s. out of the four tenders received, only one was considered to be upto specification requirements the others being either not to specifications or having sought deviations in the specifications."

5.129. "This was an emergency indent and immediately it became clear after the first notice period that supplies were not likely to materialise, action was taken to seek legal advice and arrange for purchase at the risk and cost of the firm."

5.130. "Disciplinary aspect of the case is being investigated by the Department."

5.131. "As the market rate on the date of breach of the contract could not be ascertained for the purpose of claiming general damages since the store in question is not a common user item, the Director of Supplies and Disposals, Calcutta has submitted a proposal for write off sanction. This is under consideration."

5.132. The Committee understand from Audit that the Purchase Organisation entered into prolonged correspondence with the firm after the expiry of the delivery period, viz 30th November, 1963, prescribed in the contract, although the indent from the Defence Department dated 12th March, 1963, was stated to be an "emergency indent". On the 21st December, 1963, the firm were served with a notice that, if supply was not completed within a period of 45 days, acceptance of the tender would be cancelled at their risk and cost. On 12th February, 1964, the firm were requested to intimate the "exact position of supply." On 7th March, 1964, the firm were requested to submit "revised advance samples free from all defects" as indicated by the Inspecting Authority and to furnish their reply within a week. On 1st September, 1964, the firm were, for the second time, served with a notice that if supply was not completed within 21 days, acceptance of the tender would be cancelled at their risk and expense. On 24th September, 1964, legal advice was obtained on the case to the effect that there appeared to be "no scope to embark on risk purchase" owing to the prescribed period of six months from the date of default (30th November, 63) having already expired, but suggesting that Department could claim "general damages". On 30th April, 1965, advance acceptance of tender was placed on another firm for the repurchase of stores. On 19th May, 1965 the contract was cancelled at the risk and expense of the defaulting firm.

5.133. The Committee are unable to appreciate why the Directorate General of Supplies & Disposals entered into protracted correspondence with the firm after it had failed to supply the stores in time, considering that it is contrary to instructions in the Office Manual that no correspondence should be entered into when the contractor fails to supply the goods in time. Government should reiterate these instructions so as to avoid recurrence of such cases.

5.134. The Committee would like to be informed of the results of the disciplinary aspect of the case which is stated to be under investigation by the Department of Supply.

Loss due to delay in payment of freight dues—Para 95, Page 120.

5.135. In respect of two consignments carrying 54 and 72 packages of scrappers and tractors imported in December, 1964, the delay in the payment of freight dues to the steamer agents resulted in a loss of Rs. 40,200.

5.136. The ship carrying the consignments arrived at Madras Port on 18th December, 1964. The two freight bills amounting to Rs. 74,200 preferred by the steamer agents on the Director, Supplies and Disposals, Madras on 25th November, 1964, were forwarded by the latter

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on 28th November, 1964 to the Pay and Accounts Officer, Madras, who declined payment for want of a provision in the acceptance of tender. The ship started incurring demurrage with effect from 24th December, 1964. The clearing agents were subsequently asked by the Director, Supplies and Disposals, Madras on 2nd February, 1965 (about 1½ months after the arrival of the ship) to make payment of the dues to the steamer agents, which they did on 6th February, 1965. The consignments were actually cleared on 7th February, 1965 and demurrage charges amounting to Rs. 45,000 had to be paid to the steamer agents through the clearing agents. Of this, liability for Rs. 40,200 was borne by the Government and the claim of the clearing agents for the rest of Rs. 4,800 was disallowed.

5.137. The Secretary Department of Supply explaining the sequence of events stated that "I would personally say that in this particular case, undoubtedly, there was a delay with the result that this demurrage had to be paid to the shipping agents." The shipping agents had presented the freight bills to the Director of Supplies and Disposals, Madras on the 25th November, 1964. These bills were immediately passed on to the Assistant Pay and Accounts Officer, Madras for payment. While returning these bills the Assistant Pay and Accounts Officer stated that unless a copy of the Acceptance of Tender was received by him, he would not be in a position to make the payment because according to the correct procedure, since the shipper was the I. S. M. Washington, the payment had to be made by the Pay and Accounts Officer, Bombay. On receipt of his letter dated 2nd December, 1964, the Director of Supplies and Disposals referred the matter on 4th December, 1964 to the Directorate General of Supplies and Disposals. The Director of Supplies and Disposals did not refer to this particular case but had raised the general question and had stated that the Assistant Pay and Accounts Officer had been experiencing difficulties in the matter of payment of freight charges because he was not in a position to raise debits against the consignees. He had attached with his letter a list of about six or seven consignments including these two. In the remarks column, he did mention, that the ship was due to arrive in Madras on the 5th of December, 1964. The letter of the Director of Supplies and Disposals, Madras was examined in the office of the Directorate General of Supplies and Disposals with a view to removing the lacuna if any in the procedure and to issue an amendment to the A/T.

5.138. On the 11th December, 1964, the Assistant Pay and Accounts Officer was asked by the Director of Supplies and Disposals, Madras to make the payment. The Assistant Pay and Accounts officer while

returning the bill on the 15th December, 1964 stated that he was not in a position to make the payment in the absence of A. T. On the 19th December, 1964, the Assistant Pay and Accounts Officer was informed that the ship had already arrived on the 18th December, 1964 and should make payment to avoid demurrage charges. The Assistant Pay and Accounts Officer stated that he had to refer the matter to the Pay and Accounts Officer, New Delhi and on receipt of the instructions, he would make the payment. The Assistant, Pay and Accounts Officer was reminded on the 23rd and 31st December, 1964 to make the payment. Then, the Assistant Pay and Accounts Officer stated that he had received instructions from the Pay and Accounts Officer not to make payment unless a copy of the A.T. was produced. The Secretary, Department of Supply added that in many cases in the past, the Assistant Pay and Accounts Officer had actually made the payment. But towards the end of November, a case had come to the notice of the Pay and Accounts Officer, New Delhi in which a double payment had been made and it became very difficult to recover that money from the clearing agents. Therefore, specific instructions were issued by the Pay and Accounts Officer, New Delhi to the Assistant Pay and Accounts Officer, Madras not to make payment in the absence of the formal AT.

5.139. Explaining further, the witness stated that the Director of Supplies and Disposals had made frantic efforts to get the payment of the bill made because he knew that the ship had already arrived and heavy demurrage was being incurred. The witness stated that there was a serious lapse in the Office of the Directorate General also. The officer on Special Duty in the Office of the Directorate General of Supplies and Disposals should have reported the matter to the Director General of Supplies and Disposals and a meeting with the Chief Pay and Accounts Officer should have been arranged to see that immediate instructions were issued to the Pay and Accounts Officer to make payment. Instead the Officer on Special Duty had sent a letter on the 5th January, 1965 to the Pay and Accounts Officer asking him to instruct the Assistant Pay and Accounts Officer to make payment. He had also stated that the instructions would be issued to the purchase Directorate to issue the amendment. These instructions were issued on 6th January, 1965. He added that, "unfortunately, the actual amendment letter and the authenticated copy of the A/T was sent out on the 21st—unfortunately another lapse occurred—that instead of sending the letter and the A/T to the Director, Supplies and Disposals, Madras and to the Assistant Pay & Accounts Officer, Madras, it was sent to the Pay Accounts Officer, Calcutta and he was asked to forward these documents to the Assistant Pay Account Officer, Madras. Now, the reason for that was that in terms of the

contract in respect of rupee portion of the contract, the payment had to be made by the Pay & Accounts Officer, Calcutta." This mistake was committed inspite of the instructions that the documents should be sent to Madras. These documents were kept in Calcutta for one or two months. The witness stated that the matter was settled and the cargo was ultimately cleared on the 7th February, 1965.

5.140. In reply to a question, the witness stated that, "Actually there is an agreement with the clearing agents and under clause 8 (f) (viii) of that agreement the Director of Supplies could ask the clearing agents to make payment and subsequently get the reimbursement from the Pay & Accounts Officer. That was the convention in the past.

5.141. In this particular case an attempt was made by the Director of Supplies and Disposals and the clearing agents were asked to make the payment and clear the consignment. As heavy amount was involved, the clearing agents were prepared to do so only if an assurance in regard to the reimbursement of the amount was given.

5.142. In reply to another question the witness stated that since the India Supply Mission was the shipper, the payment had to be made by the Assistant Pay and Accounts Officer, Bombay. If the bill had been sent to Bombay, the payment would have been made. The witness stated "The instructions were quite clear but, unfortunately, those instructions were not followed and all those things got complicated by sending the papers to Calcutta." Action was being taken against the officers who were responsible for the lapse.

5.143. The Committee are unhappy to note that Government had to incur a loss of Rs. 40,200 in this case on account of demurrage charges due to lapses and delays in the Office of the Director General, Supplies and Disposals. Since consignments by ships are received frequently by the Directorate General, Supplies and Disposals, the Committee suggest that various lapses that occurred in this case may be analysed carefully to remove any lacuna in the procedure. The instructions issued in this connection may be brought to the notice of all the officers so that such cases do not recur.

5.144. The Committee may also be informed of the action taken against the officers found responsible for these lapses.

Purchase of trailer pumps—Para 96—Pages 121-122.

5.145. To comply with an indent from the Andhra Pradesh Government received in November, 1964, the Directorate General, Supplies and Disposals, issued a tender enquiry in December, 1964 for

the purchase of eight "trailer pumps for the fire brigade use 1800 LPM". The tenders were opened on 10 February, 1965 and were valid for acceptance up to 10 March, 1965. The quotations from two of the firms which later agreed to extend the period of validity of the offers up to 10 May, 1965, were as follows:—

Firm	Price per unit	Delivery period offered
'A'	Rs. 20,000 exwork Bombay. 20,700 f.o.r. destination	Within 12/14 month subject to prompt availability of petrol engines. Later, on 21 April, 1965, the firm guaranteed delivery of pumps during January, and February, 1966, if order was placed on them by 10 May, 1965.
'B'	Rs. 22,900 f.o.r. Delhi. (Rs.23,758 f.o.r. destination).	Within 14/18 weeks from date of receipt of a firm order from the Director General and of the respective engine assemblies from the manufacturers. On 22 April, 1965, the firm stated that a few engine assemblies were under despatch by the manufacturers and that, therefore, it would be possible for them to make supplies within 8/10 weeks.

5.146. In view of the earlier delivery offered by firm 'B', the cheaper offer of firm 'A' was ignored and, on 10 May, 1965, an order for the purchase of eight pumps was placed on the former at Rs. 22,900 with date of delivery as 24 July, 1965 stipulating that, in the event their not adhering to this date, they would be liable to pay Rs. 3,058 per unit to Government being the difference between the contract rate and the rate of firm 'A'. No specific guarantee as regards the date of delivery nor any prior acceptance of the clause regarding the recovery of the price differential in the event of the firm's failure to adhere to it was obtained from the firm before placing the order, although the offers remained pending for three months.

5.147. On receipt of the order, the firm protested (14 May, 1965) against the inclusion of the price preference clause stating that they had not guaranteed the period of delivery. The eight pumps due to be delivered under the contract were tendered by the firm on 22 July, 1965 for inspection but they were defective and, therefore, they were re-tendered on 25 November, 1965 after rectification of defects. However, they could not be despatched until 1 January, 1966 owing to the delay in the issue of despatch instructions by the Director General. To cover the delay, a formal extension of time was given to the firm in May, 1966 and the provision regarding the recovery of the price difference was also deleted.

5.148. Since the firm 'A' had guaranteed to deliver the pumps in January and February, 1966, the extra expenditure of about

Rs. 25,000 incurred in consideration of earlier delivery did not serve the intended purpose.

5.149. The delivery of stores had been desired by the indenter by 28 February, 1965 on an urgent basis. No specific concurrence was subsequently obtained from him as regards the date of delivery to be stipulated in the order and the extra price proposed to be paid on that account, although the order itself was placed in May, 1965, 2 months after the date by which supplies were required.

5.150. The Director General, Supplies and Disposals stated that the tender invitation had contained the price preference clause. This clause was legally enforceable and there was no lapse on this account. The firm also did not contest the price preference clause. Asked whether any liquidated damages had been levied against the firm for the delay in regard to the supply of stores, the witness stated that "It is here that unfortunately a lapse occurred because the case has been finalised without enforcing the price preference clause. We are dealing with the officer concerned."

5.151. The Committee understand from Audit that the firm did contest on 14th May, 1965 the incorporation of the price preference clause in the acceptance of the tender and the DGS&D, while giving the formal extension of time to the firm up to 1st January, 1966 given retrospectively on 20 May, 1966. clearly stated that it was 'without liquidated damages' and also deleted the price preference clause from the acceptance of tender. They hope that the circumstances in which the prior acceptance of the firm regarding the provisions of recovery of price difference was not obtained and later, while deleting the relevant clause from the acceptance of tender, the formal extension of time was also given "without liquidated damages" will be investigated with a view to fix responsibility and to remove any lacuna in the existing procedure.

Irrigularities in defending a civil suit, Para 97—Pages 122-123.

5.152. A contract for the purchase of 436 bales of B-twill bags, placed by the Director General, Supplies and Disposals, on a firm on 27 March, 1952 provided for delivery of goods in three equal monthly instalments during April to June, 1952. While the first instalment due in April, 1952 was accepted, the goods tendered against the second instalment due in May, 1952 were rejected, followed later by cancellation of the quantity due in respect of the second and also the third instalment due in May and June, 1952. An advance of Rs. 99,294, which the firm had drawn in respect of the second instalment was, later, on the firm's refusal to refund it, deducted in July,

1952 from the payments due to the firm in respect of another contract placed on 10 March, 1952.

5.153. In June, 1953, the firm filed a civil suit for the refund of Rs. 99,294, which was, in December, 1960, decreed against Government by the Court, with costs. An appeal against the decision, later (May, 1961), filed by the Department was, in February, 1965, rejected by the High Court, which, in July, 1965, also dismissed an application by the Department for leave to appeal to the Supreme Court. Thereupon, the refund of the amount was made to the firm in January, 1966. In addition, Government also incurred a total amount of Rs. 7,465 on legal expenses. The cost of suit which the firm are due to get in terms of the Court decree is not known.

5.154. On 28 March, 1966, the firm were called upon to deliver the specific stores to which the refund of the advance of Rs. 99,294 related; the firm (April, 1966) expressed their readiness for the same only on condition that additional excise duty which had been imposed in the meantime should be paid to them. The matter is reported (January, 1967) to be under discussion with the firm.

5.155. The grounds on which the Court accepted the claim of the firm mainly were:—

- (i) Government could not produce satisfactory evidence in support of the payment of the advance of Rs. 99,294.
- (ii) The standard terms of contract (For WSB-133) applicable to the contract in question, under which recovery of Government dues against one contract can be effected from the dues payable to firms under any other contract, were also not produced by Government.
- (iii) The basis for rejection of the tendered goods was not correct.

5.156. Government have stated (January, 1967) that the judgement of the Court going against Government might be "attributed to the manner of presentation of Government's case by the Government Counsel and his beliefs and presumptions on vital points of law."

5.157. It is not clear why the bills of the firm on which the advance of Rs. 99,294 was paid to them, and payee's receipt were not produced in proof of payment to the firm.

5.157. The Secretary, Department of Supply explained that there were two contracts in this case. One contract was for the supply of hessian Cloth and the other was for the supply of 436 bales of twill bags to be supplied in three instalments in April, May and

June, 1952. In the first case, the payment was to be made on proof of despatch. In regard to the supply of twill bags, the payments were to be made after the consignment was inspected and approved. In regard to the first contract, the supply was actually made and the firm was entitled to the payment of Rs. 1,98,000. In regard to the supply of twill bags, the instalment that was due in April was delivered. The Second instalment that was due in May was tendered but it was rejected in inspection. In view of the rejection of stores, Government was entitled to the refund of the amount and the firm was asked to refund the amount. On their refusal, the amount was deducted from the amount of Rs. 1,98,000 which was due to the firm in respect of the first contract. It was contested by the firm in a court of law. The witness stated that the Government counsel had "made some mistake in the presentation of the case." Further, "the form W.S.B.—133 was not formally tendered."

5.158. On being pointed out that the Government could not produce any satisfactory evidence in support of the payment that was made in advance, the witness stated, "When the case was handed over to the Counsel, it was for him to prepare the case and ask for any documents he needed. He had tried to prove the fact of payment by saying that the plaintiffs had already accepted the fact that payment had been made to them."

5.159. In reply to a question, the witness stated that "the entire records were handed over to him." "The receipt was in the Accounts Office." The payment was made by the Accounts Officer, it was for the Counsel to have asked for any other documents. The receipt was not given because it was not asked for by the Counsel.

5.160. Explaining further, the witness stated that the Department "had engaged a solicitor on a considerable fees." "It was the duty of the Solicitor and the lawyer to go through the records of the case and find out if there was any lacuna." The officer went there for this purpose with all the relevant records available in the office of the Directorate General of Supplies and Disposals." "The Officer went there. explained the whole case in detail, whatever question were asked were answered."

5.161. The Committee desired to be furnished with notes on the following points.

- (i) What was the total cost of litigation and the decree for costs.
- (ii) Whether the receipt supported by an affidavit bringing out the circumstances under which the receipt could not be produced before the original court, was produced before the appellate court along with the grounds of appeal.

5.162. The notes have since been furnished by the Department of Supply and are at Appendix VII.

5.163. The Department of Supply have stated *inter-alia* in the note that "In suit Rs. 2073 of 1953, Government incurred expenses amounting to Rs. 1,811.40 in the trial court and Rs. 5,653.45 during the appeal stage. In all the total expenditure towards this suit amounted to Rs. 7464.85."

5.164. "The Plaintiff, Messrs..... have been awarded costs of the suit as well as the costs of the appeal. It appears that upto now these costs have been taxed by the court. No formal demand has been made to us for the payment of the said amount."

5.165. The Department of Supply have also stated in the note that "It does not appear that any attempt was made to produce the receipt in the appellate court. Presumably, it was thought that in the state of evidence it was unnecessary."

5.166. "It is stated in the body of the letter that a cheque for Rs. 98,706 is enclosed and under this letter there is an endorsement 'Cheque given in cash', under which there is an illegible signature."

5.167. "It must be noted in this connection that in the suit No. 2095/53, which was expected to come up for trial, the plaintiff had admitted that he had received payment towards May quota. There is a reference to this effect in the appellate judgment also."

5.168. The Committee also find that the Audit has given observations on this note which *inter-alia* state as under:—

".....the fact remains that no attempt was made by the Department to produce before the lower court, or, later on, even before the Appellate Court, the bills of the contractor on which the advance of Rs. 99,294 was paid to them and/or the contractor's receipt therefor, in proof of the payment of advance to the contractor."

5.169. The Committee desired to be furnished with a note stating as to when the Solicitor and the Counsel, who defended this case, were appointed by Government and whether they continued to remain on the approved list of solicitors and Counsel for Government cases.

5.170. The Department of Supply have stated *inter alia* in the note that "At the time of the institution of the suit in 1953, Shri.... was the standing Solicitor to the Central Government at Calcutta. He was a Solicitor to the Central Government for a very

long period previously. Shricontinued to handle this case upto 30th September, 1959 when the Calcutta court work was split up among 3 solicitors and Shritook over as Solicitor to the Central Government in charge of Works, Housing and Supply Ministry group *vide* Ministry of Law O.M. No. F.18(4)|59-J dated 30th September, 1959. It has since been decided to stop the system of Private Solicitors and to appoint qualified Solicitors in the Ministry of Law to handle Government work. The work relating to the Supplies Department is likely to be taken away from Shri from 1st March, 1968 when his present contract ends."

5.171. The Committee note that the grounds on which the Court rejected the case were:—

- (i) Government could not produce satisfactory evidence in support of the payment of the advance of Rs. 99,294.
- (ii) The standard terms of contract (Form-WSB-133)(applicable to the contract in question, under which recovery of Government dues against one contracts can be effected from the dues payable to firms under any other contract, were not produced by Government.
- (iii) The basis for the rejection of the tendered goods was not correct.

5.172. The Committee are unable to appreciate why Government did not present the documents to the court and satisfy them. The Committee would like Government to thoroughly investigate the reasons for this failure and to fix responsibility and issue detailed instructions, in consultation with the Ministry of Law, to avoid the recurrence of such lapses.

5.173. The Committee further suggest that the panel of advocates reference to their performance so that only such advocates as show reference to their performance so that only such advocates as show sustained interest in Government cases are retained on the panel.

5.174. In reply to a question, the Secretary, Department of Supply, stated that the firm was prepared to re-supply the stores provided the excise duty and sales tax were paid. Some delay had taken place because the Defence Inspector had not yet passed the goods. The firm had been doing business with the Directorate General of Supplies and Disposals in respect of jute goods and had supplied goods quality stores in the past. This was the only case where dispute had arisen.

5.175. The Committee may be apprised of the final position in regard to the supply of stores by the firm against the advance of Rs. 99,294 made to it.

Appropriation Accounts (Civil), 1965-66

Grant No. 67—Supplies and Disposals, Page 140.

5.176. This Grant includes expenditure incurred during the year 1965-66 on the Inspection Centre of India Supply Mission at Dusseldorf (booked under group head 'F—Expenditure in England'). The Centre was started in May, 1965 with a view to—

- (i) cutting down the delays in the inspection of stores ordered in the European countries; and
- (ii) reducing the expenditure on inspections originally carried out from London.

5.177. In February, 1966, the Director General, India Supply Mission recommended to the Government the winding up of the Centres. In April, 1966 the Ministry requested the inspection Centre to submit proposals regarding the winding up of the Centre and the re-transfer of the officers and functions to London.

5.178. In a note submitted at the instance of the Committee, the Department of Supply have stated that:

“In June, 1963 Minister, Economic and Defence Co-ordination felt that the post of the head of the I.S.M., London should be up-graded and two more offices opened in West Germany and Moscow. He wanted this proposal to be examined by the Minister (Supply) and JS(P) who were visiting the purchase Missions abroad. JS(P) in his report dated the 9th August, 1963 stated that setting up of a separate purchase organisation for West European Countries and another in U.K. would mean a duplication of effort, lead to extra costs and create difficulties in the division of stores to be purchased by the two organisations. While he did not recommend the setting up of a separate purchase organisation. JS(P) recommended the setting up of an Inspection Unit in Europe in order to avoid the following difficulties:—

- (i) Inspection staff is concentrated in the U.K. and their going to the various places in Europe, to inspect stores, causes delay.
- (ii) This also reduces contacts with the supplying firms.
- (iii) This adds to the expense.

- (iv) The organisation should be entrusted with the duty of progressing and watching supplies against the orders placed on various firms, bring to notice any delays and suggest measures to remove them.

5.179. It was suggested that the Centre should be set up preferably in Dusseldorf which was a growing Centre for electrical, mechanical and metallurgical industries. The recommendation made in the report of JS(P) was considered in consultation with the Ministry of Finance and it was accepted."

5.180. The Department of Supply have further stated that:

"After the conflict with Pakistan there was need for economy in expenditure and the Ministry of Finance stressed the need for saving in all possible ways. Director General, India Supply Mission, London was accordingly requested to suggest measures for economy and a cut of £36,975 was imposed on the Mission. The Director General, India Supply Mission, London was asked to send proposals to implement this cut in the budget. The closure of the Cell at Dusseldorf was suggested as one of the measures of economy. He also pointed out that there would be economy if the Cell in Dusseldorf was transferred back to London because foreign allowance, rents as well as salaries of local staff were higher in West Germany than in the U.K. it is estimated that the closure of the Cell would result in a saving of about £11,000 per annum. The position was reviewed and it was found that the work handled in the Cell was less than what was anticipated at the time the Cell was created. It was, therefore, proposed to close this Cell and re-transfer, the staff to London. There were also other technical difficulties. Most of the orders placed in Europe and Scandinavia were for stores for which Inspectors had to be sent from London. There are a certain number of Technical Officers (specialists) who are locally recruited. While these posts will gradually be filled in by appointment of India-based staff, the local staff has to be kept till they are wasted out. Due to the terms and conditions of local Technical staff in London, they cannot be transferred to Dusseldorf and specialised stores are therefore even now inspected by the London-based Technical staff. Posting of more specialised Technical officers at Dusseldorf from India will add to the cost of the Centre and result in duplication. As such it was felt that the usefulness of the Cell at Dusseldorf was rather limited. The Director General, India Supply Mission, London further

reported that since its inception, the Dusseldorf Centre had to face many problems. He specifically stated that the staff were unhappy owing to the problems of language, higher cost of living, lack of facilities for education of children. He also confirmed that the Cell was uneconomic. Secretary, Supply Technical Development visited London in April, 1966 and confirmed the difficulties experienced by the staff posted at Dusseldorf."

"Due to the various reasons stated above Director General, India Supply Mission, London recommended closure of the Cell."

5.181. In regard to the final decision on the closing down of the Centre at Dusseldorf; the Department of Supply have stated that:

5.182. "The proposal was considered in a meeting of the economy Committee of Secretaries on the 19th August, 1966 and they expressed the view that as the Centre had functioned only for a short while it was somewhat premature to come to a decision regarding its future. It was decided to watch the working of the Cell upto the end of February, 1967 and re-examine the issue in March, 1967.

5.183. Accordingly the Director General, India Supply Mission, London reviewed the working of the Cell at Dusseldorf in April, 1967 and stated that there was no justification for keeping this Centre in Dusseldorf. He is still of the view that the Centre should be closed. This question was again examined in this Ministry in consultation with the Ministry of Finance. Financial Adviser of the E.A. Division wanted some further clarification in August, 1967 regarding value of stores etc. inspected by the I.S.M. London, and the proposal is still under consideration in consultation with the Ministry of Finance."

5.184. From the note, it is also seen that the following expenditure has been incurred on the opening of the Inspection Centre of the India Supply Mission at Dusseldorf;

A. Expenditure incurred in hiring accommodation at Dusseldorf for office as well as for residential purposes.

Recurring

Office accommodation (including window cleaning, lift, electricity, etc.)	£ 2,018 p. a.
House rent and space heating (India based Officers)	£ 8,838 "

Non-recurring

Brokerage of residential accommodations.	Rs. 5,300
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B. Expenditure incurred on initial furnishing of the accommodation.	Rs. 20,000
C. Extra expenditure on grant of foreign allowance, House rent allowance etc. to the staff.	
Foreign Allowance.	£ 2,080 p. a.
House Rent and space heating	£ 2,088 „
<i>Other additional expenditure</i>	
1. Medical expenses.	£ 1,000 „
2. Local staff	£ 1,240 „
3. Police registration	£ 1,500 (Non-recurring)
D. Additional expenditure specially authorised by Government to facilitate the move of the office and the officers to the new station.	
Transfer T.A. of staff from London to Dusseldorf.	Rs. 8,000
Excess daily allowance over normal Foreign Allowance during initial period for officers transferred from London	Rs. 31,000
Excess hotel expenses over normal residential accommodation for officers transferred from London.	Rs. 21,200

5.186. The Committee have gathered an impression from the Ministry's note that the Inspection Centre of the India Supply Mission set up at Dusseldorf has not really achieved the underlying objective, namely, to facilitate the inspection of stores ordered in West European countries and to reduce the expenditure on inspection originally carried out from London. The Committee note that the recommendation of the Director General, India Supply Mission, London, to close down the Centre, which was reiterated in April, 1967, is still under the consideration of Government. As it may be possible to effect an annual saving of £ 11,000 by closing down the Centre at Dusseldorf, the Committee recommend that Government should take an early decision in the matter.

NEW DELHI;

March 11, 1968.

Phalgun 21, 1889 (S).

M. R. MASANI,

Chairman,
Public Accounts Committee.

APPENDIX I
[Reference Para 2·20 of this Report]
MINISTRY OF EXTERNAL AFFAIRS

Statement showing details of the Houses rented/Purchased for the High Commissioner of India, Mauritius.

Serial No.	Items on which Information required	Building Occupied by the Indian High Commissioner at Mauritius & which was damaged in February, 1960.	The Second Building which was constructed and taken on rent.	The Building which has been recently purchased.	Remarks.
1	2	3	4	5	6
1	Total Area of Land	Not Available	1·85 Acres	2·964 Acres	
2	Built in area	„ „	3500 Sq. ft.	5265 Sq. ft.	
3	Area of Lawns and ground attached to the House	„ „	Not available	Not available	
4	Full details of the Accommodation of various units.				
	(a) Waiting Room/spare room one	Sq. ft. 96	One	Sq. ft. 236	One 192
	(b) Study Room One	96	..	..	One 349
	(c) Drawing Room Two	608	} One	953	One 349
	(d) Dining Room One	860		One	320
	(e) Bed Room	361	One	392	One 352
	(f) Bed Room . . . . . ..	..	One	379	One 352
	(g) Guest Room . . . . . ..	..	One	228	....
	(h) Dressing Room One	109	One	173	Two 392
		1530		2361	2306

APPENDIX II

(Reference Para 2.26 of this Report)

No. V. IV/754/1/66

GOVERNMENT OF INDIA

MINISTRY OF EXTERNAL AFFAIRS

New Delhi, November 21, 1966.

To

The Regional Passport Officer,
Bombay/Calcutta/Delhi/Lucknow/Madras.

SUBJECT:—*Fraud in Security Deposit Fees—Remedial Measures.*

Sir,

I am directed to say that this Ministry has been considering measures for tightening the accounting arrangements and exercise of checks and counter-checks by Heads of Offices and drawing and disbursing officers with a view to eliminating chances of fraud in Regional Passport Offices. It has been decided that the existing Cash Book should be revised to the extent mentioned below:—

- (i) At present there is no column either on the receipt side or on the payment side for recording the particulars of the transactions. After column 1-date, column 2 should be opened and described as Nature of transactions. In this column all particulars of a receipt payments will be given.
- (ii) There will thus be 8 columns on the receipt side. The existing column No. (8)—Refund on receipt side should be deleted as it will not be conducive to correctness and check.
- (iii) Miscellaneous receipts should be clearly defined. It is presumed that in this column money drawn from the treasury for disbursement of salaries will be shown. This is in view of the fact that there will be one Cash Book for the office as a whole.
- (iv) The term Remittances should be replaced by the term payments.
- (v) Column 9 should be opened and should be used for recording the date.

- (vi) Column 10 should be used for giving all the particulars of the transactions as will be necessary as per the existing columns 15 to 19.
- (vii) The existing columns 9 to 12 will have to be renumbered as 11 to 14.
- (viii) The terms "Misc. Receipts" used in column 13 appears to be wrong. It is presumed that it is intended for the term "Miscellaneous Payments" which includes disbursement of salaries.
- (ix) The existing columns 15 to 19 are redundant in view of the new column No. 2 for recording the particulars of transactions.
- (x) There will also be 8 columns on the payment side. Column No. 9 on the payment side should be used for recording the initials of the officer.

It will thus be observed that as against 20 columns there will be 17 columns in the integrated Cash Book and the requirements can be complied with by using the column meant for the particulars of the transactions. A proforma is attached herewith for guidance.

2. Till the new printed Cash Books are supplied, it may please be cyclostyled in your office and brought into use immediately. Care should be taken to ensure that the pages of the cash book should be machine numbered, certificate of count of pages in the cash book should be recorded in the first and last pages of the cashbook. It should also be ensured that spare copies of the cyclostyled forms are carefully kept in the personal custody of the Head Office.

3. It is the personal responsibility of the Head of Office to follow every transaction till it is completed. In this connection your attention is invited to T.R. 77 which lays down the controls to be exercised by the Head of Office. There should be one Gazetted Officer in between Cashier and R.P.O. to assist the R.P.O. to exercise strict control and watch over each and every transaction passing through and records of your office.

4. The instructions contained in the preceding paragraph should please be followed scrupulously.

5. Please acknowledge receipt of this letter.

Yours faithfully,
Sd./- C. S. V. SUNDRAM.
Attache (PVA).

Regional Passport & Emigration Office, _____

Date	Nature of transactions	Receipts				Misc. Receipts	Total	Date	Particulars of transaction	Payments				
		Passports		Emigration						Passports		Emigration		
		Passport	Passport	Emigration	Security					Passport	Passport	Emigration	Security	Misc.
		Fee (Cash)	Fee (Money-Order)	Fees	Deposits					Fee (Cash)	Fee (Money Order Cheque)	Fee	Deposit	Payment
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
										Total				
										16	Initials of Officer			
										16	17			

APPENDIX III

(Reference Para 5.41 of this Report)

MINISTRY OF WORKS, HOUSING AND SUPPLY

(DEPARTMENT OF SUPPLY)

Copy of the instructions issued recently to officers to issue orders in clear unambiguous and precise terms.

A copy each of this Department's O.M. No. 43(3)/64-PI dated 16th January, 1967 and DGS&D's endorsement No. 3(8)/67-O&M dated the 28th October, 1967 is enclosed.

This has been vetted by Audit.

Sd./- K. RAM,
Secretary.

No. 43(10)/66-PI
dated:—

COPY

No. 3(8)/67-O&M

GOVERNMENT OF INDIA

DIRECTORATE GENERAL OF SUPPLIES & DISPOSALS

(O&M Division)

New Delhi, the 28th Oct., 1967

SUBJECT:—*58th Report of the Public Accounts Committee (Third Lok Sabha—1966-67)—Need to draft the orders and letters to be issued by Government in clear and unambiguous terms—Recommendation regarding.*

A copy of the undermentioned paper is forwarded for information and guidance to:—

1. All Officers/Sections at H.Qs.
2. Heads of all Regional Offices.

Sd./- J. R. CHADHA,
Section Officer.
for Director (O&M CDN).

PAPER FORWARDED

Copy of Ministry of Home Affairs O.M. No. 14/6/67-Ests (A) dated 22nd September, 1967.

SUBJECT:—58th Report of the Public Accounts Committee (Third Sabha—1966-67)—Need to draft the orders and letters to be issued by Government in clear and unambiguous terms—Recommendation regarding.

The Public Accounts Committee had, in their 58th Report (Third Lok Sabha—1966-67), adversely commented on a case in which the original orders issued by the Government of India granting certain concessions to the Government employees were not happily worded and did not cover two important points. The first point was that in the original orders, there was no indication about any date with reference to which the eligibility of the employees for the concession was to be determined. When it was discovered that this was an omission, a clarificatory Office Memo. was issued (after a lapse of some time since the issue of the original orders) indicating the date with reference to which the eligibility for the concession would be determined. The Second point was that neither the original orders nor the subsequent clarificatory instructions specified for how long the concession would be available. As a result, Government had to incur financial loss.

2. The Committee have recommended that Government should issue instructions to all concerned to the effect that "orders and letters should be drafted in clear and unambiguous terms so as to avoid confusion at a later stage; moreover, special care should be taken to check that in important communications conveying decisions etc. dates facts and other material points are correctly mentioned." Government have accepted this recommendation, which is brought to the notice of all Ministries/Departments for information and guidance. In this connection, attention is also invited to para 45(i) of the Manual of Office Procedure which is reproduced below:

"45(i) A draft should convey the exact intention of the orders passed. The language used should be clear, concise and incapable of misconstructions. Lengthy sentences, abruptness, redundancy, circumlocution, superlatives and repetitions whether of words, expressions or ideas should be avoided. Communications of some length or complexity should generally conclude with a summary."

Attention is also invited to the Government of India's decision below rule 22 of G.F. Rs. which is reproduced below:—

"Precision and clarity being the very essence of all legal and statutory documents, drafting of Notifications etc. relating

to financial matters should be given special care and any lapse in this regard should be brought home to the officers responsible therefore (*Vide* Ministry of Finance O.M. No. F. II (36)/EII (A)/63, 22-11-1963).

Sd/- (Mrs.) R. M. SHROFF,

Deputy Secretary to the Government of India.

COPY

No. 43(3)/64-PI

GOVERNMENT OF INDIA

MINISTRY OF SUPPLY, TECHNICAL DEV. & M. PLANNING

Department of Supply & Technical Development

(Central Secretariat, North Block)

New Delhi, the 16th January, 1967

SUBJECT:—*Recording of purchase decision in clear, specific and unambiguous terms—Desirability of—Recommendation of the Public Accounts Committee.*

The Public Accounts Committee have expressed their dissatisfaction over the way purchase decision was recorded by a senior officer in one of the cases which came for consideration before the Committee. The observation made by the Committee is reproduced below:—

“The Committee consider it unfortunate, that a senior officer should have recorded an important order involving financial implications in the manner which to say the least did not convey the intention properly. They desire that this lapse should be taken due note of”.

All officers of the Ministry and the D.G.S.&D. should ensure that lapses of the above nature do not recur and that decisions are invariably recorded by them in clear, unambiguous and specific terms so as to leave no room for doubt or disinterpretation.

Sd/- N. R. BANSOD,

Joint Secretary to the Government of India.

To

1. All officers of the Ministry of Supply, Tech. Development and Materials Planning (by name).
2. All officers of the D. G. S. & D. (by name).

APPENDIX IV

[Reference Para. 5.78 of this Report Note on Para 85 of the Audit Report (Civil) 1967]

MINISTRY OF WORKS, HOUSING AND SUPPLY

DEPARTMENT OF SUPPLY

A copy of the Report of the Defence Inspectorate in regard to the capacity of the firm may please be furnished.

Department's reply:

A copy of the Inspectorate of General Stores, North India, New Delhi letter No. G/32/13/To, dated the 6th December, 1963, addressed to the DGS&D, New Delhi is enclosed.

Point:—

Please furnish a detailed note showing how the loss of Rs. 2,700 has been calculated against the defaulting firm and why Audit was not informed of the correct position promptly.

Department's reply:

According to the Audit Para, the following amount is to be recovered from M/s. Royal Timber Industries, Delhi:—

1. STIM-2/8233-E/I/705 dated 2nd January, 1964 Rs. 12,062.36 towards risk purchase loss.
2. STIM-2/28033-P/I/710 dated 10th January, 1964 Rs. 84,000 towards general damages.
3. STIM-P/28096-P/I/817 dated 16th October, 1964 Rs. 2,700 towards risk purchase loss.

2. As regards the first A/T, this was cancelled on 18th May, 1965 at the risk and expenses of the firm and risk purchase A/T was issued on 4th October, 1965. A demand notice for Rs. 12,042,36, being the extra expenditure incurred in the risk purchase, was issued to the firm on 20th October, 1965. But no recovery could be effected as the whereabouts of the firm were not known and efforts made to trace them were not successful. However, in April, 1967 the Interior cancelled his demand. (The case was seen by Audit on 1st June, 1967) after the Interior had cancelled his demand. So the question of risk purchase recovery does not arise in this case. At least only general damages could be claimed from the firm on the basis of difference between the contract rate and the market rate ruling on the date of breach of contract. It has not been possible to establish the market rate on the date of breach as there

has been no response from trade and Forest Department to our enquiry. As such even general damages cannot be claimed from the firm.

3. As regards the second A/Triak purchase was arranged for an alternative acceptable species of the 1st class at a lower rate. The rate being lesser, the question of recovery or risk purchase loss does not arise. At best only general damages on the basis of market rate ruling on the date of breach viz., 31st June, 1965 could be claimed. As already explained above, it has not been possible to establish the market rate ruling on the date of breach. The amount calculated by Audit viz., Rs. 64,000 is apparently based on the branch opened on 30th July, 1965, but the date of breach in this case being 31st June, 1968, the sum of Rs. 84,000 calculated by Audit is apparently not correct.

4. The position regarding the 3rd A/T is that as stated by Audit, a sum of Rs. 2,700 is to be recovered from the firm towards risk purchase expenses.

5. From the position explained above it will be seen that only a sum of Rs. 2,700 is due for recovery from the firm. The position regarding the second A/T was intimated to Audit in the comments on the draft para. As regards the first A/T, since the Indentor cancelled his demand after the comments on the draft para were furnished and the para has also been included in the Audit Report and Audit had also seen the file on 1st June, 1967 after the Indentor had cancelled his demand, it was not considered necessary to send a separate intimation.

Copy

No. G/32/13/TC

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE (GDI)

Inspectorate of General Stores North India Anand Parbat

New Delhi-5, dated 6th Dec. 1963.

The DGS&D,
New Delhi.

(For attention Shri H. T. Elias, AD Supplies)

SUBJECT:—CAPACITY/CAPABILITY VERIFICATION of M/s. Royal Timber Industries, New Delhi, for supply of Timber Planks against tender No. TIM 2/8233 M/1.

Reference:—DGS&D No. STIM 2/8233 M/1/425, dated 22-11-1963

The firm's premises have been visited and their particulars verified.

The firm have the requisite equipments/arrangements and are considered capable of manufacturing/undertaking bulk supplies of the store in question.

Their estimated supplying capacity is appx. 2000/3000 sq. ft. per month.

The firm is in position to provide facilities for inspection at their premises.

Plant & Machinery proforma duly completed by the firm is enclosed.

Sd/- BHUPINDER SINGH,

Lt. Col. Inspector.

Copy to:

The Director of Research & Development (Gen.)
Defence Production Organisation (TD-20)
Ministry of Defence (CGDP)
Government of India.
DHQ PO NEW DELHI-11.

APPENDIX V

(Reference: para 5.106 of this Report)

MINISTRY OF WORKS, HOUSING AND SUPPLY

DEPARTMENT OF SUPPLY

Point: Please indicate what percentage the imported components constituted of the item.

Reply: The Box under reference comprises 10 fitments viz., 6 Nos. laminated sheets with paper base, 3 Nos. laminated sheets with fibre base and 1 No. of sheet. The 9 fitments (laminated sheets with fibres and paper base) though manufactured within the country involve imported raw material. The imported raw material required for the ~~manufacture~~ of furnished fitments is not likely to exceed 5 per cent.

APPENDIX VI

(Reference: para 5.127 of this Report)

Note on para 91 of the Audit Report (Civil) 1967

MINISTRY OF WORKS, HOUSING AND SUPPLY

(DEPARTMENT OF SUPPLY)

Points:

11. Please state why did the Purchase Organisation enter into correspondence with the firm in contravention of the rules?

12. Why was the re-purchase not made within six months as prescribed in the Departmental Manual?

13. Whether any responsibility had been fixed for these lapses?

14. If so, action taken against the persons found responsible for these lapses

Reply:

In this case, extension for 45 days in the form of a notice was given on 21st December, 1963 as it was considered prudent to give further opportunity to the firm to complete supplies by granting extension as otherwise cancellation of the contract and repurchase of the stores by inviting fresh tenders would have naturally resulted in considerable delay in getting the supplies. Moreover, at this stage, there was no reason to conclude that the firm were incapable of producing the stores as in their letter dated 3rd December, 1963 they had not only advised that they were preparing fresh dies the dies already prepared according to the specified drawings having been found to be not in order, but also ensured that once the dies were accurately made, they would be in a position to supply at least 20,000 Nos. tins per day. Yet another important consideration that weighed with the Department not to cancel the contract was the limited source of supply as in the tenders opened on 30th May, 1963 as a result of which the order was placed on M/s..... out of four tenders received, only one was considered to be upto specification requirements the others being either not to specifications or having sought for deviations in the specifications.

This was an emergency indent and immediately it became clear after the first notice period that supplies were not likely to materialise, action was taken to seek legal advice and arrange for purchase at the risk and cost of the firm.

Disciplinary aspect of the case is being investigated by the Department.

Point:

15. It is understood that the Assistant Legal Adviser had advised as early as in September, 1964 that action should be taken to recover general damage for breach of contract on the part of the firm.

(a) Whether any assessment of damages had been made?

(b) If so, the amount worked out and recovered?

Reply:

As the market rate on the date of breach of the contract could not be ascertained for the purpose of claiming general damages as the store in question is not a common user item, the Director of Supplies and Disposals, Calcutta has submitted a proposal for writ-off sanction. This is under consideration.

APPENDIX VII

(Reference: para 5.162 of this Report)

MINISTRY OF WORKS, HOUSING AND SUPPLY

(Department of Supply)

What was the total cost of litigation and the decree for costs?

In suit No. 2073 of 1953 Government incurred expenses amounting to Rs. 1,811.40 in the trial court and Rs. 5,653.45 during the appeal stage. In all the total expenditure towards this suit amounted to Rs. 7464.85.

The plaintiff, Messrs. Ambica Jute Mills, have been awarded costs of the suit as well as the costs of the appeal. It appears that up to now these costs have been taxed by the Court. No formal demand has been made to us for the payment of the said amount. I am enclosing a statement showing the details of the expenditure in suit No. O.S. 2073 '53 and appeal No. 93/1961.

In Suit No. 2095/53 (withdrawn by the firm), Government was awarded costs which has been taxed at Rs. 1521. Since it is anticipated that the taxed cost in suit No. 2073/53 and the appeal 93/61 would be more than the amount awarded to the Government in suit 2095/53, the matter has been kept pending for adjustment.

In Suit No. 2095/53, as against Rs. 1541.41 awarded to the Government by way of costs, Government has incurred an expenditure of Rs. 1201.03. Statement at 'B' gives the details of the expenditure.

Whether the receipt supported by an affidavit bringing out the circumstances under which the receipt could not be produced before the original court, was produced before the appellate court along with the grounds of appeal?

It does not appear that any attempt was made to produce the receipt in the appellate court. Presumably it was thought that in the state of evidence it was unnecessary.

As would be evident from the appellate judgment, Exhibit 8 was marked by consent. Question No. 34 put to Shri reads as follows:

Q. Please look at the letter dated 10th July 1952—defendant's document No. 3 (shown).

A. Yes. This is the copy. (By consent tendered Exh. 8).

So from this it is clear that Exh. 8 has been marked by consent.

It is stated in the body of the letter that a cheque for Rs. 98,706 is enclosed and under this letter there is an endorsement "Cheque given in cash", under which here is an illegible signature.

It is rather unfortunate that the lower Court as well as the appellate court have taken the view that though the letter had been marked by consent the contents had not been proved. This is an ultra-technical view which is usually not taken.

It must also be noted in this connection that in the suit No. 2095/53, which was expected to come up for trial, the plaintiff had admitted that he had received payment towards May quota. There is a reference to this effect in the appellate judgement also.

"In the pleadings of that suit there are allegations of certain payments but no evidence has been given to connect these payments or to identify the same with the payment relied on in para 7 of the written statement in the suit."

It is unfortunate that this suit was withdrawn by the plaintiff.

No.	Sanction letter No. and date	Nature of work done for which payment was sanctioned	Amount paid Rs. P.	Remarks
(A)	<u>Suit No. 2073 of 1953</u>	(i) Fees paid to Counsel Shri Ajit C. Ganguly for drafting the writtem statement	85.00	
	Lit./2 (18)/54			
1.	dt. 23-6-54	(ii) Stamp etc. on filling of W/S	6.00	
2.	Do. dt. 30-11-59	Stamp on affidavits	9.03	
3.	Do. dt. 31-10-61	(i) Fees paid to Sr. Counsel Shri G. P. Kar	1,190.00	
		(ii) Fees paid to Jr. Counsel Shri A. K. Banerjee	323.00	
		(iii) Out of pocket expenses incurred by Solicitor	198.37	
				1,811.40
(B)	<u>Appeal No. 93 of 1961</u>			
4.	Lit. II/2 (18)/54 dt. 9-5-63	(i) Printing charges of paper book	529.38	
		(ii) Fees paid to Counsel Sh. G. P. Kar, for drafting the Memo. of appeal	306.00	
		(iii) Out of pocket expenses incurred by the Solicitor	157.37	
5.	Do. dt. 7-2-66	(i) Fees paid to Sh. G. P. Kar	3,502.00	
		(ii) Fees paid to Jr. Counsel Sh. A. K. Banerjee	918.00	
		(iii) Out of pocket expenses incurred by he Solicitor	240.70	
				5,653.45
		TOTAL OF A & B		<u>7,464.85</u>
(C)	<u>Suit No. 2095 of 1953 (withdrawn by the firm)</u>			
1.	Pur-85 (59) dt. 16-8-54	(i) Fees paid to Counsel Shri G. P. Kar for drafting the written statement	221.00	
		(ii) Out of pocket expenses incurred by the Solicitor in filing the D/S	6.00	
2.	Lit. II/2 (17)/54 dt. 19-11-59	Stamps on affidavit	9.03	
3.	Lit. II/2 (17)/54 dt. 27-10-61	Fees paid to Sr. Counsel Shri G. P. Kar, and Junior Counsel Shri A. K. Banerjee and in reimbursement of out of pocket expenses incurred by the Solicitor	965.00	
				<u>1201.03</u>

The actual expenditure incurred in the two suits is thus Rs. 8,665.88 (Rs. 7,464 plus Rs. 1201.03).

APPENDIX VIII

Summary of main Conclusions/Recommendations

S. No.	Para No. of the Report	Ministry/ Deptt. concerned	Conclusions/Recommendations
1	2	3	4
1	1.11	Atomic Energy Finance (Deptt. of Economic Affairs)	The Committee are glad to note that the Ministry of Finance (Department of Economic Affairs) have, at the instance of the Department of Atomic Energy, agreed to make special arrangements under which the foreign exchange requirements of major projects over a period of three and half years will be allocated to the Department, indicating the source and amount of free foreign exchange which could be utilised. To overcome administrative delays at Governmental level, the Committee have no doubt that the Department of Atomic Energy will make the best use of the organisation recently set up in the Cabinet Secretariat to effect co-ordination between the various Government agencies.
	1.12	Do.	The Committee hope that, with the procedure for the allocation of foreign exchange having been streamlined and with the required co-ordination amongst the different Ministries, the Department of Atomic Energy will be able to proceed with the execution of its major projects expeditiously and to complete them on schedule.

2

1.15

Atomic Energy

The Committee note that the percentage of savings in capital outlay has progressively come down from 70 in 1963-64 and about 25 in 1964-65 to 4 in 1965-66. The Committee feel that the budget estimates require to be prepared still more realistically. The Committee suggest that, in cases where due to delay in availability of foreign exchange or otherwise, the execution of a project is doubtful in any one year, only a token grant may be taken for it. Further, in other cases where amounts voted by Parliament are not likely to be spent, surrenders should be made in time. Such a step would help Government in assessing the ways and means position.

1.16

Atomic Energy

All Ministries/Depts.

As the taxation policy of Government largely depends on the budget provisions of the various Departments, the Committee suggest that each Department should exercise closer and stricter control over the technique of budgeting so as to exclude such projects from the budgetary provisions as are not likely to be taken up for execution during the year.

107

3

2.21

External Affairs

The Committee are unable to appreciate how a former Commissioner in Mauritius, while posted later in Kabul, could communicate a written commitment to the firm in Mauritius to rent the house without the approval of Government. The Committee feel that it was improper on the part of the former Commissioner to be negotiating a lease of a house which was the affair of his successor. The Committee note that this view has been impressed upon the officer concerned. The Committee desire that the Ministry of External Affairs should issue clear instructions to the Heads of Missions abroad so that cases of this type do not recur.

1	2	3	4
4	2.31	External Affairs	The Committee regret to note that the various financial irregularities involving a sum of Rs. 73,741 were committed by the cashier in the office of the Regional Passport Officer, Madras, since April, 1959, and these came to light only in December, 1965, i.e., after a lapse of six years.
	2.32	Do.	The Committee note that the cashier concerned has already been convicted by the lower court for a term of five years imprisonment and a fine of Rs. 6,000 and that he has filed an appeal in the Madras High Court. Since the appeal is still pending, the Committee would not like to comment in detail on this particular case. The Committee have no doubt that Government will take suitable action against all those who are held responsible for the embezzlement and the failure to detect malpractices in time. The Committee should be informed in due course of the action taken against them.
	2.33	Do.	The Committee note that instructions to avoid a recurrence of such cases of fraud in security deposit fees were issued by the Ministry of External Affairs in November, 1966, and that the adequacy of these instructions is being examined again by Government. The Committee suggest that the procedure for accepting deposits and their remittance to Government account or refund to the person concerned should be fully gone into by Government in consultation with Audit and detailed instructions issued to avoid the recurrence of such cases.

5

3-16

Food, Agriculture,
Community Develop-
ment and Cooperation
(Deptt. of Community
Development and
Cooperation)

The Committee note that out of 129 societies which have defaulted in the payment of loans, as many as 107 have gone into liquidation. The Committee desire that Government should take suitable measures to ensure recovery of loans to the maximum extent possible already given to these Societies under liquidation. The Committee also suggest that Government should investigate in detail the reasons due to which Societies to whom Rs. 10,000 or more were advanced as loans, went into liquidation. Apart from taking suitable measures in the light of this analysis to effect recovery from other Cooperative Societies, the Committee would like Government to review the criteria for advancing loans to Cooperative Societies so as to avoid recurrence of such cases.

3-17

Do.

As regards the recovery of loans given to Societies for the rehabilitation of displaced persons, the Committee suggest that the Department of Cooperation should intimate the details of recovery from members of these Cooperative Societies to the Chief Settlement Commissioner so that these could be adjusted, if admissible, against the compensation claims, if any, of these displaced persons.

109

6

3-27

Do.

The Committee find from the analysis of losses furnished by Government that, in most of the cases, it is due to high expenditure on staff and unsatisfactory management. The Committee suggest that Government should keep a close watch on the working of Societies in which Government have made substantial investments so as to ensure that these are managed properly and that losses are eliminated.

- 3.28 Food, Agriculture, Community Development and Cooperation (Deptt. of Community Development and Cooperation) The Committee are not able to appreciate how a Society in which Government have invested Rs. 4.75 lakhs and which has a turnover of Rs. 2 crores could suffer losses. The Committee would like Government to ensure prudent management of the Society to safeguard public funds invested in it.
- 3.32 Do. The Committee are glad to note that a sum of Rs. 1,06,000 out of Rs. 1,86,000 on account of arrears of Audit fees has been recovered. The Committee recommend that arrears for the remaining amounts should also be recovered early and that action be taken to ensure that recovery of Audit fees for the current period is not allowed to go into arrears. The Committee would like to watch the effect of the measures taken by Government through future Audit Reports.
- 8 3.50 Do. The Committee regret to note that there has been abnormal delay in the completion of studies undertaken by the All India Panchayat Parishad. The results of the Madras study were cleared by the National Institute of Community Development on 18th October, 1967, whereas the due date for the completion of this study was December, 1964. As regards the concurrent studies against 12 original studies and six repeat studies which were to be completed by March, 1967, only 7 study reports have been received by Government upto July, 1967.

3.51

Do.

All Ministries/
Departments

It is also observed that a sum of Rs. 17,000 was diverted by the Parishad to the "Madras study project" from the project on concurrent studies. There were some other financial irregularities. The Committee note that some action has been initiated to get these financial irregularities regularised. They hope that Government will now be able to get the results of the studies entrusted to the All India Panchayat Parishad without further delay. The Committee would also like to be assured that the results of these studies would be put to the use for which they were intended. While the Committee appreciate that difficulties might have been experienced in the recruitment of the right type of staff for undertaking such a research assignment, they feel that such difficulties should have been given proper consideration before entrusting this project to the Parishad. The Committee suggest that before giving grants to non-official organisations, Government should ensure that such organisations have the capability and financial soundness to execute the various projects entrusted to them. In particular, it must be ensured that the organisations have competent staff to undertake the research projects. In this connection, the Committee would reiterate their observation contained in para 1.109 of their 14th Report (4th Lok Sabha).

111

3.52

Do.

The Committee also suggest that Government should not release a grant or its instalment to a non-official organisation without making sure that the progress made is commensurate with the grant and that the quality of work is upto the requisite standard. The

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3

4

Committee would like to be informed of the remedial measures taken to avoid the recurrence of such cases.

9

3-57

Food, Agriculture,
Community Development
and Cooperation (Deptt. of
Community Development
and Cooperation.

All Ministries/Departments

The Committee are unable to appreciate an expenditure of Rs. 60,000 incurred by the Department of Community Development during the years 1960-61 to 1963-64 for giving grants to four training centres for bringing out journals, which according to the Ministry's own assessment, contained material which was only "a third-rate imitation of what was being produced at higher levels."

The Committee also note that the Journals issued "as complimentary copies which were apparently not read represented a large number."

The Committee consider that had the Department of Community Development carried out a critical assessment of the Journal at the end of 1960-61 instead of 1963-64, it should have been possible to save expenditure on grants for at least three years.

10

3-62

Do.

The Committee also note from the information supplied by the Ministry that out of 1,47,232 copies of the Journal "Kurukshetra" (English) as many as 1,25,002 (85 per cent) are issued on a complimentary basis. Similarly, for the Journal, "Kurukshetra" (Hindi), out of 66,884 copies printed annually, 53,770 (80.6 per cent) are issued on a complimentary basis. In the case of the Journal "Panchayati

Raj" (English), out of 1,19,711 copies, 1,05,282 (87.5 per cent) are issued on a complimentary basis. It is, therefore, no wonder that Government are incurring an annual loss of Rs. 1,47,240 on the publication of these journals. The Committee suggest that the question of discontinuing these journals or at least reducing drastically the size and number of copies of these journals may be examined without delay in consultation with the Ministry of Finance.

3'63

Do.

The Committee suggest that a similar review of all other publications brought out by the Ministry may be undertaken so as to effect maximum economy consistent with requirements.

11

4.15

Health and Family
Planning

The Committee regret to note that an amount of Rs. 151.53 lakhs (Rs. 53.58 lakhs principal; and Rs. 97.95 lakhs as interest) was over-due for recovery from the Delhi Municipal Corporation on account of the loans given by the Central Government for implementation of certain water supply and sewage schemes. It is also strange to note that even when the loans were sanctioned for a specific purpose, the realisations of water and sewage taxes were credited to the general funds of the Corporation instead of being placed in a separate account for the repayment of the loan. The Committee feel that repayment of the instalments of the loans and interest should have been the first charge on the realisations from water and sewage taxes.

12

4.17

Do.

The Committee hope that, with the implementation of the instructions issued by the Lt. Governor, Delhi, in May, 1967 it would

be possible for the Government to get back instalments of loans and interest due from the Municipal Corporation. The Committee need hardly stress that, when loans are granted for specific purposes, their repayment on due dates should be insisted upon and defaults in repayments should be viewed seriously. The Committee would also like to be informed of the recoveries of the over-due instalments in this case.

4.18

Health and Family
Planning

The Committee understand that a Commission is at present looking into the unsatisfactory state of finances of the Delhi Municipal Corporation. The Committee have no doubt that, based on the findings of this Commission, Government will take adequate measures to put the state of finances of the Delhi Municipal Corporation on a sound footing.

114

13

5.13

Works, Housing
and Supply
(Deptt. of Supply)

It is unfortunate that Government had to incur a loss of Rs. 2 lakhs in the disposal of certain marine engines and spares owing to the wrong description of stores in the tender enquiry. Another disturbing aspect in this case is that Naval Headquarters did not have a proper catalogue to show whether the spares were for petrol engines or for diesel engines. The Committee find from the note recorded by the Director General, Supplies and Disposals, that the Defence Services Liaison Officer who made enquiries after the objections were received confirmed that the stores and spares were for a petrol driven marine engine. Further, when the Field Officer

of the Directorate General, Supplies and Disposals, visited the stock holders' premises, he was informed that no catalogue existed.

The Committee, therefore, find it strange that within a few days of the finalisation of sale proceedings the Naval authorities found the catalogue giving an exact description of the engine and spares. The Committee would like the Ministry of Defence to thoroughly investigate the matter and fix responsibility for not furnishing the exact details of surplus stores in the first instance and for not locating and making available the catalogue, despite specific enquiries of the Directorate General of Supplies and Disposals, till after the sale proceedings were finalised.

5.15

Deptt. of Supply

All Ministries/
Departments

The Committee feel that effective measures should be taken to ensure that the State is not put to any loss due to inexact or wrong specification, type or description of the surplus stores by Government departments concerned. The Committee would like to be informed of the remedial measures taken to avoid a recurrence of such cases

5.16

Deptt. of Supply

The Committee are also not happy to note that the Directorate General, Supplies and Disposals, took about a year to invite tenders for the sale and removal of stores declared surplus by Naval Headquarters. They hope that the Directorate General, Supplies and Disposals, will take immediate steps to dispose of stores entrusted to them without the kind of delay that happened in the present case.

115

1	2	3	4
14	5-30	Works, Housing and Supply (Deptt. of Supply)	The Committee regret to note that Government had to incur an extra expenditure of Rs. 2.62 lakhs in this case because of the failure of the Purchase Organisation to follow the correct procedure in regard to the communication of the acceptance of the offer by the competent authority and to issue formal acceptance of the tender in writing before the expiry of the time up to which the firm's offer was valid. The Committee feel that the work relating to the communication of the acceptance of the firm's offer should not have been entrusted to a Junior Field Officer who was not authorised to undertake it.
	5-31	Do.	The Committee suggest that the Department may examine in consultation with the Ministry of Law whether the revised instructions issued by them and the present procedure are satisfactory and whether they provide a legally acceptable basis for entering into contracts for the supply of stores.
15	5-42	Works, Housing and Supply <hr/> All Ministries/ Departments	The Committee expect that officers would record their orders in clear and unambiguous terms. They hope that, with the issue of instructions by the Ministry of Home Affairs, such cases will not recur.
16	5-47	Works, Housing and Supply (Deptt. of Supply)	The Committee regret to note that the firm on whom an order for 1.69 lakhs of vests was placed supplied only 0.42 lakh vests by the stipulated date. Although the Purchase Organisation had on

hand much cheaper offers on the date of default, the Directorate General, Supplies and Disposals, granted an extension of the delivery period to the defaulting firm with a nominal reduction of 6 per cent in the price and this ultimately resulted in an extra expenditure of Rs. 2.08 lakhs.

3.48

Do.

The Committee feel that cheaper offers having been received by the Department in May, 1963, efforts should have been made to persuade the firm in question to reduce their rates and in any case acceptance of a quantity of 1,20,000 vests after the original stipulated date at a nominal reduction of 6 per cent in the contract price lacked justification.

3.49

Do.

The Committee hope that the question of the recovery of liquidated damages from the firm on account of delayed supplies, which is still stated to be under consideration, will be finalised without further delay.

3.55

Do.

The Committee note that the Department of Supply are taking action against the officers who had inadvertently left out certain details from the Defence specifications while calling for the standby tender. The Committee would like to be informed of the action taken in this case as also the measures taken to avoid such lapses in future.

3.56

Do.

The Committee note that the Director General, Supplies and Disposals, could not take advantage of the lower rate because the

Defence Inspector had kept the contract alive by his action. The Committee understand from Audit that this was an operational/urgent indent and according to the provisions of para 228 of the Director General, Supplies & Disposals' Manual, the inspectors are not permitted to allow the normal grace period of 21 days in such contracts. The Committee, therefore, fail to understand why the Defence Inspector kept the contract alive and how the Director General, Supplies and Disposals permitted the extension of the contract when it was an operational/urgent indent. The Committee would, therefore, like the Department to investigate the matter further with a view to fix responsibility for these lapses.

118

5.67

Works, Housing
and Supply
(Deptt. of Supply)

The Committee desire that procedural lacuna in not communicating the rates received in standby tenders to the Inspectors should be removed so that cases of this type involving extra expenditure in the purchase of stores do not recur.

18

5.85

Do.

The Committee regret to note that, as against the capacity of two to three thousand cft. of timber per month, orders were placed on the firm for about 45,000 cft. of timber to be supplied over a period of eight months. The Committee are unable to understand how orders were placed on this unregistered firm much beyond its capacity.

19

5.91

Do.

The Committee regret to note that, although the Ministry of Finance had observed on 6th November, 1965, that it "was worth while to investigate how so many contracts came to be placed" on the firm if their financial position was "so bad," the Department called for the explanation of the officers only in March, 1967. The Committee hope that the Department will take immediate steps to finalise the case.

5.92

Do.

The Committee fail to understand how a vague certificate from the firm's bankers, such as that their dealings are "quite fair," was considered as a satisfactory evidence of their capacity to execute contracts of this magnitude when the bankers failed to answer a specific query by the DGS&D in this regard. They hope that Government will review the question of taking adequate safeguards so that orders of a substantial nature are not placed on an unregistered firm even though it may be in the small scale industry sector.

119

20

5.98

Do

The Committee expect that apart from removing the technical omission to mention the time limit up to which orders for an additional quantity could be placed, the arrangements in the office of the Directorate General of Supplies and Disposals should be such that all additional requirements of stores of a repetitive nature are duly taken into account well in time before the expiry of the current contract so as to avail of the provision to place additional orders to the extent of 25 per cent where beneficial to Government. The Committee would like Government to issue comprehensive instructions in the matter and ensure that they are complied with by all concerned in order to safeguard fully Government's interests.

1	2	3	4
21	5.107	Works, Housing and Supply (Deptt. of Supply)	The Committee regret to observe the inordinate delay of nearly three months in processing an urgent tender referred to in sub-para 1 of para 5.99 of this Report. The Committee consider that if negotiations with the firm had been held and finalised without delay, Government would have been able to purchase stores at the lowest price offered and avoided extra expenditure of Rs. 1.13 lakhs. Government should impress on all concerned the need for finalising tenders expeditiously in order to secure maximum benefit to Government.
22	5.115	Do.	From the facts placed before them, the Committee observe that the National Small Industries Corporation issued a competency certificate in favour of the firm without regard to their actual production capacity. When a subsequent reference was received from the Directorate General, Supplies and Disposals, on 3rd September, 1965, the National Small Industries Corporation should have gone into the question of the actual production capacity of the firm instead of merely confirming their earlier report that the firm had the necessary capacity to undertake the order. As the joint inspection conducted with the help of the Directorate General of Technical Development has established the fact that the firm does not have the capacity to execute the order, the Committee suggest that the Department should take up with the Ministry of Industrial Development and Company Affairs the question of the issue of an incorrect competency certificate in favour of the firm by the National

Small Industries Corporation; so that suitable measures are taken to avoid such cases in future.

23

5-123

Do.

The examination of the case shows that the indentor had radically reduced the requirement from 1.77 lakh Kgms. in May, 1963, to only 0.46 lakh Kgms. in June, 1964, and that proper action was not taken by the Directorate General of Supplies and Disposals to safeguard Government's interest as soon as the original delivery period stipulated in the contract had expired. Another reason for not being able to claim general damages was the lack of information about the ruling market price at the time of the expiry of the specified delivery period. The Committee consider that indenting organisations should take every care to ensure that indents are placed on the Purchase Organisation on a realistic basis to obviate variations later. The Directorate General of Supplies and Disposals, on the other hand, should ensure that supplies are arranged in time and that, in the event of failure of the contractor to supply the goods by the prescribed date, appropriate action is taken to safeguard Government's right to enforce risk purchase on the defaulting contractor in case of repurchase of the goods at a higher price from another supplier.

121

24

5-133

Do.

The Committee are unable to appreciate why the Directorate General of Supplies & Disposals entered into protracted correspondence with the firm after it had failed to supply the stores in time, considering that it is contrary to instructions in the Office Manual that no correspondence should be entered into when the contractor

1	2	3	4
			fails to supply the goods in time. Government should reiterate these instructions so as to avoid recurrence of such cases.
	5-134	Works, Housing & Supply (Deptt. of Supply)	The Committee would like to be informed of the results of the disciplinary aspect of the case which is stated to be under investigation by the Department of Supply.
25	5-143	Do.	The Committee are unhappy to note that Government had to incur a loss of Rs. 40,200 in this case on account of demurrage charges due to lapses and delays in the Office of the Director General, Supplies and Disposals. Since consignments by ships are received frequently by the Directorate General, Supplies and Disposals, the Committee suggest that various lapses that occurred in this case may be analysed carefully to remove any lacuna in the procedure. The instructions issued in this connection may be brought to the notice of all the officers so that such cases do not recur.
	5-144	Do.	The Committee may also be informed of the action taken against the officers found responsible for these lapses.
26	5-151	Do.	The Committee understand from Audit that the firm did contest on 14th May, 1965 the incorporation of the price preference clause in the acceptance of the tender and the DGS&D, while giving the formal extension of time to the firm up to 1st January, 1966 given retrospectively on 20th May, 1966, clearly stated that it was 'without liquidated damages' and also deleted the price preference clause from the acceptance of tender. They hope that the circumstances in which the prior acceptance of the firm regarding the provisions of

recovery of price difference was not obtained and later, while deleting the relevant clause from the acceptance of tender, the formal extension of time was also given "without liquidated damages" will be investigated with a view to fix responsibility and to remove any lacuna in the existing procedure.

27

5.171

Do.

The Committee note that the grounds on which the Court rejected the case were:—

- (i) Government could not produce satisfactory evidence in support of the payment of the advance of Rs. 99,294.
- (ii) The standard terms of contract (Form-WSB-133) applicable to the contract in question, under which recovery of Government dues against one contract can be effected from the dues payable to firms under any other contract, were not produced by Government.
- (iii) The basis for the rejection of the tendered goods was not correct.

5.172

Do.

The Committee are unable to appreciate why Government did not present the documents to the court and satisfy them. The Committee would like Government to thoroughly investigate the reasons for this failure and to fix responsibility and issue detailed instructions, in consultation with the Ministry of Law, to avoid the recurrence of such lapses.

1	2	3	4
5.173	Works, Housing & Supply (Deptt. of Supply)	Law	The Committee further suggest that the panel of advccates maintained by Government may be reviewed periodically with reference to their performance so that only such advocates as show sustained interest in Government cases are retained on the panel.
28	5.175	Works, Housing & Supply (Deptt. of Supply)	The Committee may be apprised of the final position in regard to the supply of stores by the firm against the advance payment of Rs. 99,294 made to it.
29	5.186	Do.	The Committee have gathered an impression from the Ministry's note that the Inspection Centre of the India Supply Mission set up at Dusseldorf has not really achieved the underlying objective, namely, to facilitate the inspection of stores ordered in West European countries and to reduce the expenditure on inspection originally carried out from London. The Committee note that the recommendation of the Director General, India Supply Mission, London, to close down the Centre, which was reiterated in April, 1967, is still under the consideration of Government. As it may be possible to effect an annual saving of £ 11,000 by closing down the Centre at Dusseldorf, the Committee recommend that Government should take an early decision in the matter.

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
21.	Sat Narain & Sons, 3143, Mohd. Ali Bazar, Mori Gate, Delhi	3	30.	People's Publishing House, Rani Jhansi Road, New Delhi.	76
22.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	9	31.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88
23.	J. M. Jaina & Brothers, Mori Gate, Delhi.	11	32.	Hind Book House, 82, Janpath, New Delhi.	95
24.	The Central News Agency, 23/90, Connaught Place, New Delhi.	15	33.	Bookwell, 4 Sant Naran-kari Colony, Kingsway Camp, Delhi-9.	96
25.	The English Book Store, 7-L, Connaught Circus, New Delhi.	20			
26.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23		MANIPUR	
27.	Bahree Brothers, 188, Lajpatrai Market, Delhi-6.	27	34.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annex, Imphal.	77
28.	Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi.	66		AGENTS IN FOREIGN COUNTRIES	
29.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1.	68	35.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W.C.-2.	

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