

**PUBLIC ACCOUNTS COMMITTEE  
1961-62**

**THIRTY-NINTH REPORT**

(SECOND LOK SABHA)

[Audit Report on the Accounts of the Damodar Valley  
Corporation for the year 1959-60]

Vol. I—REPORT



सत्यमेव जयते

**LOK SABHA SECRETARIAT  
NEW DELHI**

*December, 1961*  
*Agrahayana, 1883 (Saka)*

*Price : 1.00 nP.*

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## CONTENTS

	Page
Composition of the Public Accounts Committee (1961-62) . . . . .	(ii)

### PART I

INTRODUCTION . . . . .	(iii)
------------------------	-------

#### CHAPTERS I

I. General Financial Review of the Expenditure on the Project during the year 1959-60 . . . . .	1
II. Irrigation and Navigation . . . . .	7
III. Engineering, Machinery and Stores . . . . .	11
IV. Contracts and other topics of interest . . . . .	20
V. Outstanding Recommendations . . . . .	27

### PART II

#### Proceedings of the Sitzings of the Public Accounts Committee—

*Fifth sitting held on Thursday, the 6th July, 1961 . . . . .	35
Sixth sitting held on Friday, the 7th July, 1961 . . . . .	45
Seventh sitting held on Saturday, the 8th July, 1961 . . . . .	53
@Thirty-second sitting held on Monday, the 4th December, 1961 . . . . .	66
APPENDIX I—Summary of main Conclusions/Recommendations . . . . .	67

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\*Earlier Sitzings relate to consideration of P & T Appropriation Accounts and Audit Report.

@Intervening sittings relate to consideration of Railway and Civil Appropriation Accounts and Audit Reports, and Statements of Outstanding recommendations re: DVC and Civil Accounts, etc.

**COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE**

**(1961-62)**

**CHAIRMAN**

**Shri C. R. Pattabhi Raman**

**MEMBERS**

2. Shri Rohan Lal Chaturvedi
3. Shri Aurobindo Ghosal
4. Shri Hem Raj
5. Shri R. S. Kiledar
6. Shri G. K. Manay
7. Dr. Pashupati Mandal
8. Shri S. A. Matin
9. Dr. G. S. Melkote
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12. Pandit Dwarka Nath Tiwary
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15. Shri K. K. Warior
16. Dr. Shrimati Seeta Parmanand
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20. Shrimati Savitry Devi Nigam
21. Shri Rajeshwar Prasad Narain Sinha
22. Shri Jai Narain Vyas.

**SECRETARIAT**

**Shri V. Subramanian—*Deputy Secretary.***

**Shri Y. P. Passi—*Under Secretary.***

## INTRODUCTION

I, the Chairman of the Public Accounts Committee, having been authorised by the Committee to present on their behalf, present this Thirty-ninth Report on the Audit Report on the Accounts of the Damodar Valley Corporation for the year 1959-60.

2. The Audit Report in question was laid on the Table of the House on the 25th April, 1961.

3. The Committee examined the Audit Report at their sittings held on the 6th, 7th and 8th July, 1961.

A brief record of the proceedings of these sittings of the Committee has been maintained and forms part of this Report (Part II).

4. The Committee considered the statement showing action taken or proposed to be taken pursuant to the recommendations of the Committee made in their earlier Reports relating to D.V.C. Accounts at their sittings held on the 2nd and 3rd November, 1961. The statement as approved by the Committee has been appended to this Report (Appendix II). Some of the important cases outstanding from the earlier reports have also been dealt with in the body of the Report (Chapter V).

5. The Committee considered and approved this Report at their sitting held on the 4th December, 1961.

6. *While examining the Accounts of the DVC, the Public Accounts Committee have from time to time come across cases where disciplinary action could not be taken against the delinquent officials as they had already left the service of the Corporation. The facts of each case disclosed that had timely action been taken immediately after the detection of the relevant irregularities, the officers responsible could not have escaped punishment. In certain cases, officers with questionable record had joined other Public Undertakings. The Committee feel that this state of affairs will affect adversely the standards of efficiency in the Public Undertakings. The Committee, therefore, desire that Government should evolve a suitable procedure to ensure that action against any officer with questionable record or against whom investigations are pending in a Government Deptt./State Undertaking, is not delayed. If in any case there is delay, the*

reasons therefor should be gone into with a view to determining whether there had been any avoidable delay. Officers seeking appointment in a Public Undertaking should be asked to furnish detailed particulars of past service so as to enable the Public Undertaking to verify from/or call for the applicant's previous records from his previous employer(s).

7. In addition to the cases of delay in taking disciplinary action referred to above, the Committee came across several other cases of inordinate delays on the part of the administration. In one case, the Corporation took about five years in coming to a decision regarding the mode of transporting a boat from Calcutta to Durgapur. In another case, even five years after shortages of cement in transit by rail had been detected, decision regarding the fixation of limit therefor has yet to be taken. In yet another case where an expert committee which had investigated into the collapse of certain transmission towers had submitted its Report in 1959, no decision on its recommendations had yet been taken. The Committee are distressed that such delays should occur in spite of the autonomy vested in the DVC in the interest of efficient administration. They desire that the decisions by the Corporation should be prompt and their implementation expeditious.

8. The Committee regret that though nearly 5 months have elapsed since the Committee desired to be furnished with further information on a number of points, it is still awaited in a number of cases. The delay in the receipt of the information had not only dislocated the work of the Committee but also had compelled them to leave their work incomplete in those cases. The Committee, therefore, desire that the information on points arising out of the evidence before them should be supplied within the prescribed time limit.

9. During the course of evidence, the Committee also came across a number\* of cases in which the actual expenditure on works incurred by the Corporation was far in excess of its original estimates. In none of these cases, the Committee could get a satisfactory explanation. In one case, where the actual expenditure was more than six times the Corporation's estimate in respect of the whole work and more than 51 times in respect of one item thereof, it was admitted by the representative of the Corporation that the Engineer concerned had not taken even elementary steps towards realistic estimates. The Committee take a serious view that in an organisation like the DVC, run on commercial lines, the estimates of expenditure should have been conjectural. They desire that the Corporation should impress

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\*Instances: Paras 6,7 and 11 (a) of the Audit Report on the Accounts of DVC for the year 1959-60.

(v)

*upon its officers the imperative need to ensure realistic estimates, after taking all relevant factors into account.*

10. A statement showing the summary of the principal conclusions/recommendations of the Committee is appended to the Report (Appendix I). For facility of reference, these have been printed in italics in the body of the report.

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

NEW DELHI;  
The 4th December, 1961.  
Agrahayana 13, 1883 (Saka).

ROHAN LAL CHATURVEDI,  
Chairman\*,  
Public Accounts Committee.

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\*During the absence abroad of Shri C. R. Pattabhi Raman, Chairman, Public Accounts Committee, the Speaker has directed Shri Rohan Lal Chaturvedi to look after the duties of the Chairman of the Committee.

**I**

**GENERAL FINANCIAL REVIEW OF THE EXPENDITURE ON  
THE PROJECT DURING THE YEAR 1959-60**

The Damodar Valley Scheme which is a multi-purpose project for the unified development of Damodar River Valley aims at (1) Flood Control; (2) Irrigation; (3) Generation and transmission of electricity; (4) Promotion of all-the-year round navigation; (5) Promotion of afforestation and control of soil erosion in the Damodar Valley; and (6) the promotion of public health and agricultural, industrial, economic and general well-being of the people in the Damodar Valley and its area of operation.

2. Pursuant to these objectives, a phased programme was worked out. The first phase programme comprises: (i) four dams at Tilaiya, Konar, Maithon and Panchet Hill with a Hydro-electric station attached to each (except in the case of Konar where the construction of the station has been deferred on financial grounds); (ii) a thermal power station at Bokaro with 200,000 K.W. ultimate capacity, (iii) a grid covering over 800 miles of transmission lines and a number of sub-stations and receiving stations; and (iv) an irrigation barrage at Durgapur with 1,550 miles of irrigation-cum-navigation channels.

3. The total expenditure chargeable to these Projects undertaken by the Corporation is allocated among the three main objects viz., Power, Irrigation, Flood Control and Subsidiary objects and the total amount of capital is provided by the three participating Governments, viz., the Central Government, the State Governments of Bihar and West Bengal in the manner envisaged in Sections 30—36 of the D.V.C. Act, 1948. The Corporation have to pay interest at such rate as may from time to time be fixed by the Central Government. For a period not exceeding 15 years from the date of the establishment of the Corporation (i.e., upto 1963), the interest charges are being capitalised.

4. The following amounts were provided by the participating Governments, as capital required for the projects undertaken by D.V.C.

	During 1959-60	Cumulative total to the end of 1959-60
	Rs.	Rs.
Government of India . . .	4,41,57,099(a)	35,67,43,266 (a)
Government of West Bengal . . .	3,44,00,000	79,02,03,633
Government of Bihar . . .	3,53,00,000	28,22,77,000
TOTAL . . .	11,38,57,099	142,92,23,899

(a) Includes Rs. 21,57,099/- on account of pre-Corporation expenses as capital advanced by the Central Government which have been adjusted in the year under report.

The capital expenditure on the various objects, viz., Power, Irrigation, Flood Control and Subsidiary objects is shown below:

	During 1959-60		Cumulative total to the end of 1959-60	
	Rs.	Rs.	Rs.	Rs.
Power :				
Gross Expenditure	13,12,90,194		95,64,03,696	
Less receipt on sale of power	6,16,04,347		19,62,89,441	
Net		6,96,85,847		76,01,14,255
Irrigation		2,93,21,081		39,43,29,931
Flood Control		94,39,595		18,35,62,405
Subsidiary objects		1,05,01,788		6,89,24,497
TOTAL		11,89,48,311		140,69,31,088

*Allocation under Sections 32—34 of the D.V.C. Act—para 2 of Audit Report, page 72—*

**(a) Allocation under Section 32—**

5. According to section 32 of the D.V.C. Act, expenditure on soil conservation, afforestation and other developmental activities under section 12(e) and (f) of the Act is to be treated as common expenditure payable out of the funds of the Corporation before allocation among the participating Governments. The question of its allocation was referred to the Attorney General who gave the opinion that the expenditure should be shared equally by the participating Governments.

6. The Committee were informed in evidence that the Attorney General's interpretation of section 32 had been accepted by the Governments of India and Bihar. It had, however, not been accepted by the Government of West Bengal who had suggested on 17th March, 1961 that this matter should be referred to arbitration under section 49 of the Act along with the allocation of expenditure under sections 33 and 34 of the Act-matters referred to in sub-paras (b) and (c) of the Audit para and dealt with below. The Government of India, have, accordingly, decided to include it in the terms of reference of the arbitrator.

**(b) Allocation under section 33—**

7. The dams at Tilaiya, Konar, Maithon and Panchet Hill are intended to serve more than one of the three main objects. According to section 33 of the D.V.C. Act, expenditure common to two or more of the main objects is required to be allocated to each of the main objects in proportion to the expenditure which, according to the estimates of the Corporation, would have to be incurred solely for that object. The allocation of the cost of the dams serving more than one of the main objects was finalised by the Corporation but the Government of West Bengal had not accepted the final allocation and desired that the matter should be referred to arbitration under section 49 of the Act.

8. The Bihar Government who were requested by the Central Government to give their views on the matter, had replied that they would place their views before the arbitrator. As efforts to get the matter settled through mutual discussions at all levels did not succeed, the Chief Justice of India had been moved to nominate an arbitrator in terms of the provisions in the D.V.C. Act.

**(c) Allocation under Section 34—**

9. Capital expenditure on Irrigation is to be shared between the State Governments of Bihar and West Bengal as follows:

- (i) the Government concerned shall be responsible for the capital cost of the works constructed exclusively for irrigation in its State;
- (ii) the balance of the capital cost under irrigation for both the States of Bihar and West Bengal shall be shared by the State Governments in proportion to their guaranteed annual off-takes of water for agricultural purposes provided that the divisible capital cost shall be provisionally shared between them in accordance with their previously declared intentions regarding their respective guaranteed off-takes and any payments made accordingly shall be adjusted after the determination of the guaranteed off-takes.

After finally allocating the cost of the dams among the three main objects, the Corporation requested the two State Governments on 10th January, 1959 to review the position and to intimate the final annual guaranteed off-take of water so as to enable it to re-allocate the divisible cost of irrigation, *vide* para 49 of the 36th Report of the Committee (1960-61).

10. Indicating the latest position, the witness informed the Committee that according to a reply recently received from the Government of Bihar, that Government would not require any water for irrigation from the D.V.C. The reply of the West Bengal Government regarding the final guaranteed off-take was still awaited. It, however, appeared that the West Bengal Government did not propose to declare the final guaranteed off-take, pending arbitration on the allocation of cost under section 33(2).

11. *The imperative need for expeditious settlement of the question of allocation under sections 32—34 of the D.V.C. Act has been emphasised by successive Public Accounts Committees in the past. The Committee regret to note that no progress could be made because of divergent views on the matter. Now that the matter is being referred to arbitration, they would urge that the arbitration proceedings should be speeded up.*

*Non-recovery of irrigation dues from the West Bengal Government—*

12. This question had earlier come up before the Committees of 1959-60 and 1960-61 [Vide paras 12 and 15 of the 30th Report (1959-60) and paras 8-12 of the 36th Report 1960-61.]

13. The present Committee were given to understand in the course of evidence that the D.V.C. had still not been able to realise any irrigation revenue from the West Bengal Government, and that bills of about Rs. 26 lakhs relating to the pre-1958 period and those of about Rs. 1 crore relating to the subsequent period were outstanding.

14. The General Manager of the Corporation informed the Committee that in terms of section 14(1) of the D.V.C. Act, the Corporation was empowered to determine and levy rates for the bulk supply of water for irrigation, in consultation with the State Governments concerned. In pursuance of these provisions the Corporation fixed rates for the bulk supply of water to be charged from the State Governments and informed them accordingly. No protest was made by the West Bengal Government at that stage. Later on, in 1958, the West Bengal Legislature passed an Act in terms of section 12 of which, out of the total amount realised by the West Bengal Government from the cultivators on account of water rates, deductions would be made on account of collection charges, overheads, etc. and the balance would be shared between the D.V.C. and the West Bengal Government on a basis to be agreed upon. The Corporation felt that section 12 of the West Bengal Act was *ultra vires*, being repugnant to section 14(1) of the D.V.C. Act—a Central Act. The Government of India and the Bihar Government agreed with the views of the Corporation. The matter was also referred to the Attorney General who, while agreeing with the views expressed by the Union Ministry of Law, stated that

the position was not altogether free from doubt. On being informed of the Attorney General's opinion, the West Bengal Government stated that the Attorney-General's opinion was not conclusive and that 'Land and Irrigation' being a State subject, the State Legislature was competent to enact the measure in question. Pending settlement of the Constitutional issue, the West Bengal Government were prepared to make payment in respect of bills for the year 1958 and subsequent years only on the basis of their Act. The Corporation was, however, not prepared to accept that position and modify its bills on the basis of the State Act. In reply to a question why the Corporation could not accept payment from the West Bengal Government on a provisional basis, pending settlement of the Constitutional issue by the Supreme Court, the witness stated that the amount offered by the West Bengal Government on the basis of their Act was not worth acceptance.

15. As regards the pre-1958 bills, valued at about Rs. 26 lakhs, it was stated that there was a difference of opinion between the Corporation and the West Bengal Government as regards the acreage served by the D.V.C. water. A series of discussions had been held between the parties, the last being in March, 1961. As a result, the differences had been somewhat narrowed down.

15. *The Committee are concerned to see that this matter is drifting into a stalemate. Whatever may be the constitutional position, the Committee are convinced that a satisfactory solution to this question can only be arrived at on practical considerations. They would in this connection draw attention to para 55 of their 14th Report (1958-59) and urge that the difference between the Corporation and the State Government should be settled without further delay.*

*Budgeting and Borrowing, para 3 of Audit Report, pages 72—74—*

17. The revised budget estimate for the year 1959-60 provided for a total expenditure of Rs. 1,438.97 lakhs as against which the actual expenditure amounted to Rs. 1,189.49 lakhs, resulting in a saving of Rs. 249.48 lakhs. The working balances estimated by the Corporation and the actual closing balances (excluding C.P.F. balances) at the end of the four quarters of 1959-60 were as follows:

Quarter ending	Estimated working balance	Actual closing balance
	Rs.	Rs.
30-6-1959 . . .	55 lakhs	73 lakhs
30-9-1959 . . .	57 lakhs	130 lakhs
31-12-1959 . . .	59 lakhs	196 lakhs
31-3-1960 . . .	75 lakhs	249 lakhs

As the Corporation had to pay interest @ 4½%, it has been pointed out by Audit that the borrowings should have been so regulated as to

conform to the actual requirement and avoid unnecessary payment of interest.

18. In evidence, the Committee were informed that the accumulation of the huge balance of Rs. 249 lakhs at the end of the last quarter was mainly the result of excessive receipts on the one hand and shortfall in expenditure on the other. The actual receipts from the sale of power exceeded the anticipated receipts by about Rs. 49 lakhs, and the shortfall in expenditure was of the order of about Rs. 2 crores. The revenue surplus was due to over-cautiousness on the part of the Corporation in its forecast of revenue receipts. As regards shortfall in expenditure, a large part thereof was due to non-utilisation of the provision for payment to foreign suppliers in respect of plant, machinery and other stores as the supplies did not arrive in time.

As regards the measures taken by the Corporation to improve the standard of budgeting, it was stated that with effect from the year 1959, a system of periodical reviews of the progress of expenditure had been introduced. According to this procedure, even after the revised estimates had been submitted to the Central Government, the progress of expenditure was reviewed first in October-November and then again in January. Drawal of funds from the participating Governments for the last quarter of the year was based on the later review, so that funds were not locked up unnecessarily with the Corporation. These measures had considerably improved the position and the closing balance at the end of 1960-61 was about Rs. 130 lakhs only. The Committee referred to para 6 of their 23rd Report (Second Lok Sabha) and enquired whether the Corporation had been maintaining a Liability Register. It was stated that the Electricity Department of the Corporation—a major Department—maintained a list of every order placed. It was, however, not in the form prescribed for a Liability Register. *The Committee would suggest that Liability Registers in the prescribed form be maintained by all the Departments of the Corporation as it will facilitate accurate estimating of expenditure.*

19. *While the Committee welcome the measures taken by the Corporation to have better financial control, they feel that there is still scope for improvement in this direction. They trust that the Corporation will address itself to this matter as any drawal of funds in excess of requirements will result in unnecessary over-capitalisation\* of the Project.*

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\*Interest payable by the Corporation till 1963 is being capitalised.

## II

### IRRIGATION AND NAVIGATION

*Navigation Canal—para 11 of Audit Report—pages 76-77—*

20. (a) An irrigation-cum-navigation canal 85 miles long was constructed by the Corporation in June 1959 at a cost of about Rs. 4 crores, the last 35 miles of the canal being intended mainly for navigational use. A cargo of two million tons including a million tons of coal was estimated to pass along the canal every year and a gross navigation revenue of more than Rs. 57 lakhs was anticipated in the project estimate during the first five years of operation. The estimate of revenue was revised in June, 1958 to about Rs. 33 lakhs. In order to attract traffic on the canal, in January 1959, the Corporation decided not to levy tolls on the cargo handled by crafts which might come into use before the end of June 1960 for a minimum period of 5 years from the date of opening of the canal.

(b) The above navigation canal was scheduled to go into operation with effect from July 1959, but in September, 1959, a Bridge with Regulator, constructed in July 1958 at chainage 2806 of the canal at a cost of Rs. 2.3 lakhs collapsed, rendering the canal non-usable. The new structure was expected to be completed at an estimated cost of Rs. 12 lakhs before the monsoon of 1962. No responsibility for this loss due to the collapse of the structure had yet been fixed by the Corporation as the matter was reported to be still under investigation.

21. The Committee were informed in evidence that the original traffic estimates were drawn up by a Committee consisting of the representatives of the Corporation, the Ministry of Railways, Calcutta Port Trust and collieries. On the basis of the then available data regarding goods traffic between Calcutta and Durgapur and the over-stretched capacity of the Railways, the Committee made a rough estimate of the volume of traffic that the canal would attract. The estimates took into account the freight rates proposed to be charged by the Corporation which were lower than the existing charges for traffic by road and rail. The estimates had since been revised and according to the present indications, even an annual traffic of 7 lakh tons for the first few years, as estimated by the D.V.C. Advisory Committee, in June, 1958, appeared to be an over-estimate. *From the extent revision, it is obvious that the original*

*estimates regarding canal traffic were conjectural. As the canal has hardly been used for navigational purposes so far, the revision in the estimates of traffic is of no practical significance.*

22. After the collapse of the bridge-cum-regulator water was being flowed only in the first 50 miles of the canal for irrigation and the lower part of the canal (35 miles), meant exclusively for navigation, had been kept dry. The Committee enquired whether the water available would be sufficient for both irrigation and navigation when the canal was opened for navigation. The reply was that the present reservoirs could only supply water either for irrigation or for navigation. In order to meet the anticipated requirements of water for both the purposes, the Corporation had suggested the construction of another dam—Fifth Dam. The proposed dam, it was added, was also essential for more effective flood control. The matter was presently under the consideration of the participating Governments.

23. *In the light of the above facts, the Committee find it difficult to appreciate why the Corporation should have undertaken the construction of the navigational section. In order that this stretch of the canal intended for navigation is put to use, the fifth dam in the valley is under contemplation. This shows how bad the planning has been.*

24. The Committee enquired whether with the water available at present, the canal would pay its way. It was stated that if water were supplied only for irrigation, the yield would be about Rs. 15 lakhs, subject to the settlement of the Constitutional issue with the West Bengal Government (para 14 above). If, on the other hand, water were made available for navigation alone, the annual revenue, on the development of full traffic, would be about Rs. 35 lakhs. The annual expenditure on account of operation, maintenance, depreciation and interest charges was expected to be about Rs. 24.55 lakhs. Thus, the canal would run at a loss if it is used for irrigation alone while it will earn a profit on the development of full traffic if it is utilised for navigation.

25. *The financial considerations referred to above, in the Committee's opinion, call for a speedy review of the situation by the Corporation and the participating Governments. It appears to them that if the Corporation is to avoid losses, there is hardly any alternative but to make early provision for supply of additional water to the canal.*

26. *Sub-para (b).—The Committee desired to know the reasons for the collapse of the structure. They were informed that according to the investigations carried out by the engineers of the Corpo-*

ration and the C.W.P.C., a cavity was formed under the concrete block of the regulator between the up-stream and down-stream ends. Water started flowing through the cavity and built up an underground pressure. This forced up the horizontal slab and brought down the regulator wall. It was also stated that the Corporation had come across this artesian well-like phenomenon at two or three other points in the canal system. But its causes were yet to be finally determined. To this end, the Poona Research Station had been requested to carry out certain model tests. The outcome of these tests was awaited. In reply to a question, it was stated that till the cause of the collapse was finally established, it was difficult to fix responsibility. *The Committee would like to have a further report in the matter.*

27. The Committee were informed by Audit that according to the Report of the Chief Engineer (Civil), there were minor defects of construction (such as inadequate consolidation of concrete mixture, presence of bricks in the concrete and lesser utilisation of cement) in the work done by the contractor. Further, as against the stipulated date of June, 1956, the work was completed by the contractor sometime in July, 1958. They, accordingly, wanted to know what action had been taken against the contractor for defective work and delay in execution. The representative of the Corporation promised to furnish the requisite information later *which is still awaited.*

*Utilisation of water for irrigation purposes—para 24 of Audit Report pages 82-83 and paras 11-16 of 30th Report of PAC (Second Lok Sabha)—*

28. No scheme for irrigation in the Upper Valley has been sanctioned as yet. The position in regard to irrigation during 1959 Kharif in the Lower Valley was as follows:—

	Target (in acres)	Actual area irrigated (in acres)
New Area. . . . .	6,75,000	3,79,952
Eden Canal Area . . . . .	40,000	40,814
Damodar Canal Area . . . . .	1,80,000	1,64,586
Kharif Area . . . . .	..	30,000
TOTAL . . . . .	8,95,000	6,15,352

During 1960 Kharif also, the position remained the same—as against the irrigation potential of 9,19,000 (acres) created at outlet heads, the acreage claimed to have been irrigated by the D.V.C. was 6,39,235, leaving a shortfall of 2,79,765 acres.

According to the Corporation, during 1959 Khariff, it had supplied the full quantity of water indented for by the State Government. The reasons for the shortfall as assessed by the Corporation were (i) non-co-operation of the land owners near the outlets, (ii) absence of village channels for conveyance of water, (iii) unauthorised bunds and cuts which deprived lower areas of timely water supplies, and (iv) flood sub-mergence in September-October, 1959, etc.

29. When this matter came up before the Committee of 1959-60, (*vide* para 14 of their Thirtieth Report) they were informed that the main difficulty in the way of effective and economic utilisation of water was the absence of field channels, a matter on which the Corporation had no control. Action in this regard lay with the Government of West Bengal. The Committee, accordingly, urged the Central Government to take up the question of early excavation of field channels with the State Government. From a note [Appendix II, S. No. 10(ii)] furnished by the Ministry of Irrigation and Power, the Committee find that the question was discussed by the two Governments at Ministerial level and it was agreed that the construction of field channels was the responsibility of the State Government. A sum of Rs. 325 lakhs has been tentatively included in the Third Five Year Plan of the State for the excavation of water courses.

30. *The Committee regret to observe that nearly a third of the D.V.C.'s irrigation potential created at the outlet heads still remains unutilised. Obviously, this is a case of lack of proper planning and co-ordination in collaboration with the participating State Govts. which the Committee deplore. There has been not only shortfall in achieving planned targets, but also failure to utilise built-up targets, thus indicating disregard for the basic principles of planning. They are glad to note that the Planning Commission have laid due emphasis on the execution of field channels. They trust that high priority will be assigned to this work during the Third Plan and hope that effective measures to ensure fuller utilisation of the created irrigation capacity will be taken without any further delay.*

### III

#### ENGINEERING, MACHINERY AND STORES

*Avoidable expenditure—para 5 of Audit Report, pages 74-75—*

31. A Lock with Regulator was constructed in 1954 at chainage 2270 of the Navigation-cum-Irrigation canal with a view to construct a branch canal from its upstream for irrigating 8410 acres. The canal could not be constructed owing to the opposition from the local inhabitants as a major portion of the area was of a residential nature.

A sum of Rs. 5,35,000/- had been spent on the construction of the Lock and Regulator with a recurring expenditure of Rs. 7,000/- on operating the gates of the Lock and Regulator and about Rs. 25,000/- per annum on interest and depreciation. According to Audit, the expenditure on the Lock and Regulator which was constructed mainly for irrigational purposes had thus become largely infructuous.

32. It was urged in evidence that the lock was constructed not for irrigational purposes, as suggested in the Audit para, but for navigational purposes. The construction of the regulator was a necessary concomitant of the construction of the lock. As in the D.V.C. canal system a drop of  $\frac{1}{4}$  foot was provided for every ten chains, a lock was technically necessary for every 320 chains along the canal to meet navigational requirements. On this basis, a lock was necessary within a small range of the site in question. The Corporation decided to locate the lock at this place as the Burdwan-Bankura Road crossed the canal there and if the lock were not located there, an over-bridge costing Rs. 1½ lakhs would have to be constructed. The location of the lock at this point did away with the need for his over-bridge, resulting in a saving of Rs. 1½ lakhs. Having decided to locate the lock at that point both on technical and economy considerations, it was thought that advantage should be taken of the location of the lock and regulator and a branch canal of a discharge of 93 cusecs taken off upstream the regulator to supply water to about 8,400 acres.

33. The Committee were, however, informed by Audit that there was already a lock at chain 2140 and another at chain 2480 (the present lock was at chain 2270). Thus on the basis of one lock for 320 chains, the present lock was unnecessary on navigational

considerations; even if an overbridge costing Rs. 1½ lakhs were constructed, there would still have been a saving of about Rs. 4 lakhs to the Corporation. *In the light of this, the Committee find it difficult to accept the above explanation of the Corporation.*

34. The Committee were further informed by the representative of the Corporation that though the original proposal for the branch canal had to be dropped due to local opposition, another branch canal and three minor channels of a discharge of 97.4 cusecs were constructed at other points to irrigate the same area. In reply to a question why the local opinion was not ascertained at the time of drawing up the original proposal, the witness stated that the expansion of the home-stead area took place between the drawing up of the original plan and the construction of the lock in 1954. He, however, promised to check this up and submit a further report to the Committee, *which is still awaited.*

35. In reply to another question as to what was the additional cost to the Corporation by the construction of the alternative irrigation canals the witness promised to furnish the requisite information later. *This information is also awaited.*

*Avoidable expenditure—Collapse of a newly built structure—Para 8 of Audit Report, pages 75-76—*

36. An aqueduct constructed in February, 1956 on an irrigation canal at a cost of Rs. 2.68 lakhs collapsed on 1st November, 1957. The Corporation had spent Rs. 1.65 lakhs on repairs upto March, 1961.

In the report sent by the Executive Engineer immediately after the collapse of the structure it was observed that the abutment on the upstream of the canal had a foundation depth of only 2.5 ft. below the ground whereas the river bed was lowered by the flood of September, 1956 by about 4 ft.

37. The Committee were informed in evidence that the main factor responsible for the collapse was the super-imposed loading against the right abutment by oversaturation of the fill behind it due to seepage. So long as water flowed in the aqueduct (for about 3 months) its deadweight prevented the pressure of the super-imposed loading from pushing the abutment. The day the water was stopped, the deadweight was removed and the abutment could not withstand the pressure and collapsed. The abutment could not withstand the pressure as the surface alongside the abutment was badly eroded, due to the abnormal floods of 1956.

It was urged before the Committee that technically there was no fault in the design which had been based on standard principles

and would have been adequate for normal floods. The abutments were also founded on firm soil. But the floods of 1956 were abnormal, though not unprecedented, and the erosion caused by them unanticipated.

38. The Committee find it difficult to accept the above explanation. According to the Corporation's own admission, the floods of September, 1956, though abnormal, were not the highest known, and had been preceded by similar floods in the past. If so, the Committee do not see why the aqueduct was designed to withstand "normal floods" ignoring the available data regarding previous floods. The Committee trust that the Corporation will in future ensure that designs, besides conforming to standards, will take into account the available data and local conditions with a view to providing adequate reinforcement, wherever necessary.

#### DURGAPUR THERMAL POWER STATION

*Delay in commissioning Power Station—para 12 of Audit Report, pages 77-78—*

39. The work of constructing a Power Station at Durgapur with two units of 75 MW each, and of installing a 4th Unit of 75 MW at Bokaro was taken up by the Corporation in November, 1956, and the following target dates were fixed for their commissioning:

Durgapur	First Unit	30-6-1959.
	Second Unit	31-10-1959.
Bokaro	Fourth Unit	31-8-1959.

The target dates were, however, revised on 9-6-1959 to March, June and February, 1960 respectively. None of the three units had, however, been commissioned till date. A test of the 4th unit carried out in June, 1960 revealed failure of the bearings of the Turbo-generator. The defects were stated to be under rectification by the supplying firm. The commissioning of the other two units had been held in abeyance till the 4th unit was commissioned as all the three units were supplied by the same manufacturer.

The estimated revenue from the three units after commissioning was Rs. 1.33 lakhs per day. Besides the loss of revenue, the delay in completion of work was increasing the cost of the project mainly on account of the staff employed in the project.

40. The Committee wanted to know the reasons for the delay in commissioning the plants. They were informed that while being commissioned the plant experienced some trouble resulting in damage to thrust bearings and certain other components. The suppliers

took about two months in redesigning these parts and fitting them. There was a recurrence of the trouble and the thrust bearings again failed. Thrust bearings of the fourth unit at Bokaro also failed. The repeated failure of the thrust bearings was ascribed to defective design which could be traced back to inadequate experience of the suppliers (Messrs MAN) in the manufacture of turbines of the specified size and design.

41. The Committee wanted to know how the tender of the suppliers (M/s. MAN) was selected and whether it was referred to the Consulting Engineers (M/s. Kuljian Corporation) for advice. They were informed that, considering the urgency of commissioning the Durgapur Steel Plant, the usual procedure of sending duplicate copies of tenders to the Consulting Engineers for their written opinion was not observed in the present case. Instead, all the tenders for turbo-generators were examined at a sitting of the Corporation's Board of Consultants. At the request of the D.V.C., Mr. Levonion, the Vice-President of M/s. Kuljian Corporation, was present at the sitting. Taking all the relevant factors into account, the Board of Consultants felt that the practical experience of M/s. MAN in the manufacture of machines of the requisite type and size was greater than that of any other tenderer. In reply to a question whether at that sitting the representative of the Consulting Engineers expressed any opinion in favour of or against the tender of M/s. MAN, it was stated that the minutes were silent on the point. It was added however, that as the representative of the Consulting Engineers did not at any subsequent stage also object to the selection made by the Corporation's Board of Consultants, it could reasonably be concluded that he was in favour of it.

In reply to a question, it was stated that in terms of the Corporation's contract with the Consulting Engineers, the latter are to be paid a sum of Rs. 42 lakhs for advice on engineering services and supervision of construction services in connection with the setting up of the Durgapur Thermal Plant.

42. It was however pointed out by Audit that the written opinion of the Consulting Engineers in the case of the lowest tender was obtained from the U.S.A. by the Corporation in accordance with the usual procedure. The Committee, therefore, wanted to know why the same procedure was not followed in the case of the tender of M/s. MAN. In a note submitted to the Committee (Appendix VII) the Ministry of Irrigation & Power have stated that all the tenders received for turbo-generator sets were reviewed at Calcutta in early June, 1956, by Mr. Levonion as per arrangements agreed to between

the Kuljian Corporation and the Chief Electrical Engineer of the D.V.C. Thereafter, Mr. Levonion returned to the States. He came back to Calcutta again in July, 1956 and attended the meeting of the Board of Consultants in which the selection was actually made. The lowest tender of M/s. EscherWyss-Oerlikon was referred to M/s. Kuljian Corporation at Philadelphia because additional technical information on a number of points in respect of this offer had been received from the tenderer after Mr. Levonion's return to U.S.A., and the D.V.C. considered it advisable that such additional particulars should be considered by the Kuljians and their definite views obtained, particularly as there was considerable price difference between lowest offer and the second lowest offer of M/s. MAN of West Germany. As no additional particulars of technical importance had been received in respect of MAN's tender after Mr. Levonion's departure for the State, no reference of the tender to Kuljians at Philadelphia was considered to be necessary.

43. *The Committee are not convinced by the above explanation. It is unfortunate that the Corporation had not followed the same procedure in the case of the two tenders. They deplore that having secured the services of the Consulting Engineers at a cost of Rs. 42 lakhs, the Corporation should have failed to utilise fully their expertise in the selection of a tender for designing and manufacturing complicated machinery like the turbo-generators.*

44. The inordinate delay in commissioning the three units has resulted not only in loss of revenue but also in the inflation of the capital cost. The Committee were assured that the question as to the extent of penalty to be imposed on M/s. MAN for delay in commissioning, would be taken up after the units were commissioned. *They would like to be informed of the action taken in the matter.*

*Extra expenditure due to defective work—para 14 of Audit Report, pages 78-79—*

45. The erection Engineer of Messrs. MAN who had supplied two Turbo-generators to the Durgapur power station stated in March, 1959 that several of the bolt holes in the foundations of the Power Station were out of alignment with the result that the Turbo-generators could not be properly fixed on their respective concrete foundations. The Corporation stated that this was due to defective positioning of the bolt holes while concreting the foundations departmentally under the supervision of the Consulting Engineers (Messrs. Kuljian Corporation). An extra expenditure of Rs. 26,585/- had been incurred in adopting measures for removal of defects. In July, 1959, the supplying firm stated that the measures adopted so far

were not adequate to withstand the effects of vibration that might be caused and had, therefore, disclaimed responsibility for any defect that might appear subsequently in the working of the Turbo-generators. The Enquiry Committee appointed by the Corporation for this purpose held that the primary responsibility for the defect rested on the Consulting Engineers. In March, 1960, the Corporation asked the Consulting Engineers to meet the additional expenditure incurred on rectification of the defect and also to make good any loss or damage which might be incurred during the next ten years due to causes attributable to the latent defect in the foundations.

46. The Committee were informed in evidence that the Consulting Engineers had disclaimed responsibility for the defective positioning of the bolt holes and, consequently, declined to meet the additional expenditure incurred on the rectification of the defect. The Corporation's view is that the Consulting Engineers, being responsible for the faultless workmanship of construction services, cannot escape their responsibility for the defects in construction. The matter was under consideration in all its aspects. *The Committee wonder how the Consulting Engineers could disown responsibility for defects in construction carried out their supervision. They would like to be informed of further developments in the matter.*

47. As regards the capacity of the repaired foundations to withstand the effects of vibration, it was stated that the matter had since been gone into by the Corporation's Chief Engineer, by the C.W.P.C. and an eminent former Engineer of the Bhakra Nangal Project. Their unanimous opinion was that the repairs carried out by the Corporation had in no way weakened the strength of the foundations and that it would never be a cause of malfunctioning of the plant. *The Committee feel that the unanimous opinion of the experts in the matter should be brought to the notice of the suppliers.*

*Surplus cables—Para 16 of Audit Report, pages 79-80—*

48. Without the approval of the Corporation, the Electricity Department decided to change over in 1955 to a new type of cable even though there was a stock worth Rs. 2.48 lakhs purchased during 1951 to 1955 of the type of cable already in use. In 1958, the Sindri Fertilizers and Chemicals Ltd., who offered to buy a portion of the old type in stock worth Rs. 45,000 actually bought after inspection stock worth only Rs. 14,000 and rejected the rest as defective and dilapidated. The remaining stock worth Rs. 2.34 lakhs was formally declared surplus by the Corporation in July, 1959 and remained unsold.

49. The Committee were informed that the decision to change over to the new type of cable (PVC) was taken by the Electricity Department of the Corporation as it was considered technically superior to the old type (VCLC). The new type of cable was also cheaper by about 30—35%. It was admitted that though the decision to switch over to the new type of cables was justified both from technical and economic standpoints, the Electricity Department had erred in not bringing the proposal to the notice of the Corporation for prior approval specially when there was large stock of the old type of cables. *The Committee trust that suitable instructions will be issued by the Corporation to ensure that cases of this type do not recur.*

50. The Committee were informed by Audit that the Deputy Chief Engineer (Electrical) had opined that the entire stock of cable was unserviceable and be treated as scrap. The Corporation, it was stated, did not, however, accept the opinion of the Deputy Chief Engineer and referred the matter to the Chief Engineer (Electrical) who then carried out insulation tests of the entire length (11,500 yds.). According to the results of these tests, except for 10% of the length which had become unserviceable due to ageing, the remaining length was serviceable. Even a major portion of the stock returned by the Sindri as defective had, on detailed insulation tests, been found to be serviceable. As the bulk of the stock was found to be serviceable and the maximum offer received in tenders was only about Rs. 49,000 (as against the cost price of Rs. 2.34 lakhs it had since been decided to utilise the entire serviceable length in indoor installations. When the Committee enquired why such detailed checks were not conducted by the Deputy Chief Engineer before declaring the cables unserviceable, it was observed that there were only visual inspections.

51. *The Committee are glad to learn that, on detailed insulation tests, the bulk of the stores, earlier considered unserviceable, has since been found to be serviceable and could be used. They would, however, urge that the Corporation should take all precautions to guard against hasty discard of stores on the basis of visual inspections only as any loss in disposal will go to inflate the cost of the project unnecessarily.*

*Collapse of transmission towers during storm—para 17 of Audit Report, page 80—*

52. Seven steel lattice towers of a transmission line which were commissioned in November, 1957 collapsed in May 1958 as a result of

a storm of a velocity of 40—50 miles per hour. The towers were departure for the States, no reference of the tender to Kuljians at ed departmentally at a cost of Rs. 93,000 (approx.). In place of the seven collapsed towers, nine towers had to be re-erected at a cost of Rs. 1,04,929.

A Committee appointed in May 1958 to investigate the causes ascribed the failure of the towers to: (1) defective foundation work, (2) sub-standard quality of concrete, and (3) defective design of the concrete foundations. The Committee's report submitted in June 1959 was stated to be still under consideration of the Corporation (November, 1960). The Superintending Engineer, Executive Engineer and Assistant Engineer concerned had already left the Corporation in February 1958, May 1956 and August 1959 respectively.

53. In evidence the Committee did not get a satisfactory answer for the delay in considering the Inquiry Committee's report. They were given to understand that the report was being taken up for consideration by the Corporation shortly and the action against the officers concerned was also to be considered at that time. *The Committee would like to be apprised of the position.*

54. The Committee learnt from Audit that besides the 7 towers referred to above, 12 other transmission towers were examined by the Enquiry Committee who found that the foundations of six of these were honey-combed. In reply to a question the Committee were informed that no measures to strengthen the foundations of the existing towers had been taken by the Corporation. Although some time back there was a proposal before the Corporation to provide steel anchorage at the foot of one tower as an experimental measure, it was not carried out because of technical objections. To a question whether the extent of the designing and construction defects in the Corporation's transmission system had been assessed by means of a random sampling survey, the reply was in the negative. The reason given for not doing this was that about 5000 towers having been built by 40—50 gangs of varying composition, the number of samples to be tested would have been fairly large.

55. *The Committee are disturbed to learn that the Corporation has not taken a final decision on the report of the Enquiry Committee although more than two years have elapsed. The fact that six more towers were found to have defective foundations by the Enquiry Committee indicates how widespread the defects are. The*

*Committee deplore that the Corporation has not instituted a survey of all the towers to assess the extent of defective designing and construction with a view to taking steps to strengthen the towers wherever necessary.*

#### IV

#### CONTRACTS AND OTHER TOPICS OF INTEREST

*Extra expenditure in awarding a contract—para 4, of Audit Report,  
page 74—*

56. In November, 1956, tenders were invited for excavation of a portion of the Navigational Canal. The work order was issued on 7th February 1957 to the lowest tenderer who quoted Rs. 31-11 per 1000 cft. The contractor, however, expressed his inability to execute the work, but proposed on the 28th February 1957 to take up the work from December, 1957 to March, 1958. This offer was rejected and the work was finally allotted in March 1958 and February, 1959 to two other contractors on grounds of urgency at the rates of Rs. 44-8 and Rs. 35 per 1000 cft. respectively, which involved an extra expenditure of about Rs. 30,000. The work was completed in June, 1959. It was stated by the Engineer-in-Charge that the rates quoted by the first contractor were unworkable. It was, however, noticed that this contractor had done excavation work of 124 lakh cft. at Rs. 24-12 per 1000 cft. for a sum of Rs. 3.11 lakhs in the adjoining regions at about the same time.

57. The Committee were informed in evidence, that in response to the notice issued in November, 1956, two tenders were received by the Corporation—one at Rs. 31-11 per 1000 cft. and the other at Rs. 52 per 1000 cft. While forwarding the tenders to the Deputy Chief Engineer, the Executive Engineer pointed out that the performance of the lower tenderer had not been satisfactory. In the adjoining reach, where he had done excavation work at Rs. 24-12 per 1000 cft. he had not completed the work within the stipulated period. and in another case, he had left the work unfinished. In view of the report of the Executive Engineer, the Corporation tried to find out by negotiation whether the work could be given to a more reliable contractor. The lowest offer received through negotiation was Rs. 35 per 1000 cft. As the rate of the lower tenderer was not too low as compared to the negotiated rate, the Corporation decided that a chance be given to the lower tenderer to execute the work. Accordingly on the 7th February, 1957, the work order was issued to him. On the 15th February, 1957 the Executive Engineer warned the contractor that as he had not taken up the work, he was liable to have the penal clauses of the contract invoked against him.

To this, the contractor replied on the 28th February that he had submitted his tender in November last. As the Corporation had in the meantime been carrying on negotiation with other contractors he had drawn the inference that the work would not be given to him and engaged his labour elsewhere. He, therefore, expressed his inability to execute the work during that season but offered to do so during the next season. The Corporation felt that the plea advanced by the contractor was not a genuine one and that he was merely stalling. In the light of this and his past performance, the Corporation came to the conclusion that the contractor could not be relied upon. The idea of giving the work to him was, therefore, abandoned.

58. The Committee enquired about the standing of the contractor in question. They also enquired about the performance of other contractors doing work of a similar nature and magnitude (including those with whom negotiations were conducted). The information is still awaited. *The Committee would defer their comments till the information is received from the Corporation.*

59. The Committee desired to know the justification for splitting the work into two parts and awarding one part Rs. 35 per 1000 cft. and the other @ 44-8 per 1000 cft. It was stated that the work at the higher rate was to be done below the regulator and the lower rate related to work above the regulator. In the former case, the depth was greater and there was also a 7 foot fall which meant more lead and lift and dewatering. Audit, however, pointed out that according to the tender notices issued in both the cases, the same specifications as to lead and lift (*viz.*, a lead upto 250 ft. and a lift upto 25 ft.) had been laid down. In extenuation, it was stated that though both the tender notices laid down the same specification, according to the measurement book, the lead and lift done in the case of the contract at the higher rate were more than in the case of the other contract. The contractors, before quoting rates, inspected the work-site and tendered rates taking into account all the relevant factors.

60. *The Committee are not convinced by the explanation of the Corporation. They would like to point out that, in the present case, at the time of negotiating rates the work was split up into two while it was treated as one when open tenders were invited earlier. This and the fact that widely differing rates were accepted for the two segments of the work, create the impression that in this case the Corporation had not acted in the best interest of the Project.*

*Doubtful payment to contractors for cutting and uprooting trees, etc.—Para 7 of Audit Report, page 75—*

61. The work of cutting trees of above 12" girth and taking out roots and stumps above 12" between chainage 70 to 270 of a canal was entrusted to a contractor in October, 1957. It was originally estimated that the total quantity of the work would be about 6000 rft. (cutting and uprooting of trees, 5000 rft., uprooting stumps of trees, 500 rft.; uprooting stumps of bamboo clusters, 500 rft.) involving a payment of Rs. 28,000. The contractor was, however, paid Rs. 1,83,970 on 10-12-1958 as he was said to have done the work involving 44,367 rft. (cutting and uprooting of trees, 14,740 rft.; uprooting stumps of trees, 25,507 rft.; and uprooting stumps of bamboo clusters, 4,120 rft.). The entire timber, wood and excavated roots collected by the contractor fetched a price of only Rs. 1,410.

62. It was stated before the Committee that payment to the contractor was made on the basis of entries in the measurement book, recorded by the overseer and checked by the Assistant Engineer. According to the Report of the Deputy Secretary of the Corporation who had investigated into the matter, the entries in the measurement book in respect of cutting and uprooting of trees compared favourably with the figures contained in the land acquisition record. Taking all the relevant facts into consideration, the investigating officer had come to the conclusion that there was no justification for holding the view that payment had been made to the contractor for any work not done by him. As for the wide variations between the estimates and the actuals, it was stated that before drawing up the estimates, no attempt had been made by the Engineer concerned to count the trees, stumps and bamboo clumps.

63. The Committee are glad to be assured that no payment had been made to the contractor for any work out actually done by him. They would, however, like to draw attention to the fact that the actual expenditure on this item of work was more than 6 times the estimate prepared by the Engineer concerned and more than 51 times in respect of one item thereof viz., uprooting of stumps. They are surprised to hear that not only did he fail to consult the record of trees available in the Land Acquisition Department but he did not even count on the spot the number of trees, stumps and bamboo clumps to be uprooted. They do not also appreciate why disciplinary action had not been taken against the Engineer in question. In their opinion, action is called for against him for his carelessness in preparing the estimates in this case.

*Delay in final settlement of Contractors' claims—Para 9 of Audit Report, page 76—*

64. Out of about 900 final bills paid to contractors during 1958-59 and 1959-60, about 600 bills were paid after six months from the date

of completion of works and 122 bills after two to four years, and one bill after six years. As a result of such persistent delays in the settlement of bills in the past, the matter was brought to the notice of the Corporation by Audit in April, 1956. Despite instructions issued by the Corporation to avoid the delays, there had not been much appreciable improvement.

65. The Committee were informed in evidence that contractors' bills were dealt with in two Branches of the Corporation—Divisional Engineer's Office which issued pay orders and the Accounts Office. There had since been substantial improvement in the Accounts Office. In the Divisional Engineer's Office, however, there had been no improvement yet.

66. *The Committee are concerned at the extent of delay in the settlement of contractors' claims. They are informed that a Committee appointed in 1955 to investigate the causes for the paucity of tenderers for works in the Project had held that delay in settlement of contractors' claims was one of the causes. The Committee feel that with paucity of contractors advantages of competitive tender will be lost which in turn will lead to higher rates for work. The Corporation will therefore do well to see that bills for contractors are settled without unnecessary delay.*

*Financial loss due to unsatisfactory performance of a Clearing Agent, para 19—of Audit Report, pages 80-81—*

67. In January, 1958, a firm of Clearing Agents was appointed for a period of one year from April, 1958 even though the performance of this firm was found to be unsatisfactory in 1953, and therefore, had to be replaced before the expiry of the period of the agreement. This firm had to be replaced in November, 1958 also on account of its unsatisfactory performance which resulted in a loss to the Corporation of Rs. 95,000/- on payment of demurrage, wharfage, etc. This amount could not be recovered as the firm had since gone into liquidation on 5th January, 1959. A sum of Rs. 9,000/- due to the Agent had been withheld by the Corporation.

68. It was stated in evidence that this firm which was the sole tenderer in response to the public notice issued by the Corporation was appointed as Clearing Agents for the period from April, 1958—March, 1959 as the firm which had been acting since 1953 was not prepared to work for the Corporation after the expiry of the existing contract. From local enquiries, it was gathered that the firm's performance was satisfactory. The Controller of Purchase and Stores, under whose direction clearing was done, had informally approached 13 other parties in Calcutta, but none of them was interested in the

work. The Committee enquired whether, in view of the satisfactory performance of the outgoing firm, it was asked to continue at the rates quoted by the firm in question (Rs. 2.00 per ton for the first 10,000 tons and Rs. 1.50 per ton for excess over 10,000 tons subject to a minimum of Rs. 15 per B/L). It was stated that such a course might have been objected to by Audit. In a note furnished by the Ministry of Irrigation and Power at the instance of the Committee (Appendix VIII) it has been stated that the outgoing firm was not asked to continue at the rates quoted in the tender as in its letter dated the 28th December, 1957, it had expressed its inability to handle any of the DVC's clearance jobs after the 31st December, 1957. In this letter, the firm had made no mention of rates. The Corporation had, however, asked this firm on the 28th December, 1957—the same day on which the firm had addressed the Corporation—to continue for one more year on the same terms and conditions as before (Rs. 0.75 per ton subject to a minimum of Rs. 15 per B/L). This letter and the firm's letter referred to above apparently crossed, and there was no reply from the firm.

69 *The Committee are not convinced by the above explanation. They feel that as the performance of the sole tenderer had previously been unsatisfactory and the rates quoted by him were much higher than those paid to the outgoing firm, it was but proper that further negotiations should have been carried out with the outgoing firm to ascertain whether it was willing to continue at the enhanced rates. This, unfortunately, was not done, and the contract was awarded to a firm whose past performance in this service had been unsatisfactory.*

70. It was also stated in evidence that till August, 1958, the performance of the firm was satisfactory and that during the period April-August it cleared 3400 tons on behalf of the Corporation with a demurrage of only Rs. 800. In September, 1958, information reached the Corporation that the firm was in a bad way. The demurrage statement for the month of September was not received in the Corporation through the firm. The Corporation got the statement direct from the Port Authorities at the end of October which revealed that the demurrage claim was large. In November 1958 the Corporation discontinued the services of this firm.

The Committee enquired about the procedure followed by the Corporation for keeping a watch over the work of the Clearing Agents. It was stated that the Purchase Branch of the Corporation had some departmental agents, part of whose duty was to keep

in touch with the clearing agents, handing over shipping documents and ensuring that the goods were cleared in time. To a question whether the supervision in this case was satisfactory, there was no categorical reply.

71. In the opinion of the Committee, the Purchase Branch of the Corporation had not performed its duties satisfactorily in this case. With the knowledge of the past performance of this firm, the said Branch should have kept a close watch over its work from the beginning. Had this been done, by timely action in September, 1958 the demurrage charges could have been far less.

72. The Committee note that a claim will be presented when the liquidator of the firm calls for the same. They would like to have a further report in the matter in due course.

*Delay in receipt of Corporation's replies to Draft Audit Paragraphs—para 25 of Audit Report, pages 83-84—*

73. 48 draft paras were issued to the Corporation upto July, 1960 for verification of facts stated therein and for comments, if any. Replies to only 2 draft paras were received within the prescribed time-limit of six weeks. The time taken by the Corporation in replying to the remaining draft paras ranged between 7—29 weeks.

74. In extenuation of the delay in furnishing replies, it was stated that in almost all the cases mentioned in the Audit paragraph, references had to be made to the engineers in the field. In some of these cases, the replies initially received were not comprehensive. Further details had, therefore, to be called for. It was particularly difficult to adhere to the prescribed time-limit in cases relating to old transactions (of the 48 draft paras, 12 pertained to the years 1952—54). Further as the Corporation's construction work was tapering off, officers were being released, retrenched or transferred to other projects. It took much longer to get hold of the relevant papers and to furnish a reply.

75. While the Committee appreciate the difficulties inherent in adhering to the prescribed time-limit, they take a serious view of such delays as they in turn delay the presentation of the Audit Report to Parliament and consideration by the Committee. In their opinion, it should be possible to adhere to the time-limit. The Corporation may apprise Audit of difficulties, if any.

*Surplus stock lying undisposed of—para 22 of Audit Report, page 81, and para 53 of the 3rd Report of P.A.C. (Second Lok Sabha)—*

76. Upto the end of March, 1960, the equipments and spares declared surplus to requirements of the D.V.C. but undisposed of

amounted to Rs. 109.39 lakhs. During the year 1960-61, a further quantity of stores worth Rs. 42.07 lakhs were declared surplus, raising the value of such stores to Rs. 151.46 lakhs. Out of this, stores worth only Rs. 23.24 lakhs were disposed of during 1960-61, leaving a balance of Rs. 128.22 lakhs as on 31st March, 1961 still to be disposed of.

Out of stores sold out during 1954-55 to 1959-60 a sum of Rs. 19.23 lakhs remained unrealised (10th January, 1961) mainly from Central and State Governments and Project Administrations.

77. Commenting on the heavy accumulation of surplus stores, the Committee of 1957-58, in para 53 of their 3rd Report, had pointed out the risks inherent in maintenance of excessive stocks. In a Statement (Appendix II, S. No. 4) furnished by the Ministry of Irrigation and Power pursuant to the above observation, it has been stated that the progress of disposal has been rather slow as, apart from the time taken in making reference to and getting replies from other projects in accordance with the procedure for disposal of surplus equipment and machinery, sale on open tenders when adopted was also conditioned by marketability of the stores, adequacy of offers, etc.

78. *The Committee consider the position unsatisfactory. In their opinion, the matter requires more serious attention if the Project is to be saved of unnecessary losses. They trust that steps will be taken to accelerate the rate of disposal.*

79. The Committee understand from Audit that out of the unrealised sale proceeds of Rs. 19.23 lakhs from the Central and State Governments and other Projects a sum of only Rs. 9,500 (approx.) could be realised upto 31st March, 1961, leaving a balance of Rs. 19.14 lakhs. *The Committee regret to observe that in the matter of recovery of the sale proceeds also, there is default on the part of the Corporation. They desire that the recovery should be expedited.*

## V

### OUTSTANDING RECOMMENDATIONS

*Construction Plant and Machinery—Idle working hours, etc.—paras 20—22 of the 30th Report (Second Lok Sabha)—*

80. In paras 20—22 of their 30th Report (Second Lok Sabha), the Committee had considered a case in which the actual working hours of about 100 machines used on the Panchet Hill Project during the period from March, 1956 to March, 1958 were only 18 per cent. of the basic schedule hours. The percentage had gone down further to 8.09 during the period from April, 1958 to March, 1959. The Committee were informed that in working out the basic schedule hours compulsory idleness of the machines during the monsoons or due to other factors was not excluded. The Committee had questioned the utility of such calculations if they were not realistic.

81. From a note (Appendix III) furnished by the Ministry of Irrigation and Power pursuant to para 22 of the above Report, the Committee observe that not only the basic schedule hours were calculated unrealistically but also the average number of machines likely to be continuously out of field for repairs, break-downs, overhauls, etc. not determined properly, with the result that the cost percentage of idle operators' hours was as high as 19 per cent and 20 per cent. for the years 1957-58 and 1958-59 respectively, even after making due allowance for 10 per cent Reserve Operators' hours. *The Committee regret to note this. They trust that the Corporation will aim at greater accuracy in determining outage of its second-hand machines so that the cost percentage of idle operators' hours is reduced to the barest minimum.*

82. The Committee also observe from the note that although monthly statistics of operation by groups of machines were furnished to the CWPC in 1954, no communication had yet been received from the Commission to indicate that the performance of Panchet did not compare well with other projects in the country. *The Committee desire that the matter should be looked into by the CWPC.*

*Extra cost due to inferior quality of work—paras 18-19 of the 36th Report (Second Lok Sabha)—*

83. The Corporation had engaged a foreign firm (Messrs Kuljian Corporation) as Consulting Engineers who were responsible, *inter alia*, for the direction and supervision of work so as to ensure proper quality, efficiency and economy. A portion of the concrete work in the Turbo-Generator foundation carried out from 30th May, 1958 to 17th June, 1958 under the supervision of the Consulting Engineers was, as the result of test carried out on 19th June, 1958, found by the Project authorities to be of very inferior quality and this was pointed out to the Consulting Engineers on the 4th June, 1958. At the instance of the Project authorities and in consultation with the Consulting Engineers, the inferior concrete work was dismantled and replaced on the 28th September, 1958 by concrete of adequate strength at an extra expenditure of about Rs. 1.30 lakhs. The Committee of 1960-61 were informed that the Corporation had called upon the Consulting Engineers to make good the loss. (Appendix II, S. No. 32).

84. From a statement furnished by the Ministry of Irrigation and Power, the Committee understand that the Consulting Engineers have since repudiated the claim of the Corporation and have made a counter claim against the Corporation for Rs. 2,84,000 on grounds (as alleged) of (a) extra services rendered on designing and engineering and (b) overstay of the Project Manager and the Assistant Project Manager beyond the estimated period of thirty-two months. The counter-claim was under examination of the Corporation. *The Committee would like to be informed of the progress made in the matter.*

*Loss due to acceptance of materials below specification (M.E.M. Division)—paras 20-21 of 36th Report (Second Lok Sabha)—*

85. In paras 20-21 of their 36th Report (Second Lok Sabha), the Committee of 1960-61 considered a case in which the purchase order issued by the Corporation provided that the stores (Phosphor Bronze Bar and Cores) to be supplied by the sellers must be strictly according to the specification and if, within 7 days of the date of receipt of the materials, and deviations from the specification were found, replacement would be made free of all charge by the sellers. The bills for the materials supplied were paid on the 15th October, 1952 and 6th December, 1952, without subjecting the materials to any test. Soon after the receipt, the materials were

used for manufacturing bushings in January, 1953. The workshop Superintendent reported that the materials were not proving successful. The chemical examination of the samples of the materials in the Government Test House, Alipore, revealed that the materials were far below specifications. In January, 1954, the Corporation filed a suit for the recovery of Rs. 66,615, as the cost of the materials supplied, but it was dismissed in February, 1958. This suit cost the Corporation Rs. 3,412. Though the Legal Adviser advised the Corporation in May, 1958 that an appeal should be filed in High Court by the 30th June, 1958, no action was taken by the Corporation.

86. Explaining the reasons for not filing the appeal, it has been stated by the Ministry of Irrigation and Power in a note (Appendix VI) that information regarding the dismissal of the suit together with the suggestion of the Legal Adviser to file an appeal was received in the Purchase Department at Calcutta towards the end of September, 1958 only, by which time the appeal became time-barred. The earlier letter of the Legal Adviser (at Hazaribagh) in May 1958 was apparently addressed to the Hazaribagh Office of the Corporation.

87. *It is obvious from the facts of the case that after the suit had been filed in January, 1954, no track was kept thereof by the Corporation (Head Office). The Committee trust that the Corporation will take steps to see that follow-up action is taken promptly in respect of pending suits so as to avoid such losses to the Corporation by default.*

*Economy in Establishment expenditure—para 85 of the 3rd Report (Second Lok Sabha)—*

88. The question of economy in establishment expenditure of the Corporation came up before the Committee of 1957-58. On going through a statement showing posts carrying pay of Rs. 500 and above, the Committee had expressed the feeling that the Corporation were overstaffed in respect of high-salaried posts. The Committee, accordingly, desired that the existing strength of the staff (both technical and non-technical) should be examined by the Ministries of Irrigation and Power and Finance with reference to the present work-load.

89. The Committee were informed that the administrative set-up of the Corporation had been reviewed by a Manpower Committee set up by the Corporation. They understand from Audit.

however, that the Manpower Committee did not include a representative of the Ministry of Finance. The Committee regret to observe that the Constitution of this Committee was not in accordance with their recommendation. They trust that Government will examine this matter as over-staffing will adversely affect the project costs.

*Premature purchase of cutters—Infructuous expenditure—Paras 53 to 56 of the Thirtieth Report of P.A.C. (Second Lok Sabha), pages 20-21—*

90. In paras 53—55 of their Thirtieth Report, the Public Accounts Committee (1959-60) had considered a case in which two hulls of old cutters (small boats), viz. 'Heron' and 'Osprey' had been purchased by the D.V.C. in September, 1953 for Rs. 2,000 and Rs. 8,00 respectively. The purchase was made despite the advice of the Financial Adviser to the contrary. The boats were taken to the Ultadanga Canal for renovation. The 'Heron' was renovated in July 1955 but was not taken to Durgapur for use till May, 1960. The other boat was transferred to Maithon in July, 1958. An expenditure of Rs. 20,000 (including Rs. 7,200 on account of demurrage and toll charges and pay of Serang and Lasker) was incurred on the 'Heron' till 31st March, 1958. On the 'Osprey' an expenditure of Rs. 17,000 (including Rs. 3,200 on account of demurrage and toll charges) was incurred till 14th July, 1958.

91. The Committee of 1959-60 could not get a satisfactory explanation as to why early steps were not taken by the Corporation to remove the boats from the Ultadanga Canal after these had been renovated. From a note furnished by the Ministry of Irrigation and Power (Appendix IV), the Committee find that the delay of about five years in the transfer of the boat 'Heron' was mainly due to the vacillation on the part of the Corporation regarding the convenient and comparatively economic mode of its transport from Calcutta to Durgapur. In another note (Appendix II, S. No. 22) furnished by the Ministry of Irrigation & Power, it has been stated that the demurrage charges were occasioned by the fact that the Corporation staff concerned in their ignorance had failed to buy toll tickets.

92. The Committee deplore the manner the case had been handled by the Corporation. They are amazed that a period of about 5 years should have taken in coming to a decision regarding the mode of transport of the 'Heron' from Calcutta to Durgapur. Likewise, the plea of ignorance advanced by the Corporation for its failure to buy toll tickets hardly does any credit to the Corporation—an organisation run on commercial lines.

**Extra expenditure due to execution of work without entering into any agreement—paras 31—33 of 36th Report (Second Lok Sabha)—**

93. In paras 31-32 of their 36th Report (Second Lok Sabha), the Committee of 1960-61 considered a case in which the lowest tender for the excavation of a section of a water canal (chainage 90 to 180) received in December, 1956 was not accepted and the earnest money deposited by the tenderer was refunded as it was decided in January, 1957 not to proceed with the work. Subsequently on 12th March, 1957, the Corporation asked the same (lowest) tenderer to re-deposit the security money before 18th March, 1957 and start the work immediately. The tenderer commenced the work on 27th March, 1957 without executing any agreement or furnishing the security deposit but stopped work on 4th May 1957 as sand and water were met 2-3 ft. below the ground level. For the small portion of the work which he did, he was paid Rs. 23,362. The entire work including the unfinished portion of the work between ch. 90 and ch. 180 was awarded after tender to another contractor on 1st November, 1957; in this tender the cost of the work between ch. 90 and ch. 180 was valued at Rs. 9,79,012, as against the revised estimate of Rs. 8,07,353. This involved an extra expenditure of Rs. 1,95,023 (including Rs. 23,362 paid to the first contractor). In the absence of any agreement and security deposit, no penalty whatsoever could be enforced against the first contractor for his failure to complete the work.

94. In a statement (Appendix II, S. No. 36) furnished by the Ministry of Irrigation and Power, it has been explained that the Executive Engineer concerned acted under a 'sense of urgency' in allotting the work to the first contractor without prior execution of the agreement. *The Committee find it difficult to accept this explanation. In the face of the facts given above, the plea of urgency is hardly tenable. They feel that in permitting the contractor to commence work without prior execution of the agreement, the Executive Engineer concerned had gravely erred for which stern action is called for. In this connection, attention is invited to the Committee's observations in para 25 of the Eighteenth Report (1955-56).*

NEW DELHI;  
The 4th December, 1961  
Agrahayana 13, 1883 (Saka).

ROHAN LAL CHATURVEDI,  
Chairman,\*  
Public Accounts Committee.

\*During the absence abroad of Shri C. R. Pattabhi Raman, Chairman, Public Accounts Committee, the Speaker has directed Shri Rohan Lal Chaturvedi to look after the duties of the Chairman of the Committee.

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**PART II**  
**Proceedings of the Sittings of the Public Accounts Committee**  
**held on the 6th. 7th and 8th July and**  
**4th December, 1961.**

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**Proceedings of the Fifth Sitting of the Public Accounts Committee  
held on Thursday, the 6th July, 1961.**

1. The Committee sat from 10-00 to 13-00 hours.

**PRESENT**

Shri C. R. Pattabhi Raman—*Chairman.*

**MEMBERS**

2. Shri Aurobindo Ghosal
3. Shri Hem Raj
4. Shri R. S. Kiledar
5. Dr. Pashupati Mandal
6. Shri S. A. Matin
7. Dr. G. S. Melkote
8. Dr. N. C. Samantsinhar
9. Pandit Dwarka Nath Tiwary
10. Shri Ramji Verma
11. Shri K. K. Warior
12. Dr. Shrimati Seeta Parmanand
13. Shri Lalji Pendse
14. Shri Mulka Govinda Reddy
15. Shrimati Savitry Devi Nigam
16. Shri Rajeshwar Prasad Narain Sinha
17. Shri Jai Narain Vyas

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

Shri G. S. Rau, *Addl. Dy. Comptroller & Auditor General.*

Shri T. C. Krishnan, *Sr. Dy. Accountant General, West Bengal (DVC).*

**SECRETARIAT**

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

**WITNESSES**

*Ministry of Irrigation and Power*

Shri M. R. Sachdev, *Secretary.*

Shri P. P. Agarwal, *Joint Secretary.*

*Damodar Valley Corporation*

Shri S. Lal—*Chairman*

Shri U. K. Ghoshal—*General Manager and Secretary.*

Shri A. D. Khan, *Member.*

Shri B. Parthasarathy, *Chief Engineer (Civil)*

Shri J. N. Goswami, *Chief Electrical Engineer.*

Shri S. Bose, *Addl. Chief Electrical Engineer.*

*Ministry of Finance (Department of Expenditure)*

Shri P. C. Bhattacharya, *Joint Secretary.*

*(Department of Economic Affairs)*

Shri A. G. Krishnan, *Under Secretary.*

**AUDIT REPORT ON THE ACCOUNTS OF THE DVC FOR THE YEAR 1959-60**

*Allocation under Section 32—Para 2(a), page 72*

2. According to Section 32 of the DVC Act, expenditure on soil conservation, afforestation and other developmental activities under section 12(e) and (f) of the Act is to be treated as common expenditure payable out of the funds of the Corporation before allocation among the participating Governments. The question of allocation was referred to the Attorney-General who gave the opinion that the expenditure should be shared equally by the participating Governments.

3. In evidence, the Committee were informed that the Attorney-General's interpretation of section 32 had been accepted by the Governments of India and Bihar. It had, however, not been accepted by the Government of West Bengal who had suggested on 17-3-1961 that this matter should also be referred to arbitration under section 49 of the Act along with other matters referred to in sub-para (b) and (c) of the Audit para. The Government of India had, accordingly, decided to include it in the terms of reference of the arbitrator.

*Allocation under section 33—Para 2(b), page 72—*

4. The dams at Tilaiya, Konar, Maithon and Panchet Hill are intended to serve more than one of the three main objects. According to Section 33 of the D.V.C. Act, expenditure common to two or more of the main objects is required to be allocated to each of the main

objects in proportion to the expenditure which, according to the estimates of the Corporation, would have to be incurred solely for that object. The allocation of the cost of the dams serving more than one of the main objects was finalised by the Corporation but the Government of West Bengal had not accepted the final allocation and desired that the matter should be referred to arbitration under Section 49 of the Act.

5. In evidence, the Committee were informed that the Central Government had asked the Bihar Government to give their views in the matter. The reply of that Government was that they would place their views before the arbitrator. The Ministry of Irrigation and Power had recently requested the Ministry of Home Affairs to move the Chief Justice of India to nominate an arbitrator. In reply to question, it was stated that the delay in referring the matter to arbitration was due to the anxiety of the Central Government to get the matter settled through mutual discussions. No settlement could, however, be reached through discussions held with the participating Governments both at the Secretary level and the Minister level.

*Allocation under Section 34—Para 2(c), page 72—*

6. Capital expenditure on irrigation is to be shared between the State Governments of Bihar and West Bengal as follows:—

- (i) the Government concerned shall be responsible for the capital cost of the works constructed exclusively for irrigation in its State;
- (ii) the balance of the capital cost under irrigation for both the States of Bihar and West Bengal shall be shared by the State Governments in proportion to their guaranteed annual off-takes of water for agricultural purposes provided that the divisible capital cost shall be provisionally shared between them in accordance with their previously declared intentions regarding their respective guaranteed off-takes and any payments made accordingly shall be adjusted after the determination of the guaranteed off-takes.

After finally allocating the cost of the dams among the three main projects, the Corporation requested the State Governments on 10th January, 1959 to review the position and to intimate the final annual guaranteed off-take of water so as to enable them to re-allocate the divisible cost of irrigation. No reply had been received from the two State Governments till February, 1961.

7. In evidence, the Committee were informed that a reply had recently been received from the Government of Bihar in which they had stated that they would not require any water for irrigation from the D.V.C. The reply of the West Bengal Government regarding the final guaranteed off-take was still awaited. It, however, appeared that they did not propose to declare the final guaranteed off-take, pending arbitration on the allocation of cost under section 33.

*Non-recovery of irrigation dues from the West Bengal Government—*

8. The Committee were given to understand in the course of evidence, that the D.V.C. had not been able to realise any irrigation revenue from the West Bengal Government, and that bills of the order of about Rs. 26 lakhs relating to the pre-1958 period and those of the order of about Rs. 1 crore relating to the subsequent period were still outstanding.

9. Giving the background of the case, the representative of the Corporation stated that in terms of section 14(1) of the D.V.C. Act, the Corporation were empowered to determine and levy rates for the bulk supply of water for irrigation, in consultation with the State Governments concerned. In pursuance of these provisions, the Corporation fixed rates for the bulk supply of water to be charged from the State Governments and informed them accordingly. No protest was made by the West Bengal Government at that stage. Later on, in 1958, the West Bengal Legislature passed an Act in terms of section 12 of which, out of the total amount realised by the West Bengal Government from the cultivators on account of water rates, deductions would be made on account of collection charges, overheads, etc. and the balance would be shared between the D.V.C. and the West Bengal Government on a basis to be agreed upon. The Corporation felt that section 12 of the West Bengal Act was *ultra vires*, being repugnant to section 14(1) of the DVC Act—a Central Act. The Government of India and the Bihar Government agreed with the views of the Corporation. The matter was also referred to the Attorney-General who, while agreeing with the views expressed by the Union Ministry of Law, stated that the position was not altogether free from doubt. On being informed of the Attorney-General's opinion, the West Bengal Government stated that the Attorney-General's opinion was not conclusive and that 'Land and Irrigation' being a State subject, the State Legislature was competent to enact the measure in question. Pending settlement of the constitutional issue, the West Bengal Government were prepared to make payment in respect of bills for the year 1958 and subsequent years on the basis of their Act only. The Corporation were, however, not prepared to accept that position and to modify their bills.

10. In reply to a question as to why the Corporation could not accept payment from the West Bengal Government on a provisional basis, pending settlement of the Constitutional issue by the Supreme Court, the witness stated that the amount offered by the West Bengal Government on the basis of their Act was not worth acceptance. The Committee inquired whether one of the reasons given by the West Bengal Government for not accepting the bills of the Corporation was that the cost of the DVC water was higher than that of the State irrigation project water, such as the Mayurakshi's. The witness could not say whether it was so. In his opinion, the two costs were not comparable, for the DVC Projects were multi-purpose projects, providing, *inter alia*, for flood control. The Mayurakshi Dam on the other hand had no flood cushion at all. Further, an investment having been made in DVC Projects by three Governments, reasonable return had to be obtained.

11. As regards the pre-1958 bills, valued at about Rs. 26 lakhs, the witness stated that there was a difference of opinion between the Corporation and the West Bengal Government as regards the acreage served by the DVC water. A series of discussions had been held between the parties, the last being in March 1961. As a result, the differences had been somewhat narrowed down.

*Budgeting and Borrowing—Para 3, pages 72—74—*

12. The revised budget estimate for the year 1959-60 provided for a total expenditure of Rs. 1,438.97 lakhs as against which the actual expenditure amounted to Rs. 1,189.49 lakhs, resulting in a saving of Rs. 249.48 lakhs. The working balances estimated by the Corporation and the actual closing balances (excluding CPF balances) at the end of the last two quarters of 1959-60 were as follows:—

Quarter ending	Estimated working balance (In lakhs)	Actual closing balance (In lakhs)
31-12-1959	59	196
31-3-1960	75	249

Audit felt that as the Corporation had to pay interest @ 4½ per cent on the borrowings, these should have been so regulated as to conform to the actual requirement and avoid unnecessary payment of interest.

13. Explaining the reasons for the accumulation of the huge balance of Rs. 249 lakhs at the end of the last quarter the representative of the Corporation stated that it was the result of excessive receipts on the one hand and shortfall in expenditure on the other.

The actual receipts from the sale of power exceeded the estimated figure by about Rs. 49 lakhs, and the shortfall in expenditure was of the order of about Rs. 2 crores. The revenue surplus was due to the over-cautiousness on the part of the Corporation to ensure that the receipts did not fall below estimates. As regards shortfall in expenditure, a large part of the budgeted amount was for making payments to foreign suppliers in respect of plant, machinery and other stores to be supplied by them. However, due to delay either at the manufacturing end or in transit, the supplies did not arrive in time, with the result that funds provided for this purpose remained unutilised by the close of the financial year.

14. There were two other factors also which contributed to the accumulation of the heavy cash balance. Firstly, by the time the Corporation had completed their final review for the year and decided to surrender a surplus of Rs. 72 lakhs, it was too late for the Government of India to accept the surrender. Secondly, under a direction issued by the Government of India for the purpose of accounting, the payment in respect of interest charges was drawn separately.

15. As regards the measures taken by the Corporation to improve the standard of budgeting, it was stated that with effect from the year 1959, a system of periodical reviews of the progress of expenditure had been introduced. According to this procedure, even after the revised estimates had been submitted to the Central Government, the progress of expenditure was reviewed first in October-November and then again in January. Drawal of funds from the participating Governments for the last quarter, which was based on the latter review, was so regulated as to leave the Corporation with only a reasonable amount for expenditure during the quarter. These measures had considerably improved the position and closing balance at the end of the next year (1960-61) was only about Rs. 130 lakhs (provisional). In reply to a question, it was, however, admitted that there was still much scope for improvement in the Corporation's standards of estimating, both on the receipts and expenditure sides.

16. Referring to para 6 of their 23rd Report (Second Lok Sabha) the Committee enquired whether in pursuance of the repeated recommendation of the P.A.C. and the instructions issued by the Ministry of Finance, the Corporation had been maintaining a Liability Register. The witness stated that the Electricity Department of the Corporation, a major Department—maintained a list of every order placed. It was, however, not in the form prescribed for a Liability Register.

17. As regards interest charges on the borrowings of the Corporation, the witness stated that out of the closing balance of Rs. 249 lakhs as on 31st March, 1960, interest was payable only on about one crore of Rupees; the remaining amount was non-interest bearing, such as earnest money, security deposits, etc. received from State Government. He, however, admitted that excessive drawals of funds might have an impact on the ways and means position of the participating Governments and the Corporation were conscious of this.

*Extra expenditure in awarding a contract—Para 4, page 74—*

18. Acquainting the Committee with the background of the case, the representative of the Corporation stated that in response to the notice issued in November, 1956, two tenders were received by the Corporation—one @ Rs. 31/11 per 1000 cft. from the contractor referred to in the Audit para and the other @ Rs. 52 per 1000 cft. from another contractor. While forwarding the tenders to the Deputy Chief Engineer, the Executive Engineer pointed out that the performance of the lower tenderer had not been satisfactory. In the adjoining reach, where he had done excavation work @ 24/12 per 1000 cft. he had not completed the work in the stipulated period, and in another case, he had left the work unfinished. Having in view the report of the Executive Engineer, the Corporation made an attempt to find out by negotiation whether the work could be given to a more reliable contractor. The lowest offer received through negotiation was Rs. 35 per 1000 cft. The matter then came up before the Corporation who felt that considering the negotiated rate, the rate of the lower tenderer was not too low and decided that a chance be given to the contractor. Accordingly, on 7-2-1957, the work order was issued to him. On the 15th February, 1957, the Executive Engineer addressed the contractor that as he had not taken up the work, he was liable to have the penal clauses of the contract invoked against him. To this, the contractor replied on the 28th February that he had submitted his tender in November last. As the Corporation had in the meantime been carrying on negotiation with other contractors which made him feel that the work would not be given to him, he had engaged his labour elsewhere. He, therefore, expressed his inability to execute the work during that season but offered to do it during the next season. After going through the contractor's reply, the Corporation felt that the plea advanced by the contractor was not a genuine one and that he was merely stalling. In the light of this and his past performance, the Corporation came to the conclusion that the contractor could not be relied upon. The idea of giving the work to him was, therefore, dropped and not pursued any further.

19. As regards the action taken against the contractor, the witness stated that according to the opinion of the law officers of the Corporation, as the work order had not been accepted by the contractor, he had not come under the terms of the contract. Asked whether the Corporation had thought of forfeiting the earnest money deposited by the contractor, the witness stated that no earnest money had been deposited in this case. In his tender, the contractor had requested that the earnest money might be adjusted against his bills in respect of other works.

20. The Committee then enquired how the rate of Rs. 31/11 per 1000 cft. quoted by the contractor was considered to be unworkable when in the adjoining reach, he had done excavation work of 124 lakhs cubic feet @ Rs. 24/12 per 1000 cft. at about the same time. The witness stated that according to the engineers whom he consulted there was considerable de-watering to be done in the second reach. Also the fact that the other tenderer had quoted Rs. 52 per 1000 cft. provided a basis for a reasonable inference that the rate of Rs. 31/11 was unrealistic. In reply to a question he, however, stated that the departmental estimate regarding the cost of excavation of the entire stretch was Rs. 28.12 per 1000 cft.

21. The Committee then desired to know the justification for splitting the work in two parts and awarding one part @ Rs. 35 per 1000 cft. and the other @ Rs. 44/8 per 1000 cft. The witness stated that the work at the higher rate was to be done below the regulator and the lower rate related to work above the regulator. In the former case, the depth was greater and there was also a 7 foot fall which meant more lead and lift and de-watering. Audit, however, pointed out that according to the tender notices issued in both the cases, the same specifications as to lead and lift (*viz.*, a lead upto 250 ft. and a lift upto 25 ft.) had been laid down. In extenuation, the witness stated that though both the tender notices laid down the same specification, according to the measurement book, the lead and lift done in the case of the contract at the higher rate were more than in the case of the lower rate.

Asked whether acceptance of widely differing rates in response to tender notices laying down the same specification might not result in complications later on, the witness stated that before quoting rates, the contractors inspected the spot and quoted rates after taking into account local conditions, nature of soil, etc. He, however, felt that the wording of the two notices should have been clearly indicative of the difference in lead, lift, etc.

22. The Committee then desired to know the reasons for delay in the final allotment of the work. The witness stated that work to one of the contractors was allotted in March, 1958 and to the other in February, 1959, and not to both in February, 1959, as stated in the Audit para. The delay was due to paucity of tenderers. This difficulty was also experienced by other industries in the area.

In reply to a question, the witness admitted that had the Corporation taken a timely decision regarding the allotment of work, the delay in execution might have been reduced.

23. Before the Committee took up the next item on the agenda, they desired to be furnished with a note stating, *inter alia*, the standing of the contractor in question, the experience of the Corporation in regard to performance of other contractors doing works of a similar nature and magnitude, reasons for the paucity of tenderers and mode of calling for tenders by the Corporation.

*Avoidable expenditure—Para 5, pages 74-75—*

24. A Lock with Regulator was constructed in 1954 at chainage 2270 of the Navigation-cum-Irrigation canal with a view to construct a branch canal from its upstream for irrigating 8410 acres. The canal could not be constructed owing to the opposition from the local inhabitants as a major portion of the area was of a residential nature.

A sum of Rs. 5,35,000 had been spent on the construction of the Lock and Regulator, with a recurring expenditure of Rs. 7,000 on operating the gates of the Lock and Regulator and about Rs. 25,000 p.a. on interest and depreciation. According to Audit, the expenditure on the Lock and Regulator which was constructed mainly for irrigational purposes had thus become largely infructuous.

25. In evidence, the Chief Engineer (Civil) stated that the lock was constructed not for irrigational purposes, as suggested in the Audit para, but for navigational purposes. The construction of the regulator was a necessary concomitant of the construction of the lock. Explaining the reasons for that location of the lock, the witness stated that in the D.V.C. canal system for every ten chains, a drop of  $\frac{1}{2}$  foot was provided; in a navigational canal, 8 ft. of water was required (including two feet allowed for silting), 4 ft. being the minimum allowed for this purpose. Thus a lock was technically necessary for every 320 chains. On this basis, a lock was necessary within a small range of the site in question. The consideration which weighed with the Corporation for locating the lock at the particular point was that the Burdwan—Bankura Road crossed

the canal at this place and if the lock were not located here, a over-bridge costing Rs. 1½ lakhs would have to be constructed. The location of the lock at this point did away with the need for this over-bridge, resulting in a saving of Rs. 1½ lakhs. A decision thus having been taken to locate the lock at the particular point on technical and economy considerations, it was thought that advantage should be taken of the location of the lock and regulator and a branch canal of a discharge of 93 cusecs taken off upstream the regular to supply water to about 8,400 acres. Though this proposal had to be dropped due to local opposition, another branch canal and three minor channels of a discharge of 97.4 cusecs were constructed at other points to irrigate the same area.

26. In reply to a question why the local opinion was not ascertained at the time of drawing up the original proposal, the General Manager of the Corporation stated that the expansion of the homestead area took place between the drawing up of the original plan and the construction of the lock in 1954. He, however, promised to check up this point and submit a further report to the Committee.

In reply to another question regarding the additional cost entailed to the Corporation by the construction of the alternative irrigation canals, the witness promised to furnish the requisite information later.

27. The Committee then adjourned to meet again at 10.00 hours on the 7th July, 1961.

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**Proceedings of the 6th sitting of the Public Accounts Committee  
held on Friday, the 7th July, 1961.**

28. The Committee sat from 10.00 to 12.55 hours.

**PRESENT**

Shri C. R. Pattabhi Raman—*Chairman.*

**MEMBERS**

2. Shri Aurobindo Ghosal
3. Shri Hem Raj
4. Shri R. S. Kiledar
5. Dr. Pashupati Mandal
6. Shri S. A. Matin
7. Dr. G. S. Melkote
8. Dr. N. C. Samantsinhar
9. Pandit Dwarka Nath Tiwary
10. Kumari Mothey Vedakumari
11. Shri Ramji Verma
12. Shri K. K. Warior
13. Dr. Shrimati Seeta Parmanand
14. Shri Lalji Pendse
15. Shri Mulka Govinda Reddy
16. Shrimati Savitry Devi Nigam
17. Shri Rajeshwar Prasad Narain Sinha
18. **Shri Jai Narain Vyas**

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

Shri G. S. Rau, *Addl. Dy. Comptroller & Auditor General.*

Shri T. C. Krishnan, *Sr. Dy. Accountant General, West Bengal (D.V.C.).*

**SECRETARIAT**

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

## WITNESSES

*Ministry of Irrigation & Power*

Shri M. R. Sachdev, *Secretary.*

Shri P. P. Agarwal, *Joint Secretary.*

*Damodar Valley Corporation*

Shri S. Lal—*Chairman.*

Shri U. K. Goshal, *General Manager and Secretary*

Shri A. D. Khan, *Member.*

Shri B. Parthasarathy, *Chief Engineer (Civil).*

Shri J. N. Goswami, *Chief Electrical Engineer.*

Shri S. Bose, *Addl. Chief Electrical Engineer.*

*Ministry of Finance*

*(Department of Expenditure)*

Shri P. C. Bhattacharya, *Joint Secretary.*

*(Department of Economic Affairs)*

Shri R. K. Mukherjee—*Under Secretary.*

AUDIT REPORT ON THE ACCOUNTS OF THE DAMODAR  
VALLEY CORPORATION FOR THE YEAR 1959-60

*Extra expenditure for redoing the work of a contractor—Para 6,  
page 75—*

29. The work of excavating a main canal from chainage 2040 to 2140 at an estimated cost of Rs. 4·8 lakhs was entrusted to a contractor in 1954-55 at a negotiated rate of Rs. 40 per 1000 cft. against the then prevailing rates of Rs. 25 to Rs. 28-4-0 per 1000 cft. in the locality. The higher rate was allowed *inter alia* for water consolidation on the banks by 2 ton road roller in 9" layer. The work was commenced on 13th April, 1954 and completed on 5th May 1956 at an actual cost of Rs. 8·15 lakhs. During the progress of work the contractor was warned several times by the Engineer-in-Charge that the consolidation of earth was not being done according to specification. No penalty was levied for this defective work.

In the latter half of 1957 when water started flowing in the canal it was noticed that the canal suffered from seepage and erosion. A new work costing Rs. 95,620 was, therefore, sanctioned in January,

1958 and entrusted to another contractor on 16th May 1958 for removal of the defects and for further strengthening the canal banks by slightly widening the embankments. This work was finally completed at a cost of Rs. 1,01,237 in December, 1958.

30. In evidence, the representative of the Corporation stated that the total work done by the contractor on this job was 203 lakh cubic feet. Out of this, work of the order of only 3.2 lakh cubic feet was found to be below specifications. The deficiencies found even in this portion of work were only minor, such as rolling at certain stretches having been done without sufficient sprinkling of water, and not such as to justify outright rejection of the work, and imposition of a penalty. Suitable reductions for the deficiencies, as determined by the Engineers on the basis of measurements, had been made from the payments due to the contractor, and as against the contracted rate of Rs. 40 per 1000 cft., payment was made at rates ranging between Rs. 23 to Rs. 36. The whole work had been done under the supervision of the Corporations Engineers who, in order to ensure that the work was done according to specifications, issued warnings to the contractor, whenever found necessary.

31. Referring to the second sub-para of the Audit paragraph, the witness denied that the work entrusted to the second contractor was for the removal of defects in the work of the first contractor. According to him, seepage detected in the canal in the latter half of 1957 had nothing to do with any deficiency in the bank consolidation work done by the first contractor or any other defect in his work. The need for the second work arose from the fact that the soil of this particular stretch was porous as a result of which the slope of the embankment constructed according to the standard design of 1:4 (a slope of 4 feet for an altitude of 1 foot) was found to be too steep to hold back seepage water and had consequently to be flattened to 1:6.

32. Asked whether a sample survey of soil conditions of the area was conducted before the construction of the canal was taken up, the witness stated that the general nature of the soil in the Lower Valley was known to the engineers. It was clayey and compact except at certain stretches where it was porous and sandy, but the number of such exceptions was so small that an overall soil survey for the entire canal system—about 1,500 miles in length—would not only have been financially unjustified, but also delayed the work considerably. Further, no sample survey of any kind was normally conducted for a canal system.

33. Dealing with the wide disparity between the estimate and actual cost of the work done by the first contractor, the witness stated that it was mainly due to the fact that the estimate was framed on the basis of old contour maps, and the area in question was a sloping one which made precise estimating difficult. He admitted that in any case a 100 per cent variation could not be justified.

34. Earlier, in reply to a question, it was stated that the first contractor had to be negotiated with the contractor as there was no response to the tender notice.

*Delay in commissioning Durgapur Thermal Power Station—Para 12, pages 77-78—*

35. The target dates for the work of constructing a Power Station at Durgapur with two units of 75 M.W. each, and of installing a 4th unit of 75 M.W. at Bokaro, taken up by the Corporation in November, 1956, were revised in June, 1959 to March, June and February, 1960. None of the three units had been commissioned till date. As a test of the 4th unit carried out in June, 1960 revealed failure of the bearings of the Turbo-generator, the commissioning of the other two units had been held in abeyance till the 4th unit was commissioned. (All the three units were supplied by the same manufacturer). This has resulted in considerable loss in revenue.

36. In evidence, the representative of the Corporation stated that in terms of the contract, the units were to be commissioned after completion of tests and trials over a continuous period of 24 hours at full load or the available commercial load. After the suppliers had completed these trials and tests at Durgapur and were going in for commissioning when, at a load less than the full load, the plant experienced some trouble. There was a damage to thrust bearings and certain other components. The suppliers took about two months in re-designing these parts and fitting them. Later, under heavy load conditions, though still not at full load, the thrust bearings again failed. Thrust bearings of the second unit at Durgapur and the fourth unit at Bokaro also failed. Due to power shortage in the Eastern region, however, the machines could not be immediately released and had to be kept under trial conditions. Consequent on an improvement in the power supply position since, the first unit had been released for repairs and was expected to be ready for commissioning by the end of August, 1961. After trial-runs of this unit for about a week, the second unit at Durgapur would be released and would perhaps be ready for commissioning by the end of October, 1961. Thereafter, the fourth unit at Bokaro will be released.

Questioned regarding the failure of the same components, e.g., thrust bearings in all the three units, the witness stated that it was due to defective designing and could be traced back to inadequate experience of the suppliers (Messrs. MAN) in the manufacture of turbines of the specified size and design.

37. The Committee wanted to know how the tender of the suppliers (Messrs. MAN) was selected and whether it was referred to the Consulting Engineers (Messrs. Kuljian Corporation) for advice. The witness stated that all the tenders for the turbo-generators were examined by the Corporation's Board of Consultants. Mr. Levonion, the Vice-President of the Corporation of Consulting Engineers was also present at that sitting. Taking all the relevant factors into account, the Board of Consultants felt that the practical experience in the manufacture of machines of the requisite type and size was greater in the case of Messrs MAN than in the case of any other tenderer. Asked whether there was any thing on record in the minutes of the various meeting indicating the comments by Mr. Levonion on the various tenders the witness replied in the negative. But, he added, from the two facts viz. (i) that Mr. Levonion was present at the sitting at which the tender of Messrs MAN was selected and (ii) that he did not either then or at any subsequent stage object to the selection made by the Corporation's Board of Consultants, it could reasonably be concluded that he was in favour of it.

38. In reply to a further question, the witness stated that in view of the urgency of the commissioning of the Durgapur Steel Plant, the usual procedure of sending duplicate copies of tenders to the Consulting Engineers for their written opinion was not followed in the present case; instead, the Consulting Engineers were requested to depute one of their Engineers to attend the said sitting of the D.V.C. Board of Consultants. It was, however, pointed out by Audit that in the case of the lowest tender, the usual procedure was followed. The Committee wanted to know why if the usual procedure could be followed in regard to the lowest tender, it was not done in the case of the tender from Messrs MAN. The witness could not give a categoric answer to this.

In reply to another question, the witness stated that the final decision selecting the tender of MAN in the present case was that of the Corporation.

39. The Committee were informed by Audit that though from the correspondence it appeared that the suppliers (Messrs. MAN) had

never made a claim that they had in use anywhere in India Turbo-generators of more than 60 M.W., the recommendations of the Corporation's Board of Consultants contained a statement that MAN had manufactured and commissioned several sets larger than 75 M.W. The Committee, accordingly, desired to know the basis for the statement. The witness promised to verify from the records and furnish this information\* later.

40. The Committee then dealt with the question of penalty. The representative of the Corporation stated that there were two penalty clauses in the contract with the suppliers, one for delay in supply and commissioning and the other for any deficiency in performance after commissioning. In the present case as the machines had not yet been commissioned, all the defects were being rectified by the suppliers at their own cost. As to the extent of the penalty to be imposed for delay in commissioning, he stated that the matter would be taken up later, after the machines had been commissioned.

41. On the question of compensation for the estimated loss of revenue, he stated that this did not come within the purview of the penal clauses of the contract. Referring to replies received from a number of parties addressed by the Corporation in this regard, it appeared that no supplier of machinery would agree to such a clause being inserted in the contract, and if at all anyone agreed, his rates would on this score be too high. The fact that the machines, though they had not yet been commissioned, had operated from time to time and earned some revenue should not be lost sight of.

42. As regards expenditure on the staff employed at Durgapur, the witness stated that the average monthly expenditure had come down from Rs. 2,71,000 for the period January-June, 1960 to Rs.1,16,000 for the period April-May, 1961. According to him, this expenditure was incurred not only on the staff connected with operation of turbo-generators but also on the staff engaged on residual work. As the residual work was tapering off, the expenditure on staff was also coming down.

*Extra-expenditure due to defective work—Para 14, pages 78-79—*

43. The Erection Engineer of Messrs MAN which had supplied two Turbo-generators to the Durgapur power station stated in March, 1959, that several of the bolt holes in the foundations of the Power

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\*Since received (Appendix VII).

Station were out of alignment with the result that the Turbo-generators could not be properly fixed on their respective concrete foundations. The Corporation stated that this was due to defective positioning of the bolt holes while concreting the foundation departmentally under the supervision of the Consulting Engineers (Messrs Kuljian Corporation). An extra expenditure of Rs. 21,476 had been incurred in adopting measures for removal of defects till November, 1960. In July 1959, the supplying firm stated that the measures adopted so far were not adequate to withstand the effects of vibration that might be caused and had, therefore, disclaimed responsibility for any defect that might appear subsequently in the working of the Turbo-generators. The Enquiry Committee appointed by the Corporation for this purpose held that the primary responsibility for the defect rested on the Consulting Engineers. In March, 1960, the Corporation asked the Consulting Engineer to meet the additional expenditure incurred on rectification of the defect and also to make good any loss or damage which might be incurred during the next ten years due to causes attributable to the latent defect in the foundations.

44. The Committee were informed in evidence, that the Consulting Engineers had disclaimed responsibility for the defective positioning of the bolt holes and, consequently, declined to meet the additional expenditure incurred on the rectification of the defect. The Corporation, however, still maintained that the Consulting Engineers, being responsible for the faultless workmanship of construction services, had failed to ensure that the bolts were drilled according to drawings and were in proper alignment. Before, however, the matter was taken to a court of law or referred to arbitration, the Corporation wanted to examine the Consulting Engineer's reply in all its aspects.

45. The Committee learnt from Audit that in terms of the contract, though the Consulting Engineers accepted full responsibility for the timely completion of the work in an efficient, workmanlike and economic manner, they accepted no financial liability, direct or indirect. The Committee, accordingly, enquired how in the absence of a penalty clause, the Corporation proposed to ensure compliance with the terms of the contract. The representative of the Corporation stated that according to the legal opinion obtained by the Corporation, the Consulting Engineers could still be held liable for a breach of contract under the general contract law.

46. As regards the capacity of the repaired foundations to withstand the effects of vibration, the witness stated that the matter had since been gone into by the Corporation's Chief Engineer, by the CWPC and an eminent former Engineer of the Bhakra-Nangal Project. Their unanimous opinion was that the repairs carried out by

the Corporation had in no way weakened the strength of the foundations and that it would never be a cause of malfunctioning of the plant.

47. The Committee then adjourned to meet again 10.00 hours on 18th July, 1961.

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**Proceedings of the 7th sitting of the Public Accounts Committee  
held on Saturday, the 8th July, 1961.**

48. The Committee sat from 10.00 to 13.10 hours.

**PRESENT**

Shri C. R. Pattabhi Raman—*Chairman.*

**MEMBERS**

2. Shri Rohan Lal Chaturvedi
3. Shri Aurobindo Ghosal
4. Shri Hem Raj
5. Shri R. S. Kiledar
6. Dr. Pashupati Mandal
7. Shri S. A. Matin
8. Dr. N. C. Samantsinhar
9. Pandit Dwarka Nath Tiwary
10. Kumari Mothey Vedakumari
11. Shri Ramji Verma
12. Shri K. K. Warior
13. Dr. Shrimati Seeta Parmanand
14. Shri Lalji Pendse
15. Shri Mulka Govinda Reddy
16. Shrimati Savitry Devi Nigam
17. Shri Rajeshwar Prasad Narain Sinha
18. Shri Jai Narain Vyas

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

Shri G. S. Rau, *Addl. Dy. Comptroller & Auditor General.*

Shri T. C. Krishnan, *Sr. Dy. Accountant General, West Bengal (DVC).*

**SECRETARIAT**

Shri V. Subramanian, *Deputy Secretary.*

Shri Y. P. Passi, *Under Secretary.*

## WITNESSES

*Ministry of Irrigation & Power*

1. Shri M. R. Sachdev, *Secretary.*
2. Shri P. P. Agarwal, *Joint Secretary.*

*Damodar Valley Corporation*

1. Shri S. Lal, *Chairman*
2. Shri U. K. Ghoshal, *General Manager and Secretary*
3. Shri A. D. Khan, *Member*
4. Shri B. Parthasarathy, *Chief Engineer (Civil)*
5. Shri S. Bose, *Addl. Chief Electrical Engineer*
6. Shri J. N. Goswami, *Chief Electrical Engineer*

*Ministry of Finance**(Department of Expenditure)*

Shri P. C. Bhattacharya, *Joint Secretary*

*(Department of Economic Affairs)*

Shri R. K. Mukherjee, *Under Secretary*

AUDIT REPORT ON THE ACCOUNTS OF THE DAMODAR  
VALLEY CORPORATION FOR THE YEAR 1959-60

*Avoidable expenditure—Collapse of a newly-built structure—Para 8,  
pages 75-76—*

49. An aqueduct constructed in February, 1956 on an irrigation canal at a cost of Rs. 2.68 lakhs, collapsed on 1-11-1957 when water was admitted into the canal for the first time. The Corporation had spent Rs. 1.61 lakhs on repairs upto March, 1960. Though some minor damage was caused to the structure by the floods of 1956 for the repairs of which a sum of Rs. 11,151 was sanctioned by the Corporation, these repairs were not carried out.

50. The representative of the Corporation informed the Committee that the structure did not collapse on the day water was first admitted into it. The water had flowed for a continuous period of three months. According to him, the main factor responsible for the collapse was the super-imposed loading against the right abutment by over-saturation of the fill behind it due to seepage. So long as water flowed in the aqueduct, its deadweight prevented the pressure of the super-imposed loading from pushing the abutment. When water was stopped the deadweight was removed and the abutment could not withstand the pressure, and collapsed. As to the

reason for the failure of the abutment to withstand the pressure, he stated that due to the abnormal floods of 1956, the surface alongside the abutment was badly eroded..

51. The witness also stated that technically there was no fault in the design which had been based on standard principles and would have been adequate for normal floods. Nor had there been any deviation from the design during the construction stage. The abutments were also founded on firm soil. But the floods of 1956 were abnormal, though not unprecedented, and the erosion caused by them unanticipated.

The Committee were, however, informed by Audit that according to the relevant measurement book, the foundation excavation of the abutment was 5·17 feet deep as against the designed depth of 6·51 feet. The Committee accordingly wanted to know why the actual depth fell short of the designed depth. The representative of the Corporation stated that from the canal bed level, the actual depth was the same as the designed depth at the time the cross section was taken. During the two years that had elapsed between the taking of the cross section and the construction of the structure, the ground level had been lowered by rains which accounted for the difference in measurement.

52. As regards repairs proposed to be carried out at an estimated cost of Rs. 11,151, the representative of the Corporation stated that these related to protective works for upside and bedside slopes of the channel at the approaches to the aqueduct and had no bearing whatsoever on the collapse of the structure.

53. Dealing with remedial measures since taken by the Corporation, the witness stated that the abutment foundation had been further lowered. Steps had also been taken to prevent seepage by putting mass concrete for a distance of about 50 feet and another asphalt protection for 100-150 feet. Similar measures had been taken in respect of other structures as a precaution.

*Navigation Canal—Para 11—pages 76-77—sub-para (a)—*

54. An Irrigation-cum-Navigation canal 85 miles long was constructed by the Corporation in June 1959 at a cost of about Rs. 4 crores, the last 35 miles of the canal being intended mainly for navigational use. A cargo of two million tons including a million tons of coal was estimated to pass along the canal every year and a gross navigation revenue of more than Rs. 57 lakhs was anticipated in the project estimate during the first five years of operation. The extent of revenue had since been revised in June, 1958 to about Rs. 33 lakhs.

*Sub-para (b)—*

55. The above Navigation canal was scheduled to go into operation with effect from 1-7-1959, but in September, 1959, a bridge with regulator, constructed in July, 1958, at a cost of Rs. 2·3 lakhs collapsed rendering the canal non-usable.

56. In evidence, the representative of the Corporation stated that the original traffic estimates were drawn up by a Committee consisting of the representatives of the Corporation, the Ministry of Railways, Calcutta Port Trust and collieries. On the basis of the then available data regarding traffic movements between Calcutta and Durgapur, the Committee drew up a rough estimate regarding the volume of traffic that would be attracted to the canal, when opened. While drawing up the estimates, the Committee also took into account the over-stretched capacity of the Railways and the freight rates proposed to be charged by the Corporation *vis-a-vis* the existing Railway and road freight rates. There had since been a revision in estimates and according to the present indications, even an annual traffic of 7 lakh tons for the first few years, as estimated by the D.V.C. Advisory Committee in June, 1958, might be considered as unrealistic. The target of 2 million tons would perhaps be realised, on full development of traffic.

57. As regards the utilisation of the canal water after the collapse of the bridge-cum-regulator the witness stated that water was at present being flowed in the first 50 miles of the canal for irrigation. The lower part of the canal (35 miles), meant exclusively for navigation, had been kept dry. Asked whether on the opening of the canal for navigation, the water would be sufficient for both irrigation and navigation purposes, the witness stated that the present available quantity of water could be utilised either for irrigation or for navigation only. In reply to a further question, he observed that for meeting the anticipated requirements of water for both the purposes, the Corporation had suggested the construction of another dam—Fifth Dam. The matter was under consideration of the participating Governments.

58. Referring to another difficulty encountered by the Corporation in keeping the canal navigable, the witness stated that in the Kunti waterfall area, there was a sand bar across the canal which had extended itself during the last two years. According to the data made available by the Calcutta Port Trust, it would be difficult for barges to enter or leave the canal for a few days in a year because of the low level of water due to silting. To deal with this, the Corporation had been making efforts to procure a dredger and

had addressed various authorities in the matter. Recently, on the advice of the CWPC the Corporation had written to the Government of Orissa regarding a cheaper method of dredging evolved by the Irrigation Department of that Government.

59. The Committee then enquired whether with the existing flow of water and having in view other difficulties encountered by the Corporation the canal would financially pay its way. The representative of the Corporation stated that if water were supplied only for irrigation, the yield would be about Rs. 15 lakhs, subject to the settlement of the Constitutional issue with the West Bengal Government. If, on the other hand, water were made available for navigation alone, the annual revenue, on the development of full traffic, would be about Rs. 35 lakhs. The annual expenditure on account of operation, maintenance, depreciation and interest charges was expected to be about Rs. 24.55 lakhs. Thus, in the former case, the canal would run at a loss and in the latter, on the development of full traffic, at a profit.

*Sub-para (b)—*

60. The Committee desired to know the reasons for the collapse of the structure. Referring to the investigations carried out by the engineers of the Corporation and the CWPC., the representative of the Corporation stated that a cavity was formed under the concrete block of the regulator between the up-stream and down-stream ends. Water started flowing through the cavity and built up an underground pressure. This forced up the horizontal slab and brought down the regulator wall. The witness further stated that the Corporation had come across this artesian well-like phenomenon at two or three other points in their canal system. But how it had occurred was a mere guesswork at this stage and was yet to be finally established. To this end, the Poona Research Station had been requested to carry out certain model tests. The outcome of these tests was awaited.

61. Dealing with the disciplinary aspect, the witness stated that till the cause of the collapse was finally established, it was difficult to fix individual responsibility.

62. The Committee learnt from Audit that at the time of excavation of earth for the work, it was noticed that there was more seepage of water than was expected and that the CWPC had now suggested the abandonment of the old site. The Committee inquired why the extra seepage factor was not taken into account at the time of constructing the original regulator. The witness stated that seepage had been found at several other stretches also

without other consequences following. As to the suggestion of the CWPC regarding the site of the new regulator, he stated that it had been accepted and the new regulator was being built lower down the canal.

63. The Committee were also informed by Audit that according to the Report of the Chief Engineer (Civil), there were minor defects of construction (such as inadequate consolidation of concrete mixture, bricks being found in the concrete and lesser utilisation of cement) in the work done by the contractor. Further, as against the stipulated date of June, 1956, the work was completed by the contractor some time in July, 1958. They, accordingly, wanted to know what action had been taken against the contractor for defective work and delay in execution. The representative of the Corporation promised to furnish the requisite information later.

64. The Committee then enquired about the progress in the construction of the new structure. The witness stated that the target date laid down for the completion of the structure was June, 1962. The Corporation were, however, facing a great handicap because of the country-wide cement scarcity.

*Surplus Cables—Para 16, pages 79-80—*

65. In 1955, the Electricity Department decided to change over to a new type of cable even though there was a stock worth Rs. 2.48 lakhs purchased during 1951 to 1955 of the type of cable already in use. This decision was taken without the approval of the Corporation and without ascertaining the stock position. The Sindri Fertilizers Chemicals Ltd., which offered to buy a portion of this stock worth Rs. 49,000 in 1958, actually bought after inspection stock worth only Rs. 14,000 and rejected the rest as defective and dilapidated. The balance of the old stock worth Rs. 2.34 lakhs which was formally declared surplus by the Corporation in July, 1959 remained unsold.

66. The Committee were informed in evidence that the decision to change over to the new type of cable (PVC) was taken by the Electricity Department of the Corporation on the consideration that it was technically superior to the old type (VCLC). Unlike the old type, it was not susceptible to damage by under-water submerision or moisture contact, thus reducing the chances of insulation failures in outdoor installations. The new type was also cheaper by about 30-35 per cent. Though the decision was justified both from technical and economic standpoints, the Electricity Department erred in that before placing the orders for the new type, it did not bring the matter to the notice of the Corporation and take their

approval. The Chief Engineer, Electricity Department stated that the value of purchase in this case was within his financial powers. The Corporation, however, felt that though the Chief Engineer had technically not exceeded his financial powers, his placement of orders for the new type when there were already sufficient stocks of old type without the prior approval of the Corporation was not correct.

67. As regards the delay in declaring stocks of old cables as surplus, the witness stated that as usual the new stocks were expected to arrive in about a year and a half after the placement of orders. To meet emergencies that might arise in the meanwhile, sufficient stocks were required to be provided. It was, accordingly, decided to keep old cable for this purpose. Even after the arrival of the new stocks, there was a time lag, for the orders for the new cable had been placed on the basis of specific works to be started, and not on the basis of replacement requirements.

68. The Committee were informed by Audit that the Deputy Chief Engineer (Electrical) had opined that the entire stock of the old cable was unserviceable and treated as scrap. The representative of the Corporation stated that when the above report reached the General Manager, he disagreed with the opinion of the Deputy Chief Engineer and referred the matter to the Chief Engineer (Electrical) who then carried out insulation tests of the entire length (11,500 yds). According to the results of these tests, except for 10 per cent. of the length which had become unserviceable due to ageing, remaining length was serviceable. Even a major portion of the stock returned by the Sindri as defective had, on detailed insulation tests, been found to be serviceable. The witness then stated that as the bulk of the stock was found to be serviceable and the maximum offer received in tenders was only about Rs. 49,000, as against the cost price of Rs. 2,34,000, it was decided to withdraw the surplus and utilise the entire serviceable length in the Corporation's indoor installations where it would not be exposed to bare earth or unfavourable weather.

69. Earlier, in reply to a question, the witness stated that with a view to ascertaining the serviceability of cable stocks, inspections were held from time to time, but these were mere visual inspections. In reply to another question, the witness stated that no part of the cable was declared unserviceable owing to bad storage.

*Collapse of transmission towers during storm—Para 17, page 80—*

70. Seven steel lattice towers of a transmission line which were commissioned in November, 1957 collapsed in May, 1958 as a

result of a storm of a velocity of 40/50 miles per hour. The towers were designed for a maximum wind velocity of 80 m.p.h. and were erected departmentally at a cost of Rs. 93,000 (approx.). In place of the seven collapsed towers, nine towers had to be erected at a cost of Rs. 1,04,929. The Superintending Engineer, Executive Engineer and Assistant Engineer concerned left the Corporation on 8th February 1958, 12th May, 1956 and 6th August 1959 respectively.

A Committee appointed on 23rd May 1958 to investigate the causes ascribed the failure of the towers to: (1) defective foundation work (2) sub-standard quality of concrete and (3) defective design of the concrete foundations.

71. In evidence, the representative of the Corporation stated that the question of taking disciplinary action against the delinquent officials including those who had since left the service of the Corporation would come up before the Corporation at their sitting to be held on the 19th July, 1961. At the same sitting, the findings of the expert committee along with the Chief Engineer (Civil)'s comments thereon would also come up for consideration. The decisions of the Corporation in the matter would be communicated\* to the Committee as early as possible thereafter. Asked why it had taken the Corporation over two years to consider the report of the expert committee, there was no satisfactory reply.

72. The Committee learnt from Audit that besides the 7 towers referred to in the Audit para, 12 other transmission towers were examined by the said expert committee. According to them, the foundations of six of these were found to be honey-combed. The Committee accordingly wanted to know whether pending the decision on the recommendations of the expert committee, any protective measures had been taken by the Corporation to strengthen the foundations of the existing towers. The representative of the Corporation stated that some time back there was a proposal before the Corporation that, as an experimental measure, steel anchorage should be provided at the foot of one tower, and if the experiment proved successful, it should be extended to other towers. The experiment was, however, not carried out as holes had to be drilled in the towers and the excavation work involved was also fairly extensive. The Corporation feared that this measure, instead of strengthening the towers, might be worse than the disease. As regards honey-combing of the concrete in the foundations, he stated that the work having been done under difficult conditions, a certain extent of honey-combing was not surprising. It was, however, not serious.

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\*The Committee were informed in October, 1961 that the question of fixation of responsibility was still under consideration of the Corporation.

In reply to a question, he stated that to prevent this thing happening in case of new works, the extent of inspection had been increased.

73. The Committee then enquired whether with a view to assessing the extent of defects in the designing and construction in the towers in the Corporation's entire transmission system, the Corporation had carried out a random sampling survey. The witness replied in the negative. According to him, there were about 5,000 towers, built by 45-50 gangs of varying composition. This would have required a fairly large number of samples.

74. As regards the disposal of the collapsed towers, the witness stated that the scrap value of these towers was calculated at Rs. 66,000. Out of this, components worth Rs. 5,000 were proposed to be disposed of, and the remaining would be used in the transmission system of the Corporation.

*Loss on account of damage to an electrical equipment—Para 18, page 80—*

75. A 5 MVA Transformer purchased at Rs. 3,01,641 and commissioned on 18-7-1955 at Ramgarh Grid Substation sustained serious damage on 21-1-1959. The disposal of the damaged Transformer was likely to result in a substantial loss.

76. In evidence, the representative of the Corporation stated that the damage to the transformer could be attributed solely to the mistake of the Assistant Controller on duty who, in his nervousness carried out wrong switching operations. According to the witness, though the official concerned had the necessary qualifications, he did not have sufficient experience. Keeping in view the fact that he had been recently promoted, the Corporation demoted him as an operator and felt that his demotion by one grade would suffice. Asked why the said individual was promoted to the job when he did not have the requisite experience, the witness stated that it was due to paucity of trained personnel.

*Financial loss due to unsatisfactory performance of a Clearing Agent—Para 19, pages 80-81—*

77. In January, 1958, a firm of Clearing Agents was appointed for a period of one year from April, 1958 to March, 1959 even though the performance of this firm was found to be unsatisfactory in 1953, and it therefore, had to be replaced before the expiry of the period of the agreement. This firm had again to be replaced in November,

1958 also on account of its unsatisfactory performance which resulted in a loss to the Corporation of Rs. 95,000 on payment of demurrage, wharfage etc.

It was stated by the Corporation that the above amount could not be recovered as the firm had since gone into liquidation on 5th January, 1959 and that the claim would be made when a Court liquidator was appointed. A sum of Rs. 9,000 due to the Agent had been withheld by the Corporation.

78. Explaining the circumstances in which the said firm again came to be appointed as Clearing Agents for the period April, 1958—March, 1959, the representative of the Corporation stated that the other firm which had been acting since 1953 was not prepared to continue to work for the Corporation after the expiry of the existing contract. Even in the normal course, the Corporation would have issued a public notice inviting tenders for the following year. The firm in question was the sole tenderer. The Controller of Purchase and Stores under whose direction clearing was done, informally approached 13 other parties in Calcutta, but none of them was interested in the work. A reference was made to the Customs Department regarding the conduct of this firm. The Corporation were informed that the firm would prove a better party than the outgoing one. Further, this firm had been acting as Clearing Agents to a number of Departments of the Central Government in Calcutta including the Department of the Asstt. Director of Shipping and its performance was reported to be satisfactory. Although its performance had not been previously satisfactory, five years had since elapsed, and at the time of appointment, this firm was considered one of the biggest firms of Clearing Agents in Calcutta.

79. Till August, 1958, the performance of the firm was satisfactory and that during the period April-August, the firm cleared about 3400 tons on behalf of the Corporation with a demurrage of only Rs. 800. Suddenly, in September, 1958, information reached the Corporation that the firm was in a bad way. The demurrage statement for the month of September was not received in the Corporation through the firm. At the end of October, the Corporation approached the Port authorities direct and got the demurrage statement. As the demurrage claim was large, the matter was placed before the Corporation on the 5th November, 1958 who discontinued the services of this firm and appointed on the 8th November another firm.

80. The Committee enquired about the procedure followed by the Corporation for keeping a watch over the work of the Clearing Agents. The witness replied that the Purchase Branch of the Corporation had some departmental agents, part of whose duty was to

keep in touch with the clearing agents, handing over shipping documents and ensuring that the goods were cleared in time. In reply to a question the representative of the Corporation could not say categorically whether the supervision in this case was satisfactory.

81. As regards the demurrage of Rs. 95,000, the witness stated that a part of it might be due to reasons not attributable to the mistake of the Clearing Agents. So far as the recovery of the remaining amount was concerned, he stated that the liquidator had not yet invited claims from the parties. He was, however, not hopeful of recovering any substantial amount.

*Grant of construction allowance to the staff stationed at dam work sites—Para 20—page 81—*

82. Even though some camps were declared to have ceased to be construction camps with effect from 1st July, 1959, construction allowance was sanctioned and paid upto the end of September, 1960, resulting in an avoidable expenditure of Rs. 3.50 lakhs (approx).

83. The explanation of the representative of the Corporation for continuing the construction allowance even after some camps had ceased to be construction camps was that the allowance in question having been drawn by the employees for a number of years, its sudden stoppage might have caused a financial hardship to the employees and consequently resented by them. It was, accordingly, decided on administrative considerations that instead of stopping the allowance all at once, it should be withdrawn by stages.

*Delay in receipt of Corporation's replies to Draft Audit Paragraphs—  
Para 25—pages 83-84—*

84. 48 Draft Paras were issued to the Corporation upto July, 1960 for verification of facts stated therein and for comments, if any. Replies to only 2 draft paras were received within the prescribed time-limit of six weeks. The time taken by the Corporation in replying to the remaining draft paras ranged between 7—29 weeks.

85. In extenuation of the delay in furnishing replies to Audit, the representative of the Corporation stated that in almost all the cases mentioned in the Audit paragraph references had to be made to the engineers in the field. In some of these cases, the replies initially received were not comprehensive. Further details had therefore, to be called for. It was particularly difficult to adhere to the prescribed time-limit in cases relating to old transactions (of

the 48 draft paras, 12 pertained to the years 1952-54). Further as the Corporation's construction work was tapering off, officers were being released, retrenched or transferred to other projects. It took much longer to get hold of the relevant papers and to furnish a reply. In spite of these difficulties, he added, efforts had been made by the Corporation to bring about an improvement.

Intervening, the Secretary, Ministry of Irrigation and Power stated that the Ministry would issue instructions to all formations under them to the effect that when an Audit query was received, full thought should be given to it, and a comprehensive reply furnished as soon as possible.

*Doubtful payment to contractors for cutting and uprooting trees etc.—Para 7, page 75—*

86. The work of cutting trees of above 12" girth and taking out roots and stumps above 12" between chainage 70 to 270 of a canal was entrusted to a contractor in October, 1957. It was originally estimated that the total quantity of the work would be about 6000 rft. involving a payment of Rs. 28,000. The contractor was, however, paid Rs. 1,83,970 on 10th December, 1958 as he was said to have done the work involving 44367 rft. The entire timber, wood and excavated roots collected by the contractor fetched a price of only Rs. 1,410.

87. In evidence, the Committee were informed that payment to the contractor was made on the basis of entries in the measurement book, recorded by the overseer and checked by the Assistant Engineer. According to the Report of the Deputy Secretary of the Corporation who had investigated into the matter, the entries in the measurement book in respect of cutting and uprooting of trees compared favourably with the figures contained in the land acquisition record. As against the land acquisition figure of approximately 20,000 rft. in respect of this item, payment had been made for only 14,740 rft. In respect of the other two items, viz. stumps and bamboo clumps, there were no records in the Land Acquisition Office. Taking all the relevant facts into consideration, the investigating officer had come to the conclusion that there was no justification for holding the view that payment had been made to the contractor for any work not done by him. Asked whether the Corporation had any record to show as to how much quantity was put to auction, the witness replied in the negative.

88. As regards wide variations between the estimates and the actuals, it was stated that before drawing up estimates, no attempt

had been made by the Engineer concerned to count the trees, stumps and bamboo clumps, with the result that his estimates went quite wide off the mark.

*Delay in final settlement of contractors' claims—Para 9—page 76—*

89. Out of about 900 final bills paid to contractors during 1958-59 and 1959-60, about 600 bills were paid after six months from the date of completion of works and 122 bills after two to four years, and one bill after six years. A Committee appointed in 1955 to investigate the causes of the paucity of tenders in the Project, held that delay in settlement of claims was one of such causes.

90. The Committee were informed in evidence that contractors' bills were dealt with in two branches of the Corporation—Divisional Engineer's Office which issued pay orders, and the Accounts Office. There had since been substantial improvement in the Accounts Office. In the Divisional Engineer's Office, however, there had been no improvement yet.

91. The Committee then adjourned to meet at 10 00 hours on Monday, the 10th July, 1961.

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**Proceedings of the Thirty-second sitting of the Public Accounts Committee held on Monday, the 4th December, 1961.**

92. The Committee sat from 14.30 to 17.00 hours.

**PRESENT**

Shri Rohan Lal Chaturvedi—*Chairman\**

**MEMBERS**

2. Shri Aurobindo Ghosal
3. Shri Hem Raj
4. Shri R. S. Kiledar
5. Shri S. A. Matin
6. Dr. G. S. Melkote
7. Dr. N. C. Samantsinhar
8. Pandit Dwarka Nath Tiwary
9. Shri Ramji Verma
10. Dr. Shrimati Seeta Parmanand
11. Shri Lalji Pendse
12. Shri Rajeshwar Prasad Narain Sinha.

Shri G. Swaminathan, *Additional Deputy Comptroller & Auditor General*

**SECRETARIAT**

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

93. The Committee considered and approved, subject to modifications here and there, their draft Thirty-ninth Report on the Audit Report on the Accounts of the Damodar Valley Corporation for the year 1959-60.

94. The Committee authorised Shri Rohan Lal Chaturvedi to sign the Report and to present it to Lok Sabha. They also authorised Shri Rajeshwar Prasad Narain Sinha to lay the Report on the Table of Rajya Sabha.

95. The Committee then adjourned.

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\*During the absence abroad of Shri C. R. Pattabhi Raman, Chairman, Public Accounts Committee, the Speaker has directed Shri Rohan Lal Chaturvedi to look after the duties of the Chairman of the Committee.

## APPENDIX I

### *Summary of Main Conclusions' Recommendations*

Sl. No.	Para No.	Ministry/ Department concerned	Conclusions/Recommendations
1	2	3	4
1	6 (Intro.)	<u>I &amp; P</u> <u>Home Affairs</u> <u>D.V.C.</u> <u>All other Mi-</u> <u>nistries.</u>	<p>While examining the Accounts of the D.V.C., the Public Accounts Committee have from time to time come across cases where disciplinary action could not be taken against the delinquent officials as they had already left the service of the Corporation. The fact of each case disclosed that had timely action been taken immediately after the detection of the relevant irregularities, the officers responsible could not have escaped punishment. In certain cases, officers with questionable record had joined other Public Undertakings. The Committee feel that this state of affairs will affect adversely the standards of efficiency in the Public Undertakings. The Committee, therefore, desire that Government should evolve a suitable procedure to ensure that action against any officer with questionable record or against whom investigations are pending in a Government Deptt/State Undertakings is not delayed. If in any case there is delay, the reasons therefor should be gone into with a view to determining whether there had been any avoidable delay. Officers seeking appointment in a Public Undertaking should be asked to furnish detailed particulars of past service so as to enable the Public Undertaking to verify from/or call for the applicant's previous records from his previous employer(s).</p>
2	7 (Intro.)	<u>I &amp; P</u> <u>D.V.C.]</u>	<p>The Committee came across several other cases of inordinate delays on the part of the administration. They are distressed that</p>

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			such delays should occur in spite of the autonomy vested in the D.V.C. in the interest of efficient administration. They desire that the decisions by the Corporation should be prompt and their implementation expeditious.
3	8	I & P D.V.C.	The Committee regret that though nearly 5 months have elapsed since the Committee desired to be furnished with further information on a number of points, it is still awaited in a number of cases. The delay in the receipt of the information had not only dislocated the work of the Committee but also had compelled them to leave their work incomplete in those cases. The Committee, therefore, desire that the information on points arising out of the evidence before them should be supplied within the prescribed time-limit.
4	9 (Intro.)	Do.	During the course of evidence, the Committee also came across a number of cases in which the actual expenditure on works incurred by the Corporation was far in excess of its original estimates. In none of these cases, the Committee could get a satisfactory explanation. In one case, where the actual expenditure was more than six times the Corporation's estimate in respect of the whole work and more than 51 times in respect of one item thereof, it was admitted by the representative of the Corporation that the Engineer concerned had not taken even elementary steps towards realistic estimate. The Committee take a serious view that in an organisation like the D.V.C., run on commercial lines, the estimates of expenditure should have been conjectural. They desire that the Corporation should impress upon its officers the imperative need to ensure realistic estimates, after taking all relevant factors into account.
5	11	Do.	The imperative need for expeditious settlement of the question of allocation under sections 32-34 of the D.V.C. Act has been emphasised by successive Public Accounts

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			Committees in the past. The Committee regret to note that no progress could be made because of divergent views on the matter. Now that the matter is being referred to arbitration, they would urge that the arbitration proceedings should be speeded up.
6	16	I&P D.V.C.	The Committee are concerned to see that the question of recovery of irrigation dues from the West Bengal Government is drifting into a stalemate. Whatever may be the Constitutional position, the Committee are convinced that a satisfactory solution to this question can only be arrived at on practical considerations. They would in this connection draw attention to para 55 of their 14th Report (1958-59) and urge that the difference between the Corporation and the State Government should be settled without further delay.
7	18	Do.	(i) The Committee would suggest that Liability Registers in the prescribed form be maintained by all the Departments of the Corporation as it will facilitate accurate estimating of expenditure.
	19	Do.	(ii) While the Committee welcome the measures taken by the Corporation to have better financial control, they feel that there is still scope for improvement in this direction. They trust that the Corporation will address itself to this matter as any drawal of funds in excess of requirements will result in unnecessary over-capitalisation of the Project.
8	21	Do.	(i) From the extent of revision, it is obvious that the original estimates regarding canal traffic were conjectural. As the canal has hardly been used for navigational purposes so far, the revision in the estimates of traffic is of no practical significance.
	23	Do.	(ii) In the light of the facts contained in paras 20-22 of the Report the Committee find it difficult to appreciate why the

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			Corporation should have undertaken the construction of the navigational section. In order that this stretch of the canal intended for navigation is put to use, the fifth dam in the valley is under contemplation. This shows how bad the planning has been.
	25	I&P DVC	(iii) In the Committee's opinion the financial considerations call for a speedy review of the situation by the Corporation and the participating Governments. It appears to them that if the Corporation is to avoid losses, there is hardly any alternative but to make early provision for supply of additional water to the canal.
9	26	Do.	(i) The Committee would like to have a further report regarding the cause of the collapse of the regulator and the fixation of responsibility therefor.
	27	Do.	(ii) A note stating the action taken by the Corporation against the contractor for the (a) construction defects in the work done by him and (b) delay of over two years in the completion of the work, is still awaited.
10	30	Do.	The Committee regret to observe that nearly a third of the D.V.C's irrigation potential created at the outlet heads still remains unutilised. Obviously this is a case of lack of proper planning and coordination in collaboration with the participating state Govt. which the Committee deplore. There has been not only shortfall in achieving planned targets, but also failure to utilise built-up targets, thus indicating disregard for the basic principles of planning. They are glad to note that the Planning Commission have laid due emphasis on the execution of field channels. They trust that high priority will be assigned to this work during the Third Plan and hope that effective measures to ensure fuller utilisation of the created irrigation capacity will be taken without any further delay.

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11	33	I&P DVC	(i) The Committee find it difficult to accept the explanation of the Corporation for the location of the present lock at chainage 2270.
	34	Do.	(ii) In reply to a question why the local opinion was not ascertained at the time of drawing up the original proposal, the representative of the Corporation stated that the expansion of the home-stead area took place between the drawing up of the original plan and the construction of the lock in 1954. He, however, promised to check this up and submit a further report to the Committee which is still awaited.
	35	Do.	(iii) A note stating as to what was the additional cost to the Corporation by the construction of the alternative irrigation canals, is also awaited.
12	38	Do.	The Committee find it difficult to accept the explanation that technically, there was not defect in the design which would have been adequate for normal floods. According to the Corporation's own admission, the floods of September, 1956, though abnormal, were not the highest known, and had been preceded by similar floods in the past. If so, the Committee do not see why the adueduct was designed to withstand "normal floods" ignoring the available data regarding previous floods. The Committee trust that the Corporation will in future ensure that designs besides conforming to standards, will take into account the available data and local conditions with a view to providing adequate reinforcement, wherever necessary.
13	43	Do.	(i) The Committee are not convinced by the explanation given by the Corporation for not following the usual procedure in the case of the tender from Messrs. MAN, while doing so in the case of the lowest tender. It is unfortunate that the Corporation had not followed the same procedure in the case of the two tenders.

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			They deplore that having secured the services of the Consulting Engineers at a cost of Rs. 42 lakhs, the Corporation should have failed to utilise fully their expertise in the selection of a tender for designing and manufacturing complicated machinery like the turbo-generators.
	44	I&P D.V.C.	(ii) The Committee would like to be informed of the extent of penalty imposed on M/s. MAN for delay in commissioning the turbo-generators.
14	46	Do.	(i) The Committee wonder how the Consulting Engineers could disown responsibility for defects in construction carried out under their supervision. They would like to be informed of further developments of the case.
	47	Do.	(ii) The Committee feel that the unanimous opinion of the experts that the repairs carried out by the Corporation had in no way weakened the strength of the foundations and that it would never be a cause of malfunctioning of the plant should be brought to the notice of the suppliers.
15	49	Do.	(i) The Committee trust that suitable instructions will be issued by the Corporation to ensure that cases of the type mentioned in para 16 of Audit Report, 1959-60 do not recur.
	51	Do.	The Committee would urge that the Corporation should take all precautions to guard against hasty discard of stores on the basis of visual inspections only as any loss in disposal will go to inflate the cost of the project unnecessarily.
16	53	Do.	(i) The Committee would like to be apprised of the action taken by the Corporation on the Inquiry Committee's report (including the disciplinary action taken against the delinquent officers).

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55	I&P DVC	(ii) The Committee are disturbed to learn that the Corporation has not taken a final decision on the Report of the Enquiry Committee, although more than two years have elapsed. The fact that six more towers were found to have defective foundations by the enquiry committee indicates how widespread the defects are. The Committee deplore that the Corporation has not instituted a survey of all the towers to assess the extent of defective designing and construction with a view to taking steps to strengthen the towers wherever necessary.	
17	58	Do.	(i) In evidence, the Committee enquired about the performance of other contractors doing work of a similar nature and magnitude (including those with whom negotiations were conducted). This information is still waited. The Committee would defer their comments till the information is received from the Corporation.
	60	Do.	(ii) The Committee are not convinced by the explanation of the Corporation contained in para 59 of the Report. They would like to point out that, in the present case, at the time of negotiating rates the work was split up into two, while it was treated as one when open tenders were invited earlier. This and the fact that widely differing rates were accepted for the two segments of the work, create the impression that in this case the Corporation had not acted in the best interests of the Project.
18	63	Do.	The Committee are glad to be assured that no payment had been made to the contractor for any work not actually done by him. They would, however, like to draw attention to the fact that the actual expenditure on this item of work was more than 6 times the estimate prepared by the Engineer concerned and more than 51 times in respect of one

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			<p>item thereof, <i>viz.</i> uprooting of stumps. They are surprised to hear that not only did he fail to consult the record of trees available in the Land Acquisition Department but he did not even count on the spot the number of trees, stumps and bamboo clumps to be uprooted. They do not also appreciate why disciplinary action had not been taken against the Engineer in question. In their opinion, action is called for against him for his carelessness in preparing the estimates in this case.</p>
19	66	<p>I&amp;P  <hr/> DVC</p>	<p>The Committee are concerned at the extent of delay in the settlement of contractors' claims. They are informed that a committee appointed in 1955 to investigate the causes for the paucity of tenders for works in the Project had held that the delay in settlement of contractors' claims was one of the causes. The Committee feel that with paucity of contractors' advantages of competitive tender will be lost which in turn will lead to higher rates for work. The Corporation will therefore do well to see that bills for contractors are settled without unnecessary delay.</p>
20	69	Do.	<p>(i) The Committee are not convinced by the explanation of the Corporation for not asking the outgoing firm to continue at the rates quoted by the sole tenderer. They feel that as the performance of the sole tenderer had previously been unsatisfactory and the rates quoted by him were much higher than those paid to the outgoing firm, it was but proper that further negotiations should have been carried out with the outgoing firm to ascertain whether it was willing to continue at the enhanced rates. This unfortunately, was not done, and the contract was awarded to a firm whose past performance in their service had been unsatisfactory.</p>

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71	I&P DVC	(ii) In the opinion of the Committee, the Purchase Branch of the Corporation had not performed its duties satisfactorily in this case. With the knowledge of the past performance of this firm, the said Branch should have kept a close watch over its work from the beginning. Had this been done, by timely action in September, 1958 the demurrage charges could have been far less.	
72	Do.	(iii) The Committee note that a claim will be presented when the liquidator of the firm calls for the same. They would like to have a further report in the matter in due course.	
21	75	Do.	While the Committee appreciate the difficulties inherent in adhering to the prescribed time-limit, they take a serious view of delays in furnishing replies to Audit paras as they in turn delay the presentation of the Audit Report to Parliament and consideration by the Committee. In their opinion, it should be possible to adhere to the time-limit. The Corporation may apprise Audit of difficulties, if any.
22	78	Do.	(i) The Committee consider the position regarding disposal of supply stocks unsatisfactory. In their opinion, the matter requires more serious attention if the Project is to be saved of unnecessary losses. They trust that effective steps will be taken to accelerate the rate of disposal.
	79	Do.	(ii) The Committee regret to observe that in the matter of recovery of the sale proceeds also, there is default on the part of the Corporation. They desire that the recovery should be expedited.
23	81	Do.	(i) The Committee regret to note that not only the basic schedule hours were calculated unrealistically but also the average

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			number of machines likely to be continuously out of field for repairs, breakdowns, overhauls, etc. not determined properly, with the result that the cost percentage of idle operators' hours was as high as 19% and 20% for the years 1957-58 and 1958-59 respectively, even after making due allowance for 10% Reserve Operators' hours. They trust that the Corporation will aim at greater accuracy in determining outage of its second-hand machines so that the cost percentage of idle operators hours is reduced to the barest minimum.
	82	I&P ----- CWPC	(ii) The Committee also observe that although monthly statistics of operation by groups of machines were furnished to the CWPC in 1954, no communication had yet been received from the Commission to indicate that the performance of Panchet did not compare well with other projects in the country. They desire that the matter should be looked into by the CWPC.
24	84	I&P ----- DVC	The Committee would like to be informed of the progress made in the recovery from the Consulting Engineers of the extra cost due to inferior quality of concrete work in the Turbo-Generator foundation done under their supervision.
25	87	Do.	It is obvious from the facts of the case that after the suit had been filed in January 1954, no track was kept thereof by the Corporation (Head Office). The Committee trust that the Corporation will take steps to see that follow-up action is taken promptly in respect of pending suits so as to avoid such losses to the Corporation by default.
26	89	Do.	The Committee regret to observe that the constitution of the Manpower Committee appointed by the Corporation was not in accordance with their recommendation. They trust that Government will examine this matter as over-staffing will adversely affect the Project costs.

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27	92	I&P DVC	The Committee deplore the manner the case had been handled by the Corporation. They are amazed that a period of about 5 years should have been taken in coming to a decision regarding the mode of transport of the 'Heron' from Calcutta to Durgapur. Likewise, the plea of ignorance advanced by the Corporation for its failure to buy toll tickets hardly does any credit to the Corporation, an organisation run on commercial lines.
28	94	Do.	In the face of the facts given in para 93 of the Report the plea of urgency is hardly tenable. The Committee feel that in permitting the contractor to commence work without prior execution of the agreement, the Executive Engineer concerned had gravely erred for which stern action is called for.

Agency No.	Name and Address of the Agent	Agency No.	Name and Address of the Agent	Agency No.	Name and Address of the Agent
54.	C. V. Venkataschala Iyer, Near Railway Station, Chalakudi (S.I.).	68.	Oxford Book & Stationery Co., Scindia House, Connaught Place, New Delhi.	82.	Firma K.L. Mukhopadhyay, 6/1A, Benchharam Akkur Lane, Calcutta-12.
55.	The Chindambaram Provision Stores, Chindambaram.	69.	Makkala Pustaka Press, Balamandira, Gandhinagar, Bangalore-9.	83.	Freeland Publications (P) Ltd., 11-A/16, Lajpat Nagar, New Delhi-14.
56.	K. M. Agarwal & Sons, Railway Book Stall, Udaipur (Rajasthan).	70.	Gandhi Samriti Trust, Bhavnagar.	4.	Goel Traders, 100-C, New Mandi, Muzaffarnagar (U.P.).
57.	The Swadesamitran Ltd., Mount Road, Madras-2.	71.	People's Book House, Opposite Jaganmohan Palace, Mysore-1.	85.	Mehra Brothers, 50-G, Kalkaji, New Delhi-19.
58.	The Imperial Publishing Co., 3, Faiz Bazar, Daryaganj, Delhi-6.	72.	'JAGRITI', Bhagalpur-2 (Bihar).	86.	The Krishna Book Depot, Publishers Booksellers, Stationers & News Agents, Main Bazar, Pathankot, (E.P.).
59.	The High Commission of India Establishment Department, Aldwych, London, W. T.-2.	73.	The New Book Company (P) Ltd., Kitab Mahal, 188-90, Dr. Dadabhai Naoroji Road, Bombay.	87.	Dhanwantra Medical & Law Book House, 1522, Lajpat Rai Market, Delhi-6.
60.	Current Book Stores, Maruti Lane, Raghunath Dada Street, Bombay-1.	74.	The English Book Depot, 78, Jhoke Road, Ferozepore Cantt.	88.	The United Book Agency, 48, Amritkaur Market, Paharganj, New Delhi.
61.	International Consultants Corporation, 48C, Marredpally (East), Secunderabad-3 (A.P.).	75.	Minerva Book Shop, 9, Jor Bagh Market, New Delhi-3.	89.	Pervaje's Book House, Book Sellers & News Agents, Koppikar Road Hubli.
62.	K.G. Aseervandam and Sons, Cloughpet, P.O. Ongoli, Guntur Distt. (Andhra.).	76.	People's Publishing House, Rani Jhansi Road, New Delhi-1.	90.	B. S. Jain & Co., 71 Abupura, Muzaffarnagar (U.P.).
63.	The New Order Book Co., Ellis Bridge, Ahmedabad.	77.	Shri N. Chaoba Singh, Newspaper Agent, Ramlal Paul High School Annex, Imphal, Manipur.	91.	Swadeshi Vastu Bhandar Booksellers, Jamnagar.
64.	The Triveni Publishers, Masulipatanam.	78.	Minerva Book Shop, The Mall, Simla-1.	92.	Bhogilal L. Fanna, Book stall Contractor, Railway Junction, Rajkot.
65.	Deccan Book Stall, Ferguson College Road, Poona-4.	79.	Universal Book Company, 20, Mahatma Gandhi Marg, Allahabad.	93.	Sikh Publishing House (P) Ltd., 7-C, Connaught Place, New Delhi.
66.	Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi-5.	80.	Madhya Pradesh Book Centre, 41, Ahilya Pura, Indore City (M.P.).		
67.	Bookland, 663, Madar Gate, Ajmer (Rajasthan)	81.	Mittal & Co., 85-C, New Mandi, Muzaffarnagar (U.P.)		

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