

PUBLIC ACCOUNTS COMMITTEE
1954-55

FIFTEENTH REPORT

[Appropriation Accounts (Civil), 1950-51 and Audit
Report (Civil), 1952—Parts I & II etc.]

Vol. I—REPORT

PARLIAMENT LIBRARY
(Lok Sabha Secretariat)
Central Library, Parliament Building,
New Delhi.
Date:



LOK SABHA SECRETARIAT
NEW DELHI
June, 1965.

CORRIGENDA

Fifteenth Report of the Public Accounts Committee (1954-55) on the Appropriation Accounts (Civil), 1950-51 and Audit Report (Civil), 1952—Parts I & II etc.—Vol. I—Report.

- Page 1, para 3, line 4: for 'Aeport' read 'Report'.
- Page 8, para 13(a), sub-para 2, line 1: *before* 'Ministry of Works,' insert 'the'.
- Page 18, para 32, line 2: for 'the Disposal Organisation' read 'the Disposals Organisation'.
- Page 22, para 36, penultimate sub-para, line 4: for 'cannons' read 'canons'.
- Page 23, under the heading 'MINISTRY OF EDUCATION', for paragraph No. '11' read '41'.
- Page 29, para 53, Heading: for 'Balance of Stores C.T.O.' read 'Balance of Stores in C.T.O.'
- Page 30, para 55, sub-para 2, lines 7-8: for 'aid subsidy' read 'aid/subsidy'.
- Page 32, para 61, line 26: for 'extension' read 'extensions'.
- Page 39, at the end of line 4, insert single closing quotation mark.
- Page 42, para 91, line 2: for 'observations in the manner' read 'observations on the manner'.
- Page 45, para 100, lines 11-12: for 'the displaced persons personnel were not available and experienced' read 'the displaced persons, experienced personnel were not available and'.
- Page 46, para 103, line 9: for 'Regulation' read 'Regulations'.
- Page 48, para 112, sub-para 6, line 7: for 'then' read 'their';
last sub-para, line 2: after 'decision in this' insert 'case'.
- Page 49, para 114, sub-para 2, lines 3 and 7: after the words 'to dispose them' insert 'of'.
- Page 54, para 117, line 2: for 'para 18A' read 'para 18 (a)'.
- Page 58, para 129, last line: for 'State' read 'States'.
- Page 59, para 133, last line: for 'in his manner' read 'in this manner'.
- Page 61, para 137, line 2: for 'Audit Report—Civil (I) 1952' read 'Audit Report (Civil), 1952—Part I';
sub-para 2, line 8 for 'receiving' read 'relieving'.

Page 66, para 153, under 'MEMBERS', *renumber* S. Nos. '1-13' as '2-14'.

Page 70, para 168, first sub-para, penultimate line: *delete* '**' against the word 'copy'.

Page 71, line 5: against the word 'note' *insert* '**';

para 171, heading: against the word 'Item', for '**' *insert* '***';

footnote: for '*See Appendix LIII' read '*See Appendix XXXI';

for 'e Appendix LIV' read '†See Appendix LIV';
and *insert* '***See Appendix II of Vol. II' as a new footnote.

Page 72: *delete* the footnote '*See Appendix II'.

Page 74, line 6: for 'the witness withdrew' read 'the witnesses withdrew'.

Page 78: *insert* '*See Appendix CV' as a footnote.

Page 79, para 193, second sub-para, line 5: *insert* a comma after 'material'.

Page 79: *delete* the footnote.

Page 81, para 202, line 7: for 'Rou Committee' read 'Rau Committee'.

Page 83, para 210, line 2: for '**' against the word 'note' *insert* '***'
and *insert* '*** See Appendix XXXVI' as a footnote
line 3: after 'advice' *insert* 'of'.

Page 84, *delete* the footnote '*See Appendix XXXVI'.

Page 85, under 'Witnesses': for 'Shri H. S. Negi, Deputy Secretary, Ministry of Finance, Rehabilitation Finance Administration' read 'Shri H. S. Negi, Deputy Secretary, Ministry of Finance (E.A. Deptt.)'.

Page 86: *insert* 'REHABILITATION FINANCE ADMINISTRATION' as heading, above para 218.

Page 87, para 222, line 2: for 'bad and doubtful' read 'bad and doubtful debts'.

Page 88, *delete* the last footnote.

Page 89, *Transpose* '*Not printed' appearing as the last line as a footnote; and

insert 'See Appendix XLII' as a new footnote.

Page 91, *insert* 'INDUSTRIAL FINANCE CORPORATION' as heading above para 237; and

insert '*See Appendix LIX' as a footnote.

Page 92, for footnote '*See Appendix LIX' read '*See Appendix LX'.

Page 93, *delete* footnote '*See Appendix LX';

footnote: *insert* '§' before 'See Appendix LXIII; and
insert ' ' before 'See Appendix LXII'.

- Page 99, para 262, line 2; for '(Reema)' read 'Reema'; and
line 3: for 're-fabricated' read 'Pre-fabricated'.
- Page 101, para 268, last sub-para, last line: for 'ti accord' read 'to
accord'.
- Page 104, para 275, seventh line from the bottom: for 'brought' read
'bough'.
- Page 108, para 288, second sub-para, penultimate line: for '**' insert
***' against the word 'note'.
footnote, insert '**' before 'See Appendix XII'.
read the second footnote as '+ See Appendix LXX'.
insert '*** See Appendix XIII' as a new footnote.
- Page 109, footnote: insert '**' before the first footnote.
- Page 114, para 305, line 2: for 'in this item' read 'in regard to this
item'.
- Page 116, para 308, fifth line from the bottom: for 'representative'
read 'representatives'.
para 310, line 2: delete 'to' after 'took up'.
- Page 117, line 2: delete 'by' after 'paid to'; and
line 3: for 'for compensation' read 'as compensation'.
- Page 127, para 341, first sub-para, last line: for 'arrear of payments'
read 'arrear payments'.
- Page 127, footnote: for 'Appendix LII' read 'Appendix LIII'.
- Page 129, heading: for '**Proceeding**' read '**Proceedings**'; and
delete 'WITNESSES' appearing above the name 'Shri A. K.
Chanda, Comptroller and Auditor-General of India'.
- Page 130, footnote: insert 'LXXVI' after the word 'Appendix'.
- Page 131, footnote: for 'See Appendices LXXVII, XVIII and
LXXIX' read '*See Appendices LXXVII, LXXVIII and
LXXIX'.
- Page 138, line 10: for 'devaluation of the local currency' read
'devaluation of the Indian rupee'.
- Page 140, first para, line 3 from the bottom: for 'excess' read 'access'.
- Page 142, line 17: for 'consider' read 'considered'.
- Page 143, under 'WITNESSES': for '(Rehabilitation Finance Adminis-
tration)' appearing after the names of Shri S. G. Barve and
Shri N. C. Sen Gupta read '(E. A. Deptt.)'.
- Page 144, heading to para 366, line 2: for 'with special reference of'
read 'with special reference to'.
- Page 147, para 370, line 5: for 'Stated' read 'stated'.
- Page 148, line 11: delete 'not' after 'they could'.

- Page 163, footnote: for 'Appendix XLVIII' read '*See Appendix XLVIII'.
- Page 165: delete the footnote.
- Page 166: insert '* See also Appendix XLVII' as a footnote.
- Page 167: insert '*See Appendix LVIII' as a footnote.
- Page 176: heading: for 'Proceeding' read 'Proceedings'.
- Page 185, item 6, col. 6, second sub-para, line 4: for '(See Appendix LXXXII.' read '(See Appendices XXXII.'.
- Page 187, item 8, col. 5, line 10: for 'property' read 'properly'.
- Page 193, item 19, col. 5, line 4: for 'the Comptroller add Auditor-General' read 'the Comptroller and Auditor-General'.
- Page 199, item 25, under col. 3: insert the figure '2'.
- Page 200, item 31, col 6: insert 'submitted' after the words 'The Ministry of Production have' in line 6 and delete 'submitted' in the next line.
- Page 214, col. 6, sub-para (ii), line 10: for 'as' read 'As'; and line 3 from the bottom of the page: for 'of furnish' read 'to furnish'.
- Page 217, item 71, col. 5, last line: for 'deprectated' read 'depreciated'.
- Page 218, item 72, col. 6, line 4: for 'The Ministry of Labour have note' read 'The Ministry of Labour have noted'; and line 5: for 'recommendations' read 'recommendation'.
- Page 224, item 94, col. 6, first line: for 'revealed tha' read 'revealed that'.
- Page 225, item 102, col 6, line 2: for 'Siding and thes' read 'Siding and the'; and line 3: for 'has' read 'have'.
- Page 232, item 121-A, col. 3: read the entry as '179'.
- Page 233, item 124, col. 6, first line: for 'Comp roller' read 'Comptroller'; item 124-A, col. 6, last line: for 'CXLI' read 'CXLVI'.
- Page 234, item 124-D, col. 6, line 5: for 'brought' read 'brought'. col. 5, lines 11-12: for 'conracts' read 'contracts'.
- Page 237, S. No. 11, col. 4, second sub-para, line 2: for 'Comtro er' read 'Comptroller'; and line 3: for 'proceduer' read 'procedure'.
- S. No. 13, col. 4, last line: for 'an' at the end of the line read 'and'.
- Page 238, S. No. 14, col. 4, lines 4-5: for 'by the Centre financing' read 'by the Centre for financing'.
- Page 239, S. No. 17, col. 3: for "External Affair" read "External Affairs".

Page 241, S. No. 24, col. 4: at the commencement of the first sub-para, insert '(i)'.

Page 242, S. No. 26, col. 4, second sub-para, line 4: for 'propriety' read 'propriety'.

Page 245, S. No. 26, col. 4, first line: for 'any transaction is Suspense' read 'any transaction in Suspense'; and

col. 3, insert the word 'Finance' corresponding to sub-para (ii) of the entry in col. 4.

~~(ii) of the entry in col. 4.~~

Page 246, S. No. 51, col. 4, line 10: for 'Governmene' read 'Government'.

Page 247, S. No. 54, col. 4, lines 2-3: for 'Organisations' read 'Organisations'.

Page 249, S. No. 66, col. 4, line 8: for 'imcompetence' read 'incompetence'.

S.No. 64, col. 4, line 9: after 'contracts' insert 'and'.

S. No. 67, col. 4 sub-para (i), lines 6-7: for 'preparation designs' read 'preparation of designs'.

Page 250, S. No. 68, col. 4, sub-para 1, line 13: for 'an-' read 'an';
sub-para 2, line 1: for 'tha' read 'that';
and

line 2: for 'simplication' read 'simplification'.

Page 251, S. No. 73, col. 4, sub-para (i), last line: for 'thier' read 'their'.

Page 252, S. No. 75-A, col. 4, line 10: for 'transaction.' read 'transactions'.

S. No. 80, col. 4, last line: for 'stitting' read 'sitting'.

CONTENTS

	PAGES
Composition of the Public Accounts Committee 1954-55	iii
CHAPTER I—Introduction	1—3
CHAPTER II—Financial Results of the Government of India, 1950-51 (Civil Grants):	4—6
CHAPTER III—Budgeting and Control over Expenditure:	7—11
CHAPTER IV—Important Observations on Individual Ministries	12—37
CHAPTER V—State Undertakings:	38—39
CHAPTER VI—Damodar Valley Corporation	40—42
CHAPTER VII—Rehabilitation Finance Administration and Industrial Finance Corporation	43—48
CHAPTER VIII—Miscellaneous	49—50

Part II.—Proceedings of the sittings of the Public Accounts Committee relating to the consideration of the Appropriation Accounts (Civil), 1950-51 and Audit Report (Civil), 1952, Parts I & II etc.

<i>First Sitting</i> —Ministry of States	53—55
<i>Second Sitting</i> —Ministry of Finance	56—59
<i>Third Sitting</i> —Ministry of Finance	60—62
<i>Fourth Sitting</i> —Ministry of Irrigation and Power	63—65
<i>Fifth Sitting</i> —Ministry of Production	66—68
<i>Sixth Sitting</i> —Ministry of Finance	69—71
<i>Seventh Sitting</i> —Ministry of Health	72—74
<i>Eighth Sitting</i> —Ministry of Irrigation and Power (Bhakra-Nangal Project)	75—79
<i>Ninth Sitting</i> —Ministry of Irrigation and Power (Damodar Valley Project)	80—84
<i>Tenth Sitting</i> —Ministry of Finance (Rehabilitation Finance Administration)	85—89
<i>Eleventh Sitting</i> —Ministry of Finance (Industrial Finance Corporation.)	90—94
<i>Twelfth Sitting</i> —Ministry of Works, Housing and Supply	95—100
<i>Thirteenth Sitting</i> —Ministries of Works, Housing and Supply and Information and Broadcasting	100—106
<i>Fourteenth Sitting</i> —Ministry of Education and Cabinet Secretariat.	107—109
<i>Fifteenth Sitting</i> —Ministries of Food and Agriculture and Communications	110—114
<i>Sixteenth Sitting</i> —Ministries of Rehabilitation and Transport	115—118
<i>Seventeenth Sitting</i> —Ministry of Home Affairs	119—121

(ii)

	PAGES
<i>Eighteenth Sitting</i> —Ministries of Labour and Health . . .	122—125
<i>Nineteenth Sitting</i> —Ministry of Production	126—128
<i>Twentieth Sitting</i> —Ministry of Commerce and Industry . . .	129—133
<i>Twenty-first Sitting</i> —Ministry of External Affairs	134—136
<i>Twenty-second Sitting</i> —Ministry of External Affairs	137—142
<i>Twenty-third Sitting</i> —Ministry of Finance (Rehabilitation Finance Administration)	143—145
<i>Twenty-fourth Sitting</i> —Ministry of External Affairs	146—151
<i>Twenty-fifth Sitting</i> —Cabinet Secretariat.	152—153
* <i>Twenty-ninth Sitting</i> —Ministry of Finance (Industrial Finance Corporation)	154—160
* <i>Thirty-second Sitting</i> —Ministry of Finance (Industrial Finance Corporation)	161—166
* <i>Thirty-sixth Sitting</i> —Ministry of External Affairs	167—171
* <i>Thirty-ninth Sitting</i> —Ministry of Irrigation and Power (Damodar Valley Corporation)	172—175
<i>Forty-ninth Sitting</i> —Consideration of Draft—Fifteenth Report	176
<i>Fiftieth Sitting</i> —	Do. 177
<i>Fifty-first Sitting</i> —	Do. 178—179

† Appendices

APPENDIX I—Statement showing action taken or proposed to be taken on the recommendations of the Public Accounts Committee	183—234
APPENDIX II—Summary of main conclusions/recommendations contained in the Fifteenth Report of the Public Accounts Committee	235—253

* Proceedings of the intervening sittings relate to the P. & T., Railway and Defence Accounts etc.

† The Appendices other than those referred to in the Report are being printed separately in the form of Vol. II of this Report.

Composition of the Public Accounts Committee, 1954-55

Shri B. Das—Chairman.

MEMBERS

2. Shri Tribhuan Narayan Singh
3. Shri Ramananda Das
4. Shri Shriman Narayan
5. Shri Shree Narayan Das
6. Shri Balwant Sinha Mehta
7. Shrimati Ammu Swaminadhan
8. Shri R. Venkataraman
9. Shri Amarnath Vidyalankar
10. Shri S. V. Ramaswamy
11. Shri Uma Charan Patnaik
12. Shri Choithram Partabrai Gidwani
13. Shri V. P. Nayar
14. Dr. Indubhai B. Amin
15. Shri U. M. Trivedi
16. Shrimati Violet Alva
17. Diwan Chaman Lall
18. Shri K. S. Hegde
19. Shri P. S. Rajagopal Naidu
20. Shri Ram Prasad Tamta
21. Shri Mohamed Valiulla
22. Shri J. V. K. Vallabharao

SECRETARIAT

Shri M. N. Kaul—Secretary.

Shri S. L. Shakhder—Joint Secretary.

Shri V. Subramanian—Deputy Secretary.

Shri M. Sundar Raj—Deputy Secretary.

INTRODUCTION

I, the Chairman of the Public Accounts Committee, having been authorised by the Committee to present the Report on their behalf, present this Fifteenth Report on the Appropriation Accounts (Civil), 1950-51, and Audit Report (Civil), 1952—Parts I & II, Audit Report on the Accounts of the Industrial Finance Corporation for 1953-54, Audit Report on the Accounts of the Damodar Valley Corporation for 1950-51 and 1951-1952 and Accounts of the Rehabilitation Finance Administration for the period ended the 31st December, 1951.

2. The Committee and the Comptroller and Auditor-General have for some time felt dissatisfied with the frequent delay in the compilation of the Appropriation Accounts. Mention has been made in para 5 of the Report on the Accounts of 1947-48 (Pre-Partition) of the proposal that important financial irregularities should be brought to the notice of the Committee in advance of the formal Appropriation Accounts and Audit Report thereon. It was then felt by the Committee that such advance Audit Reports would enable them to consider cases of irregularities in time to enable effective action being taken.

At their subsequent discussions of the matter with the Auditor-General it was decided that whenever any delay is anticipated in the completion of the Appropriation Accounts, the Comptroller and Auditor-General may present an advance Audit Report to be described as Audit Report, Part I, dealing with cases involving financial irregularities, losses of public money due to fraud, negligence or nugatory expenditure and criticisms and comments thereon.

In pursuance of this decision, the Audit Report (Civil), 1952 has been presented by the Comptroller and Auditor-General in two parts, viz. Part I, Preliminary Report dealing with cases involving financial irregularities, losses of public money etc., and Part II, Supplementary Audit Report dealing with matters other than those referred to in Part I and also containing audit comments and criticisms arising out of the Appropriation Accounts, e.g. accuracy of budgeting, control over expenditure, excesses and savings etc.

The Committee are glad to note that the reporting has now been made current and the Audit Report of 1954 has already been presented to Parliament.

3. The Audit Report (Civil), Part I—referred to above and which *inter alia* forms the subject matter of this Report—was presented to Parliament on the 19th May 1954. The Appropriation Accounts (Civil), 1950-51 and Audit Report, 1952—Part II and Commercial Appendix thereto were presented to Parliament on the 10th September, 1954. The Audit Reports on the Accounts of

the Damodar Valley Corporation for 1950-51 and 1951-52 were laid on the Table of the House on the 25th March, 1953 and the 25th September, 1954, respectively. The Audit Report on the Accounts of the Industrial Finance Corporation for the year 1953-54 was presented to Parliament on the 13th December, 1954.

The Accounts, of the Rehabilitation Finance Administration, another Statutory Corporation set up under the Rehabilitation Finance Administration Act, 1948, have so far been audited only by Commercial Auditors. The Committee learn that its audit has been undertaken by the Comptroller and Auditor-General with effect from the accounts for the year ending the 31st December, 1952, who would shortly present his Report thereon.

4. The Committee examined the Accounts and Audit Reports referred to in Para 3 above during their sittings held in July, August, September, October, November and December, 1954 and February, March and April, 1955.

The Committee appointed a sub-Committee to consider the statement laid on the Table of the House by the Minister of Commerce and Industry on the 11th August, 1953 in connection with the Fourth Report of the Public Accounts Committee (1952-53) with special reference to the recommendations made by the Committee for the holding of a judicial enquiry into the transaction relating to the purchase and sale of Japanese Cloth. The Committee have considered the Report submitted by this sub-Committee and have embodied it in paras 73—79 of this Report. They trust that Government would re-examine the matter in the light of what they have stated therein.

5. During their examination of the action taken by Government on the recommendations made by the previous Committee in their Seventh Report in so far as it related to the Bhakra-Nangal Project, an Inter-State River Valley Project financed by means of funds advanced by the Centre to three participating States and which is under the overall charge of the Bhakra Control Board consisting of the representatives of the Central Government and the three participating States, a question was raised about the scope and extent of their control over the expenditure incurred on the execution of this Project. The Comptroller and Auditor-General undertook to present to the Committee a note after examining all the legal, constitutional and financial implications involved, in consultation with the Ministries of Irrigation and Power, Finance and Law etc. While this matter was still under consideration of the Committee, their attention was drawn to a reported decision of the Punjab Cabinet which held that they (the Committee) had no jurisdiction over the Accounts of this Project. While the Committee agree that the provision for the expenditure on the construction of the project is made in the Budgets of the respective States and the concerned Appropriation Accounts are presented to those State Legislatures and the examination of these Accounts comes within the purview of the respective Public Accounts Committees, nevertheless, it is obvious that to the extent that the Central Government and the Officers under the Central Government are actually involved in matters concerning the project, their actions and transactions cannot

wholly escape the scrutiny of Parliament and, therefore, of the Central Public Accounts Committee. The Committee, however, refrain from expressing further opinion till such time as they have examined the implications set forth in the note promised to be submitted to them by the Comptroller and Auditor-General.

6. The Committee desire to place on record their deep sense of indebtedness to Shri V. Narahari Rao, ex-Comptroller and Auditor-General who retired in August, 1954, for the invaluable assistance he had rendered to the Committee throughout in their deliberations. His profound knowledge of Accounts and his wide experience in various capacities for a considerable length of time, which he had placed at the disposal of the Committee, had been of very great value to them.

The Committee also place on record their appreciation of the great assistance rendered to them in their examination of the Accounts by the present Comptroller and Auditor-General and his Officers.

FINANCIAL RESULTS OF THE GOVERNMENT OF INDIA, 1950-51

(Civil Grants)

7. The year under review marked the first financial year of the Republic of India. The consolidation of Part 'B' States through integration of their finances and administrative machinery was in progress. The Central budget estimates of 1950-51 included for the first time the revenue and expenditure under Central heads in the erstwhile Indian States, a provision of Rs. 4.51 crores for the privy purses of the Indian Rulers and Rs. 11.56 crores for grants-in-aid to various States and Unions to cover the gap caused by the Federal Financial Integration.

During the year under review, the voted grant for Civil expenditure stood at Rs. 235 crores (original Rs. 175 crores and supplementary Rs. 60 crores) and the appropriation for charged expenditure at Rs. 15.65 crores (original Rs. 15.31 crores and supplementary Rs. 34 crores). The total expenditure against these grants and appropriations was Rs. 1.91 crores and 15.59 crores respectively. There was thus a saving of Rs. 50 crores over the final grants and appropriations (voted grants = Rs. 44 crores and charged appropriation = Rs. 6 crores).

The percentage of savings and excesses as compared with the original and the final grants or appropriations, as modified by supplementary grants and appropriations, were as follows:—

	Saving — or Excess	over	
		Original	Final
Voted		9.4	—18.8
Charged		1.8	—0.3

8. The following table shows at a glance the particulars of the original and final grants and appropriations and the expenditure actually incurred against them under the heads (i) Revenue, (ii) Capital and (iii) Loans and Advances:

(In lakhs of rupees)			
	Original Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure
1	2	3	4
Expenditure met from Revenue Voted	124.44	1,58.81	147.06
Expenditure met from Capital Voted	42.00	65.42	37.54 ***
Disbursements of Loans and Advances (Voted)	8.39	11.22	6.65
TOTAL VOTED	174.83	2,35.45	191.25

***Excludes Rs. 7.37 lakhs in respect of "Capital Outlay on Sterling Pensions".

Expenditure met from Revenue (Charged)	45,74	45,75	46,17
Expenditure met from Capital (Charged)
Disbursements of Loans and Advances †(Charged)	14,85,28	15,19,05	15,13,17
TOTAL (Charged)	15,31,02	15,64,80	15,59,34
Total expenditure met from Revenue	1,70,18	2,04,56	1,93,23
Total Expenditure met from Capital	42,00	65,42	37,54
Disbursements of Loans and Advances	14,93,67	15,30,27	15,19,82
GRAND TOTAL	17,05,85	18,00,25	17,50,59

†Includes figures under "Repayment of Debt".

9. *Excess over voted grants.*—Notwithstanding the huge savings over the total final grant as stated in paragraph 7 above, the actual expenditure in several cases exceeded the voted grants as shown below:

Serial No.	No. and Name of Grant	Final Grant	Actual Expenditure	Excess
		Rs.	Rs.	Rs.
1	28-A—Ministry Without Portfolio	20,000	21,097	1,097
2	40—Botanical Survey	92,000	98,384	6,384
3	51—Agriculture	1,61,64,000	1,89,94,744	28,30,744
4	54—Salt	1,28,94,000	1,57,82,199	28,88,199
5	64—Miscellaneous Departments	2,01,05,000	2,24,57,190	23,52,190
6	74—Expenditure on Displaced persons	13,67,00,000	13,73,25,810	6,25,810
7	80—Miscellaneous Adjustments between the Union and State Governments	1,01,000	1,48,864	47,864
8	82—Civil Defence	1,37,000	1,45,287	8,287
9	83—Pre-partition payments	4,63,25,000	5,21,87,358	58,62,358
10	89-A—Vindhya Pradesh	1,79,85,000	1,82,68,049	2,83,049

Excess over charged appropriations.—The following statement shows the excesses over individual charged appropriations:

Item No.	No. and Name of Appropriation	Final Appropriation	Actual Expenditure	Excess
		Rs.	Rs.	Rs.
1	65—Currency	2,40,000	2,43,158	3,158
2	89—Other Civil Works	15,61,000	16,03,729	42,729
3	83—Pre-partition payments	75,000	33,64,050	32,89,050
4	Interest on Debt, etc.	36,50,07,000	37,54,47,054	1,04,40,054
5	Union Public Service Commission	16,86,000	17,29,012	43,012

The Committee recommend that the above excesses be regularised by Parliament in the manner prescribed in Article 115 of the Constitution.

10. *Regularisation of Excess Grants.*—The Committee view with much concern the delay that occurs in the matter of regularising such excesses. They consider that in order to make Parliamentary control over expenditure more effective, the excesses over grants and charged appropriations together with the reasons therefor should be placed before Parliament expeditiously so as to enable them to review the regularisation thereof. But before this can be done, the accounts of a financial year have to be finally closed within a few months of the close of the year and this in turn depends on the early settlement of all Exchange Accounts and Remittance transactions and also on the punctual reconciliation of entire accounts with the departmental accounts. The Committee would strongly urge that a serious view should be taken of delays in the acceptance of debits and charges and in the reconciliation of accounts and also of delays in offering explanations for savings and excesses. It is these delays that cumulatively account for the ultimate delay in the preparation of Appropriation Accounts and their consideration by the Public Accounts Committee on behalf of Parliament.

III

BUDGETING AND CONTROL OVER EXPENDITURE

11. The percentage of savings over final grants* and appropriations and also of the surrenders thereagainst is an index of the standard of control. In the year under report, savings occurred in as many as 92 out of 106 voted grants and only 44.7 per cent. of the actual savings was surrendered and accepted. Similarly, there were savings in 16 out of 21 charged appropriations.

Excesses over voted grants and charged appropriations not covered by supplementary grants and appropriations furnish another criterion to assess the effectiveness or otherwise of the control. As stated in Para. 9, there were 10 cases of excess over grants involving a total excess of Rs. 1.49 lakhs, whereas in the charged section the number was 5 and the amount involved Rs. 1.38 lakhs.

There were 23 cases in which the supplementary grants obtained during the course of the year proved to be eventually unnecessary.

Supplementary grants to the extent of Rs. 60.61 lakhs were obtained during the year. The final result, both in the voted and charged sections, was a saving of 18.8 and 0.3 per cent. respectively. Out of the total savings of Rs. 45.69 lakhs on voted grants, a surrender of Rs. 20.43 lakhs was accepted by Government. The unsurrendered savings were Rs. 25.26 lakhs. A sum of Rs. 1.20 lakhs was also surrendered from certain grants which resulted in excesses. The percentage of savings surrendered and accepted by the Ministry of Finance to the total savings in all the voted grants was 44.7, whereas that of final unsurrendered saving to the total grant was 10.7. The amounts of unsurrendered savings are indicative of deterioration in the standard of accurate budgeting as well as effective control over expenditure.

The Committee appreciate that in view of the vast growth of Public expenditure since Independence as a result of the welfare activities launched upon by the State, control over expenditure has become increasingly difficult. But the level of expenditure is bound to go up as years roll by, thanks to the Development Plans; and it is, therefore, imperative that the administrative Officers charged with the spending of money should develop full sense of financial responsibility.

12. The Public Accounts Committees of recent years have found occasion to comment on defective budgeting and control over expenditure exercised by various Ministries of the Government of India. The Committee should once again like to draw the attention of the spending Ministries to the cardinal principle of Parliamentary control of expenditure that they should not spend in any year more than the sums granted to them by Parliament for that year as it is unauthorised under the Constitution.

The Committee would at the same time like to mention that they look upon savings arising from bad estimating or other defects of

procedure no more leniently than they do upon excesses. They regard estimating on the safe side to be as faulty as estimating on the low side. Indeed, from one point of view, 'safe' estimating might be regarded as even more objectionable, as it might easily lead to extravagance, waste or worse.

The Committee note with satisfaction that the Ministry of Finance have from time to time reiterated the recommendations made by them for securing effective control over expenditure (Appendices II & IIA). They would, however, like to impress upon the Financial Advisers accredited to the various Ministries to take all possible measures to ensure that budgeting was realistic and control over expenditure exercised properly and cases of wrong estimating suitably dealt with.

13. The Committee have come across some specific cases in which laxity of control over budgeting or control over expenditure was noticed. The more important ones are mentioned below:

(a) *Ministry of Works, Housing and Supply—Appropriation Accounts, 1950-51*

The following are the instances of large savings:

	Rs. ■
Page 350, Sub-head L. I.	45,29,964
Page 346, Sub-head C. I.	35,00,984
Page 605, Sub-head A. 1.	27,22,631
Page 605, Sub-head A. 2	39,88,737
Page 678, Sub-head E. I	23,87,002

In response to the Committee's request, Ministry of Works, Housing and Supply have furnished a note (Appendix III) stating the reasons for the non-surrender of these savings in time. The causes for the savings, namely, the non-receipt of debits either for stores supplied or services rendered by other Departments, delay in the payment on account of cost of land acquired etc were, in the opinion of the Committee, foreseeable and could have been taken into account in surrendering the amounts in time so as to avoid lapsing of funds.

The Committee would further draw attention to Note 7 at page 319 of the above Accounts which brings out instances of reappropriations which ultimately proved to be in excess of requirements and some cases of uncovered excesses and unsurrendered savings under Grant No. 69—Other Civil Works. There is definitely room for improvement in the standards of budgeting and control over expenditure followed in the Ministry of Works, Housing and Supply in the matter of Works Expenditure. The Committee hope that with the setting up of a separate cell within the Ministry of Works, Housing and Supply for exercising budgetary control over expenditure a reference to which was made in Para 15 of their Seventh Report, a marked improvement in the control over Works Expenditure etc., would be visible in future years. This strengthening of the Ministry, took place after the year under consideration.

(b) *Ministry of Communications—Grant No. 99—Capital Outlay on Civil Aviation—Sub-head A. 1 (page 581)*

There was a saving of Rs. 13,03,464 under this head. Similarly, there was a saving of Rs. 23,01,303 under sub-head E2(2) under Grant No. 109 relating to this Ministry. During the course of examination of these cases, the Committee pointed out that in the light of the experience gained over a period of years, certain allowances should be made in the capital budget so that surrender of large sums could be avoided in future. They were assured that the Ministry had already taken up the matter and had devised methods for closer estimating and proper control of expenditure so as to avoid such large surrenders. The Committee desire that the Ministry of Finance should issue general instructions that the Ministries controlling larger Capital Grants should conduct a review of the progress of expenditure every quarter, and during the last few months of the financial year, every month. This would enable them to surrender funds in excess of requirements and avoid lapse of funds; alternatively, if the provision appeared inadequate, they can approach Parliament for further grants in time. Further, a review of this kind will enable the Ministries to regulate the flow of expenditure and check rush of expenditure in the closing month of the financial year which, in the Committee's experience, is a feature always attaching to expenditure on Works.

(c) *Ministry of Food and Agriculture—Grant No. 94—Capital Outlay on Forests—Sub-head B—*

The saving of Rs. 6,28,810 under this Sub-head was not surrendered. The Ministry have explained this as mainly due to non-receipt of stores, non-adjustment of the cost of equipment etc.

GRANT NO. 108—CAPITAL OUTLAY ON SCHEMES OF STATE TRADING—
GROUP HEADS E, L, M, T AND HH—

These bring out large savings and excesses. The Committee wanted to know why the savings were not utilised to cover the excesses and remaining savings surrendered. The Committee have at the time of writing this Report been furnished with two notes only in respect of (i) Group Head HH—Import of Sugar (Appendix IV) and (ii) Group Head 'M' Purchase of Fertilisers (Appendix V), which give explanations for non-surrender of the funds provided for in the budget. In the first case, the Committee note that the Ministry have attributed this non-surrender to the uncertainties arising from the delay (i) in the shipments due to difficult shipping position, (ii) in receipt of bills for clearance charges and (iii) in receipt of debits for import duty levied on Sugar from 12th January, 1951. In the second case, this has been explained as largely due to the non-receipt of debit vouchers in time from the High Commissioner for India in London and the India Supply Mission, Washington. In this connection, the Committee would draw the attention of the Ministry to the oft-repeated recommendation made by them in Para. 14(b) of their Seventh Report that a suitable procedure should be evolved to ensure the

*Note not shown to Audit before submission to the P.A.C.

timely receipt of debits from the Purchasing Missions abroad for stores supplied to India so that the provision made in this behalf in the budget is not allowed to lapse or remain unutilised.

The notes in respect of other items are still awaited from the Ministry.

Similarly, large savings occurred under Grant No. 81, sub-heads E 2(6)(2) and E 2(6)(1)—Resettlement and Development—which were not surrendered. In the note giving explanations for this non-surrender furnished to the Committee as desired by them (Appendix VI), the Ministry of Food and Agriculture have stated that, the Accountant-General, Central Revenues treated both the re-appropriations and the surrenders sanctioned in the Ministry of Finance Audit Order as null and void for purposes of Appropriation Accounts in this case as they resulted in transfer of more funds than were available under some of the sub-heads. Further, their expectation in regard to the settlement of the bills on account of the purchase of plant protection materials and jute seeds (Rs. 2,56,284) did not materialize.

The Committee would point out that large unsurrendered savings not only distort the ways and means forecasts of Government but weaken Parliamentary control also.

(d) *Ministry of Production—Grant No. 54—Sub-head A 11—Royalties and Compensation—*

In this case there was an omission to provide for a sum of Rs. 29,72,196 under this sub-head. In extenuation, the representative of the Ministry explained that the reasons were two-fold viz., first, the Ministry did not anticipate such an excess judging from the actuals for the past three years; and secondly, when the probable excesses were brought to the notice of the Ministry in February, 1951, it was too late to approach Parliament for supplementary appropriations. The Committee were further informed that the excess was not due to any increase in the royalties and compensation, but as a result of payment of arrears to certain ex-Indian States in Rajasthan, which could not be foreseen.

The Comptroller and Auditor-General pointed out that the fact that the debit would be raised in the Accounts for 1950-51 was made known to the Ministry by the Salt Commissioner but there was a miscalculation and the Ministry did not take action in time to ask for funds. The Committee would like to draw pointed attention to the recommendations made by the successive Committees of Public Accounts since 1947 that the spending authorities should maintain a close liaison with their Accounting Officers and ensure that the debits are passed on to them for adjustment well in time during the financial year.

14. *Ministry of Home Affairs, Grant No. 11—Sub-head B.4—Secret Service Expenditure.*—The Committee came across a re-appropriation of Rs. 56,000/- to the sub-head "Secret Service" from out of the savings in other sub-heads under this grant. Secret Service Expenditure is not subject to audit. They feel that although the re-appropriation in question might be in order under

the existing rules, it seemed to be wrong in principle because it had the effect of increasing without Parliamentary sanction the quantum of expenditure not subject to audit. The Committee feel that either the present rule for reappropriation of funds within a grant should be subject to the qualification that no reappropriation shall be permissible if it has the effect of increasing the quantum of un-auditable expenditure or in the alternative all Secret Service expenditure of the various departments should be shown under sub-heads under one grant meant exclusively for Secret Service expenditure.

15. *Cess Funds*.—The Committee note that there exist at present a large number of Funds created in the past, to which are credited the net proceeds of the Central cesses and surcharges levied on specified commodities viz., Tea, Coffee, Salt, Coal, Cotton, Rubber etc. for the benefit of the industries concerned. But most of the Acts constituting these Funds were passed before the commencement of the present Constitution. The Committee feel that it would not now be constitutionally in order to levy a cess and constitute a separate fund from the proceeds thereof for an earmarked purpose, as under Article 266 of the Constitution, all revenues received by the Government of India and all loans raised by that Government and moneys received by that Government in repayment of loans shall form one Consolidated Fund entitled the 'Consolidated Fund of India'. No revenue can be diverted into any other fund nor can separate compartments be created within the Consolidated Fund. It would be manifestly impossible for Parliament to exercise any close control over the administration of public finance, if the system of assigning particular receipts for specified purposes prevailed. Further, such earmarking would turn out to be bad budgeting as there is no direct correlation between the amount of such taxes which are ultimately paid by the general consumers and the actual requirements for the development of the Industry concerned.

The Committee were informed by the representative of the Ministry of Finance that they had been trying to review the various Acts under which cesses were being levied, and in consultation with the Comptroller and Auditor-General they contemplated to prescribe a procedure by which the position would be regularised. All expenditure from any such so-called Fund would be subject to the direct vote of Parliament. The Committee desire that Government should take early steps to implement this suggestion.

IV

IMPORTANT OBSERVATIONS ON INDIVIDUAL MINISTRIES

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

Audit Report (Civil), 1952 (Part I).

MINISTRY OF STATES

17. *Para 18A—Integration of former Princely States with the Union of India.*—With the transfer of Power on the 15th August 1947 and the lapse of Paramountcy, the Princely States known as Indian States numbering 562 units were released of all their obligations to the Crown. The various changes which were effected resulting in the formation of a complete Union of the Indian States with the rest of India are briefly described in the White Paper on Indian States issued by the late Ministry of States. The merger of the enormous number of Indian States into compact units was effected some time before the commencement of the new Constitution. This extremely delicate and difficult task involved some important financial and monetary consequences which were of considerable importance both to the Princes and to the newly constituted units. The successor States and Government assumed, as a result of the merger and subsequent union with the rest of India, full responsibility for the administration of the former princely territories. There were many States which had no proper system of accounting or audit and the records were either not available, or if available, were in a state of chaos. In view of the varying difficulties from State to State and the degree of availability and authenticity of records coupled with the shortage of man-power, the Comptroller and Auditor General could only test-check (i) the balances stated to have been taken over by the new authorities at the time of the merger of the smaller States and (ii) whether the values of cash and securities received were the values which should have been properly transferred on the dates of transfer to be carried out to his local authorities. There had been an interval between the dates of the Rulers signing their merger Covenants and the actual dates on which the administration of the States was taken over by the successor authorities which was utilised by or under the authority of the Rulers of the acceding States for entering into transactions resulting in sudden and appreciable depletion of the cash balances, dissipation of States assets, transfer of properties from the State to the Royal Household and other questionable transactions, such as transfer of State investments to the Rulers' accounts etc. The Committee were assured that each case listed in the Audit Report as well as others which were still under examination by audit in which there had been an infraction of the broad principles of settlement said

to have been followed by Government in settlement with the Princes would be re-examined by the Ministry in consultation with the Comptroller and Auditor General to see how far the amounts mentioned therein could be retrieved. The Committee should like to be furnished with a Report stating the result of such re-examination at the time they take up consideration of the next year's Accounts.

MINISTRY OF FINANCE

18. *Para. 2(c)—Compassionate Allowance—Transfer of the Pension Work from the Commonwealth Relations Office*—During their July and August, 1954 Sessions, the Committee discussed with the representative of the Ministry of Finance the important political and other implications of the contemplated transfer of the work connected with the disbursement of Pensions to the British Personnel (Civil and Military) who had served the Government of India, together with the liability therefor to the U.K. Government. They were then informed that the details thereof, such as calculation of the actuarial value of the pensions, payment of Indian Income-tax on such pensions etc. were being worked out. At that time, the Committee expressed some concern whether the contemplated arrangement did not deprive the Government of India of their hold on the pensioner whose future good conduct was a *sine qua non* for the continued payment of the pensions. The representative of the Ministry of Finance, however, pointed out to the Committee that this aspect was taken into account before the decision to transfer the work to the U.K. Government was taken.

19. The Committee now note from copies of the letters* exchanged between the Government of India and the Government of the United Kingdom on the subject of payment of Sterling pensions in that country, which were laid on the Table of the House on the 10th March, 1955, that the Government of India have agreed to transfer to the Government of United Kingdom, with effect from the 1st April, 1955, the control, administration and payment of pensions and other liabilities to or in respect of persons who have served the Crown, as set forth in the Annexure thereto, payable out of the Consolidated Fund of India or of the Consolidated Fund of the States in the Union of India. The Government of India have undertaken the responsibility to pay any instalments of pensions in respect of periods prior to the 1st April, 1955, which remain unpaid on the date of transfer. In consideration of the acceptance of this transfer, the Government of India have agreed that payment of the annuities purchased from the Government of the U.K. under arrangements agreed upon between the two countries in July, 1948 for the purpose of meeting the sterling pensionary obligations of the Dominion of India and the Provinces (now States) thereof shall cease after payment of the instalment due on the 1st March, 1955.

20. For their part, the Government of the United Kingdom have undertaken that the balance of the principal portion of the debt in respect of annuities referred to above remaining outstanding on the 31st March, 1955, after deduction of the capital value on the 31st

*Not printed (Laid on the Table of the House on 10-3-55)

March, 1955 of the estimated future cost of the pensions and other liabilities transferred to the United Kingdom, shall be repaid to the Government of India in 10 instalments on the 1st April of each year commencing from 1955—the first of such instalment to be paid on the 1st April, 1955. Under these arrangements, interest on the balance outstanding from time to time at the rate of 1 per cent. per annum will be payable on the same date as the payment of instalments. Provision has also been made under this agreement for the payment of a capital amount to be agreed upon in respect of Indian Income-Tax which the Government of India would have recovered on these pensions had the responsibility for the payment of these pensions and other liabilities not been transferred to the Government of the United Kingdom.

21. The following two issues emerge from the arrangement now agreed upon by the Government of India in regard to the transfer of all their liabilities for the payment of pension to British personnel, civil and military, to the United Kingdom Government:

- (i) the computation of the capitalised value of the Income-tax due to the Government of India on the sterling pensions; and
- (ii) the reckoning of interest on balances outstanding from time to time at the rate of 1 per cent. per annum.

22. While there would be no difficulty in computing the capitalised value of the pensions on an actuarial basis, the Committee are not clear in what manner the capitalised value of the income-tax leviable on the sterling pensions would be arrived at, particularly in the face of two unpredictable features, namely, the future rates of income tax and the total world income of the assessee (pensioners), where they had opted to be assessed on the basis of world income.

The Committee also understand that such of these non-resident pensioners who had not opted for being assessed on the basis of their world income were liable to super-tax at the minimum rate of 2 As. 10 Pies in the rupee up to 31st March, 1955 but that the effect of the Finance Act of 1955 is to reduce this minimum rate by one-half. The Committee fail to see the justification for making this reduction and would like to be informed of the financial effect of this reduction on the settlement to be reached with the Government of U.K.

On the 12th August, 1948, the then Finance Minister, the late R. K. Shanmukam Chetty, in moving a demand for capital outlay on sterling pensions, made it clear that though Sir Stafford Cripps, the Chancellor of the Exchequer, pressed upon the Indian delegation the advisability of completely transferring India's liability to the British Government so far as pensioners were concerned in return for a lump sum payment, the demand was resisted on two very good reasons, namely, first, the transfer of responsibility to the British Government, would imply a lack of confidence in India's integrity in regard to their pensioners, and secondly, India must retain the power to deal with individual pensioners if they have not proved, by their conduct, their loyalty to the country

which they had served. It is not understood why these two very valid and cogent reasons have been disregarded in making the new settlement.

23. As regards the rate of interest, the Committee feel that, in a financial settlement like this, the rate should bear some relation to the prevailing rates in the market which, for short-term loan, is reported to be at present in excess of 2 per cent. The Committee trust that the Ministry of Finance would carefully examine the above points and take all possible measures to safeguard the financial interests of the country.

24. *Para 28—Debt position and loans to State and Foreign Governments.*—The Committee note that at present there is no planned scheme for the amortisation of the Public Debt of the Central Government. A lump provision for Rs. 5 crores is made out of revenue every year for avoidance or reduction of debt. As credit for this provision is taken to a Deposit head which closes to Government, it is effectually utilised for avoidance rather than reduction of debt. The Committee observed that the provision of Rs. 5 crores every year for amortisation purposes was very inadequate and further this amount was not being funded. They were informed by the representative of the Ministry of Finance that out of the total debt of the Central Government on account of regular loans which stood at Rs. 1,400 crores, Rs. 700 crores was unproductive debt and that if they were to take this amount of Rs. 700 crores and try to amortise it over a period of thirty to forty years, they would have to provide out of revenues something like Rs. 20 crores a year which would upset the Revenue budget completely and that the resulting deficit would have to be covered by borrowing.

The Committee consider that as huge sums of money are being advanced by the Centre to the States for financing their developmental expenditure, the Centre should see that adequate arrangements for repaying these loans in time were made by the States. The Committee should like to know, in due course, the concrete steps taken by the Ministry of Finance in this respect.

25. *Debt settlement with Pakistan.*—The Committee desire that a settlement with Pakistan should be reached without any further delay.

The Committee would also like to draw attention to the recommendations made by them in para 57 of their Seventh Report and to be informed of the present position regarding the payment by the Pakistan Government of the first three instalments of the Debt payable by them to the Government of India which had been provisionally worked out at Rs. 300 crores—the first instalment amounting to Rs. 9 crores fell due on the 15th August, 1952.

26. *Debt due from Burma.*—The Committee were informed that out of the outstanding debt of Rs. 48 crores due to the Undivided Government of India, the share of the Government of India came to Rs. 40 crores which was scaled down to Rs. 20 crores. Out of this Rs. 20 crores, Rs. 15 crores were to be adjusted by way of rebate on the rice deal with the Burma Government. The balance of Rs. 5 crores, it was added, was to be negotiated with Burma during 1955-56 in connection with another rice purchase deal or some other account

The Committee hope that this long outstanding debt would be finally settled during the course of 1955-56.

27. *Adjustment of the outstanding balances in respect of payments made to the U.K. Government on behalf of Pakistan.*—In a note furnished to the Committee pursuant to action taken on Para 151 of their First Report (Appendix VII), the Ministry of Finance have stated that according to the report received in December, 1953 by them from the High Commissioner for India in the U.K. the net claims against Pakistan on account of payments (mainly pensions and leave salary) made on behalf of the Government of Pakistan stood at £579,909/17/11 as shown below:

	£	s	d
Claims by India	1,158,800	4	1
Claims by Pakistan	278,890	6	2
Balance due to India	879,909	17	10
Payment received from Pakistan	300,000	0	0
Net due from Pakistan	579,909	17	11

The Committee trust that the matter is being diligently pursued and that a final settlement of this admittedly complicated question would soon be arrived at, if need be, by means of holding high level talks with the Government of Pakistan.

28. **Para 22—Income-tax concessions in anticipation of legislation.*—In August, 1950, Government decided to introduce legislation so as to exempt from taxation the "Death-cum-Retirement Gratuity" payable under the Revised Pension Rules. But before the law was amended, they issued orders in January, 1952 to all disbursing officers that pending legislation they should not deduct tax at source at the time of paying the gratuity. Orders were also issued to the Income-tax Department that if tax had already been deducted at source refund should be given. In January, 1951, Government introduced the 3½% Ten Year Deposit Certificate Scheme by declaring that the interest on the deposit would be completely exempt from tax. Since these irregularities were pointed out by Audit, it has been observed that Government have, in connection with the new scheme of 15 years annuity certificates, again repeated the irregular practice and announced that the interest would be exempt from taxation.

The grant of these concessions by executive orders in anticipation of legislation was illegal being in excess of powers *vide* Section 60(3) of the Income-tax Act.

In all these cases it was not proper to presume Parliament's approval in advance, and the Committee trust that, in future, Government would desist from giving or announcing such unauthorised concessions prior to legislation.

29. *Para 25—Income Tax Cases.*—The Committee were informed that there were about 16,000 cases of voluntary disclosures (inclusive of big and small cases), about 2,000 cases of which the Government had already some information. The Committee were informed that the main feature of this scheme was that the penalty normally leviable under the Law was not imposed in these cases of voluntary disclosure of hidden incomes but that there was otherwise no relaxation of the scope of enquiry. The recoveries of the tax so realised amounted to

*See also Appendix LII

about Rs. 9.7 crores, viz., 15% of the assessed income. While the Committee do not want to comment upon the merits or otherwise of this scheme, they should nevertheless like to observe that the settlement in this manner was not quite proper and it might create dangerous precedents administratively.

MINISTRY OF PRODUCTION

30. Para 5(b).—*Delay in disposal of Government buildings.*—In order to increase the production of coal during the War, it was decided to raise coal by Open Cut Coal Mining methods and the Director of Open Cut Coal Mining (hereinafter referred to as D.O.C.C.M.) entered into agreements with five Market Collieries for these operations for a period from 1st February 1945 to 31st March, 1946, subsequently extended to 31st May, 1946. The D.O.C.C.M. constructed both departmentally and through the C.P.W.D. several buildings at a cost of Rs. 6.5 lakhs approximately.

A private firm was appointed as agents of Government from 1st January, 1946 to 31st May, 1946 to do the work on behalf of the D.O.C.C.M. Organisation. It was stipulated that the firm would be responsible for the safe custody and proper maintenance of the Government properties entrusted to it.

From 1st June, 1946, this firm, in its own behalf, entered into fresh agreements with the Market Collieries for two years during which period Government permitted the firm to use their buildings on payment of Rs. 50,000 as rent on lump sum basis. On the termination of the agreement, this firm did not hand over nor did any Officer of Government arrange to take over possession of the buildings. The firm paid rent only upto 31st March, 1948. No rent from the Colliery Owners had been recovered beyond that date. For quite a long time, the location and existence of these buildings had not been verified and even their plans and blue prints were not available either with the Administration or the C.P.W.D. The Committee were distressed to note that no action was taken to fix the responsibility for these lapses. They, therefore, asked the representative of the Ministry to investigate into the matter with a view to seeing why (i) in the drawing up of the Agreement, the persons responsible did not specify the property which the agreement was purported to deal with; (ii) there was delay in locating the property at the site; and (iii) when the agreement provided that with the lapse of 12 months i.e., until 31st May, 1947, Government would be divested of their property rights in the buildings adequate action was not taken to safeguard Government's interests. The Committee also desired that the Ministry should investigate why disciplinary action could not be taken by them against the delinquent officials. Although a period of more than 10 months has elapsed since the Committee had examined this case, they regret to observe that the Ministry of Production have not so far intimated to them the result of the action taken in the matter. They desire that the Ministry should apprise the Committee of the latest position well in advance of the date when they take up consideration of the next year's Accounts relating to that Ministry.

MINISTRY OF HEALTH

31. Para 13(b).—*Mispastings in store accounts.*—The Committee desire that action should be taken against the persons responsible for

mispostings in the store accounts of the Medical Stores Depot concerned. Although these mispostings are a wartime legacy, yet the Committee desire that disciplinary action should be taken against the officials concerned for not having reconciled them even so long after the end of the war. They should, however, like to observe that the mispostings in the ledgers are a concomitant evil of frauds and shortages of stores and should always be jealously safeguarded.

When asked about the steps taken to prevent the recurrence of such instances, the representative of the Ministry of Health informed the Committee that a Senior Officer of the Ministry of Finance was going through the working of the various Medical Stores Depots and they were awaiting his Report. The Committee should like to know in due course the outcome of this Report and the improvements that are sought to be effected in the existing set up of the Depots.

MINISTRY OF WORKS, HOUSING & SUPPLY

32. *Para 6(a)—Payment of Railway freight.*—In this case, two Officers in the Disposal Organisation, of whom one had since left for Pakistan, decided to modify the terms of a sale letter issued to a certain firm for the sale of 5,200 tons of surplus Iron Bars, inadvertently described in the tender as lying in Jodhpur whereas they were actually at Jubbulpore, without consulting the associated Finance or the Special Solicitor attached to the Disposals Organization at Headquarters, thus resulting in an extra expenditure of Rs. 2,08,971 on account of Railway freight against the sale value of Rs. 10,66,000. The Junior Officer (an Assistant Director Grade I) who promptly recommended the acceptance of the firm's request that stores should be railed at Government expense from Jubbulpore to the various destinations specified by them, as their offer was F.O.R. Jodhpur, the excess over the freight between Jubbulpore and Jodhpur and the destination stations only being payable by them, had since left the Disposal Organization and joined the C.W. & P.C. (Hirakud Dam Project) as an Assistant Executive Engineer. The same Assistant Director passed another claim of this firm for freight not covered by even the modified terms, resulting in an excess payment of Rs. 3,175. For this lapse, the displeasure of the Director General was communicated to him direct in December, 1950 when he left the Disposals Organization and a copy of the communication was forwarded to the C.W. & P.C. under whom he was employed only in January, 1952. The Committee pointed out that the manner of communicating the displeasure was not correct and that it was communicated to the C.W. & P.C. only after Audit had pointed it out. The appointment of this Officer has also been commented upon in Para 74(3) of the Sixth Report of the Public Accounts Committee on the Hirakud Dam Project.

The attention of the Committee was drawn to the note recorded by this Officer while working as Assistant Director in the Directorate-General, Supplies and Disposals recommending the payment of freight to the firm in this case. They observed that it did not show that he was acting in any way under the instructions of the Deputy Director General, his immediate superior. The Committee feel that the Officer's plea, which was not substantiated by records, should not have been accepted by the Ministry. The Committee further feel that any Officer who makes a proposal against the financial

interest of Government, merely because he has been asked by a superior officer to make such a proposal, is not fit to hold any position of trust or responsibility. The Committee consider that the whole case is surcharged with suspicion and the Officer concerned, who had been responsible for causing the State to make an extra payment to the extent of Rs. 1,79,000 (Rs. 29,000 having been recovered from the firm later on as a result of negotiations) in the form of payment of railway freight, had been let off lightly. They are, therefore, strongly of the opinion that the disciplinary aspect of this case should be re-opened and adequate punishment awarded to the officers concerned commensurate with the severity of the mistake committed.

33. Para. 6(r)—*Arrears of rent of Government property.*—The Committee noted that the arrear of rent of Government property outstanding for recovery on the 1st March, 1954 was Rs. 18,10,000, out of which Rs. 5,38,000 related to the period prior to 1950-51. The Estate Officer informed the Committee that they had cleared about Rs. 25 lakhs out of the Rs. 29 lakhs outstanding on the 1st July, 1951, when the position was reviewed. From the statement showing the break-up and particulars of the amount of rent outstanding on 1st October, 1954 called for by them (Appendix VIII), the Committee note that the total outstanding on that date was Rs. 13,05,163 as per details given below:—

	Rs.
(i) Rent recoverable from Government servants	9,37,973
(ii) Rent recoverable from private persons (i.e. Non-Govt. servants)	
(a) Displaced persons	91,451
(b) others	85,274
	1,76,725
(iii) Amount outstanding against the various Ministries & Departments of the Government of India	1,90,465
TOTAL outstanding on 1-10-54	13,05,163

The Committee also note from the above statement that the bulk of the amount of rent outstanding is recoverable from Government servants and the various Ministries of the Government of India viz., Rs. 11,28,438 (Rs. 9,37,973 from Government servants and Rs. 1,90,465 from the various Ministries). The Committee feel that it should not be difficult to enforce recoveries in such cases. They, therefore, recommend that special measures should be devised to liquidate these heavy outstandings. As regards the amount recoverable from displaced persons (Rs. 91,451) the Committee suggest that the Ministry of W.H. & S. should intimate this amount to the Ministry of Rehabilitation who should in their turn take steps to adjust it from the amount of compensation that might be payable to such of the persons who might have verified claims. As regards other displaced persons without any verified claims and others against whom a sum of Rs. 85,274 was outstanding, the Ministry should explore the possibilities of enforcing recovery by recourse to law, if necessary.

• The Committee further note that the total amount of rent written off during the period from 1-4-51 to 30-9-51 is Rs. 18,971/15/- (including Rs. 1,688/- on account of damages due from displaced

private persons). The Committee have not been apprised of the circumstances under which this write-off had to be done, and in the absence of this, they have no comments to make.

34. Para 6(t)—*Contract for pre-fabricated buildings.*—In this case, Government entrusted the Reema Construction Company of U.K. with the construction of nine blocks of pre-fabricated hospital buildings as a demonstrator of their Patent System of construction, claimed to be cheaper, quicker and more durable than the traditional methods. The work was given to the Company in September, 1949 without any formal agreement. A letter from Government addressed to the Company in September, 1949 was taken as the "Letter of intent" and the Company's reply as the "Acceptance". In terms of this, the Government agreed to pay the Company a fixed sum of Rs. 2.66 lakhs as "overheads". Normal processes of audit could not be applied during the execution of the work as copies of neither the 'letter of intent' nor the estimates were furnished to them. It is interesting to mention that the amount paid to the firm was, as estimated by the C.P.W.D., almost double of what the work would have cost had it been executed by traditional methods.

It was urged by the representative of the Ministry of Finance before the Committee that as it was intended to be purely a demonstration contract, the rigorous terms of a formal C.P.W.D. contract were unsuitable for this undertaking which was of an experimental nature. All payments, he added, were covered by proper sanctions to advances. He also informed the Committee that the final payment to this firm has not yet been settled and the matter was still under consideration.

If the 'letter of intent' constituted the agreement enabling the Government to make these advance payments, the Committee fail to understand why the Ministry of Law were not consulted before its issue, as required under the existing rules for transaction of Government business, and why a copy of this was not communicated to Audit in the same manner as other contracts are ordinarily communicated as, for all practical purposes, it took the place of the contract. Such a course would have enabled Audit to scrutinise the terms under which payments were to be made to the British firm. The Committee recommend that such a procedure should invariably be observed by the spending Departments in future.

It is important to state here that the original ceiling limit for the construction cost of the hospital building was fixed at Rs. 6½ lakhs but the limit appears to have been relaxed and the actual payment is said to be nearly Rs. 13 lakhs.

The Committee consider that it was rather unfortunate that this firm was brought in to demonstrate this type of "Low Cost" construction in India, as curiously enough this experimental construction launched without any firm estimates of costs failed, thereby nullifying its very purpose. Further, the financial interests of the State were not properly safeguarded in the 'letter of intent'. Even if, as contended by the representative of the Ministry of Finance, it is conceded that the overheads would be very heavy because of the volume of work to be done being so small, then that

would have been a good and conclusive argument against undertaking the particular experiment on the particular scale. The Committee consider that the entire scheme was ill-conceived *ab initio* and that responsibility should be fixed.

35. *Para 6 (f)—Disposal of Surplus American Stores.*—In this case, Government entered into an agreement with Messrs. Tata Aircraft Ltd. to undertake the agency for the disposal of American surplus aircraft spare parts etc. The agreement *inter alia* provided for the setting up of a small Consultative Committee consisting of representatives of the Government and the firm which laid down certain formulae and policy for pricing of surplus stores, the custody and sale of which were entrusted to Messrs. Tata Aircraft Ltd. Audit scrutiny of a small percentage of the total transactions disclosed that, during the period from 1st April, 1948 to 31st March, 1950, stores having a book value of Rs. 30.44 lakhs (but priced at Rs. 24.14 lakhs by the Consultative Committee) were sold for Rs. 7.21 lakhs. The Committee were somewhat perturbed to note that stores had been disposed of at such low prices thus resulting in loss of public money. The Committee, not being satisfied with the explanations given by the representative of the Ministry of Works, Housing and Supply, desired to be furnished with a note stating the circumstances under which the then Director-General, Supplies and Disposals did not exercise proper discretion to secure an equitable return for the stores in question disposed of by the firm. The Committee have gone through this detailed note (Appendix IX), wherein it has been pleaded that the sales had been equitably effected in the circumstances which then existed and were examined by the Consultative Committee. In extenuation, it has also been explained therein that "Tata's contention that the prices laid down by the Consultative Committee were mere guides and did not circumscribe their discretion in any way to regulate them in consonance with the market rates" was held correct by the then Director-General. While the Committee do not want to sit on judgement over the decision of the then Director-General, they cannot help expressing the view that proper discretion had not been exercised for securing an equitable return for the stores in question and that the whole burden for not doing so has been put on the Consultative Committee which is now defunct.

36. *Para 23(b) of Audit Report (Civil), 1952—Part II—Improper payments to Contractors.*—This is a typical case showing how the contractors' claims involving extra payment of about Rs. 18 lakhs were sanctioned by the then Chief Engineer, C.P.W.D., without the basic records, two years after the completion of the work (construction of a Colony of 2,468 quarters for Government servants in 1944-45). The Committee are dismayed by the information supplied to them that although the works were completed in 1945—nine years ago—the technical sanction has been accorded only in 1954. The Chief Engineer, C.P.W.D., then in charge of this work is stated to have left for Pakistan soon after Partition.

During the course of examination of this case, it also transpired that there was nothing on record to show that any written claim, valid or otherwise, for the extra payment of Rs. 18 lakhs had been lodged by the contractors. Secondly, no written orders for doing

this extra work had been given except that there was some note on the departmental file by the then Chief Engineer to say that the contractor's rates had been finalised and he should be paid so much. The Committee, being not satisfied with the explanations given by the representatives of the Ministry of W.H. & S. in this case, asked for further information on the following points in order to enable them to probe into this case further;

- (i) Did the contractor put in any claim in writing for the payment of Rs. 18 lakhs?
- (ii) Whether any Officer who has not gone to Pakistan was responsible for any of the lapses and the extent to which he was thus responsible?
- (iii) Has any action been taken against the officials who failed to prepare the estimates for technical sanction during these nine years?

The Committee regret that although a period of over six months has elapsed since this information was asked for it has not so far been furnished to them. The Committee are constrained to observe that such delays in furnishing information to the Committee may result in making it impossible to take any action against officers responsible for irregularities as, by the time final conclusions are arrived at, various changes might have occurred, such as retirement of the officials etc.

The Committee observe that in this particular case the Chief Engineer and other responsible officers in the C.P.W.D. who handled the case at various stages showed a reckless disregard of the canons of financial propriety in administering public funds.

The Committee desire that there should be no further delay either in furnishing them with information or in fixing responsibility and taking suitable action against the concerned officers.

37. *Para 6(s)—Waiver of recovery of rent.*—In this case, the recovery of rent for the period from March, 1948. to March, 1950 amounting to Rs. 1,16,659 due from the Council of Scientific and Industrial Research was waived by Government by Executive orders. The Ministry of W.H. & S. have explained that the recovery was waived as Government would otherwise have been obliged to make a matching grant in case it was insisted upon. The effect of this was that the specific vote of the Legislature was not obtained for the payment of this grant to the Council. In the opinion of the Committee, it was wrong in principle to have bypassed the Legislature in this case, thus vitiating the very essence of Parliamentary control over Public expenditure.

MINISTRY OF INFORMATION AND BROADCASTING

38. *Para 238 of the Commercial Appendix to the Appropriation Accounts (Civil), 1950-51 and Para 45 of the Seventh Report of the P.A.C.*. (Item 89 of the Statement of Outstanding Recommendations)—Commercialisation of the Accounts of A.I.R.*—From the Accounts of the A.I.R., the Committee note that the standing charges amount to Rs. 80 lakhs, the establishment charges to Rs. 76

*See also Appendix X

lakhs, and payments to artists to Rs. 41 lakhs, while the receipts from licence fees amount to Rs. 92 lakhs. The successive Committees of Public Accounts have expressed much concern over the failure of the A.I.R. to make itself a self-supporting unit either by effecting economies in establishment charges or by increasing the licence fee. The Committee note that the Ministry have abolished a number of posts in the A.I.R. with the resultant saving of Rs. 2,22,400 per annum. Further, they have also effected economy by adopting some other measures viz., reduction in programmes, reduction in contingency expenditure etc. They trust that Government will explore all avenues for effecting further economies.

39. *Overstocking of materials.*—The Committee note that the current purchases of stores exceed the issues while there is already a large balance in stock. The biggest item under these stores is transmitters* valuing about Rs. 50 lakhs. The need of such purchases should be gone into carefully before making further purchases.

40. *Losses incurred on the publication of A.I.R. Journals.*—The Committee note with some satisfaction that the Ministry are setting up a 'space selling unit' for the entire Information and Broadcasting Ministry which would eventually bring them more revenue from advertisements. The Committee wanted to know why it was not possible for the Advertising Consultant, Simla to secure advertisements for the A.I.R. Journals. They also desired to be furnished with (a) statement showing the figures of income and expenditure relating to the various Radio Journals for the years 1951-52, 1952-53 and 1953-54 and (b) a copy of the free mailing list of the A.I.R. Journals. The statements furnished by the Ministry are at Appendix XI. It is noticed from the statement of income and expenditure relating to the various Radio Journals that the loss on "Betar Jagat" (Bengali) during 1953-54 was Rs. 72,443 against the loss of Rs. 84,609 in 1951-52 and profit of Rs. 2,302 in 1952-53. The Committee would like to know the reasons for the loss in 1953-54.

MINISTRY OF EDUCATION

11. *Para 12 (i) of Audit Report (Civil), 1952—Part I—Working of Hostels.*—(a) Para 12 (i). The Committee wanted to know the justification for storing the furniture till August, 52 at a cost of £10 p.m. for 40 months after the premises were sold in March, 1949 and also the action taken or proposed to be taken* to fix responsibility for the delay of 2½ years in approaching the Ministry of External Affairs for permission to sell the furniture. In the note furnished to the Committee at their instance † (Appendix XII) the Ministry of Education have pleaded that as the intention underlying the storing of the furniture was all along to effect saving to Government by proper utilisation of the old furniture when the new Hostel came into existence, although unfortunately the expectation did not materialise, they did not consider it necessary to

* See also Appendix LXIX

† Not seen by Audit before submission to the P.A.C.

take action regarding the fixing of responsibility for the delay in the disposal of the furniture. The Ministry have further stated that the intention of the High Commission in not selling the furniture in 1949 was that it would not have fetched a high price, being second hand. On the other hand, it was expected that its utilisation for the other hostel in a more central and convenient position, which was then in view, would be of better value in the shape of saving to Government on the cost of new furniture for the other hostel. While the Committee do not desire to probe deeply into this old case, they cannot help expressing the feeling that there was no ostensible justification for the Indian High Commission in retaining the old furniture for use in the new Hostel, and they should not have continued to incur avoidable expenditure on storage for such a long period as 40 months merely on an expectation which did not materialise eventually.

(b) Para 12 (ii) The Committee note that in the case of this Hostel, which was leased with effect from 1-10-45, the loss on the first year's working amounting to £728-14-5 was repaid to the University of London. Further losses were shown in the Hostel's Accounts for the year 1948-49 and for the subsequent period upto 30-9-1950, when it was closed. The High Commissioner's Office paid in March, 1951 £1536-2-11 to the London University for repayment of their claim. Although the payment was reported to the Government of India in October, 1952, they have not yet accorded sanction to it. The Committee note that the Ministry of Education are still awaiting details of this expenditure from the Indian High Commission, on receipt of which they hope to investigate into the matter further. The Committee do not understand why the Ministry did not move much earlier to look into this aspect of the matter and call for details of this claim from the Indian High Commission. The Audit Report in question was presented to Parliament on the 19th May, 1954 and the Audit para in question must have been sent to the Ministry even before the Report was printed. The Ministry should have initiated action immediately to call for these details and made available this information at the time the Committee took up examination of this case. The Committee feel that it is upto the Ministries to initiate prompt action in all matters brought to their notice by Audit and not postpone action until the audit paras come up for consideration by the Committee.

Another point that arose in this case was whether reimbursement to the Government of India of the charges paid on account of local rates for the period of the lease of the premises of this hostel was due from the U.K. Ministry of Works according to the law then obtaining in that country.

The Committee regret to point out that no reference on this point was made to the Ministry of Education by the High Commission. The Committee should like to know in due course the further developments in this case and the prospect of the claims for reimbursement being entertained by the U.K. Government.

42. *Para 34 (i)—*Non-lapsing Grants*.—In this case the grant of Rs. 6,75,000 was made in March, 1952 to Delhi University for building purposes with the direction that it should not be spent until

*See Appendix LXXI

further approval and should be kept under 'suspense'. The approval was not given before the close of the financial year 1951-52, but the unspent grants were allowed to be retained by the University instead of lapsing to Government. It is obvious that this was deliberately done to avoid lapse of funds. It was stated by the Ministry that the payment was made in pursuance of a policy decision of the then Government of India taken in 1942 to centralize all Colleges in the University campus. The representative of the Finance Ministry, however, expressed his regret that the position was not reviewed in 1952 in the context of the changed circumstances before making the payment.

The Committee draw attention to Para 42 of their Seventh Report, wherein they had emphasised that the provisions of Rule 207 (2) of the General Financial Rules, Vol. I, which lays down that 'only so much of the grant should be paid during any financial year as is likely to be expended during the year', should be strictly followed in the matter of payment of grants to private bodies and institutions.

During the course of the discussion which the Committee had on the subject of non-lapsing grants, the representative of the Ministry of Education pleaded that the payment of grants to Universities should be made in advance of actual requirements if progress in the educational sphere was to be achieved. In this connection, he has also submitted a note (Appendix XIII) to the Committee setting forth his suggestions that in genuine and exceptional cases as mentioned below, a deviation from the prescribed procedure of the General Financial Rules might not be considered an irregularity, provided always that the necessity of such a deviation has been carefully examined and concurred in by the Ministry of Finance. He says:

- “(i) The primary condition of the grants from Government was that the private bodies concerned should find an equivalent sum from their own funds to complete the work for which the grants were sanctioned.
- (ii) The purpose of the grant was development of educational facilities for which Government was more anxious than the private bodies receiving the grant.
- (iii) It was after considerable difficulty and adjustments that the private bodies could declare themselves capable of satisfying the primary condition mentioned at (i) above and this was done towards the close of the financial year. Now, if the Government grants had been postponed or partly paid in accordance with the prescribed procedure, there was every chance of the private bodies concerned backing out with the result that the purpose of public service in view could never have been achieved.”

The Committee think that now that the Government have decided to establish the University Grants Commission which would enquire into the financial needs of Universities and allocate and disburse grants to them and that a Bill seeking to constitute this Corporate body has since been introduced in Lok Sabha, this matter should better be left for consideration by that body.

43. *Para 85 of the Seventh Report of the Public Accounts Committee (Item 79 of the Statement of Outstanding Recommendations)—Audit of Accounts of the Visva Bharati University.*—The Committee of 1952-53 had pointed out that although provision existed in the Acts of Banaras, Delhi and Aligarh Universities for the audit of their Accounts by the Comptroller and Auditor-General of India, the Visva Bharati Act provided that the accounts of the University are to be audited "according to the directions of the Central Government". The Committee, therefore, wanted to know the reasons for placing the Visva Bharati University on a different footing from other Central Universities in respect of the audit of its accounts. In a note (Appendix XIV) submitted to the Committee the Ministry have stated that the idea that the accounts of the Visva Bharati should statutorily be audited by the Comptroller and Auditor-General did not occur to the Government (in the Ministry of Education) at the time the Visva Bharati Bill was drafted. The Acts of the other Central Universities were amended later and it was, therefore, decided to make provisions in this respect. The Ministry have, however, stated that early opportunity will be taken to amend the Visva Bharati Act so as to bring it in line with the other University Acts, so far as audit by the Comptroller and Auditor-General is concerned and also to make a statutory provision for submitting the Audit Reports of the Comptroller and Auditor-General on all the Central Universities to Parliament.

CABINET SECRETARIAT

44. *Para 17—Repayment of dues by an Officer.*—As desired by the Committee at their sitting held on the 23rd October, 1954, the Cabinet Secretariat submitted to them a note setting forth the facts of this case (Appendix XV). In this case, an Officer, who has since died, obtained in October, 1949 an advance of Rs. 4,200/- for the purchase of a motor car. When Audit pressed for the dealer's receipt for verification, he produced a receipt, after protracted correspondence, in May, 1950, which was in respect of a car purchased by him 6 years previously i.e., in September, 1943.

This irregularity was brought to Government's notice by Audit and the balance of Rs. 800 then outstanding was recovered from the officer's pay for April, 1951. The Officer who was at this time under re-employment for 6 months with effect from the 1st January, 1951 was allowed to retire finally from Government service on the 1st July, 1951. No disciplinary action was taken against him on the grounds of his past good record. It was explained that earlier action could not be taken against him as all correspondence in the matter, between the Officer and the Accountant General, Central Revenues, was never brought to the notice of the higher officers till the 9th April, 1951.

It has not been fully established to the satisfaction of the Committee that the higher officers in Cabinet Secretariat were not aware of the facts of this case at an earlier date than April, 1951. The evidence of the representative of the Cabinet Secretariat who appeared before the Committee at their sitting on the 23rd October, 1954 in this connection was not satisfactory.

The Committee note that Government have since issued orders to all their Officers that in every case in which an audit objection has been raised concerning irregular claims or action of officers, the officers concerned with the alleged irregularity should never themselves deal with the objection but should submit the papers to higher authorities.

MINISTRY OF COMMUNICATIONS

45. *Item 121 of the Statement of Outstanding Recommendations—*Recovery from the Chinese Government (Appendix I).*—The Committee understand that the question of recovery of the sum of Rs. 1,15,000 due from the Nationalist Chinese Government is being pursued at diplomatic level. The Committee may be informed, in due course, of the further development in this case.

46. *Item 121-A of the Statement of Outstanding Recommendations—Appointment of an internal Accounts Officer in the Overseas Communications Service (Appendix I).*—From the Memorandum submitted to them, the Committee note (Appendix XVI) that the matter is under consideration with the Ministry of Finance. The decision arrived at may be intimated to the Committee in due course.

47. *Item 123—Recovery of Pakistan's share of contribution to the International Civil Aviation Organization paid by India for the period 15th August, 1947 to 30th June, 1948 (Appendix I).*—The Committee note from the Memorandum (Appendix XVII) submitted to them by the Ministry of Communications that the Secretary General, I.C.A.O. has been requested to refund the sum of \$15,635.00 paid by India (\$15,070.00 and \$565.00 paid as Pakistan's shares of the General Fund and the Joint Support Emergency and Working Capital Funds respectively) or to adjust it against India's future contribution to the Organisation. Further progress in the matter may be intimated to the Committee in due course.

MINISTRY OF FOOD AND AGRICULTURE

48. *Para 8 (c)—Barter Agreement for Wheat.*—In this case, the Government of India had to bear the stevedoring charges amounting to Rs. 68,599 in a barter agreement for wheat with a foreign country as the latter refused to bear the liability on the plea that the term c.i.f. Indian port did not include stevedoring charges. The Committee desire that in order to avoid the recurrence of such cases in future, the terms and conditions of the contract with foreign countries should invariably be very precisely defined.

49. *Para 8 (d)—Loss on purchase of condensed milk.*—In 1948 condensed milk was purchased by the Ministry of Food on an indent from the Ministry of Rehabilitation for consumption at various refugee camps in the country. The milk turned out to be bad and had to be destroyed. It resulted in a loss of about rupees one lakh to the Government. The Public Accounts Committee considered

*See Appendix LXXII

this matter at their sittings held on the 28th and 29th October and 2nd November 1954. Since there was no agreed decision between the Ministries concerned, i.e., the Ministries of Food & Agriculture, Rehabilitation and Health, about the responsibility for the loss, the Committee directed that the matter should be examined by the Ministry of Finance and a note sent to them apportioning responsibility for the loss on the Ministries concerned. The Committee have read with interest the note submitted to them by the Ministry of Finance (Appendix XVIII). They note that since there was no warranty clause in the contract the Government's case for recovering any damages from the firm named Khadi Pratisthan, Calcutta was weak. The Rehabilitation Ministry pointed out that the firm had given in a separate letter a warranty of three months. A letter was written by the Food Ministry to the Khadi Pratisthan asking them to show cause why they should not be made to bear the loss, but their reply was that the Food Ministry while placing orders for the milk stated that the stores would be accepted if found in good condition on examination on arrival at destination. Having not examined the second lot immediately on arrival, the Food Ministry were not in a position to take advantage of the firm's responsibility for delivering the stuff at consignee's end in good condition. The Committee agree with the conclusions arrived at by the Ministry of Finance that if an examination on arrival had been done, it was probable that, as in the case of the first lot, a portion of which was also found unfit for human consumption on account of deterioration, the Khadi Pratisthan would have agreed to take back the damaged portions of the second lot also.

The Committee recommend that the Ministry of Finance should issue general instructions for the guidance of all the Ministries that in case of all such contracts, the warranty clause should invariably be provided in the agreement and in case of failure on the part of the contracting party to supply the stuff according to the specifications laid down in the agreement, this clause should be invoked. In the present case, the Committee desire that action should be taken against the officers responsible in the Ministry of Food & Agriculture for not having provided the warranty clause in the agreement with the Khadi Pratisthan and also not examining the second lot immediately on receipt and sending it back to the firm with a view to avoiding this loss. They should like to know in due course the action taken by the Ministry in the matter.

50. *Para 8(e)—Purchase without competitive tenders.*—In this case, an officer specially deputed by the Government for negotiating certain purchases in U.S.A. made independent negotiations for purchase of equipment from a firm without consulting the India Supply Mission, Washington. On the basis of this officer's negotiations, the Ministry communicated its acceptance of the price direct to the firm and later on sent an indent to the Supply Mission, Washington with the suggestion that the order may be placed on the firm. The Ministry is reported to have forbidden the Mission from inviting tenders.

The Committee desire that it should be firmly laid down that whenever any officer is sent abroad for procuring supplies etc., he should follow the normal procedure of associating with the Head of the Supply Mission in that country before starting any direct

negotiations with the manufacturers or suppliers there. Further, Ministries should not enter into commitments with foreign manufacturers or suppliers direct without the intervention of the Supply Mission or any other Organisation set up by Government.

51. (i) *Item 72 of Outstanding Recommendations—Rehabilitation of Pashabhai Patel Implements (Appendix I).*—The various aspects of this deal have been commented upon in the Twelfth Report of the Committee. The Committee note (Appendix XIX—item 72) that as a result of Government's negotiations, action on the enquiry by Shri Divatia in the case of these implements has been completed and the firm have agreed to pay Rs. 3,35,650/- for rehabilitation of the implements. The Committee are informed that Government do not intend to undertake mass-scale rehabilitation of all these implements. The Committee stress that the Ministry of Food and Agriculture should examine the disposal of these implements in the light of the observations made by them in their Twelfth Report to the best possible advantage of the Government.

Commercial Appendix to the Appropriation Accounts (Civil) 1950-51.

(ii) *Para 188—the Central Tractor Organisation—Workshop Over-heads.*—This para disclosed that the percentage of shop overheads to direct labour further increased to 404 in 1951-52 and 421.74 in 1952-53, in the case of Delhi Workshop.

Similarly, the percentage of shop-overheads to direct labour in the case of Bairagarh Workshop increased to 469 in 1951-52 and 743.83 in 1952-53.

These extraordinary increases in the overheads call for serious notice. The Committee are informed (Appendix XX) that an Expert Committee consisting of a representative of the Ministry of Finance and a T. C. M. Expert has been set up to study the problem and their recommendations would be implemented as soon as these are received. The Committee would, therefore, await a further report from Government.

52. *Para 192(a)—Foundry Equipment.*—Explaining the reasons which led to the placing of these indents and the subsequent decision for not installing the foundry (Appendix XXI), the Ministry have stated that it was taken not only because the number of tractors was reduced from 375 to 240 but also because it was considered that it would be more economical not to have the foundry. The Central Tractor Organisation then took steps to dispose of the equipment and has been successful in disposing of equipment worth Rs. 54,827. For the remaining equipment worth Rs. 89,745/-, the C. T. O. are stated to be making attempts for disposal. The Committee consider that this case indicated that indents were placed without an adequate knowledge of foundry practice and timely action was not taken to cancel the indent.

53. *Para 193—Balance of stores C.T.O.*—The Committee desired to know why the stores were continued to be purchased when the existing stock was sufficient to meet five years' requirements. The Ministry have stated (Appendix XXII) that the closing balance of stores as on 31-3-54 was about Rs. 1.49 crores. The Committee would like to

know why purchases in excess of the annual requirements were made during the years 1951-52 and 1952-53 and also the extent of the surplus purchases. They would suggest that the responsibility for the excessive purchases should be fixed and adequate action taken against the officers concerned.

54. *Para 20½ (vii)—Reserve Pool of Fertilisers.*—When asked about the extent of the claim for the shortages of Rs. 5,00,950, lodged against the suppliers, the Ministry have stated (Appendix XXIII) that claims were lodged for the entire shortage against which recoveries so far adjusted in accounts amounted to Rs. 64,153½. A further sum of Rs. 48,015 has been withheld from the contractors' bills for adjustment against shortage. Claims to the extent of Rs. 2,71,583 are still under correspondence with various parties concerned. The Committee should like to know the progress made in the clearance of these claims.

The balance of the claims amounting to Rs. 1,17,199 is stated to have been treated as irrecoverable.

MINISTRY OF LABOUR

55. *Report of the Training and Employment Services Organisation Committee (Shiva Rao Committee)—Recruitment through the agency of Employment Exchanges.*—Attention of the Committee was drawn to para 88 of the Shiva Rao Committee's report from which it appeared that the Government were spending as much as Rs. 20½ for each placement of casual labour. In para 94, the Shiva Rao Committee had also pointed out that the figures of placement had been inflated. It would be seen, therefore, that the average cost of placement is much more than Rs. 20/-.* This seemed to be an extraordinarily high rate of expenditure for securing each placement of casual labour. The Committee were not satisfied with the explanation given by the Ministry in regard to this aspect and, therefore, asked the Ministry to clarify the matter further.

As desired by the Committee, the Ministry furnished to them a note stating briefly their views on some of the principal recommendations made by this Committee (Appendix XXVI). This Committee have recommended that the obligation on Government employers to notify vacancies should apply equally to firms engaged on Government contracts, to undertakings in which Government are shareholders and to establishments which have received aid subsidy from Government. Although, just as the Ministry have pointed out, this recommendation will not impose an obligation on P. W. D. and other contractors to actually recruit workers through the Exchanges, yet they feel that the obligation to notify their vacancies will encourage contractors to utilise the services of the Exchanges to a greater extent, which, in turn, will lead to the loosening of the grip of jobbers on such labour and would also make it possible for Government to observe the degree of compliance with the Minimum Wages Act in this field of work.' The Committee suggest that the Ministry of Works, Housing and Supply and other big spending Ministries like the Railways, Defence and Posts and Telegraphs Department should, in consultation with the Ministry of

*See also Appendix XXIV.

Labour, examine the proposal to insert a mandatory clause in all the contracts coming within their purview, whereby the contractors should notify vacancies to the Employment Exchanges.

56. *Maintenance of National Employment Register.*—The Committee note* that so far no effective steps have been taken by the Ministry of Labour for keeping track of the ex-trainees. They feel that when Government are spending considerable sums of money for the training of skilled labour, they must see that the trainees were properly utilised. The Committee should, therefore, like to impress upon the Ministry the desirability of evolving a scheme for better follow-up of the trainees immediately after their discharge from the Training Centres. As one of the means to achieve this end, the Committee suggest that the Employment Exchanges Training Organisation should maintain a National Register of persons trained by them so that they might know where a person was employed after training and whether the manpower resources were being fully utilised for the economic advancement of the country.

MINISTRY OF EXTERNAL AFFAIRS

57. *Para 4(a)—Outstanding recoveries.*—The Committee learn that a claim for Rs. 3,62,186, being the cost of some agricultural implements supplied to the Afghanistan Government sometime in 1943, has since been put up against that Government. It is, however, relevant to mention here that the special report to Government in this case was made by Audit on the 7th June, 1945, and the cost of the supplies has been lying in Suspense Account during all these years. The Committee observe that the keeping of any transaction in Suspense Account pending recovery for practically one decade seems to be highly irregular. They, therefore, take this opportunity of making a suggestion that a special scrutiny of the transactions under "Suspense" may be conducted with a view to seeing that no such items are lying uncleared for such long periods. In this particular case, they should like to know in due course the progress made in the settlement of this long outstanding item.

†58. *Para 4(b)—Overdrawal of Exchange Compensation Allowance.*—It was discovered that some of the officers stationed in an Indian Mission abroad had indulged in illegal currency operations over a period of years and had given false certificates on the strength of which they drew Exchange Compensation Allowance to which they were not otherwise entitled. All these irregular transactions and mal-practices were of the utmost gravity. Gravest of all was the practice of drawing Exchange Compensation Allowance by giving false certificates.

59. The Committee desired to know why Government could not resort to criminal prosecution against the officers and staff who had indulged in these mal-practices. They were informed that criminal prosecution was not considered desirable as it would be politically embarrassing. The Committee were informed that the Head of the Mission was reduced in rank for a period of three years and action against other Officers and staff of the Mission is under consideration. The Committee take a serious view of Officers producing false certificates and trust that adequate action will be taken against them.

* See also Appendix XXVIII.

† See Appendix LVIII.

60. The Committee note that the Ministry have taken steps to tighten up the procedure by clarifying the instructions regarding remittance facilities to Officers and staff serving in Indian Missions and by setting up a strong Foreign Service Inspectorate which would be visiting all the Missions. As one of the measures to prevent the recurrence of such irregularities in future, the Committee would suggest that the Foreign Allowance of the Officers concerned should be fixed in the currency of the countries in which they are serving and Exchange Compensation Allowance abolished.

61. Para 4(g)—*Advance payment by the High Commissioner for India in London for acquisition of premises (Gaiety Theatre).*— In May 1950, the High Commissioner, in view of the need for additional office accommodation in London, received Government approval to negotiate for the acquisition of a lease of premises to be built on a site near India House. Mr. X, a Solicitor, who had become a director of a property company on 11th July, 1950, told the High Commissioner in the morning of that day that unless he, Mr. X, who had not got the money, paid the existing lessee £17,000, namely 10 per cent of the purchase money, before 3 P.M. that day, the lessee would close with another party and the site would be finally lost to India. Accordingly, on 11th July, 1950, the High Commissioner advanced £17,000 to the above property company with the concurrence of the financial adviser and the legal adviser, against a promissory note signed by Mr. X for and on behalf of the Company and the deposit, with the High Commissioner, of the Company's contract with the lessee for the purchase of his rights in the property for a sum of £1,70,000. The Committee are surprised to learn that the Financial Adviser and the Legal Adviser to the High Commissioner had accorded their concurrence in this proposal. The said Company was floated in December, 1949, with a nominal capital of £1,000 and issued capital of £2. The money was paid by the Company to the solicitors of the lessee as stake holders. The contract between the Company and the lessee was due for completion originally on 11th October, 1950 but had not been completed in spite of excessive extension allowed by the lessee. The lessee had forfeited the money on the failure of the Company to complete the contract. The Committee were informed by the representative of the Ministry that there was some delay in finalising the agreement between Mr. X and the High Commissioner for construction of a building etc. and in the meantime, the High Commissioner decided to make enquiries from other development companies who were prepared to offer better terms than Mr. X without finalising the agreement with him.

The Committee are unable to appreciate why it was considered expedient by the High Commissioner to start negotiations with other parties after the advance amounting to £17,000 had been paid to *Adhil Properties Ltd.*, and why there should have been so much delay in finalising either of these arrangements.

62. The Committee regret to learn that there is no prospect of recovering the amount of £17,000 as, according to the Ministry of Law, the Government of India could not proceed against Mr. X as an individual and that they could only proceed against him in his capacity as Director of the Company which, they understand, have no assets.

63. The Committee also note from the Audit comments that an unsatisfactory feature of this case is the incompleteness of records. They would like to know the steps taken by the Ministry of External Affairs to set matters right in this direction. The Government in extenuation have urged that the persons who negotiated this deal were actuated by the best of motives but, unfortunately, the sequence of events went against them which has now resulted in this loss, which has now to be written off.*

64. This is another case in which the Government of India entered into a contract with a mushroom company as an intermediary, which had a paid-up capital of £2 only, and advanced as much as £17,000 to that Company on the signature of a person who had become a Director of that Company on the very day. The Committee fail to understand why it was at all necessary to have recourse to an intermediary instead of dealing direct with the lessee, more particularly, as the lessee was himself brought into the discussion subsequently. The Committee wish to record their strong disapproval of the action taken in this case also.

MINISTRY OF TRANSPORT

65. *Para 10 of Audit Report—Part I—Compensation to Shipping Companies*—At the instance of the Government of the U.K., a number of ships borne on the Indian Register were requisitioned by the Government of India during the last war exclusively for the use of the Government of U.K., but before undertaking the work, no agreement was arrived at with that Government for the recovery of amounts to be paid to the Shipping Companies. Against a sum of Rs. 8.01 crores actually paid by the Government of India to the Shipping Companies as compensation, the U.K. Government, after protracted correspondence, accepted liability for only Rs. 5.95 crores and contended that they would not pay anything in excess of the scale admissible under their own Liner Requisition Scheme. The Government of India had therefore to bear the difference of Rs. 2.06 crores. It has been urged that as the Government of India could not persuade the Indian Shipping Companies to accept the U.K. rates of compensation the then Finance Member (in 1942) had agreed to higher rates of compensation being paid as including a measure of assistance to the Indian shipping industry towards its post-war rehabilitation. If it were so, the Committee fail to understand why subsequent attempts were made (though in vain) by Government to recover the extra amount from the U.K. Government instead of taking a straight vote of the then Legislature for this grant-in-aid. Actually, no such legislative vote was taken. As the expenditure relates to the Pre-Partition period, there is however no question of taking the Parliament's vote now.

66. *Scheme for the purchase and construction of Lighters (Group Head EE)—page 669 of the Accounts*.—The Committee should like to know the present position regarding recovery of the cost (Rs. 73,912) of two barges from the Commander-in-Chief, East Indies, Naval Headquarters, Ceylon and also about the recovery of the U.K.'s share of deficit in the Account.

MINISTRY OF COMMERCE AND INDUSTRY

67. *Para 9 (c)—Storage of articles in a private warehouse.*—This para discloses that an avoidable expenditure amounting to £354 was incurred on the storage of certain goods and materials in a private warehouse after they had been used for exhibition and publicity purposes. The removal of stores actually took one full year. The Committee note that* instructions have since been issued by the Ministry that in order to avoid such losses resulting on account of indiscriminate storage of surplus materials supplied to the Trade Representative abroad for exhibition or trade publicity purposes, all such materials when rendered surplus or found unfit for further use, should not just be stored away, without first exploring the possibility of their disposal either by public auction or by distribution to the indenting Ministries or the relevant parties. In view of this, the Committee would not like to pursue the matter further.

68. *9 (b)—Transport of Cloth.*—The Textile Commissioner, Bombay entered into a contract** with a shipping firm early in 1944 for the transport of cloth by country craft. One craft carrying a cargo of cloth and bound for two ports in Southern India reported leakage soon after it left Bombay in March, 1944. It therefore, anchored at the nearest port and under the instructions of the Purchase Officer brought the cloth back to Bombay in June, 1944. In the meantime, there was a dockyard explosion in Bombay as a result of which a very considerable part of the godown accommodation had been blown up. This coupled with the advent of monsoons led the cloth to be stored and salvaged in a nearby mill godown as there was no storage accommodation available within the Bombay Port Area. As the entire cloth valued at Rs. 5,61,220 deteriorated considerably, it was sold by auction in September/October, 1944 for Rs. 1,76,811. In May 1947, the quasi-judicial Enquiry gave its verdict† against the firm as the vessel was unseaworthy when it commenced voyage, but when the case was taken up by the firm to the Bombay High Court, the learned Judge held that it did not come within the purview of the Carriage of Goods by Sea Act, and as there was no charter of the vessel by the Government, the judgment‡ added, no claim could be enforced against the firm for the loss or damage.

The Committee observe that firstly there was no point in bringing the cloth to Bombay when it was known that there were no storage facilities. Secondly, having brought it to Bombay and finding that no storage accommodation was available, action to dispose of the goods should have been taken immediately instead of leaving the goods lying out in the open. Thirdly, a claim should have been lodged immediately with the carrier firm. The Ministry of Commerce and Industry have, however, defended the delinquent officers, through whose contributory failure this loss has been caused to Government, by pleading that there was no culpable

* See Appendix LXXVI.

** See Appendix LXXVII.

† See Appendix LXXVIII.

‡ See Appendix LXXIX.

negligence on their part as the correct legal position was not clear till the High Court pointed it out. The Committee do not agree with the Ministry that there was no negligence on the part of the Textile Commissioner and his officers. However, as the case is old and there were abnormal circumstances, they do not wish to pursue the matter further. The shipping firm, the Committee understand, have since obtained a decree against the Government for their dues and the loss will now come to Rs. 3,84,409.

69. *Page 218—Grant No. 53—Note 5—Grants to the Cottage Industries Board.*—The Committee wanted to know whether Government had satisfied themselves that the grants made to the various State Governments and non-official organisations with a view to financing schemes for developing cottage and small scale industries had been utilized for the purposes for which they were intended. They were informed by the Secretary, Ministry of Commerce & Industry that there were considerable delays in getting reports to this effect from the State Governments who were either very slow or reluctant to submit the progress reports. The Committee observe that the grants-in-aid are intended for specific purpose and unless Central Government were a little stricter in the matter of satisfying themselves about their proper utilization, the purpose underlying them will not be fulfilled. The Committee, therefore, suggest that the attention of the State Governments and other Organisations in receipt of these grants should be drawn to the prescribed rule that they must refund the unutilised balance at the end of the financial year. Such a rider, the Committee trust, will undoubtedly produce effective results.

STATE TRADING SCHEMES

70. *(Import of raw silk and silk yarn from Japan pages 644-645)—Import of 375 bales of Raw silk arranged in 1950-51—Supply of cloth and yarn to Pakistan.*—The Committee feel that it is high time that the accounts of these old schemes had been wound up by taking appropriate action towards clearing the outstanding stocks.

71. *Purchase of Paper (Group Head R)—Paper Imported on Government Account (page 657 of the Accounts).*—The Committee desire to be furnished with a note stating the present position regarding the disposal of the outstanding quantity of 136 tons of paper which is lying in stock since a long time, and whether there has been any further loss due to damage by white ants or deterioration due to efflux of time. The Committee are not convinced by the reasons adduced for the failure to dispose of the paper.

72. *Import and Sale of Japanese Cloth.*—The Committee will now proceed to deal with the points arising from the Statement* laid on the Table of the House by the Minister for Commerce and Industry on the 11th August, 1953 in connection with the action taken by the Government on the recommendations made in the Fourth Report of the Public Accounts Committee on 'Import and Sale of Japanese Cloth' with special reference to the suggestion to appoint a judicial Committee to investigate into the handling of the whole transaction and also the recovery of the sum of Rs. 15 lakhs outstanding from Messrs. Banwari Lal & Co.

* See Appendix XXX.

73. The Committee appointed a sub-Committee consisting of the following Members to consider the statement referred to in Para 72 above.

- | | |
|------------------------------|------------------|
| 1. Shri T. N. Singh | <i>Chairman.</i> |
| 2. Shri Shriman Narayan | <i>Member.</i> |
| 3. Shri Choithram P. Gidwani | <i>Member.</i> |

74. It is a well-established parliamentary practice that where Government experience any difficulty in implementing the recommendations of a Parliamentary Committee or Government feel that on the facts of a case the views which a Parliamentary Committee have expressed would require reconsideration, Government should place their views in the first instance before bringing up the matter in the House. In this particular case, however, this procedure was not adopted and the statement was laid on the Table of the House by the Minister of Commerce and Industry without bringing the views of the Government to the notice of the Committee in the first instance.

75. Although the detailed statement of the case prepared by the Comptroller and Auditor-General, which formed the basis of the examination of the case by the sub-Committee appointed by the Public Accounts Committee in 1952-53, had been concurred in by the Ministry of Commerce and Industry, the statement now placed on the Table of the House presents a new perspective to this case.

76. It would appear from the statement now placed that at the time of the import of the cloth, the shortage of cloth in the country was so serious as to necessitate import irrespective of price considerations. The Committee are not convinced by the arguments set forth in the statement nor do the subsequent events bear out the position as explained by Government. It is stated in the statement that the then Member-in-Charge of the Industry and Supply Department had approved in principle the purchase of the cloth by the State though it appears that this approval was only for the purchase of yarn. Even if it be so, such an approval cannot, by any means, be considered as sufficient authority for the officials to depart,—as they actually did in this case—from the recognized principles to be adopted in all such cases of State trading. It is an essential principle of State trading that normally it should be conducted without loss or gain to the State, and that, in any case, the financial consequences of all such trading should be assessed in the first instance and financial concurrence should be obtained with the full knowledge of all the relevant information. The Committee note that the Financial Adviser to the Textile Commissioner was not consulted until long after the event and when the matters were brought to his notice he stated that he was unhappy about the transaction and that in the haste to effect the purchases, the implications had not been fully taken into consideration. He recorded his view that steps should be taken to put the cloth into circulation on terms which would involve no loss to the Government.

77. It has been stated by the Ministry that the cloth was intended to meet the internal requirements in the country for "clothing the

naked millions." If that was so, the Committee do not understand how Government expected that the cloth could be sold to the poor people at such high prices. The Committee would here refer to the note of caution sounded by the then Chairman of the Textile Advisory Board. The Committee do not understand why this note of the Chairman of the Textile Advisory Board was not communicated by the Textile Commissioner to the Ministry. The plea of the Textile Commissioner that he was awaiting a reply from the Ministry as to how the deal was to be finally put through, that is, whether it should be through private or Government channels, does not appear relevant to the issue, as it should have been clear to him that whatever the procedure finally adopted, the incidence of the high cost would ultimately fall on the consumer. The fact is that the Textile Commissioner was asked by the Ministry that if a revision of prices was considered necessary, he should communicate with them at once so that Government could take up the matter with the Indian Embassy, Washington. To this specific question of Government no answer was forthcoming from the Textile Commissioner.

78. Another important feature of this deal, the Committee would point out, is that not a single yard of the imported cloth was sold in India. This only shows the short-sighted manner in which the whole deal was arranged resulting in considerable loss to the Exchequer.

79. The Public Accounts Committee had also recommended in their Fourth Report that steps should be taken without further loss of time to recover the sum of Rs. 15 lakhs outstanding from Messrs. Banwari Lal & Co., the firm to whom this cloth had been sold, and the expediency of taking legal proceedings against the firm should also be considered. The conclusion arrived at by the Government in the statement in question was that arbitration afforded the best chances of speedy settlement with this firm and that the proceedings had already commenced. The Committee are, however, informed by Audit that the period of arbitration had been extended upto January, 1956 in this case on account of the absence out of India of the party, viz., Shri Banwari Lal. Thus, there appears to be no possibility of recovering any amount from the firm in the near future. They would urge that the period of arbitration should not be extended any further, and there is hardly any justification for such a course as more than 7 years have already elapsed.

The Committee do not see any reason to take a different view from what has already been expressed in their Fourth Report.

STATE UNDERTAKINGS

80. *Sindri Fertilisers and Chemicals Ltd.*—For the convenient administration of the Sindri Factory, a State-owned private limited Company known as the Sindri Fertilisers and Chemicals Ltd., was registered under the Indian Companies Act on the 18th December, 1951 and started functioning in effective charge of this undertaking from the 15th January, 1952. All the shares of the Company are held by the Central Government.

The Committee desired to know whether the approval of Parliament was obtained to the conversion of this concern into a limited company. In a written note furnished to the Committee (Appendix XXXI), the Ministry have stated that Parliament's vote was obtained for appropriation of certain monies for purposes of expenditure on the Fertiliser Factory which was run as a Government Departmental Undertaking at the time such vote was obtained. The contemplated conversion of the Sindri Undertaking into a limited concern was, however, mentioned in the Explanatory Memorandum of 1951-52 and the actual transfer was also mentioned in that Memorandum for the following year. They have further contended that the transfer of assets to the Company was really in the nature of disposal of Government properties which is within the power of the Executive and did not require further authority of Parliament.

* The Committee do not agree with this view. They observe that the Government assets were transferred to the Fertiliser Company in return for shares and debenture scrips of the Company. They consider that the transaction amounted virtually to a sale of Government assets to the private company and simultaneous investment of the sale proceeds in the shares and debentures of the Company. Thus a specific vote of Parliament to cover this investment was necessary.

81. *Para 5(a) (i) of the Audit Report.*—During the course of execution of this Project, a lump sum price for a completed piping system for the Power Station was quoted by a sub-contractor on the basis that 669.5 tons of steel would be used. Actually, however, only 538 tons were used but no adjustment in price was made as it was a lump sum contract. The excess estimate of steel which apparently was not properly scrutinised resulted in excess payment of Rs. 2.7 lakhs. The Committee wanted to know the circumstances in which legal action could not be taken against the original firm or their sub-contractors in India. In the note submitted to the Committee (Appendix XXXII), the Ministry of Production have pleaded that 'the question of taking any action against the firm did not

arise as payment made was based on a specific conclusion of the Government of India that the contract was a lump sum contract given to the lowest tenderer with the best delivery dates and the contractor was entitled to the payment claimed . ,

The Committee must observe that there was failure to scrutinise the basis on which the lump sum contract was placed. They had previously expressed their disapproval of lump sum contracts and find no reason to make an exception in respect of the present instance.

VI
DAMODAR VALLEY CORPORATION

82. Para 6 (i) and (j) of Audit Report for 1949-50: Para 7 of Audit Report for 1950-51 and Para 11 of Audit Report for 1951-52—*Excess payment made to Messrs. Hind Patel & Co., for certain items of work done on Konar Dam.*—The Committee considered this case in the light of the findings set forth in Chapter V of the Damodar Valley Corporation Enquiry Committee Report (1952-53) hereinafter referred to as the 'Rau Committee Report') as also further information called for by them from the Corporation (Appendices XXXIII to XXXVIII).

83. Audit as well as the Rau Committee had raised objections regarding the high rates allowed to the contractors, Messrs. Hind Patel & Co., for certain items of work done by them on the Konar Dam. The main items were:—

- (i) Jungle clearance and top soil stripping.
- (ii) Mass concrete in gravity dam.
- (iii) Hand placing rockfill in the dam drains etc.
- (iv) Flat shuttering for mass and reinforced concrete for visible faces etc.
- (v) Excavation for gravity dam foundation in ordinary soil.
- (vi) Disposal of unsuitable quarry materials.

84. The Rau Committee assessed the amount of extra payment at Rs. 119 lakhs. The Government of India deputed two technical experts (viz. Shri Kanwar Sain, Chairman, Central Water & Power Commission and Shri B. D. Nanda, who happened to be the Member-Secretary of the Rau Committee) to review the extra payments made to the contractors and these experts arrived at the figure of Rs. 94 lakhs and Rs. 114 lakhs respectively. The present Corporation, after reviewing the whole situation at the instance of the Committee, have stated that the findings of the Rau Committee in this case are substantially correct (Appendix XXXIII).

85. In view of the findings of the Rau Committee and of the two experts, referred to above, the Government of India proceeded to explore the possibility of recovering the extra payment from the contractors. They approached the question from the point of view of getting the contractor to agree to accepting such rates as may be awarded by arbitrators. As a result of several discussions between the Ministries of Irrigation and Power, Finance and Law it was decided not to proceed with the arbitration proposal as—

- (i) the case was weak in view of the fact that the Damodar Valley Corporation had already accepted the rates in the contract;
- (ii) The Damodar Valley Corporation did not then accept that there were any overpayments and they were continu-

ing to insist that the rates allowed to the contractors were reasonable; and

- (iii) the contractors wanted that the findings of the arbitrator should form the basis of their income-tax assessment. As the income-tax assessment has to be made in accordance with the Income-tax Act, such a stipulation would infringe the provision of the Income-tax Act and therefore Government could not agree to this condition.

86. The Committee discussed at some length with the representative of the Ministry of Irrigation & Power whether any settlement with the contractors was feasible, and whether any disciplinary action was possible.

87. On the first point, the Committee were informed that the attempt made to recover the amount overpaid by persuading the contractors (who were under no obligation to accept arbitration) was not successful because of a stipulation by the contractors that the Income-tax authorities should accept the findings of the arbitrators as the basis for assessing the income-tax payable by them which the Central Board of Revenue could not accept. The second point, it was stated, was discussed at the Conference of the Participating States and it was felt that it was not possible to fix any individual responsibility on the part of the D.V.C. Engineers, most of whom had already left; the Conference also desired that if any fresh evidence turned up, the D.V.C. should take suitable action thereon. The attention of the Committee was also drawn to the concluding para of the statement laid on the Table of Lok Sabha by the Deputy Minister for Irrigation and Power in reply to Starred Question No. 638 dated the 8th September, 1954 wherein it was stated that it was decided at the Conference of the Participating States held on the 13th July, 1954 that the case (relating to the recovery of amounts over-paid to Messrs. Hind Patel & Co.) might be treated as closed with the breakdown of the arbitration talks, since no other action was practicable.

88. During the course of their examination of this case, the Committee suggested that instead of leaving the matter as it was, the Ministry of Irrigation and Power should explore the possibilities of discussing the matter further with the contractors, who were still continuing as Government contractors and reach some equitable settlement. On the issue being pressed by the Committee, the representative of the Ministry of Irrigation and Power stated that all that he would be able to do would be to try again and persuade the Contractors to agree to arbitration without insisting on the income-tax stipulation. The Committee are not satisfied that that is all that Government could do to retrieve the overpayment which had demonstrably taken place, especially as the Contractors happen to be still executing many Government contracts and will no doubt ask for more work in future. However, the Committee would prefer to await a further report from the Ministry.

89. As regards the reference of other items to arbitration under the clause provided in the contract viz., when the quantity exceeded 20% of the contracted amount, then the D.V.C. were entitled to a refund by a scaling down of rates in respect of additional quantity of work, the Chairman, D.V.C. informed the Committee that they had accordingly made a claim for a refund of Rs. 21 lakhs against this

firm. The Committee should like to know, in due course, the outcome of this.

90. In this connection, the Committee would suggest that in order to safeguard the interests of the Public Exchequer, Government might consider the desirability of bringing before Parliament legislation empowering them to review concluded contracts and to effect recovery of demonstrably excessive or unconscionable payments made as a result of ignorance, oversight, ineptitude, incompetence or corruption on the part of the agents of Government. The Committee understand that even in U.S.A. certain war time contracts were subjected to such legal discipline. There is no reason why when so many large schemes are being rightly pushed ahead by Government with a sense of urgency paralleled by that which prevailed during the war, the war time safeguards for which precedents can be found should not be adopted. If the proposed legislation is enacted, it would not only safeguard the Public interests, but would effectively deter speculative attempts on the part of the contractors to quote exorbitant rates as a "try on".

91. To conclude, the Committee would like to make the following observations in the manner in which the Konar Dam Project was executed:

(i) There was no proper planning. The change in the design from a earth to concrete gravity dam when the work on the earth dam had already started and expenditure on construction work etc. to the extent of Rs. 2.29 lakhs incurred, resulted in an infructuous expenditure of Rs. 1.5 lakhs on the preparation of designs.

(ii) The change of the design to a concrete gravity dam resulted in a type of work entirely different from the original. Instead of calling for fresh tenders or even making suitable enquiries as to what were the contemporary rates for similar work, the D.V.C. entered into negotiations with the old contractors Messrs. Hind Patel and Co., for new rates in connection with the gravity dam work by stopping work for four months. The Committee agree with the observations of Audit that if the Corporation had called for general tender when the design was changed, all these complications would have been eliminated. Further, there were no valid reasons for omitting to call for tenders.

(iii) The findings of the Rau Committee and the analysis carried out by the two technical experts clearly show that:

(a) the specifications in the contract for several items of work were not clear. Some of these were actually clarified after the tender had been accepted, and

(b) the Damodar Valley Corporation authorities did not take adequate care in fixing the rates in respect of the various items of work.

VII
REHABILITATION FINANCE ADMINISTRATION
AND
INDUSTRIAL FINANCE CORPORATION

92. For the first time the Committee examined the Accounts relating to these two statutory bodies which were set up in 1948. The Committee briefly refer below to some of the important points which emerged from their examination:

1. REHABILITATION FINANCE ADMINISTRATION

93. *Accounts of the Rehabilitation Finance Administration for the period ended 31st December, 1951, and the Reports of the Administration for the half years ended 30th June, 1953 and 31st December, 1953.*—Consequent on the amendment of the Rehabilitation Finance Administration Act, 1948 in October, 1953, the audit of the accounts of the Administration was brought under the purview of the Comptroller and Auditor-General of India. The Accounts under report were audited and certified by the Company Auditors; they were not subject to the audit of the Comptroller and Auditor-General.

94. *Delay in issuing loans.*—The amount of loans sanctioned during the year, ended the 31st December, 1953 was Rs. 2.5 crores while the loan actually issued amounted to only Rs. 24 lakhs there against. There seems to be great delays in issuing loans after sanction which has been largely due to the non-fulfilment of certain conditions prescribed for the payment thereof. At the instance of the Committee, the R.F.A. have furnished to them a note (Appendix XXXIX) setting forth the various stages in the processing of loan applications from their receipt in the Administration's Office till the actual payment of the loan with special reference to the element of time involved in each stage. After going through this, the Committee observe that not only can the delays be eliminated but much infructuous expenditure involved in the processing of applications also saved if the applications are examined carefully in the Administration's Office immediately on their receipt with a view to investigating whether they fulfil the prescribed conditions for the grant of loan, especially the production of acceptable guarantors by the applicants. All those applications which do not satisfy these conditions need not be entertained nor should time be wasted in processing them further. During discussion before the Committee a suggestion was made that the Ministry of Finance and the R.F.A. should submit their concrete proposals for simplification of the procedure and seek the advice of the Comptroller and Auditor-General. But the Committee regret to note that although nearly 9 months have elapsed since, no such proposals have been discussed with the Comptroller and Auditor-General. The Committee might stress that as a rule no loan should be sanctioned unless an applicant has produced an acceptable guarantor.

95. *Provision for bad and doubtful Debts.*—The fact that against the amount of loans given in 1953 viz., Rs. 24 lakhs, a sum of Rs. 14

lakhs had been provided for 'bad and doubtful debts' seemed to indicate that proper prudence had not been exercised in granting the same. The Committee were informed that in pursuance of the directive issued by the Government of India in terms of Section 19 of the Rehabilitation Finance Administration Act, a formula was laid down to the effect that 50% of the total loan plus interest accrued to the end of the year should be provided in the case of loans which were recalled during the year. The Committee were also informed that actually not a single pie had so far been written off under this arrangement, which was to continue for the first five years.

96. In the note (Appendix XL) on this subject furnished to the Committee, the Administration have stated that 'there can be no definite ascertainment of bad or doubtful debts in the early years of their working'. The Committee observe that now that the Administration have acquired practical experience for about 7 years, it is high time that they evolved a realistic basis for estimating the bad and doubtful debts. The Committee were somewhat perturbed to know from the Chief Administrator, R.F.A. that the provision for bad and doubtful debts as shown in the Balance Sheet might not cover the ultimate bad debts which might turn out to be much more than what had been shown therein. If the pessimism of the Head of the Administration is justified, the Committee would like to know what steps are proposed to be taken to prevent his prognostications coming true. In particular, they would like to know whether all possible and timely steps have been taken to set off debts due to the Corporation against the compensation claim of the debtor.

97. *Para 9 of the Report of the Auditors on the Accounts of the R.F.A. for the year ended 1st December, 1951—Loss on sale of Government Securities.*—The Rehabilitation Finance Administration drew from the Government of India a sum of Rs. 2 crores on the 24th March, 1950, 'largely on account of budgetary reasons', although there was no immediate business need for drawing such a large advance. The Administration invested a part of the amount in Government Securities by purchasing, on the 10th May, 1950, 2½% 1960 Government Loan of the face value of Rs. 1.5 crores. The value of securities began to fall and the Administration was forced to sell them in instalments from 7th November, 1950 to 2nd March, 1951 at a loss of Rs. 1,21,875. In addition, they incurred a theoretical loss of about Rs. 1.8 lakh on account of idle money and the difference in interest between 3% payable to the Government of India and 2½% realised from Securities.

98. As desired by the Committee, the Administration have furnished them a note (Appendix XLI), stating (i) why Rs. 2 crores were drawn on the 24th March, 1950 although not required by them; (ii) why this amount was invested in Government securities instead of refunding it to Government and (iii) why the Resolution of the R.F.A. dated the 13rd May, 1951 was not implemented by refunding at least Rs. 50 lakhs to Government when the balance with R.F.A. was about Rs. 1 crore. The Committee have considered this note and they are led to the conclusion that there was no justification for drawing the money merely to avoid a lapse in the budget grant, when there was really no need for the money.

99. *High Establishment charges.*—From Para 26 of the Audit Report (Civil), 1952—Part I, the Committee note that the recovery of

the total accrued interest of Rs. 62,63,000 due from the R.F.A. upto the 31st March, 1954 has been deferred by Government until the Administration made sufficient profits. The total advance given to the Administration upto 31st March, 1954 amounted to Rs. 8,50 lakhs.

The Committee observe that the Administration are very much overstaffed especially in the higher ranks. According to the note (Appendix XLI¹) furnished by the R.F.A. the total establishment cost during the years 1951, 1952 and 1953 was Rs. 14·83, 16·49 and 17·31 lakhs respectively. The approximate expenditure for 1954 is stated to be in the neighbourhood of Rs. 14 lakhs. The Committee feel that if the suggestion made by them in Para 94 above for rationalising the procedure followed by the Administration in the processing of loan applications is acted upon, considerable economy in staff expenditure would be possible.

100. *Recruitment of staff to higher posts.*—During the course of their examination of the Accounts of the RFA, a number of cases were brought to the notice of the Committee where recruitment was reported to have been made without adequate assessment and verification of the experience and antecedents while the amount of salary fixed in individual cases was out of proportion to what was drawn by them in their last appointments before joining the R.F.A. As instances, the recruitment to the posts of Deputy Chief Administrator, Assistant Chief Administrator and Secretary were cited. In extenuation of this, it has been urged that when there was an urgent necessity of rehabilitating the displaced persons personnel were not available and experienced the Administration had to select persons in whom they had confidence for delivering the goods at that critical juncture. While the Committee appreciate the situation which the Administration had to face, they are led to the belief that undue advantage was taken of the prevailing situation. The Administration relied on the figures furnished by these persons and in certain cases, the Committee find that the persons were able to secure more than double the salary which they were drawing in their previous appointments. The Committee have asked for information being furnished to them in respect of all such persons showing a break-up of the salary and allowances drawn by them.* This has since been received except in the case of Shri . . . , Assistant Chief Administrator.

The Committee are extremely dissatisfied with the manner in which the appointments of these officers were made and their salaries fixed as also with the working of the Administration in general. They would, therefore, recommend that Government should take immediate steps to appoint a Committee to enquire into these matters and to make suitable recommendations for overhauling the administration so as to enable the organisation to fulfil the functions for which it has been created.

2. INDUSTRIAL FINANCE CORPORATION

101. *Audit Report on the Accounts of the Industrial Finance Corporation for 1953-54 and Report of the Industrial Finance Corporation Inquiry Committee, 1953.*—In December, 1952 the Industrial Finance Corporation Act, 1948 was amended so as to enable the Comptroller

* Not printed.

and Auditor-General' to undertake the audit of the Accounts of the Corporation. The first Audit Report by the Audit Department relating to the period 1953-54 was laid on the Table of the House on 13th December, 1954.

102. *Provision for Bad and Doubtful Debts.*—The Committee note that no provision has been made in the accounts for 'bad and doubtful debts', although a provision of Rs. 5 lakhs was made for the first time in the Balance Sheet for the year ending 30th June, 1954 only. They suggest that the Corporation should devise a formula in consultation with the Ministry of Finance and the Comptroller and Auditor-General for determining the quantum of 'bad and doubtful debts', provision for which should be made in the annual Balance Sheet of the Corporation.

103. **Non-use of Government's Rule making power under Section 42 of the I.F.C. Act, 1948.*—Under Section 42 of the I.F.C. Act, 1948, the Central Government may make rules to give effect to the provisions of the Act. The Board of the Corporation can also make regulations after consultation with the Reserve Bank and with previous sanction of the Central Government under Section 43. Explaining the reasons for not having so far framed the Rules envisaged in Section 42, the representative of the Ministry of Finance stated that the Corporation had already framed their Regulation under Section 43 of the Act with the previous approval of the Government of India. These Regulations virtually covered all the ground that the rules, if framed, would have done. The Committee would, however, like to reiterate that the Regulations are entirely distinct from the Rules inasmuch as the former are intended for regulating the internal business of the Corporation while the latter are for a wider purpose. They, therefore, recommend that Government should take early action to frame Rules under Section 42 of the Act and lay them on the Table of the House.

104. The Committee also considered the Report of the Industrial Finance Corporation Enquiry Committee and Government's Resolution dated the 23rd December, 1953 thereon.

105. The Committee note with satisfaction that Government have since introduced in the Lok Sabha an amending Bill seeking to provide for a 'Central Committee' instead of an 'Executive Committee' and for the appointment of a stipendiary Chairman to be assisted by a General Manager in place of the honorary Chairman and a paid whole time Managing Director.

106. *Reference of cases to the Ministry of Commerce and Industry.*—As desired by the Committee, the Ministry furnished to them a note (Appendix XLIV) stating the cases where loans were sanctioned by the Corporation to certain new industries etc. without the recommendations of the Ministry of Commerce and Industry. The Committee were informed that it rested with the Corporation either to accept or not the view given by that Ministry and the responsibility was entirely that of the Corporation.

The Committee cannot accept that, merely because for facility of management the Corporation has been set up as a separate legal entity with certain legal powers, it should be permissible for the

*See also Appendix XLIII.

Corporation to disregard or flout the advice given by a Ministry charged with the public responsibility for promoting the industrial development of the country. The notion that the Corporation's transactions can be managed solely according to ordinary practices of private banks cannot be supported.

107. *Percentage of Establishment charges of the I.F.C.*—From the statement (Appendix LXIII) furnished to them, the Committee note that the percentage of establishment charges of the Corporation as compared to its working expenses is 15.69 for the year 1954. The Committee regard it as 'fairly high' and should like to know what steps the Corporation proposed to take to bring them down.

108. *Declaration about the Director's Interest in the Individual concerns.*—Referring to the comments of the I.F.C. Inquiry Committee in the case of Jay Engineering Works, Ltd. and the note (Appendix XLV) furnished by the Ministry as asked for by the Committee (Public Accounts Committee), the Committee suggest that specific provision should be made in the Rules of the Corporation that the Directors of the Corporation should disclose their interest in the affairs of any company applying for a loan before the loan application is considered by the Board.

109. *Para 14—Audit Report—Loss on account of disposal of the land purchased for building Corporation offices, in New Delhi.*—In May, 1952 the Corporation purchased a piece of land in New Delhi at a cost of Rs. 7,76,732/- subject to a payment of ground rent of Rs. 19,418-5-0 per year. The plans for the proposed building were approved in July, 1952 by the Executive Committee of the Corporation and tenders for the construction of the building were invited on 14th February, 1953. But the Executive Committee decided on 11th July, 1953 that it would not be profitable for the Corporation to invest a large sum of Rs. 64 lakhs. The Committee were informed that though the land had been returned to the Government at the price the Corporation had paid, an expenditure amounting to about Rs. 2 lakhs incurred by the Corporation on account of invitation of tenders, architects' fees etc. is likely to prove infructuous. They feel that in view of the financial position of the Corporation, in which Government guarantee for the minimum return on capital had to be repeatedly invoked, the launching of this project at the particular time was both inopportune as well as imprudent.

110. *Para 15 of the Audit Report.*—In this case, fees amounting to Rs. 2,000 were paid to an Advocate of the Bombay High Court for drafting a reply to Chapter VIII of the Enquiry Committee's Report regarding the Sodepur Glass Works case. The Enquiry Committee's Report contained some criticism of the conduct of some officials of the Corporation but did not otherwise involve any legal issues. The drafting of replies to such reports is a part of the normal duties of public officers. The Finance Secretary agreed with the Committee that he would not have personally regarded the expenditure as a proper charge on the Corporation.

111. *Para. 16 of the Audit Report—Staff Car.*—A staff car which was sanctioned by the Executive Committee was purchased at a cost of about Rs. 20,000. This was being used by the Managing Director exclusively. The maintenance of the staff car by the Corporation

for the exclusive use of the Managing Director amounted to a concession which apparently was not included in the terms and conditions of his appointment. The Committee were informed by the representative of the Ministry of Finance that the Corporation was being requested to frame rules in regard to the use of staff car in future on the lines obtaining in Government Departments.

112. *Sodepur Glass Works Case*.—The transaction with the Sodepur Glass Works has been the subject of enquiry and comment both by the I.F.C. Inquiry Committee and the Audit Report under consideration (Appendix A pages 17—19 thereof).

The Committee have considered these Reports. They have also obtained further information from the Corporation by way of elucidation of certain points arising from the Audit comments. (Appendices XLVI to XLVIII).

The Committee observed that the two main issues involved are firstly, the manner in which certain loans etc. were given to the concern, whether it was in the best interest of either of the concern or the Corporation etc. and secondly, the future working of the Factory.

The Government have not so far intimated to the Committee the causes for the delay in making payments in this case as promised by their representative at the sitting of the Committee held on 11th February, 1955. During the course of their examination the Committee noticed that considerable delay in the payment of the loan to the Company was occasioned by the requirement that the entry of the transfer of land should be made in the Zamindara Book of the Bihar Government, even though the land acquisition proceedings had been completed by then.

In their Resolution dated the 4th June, 1955, (Appendix XLIX) Government have stated 'that while there have been some instances of delay and while these delays must have caused some inconvenience and difficulties to the management (of the Company), for the failure of the undertaking, one must look to other causes'.

Moreover, the result of the endeavours made by the Negotiating Committee for disposal of the assets of the Company to the best possible advantage of the Corporation has not been made known to the Committee. They are, therefore, unable to assess the extent of loss that the Corporation might have to sustain when the Factory is disposed of. The Committee regret to note that the Negotiating Committee, have not been able to give their final decision so far, and the Committee are accordingly obliged to postpone their findings on the merits, or otherwise, of this deal.

The Committee further regret to observe that it has taken Government over one-and-a-half years to come to a decision in this. Heavy losses have resulted on account of the locking up of the huge amount advanced in this case (about Rs. one crore), with resultant loss of interest (about Rs. 50,000) etc.

VIII

MISCELLANEOUS

113. *Separation of Accounts from Audit.*—The Committee are glad to note that as recommended by them in their Third Report, the Government have accepted in principle the separation of Accounts from Audit and a start has already been made with effect from 1st April, 1955 with three departmental Accounts Offices, namely, Supply, Food and Rehabilitation. They trust that this will not only increase administrative competence and responsibility but will also enable the spending Departments to keep in intimate touch with the progress of expenditure and to exercise a closer and concurrent watch over the utilization of their budgetary grants and the progress of their programmes.

114. *Appendix I (Pages 69 to 76) of the Audit Report (Civil), 1952—Part I. Hirakud Dam Project—Stores Accounting.*—The Committee desired to know the action taken by the Hirakud Administration on the various recommendations made by the Comptroller and Auditor-General of India. At their request the C. & Ar. G. has again investigated into the matter and has furnished the Committee with a report on the progress of implementation of the recommendations (Appendix LI). The Committee regret to note that so far no attempt has been made to reconstruct the stores account of the past in order to check the accuracy of the ground balance on the 1st November, 1952 with which the newly opened bincards started. They are informed that it is proposed to take Government sanction to write off without investigation the difference between the value of the opening balances of the ledgers as on the 1st November, 1952 and the stores balance appearing in the Central Accounts as on the 1st November, 1952. In this connection, the Committee would recall that during their sub-Committee's examination of the Hirakud stores procedure during 1952-53, an assurance was given to them to the effect that the past accounts would be reconstructed to verify that all the balances that ought to be there were actually there on the date of the physical verification. The present proposal seems to them to be contrary to that assurance. The Committee would await a further report on this aspect.

The Committee had previously expressed their anxiety that the surplus stores should be separated and listed and urgent steps taken to dispose them to other departments or projects or to outsiders according to the nature of the surplus. They note that until the time of the C. & Ar. G's subsequent investigation, the stores of the value of about rupees one crore had been found to be surplus, but action to dispose them to the best advantage of the Government had yet to be taken.

The Committee do not understand why no reserve limit for stock of stores has yet been fixed by Government, although this point was brought to their notice long time ago.

The Committee note that the system of issue of stores direct to the works instead of for stocking purposes in the divisions has been introduced from 19th June, 1954. This requirement of the stores rules was being insisted upon from 1949 but has taken 5 years to implement.

115. *Introduction of Administrative Audit System in the various River Valley Projects (Item 24 of the Outstanding Recommendations).*
—From the note on the subject submitted to them by the Ministry of Irrigation and Power, the Committee were surprised to learn that the Ministry should have decided about the impracticability of the introduction of the Administrative Audit system, especially when the Ministry of Finance had observed that the experiment was being tried in the C.P.W.D. and the results watched. On the issue being pressed, the Ministry of Irrigation and Power promised to submit to the Committee a revised note after showing it to the Ministry of Finance and Audit. The Committee regret to observe that although more than ten months have elapsed, the Ministry have not so far been able to submit this note to them. They should like the Ministry to formulate their conclusion in this behalf without any further delay as some of the major Projects were already in the advanced stages of their execution and any procrastination might defeat the object underlying the introduction of this system.

NEW DELHI:
The 29th June, 1955.

B. DAS, Chairman,
Public Accounts Committee

PART II

Proceedings of the sittings of the Public Accounts Committee held on the 23rd, 26th, 27th July ; 18th, 19th, 20th August ; 2nd September ; 16th, 18th, 19th, 20th, 21st, 22nd, 23rd, 28th, 29th October ; 1st, 2nd, 3rd, 4th November ; 8th, 9th, 13th, 14th and 16th December, 1954 ; 8th and 11th February ; 28th March ; and 11th April, 1955.

**Proceedings of the First Sitting of the Public Accounts Committee
held on Friday, the 23rd July, 1954**

116. The Committee sat from 10 A.M. to 1 P.M.

PRESENT

Shri B. Das—*Chairman.*

MEMBERS

2. Shri Ramananda Das.
3. Shri Shree Narayan Das.
4. Shri Balwant Sinha Mehta.
5. Shri Amar Nath Vidyalankar.
6. Shri S. V. Ramaswamy.
7. Shri Uma Charan Patnaik.
8. Shri V. P. Nayar.
9. Dr. Indubhai B. Amin.
10. Shrimati Violet Alva.
11. Shri Ram Prasad Tamta.
12. Shri Mohamed Valiulla.
13. Shri J. V. K. Vallabharao.

Shri V. Narahari Rao, *Comptroller and Auditor-General of India.*

Shri A. K. Chanda, *Comptroller and Auditor-General-designate.*

Shri V. D. Dantiyagi, *Additional Deputy Comptroller and Auditor-General.*

Shri P. C. Padhi, *Accountant General, Central Revenues.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

Shri C. S. Venkatachar, *I.C.S., Secretary, Ministry of States.*

Shri V. Viswanathan, *I.C.S., Joint Secretary, Ministry of States.*

Shri G. Swaminathan, *Joint Secretary, Ministry of States.*

Shri V. Narayanan, *Joint Secretary, Ministry of States (Kashmir Affairs).*

Shri M. V. Rangachari, *Joint Secretary, Ministry of Finance (E. A. Department).*

Shri C. S. Menon, *Joint Secretary, Ministry of Finance (States and External Affairs Division).*

117. The Committee met to examine the representative of the Ministry of States in connection with para. 18A of the Audit Report (Civil) 1952, Part I.

118. (i) At the instance of the Committee, the representative of the Ministry acquainted the Committee with the historical and political background of the great change that had taken place in regard to the 500 and odd Princely States in a comparatively short time. This revolutionary change, he observed, was brought about in three phases viz., accession of the States to the Dominion of India, the consolidation of the States into sizeable administrative units and the financial integration of the States with the Centre.

(ii) With the transfer of power and the lapse of Paramountcy, the Princely States were released from all their obligations to the Crown. The unity of India, which was so essential not only for the political strength of the country but also for facing the aftermath of the partition, was thus threatened. The situation demanded quick and delicate handling. It was in this perspective, the representative added, that the events that followed should be examined.

(iii) Dealing with the settlement of private property of the rulers, the representative observed, that except in a few States, no distinctions between the rulers' personal property and the State's did exist. As conditions and customs varied from State to State, each case had to be decided on its own merits. The rulers were required to furnish by a specified date inventories of immovable and movable property claimed by them as private property. A rigid and legalistic approach for settling the lists was not practicable and they had to be settled in a spirit of give and take, particularly when the transfer by the rulers of the remaining properties to the State/Union of States amounted to renunciation on their part to a great extent. The settlement thus made was final as between the States and the rulers concerned.

(iv) As regards the irregularities pointed out in the Audit Report, the representative stated that these had taken place during the intervening period between the accession of the States and the integration of the States, during which period the sovereignty of the rulers over their respective States was guaranteed.

119. The Committee enquired about the steps that were taken by the Government of India during this period to ensure that the ruler did not act against the interests of the successor state. The representative of the Ministry informed that a sort of freezing order was issued asking the rulers not to do anything which might be against equity or good conscience. But as the rulers were assured of their sovereign powers, extravagance on their part during this period could not be helped. Such of their acts as appeared questionable were pointed out to the rulers, and in certain cases negotiations had also been undertaken by the Government of India whereby the rulers had to deposit a part of the money into the State Treasury.

120. The representative of the Ministry assured the Committee that each case listed in the Audit Report would be re-examined in consultation with the Comptroller and Auditor-General to see how far the amounts mentioned therein could be retrieved. The Committee decided to await further report regarding these cases.

121. The Committee wanted to know if at any time before the publication of the Audit Report, the instances of such irregularities were brought to the notice of the Ministry and, if so, what action they took in the matter. The representative of the Ministry stated that they themselves had noticed certain irregularities during the course of negotiations, but the Audit Report had added to their knowledge.

122. The representative of the Ministry informed the Committee that there had not been any case of dispute which required arbitration, as envisaged in the Agreement. In his opinion both the sides had acted in the wider interest of the country.

123. The Committee then adjourned to meet on the 24th July, at 10 A.M.

**Proceedings of the Second Sitting of the Public Accounts Committee
held on Monday, the 26th July, 1954**

124. The Committee sat from 10-30 A.M. to 1-10 P.M.

PRESENT

Shri B. Das—*Chairman.*

MEMBERS

2. Shri Tribhuan Narayan Singh.
3. Shri Ramananda Das.
4. Shri Shree Narayan Das.
5. Shri Balwant Sinha Mehta.
6. Shrimati Ammu Swaminadhan.
7. Shri Amarnath Vidyalkar.
8. Shri S. V. Ramaswamy.
9. Shri Uma Charan Patnaik.
10. Shri V. P. Nayar.
11. Dr. Indubhai B. Amin.
12. Shrimati Violet Alva.
13. Diwan Chaman Lall.
14. Shri Ram Prasad Tamta.
15. Shri Mohamed Valiulla.
16. Shri J. V. K. Vallabharao.

Shri V. Narahari Rao, *Comptroller and Auditor-General of India.*

Shri A. K. Chanda, *Comptroller and Auditor-General-designate.*

Shri V. D. Dantiyagi, *Additional Deputy Comptroller and Auditor-General.*

Shri S. Gupta, *Accountant General, Food, Rehabilitation and Supply.*

Shri P. C. Padhi, *Accountant General, Central Revenues.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

Shri K. R. K. Menon, *Secretary, Ministry of Finance (R.&E.)*

Shri M. V. Rangachari, *Joint Secretary, Ministry of Finance (E. A. Department).*

Shri S. Ratnam, *Joint Secretary, Ministry of Finance (R.&E.).*

Shri J. Dayal, *Joint Secretary, Ministry of Finance (R.&E.)*.

Shri K. Bhawani Shankar Rao, *Financial Advisor, Defence Services*.

Shri H. S. Negi, *Deputy Secretary, Ministry of Finance (Economic Affairs Department)*.

Shri A. K. Roy, *Senior Member, C.B.R., and ex-officio Joint Secretary*.

Shri E. S. Krishnamoorthy, *Member, C.B.R., and ex-officio Joint Secretary*.

Shri E. Rajaram Rao, *Member, C.B.R., and ex-officio Joint Secretary*.

125. The Committee took up consideration of paras. 2, 26, 28, 22 and 25 of the Audit Report (Civil) 1952, Part I.

126. *Para. 2(c) Compassionate Allowance*.—The Committee desired to know the position regarding the disbursement of Indian military pensions by the Commonwealth Relations Office. They were informed that on the expiry in April, 1951 of the arrangements envisaged in the Agreement between the Governments of India and U.K., it was open to the Government of India to take over this work. But as the pensions in question were regulated under the British Army Act and the continued payment of many of them depended on periodical reviews by medical boards etc., it was advantageous to let the *status quo* continue. For this purpose the C.R.O. was paid agency charges based on the quantum of staff employed and every effort was being made to bring down this amount. This Agreement, the representative added, did not confer any power on the C.R.O. to increase the pensions and in all such cases, the C.R.O. should approach the Government of India for sanction. In the two cases referred to in the Audit Report, the Government did not agree to the continuance of the compassionate allowances in one case and in the other, the pensioner died before any action could be taken.

127. The Committee were given to understand that a proposal was on the anvil by which the disbursement of the pensions to British Personnel, Civil and Military alike, together with the liability therefor would be transferred to the U. K. Government and details thereof, such as calculation of the actuarial value of the pensions were being worked out. In reply to a question the representative of the Ministry stated that as the pensions were liable to Indian Income Tax, due allowance therefor would be made in the amount payable to the U.K. Government while transferring the liability. The Committee wanted to know whether the contemplated arrangement did not deprive the Government of India of their hold on the pensioners, whose future good conduct was a *sine quo non* for the continued payment of the pensions. The representative replied that this aspect was taken into account before the above decision was reached. The Committee felt that Government might reconsider the matter again, as this consideration was mainly responsible for the arrangement agreed upon in 1948 and the proposed arrangement meant a complete reversal of the earlier one.

128. *Para. 26—Interest due from Rehabilitation Finance Administration*.—The Committee were informed that the decision to defer the recovery of interest from the Administration was taken in the year

1952. Even before this period, the Administration was not in a position to pay interest to Government. The Government of India was not giving any amount separately to the Administration for meeting their working expenses which came to about Rs. 72 lakhs. The interest of Rs. 41 lakhs which was realised by the Administration from the debtors went to meet part of the working expenses. The Committee felt that the officers of the Administration should be summoned, and decided to examine them at a later date.

129. *Para. 28—Debt position and loans to State and Foreign Governments.*—The Committee observed that the provision of Rs. 5 crores every year for amortisation purposes was very inadequate and as this amount was not being funded, the provision was more for avoidance rather than reduction of debt. The representative of the Ministry, accepting this, stated that any increase in this provision would result in a revenue deficit to be covered by borrowing. The committee considered that as huge sums were advanced by the Centre to the States for financing their development expenditures, the Centre should see that adequate arrangements for repaying these loans in time were made by the State.

130. Dealing with the Debt settlement with Pakistan, the Committee desired that a settlement should be reached without any further delay.

131. Regarding the settlement of the Debt due from Burma to the Undivided Government of India, the Committee were informed that out of the outstanding debt of Rs. 48 crores, India's share came to about Rs. 40 crores, which was written down to Rs. 20 crores. According to the rice deal with that Government, for every ton of rice, which Burma supplied to India, India received a rebate of £13 and for about 8 to 9 lakh tons of rice, India would get a rebate of about Rs. 15 crores. The balance of about Rs. 5 crores was to be negotiated with Burma in 1955-56 in connection with another rice purchase scheme or some other account.

132. **Para. 22—Income-Tax Concessions in anticipation of Legislation.*—The Committee then discussed the cases of grant of income-tax concessions by executive orders in anticipation of legislation, referred to in the Audit Report. Taking the case relating to "Death-cum-retirement gratuity", the representative of the Ministry said that the instructions issued by Government were designed to save unnecessary labour and claimed that the action of the Ministry did not amount to grant of exemption as such, as the Income-tax authorities had assessed the tax all right, only they did not collect it. The Committee wanted to know whether the refunds in cases where the tax had already been collected did not amount to a grant of concession before the relevant legislation was passed. The representative of the Ministry replied that the refund was provisional and the parties concerned were informed accordingly. Turning to the other concession relating to the Treasury Saving Deposit Certificates the Committee observed that its announcement by Government in their notification to the public in anticipation of the requisite legislation was not correct; nor was it proper to presume Parliament's approval in such cases.

•133. *Para 25—Income-Tax Cases.*—The Committee were informed that there were about 16000 cases of voluntary disclosures (inclusive of big and small cases), about 2000 cases of which the Government had already some information. The main feature of this scheme was that the penalty normally leviable under the law was not imposed in these cases of disclosures of hidden incomes. The recoveries of tax effected so far as a result of these disclosures amounted to about Rs. 9·7 crores, 15 per cent of the assessed income. The representative said that in quite a number of cases, it was contended by the parties that the evaded income related to more than one year and this had to be determined with reference to the facts of each case. A number of such cases were still pending settlement on this account. The Committee, however, were of the view that the settlement in his manner was not quite proper.

134. The Committee then adjourned till 10-30 A.M. on Tuesday, the 27th June, 1954.

**Proceedings* of the Third Sitting of the Public Accounts Committee
held on Tuesday, the 27th July, 1954.**

135. The Committee sat from 10-30 A.M. to 1-15 P.M.

PRESENT

Shri B. Das—*Chairman.*

MEMBERS

2. Shri Tribhuan Narayan Singh.
 3. Shri Ramananda Das.
 4. Shri Shree Narayan Das.
 5. Shri Balwant Sinha Mehta.
 6. Shrimati Ammu Swaminadhan.
 7. Shri Khandubhai Kassanji Desai.
 8. Shri Amarnath Vidyalankar.
 9. Shri S. V. Ramaswamy.
 10. Shri Uma Charan Patnaik.
 11. Shri V. P. Nayar.
 12. Shrimati Violet Alva.
 13. Diwan Chaman Lall.
 14. Shri Ram Prasad Tamta.
 15. Shri J. V. K. Vallabharao.
- Shri V. Narahari Rao, *Comptroller and Auditor-General of India.*
- Shri A. K. Chanda, *Comptroller and Auditor-General-Designate.*
- Shri V. D. Dantiyagi, *Additional Deputy Comptroller and Auditor-General.*
- Shri P. C. Padhi, *Accountant General, Central Revenues.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

- Shri K. R. K. Menon, *Secretary, Ministry of Finance (R.&E.).*
- Shri M. V. Rangachari, *Joint Secretary, Ministry of Finance (Economic Affairs Department).*
- Shri S. Ratnam, *Joint Secretary, Ministry of Finance (R.&E.).*
- Shri J. Dayal, *Joint Secretary, Ministry of Finance (R.&E.).*
- Shri H. S. Negi, *Deputy Secretary, Ministry of Finance (Economic Affairs Department).*

136. At the outset the Committee heard the retiring Comptroller and Auditor-General on the Parliamentary Control over national finances and other allied matters. The Auditor-General drew special attention to the need for the early introduction of Exchequer Control. He pointed out the relation between the Public Accounts Committee and the Auditor-General and emphasised the importance of the Public Accounts Committee's Reports.

137. The Committee then proceeded to examine Para 18 of the Audit Report—Civil (I) 1952.

(At this stage the witnesses were called in).

The representative of the Ministry acquainted the Committee with the measures taken for the introduction of exchequer Control. The representative, however, added that they were being confronted with certain difficulties such as the revision of the accounts structure, lack of competent technical personnel and the vastness of the contemplated reform. The Committee noted with satisfaction that the Centre had made a beginning in this direction in creating a Pay Office at New Delhi, thereby receiving the A.G.C.R. of treasury functions but regreted that the States, where the A.Gs. were saddled with the payment work, had not followed suit yet. The Committee considered that it was high time that the States appreciated their constitutional responsibility in this matter and took measures to hasten this change-over which was so essential for the wider reform of separation of audit from accounts.

138. The Committee then discussed the position regarding the 'vote on account'. It was explained that at present it was difficult to watch when the amount so voted was exhausted. Nor would it serve any purpose by keeping a separate account of the expenditure from 'vote on account', as no time limit was prescribed for expenditure from the 'vote on account' and the regular budget was voted sometime in the middle of the month (May) which did not synchronise with the monthly closing of accounts at treasuries.

139. The Committee enquired about the position regarding the Consolidated Fund of India, the Contingency Fund of India and the Public Accounts and the powers of Government to operate on these Accounts. The Auditor-General explained the provisions of the Constitution in this regard. In this connection he felt that the creation of a number of funds within the Consolidated Fund was unconstitutional and that this aspect should be examined carefully. The Committee decided to discuss the legality of such actions on the part of the Government at a later date.

(At this stage the witnesses withdrew).

140. Some of the members of the Committee then asked certain questions based on the statement of the Auditor-General earlier in the day. A member enquired about the steps taken to define the powers of the Auditor-General as required under Article 149 of the Constitution. The Auditor-General observed that a bill was being drafted defining the duties and powers of the Comptroller and Auditor-General on the British model but in view of the likely changes in his set-up in the light of the financial reforms under contemplation, the draft bill should await the same and had, therefore, to be postponed.

141. In reply to a question whether it was within the powers of the Government to write off debts without sanction of the Parliament, the Auditor-General observed it would not be proper to do so as writing off would require an appropriation.

142. Before adjourning, the Committee desired to place on record their deep sense of indebtedness to the retiring Comptroller and Auditor-General for the invaluable assistance he had rendered to them throughout in their deliberations. His masterly knowledge of accounts and his wide experience in various capacities for a considerable length of time, which he had placed at the disposal of the Committee, had been of great value to them as the first Indian incumbent of this post in independent India, he had set up new and sound traditions by his fearless criticism of the executive in his capacity as the guardian of the tax payer's money.

143. The Committee then adjourned to meet on the 18th August, 1954.

**Proceedings of the Fourth Sitting of the Public Accounts Committee
held on Wednesday, the 18th August, 1954.**

144. The Committee sat from 10-30 A.M. to 1-30 P.M.

PRESENT

Shri B. Das.—*Chairman.*

MEMBERS

2. Shri Tribhuan Narayan Singh.
3. Shri Ramananda Das.
4. Shri Shree Narayan Das.
5. Shri Balwant Sinhā Mehta.
6. Shri Amarnath Vidyalkar.
7. Shri Uma Charan Patnaik.
8. Shri Choithram Partabrai Gidwani.
9. Shri V. P. Nayar.
10. Shri U. M. Trivedi.
11. Diwan Chaman Lall.
12. Shri P. S. Rajagopal Naidu.
13. Shri Ram Prasad Tamta.
14. Shri Mohamed Valiulla.

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

Shri P. C. Padhi, *Deputy Comptroller and Auditor-General of India.*

Shri S. Gupta, *Accountant-General, Central Revenues.*

SECRETARIAT

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

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

Shri T. Sivasankar, *I.C.S., Secretary, Ministry of Irrigation and Power.*

Shri H. C. Gupta, *I.C.S., Joint Secretary, Ministry of Irrigation and Power*

Shri S. Venkataraman, *Deputy Secretary, Ministry of Irrigation and Power.*

Shri Thrimale Iengar, *Chief Engineer, Hirakud Dam Project.*

Shri Dharamarajan, *Superintending Engineer, Hirakud Dam Project.*

Shri Kanwar Sain, I.S.E., Chairman, Central Water and Power Commission.

Shri M. D. Mithal, Member, Central Water and Power Commission.

Shri H. L. Vadera, I.S.E., Member, Central Water and Power Commission.

Shri M. Hayath, Member, Central Water and Power Commission.

Shri S. Ratnam, Joint Secretary, Ministry of Finance (R.&E. Department).

Shri K. L. Rathee, Deputy Secretary, Ministry of Finance (R.&E. Department).

Shri S. Sundaranjan, Financial Adviser and Chief Accounts Officer (Hirakud Dam Project).

145. The Committee met to examine the representatives of the Ministry of Irrigation and Power and the Members of the Central Water and Power Commission in connection with the comments in the Audit Report Civil 1952 (Part I) on the Hirakud Dam Project and certain outstanding items relating to earlier reports.

146. Item 24 of the "Statement showing the recommendations of the Public Accounts Committee and the action taken thereon".—The Committee were very critical about the delay in the submission of a note to them by the Ministry of Irrigation and Power on the 'Introduction of the Administrative Audit System in the various River Valley Projects'. They regretted that the Ministry of Irrigation and Power instead of referring the matter to the Government of Punjab, PEPSU and Rajasthan, the participants in the Bhakra-Nangal Project, should have decided themselves about the impracticability of the introduction of the Administrative Audit, especially when the Ministry of Finance had observed already that the experiment was being tried on the C.P.W.D., and the results watched before extending it to other spheres. The Committee desired that a revised note should be submitted to them duly concurred in by the Ministry of Finance; a copy thereof should also be sent to Audit.

147. Item 94 of the "Statement showing the recommendations of the Public Accounts Committee and the action taken thereon".—The representative of the Ministry stated that there was no deliberate defiance of Stores Accounting Rules on the part of the person in charge of stores. The enquiry made by the O.S.D. also revealed that non-compliance with the rules in force was due to the colossal amount of stores collected at that time and individual responsibility could not be fixed on any particular person for this. The Committee felt that, in future, proper steps should be taken well in time for setting up an organisation for handling stores with suitable provisions for proper supervision and control before a new project was started.

148. The Committee also desired that in regard to Capital projects executed out of Central assistance, the Centre should see that the machinery set up to supervise and control the financial side of the project was adequate; a detailed note indicating the position in this respect should be furnished in the Explanatory Memorandum to the annual Central budget in respect of such projects.

149. In reply to a question whether the Hirakud authorities had again bypassed the Stores Purchase Rules by getting stores direct from private firms instead of through the Directorate General Supply and Disposal, the representative of the Ministry stated that it was so. He added that this was done with the concurrence of the D.G., S.&D. and the Works, Housing and Supply Ministry. The procedure followed in this regard by the Chief Engineer was as follows:—

Where the price agreements existed between the D.G., S.&D. and the Suppliers, the same price was paid as in the agreement, but where agreements did not exist the Chief Engineer got the quotations and placed the orders. The Chief Engineer added that this course was adopted in order to avoid the delay in the supply of stores which generally occurred in the case of supplies indented through D.G., S.&D. causing delay in the execution of work. Such deviations from the normal procedure was, in his opinion, essential if the project was to be completed by a target date.

150. Appendix I (Pages 69 to 76) of the Audit Report (Civil), 1952 Part I.—The representative of the Ministry pointed out to the Committee that so far as the stock verification was concerned, there were three difficulties namely, (i) the colossal magnitude of the stocks; (ii) dearth of suitable staff; and (iii) large purchases from the D.G., S&D. The work was in progress and was expected to be completed in about four months. The Committee felt that the procedure followed was defective as it did not ensure the correctness of the ground balances on 1st April, 1951 which had been entered as opening balances in the various bin cards. The Auditor-General agreed to depute a Special Officer to look into the stock verification and other connected matters relating to the Hirakud Dam Project and to report to the P.A.C. The Committee decided to postpone examination of this matter and to await the report.* This Officer, they desired, should also report about the present relationship between the Chief Accounts Officer and the Chief Engineer.

151. The Committee then enquired if there was any coordination between the various Projects purchasing stores so that any surplus in one might be utilised by another Project. The representative of the Ministry stated that in Hirakud purchases were being made now to the extent needed and particulars of excess stock already accumulated were being circulated, to other Projects.

152. The Committee then adjourned till 10 A.M. on Thursday, the 19th August, 1954.

* See Appendix LI.

**Proceedings of the Fifth Sitting of the Public Accounts Committee
held on Thursday, the 19th August, 1954.**

153. The Committee sat from 10 A.M. to 1-10 P.M.

PRESENT

Shri B. Das—*Chairman.*

MEMBERS

1. Shri Tribhuan Narayan Singh.
2. Shri Ramananda Das.
3. Shri Shree Narayan Das.
4. Shri Amarnath Vidyalkar.
5. Shri Uma Charan Patnaik.
6. Shri Choithram Partabrai Gidwani.
7. Shri V. P. Nayar.
8. Shri U. M. Trivedi.
9. Shri P. S. Rajagopal Naidu.
10. Diwan Chaman Lall.
11. Shri Ram Prasad Tamta.
12. Shri Mohamed Valiulla.
13. Shri J. V. K. Vallabharao.

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

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor-General of India.*

Shri S. Gupta, *Accountant General, Central Revenues, New Delhi.*

SECRETARIAT

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

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

Shri S. S. Khera, *I.C.S., Secretary, Ministry of Production.*

Shri S. Jaganathan, *I.C.S., Joint Secretary, Ministry of Production.*

Shri K.R.P. Aiyangar, *Joint Secretary, Ministry of Finance (I&C Division).*

154. The Committee met to examine the representative of the Ministry of Production in connection with the comments made in the Audit Report (Civil)—Part I, 1952 on the Ministry of Production.

155. At the outset the Auditor-General stated that when once the backlog was cleared the P.A.C. could take up current matters. He made a reference to the steps that were being taken by him to expedite the preparation of pending Audit Reports. Incidentally he referred to the question of separation of accounts from Audit.

156. *Para 5 (a) of the Audit Report (Civil), 1952—Part I.*—The Committee desired to be furnished with a note* on the constitutional position regarding the conversion of State Undertakings into private limited companies. They also wanted to be informed about the contemplated arrangements for the management and control of these undertakings.

157. Dealing with the capital structure of the Sindri Fertilizers Ltd., the Committee wanted to know the basis for splitting up the Capital advanced by Government into share capital and debenture loan. The Committee were told that this was done with a view not to over-capitalise the company. Such a course was resorted to in order to give financial stability to the company and to keep the cost of production low. The Committee, however, decided to discuss such matters relating to State undertakings in general at a later date. In reply to a question whether labour had any representation in the management of the Sindri Factory the Committee were informed that the Chairman of the I.N.T.U.C. was on the Board of Directors; besides, other steps were also being taken to associate labour with the management.

158. The Committee referred to the balance sheet of Sindri Fertilizers Ltd. for the year 1953 and wanted to know the position in respect of the previous years. They were informed that till the formation of the Limited Company in 1951 the work was executed departmentally and the A.G.C.R. was in charge of the accounts of the Factory. When the Company was formed, the assets and liabilities were transferred to the Company and the A.G.C.R. gave the break-up of the machinery and land so transferred. The Company had since been trying to recast into the usual pattern the expenditure, that had already been incurred. On the suggestion of the Auditor-General, the Committee postponed further consideration of the case till the receipt of the note promised by the Ministry of Production.

159. *Para 5 (a) (i) of Audit Report.*—The Committee enquired† about the circumstances in which the excess payment of Rs. 2·7 lakhs mentioned in the Audit Report occurred and the action taken against the officers responsible for the excess payment. The representative of the Ministry stated that though the quantity of cement actually used in the work was less than that originally estimated, the contract was for the payment of a lump sum for the completed work, and as such, there was no question of excess payment. The officers who were responsible for this contract were no longer in service and according to legal opinion there was no case for recovery from the contractors. The Committee desired to be furnished with a copy of the legal advice in this case. They wanted to know, further, the steps the Ministry proposed to take in regard to the Company's future relation with the Government of India.

* See Appendix LIII.

† See Appendix XXXII.

160. Para 5(b) of the Audit Report.—The representative of the Ministry stated that the Department of Open Cut Coal Mining was an organisation set up during the war and was wound up when the war ended. This Directorate worked not only under a Military Officer but with Military recruits under him. On the termination of the war, Government felt that that was a very expensive method of producing coal and disbanded the organisation. He added that this Department did not keep detailed accounts of the structures and roads that they had built. The Government took over these buildings etc. in the year 1946. In the same year, a private British Company, which had a contract for producing coal by open cut mining in collieries, was entrusted on behalf of Government to recover rents from private collieries in which the buildings etc. were located. But this Company too did not have a list of the buildings etc. in question. Further, the Company who were under an obligation to inform the Government after they had vacated the buildings failed to do so. Continuing further, the representative of the Ministry stated that the Government had now partly recovered the rent due from the British Company. The representative of the Ministry, however, admitted that there had been delay in this case in fixing the responsibility in not having recovered the rent. He promised to fix responsibility after investigation as to why (i) in the drawing up of the agreement, the persons responsible did not specify the property with which the agreement was purported to deal; (ii) there was delay in locating the property at the site; and (iii) why when the agreement provided that with the lapse of 12 months i.e. 31st May, 1947 Government would be divested of their property rights in the buildings adequate action was not taken to safeguard Government's interests. The Committee desired that the Ministry should also investigate as to why the Ministry did not take action against the delinquent officials and intimate to them what action they proposed to take now. The Committee also desired that the result of the investigations made by them should be communicated to them through the Controller of Coal Accounts.

• 161. The Committee then enquired whether the Production Ministry had issued any uniform rules regulating the conditions of service of the employees working in the various State undertakings. The representative of the Ministry informed the Committee that some guiding principles, consistent with the autonomy of these bodies, had been laid down and communicated to the various undertakings.

162. The Committee then adjourned to meet at 10-30 A.M. on Friday, the 20th August, 1954.

**Proceedings of the Sixth Sitting of the Public Accounts Committee
held on Friday, the 20th August, 1954.**

163. The Committee sat from 10-30 A.M. to 1-25 P.M.

PRESENT

Shri B. Das—*Chairman.*

MEMBERS

2. Shri Tribhuan Narayan Singh.
3. Shri Shree Narayan Das.
4. Shri Amarnath Vidyalkar.
5. Shri S. V. Ramaswamy.
6. Shri Uma Charan Patnaik.
7. Shri Choithram Partabrai Gidwani.
8. Diwan Chaman Lall.
9. Shri P. S. Rajagopal Naidu.
10. Shri Ram Prasad Tamta.
11. Shri Mohamed Valiulla.
12. Shri J. V. K. Vallabharao.

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor-General of India.*

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

Shri P. N. Bhandari, *Controller of Commercial Accounts.*

Shri P. N. Krishnaswami, *Accountant General, Food, Rehabilitation and Supply.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

Shri K. G. Ambegaokar, *Secretary, Ministry of Finance, (E.A. Department).*

Shri M. V. Rangachari, *Joint Secretary, Ministry of Finance, (E.A. Department).*

Shri S. Jayasankar, *Joint Secretary, Ministry of Finance, (R.&E. Department).*

Shri S. Ratnam, *Joint Secretary, Ministry of Finance, (R.&E. Department).*

164. The Committee met to examine the representatives of the Ministry of Finance on certain items of the statement of outstanding recommendations of the P.A.C.

165. At the outset the Committee desired to know whether the accounts of the Industrial Finance Corporation could be taken up.

On being informed that the accounts of the Corporation for the year ending the 30th June, 1954 were not yet ready, the Committee decided to postpone their examination to the next Session.

166. The Committee then turned to the Rehabilitation Finance Administration. Explaining the set-up of the Administration, the representative of the Ministry said that it was an autonomous body with powers to fix the terms on which it lent money to borrowers. The capital advanced by Government to the Administration carried interest. The Administration conducted its own affairs and the Ministry of Finance gave directions on general policy, such as opening of application lists for loans.

Referring to the expenditure of the Administration, it was explained that considering the volume of applications received and the expeditious way in which they were to be handled by the Administration the expenditure was not excessive. In the conditions as they existed then, there arose a number of bad debts. As provision for the bad debts had to be made, the Administration could not pay interest to Government on the capital. Further, recovery of interest, if insisted upon by Government, would only mean paying out of the capital advanced by them. All the same, Government could not waive the interest and hence had postponed its recovery. The Committee postponed further discussion regarding the expenditure on staff in the Administration to a later date.

167. The Committee next took up the question of the transfer of work of payment of pension etc., from the Commonwealth Relations Office to our High Commissioner. In that connection the Committee desired to know what steps were taken by Government to take over the work from 1951 on the termination of the agreement entered into in 1948. The representative of the Ministry stated that action was initiated towards the end of 1950 to bring about this transfer but the same had to be suspended in view of the decision to transfer the entire work together with the liability to the U.K. Government.

168. The Committee then proceeded to examine the question of Parliamentary Control over State Undertakings. The representative of the Ministry observed that it was the intention of Government not to run these enterprises themselves, but to constitute separate institutions for this purpose with certain autonomous powers in the matter of their management. These institutions took the form of limited companies or Corporations, depending on the need of each undertakings. In reply to a question, the representative added that it was never the intention of the Government to bypass Parliamentary control by this device. When his attention was drawn to the observations of the Committee in their earlier reports that the formation of such companies appeared illegal, the representative replied that Government had consulted the Attorney General on this question and Government were advised that it was not so. The Committee desired to be furnished with a copy* of the legal opinion given by the Attorney-General.

Referring to the case of Sindri Fertilizers Factory, the Committee wanted to know whether specific sanction of Parliament was taken before the assets of the undertaking were transferred to the Limited Company constituted for managing the factory, the representative

said that the entire expenditure on the project had already been incurred with the approval of Parliament and as the transfer in question did not involve any fresh expenditure, vote of Parliament was not considered necessary. He promised to look into the facts and submit a note to the Committee.

169. †*Item 10 of the statement showing action taken or proposed to be taken on the recommendations of the P.A.C. (Appendix I).*— Dealing with the action to be taken on cases of fraud, embezzlement, etc., the Committee observed that mere issue of instructions would not meet the recommendation of the Committee. The Government should also see that the instructions were strictly complied with and any delay on the part of the officer inquiring into the case, to bring to book the delinquents, should be suitably dealt with as enjoined in the instructions. The Committee felt that the matter should be taken up by them when they next took up the examination of the Home Ministry who are concerned directly with disciplinary matters.

170. The Committee then enquired how the Ministry of Finance coordinated and controlled the expenditure of different Ministries. The representative of the Ministry stated that the main responsibility was that of the Ministries and the Ministries had been asked to set up their own organisations for getting departmental figures of progress of expenditure. The Financial Advisers accredited to the Ministries held periodical meetings with the representatives of the Ministry to review the progress of expenditure *vis-a-vis* the voted grant. Such meetings were held quarterly. The Committee desired to be furnished with a report on the periodical meetings mentioned above.

171. **Item 1 of the statement showing action taken or proposed to be taken on the recommendations of the P.A.C. (Appendix 1).*— It was explained that the Ministry of Finance did not take up individual cases of failure to frame properly the budget and control the expenditure; such cases were explained by the Administrative Ministries to the Ministry of Finance, either at the time of asking for diversions of funds from within the voted grant or at the quarterly meetings referred to above. Diversion of expenditure was also checked by audit. The Committee, however, felt that the Financial Advisers attached to the Ministries should see that budgeting and control of expenditure were properly done and cases of wrong estimating suitably dealt with.

172. The Committee then adjourned.

* See Appendix LIII.

• • Appendix LIV.

**Proceedings of the Seventh Sitting of the Public Accounts Committee
held on Thursday, the 2nd September, 1954.**

173. The Committee sat from 10 A.M. to 12-30 P.M.

PRESENT

Shri B. Das—*Chairman.*

MEMBERS

2. Shri Tribhuan Narayan Singh.
3. Shri Balwant Sinha Mehta.
4. Shrimati Ammu Swaminadhan.
5. Shri Khandubhai Kasanji Desai.
6. Shri Amarnath Vidyalkar.
7. Shri S. V. Ramaswamy.
8. Shri Uma Charan Patnaik.
9. Shri Choithram Partabrai Gidwani.
10. Shri V. P. Nayyar.
11. Dr. Indubhai B. Amin.
12. Shri U. M. Trivedi.
13. Shrimati Violet Ajva.
14. Shri Mohamed Valiulla.
15. Shri J. V. K. Vallabharao.

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

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor-General.*

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

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

Shri V. K. B. Pillai, *I.C.S., Secretary, Ministry of Health.*

Shri S. Ratnam, *Joint Secretary, Ministry of Finance.*

174. The Committee met to examine the representative of the Ministry of Health in connection with certain items of Audit Report (Civil) 1952—Part I.

175. At the outset, the Committee considered a request from the Labour Ministry for leave of absence of the Secretary and Joint Secretary from the meeting scheduled for that day and decided that the Ministries should adjust their programmes to the programmes

* See Appendix, II

of the Public Accounts Committee rather than the P.A.C. adjusting theirs to suit the programmes of the Ministries. It was further decided that the Public Accounts Committee should chalk out their future programmes well in advance so that the Ministries might submit their memoranda etc. in time.

176. The Committee then informally discussed certain items of the statement showing action taken or proposed to be taken on the recommendations of the P.A.C. relating to the Ministry of Health and certain points arising from the Audit Report (Civil) 1952—Part I.

(At this stage the witnesses were called in)

177. *Item 65 of the Statement showing action taken or proposed to be taken on the recommendations of the P.A.C. (Appendix I).*—The representative of the Ministry of Finance informed the Committee that in respect of part (ii) of the recommendation of the P.A.C. mentioned against the item under discussion there was no difficulty. The Ministries were already following the procedure recommended by the P.A.C. But in respect of part (i) of the recommendation the Ministry was considering whether it was administratively practicable to make it compulsory to pledge security in the form of both property and cash for those who were to be entrusted with cash. As for the condition that only permanent employees should be entrusted with the handling of cash, instructions were being issued to various Ministries by the Ministry of Finance. The Committee, however, desired to be furnished with a revised note* on the position—mentioning specifically if permanency, security in cash and fidelity bonds would meet the needs of the case.

178. *Para 13 (a) of the Audit Report (Civil), 1952—Part I.*—The Committee were acquainted with the circumstances in which higher tenders were accepted in the case mentioned in this para. Periodical meetings of the Chairmen of the P.A.Cs. of the various States and of the Chairman of the Committee at the Centre to discuss common questions of this type would facilitate better understanding and uniformity of approach. The Chairman informed the Committee that the question of convening a meeting of the Chairmen of the Public Accounts Committees of various States was under examination.

179. The Committee were informed that whenever grants-in-aid were made by the Centre to the States for specific purposes, it was ensured that the conditions attached to those specific grants were always fulfilled. But the Centre could not look into the financial details of those bodies, because the States enjoyed autonomy in this respect. The Committee decided that the Ministry of Health should do whatever was possible in the case of Centrally-aided hospitals, to avoid irregularities, consistent with the autonomy of States in which those institutions were situated.

180. *Para 34 (ii) of the Audit Report Civil 1952—Part I.*—The representative of the Ministry of Finance admitted the mistake of his Ministry in sanctioning the grant mentioned in the said para but stated that to avoid sanctioning such grants or allotment of money

*See Appendix LVI.

towards the end of the financial year, the Ministry had issued instructions to other Ministries to progress these cases for which fund had been provided in the budget in the first quarter of the financial year itself so that grants could be allotted in due time and actually spent on the purpose.

(At this stage the witness withdrew).

181. Before adjourning the Committee desired that the note on the 'overhead charges at the Bhakra Nangal Project as compared to other river valley projects' forwarded by the Ministry of Irrigation and Power should be vetted by the Auditor-General as it was a factual note containing many figures, and the Ministry should be asked to get this done.

182. The Committee then adjourned to meet again in October, on a date to be fixed by Chairman.

**Proceedings of the Eighth Sitting of the Public Accounts Committee
held on Saturday, the 16th October, 1954.**

183. The Committee sat from 10 A.M. to 1 P.M.

PRESENT

Shri B. Das—*Chairman.*

MEMBERS

2. Shri T. N. Singh.
3. Shri Ramananda Das.
4. Shri S. N. Agarwal.
5. Shri S. N. Das.
6. Shri Balwant Sinha Mehta.
7. Shri S. V. Ramaswamy.
8. Shri Choithram Partabrai Gidwani.
9. Dr. Indubhai B. Amin.
10. Shrimati Violet Alva.
11. Shri P. S. Rajagopal Naidu.
12. Shri Ram Prasad Tamta.
13. Shri Mohamed Valiulla.
Shri A. K. Chanda, *Comptroller and Auditor-General of India.*
Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor-General of India.*
Shri R. Srinivasa Murti, *Accountant-General, Punjab, Simla.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

- Shri T. Sivasankar, *Secretary, Ministry of Irrigation and Power.*
- Shri Kanwar Sain, *Chairman, Central Water and Power Commission.*
- Shri H. L. Vadera, *Member, C.W. & P.C.*
- Shri S. Ratnam, *Joint Secretary, Ministry of Finance.*
- Shri S. D. Khungar, *General Manager, Bhakra-Nangal Project.*
- Shri Vidya Ratna, *Secretary, Bhakra Control Board.*
- Shri H. S. Negi, *Deputy Secretary, Ministry of Finance (E.A.).*

Shri S. Venkataraman, Deputy Secretary, Ministry of Irrigation and Power.

Shri Ishwar Dayal, Chief Accounts Officer, Bhakra-Nangal Project.

184. *Ministry of Irrigation and Power, Bhakra-Nangal Project.*— At the outset, the representative of the Ministry of Irrigation and Power informed the Committee that they had been treating the Bhakra-Nangal Project as a Central Project, although strictly it could not be treated as such. He said that the project was under the control of a Board *viz.*, the Bhakra-Control Board on which the three participating States *viz.*, Punjab, Rajasthan and PEPSU and the Centre were represented. He added that the Centre which advanced money to the participating States for executing the Project should know that it was not frittered away by them and to that extent the Central Government should keep a watch and if the Committee desired that a financial statement should be submitted to them in regard to this project, they would do so hereafter.

185. The Comptroller and Auditor-General informed the Committee that the Accountant-General, Punjab was in overall control of auditing the entire expenditure incurred on this Project and he submitted his Reports to the Public Accounts Committee of the Punjab State Legislature. In reply to a question, the representative of the Ministry of Irrigation and Power stated that the Control Board was in over-all charge of all technical and financial aspects of the project, the actual work of construction being carried out under the direction of the Control Board by the Chief Engineer concerned of the State in which the work lay, except that in respect of the construction of the Bhakra Dam and appurtenant works which lay partly in Punjab and Bilaspur, the work would be done by the Chief Engineer, Punjab. These State Governments were, therefore, answerable to their respective Accountants-General and Legislatures in respect of such expenditure.

Intervening, the Comptroller and Auditor-General pointed out that the Project had got a Chief Accounts Officer, who for administrative purposes came under the control of the Finance Department of the Punjab Government, but there was an understanding that if there was a disagreement between him and the Finance Department, then, the matter would be referred to the Control Board and though the Chief Accounts Officer of the Project was under the control of the Punjab Government, he could not be overruled if there was a difference of opinion and that must be discussed in the Control Board. He added that the entire accounting was centralised in the hands of the Chief Accounts Officer though the expenditure might be incurred by the three different States. The A.G., Punjab was also responsible for seeing that the quantum of expenditure was apportioned between the three States in accordance with the agreed decision of the Control Board.

186. The Comptroller and Auditor-General further pointed out that there should not be any overlap in the functions of the Public Accounts Committees of the Centre as well as the States in the matter of examination of the Accounts relating to this Project. He suggested that the Irrigation and Power Ministry should annually place before the Committee a note dealing with the policy and financing

of the Project and the progress made in its execution and if the Committee desired, he would comment upon it and then they could examine the Ministry on those points. The representative of the Ministry, however, suggested that the constitutional position might be examined regarding the propriety of the Central Government going into the details of a State Project. He said that the amount advanced was in the shape of a loan and not a grant and it was the State Legislature that voted the funds for expenditure in that State. He, therefore, urged that it might be examined as to whether it was open to the Central Public Accounts Committee in the existing constitutional set-up to go into the accounts of the States. The Committee expressed the view that the Central Government which advanced the loans should see that the money was utilised properly. It was also pointed out that the Minister for Irrigation and Power had always been answering questions relating to this Project as and when asked in the Parliament.

187. The Committee then desired to know why the Bill regulating the development of the Inter-State River Valley Project had not been introduced in Parliament, although it was stated by the former Additional Secretary of the Ministry at the meeting of the Committee held on the 8th September, 1952, that it was to be introduced in Parliament during that year. The representative of the Ministry stated that the proposed Bill visualised the issue of directions by the Centre to the States which technically cast a direct responsibility on the Centre for the execution of the works to be undertaken in pursuance of those directions. The Planning Commission, on the other hand felt that the Centre should not be encumbered with the financial liability merely by reasons of directions being issued by the Government of India and it would more properly be the duty of the States to carry them out at their own cost. This difference of opinion had led to the delay in the matter and he added that they proposed to introduce this Bill in the next or in the Budget Session of Parliament.

188. Reverting to the scope and extent of control of the Central Public Accounts Committee over the expenditure relating to the Inter-State Projects and his own responsibility under the constitutional provisions as the Auditor-General of the three States, the Comptroller and Auditor-General undertook to present to the Committee a note after examining all the constitutional, legal and financial implications involved in it, after consultation with the authorities concerned.

189. The Committee then discussed at some length the basis for the allocation of actual expenditure on the Project. The Chief Engineer, Bhakra-Nangal project explained briefly how the percentages of allocation as agreed to by the Accountant-General, Punjab viz., 59.6% for Punjab, 21.3% for PEPSU and 19.1% for Rajasthan had been calculated. He stated that in respect of Bhakra Dam it was decided that the cost would be distributed to the various States in the ratio of the quantity of water stored, which they would use in their respective territories. The same proportion applied to the expenditure on the Nangal Hydel Channel. Lower down, it was decided that if an irrigating canal irrigated a State only, the whole cost should be borne by that State; in cases where a canal served

more than one State, the cost should be shared on the basis of the cusec miles carried in the channel.

Intervening, the representative of the Ministry of Finance stated that before the Control Board pressed this matter to an issue, there was no agreement between the three States about the actual quantity of water which should be allocated to each from the stored supply. The main difficulty he said, was not a question of allocating the cost; but it arose because there was no agreement for a long time between the three participating States as to the amount of water that they were to derive individually from the stored supplies and for that purpose a Technical sub-Committee had to be appointed and they arrived at certain conclusions which were later on ratified by the three Governments concerned.

The Committee pointed out that the note on the subject already furnished by the Ministry of Irrigation and Power pursuant to action taken by them on Item 118 of the Statement of Outstanding Recommendations did not present a complete picture regarding the apportionment of the expenditure on the Project between the three participating States and asked for a revised detailed note on the subject. The representative of the Ministry undertook to submit the same.

In reply to a question, the Chief Accounts Officer of the Project stated that he had no separate basis for allocation of actual expenditure. He went by the proportions as provided in the Project estimates.

190. The Committee desired that next time when they took up consideration of the note called for from the Ministry (referred to in Para 189 *ibid*) they would like to summon a representative each of the Rajasthan and PEPSU Governments. In the meantime, they asked the Ministry of Irrigation and Power to submit to them a copy of the agreement, if any, which subsisted between the three participating States under which the Punjab Government looked after the construction work of the Project as an agent on behalf of the two other participating units.

191. The Committee then proceeded to take up consideration of the note* stating the Organisation and functions of the Chief Accounts Officer, Bhakra-Nangal Project furnished by the Ministry of Finance pursuant to action taken on Item 21 of the Statement of Outstanding Recommendations. The Chief Accounts Officer informed the Committee that he was only 'the Chief Accounts Officer' and not the Financial Adviser also. The pattern in Bhakra-Nangal, he stated, had to be slightly different from that in the D.V.C. and Hirakud Dam Project for the reason that the latter were compact bodies and they had their own execution agencies whereas the Bhakra-Control Board was not an executing agency. Here each State carried out the works lying in its territory. He added that he compiled the expenditure under all other heads except 'Establishment', the expenditure on which was booked direct by the Treasuries against the States through the Accountants-General concerned. He post-audited all the Divisional Accounts and forwarded the consolidated accounts to the Accountant-General, Punjab and Rajasthan and the Comptroller, PEPSU for incorporation of the respective amounts in their books. He added that for the purpose of coordination he also

compiled a statement of excess expenditure incurred over the estimates for submission to the Control Board.

192. In reply to a question, the representative of the Ministry of Finance stated that the technical sanctions in regard to work estimates upto a certain amount were issued by the Chief Engineers of the States themselves. The financial sanctions to the regularisation of the excesses were accorded by the Finance Secretary of the State in whose jurisdiction the particular work was executed.

193. In reply to another question, the Committee were informed that the present estimate of the Project was Rs. 158.97 crores whereas the original one amounted to Rs. 132.91 crores.

The representative of the Ministry of Irrigation and Power then explained to the Committee the various factors that were responsible for the revision of the estimates viz., change in the design of the Bhakra Dam by increasing its height by about 100 ft., rise in the cost of material labour, devaluation of rupee vis-a-vis U.S. Dollar etc. He added that till to-day there was no approved estimate for the Project.

194. The Committee then asked the representative of the Ministry of Irrigation and Power to furnish them a copy of the Report by Shri Kanwar Sain, Chairman, C.W. & P.C. about the accounting and financial control on the Bhakra-Nangal Project.

195. As desired by the Committee that copies of the half-yearly or yearly progress reports regarding the execution of the Project should be furnished to them, the representative undertook to do the needful.

196. The Committee suggested that the C. & A.G. should make arrangements for the training of more Divisional Accountants who could be employed on the various River Valley Projects.

197. The Committee further asked the representative of the Ministry of Irrigation and Power to furnish them a note giving 'Overhead Charges' to be incurred on the execution of the Project as included in the Estimates after getting it vetted by Audit.

198. The Committee then decided to take up further consideration of the matters relating to the Bhakra-Nangal Project sometime during the first week of December, 1954.

199. The Committee then adjourned to meet again at 10 A.M. on Monday, the 18th October, 1954.

..

**Proceedings of the Ninth Sitting of the Public Accounts Committee
held on Monday, the 18th October, 1954.**

200. The Committee sat from 10 A.M. to 1-20 P.M.

PRESENT

Shri B. Das—*Chairman.*

MEMBERS

2. Shri T. N. Singh.
3. Shri Ramananda Das.
4. Shri S. V. Ramaswamy.
5. Shri U. C. Patnaik.
6. Shri Choithram Partabrai Gidwani.
7. Shri V. P. Nayar.
8. Dr. Indubhai B. Amin.
9. Shrimati Violet Alva.
10. Diwan Chaman Lall.
11. Shri P. S. Rajagopal Naidu.
12. Shri Ram Prasad Tamta.
13. Shri Mohamed Valiulla.

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

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor-General.*

Shri B. K. T. Iyengar, *Chief Auditor, D. V. C. & Sindri Projects.*

Shri P. N. Bhandari, *Controller of Commercial Audit, New Delhi.*

SECRETARIAT

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

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

Shri T. Sivasankar, *I.C.S. Secretary, Ministry of Irrigation and Power.*

Shri Kanwar Sain, *Chairman, Central, Water and Power Commission.*

Shri R. R. Bahl, *I.C.S. Deputy Secretary, Ministry of Irrigation and Power.*

Shri P. S. Rau, *Chairman, Damodar Valley Corporation.*

Shri A. B. Ganguly, *Member, Damodar Valley Corporation.*

- Shri P. P. Verma, *Member, Damodar Valley Corporation.*
 Shri S. Ratnam, *Joint Secretary, Ministry of Finance.*
 Shri S. M. Banerjee, *Financial Adviser, D.V.C.*
 Shri H. S. Negi, *Deputy Secretary, Ministry of Finance.*
 Shri K. L. Rathee, *Deputy Secretary; Ministry of Finance.*

DAMODAR VALLEY CORPORATION

201. The Committee took up consideration of the (i) Audit Reports on the Accounts of the D.V.C. for 1950-51 and 1951-52, (ii) the notes* on the points arising from the Audit Report on the Accounts of the D.V.C. for 1949-50 as furnished by the Corporation and (iii) Report of the Damodar Valley Corporation Enquiry Committee (1952-53), hereinafter referred to as the 'Rau Committee' Report'.

202. The Committee first took up Chapter V of the Rau Committee Report which *inter alia* related to the excess payment to Messrs. Hind-Patel & Co. for certain items of work done at Konar Dam *viz.*, jungle clearance and top soil stripping etc. The representative of the D.V.C. pointed out that when the actual payment made to the contractor itself for the first four items detailed in Appendix VI of the Rau Committee Report was a little over Rs. 22 lakhs it was not clear how the Rau Committee had estimated the overpayment on these items as about Rs. 44 lakhs. As regards the comment made in para 44 of the Rau Committee Report that 'the rate allowed for jungle clearance should not have been so high', the representative of the D.V.C. stated that they carried out some jungle clearance at Konar as an experimental measure to determine the rate which came to Rs. 8/2/- per hundred sq. ft. But it was through mistake that the Rau Committee got the figure of Rs. 2/2/- per hundred sq. ft. which had influenced its findings. Intervening, the Comptroller and Auditor-General pointed out that the position as stated by the representative of the D.V.C. was not tenable as, according to his information, the rate was Rs. 8/2/- per 100 sq. ft. when the work was done in the initial stages manually. But later it worked out to Rs. 2/1/4 per 100 sq. ft. The representative of the D.V.C. stated that the latter rate had become somewhat out of date as subsequent calculations gave different figures and added that it was based on factors like the thickness of the forest, the gradients etc. The latter calculations were yet to be checked by the Chief Auditor.

203. Referring to the overpayment for excavating, sorting and disposal of unsuitable quarry materials made to the contractors, the representative of the D.V.C. stated that the actual amount paid on this account was only Rs. 1,19,608 as against an overpayment of Rs. 4 lakhs arrived at by the Rau Committee. Further, the contractors agreed in writing that if an impartial tribunal found that they had been overpaid, they would refund the excess payments irrespective of the commitments made by the Corporation. But somehow or other the arbitration proposal was dropped after a long discussion with the Government. When asked why the Government did not accept the proposal, the representative of the Ministry of Irrigation and Power stated that the main factor which weighed with the Ministry in dropping the arbitration proceedings was that the contractors wanted a stipulation to be made in the arbitration

*See Appendix LVII

agreement that the Government of India as a whole including the Income-Tax Department would be bound by the result of the arbitration. But since this interfered with the statutory discretion vested in the Income-Tax Department in such matters, they did not agree to it. He added that the contractors had also represented that they felt that the Income-Tax Department had assessed them on the basis of profits as calculated from the figures given by the Rau Committee. When asked by the Committee to state the views of the Ministry of Finance, the representative of that Ministry pointed out that the statement that the Income-Tax authorities had based their assessment on the Rau Committee's Report was incorrect. But the representative of the Ministry of Irrigation & Power stated that his statement was based on the representation made to him by the contractors and that was followed up in writing

204. In reply to a question whether in the opinion of the D. V. C. there had been no overpayment to the contractor firm, the representative stated that there might have been an excess payment but definitely not of the order reported by the Rau Committee. The quantum of the overpayment was computed at different figures on different occasions and this divergence was due to the fact that this depended on engineering data and technical competence to assess the sums. The Committee learnt after some discussion that the Financial Adviser had furnished a note* to the Ministry showing the extent of overpayment, and desired that copy thereof should be furnished to them.

205. The Committee then asked the Finance representative about the extent of the amount overpaid to the contractors. The representative of the Ministry of Finance stated that according to the report by Shri Kanwar Sain, Chairman, C. W. & P. C., who was asked by the Ministry of I.&P. to go into the whole question in the light of the Rau Committee's Report *vis-a-vis* the comments of the D. V. C. etc., a sum of Rs. 94,81,000,- had been overpaid as against the figure of Rs. 1,19 lakhs arrived at by the Rau Committee. But as the Ministry of Finance were not satisfied that the Govt. of India could successfully pursue arbitration proceedings before the Arbitrator when the D.V.C. was not convinced of the overpayment, they insisted upon further investigation being made. An Officer on Special Duty, who happened to be the Member-Secretary of the Rau Committee was appointed for a period of over three months and he submitted a further report to the Govt. in which he came to the conclusion that a sum of at least Rs. 103 lakhs must have been overpaid. Continuing, he stated that based on this further supporting evidence, the Ministry of I. & P. proposed that this matter of arbitration be proceeded with in a more firm manner than had been discussed till then. But though the Ministry of Finance were convinced that there had been considerable overpayment in connection with this contract by the D.V.C. to the contractors and they were supported in this conclusion by the reports submitted by two Specialists, they felt that a successful case might not be made out before the Arbitrators in view of the above attitude of the D. V. C. Unless the D. V. C. itself, as one of the parties to the arbitration admitted overpayment to the contractors (the other party), any arbitration would only be a formality to clear the D. V. C. The

* See Appendix XXXIV

representative of the I. & P. Ministry observed¹ that the issue was regarding the reasonableness of the rates which should be determined not on the basis of books produced by the firm nor on the basis of the evidence adduced by the D. V. C. but on a purely engineering basis. He, therefore, did not agree with the conclusion of the Finance Ministry. He read out some extracts from the draft arbitration agreement in support of his contention, which could not be signed because of the Income-tax issue.

206. The representative of the D. V. C., however, pointed out that the Chairman of the old Board, Shri Mozumdar, while commenting upon the Rau Committee Report, explained to the Govt. of India that they did not accept that there was any overpayment whatsoever in this case. But when the new Board came into existence, they thought that the best approach would be to try to find out whether they could get back any money from the contractors.

207. The Committee then desired to be furnished with a statement* showing the comparative rates for jungle clearance on other river valley projects in the country.

208. The Committee then discussed in broad outline the working of the Damodar Valley Corporation. They were informed that there existed a Board of Consultants on which the Govt. of India was represented by the Chairman, C. W. & P. C.—Shri Kanwar Sain and the Board gave expert advice to the Corporation in technical matters. The Board at present was comprised of two Indians and two Americans. Explaining further, Shri Kanwar Sain stated that the function of the Board was that on any point which was put to them, they had to give their technical advice. The Board had no function to initiate any point on their own or to go beyond those points which were referred to them by the Corporation. As regards the role of the C. W. & P. C., he stated that it too did not come into the picture except in regard to the points which were referred to that body for advice by the Ministry.

209. Reverting to the question of overpayment, the Committee wanted to know whether the Govt. of India exercised some sort of overall control or advised the Corporation how to proceed in such matters. The representative of the Ministry of Finance reading out from the Minutes of the meeting of the Advisory Committee of the D. V. C. held at Patna in December, 1950 pointed out that it was five months before the contract was entered into with Messers. Hind-Patel & Co., that it came to their notice that the D. V. C. was working with a sketchy and almost unreliable schedule of rates, and it did not give any exact specifications to the contractor. At that meeting, he also drew pointed attention to the fact that the Indian Member of the Board of Consultants should be entrusted with the checking of schedule of rates of the Corporation with a view to enabling the Corporation's engineers to prepare more realistic estimates. He added that if his advice had been taken seriously at that time by the Corporation, these overpayments could have been avoided.

210. The Committee then asked the representative of the D. V. C. to submit to them a note* stating the circumstances why no schedule of rates was prepared earlier by the D. V. C. despite the advice the Ministry of Finance referred to above.

*See Appendix XXXV

211. The Committee then asked the Chairman, D. V. C. to apprise them of his views about the statement made in Chapter V of the Rau Committee Report re: overpayments to Messrs. Hind-Patel & Co. In reply, he stated that they were 'correct' to the best of his knowledge. He further pointed out that the question of the admissibility or the reasonableness of the rates never came up formally before the former Corporation. Therefore, the present Corporation had given no opinion on that issue. The other two representatives of the D. V. C. who were also on the old Board intervened to say that the statements made by them before the Committee at the earlier stages that there was no factual basis for the statement contained in the Rau Committee's Report were based on the reply given by the former Board.

212. Referring to the extent of control exercised by the Government of India over the working of the D. V. C., the representative of the Ministry of I. & P. stated that the policy followed by them in this behalf was that their control should be restricted only to matters of policy, while the day to day administration should be left entirely to the Corporation. He added that they were exercising that control through periodical Conferences of the three participating States.

213. The Comptroller & Auditor-General then drew the attention of the Committee to the concluding para of the statement laid on the Table of Lok Sabha by the Deputy Minister for Irrigation & Power in reply to S. Q. No. 638 dated the 8th September, 1954 wherein it was stated that it was decided at the meeting of the Conference of participating Governments in Calcutta on the 13th July, 1954 that the case (relating to the recovery of amounts overpaid to Messrs. Hind-Patel & Co.) might be treated as closed since no other action was practicable. The Corporation would, however, continue their efforts to find out the possibilities of effecting any recoveries from the contractors.

214. A reference was also made to a letter† addressed by Shri P. S. Rau, Chairman, D. V. C. to Shri Malkani, a Member of the Rajya Sabha about the delay in the execution of the project and the utilisation of the electric energy produced by the Tilaya Dam and Bokaro Plants. The Committee desired that copies thereof should also be circulated to them.

215. Before the Committee adjourned, they asked the representative of the Ministry of I. & P. to furnish to them a general report‡ touching the various aspects of the execution of the Damodar Valley Project viz., the estimated cost of the various units; the irrigation; flood control and power utilisation aspects of the project; the time schedule for its completion etc. The Committee also decided to meet sometime again in December, 1954 to take up further consideration of the Accounts relating to the D. V. C.

216. The Committee then adjourned to meet again at 10 A.M. on the 19th October, 1954.

* See Appendix XXXVI

† See Appendix XXXVII

‡ See Appendix XXXVIII

**Proceedings of the Tenth Sitting of the Public Accounts Committee
held on Tuesday, the 19th October, 1954.**

217. The Committee sat from 10 A.M. to 1-25 P.M

PRESENT

Shri B. Das.—*Chairman.*

MEMBERS

2. Shri T. N. Singh.
3. Shri Ramananda Das.
4. Shri Balwant Sinha Mehta.
5. Shri S. V. Ramaswamy.
6. Shri U. C. Patnaik.
7. Shri Choithram Partabrai Gidwani.
8. Shri V. P. Nayar.
9. Shrimati Violet Alva.
10. Diwan Chaman Lall.
11. Shri P. S. Rajagopal Naidu.
12. Shri Ram Prasad Tamta.
13. Shri Mohamed Valiulla.

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

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor-General of India.*

Shri P. N. Bhandari, *Controller of Commercial Audit, New Delhi.*

SECRETARIAT

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

Shri V. Subramanian.—*Deputy Secretary.*

Witnesses

Shri K. G. Ambegaokar, *Secretary, Ministry of Finance (E. A. Deptt.).*

Shri S. G. Barve, *Joint Secretary, Ministry of Finance (E. A. Deptt.).*

Shri N. C. Sen Gupta, *Deputy Secretary, Ministry of Finance, (E.A. Deptt.).*

Shri P. C. Das Gupta, *Chief Administrator, Rehabilitation Finance Administration.*

Shri H. S. Negi, *Deputy Secretary, Ministry of Finance, Rehabilitation Finance Administration.*

218. At the outset, the representative of the Ministry of Finance explained to the Committee the constitution of the Administration which was a statutory Corporation and consisted of a Chief Administrator and eight members—four officials and four non-officials appointed by Government.

The representative of the Rehabilitation Finance Administration (hereafter referred to as R. F. A.) stated that the appointment of the Chief Administrator was made by the Ministry of Finance in consultation with the Ministry of Rehabilitation. The Deputy Chief Administrator and two Assistant Chief Administrators were appointed by the Board with the concurrence of the Ministry of Finance. All others viz., Inspectors right down to the Peons were appointed by the R. F. A. He added that they had not got anybody in their staff who was on deputation or had been re-employed after retirement.

219. Referring to the appointment of staff, the representative of the Rehabilitation Finance Administration admitted that a few persons employed by the Administration happened to be the relations of some Officers in the Ministry of Finance or Rehabilitation. But there was nothing on record to show that they had been pushed through into the Administration by their efforts. When asked by the Committee whether the representative of the R. F. A. considered that on merits certain persons in that Organisation would have been appointed to the posts held by them at present in the Administration but for their relationship with certain officers, he stated that he did not think that on merits those two or three persons whom they had in view were below the standard of similar other officers.

220. The Committee then took up consideration of the Balance Sheet of the R. F. A. for the period ending 31st December, 1951 and wanted to know the basis for the provision of 'bad and doubtful debts' and Government's views thereon especially in regard to the policy followed in this behalf. The representative of the R. F. A. stated that under an *ad hoc* arrangement, which had been decided upon in consultation with the Ministry of Finance, 50 per cent of the amount of instalments which had fallen due and had been referred to Revenue authorities for enforcing recovery, was being provided as 'bad and doubtful debts'. He added that they had not so far written off even a pice under this arrangement.

The Committee then pointed out that against the amount of loans given in 1953 viz., Rs. 24 lakhs, a sum of Rs. 14 lakhs had been provided for bad and doubtful debts, which showed that proper prudence had not been exercised in granting the loans.

221. Referring to the figure of the estimated loss of Rs. 95,18,699 shown in the Balance Sheet of the R. F. A., the representative of the Ministry of Finance stated that this represented the net loss till the end of December, 1953 and was occasioned by two things—viz., first, the loss as a result of provision for bad and doubtful debts, and secondly, the result of difference between profit and loss as the yearly revenue income for each year fell short of expenditure. The latter, he explained, was due to the fact that the R. F. A. had to recruit a very large staff as there were a large number of applications to be dealt with in the early stages, although the income of the Administration was low.

222. The representative of the R. F. A. stated that his own candid opinion was that the provision for bad and doubtful as shown in the Balance Sheet might not cover the ultimate bad debts which might turn out to be much more than what was shown in the Balance Sheet under consideration.

223. In reply to a question, the representative of the R. F. A. stated that in respect of displaced persons from West Pakistan, they had got 7,900 loanees upto June, 1953 of which 6,000 loanees were fully covered by their compensation claims which amounted to Rs. 3.70 crores. He further stated that if a person had a verified compensation claim, the Administration generally gave the loan without going much into his antecedents if things were otherwise satisfactory. But in the case of those persons who had not got verified claims, they went into greater details before they gave any loans. In the case of displaced persons from East Pakistan, he stated that there were no verified claims and they tried to get good guarantors from them.

224. The Committee then desired that a note* stating the policy underlying the basis for provision for bad and doubtful debts should be furnished to them.

225. Referring to the results of verification of documents and Securities lying with the R. F. A. as disclosed in the Report of the Auditor on the Accounts of the Administration for 1951, the representative of the Administration stated that the latest position was that 70 documents were missing from the file. They were share scrips, National Savings Certificates and partnership deeds and the Administration was arranging to get duplicate copies thereof.

226. The Committee then pointed out that while the amount of loan sanctioned during the year ending the 31st December, 1953, was Rs. 2.5 crores, the amount of loan actually disbursed was only Rs. 24 lakhs and wanted to know the reasons for great delays involved in issuing loans after sanction. The representative of the Ministry of Finance invited the attention of the Committee in this connection to Para 15 of the Review on the working of the R. F. A. for the period ending the 31st December, 1953 which outlined the important obstacles in the way of sanctioned loans being disbursed.

227. When asked by the Committee whether the loan was sanctioned even before the applicants were able to produce acceptable guarantors, the representative of the R. F. A. replied in the affirmative.

228. The Committee then took up para 9 of the Report of the Auditors on the Accounts of the R. F. A. for the year ended December, 1951, relating to the loss of Rs. 1,21,875 resulting from the investment made by the Administration in Government securities and wanted to know (a) why the sum of Rs. 2 crores was drawn by the R.F.A. on 24-3-50 when it was not required by the Administration; (b) why it was not refunded to Government and (c) why the Resolution of the R.F.A. dated the 3rd May, 1951 was not implemented by refunding at least Rs. 50 lakhs to Government, when the balance with the R. F. A. was about Rs. 1 crore. The representative of the R. F. A. stated that what actually happened was that in order to

* See Appendix XL.

avoid a lapse of budget grant, they did draw from Government Rs. 2 crores although the money was not required by them immediately. They then sought the advice of Government about the manner in which that money should be disposed of and in consultation with the Reserve Bank it was decided that the bulk of it should be invested in Government securities. Out of Rs. 2 crores, they invested Rs. 1½ crores and kept Rs. 50 lakhs for their use. Later, when the securities were sold in the market for meeting the needs of the Administration, they had to incur a loss of about Rs. 1.21 lakhs as a result of fall in the price of securities.

229. Explaining the position, the representative of the Ministry of Finance stated that they did not suggest to the R. F. A. to draw this money. He further stated that because that was their first year of experience, they did not know the flow of disbursements by the Administration. It was only after four years that they knew that the rate of disbursement was so terribly poor that they need not have taken all that money which was drawn on altogether different expectations. The Committee then drew the attention of the representative of the Ministry of Finance to the written explanations given by the R. F. A. to the Auditor wherein it was stated that "this amount was drawn largely on account of budgetary reasons". The representative of the Ministry, however, pleaded that it had nothing to do with the Government's budgetary reasons. As regards the refund of Rs. 50 lakhs by the Administration to Government as enjoined by the Administration's Resolution, it was observed that under the provisions of the Rehabilitation Finance Administration Act, 1948, such refunds could not be drawn again by the Administration. The Committee asked the representative of the Rehabilitation Finance Administration to furnish them written notes* on the points raised by them in this connection.

230. The Committee then drew attention to the high percentage of establishment charges incurred by the Rehabilitation Finance Administration. The representative of the Rehabilitation Finance Administration stated that as the applicants for loans were spread all over India, they had got to maintain an elaborate machinery to find out whether the latter were loan-worthy or not. In reply to a question, it was stated that the field staff of the Rehabilitation Finance Administration was about 150 in number and the average salary of lowest paid field staff was Rs. 150/- rising upto Rs. 250/-. The field staff were also to prepare periodical reports of the loanee's account every three months.

231. The Committee then asked the representatives of the Ministry of Finance and Rehabilitation Finance Administration to furnish them the following notes:

- †(i) note setting out the various stages in the processing of loan applications from their receipt in the Administration's Office till the actual payment, with special reference to the element of time involved in each stage; and

*See Appendix XLI

†See Appendix XXXIX

‡See Appendix XLII

‡(ii) note stating the steps taken by the Rehabilitation Finance Administration and the Government to cut down expenditure especially the 'Establishment Charges'.

232. In reply to a question, the Committee were informed that from July to October, 1954 till the new Board of the Rehabilitation Finance Administration was constituted, the staff had to be kept without any work. The representative of the Ministry of Finance, however, stated that the loan applications would now be considered by the newly constituted Board and the work of the Rehabilitation Finance Administration continued.

233. Reverting to the question regarding the disproportionate expenditure incurred by the Rehabilitation Finance Administration raised by them earlier, the Committee drew attention to the appointment of some Officers in the Administration on high salaries who happened to be the relations of certain Officers in the Ministry of Finance etc., and were drawing comparatively much lower salaries in their previous posts. After some discussion, the representative of the Ministry of Finance promised to furnish to the Committee a note* stating the details about the appointment of the following officers of the Rehabilitation Finance Administration with special reference to the previous posts and salaries drawn by them, their experience etc., the various posts held by them in the Rehabilitation Finance Administration and their present posts and salaries (including special pay or allowances, if any):

- (i) Deputy Chief Administrator;
- (ii) Assistant Chief Administrator;
- (iii) Secretary; and
- (iv) Assistant Superintendent.

234. Before the Committee rose, the representative of the Rehabilitation Finance Administration informed them that in his personal opinion 80% of the debts would prove bad and would be lost.

235. The Committee then adjourned to meet again at 10 A.M. on the 20th October, 1954.

*Not printed

**Proceedings of the Eleventh Sitting of the Public Accounts Committee
held on Wednesday, the 20th October, 1954.**

236. The Committee sat from 10 A.M. to 1-30 P.M.

PRESENT

Shri B. Das—*Chairman.*

MEMBERS

2. Shri T. N. Singh.
 3. Shri Balwant Sinha Mehta.
 4. Shri S. V. Ramaswamy.
 5. Shri U. C. Patnaik.
 6. Shri Choithram Partabrai Gidwani.
 7. Shri V. P. Nayar.
 8. Dr. Indubhai B. Amin.
 9. Shrimati Violet Alva.
 10. Diwan Chaman Lall.
 11. Shri P. S. Rajagopal Naidu
 12. Shri Ram Prasad Tamta.
 13. Shri Mohamed Valiulla.
- Shri A. K. Chanda, *Comptroller and Auditor-General of India.*
- Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor-General of India, New Delhi.*
- Shri S. Gupta, *Accountant General, Central Revenues.*
- Shri P. N. Bhandari, *Controller of Commercial Audit, New Delhi.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

- Shri K. G. Ambegaokar, *Secretary, Ministry of Finance, (E.A. Deptt.).*
- Shri P. C. Bhattacharya, *Chairman, Industrial Finance Corporation.*
- Shri S. G. Barve, *Joint Secretary, Ministry of Finance (E.A. Deptt.).*
- Shri V. R. Sonalkar, *Managing Director, Industrial Finance Corporation.*
- Shri N. C. Sen Gupta, *Deputy Secretary, Ministry of Finance (E.A. Deptt.).*
- Shri H. S. Negi, *Deputy Secretary, Ministry of Finance (E.A. Deptt.).*

237. The Committee took up consideration of the **Fifth Annual Report of the Industrial Finance Corporation and the Report of the Industrial Finance Corporation Enquiry Committee, 1953.**

238. At the outset, the Comptroller and Auditor-General informed the Committee that as a result of the passing of the Industrial Finance Corporation (Amendment) Act, 1952, the responsibility for the audit of accounts of the Corporation had devolved on him and his Department had already taken up the audit of the accounts for the year ending the 30th June, 1954. He further stated that while the audit conducted by the Commercial Auditors was regulated to a certain extent by the general rules regarding audit of ordinary Joint Stock Companies, the audit conducted by his Department was in the nature of a higher audit and it would not cover the same ground that would be covered by the Commercial Auditors.

The Comptroller and Auditor-General then pointed out that under section 32 of the I.F.C. Act, 1948 it was obligatory on the Corporation to provide for bad and doubtful debts every year, but this had not been done in the first five years, although a provision of Rs. 5 lakhs had been made in the Balance Sheet for the year ending the 30th June, 1954.

239. The Committee then drew the attention of the representative of the Ministry of Finance to para 3 of the Government Resolution dated the 23rd December, 1953 on the Report of the I.F.C. Enquiry Committee wherein it had been stated that 'the Committee has not found that the allegations made in Parliament about partiality and favouritism were established and has generally exonerated the Corporation and wanted to know how the Government came to that conclusion. He stated that on receipt of the Report of the Enquiry Committee, they called for from the Secretary of the Committee a list of the cases which led the Committee to arrive at that view. Government then fully examined those cases and found that the allegation was not based on facts. He added that what appeared to be a case of discrimination in some instances was actually the result of a change in the policy of the Corporation in the matter of granting loans to Companies and safeguarding the interests of the Corporation.

240. In reply to a question, the representative of the Ministry stated that the Government had not framed any rules regarding the grant of loans by the Corporation, as laid down in Section 42 of the Act and that the policy of the Corporation in this behalf was evolved as a result of experience gained from time to time. He pleaded that because the Act also provided for regulations to be framed by the Corporation with the approval of the Government and such regulations were framed, the Government did not consider it necessary to frame separate rules. He then read out from page 12 of the First Report of the Corporation the various criteria for judging the merits of the loan applications. The Committee then desired that a note* stating the circumstances why the rules were not framed as laid down in the Act should be furnished to them.

241. The Committee then drew attention to the views of the Board of Directors of the I.F.C. to the remarks made by the Enquiry Committee in Para 25(5) of their Report and asked the Managing Director, I.F.C. to explain whether any enquiries were made by the

Corporation to the effect that the applicant for a loan had tried to raise the money in the open market and had failed. In reply, he stated that if a company could raise the capital, they would not come to the Corporation for a loan. The application made to the Corporation was itself an evidence of the inability of the applicant to raise equity capital.

In reply to a question, the representative of the Ministry of Finance stated that the Corporation did not necessarily appoint Directors on all the concerns to whom loan was provided. In the case of Sodepur Glass Works, where a loan was given for actually putting up a factory, and not to a running concern, the appointment of a Managing Director and the Board of Directors was insisted upon because the loan had gone up and the Corporation had actually taken over the concern.

242. The Committee then referred to the observations made in Para 32 of the Report of the Enquiry Committee that the procedure of leaving the entire discretion solely to the Managing Director to settle the detailed terms and conditions that would apply to the loan naturally left scope for the play of personal bias and for the possibility of favouritism. In this connection, reference was made to the comments contained in Para 88 of the Report referred to above i.e. the appointment of Mr. G. S. Trasy, a retired official of the Central Bank of India Ltd. on a remuneration of Rs. 2,000/- plus travelling expenses and his being continued in Bhurkanda after the special work for which he was brought had been completed and till October, 1952 when he was made General Manager of the Sodepur Glass Works, although he had little or no experience in that line. Intervening, the Managing Director, I.F.C. informed the Committee that the passages in the Enquiry Committee Report relating to the Sodepur Glass Factory were based on the information given to it by the other parties and were therefore inaccurate. However, while replying to further questions put to him on the points arising from the above case in regard to the appointment of Mr. Trasy etc. he could not rebut any one of the statements made by the Enquiry Committee in Para 88 of their Report.

The Committee then desired that a detailed note* stating the circumstances leading to the appointment of Mr. Trasy as General Manager of the Sodepur Glass Works by the I.F.C. should be furnished to them.

243. On his attention being drawn to the comments offered by the Government on Para 50 of the Report of the Enquiry Committee re: the grant of loans to foreign companies by the I.F.C., the representative of the Ministry of Finance stated that Government would consider this matter.

In reply to another question, the Managing Director, I.F.C. stated that before determining an Industry as of national importance for the purposes of grant of loans, they generally consulted the Development Wing of the Ministry of Commerce and Industry. The

*See Appendix LIX.

~~Committee~~ then asked him to submit to them notes in regard to the ~~Finance~~ matters:

- †(i) What are the cases which are generally referred to the Commerce and Industry Ministry before the sanctioning of loans to the Industries etc.?
- ‡(ii) A statement showing the cases (1) where loans were sanctioned by the Corporation on the recommendations of the Ministry of Commerce and Industry and (2) where the recommendations were not accepted and the loans were advanced.

244. The Committee then drew attention to the progressive rise in the working expenses of the Corporation during the last 5 years. They, therefore, asked the Corporation to furnish them the following information:

§(1) A statement showing the expenditure on Establishment year by year by categories viz.,

- Officers in Class I
- Officers in Class II
- Officers in Class III
- Officers in Class IV

|| (2) A statement showing the percentage of establishment charges as compared to the working expenses of the Corporation yearwise since its constitution.

245. Reverting to the Sodepur Glass Works case, the representative of the Ministry of Finance explained to the Committee the entire background leading to the decision of the Board of Directors of the I.F.C. to take over the Glass Factory and manage it themselves. He stated that at present their main objective was two-fold; firstly, to reduce the loss to the Corporation as much as possible and secondly, to make the factory a running concern and with this end in view, they had appointed a special sub-Committee under the Chairmanship of Shri P. C. Bhattacharya, (Chairman, I.F.C.) to see whether this factory could be taken over by some one who was prepared to run it on payment of the money to the Corporation. He added that negotiations were under way and that was why Government did not arrive at a final decision on the conclusions recorded by the Enquiry Committee in this case. The representative of the Ministry of Finance, however, assured the Committee that after they had settled this, the lapses and irregularities brought to notice in this regard in the Report of the Enquiry Committee would be looked into.

The Chairman of the I.F.C., Shri P. C. Bhattacharya, informed the Committee that the factory was now in a working condition, its furnace having been rebuilt and gave an assurance that after the negotiations had been completed, the Corporation intended to consider the question of proceeding against the guarantors if there was any loss to be recovered.

*See Appendix LX
 †See Appendix LXI
 ‡See Appendix XLIV

See Appendix LXII I
 See Appendix LXII

246. The Chairman, I.F.C. further informed the Committee that the General Manager of the Sodepur Glass Works had since been removed from service, and a junior officer had been appointed in his place as a sort of caretaker. He added that the Board of Directors of the I.F.C. had taken a decision not to run this factory as production unit under the control of the Corporation.

247. At this stage, the Committee decided to appoint a sub-Committee of their own to probe into the affairs of the I.F.C. with special reference to the Sodepur Glass Works case etc. The Comptroller and Auditor-General, however, suggested that the sub-Committee should be set up after he had presented his Audit Report on the Accounts of the I.F.C. which he expected to do by November.

248. The Committee wanted to know whether there was no uniformity in the rate of interest charged for the loans advanced by the I.F.C. and it varied from company to company. The representative of the Ministry of Finance stated that the rate of interest depended on the rate at which the Corporation could raise funds and it was fixed by the Board of Directors. It ranged between 5½ per cent. and 6½ per cent. with 1 per cent. rebate. He felt that this matter should be left to the Corporation to decide.

249. The Committee desired that a copy* of the Regulations framed by the I.F.C. should be circulated to all the Members.

250. Referring to the statement showing the classification of total Loans & Advances sanctioned by the I.F.C. and amounts availed of by the borrowing concerns upto 31st December, 1952, as contained in Appendix 3 of the Report of the Enquiry Committee, the Committee desired that a statement† showing the particulars of the Companies which had resources of their own but had been granted loans by the I.F.C. so far should be furnished to them.

- 251. The Committee then adjourned to meet again at 10 A.M. on Thursday, the 21st October, 1954.

*Not printed (available in Parliament Library)

†See Appendix LXIV

**Proceedings of the Twelfth Sitting of the Public Accounts' Committee
held on Thursday, the 21st October, 1954.**

252. The Committee sat from 10 A.M. to 1 P.M.

PRESENT

Shri B. Das—Chairman.

MEMBERS

2. **Shri T. N. Singh.**
3. **Shri Ramananda Das.**
4. **Shri Balwant Sinha Mehta.**
5. **Shri S. V. Ramaswamy.**
6. **Shri U. C. Patnaik.**
7. **Shri Choithram Partabrai Gidwani.**
8. **Shri V. P. Nayar.**
9. **Dr. Indubhai B. Amin.**
10. **Shrimati Violet Alva.**
11. **Diwan Chaman Lall.**
12. **Shri P. S. Rajagopal Naidu.**
13. **Shri Ram Prasad Tamta.**
14. **Shri Mohamed Valiulla.**

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

Shri P. C. Padhi, Additional Deputy Comptroller and Auditor-General.

Shri S. Gupta, Accountant General, Central Revenues.

**Shri P. N. Krishnaswamy, Accountant General, Food, Re-
habilitation and Supply.**

SECRETARIAT

Shri S. L. Shakdher—Joint Secretary.

Shri V. Subramanian—Deputy Secretary.

WITNESSES

Shri M. R. Sachdev, Secretary, Ministry of Works, Housing and Supply.

Shri S. Ranganathan, Joint Secretary, Ministry of Works, Housing and Supply.

Shri V. N. Rajan, Director General, Supplies & Disposals.

Shri R. P. Barman, Chief Engineer, C.P.W.D.

Shri D. Dutt, Estate Officer, Government of India.

Shri S. Ratnam, Joint Secretary, Ministry of Finance (Works Division).

Shri H. S. Negi, Deputy Secretary, Ministry of Finance.

MINISTRY OF WORKS, HOUSING & SUPPLY

Audit Report (Civil), 1952, Part I

Para 6(a)—Payment of Railway freight

253. In this case, two Officers in the Disposals Organisation, of whom one had since left for Pakistan, decided to modify the terms of a sale letter issued to a certain firm for the sale of 5,200 tons of surplus Iron Bars inadvertently described in the tender as lying in Jodhpur, whereas they were actually at Jubbulpore, without consulting the Finance or the Special Solicitor attached to the Disposals Organisation at Headquarters, thus resulting in an extra expenditure of Rs. 2,08,971 on account of Railway freight against the sale value of Rs. 10,66,000. The junior Officer (an Assistant Director Grade I) who promptly recommended the acceptance of the firm's request that stores should be railed at Government expense from Jubbulpore to the various destinations specified by them, as their offer was F.O.R. Jodhpur, the excess over the freight between Jubbulpore and Jodhpur and the destination stations only being payable by them, had since left the Disposal Organisation and joined the C.W. & P.C. (Hirakud Dam Project) as an Assistant Executive Engineer. The same Assistant Director passed one claim of this firm for freight not covered by even the modified terms, resulting in an excess payment of Rs. 3,175. For this lapse, the displeasure of the Director General was communicated to him direct in December, 1950 when he had left the Disposals Organisation and a copy of the communication was forwarded to the C.W. & P.C. under whom he was employed in January, 1952. The representative of the Ministry of Works, Housing and Supply admitted that the manner of communicating displeasure was not correct and that it was communicated to the C.W. & P.C. only after Audit had pointed it out.

254. The Committee felt that the disciplinary action taken against the Officer was not adequate. Explaining the circumstances which showed that this Officer (then Assistant Director) acted under the verbal orders of his senior officer, the representative of the Ministry of Works, Housing & Supply stated that normally he should have put up the case through his Director. But in this case, this Officer was putting up the case direct to the Deputy Director-General and this procedure was quite extraordinary. Further, the claim of the firm, in which they said that they should be reimbursed freight charges, was also an extraordinary thing. He stated that he was in full agreement with the facts of this case, except that the amount of extra payment in the form of Railway freight actually came to Rs. 1,79,000 because later on after negotiations, they were able to recover from the firm about Rs. 29,000.

255. The Comptroller and Auditor-General after reading out to the Committee the note recorded by the Assistant Director concerned in this case while recommending the payment of freight to the firm pointed out that this did not show that the latter was definitely acting under the instructions of the Deputy Director-General. The representative of the Ministry of Works, Housing & Supply agreed that this Officer should have stated the whole position clearly on the file in order to vindicate his position. Expressing his own view, he admitted that this Officer had been lightly let off.

256. The Comptroller and Auditor-General further pointed out that the second payment on account of Railway freight was made by the Assistant Director himself on his own responsibility and it clearly showed that even in the first case the plea put forward that he was acting under the orders of the Deputy Director-General was unconvincing. The representative of the Ministry, of Works, Housing & Supply, however, pointed out that actually the second payment was sanctioned by this Officer on wrong calculations which were very complicated. According to him, it was an error and not a deliberate act. The Committee noted that this Officer had now been promoted as an Executive Engineer on the Hirakud Dam Project.

257. Para 6(e)—*Disposal of Machine Tools*.—In 1945, a Joint Secretary in the late Supply Department permitted a private concern to use machinery worth over Rs. 20 lakhs for several years without payment of hire charges. The Ministry had held that no disciplinary action was called for. The Committee asked for clarification about the Ministry's attitude in this matter. The representative of the Ministry of Works, Housing & Supply narrated the whole history of this case; how the Textile Machinery Corporation near Calcutta was taken over by the Government in 1943 during the last War and converted into a Civil Maintenance Unit, the appointment of this firm (TEXMACO) as holding contractors; the loss of machinery etc. He further stated that the firm used only 96 machines and the rest were lying unopened and unused. Later on, in the course of settlement with the firm, 36 items of machine tools and 27 items of equipment were sold to them for Rs. 5 lakhs in consultation with the Ministry of Finance. The main objection that had been raised by Audit, he said, was the action of a Joint Secretary who was then dealing with the aircraft on the Secretariat side, under which he allowed the firm free use of the machinery in lieu of their undertaking to bear responsibility for their safe custody and maintenance. He felt that at that time the action of the Joint Secretary was justified because, firstly, there was no immediate use for those machines and, secondly, there was serious shortage of godown space in Calcutta. Therefore, he thought that that was the very best arrangement that could be made under which the machines would be very well looked after and Government would not have to pay any rent etc. Otherwise, it would have meant at that time some expense and possibly damage to the machines.

258. Para 6(o)—*Reduction of Security Deposit*.—In this case, the Finance Ministry had refused to accord *ex post facto* sanction to the short receipt of the earnest money deposit at 10 per cent of the tendered price (*viz.*, Rs. 1,08,113) from a certain firm for the sale of 1,60,168 pieces of mosquito nets Bivouac by negotiation. The firm after taking delivery of 90,000 nets, defaulted in making payment for the balance. The sale was thereupon cancelled at their risk and expense and the Security Deposit of Rs. 50,000 forfeited and the quantity not removed by the firm, was withdrawn. The Committee noted that had the full amount of security deposit been taken, Government could have forfeited the whole of it. The increment of the Officer concerned, who was also involved in other tr-

regularities was stopped for two years and he was transferred to a post where he would not exercise any financial powers. The balance of the stock, it was stated by the representative of the Ministry of Works, Housing & Supply, was taken back by the Ministry of Defence.

On the point of regularisation of expenditure incurred without proper sanction, the Comptroller and Auditor-General stated that it should be legalised either by a vote of Parliament or by making the recovery from the person concerned.

The Comptroller and Auditor-General stated that in such cases of irregular expenditure, he proposed to append to his Audit Reports a special paragraph mentioning the cases in which expenditure was incurred without sanction and ask for steps being taken either for making the recovery or for getting a vote of the Legislature to cover that. It would thus automatically come up before the Committee.

259. *Para 6(r)—Loss of Audit Notes—The Accountant-General, Central Revenues informed the Committee that the total amount on account of arrears of rent of Government property outstanding for recovery on the 1st March, 1954 was Rs. 18,10,000 out of which Rs. 5,38,000 related to the period prior to 1950-51. The Estate Officer informed the Committee that they had cleared about Rs. 25 lakhs out of Rs. 29 lakhs outstanding on the 1st July, 1951 when the position was reviewed. These arrears, he added, had accumulated due to the turmoil in the wake of Partition, wrong assessment, unauthorised occupation of Government quarters by displaced Government servants and others.*

260. The Comptroller and Auditor-General pointed out that the only purpose of including this para in the Audit Report was to ascertain from the Government's representatives whether the Estate Office had been functioning properly and efficiently. The Committee then asked the representative of the Ministry of Works, Housing & Supply to furnish them a statement* showing:—

- (a) The break-up of the amount of rent outstanding on 1.3.54:
 - (i) Rent recoverable from Government servants;
 - (ii) Rent recoverable from private persons—both regular and irregular occupants (displaced persons and others to be shown separately);
 - (iii) Amount outstanding against various Ministries and Departments of the Government of India.
- (b) Amount written off under each of the above categories since 1.4.51.

261. *Para 6(s)—Waiver of recovery of rent.—The recovery of rent for Office accommodation provided to the Council of Scientific and Industrial Research in May, 1945 was overlooked by the Estate Office. Subsequently, the assessment of rent for the period from March, 1948 to March, 1950 was made but no recovery was effected. The recovery of Rs. 1,16,659 due from the Council was waived by*

* See Appendix VIII

Government—the reason for the waiver being that this body had rendered services mainly in the field of research during the last War for which no cash payment was made by Government. The explanation given by the Ministry of Works, Housing & Supply was that Government instead of giving cash grant-in-aid to the Council waived the recovery of rent by executive orders.

262. *Para 6(t)—Contract for pre-fabricated buildings*—In this case, Government entrusted the (Reema) Construction Company of U.K. with the construction of nine blocks of pre-fabricated hospital buildings as a demonstration of their patent system of construction, which was claimed to be cheaper, quicker and more durable than the traditional methods. The work was given to the Company in September, 1949 without any formal agreement. A letter from Government addressed to the Company in September, 1949 was taken as the "Letter of intent" and the Company's reply as the "Acceptance". Under that, the Govt. agreed to pay the Company a fixed sum of Rs. 2.66 lakhs as "over-heads". The normal processes of audit could not be applied during the execution of the work as copies of neither the 'letter of intent' nor the estimates etc. were furnished to Audit. The Committee noted that the amount paid to the firm was, as estimated by the C.P.W.D., almost double of what the work would have cost had it been executed by traditional methods.

263. The representative of the Ministry, reading out from the first letter which was treated as 'letter of intent' addressed to the Company by the Ministry of Health on the 20th January, 1950, stated that it clearly said that the firm should finish this construction and if, on the basis of costing, it was proved that their total outlay was less than what was estimated by the C.P.W.D. then Government would think in terms of an agreement. That was purely a demonstration contract and it was felt that the rigorous terms of a formal C.P.W.D. contract were unsuitable for this undertaking which was an experimental venture. Intervening, the representative of the Ministry of Works, Housing & Supply stated that he felt that this situation might have arisen on account of some misunderstanding that a 'letter of intent' was not an agreement. Continuing, the representative of the Ministry of Finance stated that the payments that were made to the firm were of two types: sterling payments and Indian payments. All of them were covered by proper sanctions to advances. It might be that these payments were not against a particular auditable contract but there were no individual sanctions. The final payment to the firm, he added, had not yet been settled and the matter was still under consideration between the Works, Housing & Supply Ministry (which came into the affair rather late) and the firm's representatives. The original cost of the hospital building, he added was Rs. 6½ lakhs and now it was nearly Rs. 13 lakhs.

264. The Comptroller and Auditor-General pointed out that the financial interests were not safeguarded in the 'letter of intent'. Even if it was granted that the overheads would be very heavy because of the volume of work to be done being so small, it would still have been prudent to have imposed a ceiling on the rest of the expenditure upto the limit of the C.P.W.D. estimates.

265. The Committee then adjourned to meet again at 10-30 A.M. on the 22nd October, 1954.

Proceedings of the Thirteenth Sitting of the Public Accounts Committee held on Friday, the 22nd October, 1954.

266. The Committee sat from 10-30 A.M. to 1-30 P.M.

PRESENT

Shri B. Das—*Chairman*.

MEMBERS

2. Shri T. N. Singh.
3. Shri Ramananda Das.
4. Shri Balwant Sinha Mehta.
5. Shri S. V. Ramaswamy.
6. Shri U. C. Patnaik.
7. Shri Choithram Partabrai Gidwani.
8. Shri V. P. Nayar.
9. Dr. Indubhai B. Amin.
10. Diwan Chaman Lall. —
11. Shri P. S. Rajagopal Naidu.
12. Shri Mohamed Valiulla.

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

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor-General.*

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

Shri P. N. Krishnaswamy, *Accountant General, Food, Rehabilitation and Supply.*

SECRETARIAT

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

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

Present during the examination of the Appropriation Accounts relating to the Ministry of Works, Housing & Supply:

Shri M. R. Sachdev, *Secretary, Ministry of Works, Housing and Supply.*

Shri S. Ranganathan, *Joint Secretary, Ministry of Works, Housing and Supply.*

Shri V. N. Rajan, *Director-General, Supplies & Disposals.*

Shri R. P. Barman, *Chief Engineer, C.P.W.D.*

Shri C. A. Subramanian, *Controller, Printing & Stationery.*

Shri S. Ratnam, *Joint Secretary, Ministry of Finance.*

Shri D. Dutt, *Estate Officer, Government of India.*

Present during the examination of the Appropriation Accounts relating to the Ministry of Information and Broadcasting:

Shri P. M. Lad, Secretary, Ministry of Information and Broadcasting.

Shri M. Lal, Director General, All India Radio.

Shri R. Narayanaswami, Joint Secretary, Ministry of Finance.

MINISTRY OF WORKS, HOUSING AND SUPPLY

Audit Report (Civil), 1952—Part I

267. The Committee resumed consideration of the Audit Report (Civil), 1952—Part I.

268. Para 47—Clearance of Objections.—The Audit Report showed that the total number and money value of the objections relating to the years 1942-43 to 1950-51 outstanding against the Ministry of Works, Housing and Supply was 19,005 and Rs. 18,60,03,022 respectively. The Committee wanted to know (a) whether Government were satisfied that the pendency of these objections for so long would not prejudice the financial interests of Government or the discipline of the Government servants concerned; and (b) the number of objections which related to works executed without administrative approval or technical sanction. Explaining the latest position, the representative of the Ministry stated as below:—

No. of objections disposed of	19,000
Money value of the objections disposed of	Rs. 11-11 crores.

The Comptroller and Auditor-General informed the Committee that the progress made by the Ministry in the disposal of Audit Objections in the last six months was satisfactory and there were now about 7,800 objections and the outstanding total was Rs. 6.53 lakhs. He, however, urged that the audit objections should receive the attention of the Secretary of the Ministry himself and their disposal should be brought to his notice periodically. In his opinion, a lot of unnecessary work would be eliminated if audit objections were promptly replied to. The representative of the Ministry undertook to take action on the lines suggested by the Auditor-General. As desired by the Committee, he also promised to furnish to them a statement* showing the number of items of Audit objections and money value of the objections accumulated after 1950-51 (figures to be shown separately for the 'Disposals' Organisation and the C.P.W.D.).

The Auditor-General further pointed out to the Committee that most of the items under objection related to the estimates of works which had already been completed and in respect of which the Ministry or the C.P.W.D. had only to accord *ex post facto* sanction.

269. Para 6(j)—Loss by fire of Surplus U.S.A. Stores.—In 1946, Government entered into an agreement with a private firm for the disposal and safe custody of surplus aircrafts, aircraft parts and other allied materials left by the U.S.A. Govt. Under the agreement, the firm was to receive a custody fee in addition to a selling agency fee. Shortly after the agreement was executed, a series of

fires broke out on the 4th March, 1947, the 2nd April, 1947 and the 7th April, 1948 in one of the Depots under the Agent firm, involving a loss of stores of the book value of Rs. 47.20 lakhs. The Committee wanted to know the facts of this case as to how the fires took place, why no enquiry was made into their cause and a report about the loss made to Audit. The representative of the Ministry stated that no physical verification of the American Surplus Stores left in India had been made as the Americans did not hand over any list or inventory. These stores, as they were, were handed over by them to the firm concerned. He admitted that no enquiry was held by the Department into the cause of the fire. All that happened was that some discussion took place between the then Director General, Disposals and the Directors of the firm concerned and the former was fully satisfied that the agent firm had taken adequate precautions. The Director-General, it was stated, had left India. As regards the third fire which broke out on the 7th April, 1948, the Committee wanted to know why an enquiry was not ordered. The representative of the Ministry stated that in this case, the Sub-Division Magistrate of Kharagpur who inquired into the cause of the fire held that the fire was as a result of an accident. The Director-General accepted the report and it was shown to Finance also. The extent of the loss, he added, was assessed by the firm and they had no source to check it.

270. *Para 6(f)—Disposal of Surplus American Stores.*—In this case, Government entered into an agreement with a private firm for the disposal of American surplus stores such as Aircraft etc. The agreement provided for the setting up of a Small Consultative Committee consisting of representatives of the Government and the firm to fix as expeditiously as possible minimum selling prices and special terms of sales in respect of the stores entrusted to it. Audit scrutiny of a small percentage of the total transactions disclosed that during the period from 1st April, 1948 to 31st March, 1950, stores having a book value of Rs. 30.44 lakhs but priced at Rs 24.14 lakhs by the Consultative Committee were sold for Rs. 7.21 lakhs. The Committee wanted to know what action had been taken against the Officers concerned for the sale of articles at such low prices thus resulting in colossal loss of public money. The representative of the Ministry pleaded that the Consultative Committee went into every item and gave a certificate that the prices at which the stores were disposed of were the best that could be obtained in the circumstances. The Committee, not being satisfied with the explanations, desired to be furnished with a report stating the circumstances under which the Director General, Supplies and Disposals did not exercise proper discretion in securing an equitable return for the stores in question disposed of by him.

Appropriation Accounts, 1950-51 and the Audit Report, 1952—Part II.

271. *Para 23(b)—Improper Payments to contractors*—This para discloses a typical case showing how the contractors' claims involving extra payment of about Rs. 18 lakhs were admitted by the Chief Engineer, C.P.W.D. two years after the completion of the work re-

*See Appendix IX.

lating to the construction of a Colony of 2,468 quarters for Government servants undertaken in 1944-45. The Committee wanted to know why no disciplinary action was taken against the official responsible for the irregularities committed in this case and what steps had been taken to avoid their recurrence. Also whether any action had been taken against the Officers who failed to prepare the estimates for obtaining technical sanction during the past nine years. The Committee further pointed out that the extra payment to the contractors and the manner in which this contract had been processed were not in the best interests of Government. The representative of the Ministry stated that while the criticisms in the Audit Para were beyond dispute, he personally felt that in view of the urgency brought about by the rising tempo of the War, the C.P.W.D. had to undertake and complete this work very quickly and credit should be given to those Officers who executed it in those circumstances. In reply to a question, he stated that payments on account of this work had been continuously made to the contractors on the running bills and the last payment was made about March, 1947. The estimates for this work were prepared during this year (1954) only and the final orders issued for payment then. The then Chief Engineer, C.P.W.D. incharge of this work, he added, left for Pakistan soon after Partition.

272. In reply to another question whether there was any claim, valid or otherwise, from the contractors for the payment of Rs. 18 lakhs made in 1947, the representative of the Ministry replied in the affirmative. Intervening, the Comptroller and Auditor-General pointed out that Audit had gone through the papers and had not been able to find out any written claim by the contractors. After some discussion, the Committee asked the representative of the Ministry of Works, Housing and Supply to furnish them a note setting forth the following information:

- (i) Did the contractors put in any claim in writing for the payment of Rs. 18 lakhs?
- (ii) Whether any Officer who had not gone to Pakistan was responsible for any of the lapses and the extent to which he was thus responsible.
- (iii) Has any action been taken against the officials who failed to prepare the estimates for obtaining technical sanction during these nine years?

273. When questioned whether the Ministry were regularly obtaining statements of property, movable or immovable acquired by the Officers and subordinates employed in the C.P.W.D., the representative of the Ministry stated that the Chief Engineer looked into the property statements of the C.P.W.D. officials and the Secretary of the Ministry looked into those of the Chief Engineer himself.

The Committee then asked the representative of the Ministry Works, Housing and Supply to submit to them notes on the following points which they could not cover for want of time:

- * (i) Note stating the reasons for the non-surrender of savings in time so as to avoid lapsing of funds as shown against the various sub-heads of the Grants relating to the Ministry at pages 350, 346, 605 and 678 of the Appropriation Accounts *ibid.***
- ** (ii) Note 4—Page 606 of the Accounts—Provision for works in the budget estimates without administrative approval.—**

What steps have been taken by Government to prevent the recurrence of such cases?

- † (iii) Purchase of Reserve Stores by Ministry of Industry & Supply (Group Head J)—pages 646-647.**

What is the present position of outstanding recovery of Rs. 62,263/-?

MINISTRY OF INFORMATION & BROADCASTING

‡ Statement showing action taken or proposed to be taken on the recommendations of the P.A.C.—Item 90—Radio Licences—(Appendix I)

274. The Committee wanted to know what progress had been made to attain the target of one million licences. The representative of the Ministry of Information and Broadcasting stated that just now there were 8,37,000 licensed radio sets in the country. As regards the number of radio sets kept without licences, he pointed out that if the anti-piracy work was more intensified, probably they might be able to bring on record a large number of sets which were estimated as between a lakh and two.

275. When asked about the steps taken by Government towards the large scale production of cheap radio sets, the representative of the Ministry stated that they had asked the Industry to bring out cheaper radios. For that purpose, they had evolved a prototype in the A.I.R. and had demonstrated to the trade that it could be manufactured with the existing facilities at a cost of about Rs. 85. Continuing, he stated that they were having a conference with the Industry with a view to induce them to take up the manufacture of community broadcast receivers. The number of such receivers at present existing in the country, he added, was about 10,000 including those in the schools. They had also submitted to the Planning Commission a scheme for the grant of substantial subsidy to the States to the extent of 50%, if they brought the prototype set evolved by the A.I.R., from any manufacturer. Such a measure according to them would encourage the manufacturers to produce that particular type of a cheaper radio. In reply to a question, he stated that the State Government and the villagers each would bear 25% of the cost of community receivers and the remaining 50% would be borne by the Centre.

* See Appendix III.

** See Appendix LXVI.

† See Appendix LXVII.

‡ See Appendix X.

When asked whether they had any arrangement for the manufacturing of radio sets on a commercial scale, the representative of the Ministry replied in the negative. He further stated that they had arrangements to produce it on a laboratory scale only.

276. Explaining the reasons why the A.I.R. could not be made self-supporting, the representative of the Ministry stated that an important point that was not taken into consideration under the commercial accounting system was the expenditure involved in the maintenance of External Services ranging from Rs. 12—15 lakhs. He urged that these services were such from which no return could be expected. The Comptroller and Auditor-General agreed with this view point.

277. The Committee then discussed with the representative of the Ministry about the possibility for any reduction in the radio licence fee especially in respect of community receivers. The representative of the Ministry informed the Committee that he had already discussed this point with the P. & T. Deptt. which collected the fees and they had expressed the opinion that there would be greater scope for evasion if two different rates of fees were introduced and it might also affect the revenue receipts. He further stated that he would again discuss this issue with them.

COMMERCIAL APPENDIX TO THE APPROPRIATION ACCOUNTS (CIVIL), 1950-51.

278. Para 238 and Item 89* of the Statement of Outstanding Recommendations of the P.A.C. (Appendix I).—Explaining the economies made in the establishment charges of the A.I.R., the representative of the Ministry stated that in accordance with the recommendations of the *ad hoc* Committee appointed in 1952 to go into the reasons for the rapid growth of expenditure in the A.I.R., they had abolished a number of posts thus resulting in a saving of Rs. 2,22,400 per annum. Further, they effected economy by adopting some other measures *viz.*, reduction in the programmes, reduction in contingency expenditure etc.

279. The Committee then discussed in passing the method of recruitment of staff by the A.I.R. under the various categories, the employment of artists etc. The representative of the Ministry stated that so far as the recruitment to permanent posts was concerned, it was done through the U.P.S.C. As regards staff artiste's they were evolving a scheme for instituting a regular production cadre and rules were being framed for fixing the number of posts on each side for different stations *viz.*, drama, music, etc.

280. The Committee asked the representative of the Ministry to furnish them a statement† showing the service particulars of the various Programme Assistants who had been discharged from service (showing the length of service rendered by them and how the resultant vacancies had been filled up).

*See Appendix X.

†Not printed.

281. The Committee then pointed out that the current purchases of stores exceeded the issues, and there was already a large balance in stock. They wanted to know whether the stock balance contained much material that was obsolete, or for which there was very little demand. The representative of the Ministry stated that the exact information was not available with him. The biggest item under these stores, he said, was perhaps high kilowatt transmitters. The Committee then asked him to submit to them a statement† showing the value etc. of the Transmitter Equipment etc., purchased during the years 1949-50, 1950-51, 1951-52 and 1952-53.

In reply to a question, the Comptroller and Auditor-General informed the Committee that the value of these transmitters was about Rs. 50 lakhs.

282. As regards the employment of Correspondents by the A.I.R. for the supply of news or the utilization of the news agencies in the country for the purpose, the representative of the Ministry stated that they were discussing that matter with the P.T.I. and would give very high consideration to the recommendations made by the Press Commission in their Report in this behalf before coming to a final decision.

283. The Committee then considered the losses incurred on the publication of the various Radio Journals as exhibited (in para 238) of the Commercial Appendix. The representative of the Ministry stated that there were two ways in which the journals could show improvement. Firstly, they should provide non-programme matter, viz., articles, pictures etc., and secondly, increase the advertisement revenue. He added that they were evolving a 'space selling unit' for the entire Information and Broadcasting Ministry and he hoped that it would eventually bring them more money. The Committee wanted to know why it was not possible for the Advertising Consultant, Simla to secure advertisements for the A.I.R. Journals. They also desired to be furnished with (a) statement* showing the figures of income and expenditure relating to the various Radio Journals for the years 1951-52, 1952-53 and 1953-54 and (b) a copy† of the free mailing list of the A.I.R. Journals.

284. The Committee then adjourned to meet again at 10 A.M. on the 23rd October, 1954.

* See Appendix XI.

† See Appendix LXX.

‡ See Appendix LXIX.

Proceedings of the Fourteenth Sitting of the Public Accounts
Committee held on Saturday, the 23rd October, 1954

285. The Committee sat from 10 A.M. to 1 P.M.

PRESENT

Shri B. Das—*Chairman.*

MEMBERS

2. Shri Tribhuan Narayan Singh
3. Shri Ramananda Das
4. Shri Balwant Sinha Mehta
5. Shri S. V. Ramaswamy
6. Shri Uma Charan Patnaik
7. Shri Choithram Partabrai Gidwani
8. Shri V. P. Nayar
9. Dr. Indubhai B. Amin
10. Diwan Chaman Lall
11. Shri P. S. Rajagopal Naidu
12. Shri Mohamed Valiulla.

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

Shri P. C. Padhi. *Additional Deputy Comptroller & Auditor-General.*

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

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

Shri Humayun Kabir, *Secretary, Ministry of Education.*

Shri C. S. Menon, *Joint Secretary, Ministry of Finance (States & E.A. Division).*

Shri K. Ram, *Joint Secretary, Cabinet Secretariat.*

Dr. B. Rama Murthi, *Joint Director, Central Statistical Organisation.*

Shri S. Jayasankar, *Joint Secretary, Ministry of Finance (R. & E.)*

286. At the outset the Secretary, Ministry of Education, explained to the Committee the powers and functions of the proposed University Grants Commission.

287. *Para. 12 of the Audit Report.*—The representative of the Ministry informed the Committee that the furniture was retained as there was a proposal to utilise the same for the High Commissioner's Office. There was also another proposal to set up a hostel in London or an alternate hostel in Edinburgh, for which the furniture could be used. He admitted that the plea for retaining hostel furniture for use in offices, was unconvincing but stated that they could not disregard the suggestion of the advisers on the spot.

Regarding the delay of 10 months in disposing of the furniture after decision had been taken to that effect, the representative of the Ministry stated that the High Commissioner's Office was responsible for the delay. The Committee desired to be furnished with a note* on the causes of delay at every stage so as to enable them to fix responsibility.

288. *†Para. 34 of the Audit Report.*—In reply to a question the representative of the Ministry informed the Committee that the money was paid to the University in advance (to be kept in "suspense") as in the absence of Government's prior contribution the Trusts of the colleges would not deposit their share of the contribution. This advance payment, he added, was made with the concurrence of the Finance Ministry. The Committee felt that this payment was in pursuance of a policy decision of Government taken in 1942 to centralise all colleges in the University campus and the position should have been reviewed in 1952 in the context of the changed circumstances before making the payment. The representative of the Finance Ministry said that they very much regretted that this aspect of the case was not reviewed in 1952 at the time of making the payment.

The Comptroller & Auditor General pointed out that it was his responsibility to see that grants made were utilised for the purposes for which they were meant and such a case where the grant was given with instructions not to spend, was highly objectionable. The representative of the Ministry observed that in matters like Education, grants to Universities etc., should be made non-lapsing if progress in the educational field was desired to be achieved and said that he would submit a note* to this effect for the consideration of the Committee.

289. The Committee then took up the grant of scholarships. The representative of the Ministry informed the Committee that so far as the scholarships to students were concerned there was no question of refund. Only the students had to satisfy the conditions laid down in the rules for scholarships. The scholarship holders were under an obligation to serve the Government provided appointment was offered to them within five months of the period of return. In practice most of the scholars sent abroad by the Central Government were absorbed by the Central Government.

*See Appendix XII.

Appendix LXXI

290. *Item 79 of Outstanding Recommendations (Appendix I).*—The Committee desired to be furnished early with a note* on the above item stating the reasons for placing the Visva-Bharati University on a different footing as compared to the two other Central Universities viz., Banaras Hindu University and Aligarh Muslim University in regard to audit of its accounts.

Cabinet Secretariat

291. †*Para. 17 of the Audit Report.*—The Committee wanted to know why no notice was taken of the grave irregularities committed by the official either before sanctioning him extensions from time to time or before sanctioning his pension. The representative of the Cabinet Secretariat replied that the official himself was in charge of these matters in that office and he dealt with the references relating to these irregularities at his own level despite the fact that the case related to him. When matters came to the notice of senior officials, the officer was allowed to retire after paying the dues to Government; in view of his past good service to Government, it was not considered necessary to take further action against him by way of reducing his pension. The officer died a few months after his retirement.

292. The Committee then adjourned to meet again on the 28th October, 1954 at 10 A.M.

See Appendix XIV.

†*See Appendix XV.*

Proceedings of the Fifteenth Sitting of the Public Accounts Committee held on Thursday, the 28th October, 1954.

293. The Committee sat from 10 A.M. to 1-30 P.M.

PRESENT

Shri B. Das—*Chairman.*

MEMBERS

2. Shri Ramananda Das
3. Shri S. N. Das
4. Shri Balwant Sinha Mehta
5. Shri S. V. Ramaswamy
6. Shri Choithram Partabrai Gidwani
7. Shri V. P. Nayar
8. Dr. Indubhai B. Amin
9. Diwan Chaman Lall
10. Shri P. S. Rajagopal Naidu
11. Shri Mohamed Valiulla
12. Shri J. V. K. Vallabharao.

Shri A. K. Chanda, *Comptroller & Auditor-General of India.*
Shri P. C. Padhi, *Additional Deputy Comptroller & Auditor-General.*

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

Shri P. N. Krishnaswamy, *Accountant General, Food, Rehabilitation and Supply.*

SECRETARIAT

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

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

Present during the examination of the Accounts relating to the Ministry of Food and Agriculture:—

Shri H. M. Patel, *I.C.S., Secretary, Ministry of Food and Agriculture.*

Shri R. S. Krishnaswamy, *I.C.S., Joint Secretary, Ministry of Food and Agriculture.*

Shri M. R. Bhide, *I.C.S., Joint Secretary, Ministry of Food and Agriculture.*

Shri A. Zaman, *I.C.S., Joint Secretary, Ministry of Food and Agriculture.*

- Shri S. T. Raja, *Deputy Secretary, Ministry of Food and Agriculture.*
 Shri K. S. Krishnaswami, *Joint Secretary, Ministry of Finance.*
 Shri R. G. Mundkur, *Deputy Secretary, Ministry of Finance.*
 Shri V. S. Krishnaswamy, *Deputy Secretary, Ministry of Finance.*

Present during the examination of the Accounts relating to the Ministry of Communications:—

- Shri B. N. Jha, *I.C.S., Secretary, Ministry of Communications.*
 Shri K. V. Venkatachalam, *Deputy Secretary, Ministry of Communications.*
 Shri V. M. Bhide, *I.A.S., Deputy Secretary, Ministry of Communications.*
 Shri L. C. Jain, *I.C.S., Director General of Civil Aviation.*
 Shri S. Basu, *Director General of Observations.*
 Shri S. R. Kantebet, *Director General, Overseas Communication Service.*
 Shri R. Narayanaswami, *Joint Secretary, Ministry of Finance.*
 Shri K. C. Das, *Under Secretary, Ministry of Finance (E.A.).*

294. At the outset, the Chairman referred to the passing away of Mr. Rafi Ahmed Kidwai, Minister for Food and Agriculture and the Members stood in silence for one minute as a mark of respect.

295. *Para. 8 (a) of the Audit Report, Civil, 1952, Part I.*—The Committee then took up consideration of para. 8(a) of the Audit Report according to which the Government instead of earning a profit of Rs. 31,58,336 as originally anticipated, had to incur an extra expenditure of Rs. 9,36,519 in a barter agreement with a foreign country which undertook to grant permits for exporting to India 1,40,000 tons of maize in exchange for 30,000 tons of hessian to be supplied by India at a fixed percentage above the prevailing control prices. This extra expenditure which Government had to bear was due mainly to the lifting of control over the prices of hessian within four days after the contract was entered into which shot up the price of jute in the market.

Explaining the circumstances under which the Government were faced with this loss, Diwan Chaman Lall said that this was also partly due to lack of co-ordination between our Trade Commissioner in Buenos Aires and our Deputy High Commissioner in the United Kingdom as each began purchasing maize by out-bidding the other as a result of which the price of maize in the Brazil market went up sharply.

The representative of the Ministry of Food and Agriculture informed the Committee that if the entire quantity of hessian had been requisitioned at controlled rate, the profit to Government

would not have been as anticipated because the goods would have been sold at the requisitioned price plus 15 per cent minus the departmental charges.

296. In reply to a question whether any legal remedy was sought in the matter, the representative of the Ministry stated that according to the legal opinion Government could demand the market price for the quantity actually purchased after the lifting of control, from the foreign Government but as this course would have involved either losing the grain or incurring greater financial losses on the maize still left in that country, they decided not to take the risk of making such a demand and agreed to bear the consequential loss themselves.

Asked if the losses were due to lack of co-ordination between the different Ministries, the representative of the Ministry stated that it was not so. As a matter of fact, in cases where two or more Ministries are concerned in a particular case, full co-ordination between all of them was being maintained.

297. *Para. 8 (c) of the Audit Report (Civil) 1952, Part I—Barter Arrangement for wheat.*—The Government of India had to bear the stevedoring charges amounting to Rs. 68,599 in a barter agreement for wheat with a foreign country as the latter refused to bear the liability on the plea that the term c.i.f. Indian port did not include stevedoring charges. The representative of the Ministry assured the Committee that in future the Ministry would try to avoid any scope for such ambiguities and define the terms and conditions more precisely in their agreements with foreign countries.

298. *Para. 8 (d) of the Audit Report (Civil), 1952, Part I—Loss on purchase of condensed milk.*—The representative of the Ministry informed the Committee that in his opinion, the D.G.H.S. was responsible for the loss because they had not lifted the stocks despite repeated reminders to do so. As all the three Ministries connected with this deal, viz., Ministry of Health, Food and Agriculture and Rehabilitation disowned any liability for the loss, the Committee desired that the Ministry of Finance should be asked to submit a note* on this case apportioning the responsibility for the loss among the three Ministries.

299. *Para. 8 (e) of the Audit Report (Civil) 1952, Part I—Purchase without competitive tenders.*—The representative of the Ministry explained at some length the circumstances in which the normal purchasing agency could not be consulted before the purchase of certain pilot plant for the Indian Forest Research Institute from a firm in the U.S.A., and the circumstances under which a Special Officer was deputed to go abroad and arrange for the necessary machinery. He added that the price fixed was the lowest and that the contract was placed with the concurrence of the Finance Ministry.

As for the change in the price of the plant subsequently, the representative of the Ministry stated that this was due to change in specifications on the advice of the Expert Committee. He assured the Committee that in future whenever any officer was to be sent

* See Appendix XVIII

abroad for procuring any machinery etc., normal procedure of contacting the Head of a Supply Mission before starting any negotiations would be observed.

300.**Outstanding items: Item No. 72(ii).*—The Committee then considered item 72(ii) of the outstanding items relating to the Pashabhai Patel Implements. The Auditor-General made a reference to the latest findings of the Committee in their Twelfth Report. It was mentioned in the Report that the cost of rehabilitation of Pashabhai Patel Implements would be very high. The representative of the Ministry stated that this conclusion was based on the expenditure actually incurred on rehabilitating a few of them as an experimental measure, but the overall expenditure would be less if the work was done on a large scale. He further stated that the Ministry of Food and Agriculture would also examine the possibilities of disposing of the remaining equipment. He added that Government could not enforce any legal claim against Messrs. Pashabhai Patel and Co. for the loss on the implements.

301. *Note 2 on page 99 of the Appropriation Accounts, 1950-51.*—In regard to note 2 on page 99 of the Appropriation Accounts, 1950-51, according to which a sum of Rs. 1,200 drawn from the Treasury for payment of rent of office building was deposited by an officer into a private bank in his personal account under verbal instructions of the head of office, the representative of the Ministry informed that as the Bank went into liquidation, only Rs. 756 could be withdrawn and the balance amount was not recovered from the person as it was considered that it would be hard upon him when he did so under instructions from the head of office who had since retired.

302. *Commercial Appendix.*—The Committee next took up para. 191 of the Commercial Appendix to the Appropriation Accounts (Civil), 1950-51 relating to the purchase of ploughs and some other items of equipment far in excess of actual requirements by the Ministry of Food and Agriculture. The representative of the Ministry informed the Committee that originally the intention was to purchase 195 tractors with 360 ploughs but later on it was decided to purchase only 60 tractors in the first instance without correspondingly reducing the number of ploughs as it was considered that these could be used at the time the remaining 135 tractors were purchased. The representative of the Ministry also explained that the life of a plough which was originally taken to be 10 years was eventually, by experience, found to be only 4 years, and the order which originally seemed to be in excess of requirements actually turned out to be more or less reasonable. He also informed the Committee that all but 72 ploughs were now in use.

Ministry of Communications

303. *Note 3, Grant 58 of the Appropriation Accounts (Civil), 1950-51.*—The representative of the Ministry of Communications informed the Committee that an Expert Committee called "The Master Committee" was appointed about a year and a half ago to

* See Appendix XIX (item 72).

go into the question of absorbing into service all trained personnel. It had since submitted its report and Government had taken certain decisions thereon. In reply to a question whether all the foreign-trained pilots as also those who were still out of employment etc., would be provided with employment, the representative of the Ministry said that all these facts were taken into consideration by the Expert Committee and they came to the conclusion that at the most, 30 Commercial Pilots should be trained every year at the Civil Aviation Training Centre to meet the requirements of Civil Aviation. It is, however, the intention of the Ministry to restrict the number of Pilots to be trained to even a lesser figure. He further added that the C.A.T.C. did not train students to the requirements of the H.A.L. and the latter had their own training scheme. Regarding the co-ordination existing between the Communications Ministry and the Ministry of Defence, the representative of the Ministry stated that there existed Co-ordination Committees between the two Ministries at different levels.

As to financial implications of the Master Committee Report, the representative promised to send a note to the Committee in due course.

304. The Committee next took up the surrender of Rs. 18,80,400 under Grant No. 99. The representative of the Ministry explained the circumstances in which funds were surrendered in this case. When the Auditor-General suggested that in the light of experience, certain adjustments should be made in the capital budget so that surrender of large sums would be avoided in future, the representative of the Ministry assured the Committee that they had already taken up the matter and had devised methods for the proper control of expenditure and would see that such surrenders were avoided in future.

305. **Item 121 of the Statement of Outstanding Recommendations.*—It was stated in this item that all possible resources to effect recovery of the sum of Rs. 1,15,080 due from the Nationalist China Government should be tapped. The Financial Adviser (Communications) stated that the amount of Rs. 1,15,080 represented partly the amount due to the Government of India and partly the amount due to the Cables and Wireless of U.K. and was being pursued at diplomatic level.

306. The Committee then adjourned to meet again at 10 A.M. on the 29th October, 1954.

*See also Appendix LXXII.

Proceedings of the Sixteenth Sitting of the Public Accounts Committee held on Friday the 29th October, 1954.

307. The Committee sat from 10 A.M. to 1 P.M.

PRESENT

Shri B. Das—*Chairman.*

MEMBERS

2. Shri T. N. Singh
3. Shri Ramananda Das
4. Shri Shree Narayan Das
5. Shri Balwant Sinha Mehta
6. Shrimati Ammu Swaminadhan
7. Shri Choithram Partabrai Gidwani
8. Shri S. V. Ramaswamy
9. Shri V. P. Nayar
10. Dr. Indubhai B. Amin
11. Shri P. S. Rajagopal Naidu
12. Shri Mohamed Valiulla
13. Shri J. V. K. Vallabharao.

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

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor-General of India.*

Shri S. Gupta, *Accountant-General, Central Revenues.*

Shri P. N. Krishnaswami, *Accountant-General, Food, Rehabilitation and Supply, New Delhi.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

Present during the examination of the Accounts relating to the Ministry of Rehabilitation:

Shri C. N. Chandra, *Secretary, Ministry of Rehabilitation.*

Shri Mehar Chand Khanna, *Adviser, Ministry of Rehabilitation.*

Shri K. S. Krishnaswamy, *Joint Secretary, Ministry of Finance.*

Present during the examination of the Accounts of the Ministry of Transport:

Shri N. M. Ayyar, *Secretary, Ministry of Transport.*

Shri H. P. Sinha, *Additional Consulting Engineer (Roads Wing).*

Shri R. Narayanaswami, *Joint Secretary, Ministry of Finance.*

308. *Para 8(d)—Audit Report—Purchase of condensed milk.*—At the outset the Committee took up consideration of para 8(d) of the Audit Report relating to the purchase of condensed milk which was later found to be unfit for human consumption. The representative of the Ministry stated that the Ministry of Food and Agriculture was responsible* for this loss as they failed to obtain the usual warranty in this case, as they used to do in respect of requisitions on behalf of the Military authorities. He added that as soon as the Ministry of Rehabilitation discovered that the supplies were bad, the facts were brought to the notice of the Ministry of Food and Agriculture. The Committee deprecated the manner in which the representative of each of the three Ministries, viz., Food, Rehabilitation and Health were trying to pass on the responsibility to the other. The Committee felt that the Finance Ministry should be asked to go into the case and send a note* to them apportioning the responsibility for the loss amongst the three Ministries.

309. *Para 14(c) Drawal of money to avoid lapse of grant.*—The Committee then took up consideration of para 14(c) of the Audit Report according to which the Director of Relief and Rehabilitation of a Part 'C' State had drawn, in March 51, a sum of Rs. 8,12,757 for payment of loans to displaced persons, out of which only a sum of Rs. 3,82,867 was reported to have been disbursed within the year and the balance was deposited with a private bank for meeting claims as and when they arose. In November, 1951, the entire balance of Rs. 429,890 was withdrawn from the Bank for payment of loans but detailed account for Rs. 768,083 only had been submitted to Audit till March, 1954, in respect of the total disbursements and the balance had been credited into the Treasury. The representative of the Ministry informed the Committee that in view of the sudden large influx of refugees from East Bengal in 1947-48, the money was placed at the disposal of the Chief Commissioner, Tripura whose officers could not disburse the entire amount in time, and following the practice existing in the old State kept the rest of the amount in the Tripura Bank. He, however, stated that the balance had since been transferred to the Treasury and the credit was also traced in the accounts. The Ministry have issued instructions to avoid such lapses in future.

310. *Para 14(d)—Misappropriation of funds.*—The Committee next took up to consideration of para 14(d) of the Audit Report according to which embezzlements amounting to Rs. 27,089/9/6 by a cashier of the Rehabilitation Ministry were facilitated on account of laxity on the part of higher officer. It was explained by the representative of the Ministry that the Cashier had already been convicted and as there was no *mala fide* in the action of the higher officer and the acts of omission and commission on his part were due to heavy pressure of work, they did not propose to take any action against him.

Ministry of Transport

311. *Para 10—Audit Report—Compensation to Shipping Companies.*—In this case, the Government of India had agreed to treat as assistance to shipping Industry for its post-war rehabilitation

*See Appendix XVIII.

a sum of Rs. 206.75 lakhs being the difference between the claim admitted by the U.K. Government and the claim paid to by the Shipping Companies for compensation for ships borne on Indian register and requisitioned for war purposes at the instance of the U.K. Government. The Committee wanted to know if it was not a mistake on the part of the Government to have agreed to pay the full compensation to shipping concerns as demanded, knowing that there was difference in the rates allowed in India and the United Kingdom. The representative of the Ministry informed the Committee that it was a deliberate decision taken in 1942 to pay at enhanced rates knowing that the rates offered were higher than the U.K. rates and it was the intention to treat the difference as subsidy. The Government had stuck to this decision, although the quantum of difference had turned out to be considerable when the matter was referred to the U.K. Government. The Committee, thereupon, asked why Government did not choose to come with a vote for the subsidy portion but instead presented the entire claim to U.K. The representative reported that the entire sum was intimated to the U.K. Government with a request to indicate their share. As regards the vote by Parliament, they were advised that there was no point in obtaining the same now, as the amount had already been paid and was lying unadjusted in the pre-partition accounts.

312. *Item 67 of the Statement of Outstanding Recommendations.*—The Committee then took up consideration of item 67 of the Statement of Outstanding Recommendations enjoining that the DRTA should submit in time to Parliament the accounts as required by sub-section 3 of section 38 of the D.R.T.A. Act, 1950. The representative of the Ministry stated that the date of completion of the Annual Accounts of the DRTA had since been changed from 16th June to 30th September and efforts were being now made to lay the 1951-52 and 1952-53 accounts on the Table of the House in the next Session. The 1953-54 accounts were also being got ready.

The Committee then wanted to know the method adopted by the valuers in evaluating the assets of the DRTA at the time of taking them over from the G.N.I.T. The representative of the Ministry informed the Committee that there was an agreement with the old company which prescribed a formula in this regard. Although the valuers were not to deviate from the above formula, in certain cases, they did recommend certain deviations—e.g., in the case of vehicles not in running condition, variations were made from their book-values although the agreement stated that all vehicles had to be taken over; similarly in the case of 22 six-wheelers which could not be taken over for passenger transport, the valuers did not recommend their replacement value but their original cost which was much less. And their recommendations were accepted by Government. The Committee were, however, surprised to know that, within 8 months of the transfer, a number of vehicles had to be written off.

* See also Appendix LXXIII.

Referring to the delay in the submission of the Reports of the DRTA to Parliament the Auditor-General suggested that in future he should be authorised to lay the audit report on the DRTA on the Table of the House simultaneously with its submission to DRTA for comments. This will give the Committee an early opportunity to go into these accounts. It will also enable them to know the time taken by DRTA to take action thereon. In view of the three Audit Reports in respect of 1951-52, 1952-53 and 1953-54 still remaining to be laid on the Table of the House, the Auditor-General promised the Committee to present a review of all the three reports, drawing attention to important points so that it might be easy for the Committee to examine the affairs of DRTA.

313. The Committee then adjourned till 10-30 A.M., the 1st November, 1954.

Proceedings of the Seventeenth Sitting of the Public Accounts Committee held on Monday, the 1st November, 1954.

314. The Committee sat from 10-30 A.M. to 1 P.M.

PRESENT

Shri B. Das—*Chairman.*

MEMBERS

2. Shri T. N. Singh.
3. Shri Ramananda Das.
4. Shri Shree Narayan Das.
5. Shri Balwant Sinha Mehta.
6. Shrimati Ammu Swaminadhan.
7. Shri S. V. Ramaswamy.
8. Shri U. C. Patnaik.
9. Shri Choithram Partabrai Gidwani.
10. Shri V. P. Nayar.
11. Diwan Chaman Lall.
12. Shri Rajagopal Naidu.
13. Shri Mohamed Valiulla.
14. Shri J. V. K. Vallabharao.

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

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor-General of India.*

Shri S. Gupta, *Accountant-General, Central Revenues.*

Shri P. N. Krishnaswamy, *Accountant-General, Food, Rehabilitation and Supply.*

SECRETARIAT

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

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

Shri A. V. Pai, *I.C.S., Secretary Ministry of Home Affairs.*

Shri R. C. Dutt, *Joint Secretary, Ministry of Home Affairs.*

Shri S. Jayasankar, *Joint Secretary, Ministry of Finance.*

315. The Committee met to consider certain items of the Appropriation Accounts Civil, 1950-51 and Audit Report thereon and of the statement of Outstanding Recommendations relating to the Home Ministry.

316. Grant No. 11—*Sub-Head B of the Appropriation Accounts—Secret Service Expenditure.*—The Committee discussed at some length the propriety of the action of Government in increasing the amount for Secret Service Expenditure voted by Parliament by re-appropriating savings from another sub-head. Normally, as Secret

Service Expenditure is not subject to audit, it was held that re-appropriation of this kind involved taking out sums of money out of the scope of audit which was objectionable. On the other hand, it was observed that savings available under different sub-heads within the same grant could be reappropriated by Ministries themselves and in the case of reappropriations to or from the head "Secret Service Expenditure", they could be made with the concurrence of the Finance Ministry. The Committee, however, felt that although the reappropriations might be in order under the existing rules it seemed to be wrong in principle to divert expenditure voted by Parliament and auditable by the Comptroller and Auditor-General to a head which did not come under the purview of audit. The proper course in such cases would be to approach the Parliament for supplementary grant under this head. To overcome such situations, the Comptroller and Auditor-General suggested that there should be a separate Demand for Secret Service Expenditure, the provision for such expenditure which is at present dispersed in the Demands relating to various Ministries should be collected together under this Demand. It was urged by the representative of the Ministry that the existing procedure was working quite well and need not be disturbed.

In reply to a question whether there was any check on the amount of money which was spent out of Secret Service, the representative of the Ministry said that so far as his Ministry was concerned, he, in each individual case of expenditure, satisfied himself of the reasonableness or otherwise of the expenditure. Further, no amount of money could be spent without the knowledge of the Home Secretary.

317. *Grant No. 108—Subsidy Accounts-S-Scheme for the Supply of Consumer and other stores in Andamans.*—The Committee desired that the Ministry should consider if the scheme should continue in future.

318. *Grant No. 108—Group Head Y—Equipment purchased centrally.*—This relates to the recovery of Rs. 40 lakhs from the undivided Government of Bengal and a sum of Rs. 83,000 from private parties towards the cost of A.R.P. equipment purchased and supplied by the then Government of India. The Committee were informed that the amount of Rs. 83,000 recoverable from private parties had come down to Rs. 40,000 and that the case for the recovery of Rs. 40 lakhs from the undivided Government of Bengal was still under correspondence with the Government of West Bengal. The representative of the Ministry explained that every possible effort was being made to recover the balance amount from the private parties as also the amount due from the Government of West Bengal.

319. The Committee next considered the desirability of giving effect to the suggestion of Audit to revise the selling price of milk in respect of Government Dairy Farm, Andamans as contained in para 96 of the Commercial Appendix to the Appropriation Accounts (Civil), 1950-51. The representative of the Ministry assured the Committee that the suggestion would be carefully examined.

320. The Committee then took up consideration of item 42 of the statement of Outstanding Recommendations. The representative of the Ministry informed the Committee that action had already been

taken in the matter and different Ministries were now submitting weekly returns to their respective Ministers about the orders passed without first taking the directions of the Ministers. In this connection the Committee discussed at some length the delegation of powers at different levels, and referred to the existing tendency among officers of avoiding taking decisions themselves and leaving it to the higher authorities. The Committee desired to be furnished with a *copy of the orders issued by the Home Ministry regarding the submission of weekly returns to the Ministers.

321. The Committee then took up consideration of Item 62† of Outstanding Recommendations regarding delay in disposal of disciplinary cases. The representative of the Ministry observed that the delay was more often not due to any defects in the procedural rules, but to the defective understanding of the same. In his opinion the rules were designed to protect the interests of both the Government and the officer proceeded against, and Article 311(2) of the Constitution or Rule 55 of the Classification, Control and Appeal Rules did not require any modification. The Ministry have, however, under contemplation to exclude "reduction in rank" from the scope of the provisions of Rule 55 as this punishment could not be deemed to be a major punishment on a par with dismissal or discharge and as such, a second show-cause might not be provided for.

322. The Committee then adjourned to meet again on the 2nd November, 1954 at 10-30 A.M.

* See Appendix LXXIV.

† See Appendix LXXV.

Proceedings of the Eighteenth Sitting of the Public Accounts Committee held on Tuesday, the 2nd November, 1954.

323. The Committee sat from 10-30 A.M. to 1 P.M.

PRESENT

Shri B. Das—Chairman.

MEMBERS

2. Shri Tribhuan Narayan Singh.
3. Shri Ramananda Das.
4. Shri Shree Narayan Das.
5. Shri Balwant Sinha Mehta.
6. Shrimati Ammu Swaminadhan.
7. Shri Uma Charan Patnaik.
8. Shri Choithram Partabrai Gidwani.
9. Shri V. P. Nayar.
10. Diwan Chaman Lall.
11. Shri Ram Prasad Tamta.
12. Shri Mohamed Valiulla.
13. Shri J. V. K. Vallabharao.

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

Shri P. C. Padhi, Additional Deputy Comptroller and Auditor-General of India.

Shri S. Gupta, Accountant General, Central Revenues.

SECRETARIAT

Shri V. Subramanian—Deputy Secretary.

WITNESSES

Present during the examination of the Accounts relating to the Ministry of Labour:

Shri K. N. Subramanian, I.C.S., Joint Secretary, Ministry of Labour.

Shri N. N. Patnaik, Director-General of Resettlement and Employment.

Shri K. S. Krishnaswami, Joint Secretary, Ministry of Finance.

Present during the examination of the Accounts relating to the Ministry of Health:

Shri V. K. B. Pillai, I.C.S., Secretary, Ministry of Health.

Shri S. Ratnam, Joint Secretary, Ministry of Finance.

Shri H. S. Negi, Deputy Secretary, Ministry of Finance (E.A.).

324. The Committee met to examine the representatives of the Ministry of Labour and Health on certain points raised in the Appropriation Accounts (Civil), 1949-50 and Audit Reports thereon.

325. At the outset the Committee were informed that the Ministry of Labour had convened a conference of the State Labour Ministers for considering the recommendations of the Shiva Rao Committee Report on "Training and Employment Services Organisation".

326. When the Committee expressed their anxiety over the expenditure of Rs. 20 per placement for casual and unskilled vacancies as pointed out in para 88 of the Shiva Rao Committee Report, the representative of the Ministry stated that the Ministry was trying to reduce the expenditure as far as possible. He quoted figures showing how the expenditure was being reduced from year to year. When it transpired that this reduction had been due to the reduction in the number of placements also, the Committee could not see how the Planning Commission in their progress report could have shown an increased employment during that period. The Committee desired that the Ministry should look into the matter* and apprise the Committee with the correct position.

327. The Committee then enquired into the working of the Employment Exchanges. The Chairman quoted from para 94 of the Shiva Rao Committee Report in which it was stated that the officers in charge of the Employment Exchanges had a tendency to show spectacular results of employments by inflating the figures of placements by various devices. The representative of the Ministry admitting this, expressed that unless the tenure of service of the employees of these Exchanges was made permanent there was no likelihood of improvement in standards. In fact a Committee would be looking into the matter shortly with a view to weeding out the bad elements before the Exchanges were transferred to the State Governments.

328. On the question of bringing forward legislation to make it compulsory for all Government organisations to recruit personnel only through the Employment Exchanges the representative of the Ministry stated, that the Ministry had considered the question in the past and dropped it as it would alienate the assistance and sympathy of the employers without adding to the employment content in the existing circumstances. The Government would take up the question again shortly.

Regarding the filling of casual vacancies the representative of the Ministry added that the Government were in agreement with what the Shiva Rao Committee had recommended viz., that casuals should be kept out of the purview of the Exchanges.

329. The Committee then desired to be furnished with information on the following points:—

- (i) Statement showing Trade Union-wise representation on the Central Advisory Committee.
- (ii) Action taken by the Ministry of Labour to accelerate the filling of vacancies as suggested in the Shiva Rao Committee Report.

* See also Appendix XXIV.

† See Appendices XXV and XXVI.

- (iii) Reasons for the delay in having a legislation as recommended by the Royal Commission in 1930 and other Committees appointed by the Labour Ministry subsequently.
- (iv) Action taken by Government on the principal recommendations of the Shiva Rao Committee Report.
- (v) Tests prescribed to decide the efficiency of the Employment Exchanges other than the tests of expenditure on *per capita* placement.

330. The Committee were informed that the Government of India also, like the Employment Organisations in other countries, proposed to enforce aptitude tests, trade test, educational guidance and collection of employment statistics, consistent with the capacity of the Exchanges to undertake such activities.

331. In regard to the proposal to enact legislation for training of apprentices for various industrial concerns in the country, the representative of the Ministry stated that the Ministry were actively discussing the problem with the Commerce & Industry Ministry to see how far it was possible to evolve a proper apprenticeship scheme on a voluntary basis with selected big employers and would consider other measures if this scheme did not work well.

332. *Para 11 of the Audit Report Part I, 1952.*—The representative of the Ministry informed the Committee that the total amount of stipends to be recovered from trainees would be of the order of about Rs. 3 lakhs. He further stated that the stipends were recovered only from those who did not complete the training. He promised to furnish a note* on the amount recovered so far and the number of persons provided with jobs on the completion of their training.

333. The representative of the Ministry admitted that the quality of training imparted by the Employment Exchanges was rather below the requirements of the private employers but assured that the Ministry were taking due action to bring it upto the standard.

334. The Committee desired that the Employment Exchange training organisation should maintain a national register of the persons trained by them so that they might know where a person was employed after training and what job had been assigned to him.

MINISTRY OF HEALTH

335. *Para 8(d) of Audit Report, Part I.*—The representative of the Health Ministry observed that in regard to the case referred to in the Audit para his Ministry was only concerned with the distribution of the milk to the persons in the relief camp hospitals and informed the Committee that even the initial supply of seven tons of milk was of bad quality. He stated that his Ministry had brought this fact to the notice of the Ministry of Rehabilitation immediately on 1st September, 1948. He denied the charge that the milk had deteriorated because there was delay on the part of the Health Ministry in lifting it from the Government godowns. The Committee re-

* See Appendices XXVIII and XXIX.

affirmed their earlier decision that the three Ministries should present their respective cases to the Finance Ministry who should examine the case and send to the Committee a note apportioning responsibility.

336. *Para 6(t) of the Audit Report.*—The Committee then took up consideration of the case where Government entrusted a Construction Company of U.K. with the construction of nine blocks of pre-fabricated hospital buildings as a demonstration of their Patent System of construction, which was claimed to be cheaper, quicker and more durable than the traditional methods. The amount paid to the Company was ultimately about double of what the work would have cost had it been executed by traditional methods by the C.P.W.D. The representative of the Ministry stated that the responsibility for the work in question was taken up by the Health Ministry in accordance with a Cabinet decision. The cost did amount to more than the cost estimated by the C.P.W.D. because of excessive overheads charged by the Company but, he added, no legal action was taken against the Company as the Ministry of Law did not approve of any such action.

337. The Committee then turned to the running of the Medical Store Depots and enquired of the reasons for the write off of certain losses. The representative of the Ministry stated that the losses related to the wartime during which belated receipts of drugs and medicines accounted partly for their becoming useless. He added that a senior officer of the Ministry of Finance was going round the depots to see how the Medical Stores were being maintained now and what portions of the medical stores needed destruction because of their becoming old. The representative of the Ministry also informed that action was being taken against the persons responsible for misposting in Stores Accounts as pointed out in para 13(b) of the Audit Report.

338. In reply to a question whether the Ministry were trying to evaluate the effects of the steps taken on the preventive side (on which large sums are spent by the Centre), the representative observed that reports were being invited from various States regarding the efficacy of various preventive schemes like Anti-Malaria Scheme etc. They were also conducting Sample Surveys to determine the effects independently.

339. The Committee then adjourned to meet again at 10-30 A.M. on the 3rd November, 1954.

†See Appendix XVIII.

Proceedings of the Nineteenth Sitting of the P.A.C. held on Wednesday, the 3rd November, 1954.

340. The Committee sat from 10-30 A.M. to 1 P.M.

PRESENT

Shri B. Das—*Chairman.*

MEMBERS

2. Shri T. N. Singh
3. Shri Shree Narayan Das
4. Shri Balwant Sinha Mehta
5. Shrimati Ammu Swaminadhan
6. Shri Choithram Partabrai Gidwani
7. Shri V. P. Nayar
8. Shri U. M. Trivedi
9. Diwan Chaman Lall
10. Shri Mohamed Valiulla
11. Shri J. V. K. Vallabharao

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

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor-General of India.*

Shri S. Gupta, *Accountant-General, Central Revenues.*

Shri P. N. Krishnaswami, *Accountant-General, Food, Rehabilitation and Supply.*

Shri P. N. Bhandari, *Controller of Commercial Audit.*

SECRETARIAT

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

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

- Shri S. S. Khera, *I.C.S., Secretary, Ministry of Production.*
- Shri S. Jagannathan, *I.C.S., Joint Secretary, Ministry of Production.*
- Shri R. K. Ramadhyani, *I.C.S., Coal Commissioner.*
- Shri S. C. Aggarwal, *Salt Commissioner.*
- Shri K. R. P. Aiyangar, *Joint Secretary, Ministry of Finance.*

Grant 54—sub-head 11—Royalties and compensations.

341. At the outset the Committee considered the reasons for the omission to provide funds during the year in Grant 54—sub-head 11—(Royalties and Compensations) of the Appropriation Accounts (Civil), 1950-51. The representative of the Ministry explaining the circumstances in which the excess amount could not originally be provided in the Budget Estimates, stated that the reasons were two-fold viz., first, the Ministry did not anticipate such an excess judging from the actuals for the past three years; and secondly when the probable excess was brought to the notice of the Ministry in February of that year, it was too late to approach Parliament for supplementary appropriations. He added that the excess was not due to any increase in the royalties and compensation, but as a result of payment of arrears, which could not be foreseen. Besides, the late detection of the excess was also partly due to some errors in the figures relating to the arrear of payments.

The discussion then centred round the time lag that had occurred in the matter of regularising such excesses. The Committee thought that the excesses over grants together with the reasons therefor should be placed before them expeditiously so as to enable the Committee to review the regularisation of the excesses within a year to which the accounts related. The Auditor-General stated that it would be difficult for him to do so under the existing set-up as long as both the Audit and Accounts functions were not separated.

342. The Committee then discussed the question of abolition of nominee system for the distribution of salt. The representative of the Ministry informed the Committee that on the recommendations of the Commodities Control Committees, the system had now been abolished in most of the States. In U.P. the abolition had been done only partly because of transport bottlenecks.

The question of levy of the salt cess was next taken up by the Committee. They wanted to know whether it was proper to utilise the proceeds for general purposes instead of for the development of Salt. The representative of the Ministry stated that there was no intention of spending the cess collections indiscriminately. He informed the Committee that the Ministry proposed to bring forward a bill in this regard. The Committee were assured that Government were reviewing the various Acts under which cess was being levied, and in consultation with the Auditor-General were trying to prescribe a procedure by which whatever would be collected, would be credited to the Consolidated Fund, and necessary vote of Parliament taken for appropriating money therefrom to the cess Funds separately constituted in the Public Accounts.

343. The Committee next dealt with the question* of constituting State Undertakings into Private Limited Companies. The discussion centred round the legality of such action in the light of the opinion of the Attorney-General that such an act on the part of Government was constitutional and legal. The representative of the Ministry

*See also Appendix LII

observed that Government derived the necessary legislative powers by passing of the Industries (Development and Regulation) Act, 1951 by Parliament and the executive powers of participation in those industries enumerated in the said Act, automatically followed. It was pointed out by some members that the above Act should be read with Entry No. 52 of the Union List in the VII Schedule to the Constitution and should not be interpreted to mean that it conferred powers on the Central Government to hold shares in and to manage and participate in those industries. The words "Control of Industries" in Entry No. 52 should not, in their opinion be deemed to include "participation" in such industries, as has been done by Government. Specific authority by legislation would be necessary for the Central Government to participate in this manner in Industries, the control of which by the Central Government is declared by Parliament by law to be expedient in the public interest under Entry No. 52 referred to above. The Committee desired that this matter should be re-examined in this light and the opinion of the Attorney-General sought again.

344. The Committee then adjourned till the 4th November, 1954 at 10-30 A.M.

Proceeding of the Twentieth Sitting of the Public Accounts Committee held on Thursday, the 4th November, 1954.

345. The Committee sat from 10-30 A.M. to 1-25 P.M.

PRESENT

Shri B. Das—*Chairman.*

MEMBERS

2. Shri T. N. Singh
3. Shri Ramananda Das
4. Shri Shree Narayan Das
5. Shrimati Ammu Swaminadhan
6. Shri Amarnath Vidyalankar
7. Shri Uma Charan Patnaik
8. Shri Choithram Partabrai Gidwani
9. Shri U. M. Trivedi
10. Diwan Chaman Lall
11. Shri Ram Prasad Tamta
12. Shri Mohamed Valiulla
13. Shri J. V. K. Vallabharao

WITNESSES

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

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor-General of India.*

Shri S. Gupta, *Accountant-General, Central Revenues.*

Shri P. N. Krishnaswami, *Accountant-General, Food, Rehabilitation and Supply.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

Shri H. V. R. Iengar, *I.C.S., Secretary, Ministry of Commerce and Industry.*

Shri K. R. P. Aiyangar, *Joint Secretary, Ministry of Finance, (I. and C. Division).*

Audit Report (Civil) 1952, Part—1

MINISTRY OF COMMERCE AND INDUSTRY

346. Para 9(a)—*Storage of articles in a Private warehouse.*—This para disclosed that an infructuous expenditure amounting to £354 was incurred on the storage of certain goods and materials in a pri-

vate warehouse after they had been used for exhibition and publicity purposes. The Committee wanted to know why no action to transfer or dispose of the goods was taken till September, 1950 though the damaged condition of the stores was noticed in November, 1949. The representative of the Ministry agreed with the Committee that the removal of stores should not have taken one full year. He, however, assured the Committee that necessary instructions to avoid such lapses in future had been issued. In this connection, the Auditor-General stated that he had already suggested to the representative of the Ministry of Finance present at the meeting that in order to prevent the recurrence of such cases in other Ministries in future, that Ministry should issue general instructions so that when stocks became surplus, they should not be kept in storage indefinitely but a quick decision should be taken about their disposal. As regards the responsibility for the delay caused in the above case, the representative of the Ministry of Commerce and Industry stated that the Commercial Section of the Office of the High Commissioner was ultimately responsible for that, although responsibility could not be fixed on any particular individual. The Committee desired that a copy of the instructions* issued both by the Ministries of Commerce and Industry and Finance in this behalf should be furnished to them.

347. *Para 9(b) of the Audit Report—Transport of Cloth.*—Stating the history of this case, the representative of the Ministry stated that a cargo of cloth was shipped to two ports in South India. As soon as the country-craft carrying the cargo had left Bombay in March, 1944, it reported leakage, as a result of which the cloth was damaged. Since the cloth could not be salvaged on the island—where the craft had anchored, the cloth had to be brought back to Bombay in June 1944. In the meantime there was a dockyard explosion in Bombay as a result of which a very considerable part of the godown accommodation had been blown up. This coupled with the advent of monsoon led to the cloth being stored and salvaged in a nearby mill godown, as there was no storage accommodation available within the Bombay Port area. The cloth, he pointed out, was also exposed to monsoons which resulted in its further deterioration. Continuing, the representative of the Ministry stated that, in May, 1947, the quasi-judicial Enquiry gave its verdict against the firm, but when the case was taken up by the firm before the Bombay High Court, the learned Judge held that this case did not come within the purview of the Carriage of Goods by Sea, Act. As there was no charter of the vessel by the Government, the judgment added, no claim could be enforced against the firm for the loss or damage of the goods.

Explaining the reasons why Government did not prefer a claim within the time-limit, the representative of the Ministry stated that Government were under some misconception of the legal position and none of their lawyers brought it to notice that the suit had to be filed within the period of 12 months. The Committee then desired to know why a claim could not be lodged immediately and the discussions with the shipping Co. followed thereafter. The repre-

*See Appendix

representative of the Ministry stated that the Textile Commissioner thought that the first thing to do was to discuss with the firm the question of salvaging the goods and entering into an arrangement as to how the goods should be dealt with. The crucial point in the whole case, he further stated, was that it never occurred to the Textile Commissioner or any one else that there was a rigid time-limit of 12 months during which a suit could be filed.

When questioned, whether, in the light of the later developments of this case, Government had held an enquiry into the matter with a view to fixing the individual responsibility and punish the delinquent officers, the representative of the Ministry stated that they had not thought it necessary to hold such an enquiry. The representative of the Ministry pleaded that there was no culpable negligence on the part of the officers dealing with this case as the correct legal position was not clear till the High Court pointed out.

The Committee desired to be furnished with copies of the following documents* :—

- (a) Contract entered into with the shipping firm;
- (b) Findings of the quasi-judicial Enquiry; and
- (c) Judgement of the Bombay High Court.

348. *Para 31—Grant of personal concession to an Officer.*—In this case, an Administrative Officer in the Patents Office under the Ministry of Commerce & Industry, on his appointment to a permanent post in a lower scale of pay (Rs. 250—15—400) was granted a personal scale of pay drawn by him in the special temporary post held by him before (Rs. 650—30—800) and his initial pay was fixed at Rs. 680 though under the normal operation of rules he would have been entitled to a pay of Rs. 340 in the former scale. He was also allowed further personal concessions viz., the drawal of compensatory and house-rent allowances, etc. The Committee wanted to know the reasons which justified such an exceptional treatment. The representative of the Ministry stated that when the post of Secretary, Patents Enquiry Committee was created in the scale of Rs. 600—800 p.m. and when subsequently, this officer was appointed to the permanent post of Administrative Officer in the Patents Office, he was continued in the same scale of pay, as by that time there had been a large increase in the strength and quantum of work done in that Office. The then Ministry of I. & S., he added, recommended to the Ministry of Finance for the upward revision of the scale of pay of the Administrative Officer, namely Rs. 650—800 and that Ministry had then accepted it, but later on when another person was appointed to that post, the Ministry of Finance did not agree to the same scale of pay being given to that incumbent.

Appropriation Accounts (Civil), 1950-51 and Audit Report (Civil), 1952—Part II.

349. *Page 218—Grant No. 53—Note 4—Grant-in-aid to the Central Silk Board.*—The Central Silk Board according to the Audit Report did not raise any funds of its own and its entire expenditure was

See Appendices LXXVII, XVIII and LXXIX.

met out of Government grants. It had suggested that it would be more economical if a Government Department took over the functions of the Board. The Committee wanted to know whether Government had reviewed the working of the Board. The representative of the Ministry stated that the proportion of the Administrative expenditure of the Board was very high and the expenditure on actual research was small. He added that the position had now changed and the ratio of the establishment expenditure to the total expenditure represented a very small fraction. He assured the Committee that from this year onwards more substantial sums would be spent on actual research. He also explained to the Committee the difficulties that the Board was experiencing in getting qualified personnel. He further informed the Committee that the Board had sent some persons to Japan for training.

350. Page 218—Grant No. 53—Note 5—Grants to the Cottage Industries Board.—Grants aggregating to Rs. 9,27,000 were made to various State Governments and non-official organisations with a view to finance schemes for developing cottage and small scale industries approved by the Ministry of Commerce and Industry. The condition attached to payment of grants was that after the execution of the scheme, the parties concerned should furnish a certificate that the grant had been utilised for the purpose for which it had been sanctioned, with an audited statement of accounts from their auditors. The Audit Report disclosed that except in three cases, certificates had not been furnished by the grantees upto the end of December, 1952. The Committee wanted to know whether Government, after Audit had pointed out the irregularity in this case, had satisfied themselves that the grants to the All-India Cottage Industries Board etc., were properly utilized. While the representative of the Ministry admitted that there was considerable delay in getting these Reports from the State Governments, he felt that the Central Government was more or less helpless in the matter because the State Governments who were entrusted with the spending of this money were either very slow or reluctant to submit the progress reports. Asked if the various Boards were spending all the money granted to them, he stated that it would be difficult for these organisations to do so because that would require a large field staff, which only the Co-operative Societies, State Directors of Industries etc., had. He added, that the Boards at present were only advisory bodies. As regards the Khadi Board, he stated that the Government proposed to bring forward a Bill in the near future to turn the Board into a Statutory Body so that it could look after its own finances.

Implementation of the Recommendations made in the Fourth Report of the P.A.C. on the Import and Sales of Japanese Cloth

351 The Committee then took up consideration of the statement* laid on the Table of the House by the Minister of Commerce and Industry on 11th August, 1953 in connection with the Fourth Report of the P.A.C. with special reference to the recommendations made by the Committee for the holding of a judicial enquiry into the transaction relating to the purchase and sale of Japanese Cloth. The

* See Appendix XXX.

representative of the Ministry pleaded before the Committee that it would be difficult for him to reply to any question in respect of this case because a statement had already been laid on the Table of the House by the Minister and it would not be proper for him to involve himself in any interrogation leading to the expression of opinion thereon without the specific permission of the Government to do so. The Committee, however, did not consider that the case was closed and decided to further examine the matter at a later date. In the meantime, the representative of the Ministry undertook to place the matter before Government and seek their authority to answer questions on the above statement, when the same would be taken up for consideration by the Committee.

352. The Committee then adjourned to meet again at 12 Noon on the 8th December, 1954.

Proceedings of the Twenty-first Sitting of the Public Accounts Committee held on Wednesday, the 8th December, 1954.

353. The Committee sat from 12 NOON to 1 P.M.

PRESENT

Shri B. Das—*Chairman.*

MEMBERS

2. Shri T. N. Singh
3. Shri S. N. Agarwal
4. Shri Balwant Sinha Mehta
5. Shrimati Ammu Swaminadhan
6. Shri Amarnath Vidyalankar
7. Shri U. C. Patnaik
8. Shri Choithram Partabrai Gidwani
9. Shri V. P. Nayar
10. Shri U. M. Trivedi
11. Shrimati Violet Alva
12. Diwan Chaman Lall
13. Shri Ram Prasad Tamta
14. Shri Mohamed Valiulla.

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

Shri P. C. Padhi. *Additional Deputy Comptroller and Auditor-General of India.*

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

Shri P. N. Krishnaswami. *Accountant General, Food, Rehabilitation and Supply.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary*

WITNESSES

Shri R. K. Nehru. *Foreign Secretary, Ministry of External Affairs.*

Shri Prem Krishen. *Joint Secretary, Ministry of External Affairs.*

Shri Devi Diyal Bhatia. *Deputy Secretary, Ministry of External Affairs.*

Shri Raj Kumár. *Deputy Secretary, Ministry of Finance (R. & E. Deptt.).*

Shri H. S. Negi. *Deputy Secretary, Ministry of Finance (E.A. Deptt.).*

MINISTRY OF EXTERNAL AFFAIRS

354. *Para 4(a) of the Audit Report.*—At the outset the Committee considered para 4(a) of the Audit Report (Civil), 1952—Part I—according to which the Ministry of External Affairs was to recover a sum of Rs. 3,62,186 from the Afghan Government in lieu of stores supplied to that Government in 1943, but had not so far been able to do so. The representative of the Ministry informed the Committee that the delay in presenting the claim was due, partly to the fact that it had to be progressed through the then British Legation in that country which looked after India's interests also and to the unsatisfactory state of accounts in the War period which rendered the determination of the amount difficult. It had since been computed with the help of A.G.C.R. and the Ministry had since put up the demand against the Afghan Government. The representative of the Ministry, however, added that it was too early to remind that Government.

355. *Para 4(b) of the Audit Report.*—The Committee next took up the consideration of para 4(b) of the Audit Report. Before the Audit objection proper viz., disregard of rules and inadequacy of the punishment, could be considered, a question was raised as to why it was necessary to pay exchange compensation allowance to the Officers and the staff of Indian Embassies abroad. The representative of the Ministry informed the Committee that exchange compensation allowance had to be paid to the employees to compensate them for the depreciation in the purchasing power of the rupee, in terms of which their emoluments were fixed, as a result of appreciation in the exchange value of the local currency of the country concerned. In reply to a question as to how cases where the value of the rupee appreciated in relation to the local currency benefiting the staff abroad were dealt with the representative informed the Committee that this was effected through adjustments in the foreign allowance. As regards the case referred to in the Audit para, the representative of the Ministry stated that the practice of furnishing false certificates was followed in certain other Missions too and that the Officer concerned in the above case had been demoted on the advice of the U.P.S.C. He added in reply to a question that the Ministry simply placed the facts before the U.P.S.C. and left it to the Commission to decide upon the punishment. The Committee felt that this case was dealt with too lightly and the punishment meted out to the delinquent officer was inadequate. In their opinion, the fact that the practice was prevalent in other Missions also should not be a mitigating factor. On the other hand, those cases also should be investigated.

After some discussion the Committee decided that the Auditor-General should examine the papers relating to the case, the procedure followed by the Ministry in reporting the case to the U.P. S.C. and apprise the Committee of the position the next day.

356. The Committee then adjourned till 12 P.M. on the 9th December, 1954.

Proceedings of the Twenty-second Sitting of the Public Accounts Committee held on Thursday, the 9th December, 1954.

357. The Committee sat from 12 Noon to 1-15 P.M.

PRESENT

Shri B. Das—*Chairman.*

MEMBERS

2. Shri S. N. Agarwal
3. Shri Balwant Sinha Mehta
4. Shrimati Ammu Swaminadhan
5. Shri R. Venkataraman
6. Shri Amarnath Vidyalkar
7. Shri S. V. Ramaswamy
8. Shri U. C. Patnaik
9. Shri Choithram Partabrai Gidwani
10. Shri V. P. Nayar
11. Dr. Indubhai B. Amin
12. Shri U. M. Trivedi
13. Shrimati Violet Alva
14. Diwan Chaman Lall
15. Shri Ram Prasad Tamta
16. Shri Mohamed Valiulla.

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

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor-General of India.*

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

SECRETARIAT

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

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

Shri R. K. Nehru, *I.C.S., Foreign Secretary, Ministry of External Affairs.*

Shri Prem Krishen, *Joint Secretary, Ministry of External Affairs.*

Shri Devi Diyal Bhatia, *Deputy Secretary, Ministry of External Affairs.*

Shri Raj Kumar, *Deputy Secretary, Ministry of Finance (R. & E. Deptt.).*

358. At the outset the Auditor-General apprised the Committee of the results of his investigation into the case mentioned in para 4(b) of the Audit Report which he undertook to do at the instance of the Committee the previous day (Annexure I). The Auditor-General's investigation revealed that the officers of the

Mission in question had indulged in illegal currency operations which resulted in overdrawal of exchange compensation allowance. The *modus operandi* of the operation was that after getting their pay and allowances, the staff and officers of the Mission remitted their entire emoluments to India through Reserve Bank Drafts—a facility which was allowed by the External Affairs Ministry to the officers in foreign Missions for meeting their Indian commitments. Later they sold rupee cheques drawn in their accounts in India in the local market. Subsequently, when as a result of the devaluation of the local currency, exchange compensation allowance became payable to these officers, they availed of such allowance on all the amount they had drawn by rupee cheques from the Indian accounts, although the exchange compensation allowance was to be given only on the expenditure which was actually incurred by the Officers in the country of their assignment to meet their local expenditure. The Exchange Compensation Allowance and also travelling and medical charges were drawn by them in rupees through Reserve Bank Drafts which enabled them further to increase the field of their currency manipulation. The illegality of the operations remained undetected till an officiating Head of the Mission inadvertently sent both the statement of pay and allowances and that of transfer remittances to the External Affairs Ministry. Their scrutiny aroused suspicion, whereupon the Head of the Mission was recalled to India and made to proceed on leave pending investigation. The Joint Secretary of the Ministry of External Affairs investigated the case and came to the conclusion that the major charges against these officers were fully established. Under the permissive clause of the U.P.S.C. all the papers were furnished to the U.P.S.C. and explanations were also obtained from the Officer concerned. The U.P.S.C. came to the conclusion that the Officer concerned should be dismissed, which was also concurred in by the Minister. Before the dismissal order was, however, served on the officer, the Ministry thought that there was substance in the suggestion made by the Officer that similar manipulations were being indulged in by the Indian Missions elsewhere. Accordingly after verifying the above allegations, the U.P.S.C. was again approached by the Ministry for a review of the previous advice. In the circumstances the U.P.S.C. acquiesced in a lower punishment being awarded and advised that the officer should be reduced in rank for a period of three years and should not be given any assignment with allowances during this period. In taking this decision the Ministry was understood to have been influenced by the fact that the environments of the Mission in question were not conducive to a high sense of moral values and that the Missions of other countries with an impeccable reputation of integrity were also taking advantage of the economic and exchange instability. The Auditor-General added that the Ministry now proposed to issue charge sheets against all the other employees of this Mission

359. The Committee then heard the views of the representative of the Ministry on the above case. The representative of the Ministry apologized to the Committee for his less comprehensive statement on the previous day but stated that it was due to his unfamiliarity with all the facts as he was away on a visit to Korea at that time. He, however, agreed with what the Auditor-General

had stated and added that the Ministry had now set up a Foreign Service Inspectorate consisting of two senior Officers of the Finance Ministry, which was going into the working of the Missions in foreign countries.

Detailed and precise instructions regarding the drawal of exchange compensation allowance and the facilities for home remittance have been formulated. The Committee desired to be furnished with a *note on the findings of the proposed enquiry by the Ministry into the manipulations resorted to by the staff in other Missions including therein an explanation as to why criminal prosecution could not be launched against the officers involved in the case mentioned in the Audit para for furnishing false certificates.

360. The Committee then adjourned till 12 Noon on the 10th[†] December, 1954.

*See Appendix LVIII.

†Informal sitting

ANNEXURE I

Statement made by the Comptroller & Auditor General of India at the sitting of the Public Accounts Committee held on 9th December, 1954.

Currency Manipulations.

At yesterday's session, the P.A.C. had requested me to review the audit objection incorporated as para 4(b) with reference to the relevant files, and, in the light of the observations made by the Foreign Secretary. Accordingly, I have gone through all the papers which had been made readily available to me. I have had also the opportunity of a discussion with the officers of the External Affairs Ministry. I should, at once, admit that the para does not bring out fully the gravity of the offence committed, nor does it give a full and connected account of the case. I understand, however, that audit did not have access to the papers, made available to me and the para was drafted on fragmentary material before it.

2. I now place before the Committee the results of my examination. At the limited time at my disposal, the examination has not, perhaps, been as extensive as it should have been. It does not cover, for instance, other cases to which vague references occur in the papers. Nevertheless, my examination of this particular case is complete and full. The background of this case is rather important. I should refer to this to enable the Committee to appreciate the situation fully. In many Far-Eastern and Mid-Eastern countries, with unstable economies, the local currencies were pegged at an official rate of exchange which was both unreal and artificial. The result was that the Rupee was at a considerable premium in the open, or should I say black market. In many cases, the exchange value of the Rupee was two or three times the official rate of exchange. In the earlier stages, the External Affairs Ministry had permitted the officers of the Foreign Missions to remit funds to India through the Reserve Bank up to the limit of their pay and allowances, ostensibly to enable them to meet their Indian commitments. The officers of the Mission in question availed themselves of this dispensation and remitted their entire pay and allowances in Rupees through the Reserve Bank Drafts. Later, they sold cheques drawn on their Indian accounts in the open market and doubled or trebled their emoluments by this device. In other words, the transfer of funds to India was not genuine, and for the purpose for which it had been permitted. Later, when the Rupee was devalued and the currency of the country concerned had not been correspondingly adjusted a suitable exchange compensation became payable to these officers, to compensate them for the loss of the purchasing power of the Rupee. The exchange compensation is payable only on the part of the pay and allowances as is drawn in the country of assignment

Though these officers transferred their entire pay and allowances to India, they claimed exchange compensation allowance on the cheques which they had drawn on their Indian account as being local expenditure. The grant of exchange compensation thus further widened the field of this illegal currency operation. Emboldened by the fact that this operation had escaped detection, the officers made it a practice to draw the exchange compensation also in Rupees through Reserve Bank Drafts and thus to increase the funds available for these manipulations.

3. The pay bills of these officers were sent to the AGCR for audit in the normal way. A monthly statement of the transfer remittances similarly reached the A.G.C.R. at some stage or other. In the absence of any arrangement for linking the pay bills with these transfer remittances—this was not strictly necessary for audit purposes—the fact that these officers were transferring their entire emoluments to India did not come to notice. Later, when an officer from the Ministry was posted to this Mission, and he was holding current charge, during the absence of the Head of the Mission, he sent inadvertently, both the statement of pay and allowances and transfer remittances together to the Ministry. I say inadvertently, as this officer was also subsequently involved in similar currency manipulations. It was at this stage that the matter aroused the suspicion of the Ministry. Meanwhile, rumours had been current that all the officers and staff of this Mission were living extravagantly, far beyond their official income levels, and that even a clerk owned a motor car Frigidaire and other expensive conveniences. An officer was then deputed from India to inspect this Mission. He reported that these currency manipulations were not limited merely to pay and allowances, but that even travelling allowances and medical expenses which were incurred in local currency were being recovered in Rupees through Bank Drafts to facilitate the currency manipulations on a far larger scale. Exchange compensation of these claims had also been admitted. There had been also cases where Bank Drafts had been obtained through Commercial Banks in addition to Reserve Bank Drafts. In other words, the *modus operandi* was to draw the entire pay and allowances in Rupees, sell Rupee cheques in the Black Market, and with the sale proceeds acquire fresh Rupee Drafts through Commercial Banks at the official rate of exchange to add to the rupee resources to facilitate currency manipulations on much larger scale.

The Head of that Mission was then recalled to India and made to proceed on leave pending investigations. A Joint Secretary of the Ministry who was appointed to examine the case came to the conclusion that the major charges against this officer were fully established. He refrained, however, from making any recommendations on the disciplinary action to be taken. Under the permissive Clause of the U.P.S.C. procedure, all the papers were forwarded to the Commission for their advice. The U.P.S.C. informed the Ministry that there was, *prima facie*, a case for the dismissal of the officer and advised that the officer should be asked to explain why the punishment of dismissal should not be inflicted.

ed. Acting on the advice of the U.P.S.C., proceedings were instituted against the officer and the explanation obtained together with all relevant papers were transmitted once again to the U.P.S.C. for their advice. The officer has stated that in the unstable conditions prevailing particularly in this country, other Missions were also following a similar procedure and that he had inherited the system and had continued it. He had not appreciated the gravity of these transactions. He also mentioned that similar manipulations were current in Indian Missions elsewhere. Nevertheless, the Commission found that the charge involving severe moral turpitude had been proved against this officer. In their opinion the kind of corruption in respect of perquisites and petty extortions and the large scale exchange transactions in which this officer indulged in order to make money showed that he was not fit for retention in the Indian Foreign Service. In view of the grave nature of the charges which had been proved and the moral turpitude involved therein, the Commission consider that he should be dismissed from service and that they advised the Ministry accordingly. The case was submitted to the Minister who ordered that this officer must be dismissed. Accordingly, an order of dismissal was prepared, and in fact signed by the competent authority.

4. Before the dismissal order was however served on the officer, the Ministry came to the conclusion that there was substance in the suggestion made by the officer that similar manipulations were being indulged in by Indian Missions elsewhere. Accordingly, a Joint Secretary was sent out on inspection to certain specified Missions. On return, he reported that similar currency manipulations had taken place in several other countries by high ranking officers. The Ministry felt, therefore, that it would demoralise the service if a junior officer alone were to be dismissed from service when this offence was somewhat wide spread and it was not possible to take similar action in the other cases, in the absence of legal evidence. I have not seen the report of the Joint Secretary. I am, therefore, not in a position to state the circumstances in which even departmental action could not be taken against high ranking officers elsewhere. That is why I said that my study has not been as extensive as it might have been.

5. In view of this conclusion, the Ministry approached the U.P.S.C. again for a review of their previous advice. In the circumstances stated the U.P.S.C. acquiesced in a lower punishment being inflicted, and advised that the officer should be reduced in rank for a period of three years, and should not be given any assignment with allowances during this period. This advice was taken and the officer was reduced in rank. In taking this decision, I understand that the Ministry was influenced by the fact, that the environments of this Mission were not conducive to a high sense of moral values and that the Missions of other countries, with an impeccable reputation of integrity were also taking advantage of the economic and exchange instability.

6. The Ministry now proposes to issue charge sheets against all the other employees of this Mission.

Proceedings of the Twenty-third Sitting of the Public Accounts Committee held on Monday, the 13th December, 1954.

361. The Committee sat from 12-15 P.M. to 2 P.M.

PRESENT

Shri B. Das — *Chairman.*

MEMBERS

2. Shri Ramananda Das.
3. Shri Balwant Sinha Mehta.
4. Shri S. V. Ramaswamy.
5. Shri U. C. Patnaik.
6. Shri Choithram Partabrai Gidwani.
7. Shri V. P. Nayar.
8. Dr. Indubhai B. Amin.
9. Shri U. M. Trivedi.
10. Shrimati Violet Alva.
11. Shri P. S. Rajagopal Naidu.
12. Shri Ram Prasad Tamta
13. Shri Mohamed Valiulla.

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

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor-General of India*

Shri P. N. Bhandari, *Controller of Commercial Audit, Office of the Comptroller and Auditor-General of India.*

SECRETARIAT

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

Shri V. Subramanian — *Deputy Secretary.*

WITNESSES

Shri S. G. Barve, *Joint Secretary, Ministry of Finance (Rehabilitation Finance Administration).*

Shri N. C. Sen Gupta, *Deputy Secretary, Ministry of Finance (Rehabilitation Finance Administration).*

Shri P. C. Das Gupta, *Chief Administrator, Rehabilitation Finance Administration.*

362. The Committee met to consider certain notes furnished by the Ministry of Finance, in respect of the Rehabilitation Finance Administration.

*Note stating the basis for the provision of bad and doubtful debts in the balance sheet of the RFA for the period under review ending 31st December, 1953 and Government views thereon specially in regard to the policy followed in this behalf.

*See Appendix XL.

363. The Committee were glad to note that the Administration had started providing for bad and doubtful debts without postponing it further. The quantum thereof, it was mentioned, was being discussed in consultation with the Comptroller and Auditor General.

**Note explaining (a) why an amount of Rs. 2 crores was drawn on 24-3-50 when it was not required by the Administration (b) why it was not refunded to Government instead of investing it in Government securities and (c) why the resolution of the RFA dated 1st/3rd May, 1951 was not implemented by refunding at least 50 lakhs to Government when the balance with RFA was about Rs. 1 crore?*

364. (i) in regard to (a) it was explained that RFA after examining thoroughly the question of allotment of funds for the year 1949-50 at its meeting held on the 23rd December, 1949, felt that the entire sum of Rs. 3 crores was likely to be disbursed by the end of the year 1949-50. The representative of the Ministry also pointed out that the R. F. A. had actually requested for the sum of Rs. 2 crores on the 17th March, 1953. The Committee were surprised to learn how the R.F.A. could disburse Rs. 2 crores within the few days left in that financial year. The Comptroller and Auditor-General read out an extract from his file from which it transpired that the R. F. A. was asked to draw the budgetted amount in full and utilise the balance, if any, in the next year. The Committee regretted to note that such objectionable practices were taking place even in the Finance Ministry while that Ministry's task was to check them and set an example to others.

(ii) it was explained in respect of (b) and (c) above that since any amount refunded by R. F. A. could not be made available to it again under the provisions of the R. F. A. Act and the money would thus have been completely lost to the R. F. A., it was decided to utilise the money surplus to requirements in the best possible manner by investing it in Government securities. The Committee were not satisfied with the explanation. After some discussion the Committee decided to await the report of the Comptroller and Auditor-General whose officers were auditing the Accounts of the R. F. A.

†Note stating the steps taken by the R.F.A. and the Govt. to cut down expenditure especially the establishment charges.

365. The Auditor-General observed that the RFA was doing a lot of unnecessary work in the matter of dealing with loan applications. According to him the procedure could be rationalised and much of the expenditure on establishment could be pruned. The Committee desired that the Administrator of the RFA should consult the Auditor-General in this regard without any delay.

‡Note stating the details about the appointment of certain Officers of the RFA with special reference of previous posts and salaries drawn by them.

**See Appendix XLI. †See Appendix XLII.*

*‡Not printed.**

366. Replying to certain queries about the appointment of.....
, Assistant Chief Administrator, the representative of the
 Ministry stated that Shri was employed in the
 Court of Wards, U.P. prior to his appointment in the R.F.A. About
 Shri, the other Assistant Chief Administrator the
 representative stated that the post was advertised and he was
 selected by a Board. Regarding Shri, Deputy
 Chief Administrator, who was a dismissed employee of the Calcutta
 National Bank on "grounds of mis-conduct", the representative of
 the Ministry stated that on further enquiries the Ministry had
 discovered that his services were terminated by the above-mentioned
 bank on account of his uncompromising attitude in respect of cer-
 tain transaction of the Bank. As the details in respect of the
 persons were not complete, e.g., the break up of their pay in pre-
 vious employ, the Committee desired to be furnished with a note*
 stating the complete details in respect of all the officers of the
 R.F.A. whose names appeared in the statement laid on the Table
 of the House on the 10th August, 1953.

367. The Committee then adjourned till 14th December, 1954.

Proceedings of the Twenty-fourth Sitting of the Public Accounts Committee held on Tuesday, the 14th December, 1954.

368. The Committee sat from 12-30 P.M. to 1-30 P.M.

PRESENT

Shri B. Das.—*Chairman*

MEMBERS

2. Shri Ramananda Das.
3. Shri Shree Narayan Das.
4. Shrimati Ammu Swaminadhan.
5. Shri Amarnath Vidyalkar.
6. Shri S. V. Ramaswamy.
7. Shri Uma Charan Patnaik.
8. Shri Choithram Partabrai Gidwani.
9. Dr. Indubhai B. Amin.
10. Shri U. M. Trivedi.
11. Shrimati Violet Alva.
12. Shri P. S. Rajagopal Naidu.
13. Shri Ram Prasad Tamta.
14. Shri Mohamed Valiulla.

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

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor-General of India.*

Shri S. Gupta, *Accountant-General, Central Revenues.*

SECRETARIAT

Shri V. Subramanian — *Deputy Secretary.*

WITNESSES

Shri R. K. Nehru, *Foreign Secretary, Ministry of External Affairs.*

Shri Prem Krishen, *Joint Secretary, Ministry of External Affairs.*

Shri Devi Diyal Bhatia, *Deputy Secretary, Ministry of External Affairs.*

Shri C. S. Menon, *Joint Secretary, Ministry of Finance.*

Shri Raj Kumar, *Deputy Secretary, Ministry of Finance.*

Shri H. S. Negi, *Deputy Secretary, Ministry of Finance.*

Para 4(g) - Audit Report (Civil), 1952--Part I

369. At the outset, the representative of the Ministry of External Affairs made a detailed statement on the case referred to in para 4(g) of the Audit Report (Civil), 1952--Part I—relating to the ad-

vance payment' of £17,000 made by the High Commissioner for India in U.K. for the acquisition of premises to be built on a site near India House, London (Annexure I).

370. The Comptroller and Auditor-General, observing that he did not find any material divergence in the account given by the representative of the Ministry from the one given in the Audit Report, added that it was not clear how the representative of the Ministry Stated that the lessee (who held the site in question) who was present at an earlier meeting when the amount of £17,000 was paid to Mr. X by the High Commissioner, later on repudiated the suggestion and disowned knowledge that the Government of India was interested in the property. The Comptroller and Auditor-General also read out a note recorded by the Legal Adviser and Financial Adviser to the High Commissioner for India in U.K. wherein it was stated that the prospective lessor Company, viz., Adhil Properties Ltd., of which Mr. X (the solicitor through whom the deal was negotiated) had become the Director, had signed a promissory note and deposited their contract for the purchase of lease-hold site of the Gaiety Theatres from the lessee, as security, the verbal arrangement being that the advance would be repayable in six weeks.

371. When asked whether the standing of the above Company had been enquired into before the cheque for £17,000, was handed over to Mr. X, the representative of the Ministry stated that it was not done because there was nothing unusual about the deal: it being a normal practice in London to use such an intermediary in purchasing properties. Besides, Mr. X was a solicitor of some standing and was associated with the Development Companies.

372. In reply to a question whether it was prudent to start negotiations with other parties after the advance amounting to £17,000 representing 10 per cent of the purchase price of the site had been paid to Adhil Properties Ltd., the representative of the Ministry of External Affairs stated that so far as he could see, there was some justification for the High Commissioner to start negotiations with some other Development Companies, in disregard of the 90 days time limit imposed by the previous deal with Mr. X inasmuch as he tried to find out whether he could get a better deal with some other Development Company. When asked why this was not done earlier, the representative stated that the High Commissioner perhaps thought that by starting negotiations with other Development Companies earlier, his interest in the property might become known and result in an enhancement of the value of the property. The four Development companies which later on became interested in this transaction and offered better terms than Mr. X were Mr. Palumbo, M/S Sheridan & Co., M/S Allsop and Company and M/S Fofliers Property Co. Ltd. Explaining further the reasons for the delay in pushing through this deal within the extended time even, the representative of the Ministry of External Affairs stated that one of the contributory factors was the delay in obtaining the sanction of the London County Council, without which no Development Company was prepared to commit itself. Secondly, the High Commission wanted to consult a leading British lawyer who was in the midst of an election campaign at that time. As regards the pay

ment of £17,000 already made to the solicitors of the lessee, the representative of the Ministry stated that the money was with the lessee and that the latter was prepared to sell the property to some other company provided he was paid the balance. The money was reported to be safe and even that leading British lawyer had assured the High Commissioner in this regard. When asked whether it was possible to recover the amount of £17,000 from Mr. X or the Company of which he was the Director, the representative of the Ministry stated that the question was examined by the Ministry of Law who opined that the Government of India could not proceed against Mr. X as an individual and that they could not only proceed against him in his capacity as Director of the Company which, he added, had no assets.

The representative of the Ministry assured the Committee that from the detailed report received from the Financial and Legal Advisers in the High Commission the Government were fully satisfied that there were no *mala fides* in this case. Asked whether the High Commissioner had given his comments on the Audit para regarding this case, the representative replied that the High Commissioner was busy elsewhere at that time and that he (the representative) had every intention of showing the statement made by him (Annexure I) to the former High Commissioner for India in U. K. when he returned to India with a view to finding out from him whether the facts stated therein were correct. He concluded by saying that there was no question of any kind of *mala fides* and the Government were also satisfied that every possible precaution was taken in this particular case to ensure that the money was not lost.

373. The Committee then adjourned.

ANNEXURE I

Statement made by Shri R. K. Nehru, Foreign Secretary, at the meeting of the Public Accounts Committee held on the 14th December, 1954, on the case referred to in para 4(g) of the Audit Report (Civil)—Advance payment by the High Commissioner for India in U.K.—Acquisition of Premises.

Shri Nehru:

I would like to make a fuller statement about this case and that, I think, will give a clear picture to the Committee of this transaction as a whole. Even before independence, the India House at Aldwych was not large enough to accommodate all the departments of the High Commission. After independence, military and other establishments had to be added to the organisation, necessitating accommodation having to be leased wherever available in London. The High Commission thus came to be in occupation of about half a dozen office buildings on lease for varying periods scattered all over London. Not only was this administratively inconvenient, but it made avoidable demands on the time of officers required for discussion at the India House. This isolation was also uneconomic and interfered with an efficient administration of the various departments. The question of housing the entire establishment under a single roof had, therefore, naturally been engaging the attention of both the Government of India and the High Commission for a long time.

In 1949, the High Commissioner in London was negotiating with the owner of certain bomb-damaged premises in Leicester Square for erection of office buildings for the High Commission at a rent of £20,000 per annum. The transaction, however, did not materialise.

Meanwhile, one Mr. X, made an alternative proposal to the High Commission for the acquisition by the Government of India of the Gaiety Theatre. The site which was almost contiguous with India House, was ideal for the purpose in view. India House, with the adjacent Gaiety Theatre rebuilt as office accommodation, would have provided ample accommodation for the present and the future needs of the High Commission. The High Commissioner was naturally anxious to acquire the site if possible.

The site was held on lease from the London County Council by one Mr. ——— at a rent of £7,600 per annum and the lease had 60 more years to run. Under the terms of the lease, the premises could be used only as a theatre and for no other purpose. He decided, therefore, to enter into negotiations with Mr. X. Mr. X had been of assistance to the High Commission in acquiring some other property which he had improved in accordance with the High Commission's requirements. He was a solicitor connected with development companies and a man of sound financial standing. The High Commissioner informed Mr. X that he was prepared to use his good offices to obtain from the L.C.C. a lease for 99 years with

permission for Mr. X to demolish the existing building, provided that Mr. X agreed to erect a building according to the requirements of the High Commission.

The High Commissioner could have carried on direct negotiations with the lessee. He decided, however, to use Mr. X as an intermediary as direct negotiations would have disclosed the High Commission's interest in this property as a site for an office building. This would have attracted speculators, and raised the value of the property. It is not unusual in London for a development company to be used as an intermediary in such transactions to preserve anonymity.

Mr. X arranged with the lessee for an option to purchase the property for £160,000. While negotiations were going on, Mr. X represented to the High Commission on the 11th July 1950 that another buyer had come into the field and unless the agreement for sale between him, i.e., Mr. X and the lessee was entered into by 3 P.M. the same day, the property would not be available. Mr. X also said that the purchase price had already been raised to £170,000. The seller insisted on the agreement for sale being executed immediately and a deposit of £17,000 being made within an hour or so.

This case was discussed by the High Commissioner with Mr. X in the presence of the Legal and Financial Advisers of the High Commission. The lessee and his solicitors were also present. Mr. X said that he did not have sufficient funds immediately to make an advance of £17,000 to the lessee. He asked for a loan from the High Commission which was given to him with the concurrence of the Legal and Financial Advisers. Mr. X had become the Director of a Development Company, viz., Adhil Properties Limited, that very day in order to put through this transaction.

Certain precautions were taken by the High Commissioner to ensure that the money advanced to Mr. X was not lost. Payment was made not to Mr. X but to the Lessee's solicitors who held it as stake-holders. The agreement for sale was handed over for safe custody to the High Commission. Mr. X executed a promissory note and the High Commissioner gave him an assurance that repayment would not be demanded for six weeks. The understanding was that Mr. X would repay the loan as soon as the High Commission had entered into an agreement with him to build and to rent a part of the building, as this would give sufficient standing to raise the necessary finance. The agreement for sale between Mr. X and the lessee provided that the sale deed should be executed within 90 days.

There was some delay in finalising the Agreement between Mr. X and the High Commission for construction of a building etc. This was due to architect's designs, etc. not being approved. Because of this delay, the sale deed between Mr. X and the lessee could not be concluded within the stipulated period. This period might have been extended but the High Commissioner came to know that other development companies were prepared to offer better terms than Mr. X. In order to get the property on better terms, the High Commissioner continued his enquiries without finalising the Agreement with Mr. X. After some months, it was decided, on

the advice of a leading lawyer to squeeze out Mr. X and to enter into agreement with another development company which was prepared to offer better terms.

The negotiations continued till May, 1951, when the High Commission was informed by the Solicitors of the lessee that in the absence of completion of the sale deed, the deposit of £17,000 had been forfeited. The lessee was not prepared to admit that the Government of India had any interest in the deposit. He offered, however, to execute a sale deed if the High Commissioner would carry out a contract by making a conveyance himself or through nominees and by paying the purchase price within three weeks. He also informed the High Commission that the mortgagees of the property were proposing to exercise the power of sale conferred by the mortgage.

Before any further action could be taken, the mortgagee decided to foreclose the property. The deposit of £17,000 would not have been lost if the Agreement had been signed with Mr. X. There were good reasons for not signing this Agreement. The deposit might also have been saved if negotiations had been finalised with some other development company on the terms suggested by the lessee. Unfortunately, the mortgage was foreclosed before these negotiations were completed. There was some avoidable delay in finalising either of these arrangements. There are no reasons to believe that action was not *bona fide* more particularly as the High Commissioner was acting all the time on the advice of his Legal and Financial Advisers.

Government regret that a loss has been occasioned by the anxiety of the High Commissioner on the one hand to acquire the lease of premises pre-eminently suitable for our requirements, on the other to get the most advantageous financial terms for this transaction. Government are satisfied, however, that the *bona fides* of the High Commissioner and other officers concerned are neither in doubt nor in dispute. They were actuated by the best of motives, but, unfortunately, the sequence of events went against them which has now resulted in this loss, which has to be now written off.

Proceedings of the Twentyfifth Sitting of the Public Accounts Committee held on Thursday, the 16th December, 1954.

374. The Committee sat from 12-30 P.M. to 1-30 P.M.

PRESENT

Shri B. Das—*Chairman.*

MEMBERS

2. Shri T. N. Singh
3. Shri S. N. Das
4. Shrimati Ammu Swaminadhan
5. Shri S. V. Ramaswamy
6. Shri U. C. Patnaik
7. Shri U. M. Trivedi
8. Shrimati Violet Alva
9. Diwan Chaman Lall
10. Shri P. S. Rajagopal Naidu
11. Shri Ram Prasad Tamta
12. Shri Mohamed Valiulla

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

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor-General of India.*

Shri S. Gupta, *Accountant-General, Central Revenues.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary*

WITNESSES

Shri Y. N. Sukthankar, *Secretary, Cabinet Secretariat.*

Dr. Ramamoorthy, *Director, Central Statistical Organisation.*

Shri S. Jayasankar, *Joint Secretary, Ministry of Finance.*

Shri O. P. Gupta, *Deputy Secretary, Ministry of Finance.*

375. *Para 17 of the Audit Report (Civil) 1952—Part I.*—The Committee took up consideration of the note* submitted by the Cabinet Secretariat as desired by them on 23rd October, 1954 regarding the case dealt with in the para referred to above. The representative

*See Appendix XV.

of the Cabinet Secretariat regretted that such a lapse should have occurred but stated that since the case was dealt with by the same officer with the A.G.C.R. the irregularity was not brought to the notice of the higher officers. The Committee were assured that a new procedure had been evolved which would prevent such irregularities in future.

Item 120 of the Statement of Outstanding Recommendations.

376. The Committee considered the resume* of the activities of the Central Statistical Organisation furnished by the Cabinet Secretariat in pursuance of the recommendation of the Public Accounts Committee in Para 39 of their Seventh Report. The representative of the Secretariat explained how the C.S.O. was a focal point for collection of national and international statistics although it did not itself actually collect the data directly. The State Statistical Bureaus were also helping the C.S.O. in this respect. He added that in other countries also the Central Statistical Organisation was under the Cabinet Secretariat. There were two advantages in this viz., that, by central direction, it ensured uniformity of statistical bases and indicators in the first place; and secondly under the auspices of the Cabinet Secretariat, the data collected would be assessed objectively. Replying to a further question, the representative of the Cabinet Secretariat stated that it was not right to say that the present activities of the C.S.O. were at variance with the objects of the C.S.O. as originally laid down at the time of demand for grants for this organization; but that a number of new lines of activity had developed to suit the present requirements.

377. The Committee then adjourned.

*See Appendices LXXX and LXXXI.

Proceedings of the Twenty-ninth Sitting of the Public Accounts Committee held on Tuesday, the 8th February, 1955.

378. The Committee sat from 10 A.M. to 1-10 P.M.

PRESENT

Shri B. Das—*Chairman.*

MEMBERS

2. Shri T. N. Singh
3. Shri S. N. Das
4. Shri Balwant Sinha Mehta
5. Shrimati Ammu Swaminadhan
6. Shri Amarnath Vidyalankar
7. Shri S. V. Ramaswamy
8. Shri U. C. Patnaik
9. Shri C. P. Gidwani
10. Shri V. P. Nayar
11. Shri U. M. Trivedi
12. Shrimati Violet Alva
13. Diwan Chaman Lall
14. Shri P. S. Rajagopal Naidu
15. Shri Ram Prasad Tamta
16. Shri Mohamed Valiulla

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

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor-General of India.*

Shri S. Gupta. *Accountant-General, Central Revenues.*

Shri P. N. Bhandari, *Controller of Commercial Audit.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

Shri H. M. Patel, *Secretary, Ministry of Finance (E. A. Deptt.)*

Shri S. G. Barve, *Joint Secretary, Ministry of Finance (E. A. Deptt.)*

Shri P. C. Bhattacharaya, *Chairman, Industrial Finance Corporation.*

Shri V. R. Sonalkar, *Managing Director, Industrial Finance Corporation.*

Shri H. S. Negi, *Deputy Secretary, Ministry of Finance.*

INDUSTRIAL FINANCE CORPORATION

Audit Report on the Accounts of the I.F.C. for 1953-54 and Report of the Inquiry Committee on the I.F.C.

379. At the outset, the Committee asked the representative of the Ministry of Finance to make a few observations of a general nature in regard to the working of the Industrial Finance Corporation with special reference as to why Government had not framed rules* so far under Section 42 of the Industrial Finance Corporation Act, 1948. The representative of the Ministry of Finance stated that the Corporation had already framed their regulations† under Section 43 of the above Act with the previous approval of the Government of India. These regulations virtually covered all the ground that the rules, if framed, would have done. He added that they were now considering whether at this stage any special object would be served by framing rules. In reply to a question, he stated that the regulations framed by the I.F.C. had been placed on the Table of the House and also published in the Gazette of India. The Committee, however, pointed out that the regulations were entirely distinct from the rules inasmuch as the former were intended for regulating the internal business of the Corporation while the latter were for a wider purpose.

380. Continuing, the representative of the Ministry stated that the setting up of the Corporation in 1948 was a new experiment in the field of industrial finance in this country. It was perhaps, unavoidable in the circumstances that the Board of the Corporation in the discharge of its duties and the Government in the exercise of the powers of direction vested in it in this connection should in the first year of the working of the Corporation, be feeling their way, before definite principles and practices for the handling of loan applications were evolved and established. He added that Government had the benefit of an exhaustive enquiry into the working of the Corporation by the I.F.C. Enquiry Committee, and many of the valuable recommendations made by that Committee in its Report had already been accepted by Government and some of them in fact implemented.

381. Referring to the comments made in the above Audit Report on the Accounts of the I.F.C., the representative of the Ministry of Finance informed the Committee that they had been carefully examined by Government and action taken on a number of them and certain other points were under consideration, viz., growth of administrative expenditure, definition of powers of the Managing Director, exercise by the Managing Director of the powers of appointment and promotion of Officers etc. He assured the Committee that all the points made both in the Report of the Enquiry Committee and the Audit Report had been receiving very careful attention in the Ministry of Finance (E.A. Department) and it was hoped

*See also Appendix XLIII.

†Not printed (Available in Parliament Library).

that in view of the action taken and contemplated by Government the Corporation would fulfil the important purposes for which it was constituted, in a far greater degree in future.

382. The Committee then drew the attention to Para 2 of the Government Resolution on the Report of the Enquiry Committee and wanted to know whether they had since arrived at any final decision regarding the Sodepur Glass Works. In reply, the representative of the Ministry of Finance stated that the Corporation had appointed a Negotiating Committee for disposal of the assets of the Company to the best advantage and suggested that the Committee should defer consideration of the matter for the present. The Committee pointed out that it was 22 months past since the Enquiry Committee's Report was written and 14 months since the publication of the Government Resolution but nothing had happened.

383. The Chairman of the I.F.C. assured the Committee that they were doing their best to expedite the final disposal of the property of the Sodepur Glass Works and thus avoid recurring expenses. In the earlier series of negotiations conducted for the disposal of property the intention was to protect the interest of the shareholders, other unsecured creditors and of the Corporation. He confessed that that took a few months, as they initially had hoped that it would be possible to get a deal like that. But they came to the conclusion that it was not possible to do so. The only way in which the Corporation's money could be partially salvaged was therefore to try to dispose of the property. For that purpose, again, they put out a public advertisement, with a view to giving opportunity to every one to bid for it. The tenders received were now under the consideration of the Negotiating Committee, and he hoped that pretty soon a decision would be reached. In reply to a question, he stated that they thought of working the Company through some agency which would protect all these various interests, but actually when they came to deal with these agencies, the terms etc., on which such agencies were prepared to cooperate were such that they would not have protected even the Corporation's own interests.

384. Referring to the Audit comments that the Managing Director exercised powers in excess of those delegated to him, the Committee asked the Chairman of the Corporation to explain what steps had been taken to set matters right. He replied that the Board had since passed a resolution to the effect that all terms and conditions of each loan should be put up to the Executive Committee for approval after the negotiations had been completed by the Managing Director, whereas under the old procedure only certain main terms and conditions of the loan were put to the Board and the detailed terms were left to be negotiated by the Managing Director.

385. As regards the second point regarding the exercise of powers, by the Managing Director, not delegated to him in the matter of promotions of staff, etc., the Chairman of the Corporation stated that actually promotions etc. took place mostly in the formative years of the Corporation. For the last 18 months or so, there was hardly any case of transfer or promotion. *Ex post facto* approval of the Board to all the irregularities and exercise of powers

in excess of delegation by the Managing Director had been accorded, as in most of these cases, the Directors in the Executive Committee confirmed that they were informally consulted. The Chairman, I.F.C. admitted that decisions on many matters were never recorded in the minutes of the Board meetings in the past but they were now recording every decision of the Board. He further stated that the Executive Committee which was functioning today had been in office for the last 4 years. There was thus continuity in the Committee.

386. The representative of the Ministry of Finance informed the Committee that after the official Chairman came into position, he had made certain basic changes in the methods of transaction of business of the Corporation. He added that although under the I.F.C. Act, the Chairman of the Board of Directors could not directly take part in the Executive Committee (presided over by the Managing Director) he was associating himself informally with the working of the Executive Committee. The decisions of the Executive Committee were subsequently placed before the Board. In the case of promotions, etc., referred to above, the *ex post facto* approval was considered both by the Executive Committee and the Board and was accepted by the latter. The Executive Committee, he added, met once a month.

387. When asked by the Committee whether he was satisfied that in the case of promotions or advance increments, there was no case of favouritism, he replied that he had not reviewed any past cases.

388. A suggestion was made that the Committee might appoint a sub-Committee to probe into the transaction relating to the Sodepur Glass Works. The Chairman deferred consideration of this.

389. The Committee wanted to know from the Managing Director whether it was a fact that the payment of loan of Rs. 40 lakhs sanctioned in favour of the Sodepur Glass Works was not disbursed to them even though they had executed the mortgage deed and that the money was made available in dribbles, causing harassment to the Managing Agents and the consequent failure of the firm. The Managing Director of the Corporation stated that the loan to the Sodepur Glass Works was sanctioned in December, 1948. After the sanction of the loan, it was discovered, while investigating the title of the land on which the factory was sited, that the land, besides having been obtained from a minor, was not in the name of the loanee Company. In view of this, certain terms and conditions were imposed in respect of the disbursement of the above loan. They were as under: Rs. 20 lakhs to be disbursed on the execution of the Mortgage Deed; Rs. 10 lakhs on the completion of the Deed of transfer of the land in favour of the company and mortgage thereof to the Corporation; Rs. 5 lakhs on 1st October, 1949 and Rs. 5 lakhs on 1st November, 1949 subject to the condition that the last two instalments of Rs. 5 lakhs each would not be paid to the Company until the execution of the mortgage by the Company in favour of the Corporation of the lands was completed. To overcome the difficulties in the title, the Corporation suggested to the Company to move the Bihar Government for acquiring the lands

in question under the Land Acquisition Act. After the notification by the Bihar Government and on execution of the mortgage deed, the first instalment of Rs. 20 lakhs was paid in September, 1949. He added that although the deed of transfer of the land in favour of the Company was not completed till June, 1951, the bulk of the loan had been disbursed to the Company.

390. After some discussion of the various aspects of the transaction, the Committee desired to be furnished with a detailed *note setting forth in chronological order the transactions relating to the Sodepur Glass Works Ltd. till it was taken over by the I.F.C. as also the comments of the Government of India on the observations made in this case in the above Audit Report and Chapter VIII of the Report of the Enquiry Committee.

391. The Committee also desired to have brief *notes on the following points :—

- * (i) Was it correct that the Company was made to pay Mr. Trasy retrospectively after forcing him as General Manager on it?
- * (ii) Whether the Factory was closed twice due to lack of funds?
- * (iii) Appointment of Mr. Joshi as General Manager of Sodepur Glass Works.
- * (iv) Were the capital requirements of the Sodepur Glass Works grossly under-estimated and that no loan in fact should have been given?
- * (v) When loans were made, whether the Company was satisfied with the manner in which loans were sanctioned?
- † (vi) Sanction of additional loan of Rs. 16 lakhs to Jay Engineering Works Ltd., without awaiting the report of Ministry of Commerce and Industry.

392. In reply to a further question, the Managing Director stated that there were about 30 applications for loan at present pending with the Corporation.

393. Referring to the recommendations made in the Enquiry Committee Report that the Director of the Corporation who had any interest in the industrial concern asking for a loan should disclose his interest in the Company, the Chairman of the Corporation stated that the Register that was prescribed under the Indian Companies Act did not provide for any such declaration. So, they had to consider how in practice they were to implement

*See Appendix XLVI.

†See Appendix L.

‡See Appendix XLV.

this, so as to show the constant changes in the shareholdings of the Director. Those were the practical difficulties, he observed, which they wanted to overcome by such prescriptions of forms, etc., as were considered necessary.

394. The Committee then drew attention of the Ministry's representative to the *note stating the cases where loans were sanctioned by the Corporation to certain new Industries without the recommendations of the Ministry of Commerce and Industry. The representative of the Ministry stated that it had been the general practice of the Corporation to refer all first applications for loans received for financial assistance either to the Ministry of Commerce or to the other appropriate Ministry in charge of particular industries, as for instance, the Ministry of Food and Agriculture in the case of application from sugar factories. In appropriate cases, the Corporation also referred the case to the Council of Scientific and Industrial Research. Whatever the Ministries might say, it was finally for the Board to decide what was the correct view to take. They might or might not accept the view given by the Ministry and the responsibility was entirely that of the Corporation.

The Comptroller and Auditor-General suggested that it would be prudent for the Corporation while taking such decision to record the reasons why the considered views of the Ministry of Commerce and Industry were disregarded. The representative of the Ministry of Finance agreed that the Corporation should invariably record its reasons where it was in disagreement with the advice of the Ministry.

395. The Committee then took up para 11 (i) of the Audit Report relating to payment of law charges amounting to Rs. 2,000 to an advocate of the Bombay High Court for drafting a reply to Chapter VIII of the Enquiry Committee's reports regarding the Sodepur Glass Works. No written approval of the Board was available in this case. The representatives of the Ministry of Finance, expressing his own personal view† on this case, stated that he would not have regarded it as proper expenditure.

396. *Para 16 of the Audit Report—Staff car.*—The Committee were informed that the staff car which was sanctioned by the Executive Committee was purchased at a cost of about Rs. 20,000. It was being used by the Managing Director exclusively. The maintenance of the car by the Corporation for the exclusive use of the Managing Director amounted to a concession which apparently was not included in the terms and conditions of his appointment. Sanction of the Central Government for granting free conveyance (upto 250 miles) to the Managing Director, as required under section 9(d) of the Industrial Finance Corporation Act, 1948 (as amended) was not available. The representative of the Ministry of Finance informed the Committee that the Corporation was being requested to frame rules in regard to the use of the staff car in future on the lines of those obtaining in the Government Departments.

*See Appendix XLIV.

†See also Appendix XLVII.

397. The Committee decided to take up further consideration of the Audit Report on the accounts of the I.F.C. at their meeting to be held on the 11th February, 1955.

398. The Committee then adjourned to meet again at 10-30 A.M. on Wednesday, the 9th February, 1955.

Proceedings of the Thirty-second Sitting of the Public Accounts Committee held on Friday, the 11th February, 1955.

399. The Committee sat from 10 A.M. to 1-10 P.M.

PRESENT

Shri B. Das—*Chairman.*

MEMBERS

2. Shri T. N. Singh
3. Shri S. N. Das
4. Shrimati Ammu Swaminadhan
5. Shri Amarnath Vidyalkar
6. Shri S. V. Ramaswamy
7. Shri C. P. Gidwani
8. Shrimati Violet Alva
9. Diwan Chaman Lall
10. Shri Mohamed Valiulla.

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

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor-General of India.*

Shri S. Gupta, *Accountant-General, Central Revenues.*

Shri P. N. Bhandari, *Controller of Commercial Audit.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

Shri H. M. Patel, *Secretary, Ministry of Finance (E.A. Department).*

Shri S. G. Barve *Joint Secretary, Ministry of Finance, (E.A. Department).*

Shri P. C. Bhattacharya, *Chairman, Industrial Finance Corporation.*

Shri V. R. Sonalkar, *Managing Director, Industrial Finance Corporation.*

INDUSTRIAL FINANCE CORPORATION

Audit Report on the Accounts of the I.F.C. for 1952-53 and Report of I.F.C. Enquiry Committee.

At the outset, the Committee took up consideration of the *notes furnished by the Ministry of Finance on the various points arising from the discussions which they had on the above mentioned Audit Report and Report of the Enquiry Committee at their meeting held on the 8th February, 1955.

* See Appendices XLV, XLVI, XLVII and L.

401. (i) *Payment in driplets to Sodepur Glass Works which was objected to by the General Manager also.*—It was stated in the note that the first instalment of the loan could not be paid to the Company until the title to the land had been established. The Committee wanted to know whether the land was also to be mortgaged along with the other assets of the company although the value of the latter was in excess of the loan proposed to be made. The Chairman I.F.C. stated that it had been the invariable practice for the Corporation to take a mortgage not only on the plant and machinery but also on the land and the reason was very clear. So far as a commercial advance was concerned, he pointed out, it was primarily on the stocks and stores that were being manufactured all the time; the plant and machinery were just collateral assets that were pledged. As regards advances made by the I.F.C. it should be remembered that the advances were for 15 to 20 years and it might be that the whole plant and machinery might change hands within that period. So, if they were going to have a security on the basis of the plant and machinery, they must also secure the land; in that case there was no risk in the case of the land whatever might happen to the plant and machinery.

The Committee pointed out that in a concern like the Sodepur Glass Works, which was a going concern and which wanted a loan for carrying on its business, it should have been obvious to the Corporation that any delay in making the loan available would only defeat the purpose of the Company to continue in production and there did occur a time-lag of a year or more than a year. Secondly, as the land formed only a very small part of the total assets of the Company, the Corporation should not have adopted that attitude for the simple reason that the assets of the Company, excluding the land, might be more than ample to cover the entire loan that it was making.

402. The representative of the Ministry of Finance (E.A. Department) stated that the Corporation was fully conscious of the object with which it was established, namely, to try and assist the development of industries. But, at the same time, it had to bear in mind that it acted prudently. As for the investigation into the title, he observed that it was customary for the Corporation to investigate into the title of the properties to be mortgaged to it as a security for the loan subsequent to the formal sanction and it was after such verification that the payment was made.

403. Inviting the attention of the Committee to the fact that it was a statutory obligation on the Corporation "that no accommodation can be given unless it is secured by a sufficient mortgage", the Chairman of the Corporation said that the question really arose as to whether they should have considered the plant and machinery in the factory as a sufficient security for the loan. The total assets, which the Company had at that time, he added, were barely worth Rs. 30 lakhs and they were also depreciated assets. So when they had to give Rs. 40 lakhs to the company, they had to be careful about the security. One thing that the Corporation, according to him, did was that it tried to ensure all the time

that the money that would be advanced was also covered by adequate margin. But in the present case, he admitted that it did not certainly cover a very safe margin even after taking into account the land.

404. The Committee wondered why even after the land acquisition proceedings had been completed, it was again insisted upon by the Corporation that the entry of the transfer of land should be made in the Zamindara book of the Bihar Government, a thing unknown in Bihar. Naturally it delayed the payment of the loan being made to the Company. The representative of the Ministry pointed out that they would look into the delay in the disbursement of loan while making a detailed enquiry into this case.

405. The Committee then desired to be furnished with a *note stating the time-lag between the issue of the Notification regarding the acquisition of land by the Bihar Government, the actual execution of mortgage deed and the grant and payment of the loan to the Sodepur Glass Works, Ltd.

406. It had been further stated in the note under consideration that the Corporation held back a sum of Rs. 1½ lakhs out of the loan amount sanctioned to the Sodepur Glass Works in order to meet urgent commitments on behalf of the Company in respect of wages of labour etc. The Committee wanted to know the circumstances under which the Corporation decided to take such a step and thus interfere in the normal working of the Company. The Chairman of the Corporation stated that it had always been the policy of the Corporation to keep a continuous and close watch over the affairs of any Company which was a borrower and if they saw any signs of waste or mismanagement, they intervened. He charged the management of the Company for not functioning properly and stated that this led the Corporation to distrust them, as time went on, and be more cautious.

407. A Member of the Committee then drew attention to a letter addressed by M/s. Arther W. Schmid and Co., Engineering Contractors, Pittsburgh which *inter alia* pointed out that the Sodepur Glass Works with an investment of Rs. 1½ crores could be worked to give a profit of about Rs. 20 lakhs a year. The Chairman of the Corporation informed the Committee in this connection that there were quite a number of people who were prepared to take over the factory if the Corporation advanced further money and took the risk of profit or loss etc. But this meant that not only had the Corporation to ensure the repayment of the money that was due to the Corporation by the management of such persons who had no stake in the running of the business, but also to advance more funds. Continuing, he said, that the matter was considered by the Corporation in consultation with the Government and the view that had been taken was that it was not prudent to put the Corporation in that position. The only other alternative, therefore, was to dispose of this factory. In that process, of course, they would like to take care of two things viz., firstly that the factory

should go into production and secondly, they were trying to get the best possible return so far as the Corporation was concerned. He assured the Committee that it was not in their interest to dispose of the factory at just a nominal price.

408. In reply to a question, the Chairman expressed his inability to indicate the loss that would be caused as a result of disposal of the factory until they had concluded the negotiations.

409. In reply to another question, the Chairman of the Corporation informed the Committee that there was no export market for Indian glass products as caustic soda was one of the ingredients which was used in the manufacture of sheet glass and for this commodity they had to depend on the imported stuff which was sold at a very high price here.

410. The Committee felt that the Ministry of Finance should negotiate with the Ministry of Production for taking over this concern and running it as a State Enterprise. While agreeing to examine the suggestion made by the Committee, the representative of the Ministry pointed out that from the Corporation's point of view, either they had to agree to convert themselves into manufacturers or to decide to keep the factory going, in which case they would have to bear all the financial risks. The management in that case would have no stake whatsoever and the running expenditure might be considerable.

411. When asked whether apart from over-capitalization, there was no other technical difficulty in starting the factory, the Chairman stated that it was so and that was the view of the experts also.

412. The representative of the Ministry of Finance (E.A. Department) informed the Committee that while considering the disposal of the factory, they had to ensure that while running it as a productive unit, they did not lose the benefit of the plant. He urged that this must be left to the Corporation and the Government to see what would be the most efficient agency through which it should be run.

413. The Committee postponed further consideration of the Sodepur Glass Works case till such time as the Ministry of Finance submitted to them a detailed report after enquiring into the matter. The representative of the Ministry undertook to complete this task as quickly as possible.

414. The Committee then proceeded to take up consideration of the *note relating to Jay Engineering Works Ltd. furnished by the Ministry of Finance. This Company was sanctioned an additional loan of Rs. 10 lakhs without awaiting the report of the Ministry of Commerce and Industry, to whom a reference was made by the Corporation on the 2nd May, 1952, but no reply was sent by that Ministry in spite of two reminders dated the 20th May and 4th June, 1952. In the meantime, on the 4th June the Corporation asked for a detailed report from Dr. B. D. Kalelkar (who had subsequently been appointed as Industrial Adviser to the Government of India). His report was received on the 20th June and the

* See Appendix L

Company's application was considered by the Executive Committee on the 21st June and a loan of Rs. 18 lakhs was sanctioned at that meeting. The Committee pointed out that since the then Chairman of the Corporation was interested in this concern as disclosed in the Report of the Enquiry Committee, the Corporation speeded up matters. The representative of the Ministry contended that that was not the only case in which the Corporation had tried to speed up. There were many cases in which they had tried to do so and not all of them related to the Chairman.

415. *Para 16 of the Audit Report—Purchase of Staff Car.*—In reply to a question, the Managing Director, I.F.C. stated that the staff car had been purchased with the permission of the Executive Committee, but its estimated price had not been recorded in the minutes of the relevant meeting of the Committee. Referring to the Audit comments, he stated that the car was 'primarily' meant for his use only.

416. *Para 5(iv) of the Audit Report—Re: grant of loan to Ceramic Products Ltd.*—In this case, the Ministry of Commerce and Industry did not recommend the grant of a loan to the Ceramic Products Ltd., in May, 53, as the samples of the products of the Company were generally poor, although the expansion scheme of the Company could be justified from the self-sufficiency point of view. The Ministry added that a licence was necessary before the Company could proceed with its expansion scheme. The representative of the Ministry of Finance stated that when apprised of the views of the Ministry of Commerce and Industry, the Company put in a further representation in June on the points raised by that Ministry and sent further samples of their products to them. When the matter was placed in August before the Licensing Committee of the Government of India on which the Commerce and Industry Ministry as well as the Ministry of Finance were represented, they observed that the expansion was justified which was also supported by the Development Wing of the Commerce and Industry Ministry. And this, the representative of the Ministry of Finance observed, meant that the Commerce and Industry Ministry had changed their original opinion.

Inviting his attention to the fact that in their letter dated the 5th December, 1953, the Commerce and Industry Ministry pointed out the poor quality of the new samples as well, the Committee desired to know why the sanction to the loan was still accorded. The representative of the Ministry replied that the other Ministries were not consulted with reference to the merit of the grant of loans as those Ministries were not responsible for the consequences. He added that it was the business of the Corporation to grant loans, and the Ministries were called upon to give only 'technical advice.

417. In reply to a question whether he had asked the Managing Agents of the Sodepur Glass Works to serve discharge notices on the workers when the factory was working to its 40% capacity, the Managing Director, I.F.C. replied in the negative. The representative of the Ministry, however, informed the Committee that dur-

*See also Appendix XLVII "

ing a visit to the Factory early in February, 1953, the Managing Director saw for himself that even the current expenses of the factory were not being met by its production. On his return, he had consultations with the local Directors and with their concurrence and on their advice it was decided that the factory should be asked to close down. The Managing Director accordingly conveyed the decision to Lala Gurusaran Lal, Managing Agent of Sodepur Glass Works at a meeting held at Calcutta on the 24th February. The action taken by the Managing Director, he added, was subsequently reported in the next meeting of the Executive Committee held on the 13th March and ratified by them.

418. *Para 15 of the Audit Report—Law Charges.*—The Committee were *informed that the payment of Rs. 2,000/- to an advocate of Bombay High Court for drafting a reply to Chapter VIII of the I.F.C. Enquiry Committee Report dealing with the loan of Sodepur Glass Works, Ltd. was made by the Managing Director with the approval of the Board.

419. Before the Committee rose, they were informed that the contract of the Managing Director with the I.F.C. was expiring on the 8th June, 1955 and it was not intended to renew it.

420. The Committee then adjourned to meet again at 10-30 A.M. on the 12th February, 1955.

Proceedings of the Thirty-sixth Sitting of the Public Accounts Committee held on Monday the 28th March, 1955.

421. The Committee sat from 12-10 P.M. to 1-10 P.M.

PRESENT

Shri B. Das—*Chairman.*

MEMBERS

2. Shri T. N. Singh.
3. Shri S. N. Das.
4. Shrimati Ammu Swaminadhan.
5. Shri C. P. Gidwani.
6. Shrimati Violet Alva.
7. Shri P. S. Rajagopal Naidu.
8. Diwan Chaman Lall.
9. Shri Mohamed Valiulla
10. Shri J. V. K. Vallabharao.

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

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor-General of India.*

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

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

Ministry of External Affairs

Shri N. R. Pillai, *I.C.S., Secretary General.*

Shri R. K. Nehru, *I.C.S., Foreign Secretary.*

Shri Prem Krishen, *I.C.S., Joint Secretary.*

Ministry of Finance

Shri R. N. Natarajan, *Deputy Secretary.*

Ministry of External Affairs

442. *Audit Report (Civil), 1952—Part I—Para 4(b)—Overdrawal of Exchange Compensation Allowance.—The Committee took up consideration of the note reviewing the whole position regarding currency manipulations not only by the Head of the Mission and*

staff attached thereto, referred to in this Para but also in the case of other Missions and their staff who had indulged in similar mal-practices furnished by the Ministry of External Affairs (Appendix LVIII) as desired by the Committee at their meeting held on the 9th December, 1954.

At the outset, the Secretary-General explained to the Committee the difficulties which the Government had to encounter in the initial stages while setting up the Indian Foreign Service and also referred to the unsettled and abnormal times which followed the last World War when there was a general absence of moral restraint in the matter of drawal of Exchange Compensation Allowance. He added that it was only during the last year or two that they had received evidence of prevalence of mal-practices in such matters and they took effective action to stop them. They had appointed two Inspecting Officers whose function it was to go round the Missions and look into such and other matters. He assured the Committee that, as a result of this, things had improved.

The Foreign Secretary then read out to the Committee another note giving a review of currency manipulations and other irregularities committed by certain officers serving abroad and the action taken to prevent a recurrence of such cases (Annexure I).*

423. When questioned about the nature of the punishment inflicted on the Head of the Mission referred to in the Audit Para, the Secretary-General informed the Committee, that the Officer concerned was reverted to a lower grade which meant a reduction of Rs. 400/- per month and further his promotion to higher posts was stopped for three years.

424. As regards the other Mission, in which case also there was a misinterpretation of the local currency regulations, as referred to in Para 12 of the Foreign Secretary's note referred to above (Annexure I), the Committee were informed that the Head of the Mission concerned who was not a Service Officer was called back before he thought he would be.

Referring to the last sentence of Para 10 of the Foreign Secretary's note (Annexure I), the Committee wanted to know the number of other cases of currency manipulations which were under investigation. In reply the Foreign Secretary stated that the number of such cases was 11.

425. The C. & A.G. suggested that in order to prevent the recurrence of such irregularities in future, the Foreign Allowances of the Officers concerned should be fixed in the currency of the countries to which they were accredited. The Foreign Secretary undertook to examine the suggestion. He said that the Inspectors of the Foreign Service Inspectorate, which came into existence only some time ago had been assigned the first task of concentrating on the fixation of the Foreign Allowances in Rupees or in the local currency without making any allowances for exchange compensation.

426. The Committee then adjourned.

*See Appendix LVIII

ANNEXURE I

Statement made by Shri R. K. Nehru, Foreign Secretary, at the Sitting of the Public Accounts Committee held on Monday, the 28th March, 1955.

Currency Manipulations

At the last meeting of the Committee, some questions were asked about a case of currency manipulations etc., and I was asked to carry out a fuller review of this particular case.

2. This review has been carried out and a detailed note has been circulated to the Committee.

3. The Ministry of External Affairs fully appreciate the gravity of this case. They are determined to do everything possible to raise the standards of the service and they realise that this is a matter of the highest public interest. They also share the concern shown by members of the Committee and they welcome the suggestion that this case should be fully reviewed.

4. The Committee has asked for information about the overdrawal of exchange compensation allowance, the recovery of the amounts overdrawn and the action taken to prevent a recurrence of such cases. The Ministry's review has not been confined to these matters, but has included all aspects of the case and of other similar cases.

5. Briefly, the position is that about three years ago, an inspection took place of one of our Missions in a certain country and it was discovered that some of the officers stationed there, over a period of years, had indulged in certain irregularities:—

- (i) Remitting entire pay and allowances to India by RBI drafts and selling rupee cheques locally in the open market against their Indian accounts in order to obtain local currency at a much higher rate than the official rate.
- (ii) Drawing exchange compensation allowance on the basis of false certificates showing that part of their pay and allowances was drawn in the country of assignment, when in fact no part was drawn there and the entire amount was remitted to India for the purpose mentioned in sub-para (i).
- (iii) Drawing house rent, travelling allowance, medical expenses, etc., in rupees by means of demand drafts on India, instead of in local currency, with a view to selling rupee cheques later and obtaining larger amounts of local currency in the open market.

6. All these irregular transactions and mal-practices were of the utmost gravity. Gravest of all was the practice of drawing exchange compensation allowance on the basis of false certificates. The Ministry took a serious view of this case and placed under suspension the Head of Mission concerned and ordered a departmental investigation to be carried out. As regards the other officers, the Ministry decided that similar investigations should take place later after a decision had been taken in the first case.

7. Various defences were put forward by the officer concerned, but the Ministry rejected them and, on the advice of the UPSC, orders were passed for the dismissal of this officer. The officer concerned made a further appeal for the review of his case and for generous treatment and the whole position was examined again.

8. In the course of this further examination fuller account was taken of the fact that there were similar reports in respect of one or two other Missions. Also that in one or two cases in a neighbouring country, the sale of rupee cheques had been permitted in the mistaken belief that on balance, this was not open to objection. This seems to have encouraged the officers concerned in the other Mission to resort to wider mal-practices.

9. There were some other factors also, e.g., the general instability of local currencies and the fact that other Missions were resorting to similar mal-practices. All these factors seem to have encouraged the officers concerned to take advantage of every loophole to make illicit gains.

10. These were considered to be extenuating factors, more particularly as the previous record of the officer concerned was good. He had obviously yielded to temptation. Taking all these facts into account, the Ministry consulted the UPSC again about a less extreme punishment. The UPSC, on further consideration, agreed with this view and, on their advice, a less extreme punishment was imposed. As regards the other cases, a departmental investigation is now in progress and a special officer is dealing with these cases.

11. One of the facts which was taken into account in imposing a less extreme punishment was that there were similar reports in respect of other Missions. These reports have now been fully examined. The Ministry are satisfied, on further enquiry, that in these cases, there was no instance of drawal of exchange compensation or of any other allowance on the basis of false certificates. All that happened was that in some cases, rupee cheques were held in the open market.

12. The Ministry are satisfied that, in one case, the local currency regulations were misinterpreted and, in the case of this Mission, only one irregular transaction has been definitely established. In the case of the other Mission, there was also a misinterpretation of the local currency regulations, but there is more definite evidence that rupee cheques were being sold. This was being done with the approval of the Head of Mission whose services have since been terminated.

13. The Committee also wanted to know the total amount of exchange compensation allowance which was overdrawn on the basis of false certificates. The amount is Rs. 15,600 and has been recovered in full. The Committee also put some questions about the reason for not taking criminal proceedings against the offenders. The Ministry have explained the reason in the note which has already been circulated (Appendix LVIII).

14. The Ministry take a serious view of the case. They are, however, satisfied that, on balance, a less extreme punishment

was appropriate and that this punishment will have a deterrent effect.

• 15. The main concern of the Ministry is to ensure that such mal-practices are not repeated. They have taken a number of steps in this direction, e.g., by clarifying the instructions and by setting up a strong Inspectorate which will be visiting all the Missions.

16. Within the Ministry itself, organization and methods of work are being improved. Although the extreme penalty was not imposed in the earlier case, as it occurred at a time when conditions were relatively unsettled, it is the Ministry's intention to take stronger action in regard to cases which may arise in future with a view to enforcing higher standards of personal conduct which will be applied uniformly to all members of the service, irrespective of rank and position.

Proceedings of the Thirty-ninth Sitting of the Public Accounts Committee held on Monday, the 11th April, 1955.

427. The Committee sat from 12 NOON to 1-30 P.M.

PRESENT

Shri B. Das—*Chairman.*

MEMBERS

2. Shri T. N. Singh
3. Shri S. N. Das
4. Shri Balwant Sinha Mehta
5. Shrimati Ammu Swaminadhan
6. Shri Amarnath Vidyalkar
7. Shri S. V. Ramaswamy
8. Shri U. C. Patnaik
9. Shrimati Violet Alva
10. Shri P. S. Rajagopal Naidu
11. Shri Mohamed Valiulla.

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

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor-General of India.*

Shri B. K. T. Iengar, *Chief Auditor, Damodar Valley Corporation.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

Shri T. Sivasankar, *Secretary, Ministry of Irrigation and Power.*

Shri P. S. Rau, *Chairman, Damodar Valley Corporation.*

Shri P. P. Varma, *Member, Damodar Valley Corporation.*

Shri S. M. Baherjee, *Financial Advisor, Damodar Valley Corporation.*

Shri S. Ratnam, *Joint Secretary, Ministry of Finance.*

Shri H. S. Negi, *Deputy Secretary, Ministry of Finance.*

Ministry of Irrigation and Power

DAMODAR VALLEY CORPORATION

428. The Committee took up consideration of the note regarding the high rates allowed to the contractors, Messrs. Hind Patel and Co. on certain items of work done by them on Konar Dam (D.V.C.) submitted by the Ministry of Irrigation and Power and desired by the Committee at their meeting held on the 18th October, 1954 (Appendix XXXIII).

429. The Committee referred to the statement made by the D.V.C. in the above note that the present Corporation had reviewed the whole situation and had come to the conclusion that the findings of the Rau Committee were substantially correct, but in view of the varying estimates of overpayment arrived at by different authorities at different times it was difficult for the Corporation at this stage to give a correct estimate of the volume of overpayments made, and enquired from Shri Varma, Member, D.V.C., who was also a Member of the previous Corporation, whether he had seen that note. Shri Varma replied in the negative. He, however, added, that that was the Corporation's view.

The representative of the Ministry of Irrigation and Power drew the attention of the Committee to the evidence given by him at an earlier meeting when he had stated how the attempt made, to recover the amount overpaid by persuading the contractors (who were under no obligation to accept arbitration) was not successful because of a stipulation by the contractors that the Income-Tax authorities would accept the findings of the arbitrator as the basis for assessing the income-tax payable by them, which the Central Board of Revenue could not accept. No such stipulation was made by the contractors when the question of constituting arbitration proceedings was first mooted. He further said that this question was discussed at the conference of the participating States and the view taken then was that, as many of the engineers who handled this contract had retired, no action was possible. The only thing that could be done now by the D.V.C., according to him, was to refer certain items to arbitration under a clause which was incorporated in the contract agreement, viz., when the quantity exceeded 20% of the contracted amount, then the D.V.C. was entitled to a refund, by a scaling down of the rates. He added that the D.V.C. had accordingly made a claim for a refund of Rs. 21 lakhs.

430. The Committee observed that the point at issue was the overpayment made to the contractors on other counts (which both the Government of India and the D.V.C. had accepted now) and not to those covered by the agreement as mentioned above and desired to know what active steps Government contemplated for recovering the amount either wholly or in part. The representative of the Ministry of Irrigation and Power observed that in the light of the views expressed at the Conference of the participating States, the Government, of India had taken the decision that, with

the breakdown of arbitration talks, there was nothing that could be done about it.

431. When asked about the attitude of the Ministry of Finance in this matter, the representative of that Ministry stated that although the Finance Ministry was apprised of the breakdown of the arbitration talks, no further proposals were received from the I & P Ministry; the Finance Ministry for its part, had not put forward any positive or concrete suggestions by which any portion of the amount or whole of it could be recovered.

432. The representative of the Ministry of Irrigation and Power then read out to the Committee the relevant minutes of the Inter-State Conference at which it was agreed that the matter might be treated as closed as it was not possible to fix any individual responsibility on the D.V.C. He reiterated that in view of the decision taken at the above Conference, there was nothing which Government could do.

433. The Committee desired to know why, although nothing was possible legally in Government's opinion for pursuing this case, they should not explore the possibilities of discussing the matter further with the contractors who were still continuing as Government contractors and reach some equitable settlement. In the alternative, it was always open to Government to take action against the contractors who had overcharged the Government either by blacklisting them or removing them from the list of contractors eligible for Government contracts. The representative of the Ministry of Irrigation and Power stated that all that he could do was to ask the contractors to agree to arbitration without insisting on that stipulation which had previously resulted in the breakdown of Government's attempts for arbitration.

434. In reply to a question, the representative of the Ministry of Finance stated that personally he would not agree with the view that though the contractor had been overpaid, they should take no action against him.

435. When asked about the quantum of overpayment for which claim should be preferred against the contractor, the Auditor-General stated that the figure of Rs. 75 lakhs as arrived at by Audit might form the basis of discussions. The Committee, however, asked the Auditor-General to give details of the cases in which overpayments had been made to the contractor.

436. A suggestion was also made that Government might bring forth legislation before Parliament on the lines of the one existing in America empowering them to review concluded contracts and effect a recovery where there was a clear case of overpayment as had happened in this particular case.

437. Referring to the other items of overpayments, viz., payments at the same rates even when the quantities exceeded by 20% of those contracted for, the Chairman, D.V.C. said that as far as the Corporation was concerned, they had made it quite clear that they were going to send for the contractors. In fact, they had already put up their claim and the contractors had put forward his counter-claims also in pursuance of the clause in the agreement.

laying down that in the case of dispute or where there was difference of opinion, the matter might be referred for arbitration. He added that they would shortly discuss the matter with the contractor.

438. Before the Committee concluded, the representative of the Ministry of I & P undertook to follow the suggestion made by the Committee for negotiating with the contractor.

439. The Committee then adjourned to meet again on the 15th April, 1955.

Proceeding of the Forty-ninth Sitting of the Public Accounts Committee held on Monday, the 27th June, 1955.

440. The Committee sat from 10 A.M. to 1 P.M.

PRESENT

Shri B. Das—*Chairman.*

MEMBERS

2. Shri T. N. Singh
3. Shri Ramananda Das
4. Shri Shree Narayan Das
5. Shri Amarnath Vidyalkar
6. Shri S. V. Ramaswamy
7. Shri Uma Charan Patnaik
8. Shri C. P. Gidwani
9. Shrimati Violet Alva
10. Shri Mohamed Valiulla.

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

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

Shri V. R. Mahadevan, *Chief Audit Officer, Food, Rehabilitation and Supply.*

SECRETARIAT

Shri M. Sunder Raj—*Deputy Secretary.*

Shri K. K. Das—*Under Secretary.*

441. The Committee took up consideration of their Draft Fifteenth Report on the Appropriation Accounts (Civil), 1950-51 etc., and approved Paras 1—49 thereof subject to certain additions and alterations here and there.

442. The Committee desired that re-drafts of the following Paras and sub-paras, of the above draft Report, as prepared in the light of their discussions, should be circulated to them for consideration of their sitting to be held on the following day:

Chapter I—Introduction—Para 2.

Chapter IV—38 (last sub-para) 49 [sub-paras (2) and (3).]

443. The Committee then adjourned till 10 A.M. on Tuesday, the 28th June, 1955.

**Proceedings of the Fiftieth Sitting of the Public Accounts Committee
held on Tuesday, the 28th June, 1955.**

PRESENT

444. The Committee sat from 10 A.M. to 12-50 P.M.

MEMBERS

2. Shri T. N. Singh.
3. Shri Ramananda Das.
4. Shri Shree Narayan Das.
5. Shrimati Ammu Swaminadhan.
6. Shri Amarnath Vidyalankar.
7. Shri S. V. Ramaswamy.
8. Shri C. P. Gidwani.
9. Shri U. M. Trivedi.
10. Shrimati Violet Alva.
11. Shri Ram Prasad Tamta.
12. Shri Mohamed Valiulla.

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

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

Shri V. R. Mahadevan, *Chief Audit Officer, Food, Rehabilitation and Supply.*

SECRETARIAT

Shri M. Sunder Raj—*Deputy Secretary.*

Shri K. K. Das—*Under Secretary.*

445. The Committee took up further consideration of their Draft Fifteenth Report on the Appropriation Accounts (Civil), 1950-51 etc.

446. The Committee first considered re-draft of the under-mentioned paras of the above draft Report and approved them:

Para 2

Para 38 (last sub-para).

49 [sub-paras (2) and (3).]

447. The Committee then considered the Report of the sub-Committee on 'Import and Sale of Japanese Cloth' and adopted it. It was decided that this Report should be embodied at the appropriate place in Chapter IV of the Fifteenth Report.

448. The Committee then proceeded to take up consideration of Paras 80 to 86 of the Draft Fifteenth Report and approved them subject to certain additions and alterations.

449. The Committee then adjourned till 10 A.M. on Wednesday the 29th June, 1955.

Proceedings of the Fifty-first Sitting of the Public Accounts Committee held on Wednesday, the 29th June, 1955.

450. The Committee sat from 10 A.M. to 12-15 P.M.

PRESENT

Shri B. Das—*Chairman.*

MEMBERS

2. Shri T. N. Singh.
3. Shri Shree Narayan Das.
4. Shri Balwant Sinha Mehta.
5. Shrimati Ammu Swaminadhan.
6. Shri Amarnath Vidyalankar.
7. Shri C. P. Gidwani.
8. Shri U. M. Trivedi.
9. Shrimati Violet Alva.
10. Shri Ram Prasad Tamta.
11. Shri Mohamed Valiulla.

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

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

Shri V. R. Mahadevan, *Chief Audit Officer, Food, Rehabilitation and Supply.*

SECRETARIAT

Shri M. Sunder Raj—*Deputy Secretary.*

Shri K. K. Das—*Under Secretary.*

451. The Committee resumed consideration of their Draft Fifteenth Report and approved Paras 92—124 thereof subject to certain additions and alterations.

452. The Committee authorised the Chairman to sign their Thirteenth, Fourteenth and Fifteenth Reports as approved by them.

453. This being the last sitting of the Committee of 1954-55, the Comptroller and Auditor-General, referring to the work done by the Committee, stated that he had been impressed with the objective and impersonal manner in which they had functioned unfettered by party affiliations. He further paid tributes to the retiring Chairman for the manner in which the latter had conducted the proceedings of the Committee.

454. Shri Gidwani then moved the following Resolution which was unanimously adopted:—

“The Public Accounts Committee record their deep appreciation of the services of Shri B. Das, their Chairman and express their gratitude to him for the able and splendid guidance that he gave to the Members in the discharge of their duties. The Committee wish him long and happy life”.

Shri Tamta then moved the following amendment to the above Resolution which too was unanimously adopted:

“The Committee feel that the retirement of Shri B. Das from the Chairmanship of the Committee would be an irreparable loss to the Public Accounts Committee.”

455. Shri Singh also praised the Chairman for the guidance which he had always been giving to the Members of the Committee.

456. The Chairman while thanking the Members and the Auditor-General for the sentiments expressed towards him expressed the hope that the Public Accounts Committee would establish the real traditions leading to the purity and honesty of the Administration.

457. The Committee then adjourned *sine die*.

APPENDICES

Appendix I

*Statement showing action taken or proposed to be taken on the recommendations of the Public Accounts Committee
Accounts (Civil)*

Serial No.	Year of Report	Paragraph of the Report	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	2	3	4	5	6
1	1948-49 (I)* 1947-48 (Post-Partition).	14 4-R	Finance	The Ministry of Finance should take suitable action in cases in which it is established that the responsibility of framing budget estimates or controlling the expenditure has not been properly discharged.	A note has been submitted to the Committee. (See Appendix II).
2	1948-49 (I)	15	Do.	(i) In order to obviate cases of large lapses of funds resulting from the non-adjustment of debits for supplies and services rendered during a financial year, a suitable procedure should be devised whereby action is taken sufficiently in advance by the indenting authorities to ascertain from the suppliers whether the supply of goods was likely to materialize. If the payment was not likely to be made in time, the funds provided for the purpose should be surrendered.	A note has been submitted to the Committee. (See Appendix II).
	1949-50 (VII)**	14	Do.	(ii) All spending authorities should be reminded of the principle which appears to have been overlooked in a number of cases namely, that suitable steps should be taken to ensure that provision on account of stores or supplies indented is made correctly during the financial year concerned. In case, the supplies are not likely to mature during that year, steps should be taken to surrender the funds and the provision in that behalf should	A note has been submitted to the Committee. (See Appendix II)

*1948-49 (I) denotes First Report of the P. A. C. on the Accounts of 1948-49 and unfinished Accounts (Civil) of 1947-48 (post-partition).

**1949-50 (VII) denotes Seventh Report of the P. A. C. on the Accounts (Civil) of 1949-50 and unfinished Accounts (Civil), 1948-49.
Appendices are contained in Vol. II of the Report.

1	2	3	4	5	6
3	1948-49 (I)	15	Finance	<p>be made in the next year's budget estimates or revised estimates.</p> <p>The Ministry of Finance in exercising its 'banking' control should take into account wider considerations and bring it to bear upon the Ministry accountable for the proper spending of the funds entrusted to it that it should exercise strict financial control in all such cases where funds are spent through the agency of the State Government. The Ministry of Finance should issue strict instructions that explanations for variations between the Grants and the Expenditure should be furnished expeditiously by the Ministries in order to obviate delay in the compilation of the Appropriation Accounts.</p>	<p>Necessary instructions have been issued in regard to the expeditious furnishing of explanations for variations between the grants and expenditure.</p> <p>(See Appendix LV).</p>
4	Do	16	Do.	<p>Most of the administrative authorities are ignorant of proper budgetary procedure and lack of knowledge and experience of financial control over expenditure. The Ministry of Finance should not only devise measures for tightening financial control but their representatives should <i>inter alia</i> also watch and advise the administrative authorities in their control over the progress of expenditure.</p>	<p>Necessary instructions have been issued.</p> <p>(See Appendix II-A).</p>
5	Do.	17	Do.	<p>(i) Planning and preparation of estimates proceed on a very unsatisfactory basis and money asked for one purpose is often spent on a different activity or a major activity is allowed to be postponed and a minor scheme or activity proceeded with. There is also no real coordination between the activities which a Ministry pro-</p>	<p>Necessary instructions have been issued.</p> <p>(See Appendix II-A).</p>

pose to undertake during the year and the financial side of such activities. The present system of preparation and scrutiny of estimates should be overhauled thoroughly and a methodical and systematic procedure devised whereby the budget is prepared on a more accurate data which is duly 'vetted' by both the administrative and financial authorities.

(ii) The Ministry of Finance should associate itself with the administrative Ministry concerned from the very inception of the preparation of the budget estimates and assist them in coming to proper decisions rather than sit on judgement over their proposals.

6 1949-50 (VII) 15

All Ministries except Ministry of W. H. & S.

Each Ministry should organise a cell within their framework for exercising control over expenditure in accordance with the budgetary grants as well as for prompt and satisfactory disposal of audit objections and the implementation of the recommendations of the Public Accounts Committee.

The Ministry of Finance (R. & E.) have stated :

"Noted. Satisfactory arrangements exist in this Department for attending to these items of work."

The Ministries of E. A; Food, and Agriculture (Food Divn.); Transport and I. & B. have submitted a note each. (See Appendix LXXXII, XIX, LXXXIV, LXXXIII).

The Ministry of Labour have stated :
"A separate Budget and Accounts Section has been established to attend to the items of work described by the Committee."

The Ministries of N. R. & S. R., Production, I. & P. and Commerce and Industry, etc. have opened separate Budget Branches.

The Ministries of Railways, Communications, Law, Home Affairs, etc. have noted.

105

7 1948-49 (D)

18

Finance
All other Ministries

In order to check the tendency of the spending authorities to incur expenditure in excess of the sanctioned grants or appropriations, it is essential that the Ministries in general, and the Ministry of Finance in particular, should devise measures urgently whereby expenditure under each grant and sub-head under that grant is booked immediately after it is incurred. The progress of expenditure should be watched by the authority administering the grant so that before incurring further expenditure, it should ensure that the fresh expenditure is within the limit of sanctioned allotment. This is of course without prejudice to the legitimate use of the Contingency Fund.

The D. G. P. & T. has stated :
"Such a cell already exists in the P. & T. Directorate."

The Ministry of Rehabilitation have stated :
"This is being complied with".

The Ministry of Finance (E.A.) have submitted a note (*See* Appendix II). The Ministries of Rehabilitation, Food and Agriculture (Food Division), Transport, Commerce and Industry, External Affairs, I. and B. etc. have submitted notes.
(*See* Appendices LXXXV, XIX, LXXXVI, LXXXVII, LXXXVIII and LXXXIII)

The Ministry of Labour have stated :
"Action on the lines indicated by the Committee has already been taken and the fact notified to the Lok Sabha Secretariat."

The Ministry of N. R. & S. R. have stated :
"This Ministry has been obtaining progressive monthly expenditure statements from the budgeting authorities with a view to watching that expenditure does not outrun the grant."

The Ministries of Home Affairs and Communications have stated :
"Steps have already been taken to see that the expenditure is booked accurately. Constant watch on the progress of expenditure is being kept."

8 Do.

19

Do.

The reconciliation of the figures of expenditure booked by the spending Departments concerned with those booked by the respective Accounts Officers is one of the 'potent methods' by which the flow of expenditure can be regulated and the tendency to over-spend curbed. To achieve this end, the spending departments should maintain their accounts properly. The Financial Advisers attached to the Ministries, etc. should guide the Administrative authorities in regard to the maintenance of accounts and for watching the progress of expenditure.

They should also look into the accounts of Ministries/Departments periodically in order to see that these are being maintained properly. In the U. K., the responsibility for keeping the entire accounts rests with the Ministries/Departments concerned. Steps should be taken to introduce changes in this respect gradually but effectively.

The Ministries of Health, Production, Education and Law and W. H. & S. etc. have noted the recommendations.

The D. G. P. & T. has issued necessary instructions. The recommendations of the Committee are already laid down in the Departmental Codes.

The Ministry of Finance of (R. & E.) have stated :

"Necessary instructions have been issued."

The Ministries of Rehabilitation, Food and Agriculture, N. R. & S. R., Transport, States, External Affairs, I. and B. and Defence have submitted notes.

(See Appendices LXXXIX, XIX, XC, XCI, XCII, LXXXVIII, LXXXIII and XCIII).

The Ministries of Health, Production, Education, etc. have noted the recommendations for information and guidance.

The Ministry of Home Affairs have stated :

"Submission of the reconciliation statements have already been introduced from the year 1951-52."

The Ministry of W. H. & S. have noted the recommendation and brought the same to the notice of subordinate and attached offices under them.

The Ministry of Communications have stated :

"Accounts are being kept in accordance with the advice of the Ministry of Finance".

1	2	3	4	5	6
---	---	---	---	---	---

The Ministry of Labour have stated :
 "Reconciliation Statements are being regularly received from the various authorities and entered in a special register maintained for the purpose."
 The D. G. P. & T. have stated as below:
 "Necessary instructions have been issued in the matter. The question of transfer of responsibility for keeping accounts from the A. G. P. & T. to the D. G. P. & T. is under the consideration of the Government".

9 1948-49 (I)

21

Finance
 All other Ministries

In regard to proper utilization of the grants made to the State Governments, etc. for various Development schemes launched by them, the Central Government should conduct broad checks to see that the objectives with which such allocations are made are achieved as intended and within the targets laid down.

The Ministry of Finance (E.A.) have stated as below :

"Half yearly reports are being received from the various States in respect of development projects etc. receiving Central Assistance indicating the progress of the work and expenditure."

The Ministries of N. R. and S. R., Commerce and Industry, Food and Agriculture etc. have noted.

The Ministries of Rehabilitation, Transport, W. H. & S. and Defence have submitted a note each. (See Appendices XCIV, XCV, XCVI and XCVII.

The Ministry of Communications have stated :

"The subjects administered by these organisations are *Central* ones and as such no grant is made to State Governments."

188

10 1948-49 (I)

25

Do.

In all cases of misuse of public money, reckless disregard of financial rules, extravagances and losses resulting from negligence of officials, responsibility should be fixed on the individual officers and the Ministry concerned. The Administrative Ministry should not content itself merely with passing strictures against the officers concerned but should take some positive action against them for wastes of public funds caused through their wilful actions or contributory negligence. In order to tone up administrative integrity and efficiency, it is absolutely essential that officials found guilty of such acts are dealt with promptly and severely. Officers responsible for failing to take action or delaying action against the delinquent officials should also be suitably punished.

The Ministry of Information and Broadcasting have stated :

"This Ministry does not make any grants to State Governments for any development schemes."

The Ministry of States have stated as below :

"Noted for guidance. Sufficient checks have been provided to see that the grants are spent by the State Governments for the purposes for which they have been sanctioned. The Finance Ministry's advice is taken from time to time regarding the further checks to be prescribed."

The Ministries of Home Affairs and Labour have forwarded copies of the recommendations to all concerned for necessary action.

The Ministry of Finance (R. & E. have submitted a Memo. (See Appendix LIV).

The Ministries of Rehabilitation, Production, Commerce and Industry, etc. have noted the recommendation. The Ministries of Food and Agriculture and Transport have submitted a note each. (See Appendices XCVIII and XCIX).

The Ministries of Home Affairs, W.H. & S. and States have noted the recommendations and brought it to the notice of all concerned for careful note and compliance.

The D. G. P. & T. have stated :
"Necessary instructions have already been issued."

11 1949-50 (VII)

27 Finance

All other Ministries

The financial effect of any relaxation of the specifications in a contract should be taken into account before it is agreed to ; the contracts should be business like and the drawing Officers should exercise every possible care, vigilance and prudence before they commit the Government to any financial embarrassment. Any departure from rules of procedure should not be permitted at all as it paves the way for all kinds of evils and consequential losses, frauds, embezzlements, thefts, pilferages, bribery and corruption.

The Ministry of Defence have stated: "Action is invariably taken against offending officials as also against those who fail or delay to take appropriate action against delinquent officials."

The Ministry of Information and Broadcasting have stated :

"Noted. Extracts have been forwarded to our units and copies supplied to Branches for Information and guidance."

The Ministry of Labour have stated : "Instructions already issued by the Ministry of Finance in this regard have been circulated to all concerned."

The Ministry of Railways have noted.

The Ministry of Finance (R. & E.) have issued suitable instructions to all Ministries.

The Ministries of Transport, Communications, Rehabilitation, etc. have noted the recommendation.

The Ministry of Railways have issued necessary instructions to all Railway Administration.

The Ministries of Food & Agriculture, Commerce & Industry, Home Affairs W. H. & S., States and Labour have noted the recommendation and issued suitable instructions to all the attached and subordinate offices under them,

12 Co. . . . 27

Do. . . . The investigation of any loss must not be unduly protracted, as any element of procrastination is likely to assist the delinquents to manipulate the acts, to tamper with the record, to concoct evidence and thus to escape punishment. This matter should receive the unremitting attention of all the administrative Departments of the Government of India.

The Ministry of Defence have stated :
"The instructions issued by the Ministry of Finance have been communicated to all concerned in the Defence Services."

The D. G. P. & T. have issued necessary instructions.

The Ministry of Information and Broadcasting have stated :
"Extracts have been given to units for guidance."

The Ministry of Finance have submitted a Memo. (See Appendix LIV.)

The Ministries of Home Affairs, Works, Housing & Supply, States and Labour have noted the recommendation and circularised the same to all concerned for compliance.

The Ministries of Railways, Rehabilitation, N. R. & S. R., Commerce & Industry, Transport, etc. have noted the recommendation.

The Ministry of Information and Broadcasting have stated :
"Extracts have been given to units for guidance."

The Ministry of Defence, have stated :
"The instructions issued by the Ministry of Finance in this regard have been communicated to all concerned in the Defence Services."

13 1948-49 (1) . . . 151

Finance . . . With reference to Para. 33 of the Audit Report, 1950, the progress made in the adjustment of the outstanding balances in respect of payments made to the U. K. Government on behalf of Pakistan should be reported to the Committee.

A Memorandum has been submitted to the Committee.
(See Appendix VII).

1	2	3	4	5	6
14	1948-49(I)	153	Finance	<p>(i) The progress made in taking over the work relating to payment of military pensions from the U. K. Government should be reported to the Committee.</p> <p>(ii) A note setting forth the actual percentage of the ratio of expenditure incurred on agency fees to the pensions paid by the Commonwealth Relations Office should be furnished to the Committee.</p> <p>(iii) The Ministry of Finance should ascertain from the appropriate Ministry whether the Commonwealth Relations Office was in any way rendering any assistance towards the promotion of welfare of the Indians settled in the Colonies like Mauritius, New Guinea, etc. and, if so, whether they would continue to do so even after the Indian High Commissioner had taken over the work relating to military pensions.</p>	<p>The Ministry of Finance (E.A.) have stated : "The matter is under consideration."</p> <p>The Ministry of Finance (E.A.) have submitted a note. (See Appendix C).</p> <p>The Ministry of Finance (R. & E.) have submitted a note to the Committee. (See Appendix CI).</p>
15	Do.	154	Do	<p>Since the Insurance Organization is intended for the benefit of the Insurance Companies, etc., it should be considered whether the fees levied should not be adequate to cover the expenditure. A report in the matter should be submitted to the committee.</p>	<p>The Ministry of Finance (E.A.) have submitted a Memorandum to the Committee. (See Appendix CII).</p>
16	Do.	22 & 157	Do.	<p>A note should be submitted to the Committee stating whether the Ministry of Finance had withdrawn any of the powers delegated to the old India Office and whether the H. C. for India in London exercise the same financial powers as were enjoyed by other Ambassadors and if not why not.</p>	<p>The Ministry of Finance (R. & E.) have submitted a Memorandum to the Committee. (See Appendix CI).</p>

17	Do.	162	Do.	A Note stating the steps taken by Government to revise the charges for printing of stamps to meet the rising cost should be submitted to the Committee.	The Ministry of Finance (E.A.) have submitted a Memorandum to the Committee. (See Appendix CIII).
18	1948-49 (I) 1949-50 (VII)	38 & 157 84	Do.	The Committee should be apprised of the detailed procedure laid down by the Ministry of Finance in regard to the expeditious disposal of audit objections pursuant to the recommendations contained in para. 38 of the First Report (1951-52).	The Ministry of Finance (R. & E.) have submitted a Memorandum (See Appendix CIV).
19	1948-49 (I)	40	Do.	The Ministry of Finance should present to the Public Accounts Committee a skeleton of the form devised in consultation with the Comptroller and Auditor-General in which the Accounts embracing the receipts and debts sides will be prepared to enable the Committee to make an early start in the matter of scrutinising the Receipts and Borrowing sides of the Accounts.	The P. A. C. (1953-54) have already approved the skeleton forms forwarded by the Ministry of Finance and asked them to take up compilation of the Accounts in question.
20	1949-50 (VII)	57	Do.	The Pakistan Government should be persuaded to pay the first two instalments of its partition debt to India amounting to Rs. 18 crores during the current financial year.	Noted.
21	Do.	143	Do.	A note setting forth the salient features of the accounting procedure followed on the Bhakra-Nangal Project after getting it vetted by Audit should be furnished.	The Ministry of Finance (R. & E.) have submitted a revised note. (See Appendix CV).
22	1949-50 (VII)	80	Finance All other ministries	(i) The element of interest on capital outlay and other overhead charges involved in the running of a particular scheme should be taken into account while calculating the amount of profit or loss accruing therefrom.	The Ministry of Finance (R. & E.) have stated as below : "The recommendation is accepted in principle and the procedure for its implementation will be settled in consultation with the Comptroller and Auditor-General".

(ii) No departure should be made from the commercial trading principles in the case of all trading operations undertaken by the State.

The -Ministry of Information and Broadcasting have stated :

“Extracts have been given to Director General, All India Radio, and Branch concerned for guidance.”

The Ministries of Transport and Food & Agriculture each have submitted a note. (See Appendices CVI and CVII).

The Ministries of Rehabilitation, N.R. & S.R., D.G.P. & T., etc., have noted the recommendations.

The Ministry of Commerce & Industry and Ministry of Production have stated.

“The subordinate organisations have been asked to take the element of interest into account while arriving at the final results.”

The Ministries of Home Affairs and States have stated:

“Instructions from the Finance Ministry are awaited”.

The Ministry of Information and Broadcasting have stated :

“Extracts have been given to Director General, All India Radio, and Branch concerned for guidance.”

The Ministry of Railways have stated :

“The extant orders already provide for the inclusion of the element of interest on Capital Outlay and other over-head charges in arriving at the net saving or increase in revenue for the purpose of judging the remunerativeness of schemes”.

Finance
All other Ministries

To enable the Members of Parliament to properly appraise the financial working of any State enterprise and to judge the productivity of expenditure involved in it, the details of the provision of funds made in this respect as set forth in the Explanatory Memorandum on the Budget should invariably be accompanied by a Statement of the financial results of the working of that enterprise for the previous year.

The Ministry of Labour have noted these recommendations and brought to the notice of all concerned.

"The Ministry of Finance (F.A.) have stated as below :

of the enterprises for the previous year (if by previous year is meant the year previous to the Budget year) will not be available as the Budget Estimates are presented before the close of the year. But every effort will be made to include a statement of the financial results of the working of the various enterprises for the last financial year for which the complete results are available."

The Ministries of Rehabilitation, Food & Agriculture, Works, Housing & Supply, D. G.P. & T., etc., have noted the recommendations.

The Ministry of Labour have noted the recommendation and brought to the notice of all concerned.

The Ministry of Railways have stated as below :

"The Explanatory Memorandum on the Railway Budget contains a statement of the financial results of the working of the Railway undertakings for the previous year."

The Ministry of Food & Agriculture, (Food Dn.) have stated as below :

"The Food Division has no such State enterprises, except Purchase of Fodders in respect of which the required particulars are given in the Explanatory Memorandum on Budget."

24 1949-50 (VII).

83

Finance

Irrigation & PowerExternal AffairsAll other Ministries.

(i) The Ministry of Irrigation and Power should consider the desirability of the early introduction of the Administrative Audit system in the various multi-purpose river valley projects which are at present being executed under their control.

(ii) In order to make the internal check over the Accounts of the Indian Missions abroad effective, the Ministry of External Affairs should appoint, as the Head of the Foreign Service Inspectorate, an Officer of the Indian Foreign Service who may be fully conversant with the technique of administration and also have financial outlook.

The Ministry of Information and Broadcasting have stated:

"There is no State Enterprise so far as our Ministry is concerned."

The Ministry of Finance (R. & E.) have stated as below :

"The recommendation has been accepted in so far as 'Works' expenditure is concerned in regard to which a beginning is being made in the C.P.W.D. The question of extending the system to other sectors will be considered in the light of the experience gained in the C.P.W.D."

A revised note is awaited from the Ministry of Irrigation and Power—
See Para. 115 of the Report.

The Ministry of Food & Agriculture (Food Dn.) and Works, Housing & Supply have submitted a note each. (See Appendices CVIII, CIX).

The Ministries of N.R. & S.R., and Commerce & Industry have noted the recommendations.

The Ministry of Production have stated as below :

"Noted. The approved form of management in respect of most of the Industrial Undertakings under this Ministry, however, is a Ltd., Co. constituted under the Indian Companies Act and the question of introduction of Administrative Audit in them does not seem to arise."

(iii) All other Ministries who are charged with the huge spending of public mon-
eys should consider the early introduction
of the Administrative Audit system.

The Ministry of Defence have stated :
"This system is in vogue already in the
M.E.S."

The Ministry of Health have stated :
"The question of introduction of ad-
ministrative audit system in the
Medical Stores Depots was consider-
ed in consultation with the D.G.H.S.
It was stated by him that there was
already an extensive system of checks
by the Depots Accountants, concu-
rent audit party and stock verifiers,
besides the periodical examinations
carried out by the officers of the
Depots. The D.G.H.S. was there-
fore of the opinion that the intro-
duction of the administrative audit
system in the Depots was not neces-
sary. The Ministry of Finance who
was approached for their advice in
the matter stated that the introduc-
tion of the system in other large
spending departments would be
considered by Government later in
the light of the experience gained by
the working of the system in the
C.P.W.D. where it is being tried in
the first instance in the Civil side."

The Ministry of Information and
Broadcasting have stated :

"The two organisations in the I. & B.
Ministry which undertake large scale
expenditure are AIR., & Films
Division. Recently a senior I. A.
& A. S. Officer has been appointed
Officer on Special Duty to review
the accounting procedure in both
the organisations. The question of
introducing administrative audit

1

2

3

4

5

6

system will be examined further on receipt of Officer on Special Duty's recommendations."

The D. G., P. & T. and the Ministry of Health have stated :

"The matter is under consideration." The Ministry of Food & Agriculture and the Ministry of Rehabilitation have noted the recommendations.

The Ministry of Transport have stated :
"This Ministry is not charged with huge spending of public moneys and as such do not require any introduction of the Administrative Audit system."

The Ministry of Communications have stated :

"Necessary instructions indicating precisely the lines on which such a system is to be introduced awaited from the Ministry of Finance."

The Ministry of Railways have stated :
"This is already in vogue on the Railways as the organisation of the Financial Adviser and the Chief Accounts Officer forms part of the Railway Administration under the General Manager."

The Ministry of Labour have noted the recommendation and brought it to the notice of all concerned.

H
33

25	1949-50 (III)*	Finance			<p>The introduction of a satisfactory system of Exchanguer Control with a view to ensuring that the Grants voted and Appropriations made by Parliament are not exceeded is urgently needed.</p>
26	Do.	Do.	2		<p>It is improper that the Comptroller and Auditor-General should be saddled with the responsibilities of compiling Accounts of the Union and the State Governments, and also of auditing the same.</p>
27	Do.	Do.	2		<p>Separate Accounts Offices for the various Ministries and the major spending Departments should be set up as soon as possible.</p>
28	Do.	Do.	3(3)		<p>Immediate preparatory steps should be taken in consultation with the Comptroller and Auditor-General to separate Audit from Accounts, both at the Centre and in the States, the pace being limited by the time required to bring about the necessary changes of organisation.</p>
29	1949-50 (I)*	Do.	4		<p>The Central Government, while making the Annual Grants to the States, should clearly specify the conditions under and the purpose for which these Grants should be utilised, so that there is no risk of the grants being diverted to unintended purposes, and the Audit authorities have no difficulty in judging whether the expenditure is in conformity with the conditions and purposes of the Grant.</p>

The Ministry of Finance (R. & B.) have stated: "Noted. This procedure is already being followed."

The Ministry of Finance (R.A.) have stated as below: "The separation of accounts from Audit has been accepted in principle, but considering the administrative and other difficulties, this reform will have to be phased over a period in consultation with the States and the Comptroller and Auditor-General. A beginning has been made with the accounts of the Postal Life Insurance Scheme and as a stage in the process Government Auditor-General of the payments work done by him."

1	2	3	4	5	6
30	1949-50 (III)	5	Finance	The Comptroller and Auditor-General should have the right to audit the expenditure of the State-sponsored concerns by whatever name they may be called, because they are financed from the Consolidated Fund.	The Ministry of Finance (E.A.) have stated as below : "The Committee's recommendation is noted and will be borne in mind when the powers and duties of the Comptroller and Auditor-General are prescribed by Law under Article 149 of the Constitution."
31	1948-49(I). and 1949-50 (III)	24 3	Do.	Corporations for the management of Government industrial undertakings should be set up under the authority of Acts passed by Parliament.	The Ministry of Finance (R. & E.) have stated : "This is under examination and a report will be submitted as early as possible." The Ministry of Production have a note— <i>See</i> Appendix LIII. submitted
31 A	1949-50 (III)	Para 3 of the Intro- duction.	Do.	Urgent steps should be taken by the Governments concerned to relieve the Audit Departments of pre-audit and payment work.	The Ministry of Finance (E.A.) have stated : "This has been accepted in principle by Government. The A. G. C. R. has since been relieved of payment work. The Comptroller and Auditor-General is in correspondence with the State Governments about the transfer of the treasury work,
32	1948-49 (I)	26(ii)	Commerce and In- dustry.	The decision to waive the recovery of the amount from the officer concerned for having utilized the cars from a pool of cars for private purposes in the case referred to in para. 23 (c) of the Audit Report (Civil) 1950, was not correct. The officer should	A note has been submitted to the Committee. (<i>See</i> Appendix CX).

not have been treated leniently when there was a *prima facie* charge of malfeasance against him. A thorough investigation should be made by the Ministry in all the charges levelled against him and a report submitted to the Committee.

- | | | | | | |
|----|-----|-----|-----|--|---|
| 33 | Do. | 169 | Do. | With reference to the case referred to in note 2 at page 105 of the Appropriation Accounts (Civil), 1948-49, the action taken against the officer concerned should be reported to the Committee. | A note has been submitted to the Committee (See Appendix CXI). |
| 34 | Do. | 171 | Do. | Action taken to prevent continued loss on account of fees for Deposits and Registrations of Trade Marks should be reported to the Committee. | A note has been submitted to the Committee (See Appendix CXII). |
| 35 | Do. | 174 | Do. | The results of the investigation promised to be made by the Secretary to the Ministry in the case involving leakage of the Government decision regarding levy of increased export duty on oil seeds before the issue of Government Communique should be reported to the Committee.

A note setting forth the steps taken to prevent such leakages which had serious repercussions not only on the trade but also resulted in loss of revenue should also be furnished. | A note has been submitted to the Committee—(See Appendix CXIII). |
| 36 | Do. | 175 | Do. | Action taken to improve the state of affairs existing in the Library attached to the Office of the D. G., Commercial Intelligence and Statistics, Calcutta, as also the measures proposed for pooling all available statistical data in one place should be reported.

It should also be stated whether the officer concerned has been granted further extension of service and, if so, for what period. | A revised note has been submitted to the Committee—(See Appendix CXIV). |

37	1949-50 (VII)	118	Commerce and In-	A statement showing the recoveries on account of the outstanding dues made during the year 1952-53 in connection with the State Trading Scheme 'Import of Steel' should be furnished.	
38	Do.	169	Do.	In connection with the working of the State Trading Scheme 'Purchase of Woollen goods', the Committee should be apprised whether the outstanding recoveries of Rs. 80,000 have since been finalised.	
39	Do.	116	Do.	The figures for the overall adjustment with the various States in connection with the purchase and distribution of standard cloth should be finalised in consultation with audit and the accounts settled without any further delay and a report submitted to the Committee.	
40	1949-50 (IV)*	23	Do.	A judicial enquiry should be held immediately to fix responsibility for handling this transaction including the delay in the disposal of cloth and, thereafter, action should be taken against the Officers who failed to safeguard the interests of the Public Exchequer.	The Ministry of Commerce and Industry stated as below : The Ministry of Finance (R. & E.) have laid a statement on the Table of the House on the subject on 11-8-53.
			Finance		The Ministry of Finance (R. & E.) have stated as below : "Items No. 40, 41 and 43 concern the Ministry of Commerce and Industry primarily and the Commerce and Industry Minister has already laid a statement on the table of the House explaining the position."

41	1949-50 (IV)	23	Do.	Steps should be taken without any further loss of time to recover the sum of Rs. 15 lakhs outstanding from Messrs. Banwari Lal & Co. The expediency of instituting legal proceedings against the firm should also be considered.	The Ministry of Commerce and Industry has stated as below : "As regards recovery of Rs. 15 lakhs from Messrs. Banwari Lal & Co. it has been decided to refer the matter to arbitration. This is also covered by the statement referred to against item 40 above."
42	Do.	24	Home Affairs	The looseness of procedure which was responsible in the present case for the eventual loss of over half a crore of rupees to the Public Exchequer should be investigated by Government immediately and clear instructions laid down for future for the examination of proposals involving huge financial commitments at all levels, namely, Cabinet, Ministerial and Secretarial.	A note has been submitted to the Committee (See Appendix LXXIV).
43	Do.	Para. 3 of the Introduction of the Fourth Report.	Commerce and Industry. <hr/> Finance	The Committee may be informed whether the financial position of Messrs. Banwari Lal & Co. had been ascertained before the cloth was sold to them and on what references and guarantees the transaction was entered into with them. The judicial Committee recommended to investigate into the handling of the whole transaction should also enquire whether the financial standing of the Company had been properly verified by the Officers concerned before entering into any business dealings with it.	The Ministry of Commerce and Industry have stated as below : "This item is also covered by the Statement referred to under item 40 above".
44	1948-49 (I)	58	Production	Government should consider the question of capitalising the amount of losses incurred due to the lack of covered accommodation for the storage of salt by providing necessary shelter for the purpose.	A note has been submitted to the Committee (See Appendix CXVIII).

*Denotes Fourth Report of the P.A.C. on the 'Import and Sale of Japanese Cloth.'

1	2	3	4	5	6
45	1948-49 (I)	129	Production	The Ministry should consider the desirability of contributing the balances lying in the Coal Production Fund to the Coal Mines Stowing Board. The amount of balance in the Fund should also be reported to the Committee.	A note has been submitted to the Committee. (See Appendix CXIX).
46	1949-50 (VII)	71	Do. . . All other Ministries	Whenever any statement is made before the Committee, it should be based on facts and figures.	The Ministry of Information and Broadcasting have noted the recommendation and given extracts to Branches for guidance. The Ministries of Railways, Rehabilitation, Food and Agriculture, Production etc. have noted the recommendation. The Ministry of Labour have noted the recommendation and brought it to the notice of all concerned.
47	Do. . .	72	Production . . .	With a view to the speeding up of inter-departmental adjustments for coal supplied to the Government Departments, the Ministry should simplify the method of recovery in consultation with the Coal Commissioner and the Controller of Coal Accounts.	A note has been submitted to the Committee (See Appendix CXX).
48	1949-50 (VII)	73	Production . . .	With reference to the review on the Scheme for the production and supply of coal contained at page 615 of the Appropriation Accounts (Civil), 1949-50, the Committee should be informed of the exact amount that was remitted by Messrs. Sir Lindsay Parkinson & Co. Ltd., abroad before they went into liquidation.	A note has been submitted to the Committee (See Appendix CXXI).

49	1949-50 [(VII) (II)]**	42	Do.	A note stating the latest position in regard to the price of indigenous Penicillin as compared with the imported Penicillin should be submitted to the Committee at the time they take up consideration of the Appropriation Accounts for 1951-52.	A note has been submitted to the Committee. (See Appendix CXXII).
50	1949-50 (VII)	25	Works, Housing and Supply. <hr/> All other Ministries	In order to prevent any loss of public moneys, Government should consider the expediency of black-listing such of the contractors who fail to refund the amount paid to them in excess and a list containing their names and addresses marked 'Secret' should be circularised to all the Ministries of the Government of India at frequent intervals.	<p>The Ministry of W. H. & S. have submitted a note. (See Appendix CXXIII).</p> <p>The Ministry of Finance have issued necessary instructions so far as organisations under the Economic Affairs Department are concerned.</p> <p>The Ministries of Food and Agriculture, Production, Commerce and Industry, Rehabilitation etc. have noted the recommendations.</p> <p>The Ministry of Defence have stated: "Appropriate action is being taken in the case of A.S.C. and M.E.S. contracts with which the Ministry are concerned".</p> <p>The Ministry of Information and Broadcasting have stated: "Extracts have been forwarded to units and copies supplied to Branches for guidance."</p> <p>The Ministry of Transport have stated: "Noted. So far as Roads Organisation is concerned, the road works sanctioned by the Roads Organisation are executed through the Agency of the C.P.W.D. or State P.W.D. The contracts are, therefore, let out by these Departments and not by this Ministry."</p>

**1949-50 (VII) (II) denotes Part II of the Seventh Report of the P.A.C. on the Accounts (Civil), 1949-50 etc.

1

2

3

4

5

6

51 1949-50 (VII)

26 Works, Housing and Supply

All other Ministries

The Government of India should enter into a reciprocal arrangement with the Pakistan Government under which all cases of frauds and irregularities committed by the Officers who were serving under the undivided Government of India should be reported to the respective Governments under whom they are employed at present.

The Ministry of Labour have noted the recommendation and brought it to the notice of all concerned.

The Ministry of Communications have stated :

“The recommendation is being implemented.”

The Ministry of Railway have issued necessary instructions to the Railway Administration.

The Ministries of Food & Agriculture, Transport, etc. have noted the recommendation.

The Ministry of Home Affairs have stated :

“Noted. It will be appreciated if a copy of the note prepared in this connection by the Ministry of W.H. & S. is supplied to this Ministry”.

The Ministry of Labour have noted the recommendation and brought it to the notice of all concerned.

The Ministry of Railways and the D. G., P. & T. have stated :

“Action under consideration.”

The Ministry of W. H. & S. has stated as below :

“The Ministry of Finance who were consulted have referred this to the Ministry of Home Affairs to be examined by them in consultation with the partition Secretariat and the External Affairs Ministry as this is a matter concerning all the ‘Services’.”

206

The Ministry of Information and Broadcasting have stated:

"Extracts have been forwarded to units for reporting cases if any".

The Ministry of External Affairs have stated as below :

"This matter is under consideration. A detailed note explaining the arrangement aimed at will be sent to the P.A.C."

The Partition Secretariat has stated as below :

"The Partition Council had laid down a procedure for dealing with the employees against whom disciplinary proceedings were pending on the date of partition. The decisions were communicated to all Ministries from time to time.

52 1949-50 (VII)

47

Works, Housing and Supply.

With reference to the case referred to in para 24(b) of the Audit Report (Civil), 1951, the enquiry promised to be made as to whether the Finance officer concerned did or did not accompany the Director General during the latter's visit to the Disposal Retail Shops should be completed, as early as possible, even by means of correspondence, if the Officer is still out of India.

The enquiries have been completed and the note has been submitted to the Committee. (See Appendix CXXIV).

53

Do. . .

50

Do. . .

The Ministry should appoint a small committee to enquire into the reasons for keeping excessive stocks of stationery and typewriters in the Central Stationery Office, Calcutta.

A revised note* has been submitted to the Committee.

1	2	3	4	5	6
54	1949-50(VII)	105	Works, Housing and Supply.	With reference to the case referred to in para. 24(a) of the Audit Report (Civil), 1951, a detailed note giving justification for the payment of a sum of Rs. 51,323 to a certain C.P.W.D. contractor along with a copy of the sanction accorded by the Ministry of Finance should be furnished.	A note has been submitted to the committee (See Appendix CXXVI).
55	1949-50 (VII) (II)jf.	44	Commerce & Industry.	A revised note on the working of the State Trading Scheme 'Imported paper stocked by the late Ministry of Industry & Supply' should be submitted after getting it vetted by the A.G., F.R. & S.	A revised note has been submitted (See Appendix CXXVII).
56	1948-49 (I)	26(V)	External Affairs D. G. P. & T.	Early steps should be taken to prescribe a proper procedure whereby adequate administrative and financial control is ensured in the Office of the High Commissioner for India in the U. K. The case mentioned in Para. 25(c) of the Audit Report relating to the loss of Gandhi Memorial stamps amounting to £ 106-8-5 bears an adequate testimony to the fact that there had been laxity in the administration of the High Commissioner's Office. A note stating the results of the investigation made by the D. G., P. & T. in the matter and action taken, if any against the officials concerned should be submitted to the Committee.	The Ministry of External Affairs have submitted a note. (See Appendix CXXVIII). The D. G., P. & T. have stated as below: "Certain information called for from the High Commissioner, London and the Indian Legation, Berne is awaited for finalising the investigation."
57	1948-49 (I)	32	External Affairs	The matter relating to the purchase of whisky by the High Commissioner for India in the U. K. should be examined further by the Ministry of External Affairs	A note has been submitted to the Committee. (See Appendix CXXIX).

200

				in consultation with an officer nominated by the Comptroller and Auditor-General and the result of their findings reported to the public Accounts Committee in due course.	
58	Do.	182	Do.	The possibility of transferring the work connected with the Scheme 'Contribution to Provinces etc. in respect of expenditure on Orphans' to the Central Ministry of Rehabilitation should be considered instead of maintaining a separate establishment for this purpose in the Ministry of External Affairs.	A note has been submitted to the Committee. (See Appendix CXXX).
59	1949-50 (VII).	16	<u>External Affairs</u> <u>Finance</u>	A Committee should be appointed to examine the adequacy of the existing budgetary and financial control exercised over the Indian Embassies and Missions abroad and to suggest measures to ensure better financial checks over expenditure incurred by them.	The Ministry of External Affairs have stated as below : "Noted action is being taken and the results will be communicated in due course." The Ministry of Finance (R. & E.) have stated below : "Noted the Foreign Service Inspectorate constituted under the External Affairs Ministry will, together with a representative of the Finance Ministry, function also as the Committee contemplated in the recommendations."
60	Do.	16	Do.	In order to make the control of the Financial Adviser attached to the Indian High Commissioner in London more effective over the financial transactions of the High Commissioner, he should be independent of the control of the High Commissioner and responsible to the	The Ministry of External Affairs have submitted a note. (See Appendix CXXXI).

†Denotes Part II of the Seventh Report of the P.A.C. on the Accounts (Civil), 1949-50, etc.

1	2	3	4	5	6
---	---	---	---	---	---

Ministry of Finance in so far as tendering of financial advice is concerned and that the kinds of cases in which the concurrence of the Financial Adviser, should be obligatory should be clearly defined in the rules.

61 1949-50 (VII) . 19

Home Affairs .
All other Ministries

The withdrawal of money in advance of requirements is an irregularity which may eventually lead to loss, if not to fraud.

The Ministry of Railways have stated as below :

"There is no type of withdrawal of money on Railways coming within the purview of the Committee's recommendations".

The Ministries of Finance, Home Affairs, food and Agriculture, W.H. & S., Labour, Transport, Rehabilitation and the D. G. P. & T. etc. have noted the recommendations and circularised the same to all concerned for careful note and strict compliance.

The Ministry of Defence have stated: "Rules already exist in the Defence Services to prevent irregularities of this sort. The recommendation has however, been noted."

The Ministry of Information and Broadcasting have stated: "Noted. Extracts have been forwarded to units for guidance."

62 Do . . . 37

Home Affairs

In order to ensure speedy disciplinary action being taken against officials who are found guilty of neglecting public interests or of dereliction of duty, the desirability of amending Article 311 of

A note has been submitted to the Committee. (See Appendix LXXV).

the Constitution should be considered with a view to securing a fair balance between the interests of the State and the individual public servant.

A careful study should be made of the procedure and practice followed in this respect in other democratic countries.

63 1948-49 (I)

26(VI)

Transport
All other Ministries

With reference to the case mentioned in para. 27 of the Audit Report, it is considered unsatisfactory that an officer who is in charge of cash and accounts in an office should plead as an excuse that he could not attend to this work properly as he had some other duties to perform. The Ministries should take a very serious view of such defalcations and irregularities and bring the offender to book without allowing him to take shelter under technicalities.

The Ministry of Transport have submitted a revised Memorandum (See Appendix CXXXII).

The Ministries of Food and Agriculture, W.H. & S., Commerce and Industry have noted the recommendations and issued necessary instructions to all attached and subordinate offices under them.

The Ministries of Railways, Rehabilitation, N. R. & S. R. etc. have noted the recommendation.

The Ministry of Labour have noted the recommendation and brought it to the notice of all concerned.

The Ministry of Information and Broadcasting have noted the recommendation and given copies to units for guidance.

A note has been submitted to the Committee. (See Appendix CXXXIII).

211

64

Do.

54

Transport

The Government of India should obtain early payment of the amount which the Government of the U. K. had already agreed to pay in respect of Indian registered ships requisitioned by them during the last war. This should be done without prejudicing the question of the final settlement which should be expedited. A report showing the action taken in the matter and embodying the various stages of the financial settlement should be furnished to the Committee at an early date.

65 1949-50 (VII) . .

22

Transport . . .
 Finance . . .
 All other Ministries

- (i) In order to eradicate loss of public moneys as a result of embezzlement of revenue by Cashiers, only those persons who can pledge adequate securities both in the form of cash and property should be entrusted with the duties of handling the cash.
- (ii) In accordance with the established procedure laid down in the Accounts and Financial Codes, the receipts should be remitted daily to the bank immediately after these are collected. The higher authorities should carry out the verifications of all remittances of public moneys with a full sense of responsibility.

The Ministry of Finance have submitted a note. (See Appendix LVI).

The Ministry of Defence have stated: "The existing regulations in the Defence Services about security deposits from Cashiers are being examined and if the regulations are not adequate, further instructions will be issued".

The Ministry of Health have stated: "The Cashiers of this Ministry and unattached office have furnished securities either by pledging their deposit in the Post Office Savings bonds or in the form of fidelity guarantee bond from an Insurance Company as laid down in rules 274 & 277 of G.F.R. Volume I."

The Ministry of Labour have noted the recommendation and brought to the notice of all concerned.

The Ministry of Rehabilitation have stated:

"Cashiers employed in this Ministry and its attached and subordinate offices have furnished securities in one of the forms enumerated in Para. 277 of G.F.R. Volume I and not in cash and property only as recommended by the P. A. C. The matter has been taken up with the Ministry of Finance."

The Ministry of Health have stated: "Amount received for credit to Government account are deposited in the Bank without delay."

The Ministry of Communications have stated:

"This system is already being followed."

The Ministries of N. R. & S. R., Commerce and Industry, Food and Agriculture etc. have noted the recommendation:

The Ministries of Transport, Production, Communications, Prime Minister's Secretariat, Ministry of External Affairs and the Ministry of Home Affairs state that the system is already being followed by them.

The Ministry of Food & Agriculture have submitted a note (See Appendix XIX).

The D. G. P. & T. has stated that necessary instructions have been issued.

The Ministry of Labour have noted the recommendation and brought it to the notice of all concerned.

The Ministry of Law have stated: "Instructions from the Finance Ministry are awaited."

The Ministry of Information and Broadcasting have stated:

"(i) In so far as the I. & B. Ministry (Sectt.), Advertising Branch Press Information Bureau, D. G., A. I. R. Research and Reference Division and the Publications Division are concerned the procedure prescribed in G. F. R. 272 for obtaining security or fidelity bond from the persons entrusted with the handling of cash is being followed. As regards Film Division cashiers have given securities in the form of National savings Certificates or Fidelity

Insurance Policies. Instructions for revision of this procedure in the light of Public Accounts Committee recommendations are awaited from Finance Ministry.

(ii) Of the units under the I&B Ministry, the Publications Division and the Films Division earn revenue receipts. In the Publications Division the receipts, which are of the nature of cash -payments at the counter, cheques, money orders, etc. for the sale of publications, continue to be received through-out the day. as they cannot be remitted to the treasury the same day, they are deposited by the Administrative Officer the next day, by challan in duplicate, a copy of which is retained in office for verification with the cash book entries. As Regards Films Division, the receipts are being remitted daily to the bank immediately after collection and the verification of all remittances is done by higher authorities."

The Ministry of Railways have stated as below :

"The extant orders on the subject already provide for adequate safeguards to prevent loss of public money as a result of any embezzlement by Cashiers being required of furnish adequate securities as enjoined in paras. 2053 and 2054 of the State Railway General Code.

(ii) Procedure is already in vogue on the Railways, according to which daily receipts of cash are required to be remitted to the Bank daily immediately after they are collected."

66	1949-50 (VII)	51	Transport	For the development of National Highways, early action should be taken towards the enactment of legislation as envisaged in item 23 of the Seventh Schedule—List I of the Constitution.	A note has been submitted to the Committee.— (See Appendix CXXXIV).
67	Do.	52	Do.	(i) The finances of the Delhi Transport service should be put on a stable footing. (ii) The timely submission to Parliament of Audit Reports on the Accounts of the Delhi Road Transport Authority as required by sub-section (3) of Section 38 of the D. R. T. A. Act, 1950 should be impressed upon that Authority.	A revised note has been submitted to the Committee.—(See Appendix LXXIII)
67-A	Do.	67	Do.	The reaction of the State Governments to the scheme of the Road Rollers should be furnished to the Committee. It should also be stated as to who was responsible for not accepting the debits.	The Ministry of Works, Housing and Supply have submitted a note.—(See Appendix CXXXV).
68	Do.	68	<u>Transport</u> All other Ministries	In case, a scheme of manufacture has to be undertaken on behalf of several indentors, the proper course would be for the Ministry concerned to evolve a suitable Scheme for financing such a scheme including provision for recovery of advances from the parties concerned.	The Ministries of Transport, Rehabilitation, Production and W. H. & S. etc. have noted the recommendations. The Ministry of Railways have stated as below : "On Railways the works are undertaken on behalf of other Government Department, public bodies or private firms on obtaining prior acceptance of the plans and estimates of the works and in the case of Government Departments expenditure as incurred is transferred

while private parties are required to deposit the cost in advance. Necessary provision exists for the purpose in the Indian Government Railway Codes for the Engineering Department (Chapter XX) and Mechanical Department (Chapter XII)."

The Ministry of Labour have noted the recommendation and brought it to the notice of all concerned.

The Ministry of Information and Broadcasting have stated:

"Noted. Extracts have been forwarded to units concerned for guidance. I. & B. Ministry, however, not concerned."

216

69

Do . 28

Food & Agriculture

Government should consider the desirability of either handing over the entire Creamery at Anand to a private agency or to the Government of Bombay after the expiry of the present lease.

A note comparing the amount of rent on account of the buildings and machinery leased to the Government of Bombay with that charged for similar buildings etc. from the Commercial Departments of the Government of India may be furnished to the Committee.

A revised note has been submitted to the Committee (Not printed as it has not been considered by the Committee).

70

Do . 29

Do

(i) The Committee should be apprised of the principles governing the grant of loans for 'Grow More Food Schemes' to the States and the repayment thereof,

(i) A note has been submitted to the Committee. — (See Appendix CXXXVI).

			(ii) The Government of India, while granting further loans to the States should make a correct appraisal of the situation in the light of the recommendations made in the Report of the Planning Commission towards the attainment of self-sufficiency in food.	(ii) A note has been submitted to the Committee.—(See Appendix CXXXVII).	
71	1949-50 (VII)	31	Food & Agriculture	Government should fix some target date by which such of the non-tractor parts as are not required for use in the Central Tractor Organisation should be disposed of as any delay in this direction is likely to result not only in the deterioration of the stores but also their forced sale at a much deprecated value.	A revised note has been submitted to the Committee.—(See Appendix XIX).
72	Do.	32	Food & Agriculture All other Ministries	(i) No officer should, as a rule, make any purchase without first obtaining the approval of the competent authority. No purchase should be made in excess of the actual requirements.	The Ministries of Food and Agriculture, Rehabilitation, W., H. & S., Commerce and Industry, D. G. P. & T., etc. have noted the recommendation. The Ministry of Information and Broadcasting have noted the recommendations and forwarded extracts to units concerned for guidance. The Ministry of Defence have stated : "The principle is already in force." The Ministry of Home Affairs have stated : "This rule is already observed. A copy of this recommendation has been sent to all concerned for careful note and compliance." The ministry of Railways have issued necessary instructions. The Ministry of Labour have noted the recommendation and brought it to the notice of all concerned.

1	2	3	4	5	6
				(ii) Government should take early decision on the findings contained in the Report of the Enquiry into the Purchase and utilization of Agricultural implements from Messrs. Pashabhai Patel & Co. by Shri H. V. Divatia.	The Ministry of Food and Agriculture have submitted a revised note.—(See Appendix XIX). The Ministry of Labour have note the recommendations and brought it to the notice of all concerned.
73	Do.	33	Food and Agriculture	Government should consider the desirability of examining reduction in idle time in the tractor units by proper planning for the working of the land reclamation schemes by means of mechanical ploughing eliminating thereby considerable waste of expenditure.	A revised note has been submitted to the Committee.—(See Appendix XIX).
74	Do.	34	Do.	An overall maximum limit of all categories of Stores <i>i.e.</i> , general stores, petrol, oil and lubricants etc. (not spare parts only) to be held by the Central Tractor Organisation at any one time should be fixed as required under the rules.	A revised note has been submitted to the Committee.—(See Appendix XIX).
75	1949-50 (VII)	76	Do.	The decision arrived at by Government on the question whether the Ministry should continue to run the fertiliser pool (consisting of indigenous production and the imported fertiliser) or whether they should leave the whole business to trade should be intimated to the Committee.	A note has been submitted to the Committee.—(See Appendix CXXXVIII).
76	Do.	77	Do.	A statement showing the actual increase in production due to the use of fertilisers <i>vis-a-vis</i> the normal production per acre State-wise should be furnished to the Committee.	A note has been submitted to the Committee.—(See Appendix CXXXIX).

77	Do.	79	Do.	<p>To enable the Committee to examine the financial implications of the utilisation of the old tractors, a note setting forth information on the following points should be furnished :</p> <p>(i) the number of hours the tractors worked ;</p> <p>(ii) the number of hours the tractors remained idle during the year 1951-52 State-wise.</p> <p>(iii) the amount recovered from each of the State Governments in respect of heavy tractors ; and</p> <p>(iv) to what use the tractors that remained idle were put to.</p>	<p>A revised note has been submitted to the Committee.—(See Appendix XIX).</p>
78	1949-50 [VII(II)]*	5	Do.	<p>A detailed note setting forth the background of the grant of loans on account of G.M.F. Schemes to the States in the light of the recommendations made by the previous Committees on Public Accounts from time to time as also those contained in the Report of the Planning Commission should be submitted to the Committee.</p>	<p>A note has been submitted to the Committee.—(See Appendix CXL).</p>
79	1949-50 (VII)	85	Education	<p>A note stating the reasons for placing the Visva-Bharati University on a different footing as compared to the two other Central Universities viz., Banaras Hindu University and Aligarh Muslim University in regard to audit of its Accounts should be submitted.</p>	<p>A note has been submitted to the Committee. —(See Appendix XIV).</p>
80	Do.	14(f) and 223.	Do.	<p>A detailed note giving explanations for the non-surrender of the saving of Rs. 13,52,562, under 'Grant No. 82—sub-head D-4' should be furnished after getting it vetted by the Accountant General, Central Revenues.</p>	<p>A note has already been submitted to the Committee.—(See Appendix CXL1).</p>

*Denotes Part II of the Seventh Report of the P.A.C.

1	2	3	4	5	6
81	1949-50 (VII).	41	Education	The Committee should be apprised in due course of the recommendations made by the University Grants Commission in regard to the basis for allocation of grants-in-aid to the Central and other Universities.	Necessary legislation setting up the University Grants Commission is under *consideration.
82	Do.	86	Natural Resources & Scientific Research.	(i) The Accounts of the Council of Scientific and Industrial Research which are at present being audited on a 'consent basis' only should be audited by the Comptroller and Auditor-General of India on a statutory basis. (ii) The audited Accounts of the Council along with the Audit Report should be placed on the Table of the House along with the Annual Accounts of the Government of India.	The recommendations of the Committee as to the Audit of the Accounts of the C.S.I.R. by the Comptroller and Auditor-General of India on a statutory basis has been referred to the C.S.I.R. for their observations by its governing body. Necessary action to be taken on the recommendations will be intimated to the Committee as soon as the observation of the Council is received in this Ministry.
83	Do.	69	Do.	With reference to the review on the financial working of the state trading scheme 'Purchase of Machinery for Mica Miners' furnished by the Ministry, a revised note should be submitted after reconciling the figures of net profit as shown therein with those of the Accounts Office.	A note has been submitted to the Committee.—(See Appendix CXLII).
84	Do.	20	Rehabilitation	The Ministry should undertake a review of the more important audit objections which revealed leakage of Government money and gross mismanagement on the part of the administrators of the various camps in consultation with the Accountant-General, Food, Rehabilitation and Supply and see whether they could fix	Steps have been taken to collect the necessary information which will be supplied to the Committee in due course.

responsibility on particular individuals and determine the action to be taken against them.

- | | | | | | | |
|----|---------|----------|--------------|---|--|---|
| 85 | Do. . . | 20 | Do. . . | A | note reviewing the conduct of the various Commandant Officers concerned who had been put in charge of the different Refugee Camps with special reference to the strength of the camp inmates that they had to look after and other responsibilities entrusted to them in that respect, should be furnished. | Steps have been taken to collect the necessary particulars from the State Governments. The required note will be submitted as soon as complete information becomes available. |
| 86 | Do. | 21 & 207 | Do. | A | note showing the list of Officers employed in the various camps against whom disciplinary action had been taken for frauds, embezzlements and abuse of their powers indicating (i) how many of them had been removed from service ; (ii) whether prosecutions had been launched against any of the delinquent officials and what steps had been taken to ensure that they did not secure any similar employment under any other State Government, should be furnished. | (i) A list of Officers employed in various camps against whom disciplinary actions have been taken for frauds, embezzlements, etc. have already been furnished to the Committee.

(ii) Action is being taken to furnish the particulars of such officers to the various State Governments so that they do not secure employment under them. |
| 87 | Do. . . | 35 | Labour . . . | . | The Committee should be apprised, in due course, of the findings of the Training and Employment Service Organisation Committee as also the action taken thereon by the Ministry. | The Ministry of Labour have stated : "The findings of the Training and Employment Service Organisation Committee are contained at pages 203—225 of the report issued by the Committee. Consultation with the Ministries of the Government of India is proceeding and it is expected that a decision will be reached shortly". |

1	2	3	4	5	6
88	1949-50 (VII)	42	Health All other Ministries	The provisions of Rule 207(2) of the General Financial Rules, Vol. I which lays down that 'only so much of the grant should be paid during any financial year as is likely to be expended during that year' should be strictly observed by all Ministries.	The Ministries of Railways, Health, Rehabilitation, Production, D.G.P. & T. etc. have noted the recommendation. The Ministries of Transport, W.H. & S., Communications and Food & Agriculture have stated : "This is already being done." The Ministry of Information and Broadcasting have stated : "A quarterly review of the budgetary grants is undertaken in consultation with the Ministry of Finance. (See remarks against S. No. 6)." The Ministry of Labour has brought the recommendation to the notice of the concerned authorities.
89	Do. . . .	45	Information and Broadcasting.	A note stating the positive measures taken by the Ministry for effecting economy in the All India Radio should be furnished.	A note has been submitted to the Committee. (See Appendix X).
90	Do. . . .	45	Do. . . .	The Committee should be informed of the gap that has yet to be covered to reach the target figure of one million licences.	A note has been submitted to the Committee. (See Appendix X).
91	Do. . . .	44	Do. . . .	Government should explore the avenues for charging the newspapers a certain amount or royalty, nominal or otherwise, for the publication of daily radio programmes. This aspect of the matter may also be considered by the Press Commission.	The Ministry of Information and Broadcasting have stated : "The question of charging a royalty from newspapers publishing daily radio programmes was referred to the Press Commission for advice, who replied as under :

“The republication of the programme by newspapers does help readers, who are not subscribers to the programme journal, to a very great extent, and thus publicity is given to the programmes of All India Radio. It is undoubtedly true that the privilege of publishing these programmes also indirectly assist newspapers in their circulation. Although a levy of a nominal charge would probably not be objected to by the papers, the Commission does not consider that the benefit to the exchequer would be so great as to justify the charge. This Ministry agrees with the above view of the Press Commission.”

92 Do. . . . 46

Do. . . . The Ministry should examine the question of payment to news agencies on the basis of wordage supplied or used instead of on the basis of the number of radio licences at the time of the next revision of the agreement with the agencies concerned.

The Ministry of Information and Broadcasting have stated :
“The question of payments to news agencies is now being examined in the light of recommendations of the Press Commission.”

223

93 1949-50 [(VII)* (II)] 47

Do. . . . A note stating the number of Pakistani Nationals engaged in the Film Industry in India and Indian Nationals, if any, engaged in the Film Industry in Pakistan should be furnished.

The Ministry of Information and Broadcasting have stated :
“No official information about the number of Pakistani nationals engaged in film industry in India and the approximate amount earned by them and remitted to Pakistan and similar information about Indian nationals engaged in the film industry in Pakistan is available.”

*1949-50 [(VI) (II)] denotes Part II of the Seventh Report of the Public Accounts Committee on the Accounts (Civil), 1949-50 etc.

†1949-50 (VI) denotes Sixth Report of the P.A.C. on the Hirakud Dam Project.

‡See also the Memorandum laid on the Table of the House on 24-12-53.

1	2	3	4	5	6
‡94	1949-50 (VI)†	32	Irrigation & Power	The question of apportioning responsibility between the various Officers who have been responsible for the non-observance of the Stores Accounting Rules and not organising a proper set-up should be taken up by Government immediately.	The investigations have revealed that no one can be definitely charged with deliberate defiance of the procedure. The services of the Executive Engineer complained against have been terminated.
‡95	1949-50 (VI)†	33	Irrigation & Power	In case it is not possible to have the loose ledger sheets printed through the Controller of Printing and Stationery in time, Government should sanction local purchase, as any amount spent in this behalf is likely to yield benefits to the Project as a whole and prevent frauds or misuse of stores etc.	The ledger sheets have been received and utilised.
‡96	Do.	34	Do.	The entire job of opening ledgers for all categories of stores viz., those imported from abroad, those purchased locally and those indented through the D. G., Supplies & Disposals should be completed by the end of the current year and the stores found surplus should be disposed of.	An Officer has been deputed for the preparation of the list of stores and the work is expected to be completed very shortly.
‡97	Do.	35	Do.	The rules regarding the accounting of stores as laid down in the Central Public Works Account Code and as supplemented by the Hirakud Dam Project Accounting Rules should be rigidly enforced and no deviation from the prescribed procedure permitted.	The Chief Engineer, Hirakud Dam Project has issued instructions to all Superintending Engineers to follow rigidly the rules regarding the accounting of Stores.
‡98	Do.	36	Do.	The question of transferring the surplus stores to other Project Administrations should be taken up immediately to avoid deterioration and consequent loss.	Necessary action is being taken by the Chief Engineer, H.D.P.

§ 99	Do.	37	Do.	Stock-verification of stores which are not likely to be required on the Project in the next few years should be taken up immediately and a statement showing the price thereof prepared and got verified by the Financial Adviser and Chief Accounts Officer.	Accepted. As a matter of fact stock verification of all stores, including stores not likely to be required for the project during the next few years, is being done continuously by two Stock Verifiers and the prices are being fixed in consultation with the F.A. & C.A.O.
§ 100	Do.	38	Do.	Stock-taking of all stores rendered surplus should be taken and their values assessed periodically. In case, the stores are not likely to be utilized in the near future, action to dispose them of according to rules may be taken in order to avoid further losses on account of wear and tear.	One Sub-division has been allotted this work. Periodical reviews will duly be made and arrangements made for the disposal of stores.
§ 101	Do.	39	Do.	In order to prevent the expenditure on the Project being inflated, the reserve limit for stocking various categories of stores should be fixed in consultation with the Accounts authorities. The whole system of purchasing and stocking stores should be rationalised so as to eliminate unproductive expenditure and loss.	Accepted and is already in operation.
§ 102	Do.	44	Do.	The question of dismantling the Railway track linking up the site of the Subsidiary Dam, which runs into several miles, may be considered as the amount involved in its construction as also its subsequent maintenance is not likely to prove commensurate in the long run.	A considerable portion of the track is still being used. Siding and the extension which are not required has been dismantled.
§ 103	Do.	48	Do.	The Accounts of the Rail-Road Bridge over the Mahanadi should be gone into by a team consisting of an independent Bridge Engineer drawn from Madras or Bombay or Hyderabad States and a	The report of the Committee appointed for the purpose has been submitted to the Public Accounts Committee.

†See also the Memorandum laid on the Table of the House on 24-12-53.

1	2	3	4	5	6
				special Accounts Officer with a view to ensuring that the cost of the Hirakud Project is not inflated by any process of incorrect accounting.	
†04	1949-50 (VI)	52	Irrigation & Power	Profiting from the past experience, the Central Water & Power Commission should carefully study the implications of the various recommendations made in the Report of the French Engineers on the navigation of Mahanadi River both in respect of expenditure and the returns and its ultimate effect on the economics of the project as a whole.	Development of navigation is not contemplated at present. The recommendations of the French Mission will be taken into consideration at the appropriate time.
†05	Do.	65	Do.	Adequate disciplinary action against the various officials responsible for the irregularities and disregard of public interest in handling the transaction of the purchase of deodar sleepers from Punjab should be taken.	The services of the X. E. N. concerned have been terminated.
†06	Do.	73	Do.	Government should take adequate disciplinary action against the officers responsible for the import of bullocks from Punjab for compaction of earthwork at Hirakud and devise effective measures to prevent favouritism or nepotism in the grant of contracts.	Accepted. The question of taking disciplinary action will be taken up on receipt of a report from the Special Police Establishment to whom the case has been referred for investigation. Necessary instructions have been issued by the Hirakud Control Board <i>re</i> : enlistment of contractors.
†07	Do.	76	Do.	In order that the Orissa Government may be in a position to assume responsibility for the running of the Project as soon as it is completed, preference should be given to the local people for employment in all categories of staff, as far as possible.	Accepted. The policy has been to give preference to the local people. The Government of India have been in constant touch with the Orissa Government regarding the deputation of suitable officials, especially in the

senior cadres and all qualified officers recommended by the State Government have been taken. A comparative statement showing the total strength of staff (gazetted and non-gazetted) on the Hirakud Dam Project and the number of Oriya domiciles employed as on 15-2-53 is appended* along with a statement showing the Oriya staff employed during the last two years as also a copy of a letter from the Chief Engineer, Government of Orissa, in which he regrets his inability to spare any more Assistant Engineers or Supervisors.

†108	Do.	77	<u>Irrigation & Power</u> Finance	The expenditure involved in the reclamation of land and resettlement of persons displaced from land submerged as a result of the construction of the Hirakud Dam should be regarded as an integral part of the cost of the Project at any rate upto the extent that land has to be reclaimed for the resettlement of the displaced population.	The Ministry of Irrigation and Power have stated as below : "This has since been accepted and orders have been issued accordingly."
†109	Do.	85	Do.	The recommendation made at the various Departmental Conferences and as reiterated at a high level conference held on the 7th September, 1948 at which the Auditor-General and the representatives of all the Ministries concerned were present, that it is necessary to appoint a 'high level' Financial Adviser at the Centre for all multi-purpose River Valley Projects and that there should be at the	The Ministry of I. & P. have stated: "This Ministry had always recognised the importance of financial control and they agree to the set-up proposed for financial control on the Project." The Ministry of Finance have stated as below : "Action is being taken to implement this in consultation with the Com.

†Not printed.

‡See also Memorandum laid on the Table of the House on 24-12-53.

227

1

2

3

4

5

6

				site of each Project a Joint Financial Adviser with a Chief Accounts Officer functioning under him, should be fully implemented.	ptroller and Auditor-General. In this connection attention is invited to the statement laid on the Table of the House by the Minister for Irrigation and Power during the last session."
†110	1949-50 (VI)	85	<u>Irrigation & Power</u> <u>Finance</u> All other Ministries	Serious attention should be paid to the necessity and importance of planning the financial, accounting and audit organisations for each new project involving considerable expenditure and such arrangements should be regarded as an integral part of the planning of the execution of a project as a whole.	The Ministry of I. & P. have accepted the recommendation. The Ministry of Railways have issued necessary instructions. The Ministry of W. H. & S., Rehabilitation and Information and Broadcasting have noted the recommendation. The Ministry of Labour have noted the recommendation and brought it to the notice of all concerned.
†111	Do.	87	<u>Irrigation & Power</u> All other Ministries	In view of the fact that the success of the Five Year Plan will depend upon the capacity of the Government and their high authorities to inspire the highest qualities in the persons engaged in the active fulfilment of the Plan, the officers must be carefully selected for their technical capacity and for their ability to work as a team, with enthusiasm and missionary zeal for the progress of the country.	The Ministry of I. & P. have stated : "Accepted. Owing to dearth of technical personnel the field of selection is somewhat restricted and it is not always possible to get the best men to do the job." The Ministry of Works, Housing and Supply have submitted a note. (See Appendix CXLIII). The Ministries of Railways, Rehabilitation, Transport, Production, Information and Broadcasting, D. G. P. & T. etc. have noted the recommendations. The Ministry of Labour have noted the recommendations and brought it to the notice of all concerned.

†112	Do.	90	Irrigation & Power	The Central Water & Power Commission should be an advisory and consultative body with authority to undertake investigation of water and power resources of India, research, etc., and should not be permitted to undertake the actual execution of Project.	The position is explained in the Memorandum on the recommendations of the Public Accounts Committee laid on the Table of the Lok Sabha on the 24th December, 1953.
†113	Do.	90	Do.	The Chairman and Members of the C.W. & P. C. should confine themselves single-mindedly to the job of Consulting Engineers and Advisers and no administrative Secretariat posts should be foisted on them.	This has been implemented.
†114	Do.	91	Do.	In case of an enormous project like Hirakud undertaken by the Central Government in a remote locality, there should be a full-fledged high level General Administrator incharge of the project as a whole, controlling all aspects including land problems, irrigation and other economic matters. The General Administrator should be a specially selected Officer of wide and varied administrative experience who could be relied upon to exercise the maximum possible authority and powers in consultation with the Financial Officer of adequate status and powers and to pay due regard to local problems and sentiments and the wishes of the State Government.	This recommendation has not been accepted.
†115	Do.	92	Do.	The C. W. & P. C. should frame a set of Rules for regulating their business and a record should be kept of all important decisions arrived at the meetings which should be held periodically for reviewing <i>inter alia</i> the progress of the execution of the various Projects entrusted to the Commission and other cognate matters <i>viz.</i> , administrative, technical and financial.	Implemented.

* See also Memorandum laid on the Table of the House on 24-12-53.

1	2	3	4	5	6
116	1949-50 (VII)	55	Irrigation & Power Finance	When the Central Water & Power Commission undertakes in future any investigation of river valley projects on behalf of the State Governments, they should, as a matter of rule, prepare preliminary estimates and have them administratively approved by the State Governments concerned before proceeding with the operations.	The Ministry of Finance have noted the recommendation. The Ministry of I. & P. have accepted the recommendation.
117	Do.	55 and 129	Do.	<p>(i) A copy of the agreement entered into with the various States especially with Madhya Pradesh for the apportionment of expenditure on investigations incurred by the Central Government, and a note outlining the steps taken from time to time towards effecting recovery of the State portion of the expenditure incurred on the investigation from the Madhya Pradesh Government; the total amount spent on that account, and, also whether the estimates of the probable cost involved in the investigation were forwarded to them and their administrative approval obtained, should be furnished.</p> <p>(ii) The matter <i>re</i>: apportionment of expenditure on investigations incurred by the Central Government on behalf of the Madhya Pradesh Government should be pursued with the Government at a ministerial level and they should be asked to honour their liability.</p>	A revised note incorporating <i>inter alia</i> the latest financial arrangements with the Madhya Pradesh Government has been submitted to the Committee. (See Appendix CXLIV).

118	Do.	56	Do.	The loans advanced to the Government of Punjab for the execution of the Bhakra-Nangal Project should be apportioned between the three participating States, viz., Punjab, PEPSU and Rajasthan in consultation with the Bhakra Control Board who is in overall charge of the Project. Thereafter, the Government of India should take necessary action to adjust the proportionate amount of loan against the State Governments concerned in order to obviate any difficulty that might arise in future at the time of final allocation of the costs to them.	A revised note is awaited from the Ministry of Irrigation and Power.
118-A	Do	143	Irrigation & Power	A note stating the extent of the financial burden undertaken by the Government of India for the grant of more funds for meeting the additional liabilities involved in the change of specifications and scope of Bhakra Nangal Project after getting it vetted by the Ministry of Finance should be submitted to the Committee.	A note has been submitted to the Committee (Cf. Appendix XXXII to the Seventh Report).
119	Do.	38	Prime Minister's Secretariat <hr/> Secretariat of the Military Secretary to the President	The scope of various 'Entertainment Funds' maintained by Government of India should be precisely defined with a view to obviate any ambiguity or overlapping in the expenditure incurred by Government <i>vis-a-vis</i> the Sumptuary Allowance paid to the individual Cabinet Ministers. The extent of budgetary control exercised over the affairs of the Hospitality Organisation should be furnished to the Committee.	A note has been† submitted to the Committee.
120	Do.	39	Cabinet Secretariat	The Central Statistical Organisation should submit to the Committee a resume of the work done during the last year as also a copy each of the reports so far published by them.	The Cabinet Secretariat has submitted two notes to the Committee. (See Appendices LXXX & LXXXI.)

1	2	3	4	5	6
				The expenditure that is being incurred on the employment of foreign experts should also be furnished to the Committee.	
121	1948-49 (I)	178	Communications External Affairs	All possible resources to effect recovery of the sum of Rs. 1,15,080 due from the Nationalist Chinese (KMT) Government should be tapped.	The Ministry of Communications have stated as below : "The amount represents the share of the C. & W. also. Our share is only 50%. Efforts are being made to recover the amounts through C. & W. who owe some amount to Chinese (K.M.T)." The Ministry of External Affairs have submitted a note. (Appendix LXXII).
121-A.	Do.	17)	Communications	The appointment of an Internal Accounts Officer who understood the business control methods should be considered in order to ensure better accounting arrangements of the Overseas Organisation.	A note has been submitted to the Committee. (Appendix XVI).
122	1949-50 (VII)	40	Do.	Government should consider the desirability of making provision for inspection and audit of Accounts by the Comptroller and Auditor-General of India in the Articles of Association of the Indian Telephone Industries, Ltd., Bangalore similar to that existing in the Industrial Finance Corporation (Amendment) Act, 1952.	A revised note has been submitted to the Committee. (See Appendix CXLV).
123	Do.	43	Do.	The final decision arrived at by Government in regard to the refund by the International Civil Aviation Organisation of excess amount paid by the Government of India on behalf of Pakistan Govern-	The Ministries of Communications and E.A. have submitted a note each. (See Appendices XVII and CXLVII).

			ment as contribution for the period from 15th August, 1947 to 30th June, 1948, should be intimated to the Committee.		
124	1948-49 (I)	56	Comptroller and Auditor-General of India	The Comptroller and Auditor-General should submit a report to the Committee in regard to the question of submission to Parliament the Audit Reports relating to the various Port Trusts in order to enable it to have an opportunity to appraise their financial position.	The Comptroller and Auditor-General has furnished a copy of his correspondence with the Ministries of Finance and Transport. Further action regarding the amendment of the Port Trust Acts has to be taken by the Ministry of Transport.
124-A.	*1949-50 (VIII)	17	Works, Housing and Supply <hr/> All other Ministries	In order to ensure the best return for the disposal of Government stores, all contracts involving the sale of goods worth lakhs of rupees should be split up into sizeable and convenient lots at different places and separate tenders for each lot should be invited.	The Ministry of Information and Broadcasting have noted the recommendation and forwarded extracts to all units and Branches for information and guidance. The Ministry of Communications, Labour etc., have noted. The Ministry of W. H. & S. have submitted a note. (See Appendix CXLI).
124-B.	Do.	18	Do.	(i) In case of big contracts involving lakhs of rupees, Government should invariably insist upon the institution of detailed enquiries regarding the antecedents and financial standing of the firms tendering for the Disposals goods. (ii) Government should consider the desirability of black-listing contractors with bad record on the 'Disposals' side also as is being done on the 'Purchase' side.	The Ministry of W. H. & S. have submitted a note. (See Appendix CXLVI). The Ministry of Labour have noted the recommendation and brought it to the notice of all concerned. The Ministry of Information and Broadcasting have noted the recommendation and forwarded extracts to all units and Branches.

1	2	3	4	5	6
124-C	1949-50 (VIII)	19	Finance <hr/> Cabinet Secretariat <hr/> All other Ministries	In order to ensure that sanctions to the write-off of losses of stores, cash etc. are accorded at appropriate levels and also to safeguard the interest of the Public Exchequer, a definite procedure should be laid down specifying the limits upto which the Officers at various levels in the Ministry of Finance and the administrative Ministry shall be competent to write off losses within the overall limit fixed for the purpose. Approval of the Cabinet may be prescribed for the write-off of losses beyond a certain limit, say Rs. 5 lakhs.	The Ministries of Finance (R. & E.) and Transport have submitted a note each.† The Ministry of Labour have noted the recommendation and brought it to the notice of all concerned. The Ministry of W. H. & S. have noted and brought to the notice of its attached and subordinate offices, the procedure indicated in the Memorandum issued by the Ministry of Finance.
124-D	Do	Para 3 of the introduction to the Report of the Public Accounts Committee.	Works, Housing and Supply <hr/> All other Ministries	Government should take serious notice of cases in which it comes to light that contract in favour of a firm in place of the one whose tender has been accepted, has been entered into by an Officer at the instance of the successful tenderer, without prior approval of Government. Early steps should be taken to issue appropriate instructions to Officers concerned dealing with contracts so that public money is not lost by such irregular transfer of contracts.	The Ministry of W. H. & S. have submitted a note. (See Appendix CXLVI). The Ministry of Labour have noted the recommendation and brought it to the notice of all concerned. The Ministry of Information and Broadcasting have noted the recommendation and forwarded extracts to all units and Branches for information and guidance.

234

† See Appendices LXVIII and CXXV.

APPENDIX II

Summary of the main Conclusions/Recommendations of the Fifteenth Report of the Public Accounts Committee on the Appropriation Accounts (Civil), 1950-51 and Audit Report (Civil), 1952—Parts I and II etc.

S. No.	Para No.	Ministry or Department concerned	Conclusions/Recommendations
1	2	3	4
1	5	Home Affairs	While the Committee agree that the provision for expenditure on the Bhakra-Nangal Project is made in the Budgets of the three participating States and the concerned Appropriation Accounts are presented to the Legislatures of those States and that the examination of those Accounts comes within the purview of the respective Public Accounts Committees, nevertheless, it is obvious that to the extent that the Central Government and its Officers are actually involved in matters concerning the project, their actions and transactions cannot wholly escape the scrutiny of Parliament and, therefore, of the Central Public Accounts Committee. The Committee, however, refrain from expressing further opinion until such time that they have considered the implications of the note setting forth the legal, constitutional and financial implications involved in this matter, promised to be submitted to them by the Comptroller and Auditor General.
	9	Finance	The Committee recommend that the excesses over voted grants and charged appropriations, pointed out in this para, be regularised by Parliament in the manner prescribed in Article 115 of the Constitution.
3	10	Finance <hr/> All other Ministries	The Committee wish with much concern the delay that occurs in the matter of regularisation of excesses. In order to make Parliamentary control over expenditure more effective, the excesses together with the reasons therefor should be placed before Parliament expeditiously so as to enable them to review the regularisation thereof quickly. The Committee would strongly urge that a serious view should be taken of delays in the acceptance of debits and charges and in the reconciliation of accounts and also of delays in offering explanations for savings and excesses, since it is these delays that cumulatively account for the ultimate delay in the preparation of Appropriation Accounts and their consideration by the Public Accounts Committee on behalf of Parliament.
4	11	Finance <hr/> All other Ministries	It is imperative that the Administrative Officers charged with the spending of money in connection with the execution of the various Development Plans launched by the State should develop a full sense of financial responsibility.

1	2	3	4
5	12	<u>Finance</u> <u>All other Ministries</u>	<p>The Committee would once again like to draw the attention of the spending Ministries to the cardinal principle of Parliamentary control over expenditure, <i>viz.</i>, that they should not spend in any year more than the sums granted to them by Parliament for that year, as it is unauthorised under the Constitution.</p> <p>The Committee also look upon savings arising from bad estimating or other defects of procedure no more leniently than they do upon excesses. Estimating on the safe side is as faulty as estimating on the low side, and indeed, from one point of view, 'safe' estimating might be regarded as even more objectionable, as it might easily lead to extravagance, waste, or worse.</p> <p>The Committee would like to impress upon the Financial Advisers accredited to the various Ministries to take all possible measures to ensure that budgeting was realistic and control over expenditure exercised properly and cases of wrong estimating suitably dealt with.</p>
6	13(a)	<u>Works, Housing & Supply</u> <u>Finance</u>	<p>There is definitely room for improvement in the standards of budgeting and control over expenditure (particularly in the matter of works expenditure) in this Ministry.</p>
7	13(b)	<u>Communications</u> <u>Finance</u>	<p>The Ministry of Finance should issue general instructions that the Ministries controlling large capital grants should conduct a review of the progress of expenditure every quarter, and during the last few months of the financial year, every month, so that funds in excess of requirements could be surrendered and lapses of funds avoided or, alternatively, if the provision appeared inadequate, further grants obtained in time from Parliament. Such a review will also enable the Ministries to regulate the flow of expenditure and check rush of expenditure in the closing month of the financial year, which, in the Committee's experience, is a feature always attaching to expenditure on works.</p>
8	13(c)	<u>Food & Agriculture</u> <u>Finance</u> <u>All other Ministries</u>	<p>(i) The Committee would draw the attention of the Ministry to the oft-repeated recommendation made by them in para 14(b) of their Seventh Report that suitable procedure should be evolved to ensure the timely receipt of debits from the Purchasing Missions abroad for stores supplied to India, so that the provision made in this behalf in the Budget is not allowed to lapse or remain unutilised.</p> <p>(ii) Large unsurrendered savings not only distort the Ways and Means forecasts of Government but weaken Parliamentary control also.</p>
9	13(d)	<u>Production</u> <u>Finance</u> <u>All other Ministries</u>	<p>The spending Ministries should maintain a close liaison with their Accounting Officers and ensure that the debits are passed on to them for adjustment well in time during the financial year.</p>

1	2	3	4
10	14	Home Affairs Finance	With regard to the re-appropriation of funds to the sub-head 'Secret Service Expenditure' from out of savings in other sub-heads under a grant, either the present rule for re-appropriation within a grant should be subject to the qualification that no re-appropriation shall be permissible if it had the effect of increasing the quantum of un-auditable expenditure, or, in the alternative all Secret Service Expenditure of the various Departments should be shown under sub-heads under one grant meant exclusively for Secret Service Expenditure.
11	15	Finance	It would not now be constitutionally in order to levy a cess on certain commodities like the Tea, Coffee, Salt, Coal, Cotton, Rubber etc. under the provisions of the Acts constituting their Funds (most of which were passed before the commencement of the present Constitution) and constitute a separate fund from the proceeds thereof for an earmarked purpose, as under Article 266 of the Constitution all revenues received and all loans raised by the Government of India and all moneys received by that Government in re-payment of loans shall form <i>one</i> Consolidated Fund entitled the 'Consolidated Fund of India'. It would be manifestly impossible for Parliament to exercise any close control over the administration of public finance, if the system of assigning particular receipts for specified purposes prevailed. Further, such earmarking would turn out to be bad budgeting, as there would be no direct correlation between the amount of such taxes which are ultimately paid by the general consumers and the actual requirements for the development of the Industry concerned. Government should take early steps to evolve in consultation with the Comptroller and Auditor-General a procedure under which expenditure from any such so called Cess Funds for the development of particular Industries would be subject to direct vote of Parliament.
12	17	Home Affairs and States. C. & A. G.	The Committee should like to be furnished with a Report stating the result of re-examination of each case listed in para 18A, Audit Report (Civil), 1952—Part I, as well as others which were still under examination by Audit, in which there had been an infraction of the broad principles of settlement stated to have been followed by Government at the time of merger of the Indian States, when they take up consideration of the next year's Accounts.
13	21	Finance	(i) The following two issues emerge from the arrangement now agreed upon by the Government of India in regard to the transfer of all their pensionary liabilities in respect of British civil and military personnel to the Government of the United Kingdom :— (a) the computation of the capitalised value of the Income-tax due to the Government of India on the sterling pensions; an

1

2

3

4

(b) the reckoning of interest on balances outstanding from time to time at the rate of 1% per annum.

(ii) While there would be no difficulty in computing the capitalised value of the pensions on an actuarial basis, the Committee are not clear in what manner the capitalised value of the income-tax leviable on the sterling pensions would be arrived at in the face of two unpredictable features, namely, the future rates of income-tax and the total world income of the assessee (pensioners), in cases where pensioners had opted to be assessed on the basis of world income.

(iii) It is understood that in the case of non-resident pensioners who had not opted for being assessed on the basis of their world income, a super-tax at the minimum rate of 2 as. 10 ps. in the rupee was leviable up to the 31st March, 1955 and that this was reduced by one half by the Finance Act, 1955. The Committee fail to see the justification for making this reduction and would like to be informed of the financial effect of this reduction on the settlement to be reached with the Government of U. K.

(iv) The Committee do not understand why the two very valid and cogent reasons advanced by the Government of India in 1948 against the transfer of their pensionary liabilities to the British Government, *viz.*, first, that such a transfer would imply a lack of confidence in the country's integrity in regard to their pensioners, and secondly, Government must retain the power to deal with individual pensioners if they have not proved, by their conduct, their loyalty to the country, have now been disregarded in making the new settlement.

As regards the rate of interest the Committee feel that, in a financial settlement like this, the rate should bear some relation to the prevailing rates in the market which, for short-term loan, is reported to be at present in excess of 2%. The Committee trust that the Ministry of Finance would carefully examine the points made by them and take all possible measures to safeguard the financial interests of the country.

14

24

Finance

The Central Government should see that adequate arrangements are made by the States for repaying in time the huge sums of money advanced to them as loans by the Centre financing their developmental expenditure. The Committee would like to know, in due course, the concrete steps taken by the Ministry of Finance in this respect.

1	2	3	4
15	25	Finance	<p>The debt settlement with Pakistan should be reached without any further delay.</p> <p>The Committee would like to draw attention to the recommendations made in Para 57 of their Seventh Report and be informed of the present position regarding the payment, by the Pakistan Government, of the first three instalments of the Debt payable by them to the Government of India (the first instalment amounting to Rs. 9 crores fell due on the 15th August, 1952).</p>
16	26	Finance	<p>The Committee trust that the balance of the long outstanding debt amounting to Rs. 5 crores would be finally settled with the Burma Government during the course of 1955-56.</p>
17	27	Finance External Affairs	<p>The Committee trust that Government are diligently pursuing the question of settlement of their claims against Pakistan on account of payments (mainly pensions and leave salary) made to the U. K. Government on behalf of the Government of Pakistan and that a final settlement of this question might be arrived at by means of holding high level talks with the latter Government.</p>
18	28	Finance	<p>In the case referred to in Para 22 of the Audit Report (Civil), 1952—Part I, the grant of concessions in the payment of Income-Tax by executive orders in anticipation of legislation was illegal, being in excess of powers vested in Government under Section 60(3) of the Income-Tax Act. In all these cases, it was not proper to presume Parliament's approval in advance, and the Committee trust that, in future, Government would desist from giving or announcing such unauthorised concessions prior to legislation.</p>
19	29	Finance	<p>While the Committee do not want to comment upon the merits, or otherwise, of the scheme of 'voluntary disclosure of hidden incomes', they would, nevertheless, like to observe that the settlement of income-tax leviable cases in this manner was not quite proper and it might create dangerous precedents administratively.</p>
20	30	Production	<p>The Committee regret to observe that although more than 10 months have elapsed since they examined the case referred to in Para 5(b) of the Audit Report (Civil), 1952—Part I relating to the delay in the Disposal of certain Government buildings, the Ministry of Production have not so far intimated to the Committee the result of the investigation made by them as to why disciplinary action could not be taken by them against the delinquent officials who failed to safeguard Governments' interest. They desire that the Ministry should apprise the Committee of the latest</p>

1	2	3	4
			position, well in advance of the date they take up consideration of the next year's Accounts of the Ministry.
21	31	Health	<p>(i) Action should be taken against the persons, responsible for mispostings in the store accounts of the Medical Stores Depot, referred to in Para 13(b) of the Audit Report (Civil) 1952—Part I. Although these mispostings are a wartime legacy, yet the Committee desire that disciplinary action should be taken against the officials concerned for not having reconciled them even so long after the end of the war. Mispostings in the ledgers are a concomitant evil of frauds and shortages of stores, and should always be jealously safeguarded.</p> <p>(ii) The Committee would like to know, in due course, the outcome of the Report on the working of the Medical Stores Depots submitted by an officer of the Ministry of Finance and the improvements that are sought to be effected in the existing set-up of the Depots.</p>
22	32	Works, Housing & Supply	<p>(i) In the case referred to in Para 6(a) of Audit Report (Civil), 1952, Part I relating to the payment of additional railway freight by modifying the sale letter issued to a certain firm for the sale of 5,200 tons of surplus Iron Bars, the Committee observed that the note recorded by the Assistant Director recommending payment of freight to the firm did not show that he was acting in any way under the instructions of the Deputy Director-General, his immediate superior. The officer's plea, which was not substantiated by records, should not have been accepted by the Ministry.</p> <p>(ii) Any Officer who makes a proposal against the financial interest of Government, merely because he has been asked by a superior officer to do so, is not fit to hold any position of trust or responsibility.</p> <p>(iii) The Committee consider that the whole case is surcharged with suspicion and the Officer responsible for the extra payment to the firm in the form of railway freight had been let off lightly.</p> <p>The Committee are strongly of the opinion that the disciplinary aspect of this case should be re-opened and adequate punishment awarded to the Officers concerned, commensurate with the severity of the mistake committed.</p>
23	33	Works, Housing & Supply	<p>(i) It should not be difficult to effect recoveries of the bulk of rent outstanding on 1-10-54 from the Government servants and the various Ministries of the Government of India. Special measures should, therefore, be devised to liquidate these heavy outstandings.</p> <p>(ii) As regards the amount recoverable from displaced persons, in the case of those with</p>

1	2	3	4
			<p>verified claims, it is suggested that the Ministry of Works, Housing and Supply should intimate the outstandings to the Ministry of Rehabilitation, who in their turn should take steps to adjust it against any amount of compensation that might be payable to such persons.</p> <p>(iii) In the case of displaced persons without any verified claims, the Ministry should explore the possibility of enforcing recovery through recourse to law, if necessary.</p> <p>(iv) The Committee have not been apprised of the circumstances under which rent totalling Rs. 18,971/15/- had to be written off during the period from 1-4-51 to 30-9-51.</p>
24	34	<p>Works, Housing & Supply.</p> <p>W. H. & S.</p> <p>All other Ministries</p>	<p>The amount paid by Government to the firm Reema Construction Company of U. K., for the construction of nine blocks of pre-fabricated hospital buildings as a demonstration of their patent System of construction, claimed to be cheaper, quicker and more durable, was almost <i>double</i> of what the work would have cost had it been executed by traditional methods.</p> <p>(ii) If the 'letter of intent' constituted in this case the agreement enabling the Government to make the advance payments, the Committee fail to understand why the Ministry of Law were not consulted before its issue, as required under the existing rules, and why a copy of this was not forwarded to Audit in the same manner as other contracts are ordinarily communicated as, for all practical purposes the letter took the place of the contract. If a copy had been so forwarded to Audit, it would have enabled them to scrutinise the terms under which payments were to be made to the British firms. Such a procedure should invariably be observed by the spending Departments in future.</p> <p>(iii) It was rather unfortunate that this firm was brought in to demonstrate this type of 'low cost' construction in India, as curiously enough this experimental construction launched without any firm estimates of costs failed, thereby nullifying its very purpose. Further, the financial interests of the State were not properly safeguarded in the 'letter of intent' in this case.</p> <p>(iv) The Committee consider that the entire scheme was ill-conceived <i>ab initio</i> and that responsibility should be fixed.</p>
25	35	W. H. & S.	<p>While the Committee do not want to sit on judgement over the decision of the then Director-General in the case relating to the disposal of surplus American Stores, referred to in para 6(f) of the Audit Report (Civil), 1952—part I, they cannot help expressing the view that proper discretion had not been exercised for securing an equitable return for these stores and that the whole burden for not doing so has been put on the Consultative Committee which is now defunct.</p>

1	2	3	4
26	36	W. H. & S.	<p>In the case referred to in Para 23(b) of Audit Report (Civil), 1952—Part II relating to the improper payment to the tune of Rs. 18 lakhs made to certain contractors, the Committee asked for information on certain points arising therefrom, which has not so far been furnished to them, although a period of more than 6 months has elapsed. Such delays in furnishing information result in making it impossible for action being taken against officers responsible for irregularities as by the time final conclusions are arrived at, various changes might have occurred, such as retirement of officials etc.</p> <p>The Chief Engineer and other responsible officers in the C.P.W.D. who handled this case at various stages have shown a reckless disregard of all canons of financial propriety in administering public funds. The Committee desire that there should be no further delay either in furnishing the information asked for or in fixing responsibility and taking suitable action against the concerned officers.</p>
27	37	W. H. & S.	<p>In the case relating to the waiver of rent due from the Council of Scientific and Industrial Research, referred to in Para (6s) of the Audit Report (Civil), 1952—Part I it was wrong in principle to have by-passed the Legislature thus vitiating the very essence of Parliamentary control over Public expenditure.</p>
28	38	Information and Broadcasting.	<p>Government should explore all avenues for effecting further economies in establishment charges of the A.I.R.</p>
29	39	Do.	<p>Before making further purchases of stores for the A.I.R., the need for such purchases should be carefully gone into.</p>
30	40	Do.	<p>The Committee would like to know the reasons for the loss incurred in the publication of "Betar Jagat" (Bengali A.I.R. Journal) in 1953-54.</p>
31	41	Education	<p>(i) There was no ostensible justification for the Indian High Commission, London in retaining the old furniture for use in the new hostel and that they should not have continued to incur avoidable expenditure on storage for such a long period as 40 months merely on an expectation which did not materialise eventually.</p>
		<p>Education All other Ministries</p>	<p>(*) The Committee do not understand why the Ministry did not move much earlier in the matter and call for details of the claim of the London University, when the Audit Report in question had been presented to Parliament on the 19th May, 1954 and the Audit Para in question must have been sent to the Ministry even earlier before the Report was printed. The Ministry should have initiated action immediately and made available the relevant information to the Committee</p>

1	2	3	4
			at the time they took up examination of the case. It is up to the Ministries to initiate prompt action in all matters brought to their notice by Audit and not to postpone action until the Audit Paras came up for consideration by the Committee.
			(iii) Another point that arose in this case was whether reimbursement to the Government of India of the charges paid on account of local rates for the period of the lease of the premises of the hostel was due from the U. K. Ministry of Works according to the law then obtaining in that country. The Committee regret that no reference on this point was made to the Ministry of Education by the Indian High Commission, London. The Committee should like to know, in due course, the further developments in this case and the prospect of the claim for the reimbursement being entertained by the U. K. Government.
32	42	Education	Now that the Government have decided to establish the University Grants Commission, which would enquire into the financial needs of Universities and allocate and disburse grants to them and that a Bill on the subject has already been introduced in Lok Sabha, the Committee leave this question of payment of grants to Universities in advance of actual requirements for consideration by that body.
33	43	Do.	Early opportunity should be taken to amend the Viswa Bharati Act so as to bring it in line with the other University Acts, so far as audit by the Comptroller and Auditor-General is concerned and also to make a statutory provision for submitting the Audit Reports on all the Central Universities to Parliament.
34	44	Cabinet Sectt.	It has not been fully established to the satisfaction of the Committee that the higher officers in the Cabinet Secretariat were not aware of the facts of this case relating to the payment of advance for purchase of conveyance in respect of a car purchased six years previously, referred to in Para 17 of Audit Report (Civil), 1952—Part I, at an earlier date than April, 1951, when Audit brought it to their notice. The evidence of the representative of the Cabinet Secretariat, who appeared before the Committee at their sitting on the 23rd October, 1954 in this connection is not considered satisfactory.
35	45	Communications	The Committee should be informed of the further developments in the matter of recovery of the sum of Rs. 1,15,000 due from the Nationalist Chinese Government, which they understand is being pursued at diplomatic level.
36	46	Do.	The decision arrived at in the matter of appointment of an internal Accounts Officer in the Overseas Communications Service should be intimated to the Committee.

1	2	3	4
37	47	Communications	Further progress in the matter of obtaining from the Secretary General, International Civil Aviation Organisation refund of the sum of \$15,635.00 paid by India or its adjustment against India's future contribution to the Organisation, should be intimated to the Committee.
38	48	<u>Food & Agriculture</u> <u>All other Ministries</u>	The terms and conditions of contracts with foreign countries should invariably be precisely defined.
39	49	<u>Food & Agriculture</u> <u>Rehabilitation</u> <u>Health</u> <u>Finance</u>	(i) The Committee agree with the conclusions arrived at by the Ministry of Finance in the case referred to in Para 8(d) of the Audit Report (Civil), 1952, Part I relating to the loss on purchase of condensed milk that if an examination of the stuff on arrival had been done, it was probable that as in the case of the first consignment, a portion of which was also found unfit for human consumption on account of deterioration, the Khadi Prasthan would have agreed to take back the damaged portions of the second lot also. (ii) The Committee recommend that the Ministry of Finance should issue general instructions to all the Ministries that in case of all such contracts the Warranty Clause should invariably be provided in the Agreement, and in case of any failure on the part of the contracting party to supply the stuff according to the specifications, this Clause should be invoked. In the present case, action should be taken against the Officers responsible in the Ministry of Food and Agriculture for not having provided the Warranty Clause in the Agreement and those responsible for not examining the second lot immediately on its receipt and sending it back to the firm.
40	50	<u>Food & Agriculture</u> <u>All other Ministries</u>	It should be firmly laid down that whenever any Officer is sent abroad for procuring supplies etc., he should follow the normal procedure of associating himself with the Head of the Supply Mission in that country before starting any direct negotiations with the manufacturers or suppliers there. Ministries should not enter into commitments with foreign manufacturers or suppliers direct without the intervention of the Supply Mission or any other Organisation set up by Government in this behalf.
41	51	Food & Agriculture	(i) The Ministry of Food and Agriculture should examine the disposal of the Paahabhai Patel Implements in the light of the observations made by them in their Twelfth Report to the best possible advantage of the Government. (ii) The extraordinary increases in the percentage of Workshop Overheads in New Delhi and Bairagarh Workshops call for serious notice.

1	2	3	4
			The Committee should be apprized of the result of the study of this problem made by the Expert Committee and action taken on their recommendations by the Government.
42	52	Food & Agriculture	The case referred to in Para 192(a) of the Commercial Appendix to the Appropriation Accounts (Civil), 1950-51 indicates that indents were placed without an adequate knowledge of foundry practice and timely action was not taken to cancel the indents.
43	53	Do.	The Committee would like to know why purchases in excess of the annual requirements were made by the C. T. O. during the years 1951-52 and 1952-53 and the extent of such surplus purchases. The responsibility for these excessive purchases should be fixed and adequate action taken against the Officers concerned.
44	54	Do.	The Committee should like to know the progress made in the clearance of the claims for shortages of Fertilizers outstanding against the various parties referred to in Para 202 (vii) of the Commercial Appendix to the Appropriation Accounts (Civil), 1950-51.
45	55	Labour	The Ministry of W. H. & S. and other big spending Ministries like the Railways, Defence, P. & T. Department should, in consultation with the Ministry of Labour, examine the question of inserting a mandatory clause in all the contracts coming within their purview, whereby the contractors should notify their vacancies to the Employment Exchanges.
46	56	Do.	The Committee would impress upon the Ministry of Labour the desirability of evolving a scheme for the better follow-up of the trainees after their discharge from the Training Centres. As one of the means towards this end, they suggest that the Employment Exchanges Training Organisation should maintain a National Register of Persons trained by them so that they might know where a person was employed after training and whether the manpower resources were being fully utilised for the economic advancement of the country.
47	57	External Affairs	(i) The keeping of any transaction in Suspense Account for practically one decade, as has been done in this case relating to the supply of agricultural implements to the Afghanistan Government, seems to be highly irregular. The Committee would like to know the progress made in the settlement of this long outstanding item. (ii) A special scrutiny of the transactions under "Suspense" may be conducted by Government with a view to seeing that no such items are lying uncleared for such long periods.

1	2	3	4
48	59	External Affairs	The Committee take a serious view of Officers producing false certificates for the drawal of Exchange Compensation Allowance. Adequate action should be taken against the officials who had indulged in illegal currency operations while drawing Exchange Compensation Allowance in the Missions abroad.
49	60	Do.	As one of the measures to prevent the recurrence of cases of irregular currency operations in future, the Committee would suggest that the Foreign Allowance of Officers serving abroad should be fixed in the currency of the countries in which they are serving and Exchange Compensation Allowance abolished.
50	61	Do.	(i) The Committee are unable to appreciate why it was considered expedient by the High Commissioner for India in London to start negotiations with other parties after the advance of £17,000 had been paid to Adhil Properties Ltd., and why there should have been so much delay in finalizing either of these arrangements.
	62	Do.	(ii) The Committee regret to learn that there is no prospect of recovering the amount of £ 17,000.
	63	Do.	(iii) An unsatisfactory feature of this case is the incompleteness of records. The Committee would like to know the steps taken by the Ministry of External Affairs to set matters right in this direction.
	64	Do.	(iv) The Committee fail to understand why it was at all necessary to have recourse to an intermediary instead of dealing direct with the lessee, more particularly, as the lessee was himself brought into the discussion subsequently.
			(v) The Committee wish to record their strong disapproval of the action taken in this case
51	65	Transport	If, as urged by the Government, the higher rates of compensation paid to the Indian Shipping Companies for the ships requisitioned during the last War for the U. K. Government was treated by Government as a measure of assistance to the Indian Shipping Industry towards its post-war rehabilitation, the Committee fail to understand why subsequent attempts were made (though in vain) by Government to recover the extra amount from the U. K. Government instead of taking a straight vote of the then Legislature for this grant-in-aid. Actually, no such vote was taken. As the expenditure relates to the pre-Partition period, there is, however, no question of taking the Parliament's vote now.

1	2	3	4
52	66	Transport	The Committee should like to know the present position regarding the recovery of the cost of two barges from the Commander-in-Chief, East Indies, Naval Headquarters, Ceylon and also about the recovery of the U.K.'s share of deficit in the account.
53	68	Commerce & Industry.	<p>(i) In this case relating to the transport of cloth by country craft in 1944, referred to in Para 9 (b) of Audit Report (Civil), 1952—Part I, the Committee would observe as follows :</p> <p>(a) Firstly, there was no point in bringing the cloth back to Bombay when it was known that there were no storage facilities.</p> <p>(b) Secondly, having brought it to Bombay and finding that no storage accommodation was available, action to dispose of the goods should have been taken immediately instead of leaving the goods lying out in the open.</p> <p>(c) Thirdly, a claim should have been lodged immediately with the Carrier firm.</p> <p>(ii) The Committee do not agree with the Ministry that there was no negligence on the part of the Textile Commissioner and his Officers.</p>
54	69	<u>Commerce & Industry.</u> <u>Finance</u> <u>All other Ministries</u>	The grants-in-aid made to the various State Governments and non-official Organisations for financing schemes for the development of Cottage and Small Scale Industries are grants intended for specific purposes and unless the Central Government were a little stricter in the matter of satisfying their proper utilization, the purpose underlying them will not be fulfilled. The attention of the State Governments and the other Organisations in receipt of these grants should be drawn to the prescribed rule that they must refund the unutilised balance at the end of the financial year.
55	70	Commerce & Industry.	The Committee feel that it is high time that the Accounts of the old State Trading Schemes are wound up by taking appropriate action towards clearing the outstanding stocks.
56	71	Do.	The Committee are not convinced by the reason adduced for the failure to dispose of 136 tons of paper which is lying in stock since a long time.
57	74	Do.	It is a well-established parliamentary practice that where Government experience any difficulty in implementing the recommendations of a Parliamentary Committee or Government feel that on the facts of a case the views expressed by the Committee would require reconsideration, Government should place their views, in the first instance, before the Committee before bringing up the matter before the House. In the case of the Committee's recommendations made in their Fourth Report on the 'Import and Sale of

1	2	3	4
			Japanese Cloth', this procedure was not followed by Government who laid on the Table of the House on 11-8-53 a statement in the matter without bringing their views to the notice of the Committee in the first instance.
58	76	Commerce & Industry.	It would appear from the statement laid on the Table that the shortage of cloth in the country was so serious as to necessitate the import irrespective of price considerations. The Committee are not convinced by the arguments set forth in the statement, nor do the subsequent events in this case bear out the position as explained by Government.
59	77	Do.	If the cloth was intended for 'clothing the naked millions' in the country as stated by the Ministry, the Committee do not understand how it was expected that the cloth could be sold to the poor people at such high prices. The Committee do not understand why the note of caution sounded by the then Chairman of the Textile Advisory Board was not communicated by the Textile Commissioner to the Ministry.
60	78	Do.	Another important feature of this deal is that not a single yard of the imported cloth was sold in India, which only shows the short-sighted manner in which the whole deal was arranged with considerable loss to the exchequer.
61	79	Commerce & Industry. <hr/> Finance	(i) The Committee are informed by Audit that the period of arbitration in the matter of recovery of Rs. 15 lakhs from Messrs. Banwari Lal & Co. has been extended upto January, 1956, which means that there is no possibility of recovering any amount in the near future. The Committee would urge that there should be no further extension of the period of arbitration, as there is hardly any justification for it, as more than seven years have already elapsed. (ii) The Committee do not see any reason for taking a different view from what has already been expressed by them in their Fourth Report.
62	80	Production <hr/> Finance	The Committee do not agree with Government's view that the transfer of Government assets to the Sindri Fertilizers and Chemicals Ltd., in return for shares and debenture scrips of the Company was in the nature of disposal of Government properties for which the Executive had the necessary power and did not require further authority of Parliament. The Committee consider that this transaction amounted virtually to a sale of Government assets to the private Company and simultaneous investment of the sale proceeds in the shares and debentures of the Company, to cover which a specific vote of Parliament was necessary.

1	2	3	4
63	81	Production	In the case referred to in Para 5(a) (i) of the Audit Report (Civil), 1952—Part I, there was a failure to scrutinise the basis on which the lump sum contract was placed. The Committee had previously expressed their disapproval of lump sum contracts and find no reason to make an exception in respect of the present instance.
64	88	Irrigation and Power	The Committee are not satisfied that all that Government could do to retrieve the overpayment made to M/S. Hind Patel & Co. for certain items of work done on Konar Dam was to try again and persuade the contractors to agree to arbitration without insisting on the income-tax stipulation, especially when the contractors happen to be still executing many Government contracts will no doubt ask for more work in future. The Committee would, however, prefer to await a further report from the Ministry.
65	89	Do.	The Committee would like to know the outcome of the claim preferred by the D. V. C. against the Hind Patel & Co. for the refund of Rs. 21 lakhs.
65	90	<u>Irrigation & Power</u> <u>Law</u> <u>All other Ministries</u>	In order to safeguard the interests of the Public Exchequer, Government might consider the desirability of bringing before the Parliament a legislation empowering them to review concluded contracts and to effect recovery of demonstrably excessive or unconscionable payments made as a result of ignorance, oversight, inaptitude, incompetence or corruption on the part of the agents of Government. There is no reason why when so many large schemes are being rightly pushed ahead by Government with a sense of urgency paralleled by that which prevailed during the War, the War-time safeguards should not be adopted. The proposed legislation, if enacted, would not only safeguard the public interest, but would effectively deter speculative attempts on the part of the contractors to quote exorbitant rates as a "try on".
67	91	Irrigation & Power	<p>The Committee record the following observations in regard to the manner in which the Konar Dam Project was executed :</p> <p>(i) There was no proper planning. The change in the design from a earth to a concrete gravitydam, when the work on the earth dam had already started, resulted in an infructuous expenditure of Rs. 1.5 lakhs in the preparation designs.</p> <p>(ii) When the design was changed, instead of calling for fresh tenders or even making suitable enquiries as to the contemporary rates for similar work, the D. V. C. entered into negotiations with the old contractors (M/S. Hind Patel & Co.) for new rates in connection with the gravity dam work, by stopping work for</p>

1

2

3

4

4 months. If the Corporation had called for general tenders when the design was changed, for not doing which there were no valid reasons, all the complications would have been eliminated.

(iii) From the findings of the Rau Committee and the analysis of the two technical experts, it is clear that—

(a) the specifications in the contract for several items of work were not clear. Some of these were actually clarified after the tender had been accepted and

(b) the Damodar Valley Corporation authorities did not take adequate care in fixing the rates in respect of the various items of work.

68

94

Finance
Rehabilitation
Finance Administration.

The delay in the disposal of loan applications in the R. F. A. can be eliminated and much infructuous expenditure involved in the processing of applications also saved, if the applications are examined carefully in the Administration's Office immediately on their receipt to see whether they fulfil the prescribed conditions for the grant of loan, especially the condition as to the production of acceptable guarantors by the applicants. All these applications which do not satisfy these conditions need not be entertained. As a rule, no loan should be sanctioned unless an applicant has produced an acceptable guarantor nor should time be wasted in processing an application further.

The Committee regret that no concrete proposals for simplification of the procedure have been discussed by the Ministry of Finance and the Chief Administrator, R. F. A. with the Comptroller and Auditor-General, although nine months have elapsed, as suggested by the Committee.

69

95

Do.

The fact that against the amount of loans of Rs. 24 lakhs sanctioned in 1953, a sum of Rs. 14 lakhs had been provided for 'bad and doubtful debts' indicates that proper prudence had not been exercised in granting loans.

70

96

R. F. A.

Now that the R. F. A. have acquired practical experience for about 7 years, it is high time that they evolved a realistic basis for estimating the 'bad and doubtful debts'.

The Committee were perturbed to learn from the Chief Administrator, R. F. A. that the provision in the Balance Sheet for bad and doubtful debts might not cover the actual bad debts, which might turn out to be much more. If this pessimistic view is justified, the Committee would like to know what steps

1	2	3	4
			are proposed to be taken to prevent the prognostications of the Head of the Administration coming true and, in particular, whether all possible and timely steps have been taken to set off debts due to the Corporation against the compensation claims of the debtors.
71	98	R. F. A . .	The Committee are led to the conclusion that there was no justification for drawing the sum of Rs. 2 crores merely to avoid a lapse in the budget grant, when there was really no need for the money.
72	99	Do. . .	The R. F. A. are very much overstaffed especially in the higher ranks. The Committee feel that if the suggestion made by them in Para 94 of this Report for rationalising the procedure with regard to the processing of loan applications is acted upon, considerable economy in staff expenditure would be possible.
73	100	Do. . .	(i) While the Committee appreciate the situation that there was an urgent necessity of rehabilitating the displaced persons and experienced personnel were not available and the Administration had to select persons in whom they had confidence for delivering the goods at that critical juncture, they are led to the belief that undue advantage was taken of the prevailing situation to recruit men, without proper verification of their antecedents and previous experience, on salaries more than double of what they were drawing in their previous appointments. (ii) The Committee are extremely dissatisfied with the manner in which the appointments of officers were made by the R. F. A. and their salaries fixed, as also with the working of the Administration in general. They would, therefore, recommend that Government should take immediate steps to appoint a Committee to enquire into these matters and to make suitable recommendations for overhauling the Administration so as to enable the Organisation to fulfil the functions for which it has been created.
74	102	Finance <hr/> Industrial Finance Corporation.	The Corporation should devise a formula in consultation with the Ministry of Finance and the Comptroller and Auditor-General for determining the quantum of 'bad and doubtful debts', and make a provision in respect of the same in the Annual Balance Sheet of the Corporation.
75	103	Do. . .	Government should take early action to frame Rules under Section 42 of the Act and lay them on the Table of the House.

1	2	3	4
75 75A	106	Finance <u>Industrial Finance Corporation</u>	The Committee cannot accept that merely because for facility of management, the Corporation has been set up as a separate legal entity with certain legal powers, it should be permissible for the Corporation to disregard or flout the advice given by the Ministry of Commerce & Industry which is charged with the public responsibility for promoting the industrial development of the country. The notion that the Corporation's transactions can be managed solely according to ordinary practices of private banks cannot also be supported.
75-B	107	Do.	The Committee regard the percentage of the establishment charges of the Corporation as compared to its working expenses (which was 15.69 for the year 1954) as 'fairly high' and would like to know what steps the Corporation propose to take to bring them down.
76	108	Do.	Specific provision should be made in the Rules of the Corporation that the Directors of the Corporation should disclose their interest in the affairs of any Company applying for loan before the loan application is considered by the Board.
77	109	Do.	In view of the financial position of the Corporation, which necessitated the Government guarantee for the minimum return on capital to be repeatedly invoked, the launching of the project for the building of the Corporation Offices, which resulted in an infructuous expenditure of about Rs. 2 lakhs was at the particular time both inopportune as well as imprudent.
78	110	Do.	The payment of fees amounting to Rs. 2,000 to an Advocate of the Bombay High Court for drafting a reply to Chapter VIII of the I. F. C. Enquiry Committee's Report regarding the Sodepur Glass Works which contained some criticism of the conduct of some officials of the Corporation and did not, otherwise, involve any legal issues is not a proper charge on the Corporation.
79	111	Do.	The maintenance of the staff car by the Corporation for the exclusive use of the Managing Director amounted to a concession which apparently was not included in the terms and conditions of his appointment. Corporation should frame rules in regard to the use of staff car in future on the lines obtaining in other Government Departments.
80	112	Do.	(i) Government have not so far intimated to the Committee the causes for the delay in making payment to the Sodepur Glass Works, as promised by the representatives of the Ministry of Finance at the sitting of the

1

2

3

4

Committee held on the 11th February, 1955.

- (ii) The result of the endeavours made by the Negotiating Committee for the disposal of the assets of the Sodepur Glass Co. to the best possible advantage of the Corporation has not yet been made known to the Committee. The Committee regret to note that the Negotiating Committee have not been able to give their final decision so far although 1½ years have already elapsed and heavy losses have resulted on account of the locking up of the huge amount (of about Rs. 1 crore) advanced in this case, not to speak of the loss of interest (of about Rs. 50,000/-), etc.
- 81 113 Finance . . . The Committee trust that the separation of Accounts from Audit will not only increase administrative competence and responsibility but also enable the spending Departments to keep in intimate touch with the progress of expenditure and to exercise a closer and concurrent watch over the utilization of their budgetary grants and the progress of their programmes.
- 82 114 Irrigation & Power (i) The present proposal to take Government sanction to write off without investigation the difference between the value of the opening balances of the ledgers as on 1-11-52 and the stores balance appearing in the Central Account as on 1-11-52 is contrary to the assurance given to the sub-Committee of the Public Accounts Committee in 1952-53 that the past accounts would be reconstructed to verify that all the balances that ought to be there were actually there on the date of the physical verification. The Committee await a further report on this aspect.
- (ii) The surplus stores should be separated and listed and urgent steps taken to dispose them of to other Departments, Projects or outsiders as the case may be.
- (iii) The Committee do not understand why no reserve limit for stock of stores has yet been fixed by Government, although this point was brought to their notice long time ago.
- 83 115 Irrigation & Power
Finance . . . The Committee regret to observe that, although more than ten months have elapsed, the Ministry of Irrigation and Power have not so far been able to submit their revised note on the question of introduction of Administrative Audit System in the River Valley Projects. They would like the Ministry to formulate their conclusion without any further delay, as some of the major Projects are already in their advanced stages and any procrastination might defeat the object underlying the introduction of the system.